November 11, 2026

To, **BSE Limited,** **Phiroze Jeejeebhoy Towers, Dalal Street,** **Mumbai- 400001** **Scrip Code: 544044**	**To,** **National Stock Exchange of India Limited,** **Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E),** **Mumbai – 400 051** **NSE Symbol: INDIASHLTR**

Subject: Transcripts of the Earnings Conference Call on the Unaudited Financial Results 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 herewith the transcripts of the Earnings Conference Call on the Unaudited Financial Results for the quarter and half-year ended September 30, 2026, held on November 06, 2026. The same have also been made available on the website of the Company.

The transcripts can be accessed at the following link:

https://www.indiashelter.in/investor-relations

We request you to kindly take the information on your record

Thanking you,
Yours faithfully,

For India Shelter Finance Corporation Limited

MUKTI CHAPLOT
Digitally signed by MUKTI CHAPLOT
Date: 2026.11.11 15:28:54 +05'30'

Mukti Chaplot
Company Secretary and Compliance Officer
M. No.: 38326

“India Shelter Finance Corporation Limited Q2FY27 Earnings Conference Call”

November 06, 2026

MANAGEMENT: **MR. RUPINDER SINGH – MD & CEO**
MR. ASHISH GUPTA – CFO
MR. RAHUL RAJAGOPALAN – HEAD, INVESTOR RELATIONS

This is a transcription of the earnings call conducted on 6th November 2026. The audio recording can be accessed using the following link, https://www.indiashelter.in/investor-relations

DISCLAIMER:

Transcript may contain transcription errors. The transcript has been edited for clarity, readability, etc. The Company takes no responsibility of such errors, although an effort has been made to ensure high level of accuracy. In case of discrepancy, the audio recording will prevail.

Moderator: Ladies and gentlemen, good day, and welcome to India Shelter Q2 FY27 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Renish Bhuva from ICICI Securities Limited. Thank you, and over to you, sir.

Renish Bhuva: Yes. Thank you. Good morning, everyone, and welcome to India Shelter Q2 FY27 Earnings Call. On behalf of ICICI Securities, I would like to thank India Shelter management team for giving us the opportunity to host this call.

Today, we have with us the entire management team of India Shelter presented by Mr. Rupinder Singh, MD and CEO; Mr. Ashish Gupta, CFO; and Mr. Rahul Rajagopalan, Head of Investor Relation. I will now hand over the call to Rupinder ji for his opening remarks and then we open the call for Q&A. Over to you, sir.

Rupinder Singh: Thank you. Good morning, everyone. On behalf of the company, I extend a warm welcome to all of you. Thank you for joining us on the call today.

Coming to this quarter's highlights, I'm pleased to share that India Shelter has delivered another good quarter of profitable and quality led growth. During the quarter, we continued to see healthy demand in the affordable housing segment, along with good improvement in productivity. Gross AUM has reached Rs. 11,997 crores, a normalized growth of 26% year-on-year, and we remain well on track to achieve our FY30 Gross AUM target of Rs. 30,000 crores. Disbursement picked up well during the quarter to Rs. 1,126 crores, a growth of 21% year-on-year, and we are seeing this momentum continue into the second half.

In terms of profitability, we have sequentially delivered more than 17% of RoE for the last 6 consecutive quarters, despite the leverage of 3 times which gives us significant headroom for growth. Our PAT for H1 grew 20% year-on-year, and operational PAT normalizing for lower DA during the period grew to 28% year-on-year. Our net worth now stands at Rs. 3,401 crores.

Moving on to asset quality and collections. Our collection efficiency improved to 98% from 97% last quarter, with Stage 3 and 30 plus being stable at 1.5% and 5.2%. We are seeing a good progress on collections and expect legal actions to start yielding results as we enter into second half of the year.

As we continue to build an organization with a tech-driven approach, we are calibrating our processes using digital first and AI tools to improve productivity and efficiencies. Technology has always been a part of our DNA; we were amongst early lenders to adopt Salesforce way back in 2012. To strengthen these initiatives of engineering and AI, we have recently hired senior

resources from leading tech focused companies. As I mentioned on previous calls, we have embarked on our digital sourcing journey, and I'm happy to share that the disbursement through digital sourcing have grown from 4% in Q2FY26 to 7% in Q2FY27. We plan to scale this up significantly in the coming quarters.

Lastly, on the overall sectoral outlook, affordable housing in India continues to gain momentum, supported by urbanization, rising incomes and government programs like Pradhan Mantri Awas Yojana. With our distribution reach, underwriting experience and growing digital capabilities, we believe we are well positioned to build a large, sustainable business in this segment in coming years.

Given the progress we have made in H1, we remain confident of delivering on our FY27 guidance, which I would like to reiterate:

- Branch addition of 40-45 for this year.
- Maintaining spreads of more than 6% in the medium term.
- Credit cost of 40 bps to 50 bps.
- Gross AUM growth of around 25% to 30%.

Now, I would like to hand over the call to Ashish Gupta, CFO, to take you through the financial metrics. Ashish ji, over to you.

Ashish Gupta: Thanks, Rupinder ji. Good morning, friends. Let me take you through key financial numbers. During the quarter, we have delivered strong disbursement number of Rs. 1,126 crores, higher by 21% year-on-year basis. If you look at quarter-on-quarter basis, disbursement is up by 8%, business clearance. Our gross managed assets as of September '26 is Rs. 11,997 crores. Year-on-year growth in Gross AUM is 27%, adjusted of impact of transition made disbursement booking in Q1.

Our portfolio yield is 14.8% stable quarter-on-quarter basis. Our H1 disbursement yield is at par with our portfolio yield. Our finance cost is 8.2% stable quarter-on-quarter basis. Our H1FY27 marginal cost is 8.1% lower than our bucket cost of funds. Our borrowing profile continues to be diversified with more than 30 counterparties. Share of NHB funding is stable at 14%, average borrowing tenure is more than 8 years, which is co-terminus with our behavioral tenure of loans.

On liquidity side, we are comfortably placed with liquidity of more than Rs. 700 crores and undraw sanction of more than Rs. 1,400 crores. Our ALM is positive across all the buckets. If you look at our net interest margin, it is stable above 9%. In absolute terms, NIM for the quarter is up by 27% on the back of growth in Gross AUM, and 20 bps improvement in the spread year-on-year basis.

Coming to Opex. Our opex to AUM for the quarter is stable at 4%. Cost to income for the quarter is stable around 36%.

On asset quality side, our collection efficiency is back to 98% against 97% in previous quarter. 30-plus and GNPA as stable quarter-on-quarter at 5.2% and 1.5%, respectively. In terms of credit costs, we are confident to stay within our guided credit cost of 0.5% on a full year basis as recoveries are expected to gain momentum in H2. PCR for Stage 3 is stable at 25%. Our total ECL is Rs. 97 crores against the regulatory threshold of Rs. 57 crores.

BT out rate for the quarter is around 4%, down by 40 bps year-on-year. This is stable quarter-on-quarter. Our focus driven approach of customer retention is helping us to contain BT out.

PAT for the quarter is Rs. 146 crores year-on-year by 19%. If we exclude the impact of direct assignment transition, PAT growth for the quarter is 25%, driven by higher volumes and margins. ROA for the quarter is 5.7% at a leverage of 3.1 times. ROE for the quarter is 17.3%, up by 30 bps year-on-year. ROE without considering direct assignment is about 16%.

With this, I conclude, and now we can open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question comes from the line of Kunal Shah from Citigroup. Please go ahead.

Kunal Shah: Yes. Hi, sir. So, Diwali greetings to the entire senior management team. So firstly, on overall credit cost this quarter as well, even though GS2, GS3 is quite stable, in fact, GS2 is still down. We have seen some increase in the overall credit cost and that appears to be more of a write-off. So, after having delivered almost like 55-odd basis points of credit cost in H1, we are still talking about 45-odd basis points for the full year. So that will really require us to pull it down to almost 30, 35 basis points for the second half. So how confident we would be in terms of achieving that number? And what would drive it in terms of like how much can we pull back the 30 plus as well as GS3 by end this fiscal year?

Ashish Gupta: Yes. So, if you look at our credit cost, for H1 it is at about 60 basis points. So, there is a factor generally a seasonality wherein H1 remains slightly higher in terms of the overall credit cost and H2 remains favorable in terms of credit cost. And you're right in terms of your observation; there was a scheduled write-off of about Rs. 6 crores, which was there in Q2 that we have taken as for the policy of the company, wherein we write off all accounts which are over for more than 2 years. This is more of a timing-related matter. And we feel that H2 will be much better, and we will remain within our guided range of 0.5% for the whole year. And further, if you see we have transitioned to disbursements at clearance that has impacted our denominator by about Rs. 350-400 crores, which has also impacted the optically slightly higher credit cost this quarter.

Kunal Shah: Sorry, Rs. 300-350 crores of?

Ashish Gupta: If you remember, in Q1, we have transitioned our disbursement booking basis clearances which has resulted into reversal of disbursement of about Rs. 350-400 crores. That has impacted the overall Gross AUM number as well. So, denominator for the credit cost is slightly smaller.

Rupinder Singh: For the financial year, we have to look at it on an overall basis, which should be the range bound of 40-50 bps which is what we are expecting.

Kunal Shah: Okay. So, 50 basis points would be the full year guidance that's what we are suggesting or maybe it will be like still lower in the second half, sorry, I missed that. Maybe earlier, you mentioned 45, but then I think you mentioned like 50-odd. So what is the guidance for the full year?

Rupinder Singh: So we always mention 40 to 50 bps. I think this year it is going to be 50 bps.

Kunal Shah: Okay. Got it. And then getting on to the overall margin profile or maybe spreads as well. So, yields have been broadly stable. The cost of funds also relatively stable, spreads stable. But in this rising interest rate environment now, how should we see the liability repricing over period? And any call which we would have taken in terms of the raising the lending rates in any of these segments, yes?

Ashish Gupta: If you look at our marginal cost, our recent borrowings are happening around 8.2%. Like on an average, wherein our blended cost of fund is also at a similar range. So, while historically, if you look at the trend of last 5, 7 years, we have always seen that whenever the repo rate goes up or down, we see about 40% transmission thereof in terms of our cost of funds. So, if the repo rate will go from here, so we will see some impact on the cost of fund. But there are multiple levers, which can offset the impact of this change in cost of fund.

One is like rating upgrade. Our rating upgrade is scheduled like in another couple of quarters. Once that rating upgrade will come in, that will help us to bring down costs by about 15, 20 basis points from here.

Secondly, our new disbursement will generally constitute about 30%, 35% of the total Gross AUM. That we can always reprice. In this affordable business, we have a significant pricing power. We can pass on the incremental change in the cost of fund on the new disbursement.

Further, over the last 4, 5 years, we have started disbursement in variable rate product and semi variable rate product. So now 53% of our portfolio is comprised of variable and semi variable rate product, wherein we have opportunity to pass on some cost impact to the customer as well.

So collectively, there may be some effect on the cost of fund, but we don't see much impact on the overall margins or the spreads that we have. So, we will be able to try and contain the impact on margins. So, on an overall basis, we will remain well above 6% spread that we have guided in the medium term.

Kunal Shah: Sure. Sir, even on this 45% bank borrowings, even post the repo, we have not seen any repricing and our overall incremental cost of borrowing is still at 8.2?

Ashish Gupta: If you look at over the last few quarters, we were anticipating this particular cycle, and we were borrowing more at fixed rate. So even if you see in the Q2 itself, we have borrowed about 35%, 36% of our borrowing at fixed rate. So now if you'll see collectively 20% of our borrowings on

an overall basis are at fixed rate around 25%, 30% of the borrowings are linked to market rate like repo rate or T-bills. And then remaining 50% of the borrowings are link to MCLR, where in again, significant portion is linked to 1 year MCLR or the PLR of the NHB, wherein the transmission remains limited. So, looking at the overall borrowing profile, we see that there may be some impact, but it will not be a complete pass-through. So, 35% to 40% impact will come in our medium term as the repo rate will go.

Kunal Shah: Got it. Perfect. Yes. That answers all the questions. Thank you and all the best.

Moderator: Thank you. The next question comes from the line of Nischint from Kotak Securities. Please go ahead.

Nischint: Hi. Just a couple of questions. First, data keeping one. You said that 53% of the portfolio is variable and semi-variable rates. Can you split the 2 in terms of how much is variable, how much is semi variable? If you really need to sort of push a rate hike in the 3 months, what proportion of portfolio can you really reprice?

Ashish Gupta: About 15% of our total portfolio is at variable rate and remaining, you can say about 38% is at semi-variable rate. So semi-variable rate portfolio will start getting into variable bucket starting from Q4 this financial year. So, we don't see any immediate repricing on our cost of fund and our portfolio. So probably once our cost of fund will see some impact of this rate transition, we will start passing of the impact to the customers. But that will have a quarter lag from here.

Nischint: As I understand, from 4Q onwards, which is, let's say, from Jan or Feb, March onwards, this 38% will start getting into a floating benchmark

Ashish Gupta: Gradually.

Nischint: Gradually, over a period of time. And how long is this? I mean is like over a 2-3-year period that it gets set?

Ashish Gupta: It's a 3-year fixed rate product wherein after 3 years, it starts getting becoming variable. So, you can break it down this 38% over a 3-year kind of tenure. So, every quarter, you can keep, I think, 4% to 5% in your variable rate bucket.

Nischint: Okay. If I look at the disbursement growth, and I'm looking at the entire first half bucket, there is, I think, almost flat to maybe 2% decline. Now very ideally the change in disbursement recognition norm was done in the first quarter. So, it should have ideally normalized by now, right? Or do you think there is a tail to it?

Rupinder Singh: I think if you see Quarter 2, typically, we have the highest ever disbursement in our history. Disbursement for entire quarter is much better than even Jan, Feb & March, which normally was not a precedent earlier. So, I think by the end of this financial year, you will find the normalization happening around. Overall disbursement for the financial year will be again in the tune of 20% or above and Gross AUM growth, we can expect anything between 25% to 27%.

We have to look forward as a holistic picture on that side. So, Rs. 1,126 crores of disbursement has been ever highest. Now the next prerogative is how to make our H2 even better.

Nischint: What you're saying is that basically, this should catch up and I mean, if you have lost around Rs. 350 crores of AUM, that is also something which would just accelerate or catch up in the second half?

Rupinder Singh: So when you see the financial year closure number, the overall disbursement number would be in tune of 20%, and overall Gross AUM would be in tune of 25% to 27% as we progress.

Nischint: Okay. Got it. Just your commentary on two aspects. One is insurance fees. And how do you sort of look at it, what are your plans? And the second one is also concerns of droughts and impact of uneven monsoons in Maharashtra and some other regions that you may be operating?

Ashish Gupta: On the IRDA side, we have got the draft regulations from the IRDA at this point of time. There will be some impact on the overall non-interest income, if the circular get implemented as such. But we have multiple levers to offset that particular impact. So which lever and how much to pull it, we can decide it once we have the final circular in place. But we don't see much impact of the IRDA circular on the overall profitability.

Rupinder Singh: We are in a bucket size of some Rs. 10-11 lakh of ticket size which are purely affordable and which are self-employed customer largely instead of prime salaried customer. There is, again, passing in terms of slight increase into fees or maybe some passing to rate is still possible, then compared to the rest of the product basket. So, we have to just iterate it as things fall at the right place at the right time. So, let's see how the final circular comes, I think the impact would not be that much what people are anticipating.

On the drought side, most of our customers are in Tier 2, Tier 3 markets and they are self-employed customer. They may have an agri background particularly. But we have never considered their Agri income while considering the FOIR or while giving the loan. So yes, we have to have a caution around how the things are changing in market due to drought. But directly on the customer, I think this doesn't look a clear indication around that piece. Being a self-employed customer, which is 75% to 80% of our portfolio.

Nischint: And are you seeing any stress or weakness in collections in maybe October or late September or any part of the portfolio?

Rupinder Singh: Our data center team is working very closely to understand the minute of the probalities where the impact can come up. So, we are working around 8,000 of pin codes. Out of that, some 750 pin codes have been identified, where we have tweaked our underwriting models and also created a cautionary environment. So those things we have anyway done it. And it is across the region and zone, instead of talking about one particular geography. So, we are going a little more micro and we are working towards that. So that remains very well intact and focused on.

Nischint: Got it. And just one last question, if I can squeeze in. That is actually on your expense ratios. If I look at your cost to AUM ratio there has generally been, I think, consistent improvement over the last few years. But if I look at the first half of this year, it looks like the ratio is either going to increase or probably plateau out this year? How should we think about it?

Ashish Gupta: So, over the last 2 quarters, we have been investing on digital solutions, tech initiatives and collections. So, we'll start seeing the impact of the same on our efficiency and productivity in the next few quarters. As always, investment comes first and the benefit starts appearing with a lag. So, we hope that like coming quarters will be much better with the productivity improvement.

Nischint: But this year, do you think that the opex AUM ratio will improve? Or will it kind of maybe chop a bit because of these investments?

Ashish Gupta: We are continuing with our guidance that probably we will see Opex to Gross AUM improving by about 15 basis points this year as well year-on-year basis.

Nischint: Okay. In the first half, it's kind of gone up so you are expecting a drastic to pull back in the second half.

Ashish Gupta: Exactly.

Nischint: Thank you.

Moderator: Thank you. The next question comes from the line of Akhil Gulecha from Hornbill Capital. Please go ahead.

Akhil Gulecha: Hello, and good morning to the whole team. My first question is on the branch opening. So, you guided for around 40 to 50 new branches this year. And you opened 0 branches in Q1 and only 5 branches in Q2. So, can you just clarify where does your stand now? Are you still on track to open 40 to 50 branches this year? And why were there only 5 branches opened in H1?

Rupinder Singh: So last year if you see most of our branches were opened in H1, and we opened 8 branches in H2. So now those branches which were opened in H1 they have reached to the level that now we can take a punt on the rest of the branch opening mechanism. So, this year, in the first quarter, we have not opened any branches as we were doing tweaks in terms of changing disbursement booking mechanism. And in quarter 2, we have opened around 8 branches. So, as we move in this rest H2, there you can expect the branches opening and reaching the same level of 40, 45 branches that we have planned and given an indication also.

Akhil Gulecha: Got it. And secondly, I'm sorry if I missed this part. You said the PAT would have been 28% growth if you normalize for lower DA. So, what is this normalization. Can you just explain it, please?

Ashish Gupta: As per the IND AS, whenever we do a DA transaction, we do some upfronting of the future interest income that is going to accrue on the transaction. So, like last year, we have done slightly higher direct assignment transactions and this year, the volume is relatively smaller. So, if we normalize the impact of direct assignment transaction, we have given the computation as well in our factsheet, you can have a look at that the same. If we normalize that, the overall profitability growth is about 28% for the half year.

Akhil Gulecha: So, when you have given your overall yearly PAT growth guidance, that includes this normalization, right? So, it's not that you are going to have 20%, 30% of yearly PAT growth without the normalization.

Ashish Gupta: So, we have given our guidance, including direct assignment transactions. So as direct assignment transactions are a mode of diversification on the borrowing side. So, in the H1, the volumes was relatively lower. In case we see some improvement in the direct assignment transaction, we will be on track to achieve our overall profitability growth of around 25%.

Akhil Gulecha: Got it. And just lastly, will we see a strong reduction in Q3 in your stage 3 numbers? How are things on the ground at this moment?

Rupinder Singh: I think H2 is always better than H1. This has been the history for every institution when you talk about financial services and \we are working towards that. First quarter, first half, we have also increased the team size and structure in the first quarter and in H2 we start expecting delivery around that side. So, we are hopeful that these things will start improving sooner than later.

Akhil Gulecha: Got it. Thank you so much and best of luck.

Moderator: Thank you. The next question comes from the line of Yashraj from Nomura Holdings. Please go ahead.

Yashraj: Sorry, I might have missed this earlier. I know you mentioned that there is some exposure to Agri business. Just wanted to understand if you could repeat on that part, how much of our LAP is Agri related. And secondly, if you could just come back again on how much of the exposure we have on drought districts?

Rupinder Singh: Since you joined late, I think the answer was a little different what you were expecting. What we said that our exposure is on large on self-employed customers, which contributes around 80% of our total customer acquisition. These self-employed customers may have a income from Agri, but we never consider the Agri income, and they largely depend upon the income where they are generating some of their business or the employment through which they are making earnings not from the agri-based basically income, which we have not included when we are doing the FOIR calculation. So, though we have been operating in Tier 2/3 market, but the focus remains for the self-employed customer, that's the focus.

Yashraj: Okay. Understood. And any stress currently we see in the drought exposed, not currently on the ground, right?

Rupinder Singh: We are very closely watching the market, how the things are happening and whatever we can do best to fortify we keep doing it and we are quite hopeful that H2 is actually going to be better than H1.

Yashraj: Thank you.

Moderator: Thank you. The next question comes from the line of Mayank Mistry from Antique Stockbroking. Please go ahead.

Mayank Mistry: Sir, just 2 questions. One is on the ATS side. I understand the reporting has changed and we are split of average ticket size less than INR 15 lakhs and INR 10 lakhs to INR 20 lakhs and then INR 22 lakhs and more than INR 25 lakhs ticket size that you have displayed on any of ATS slide number 17. So, you have changed these two numbers of loans against earlier you used to report it on a disbursed cases on the sanctions. So, I just want to understand there is a significant difference over there from 73% earlier to now it is 88% for the less than INR15 lakh size. So, I just want to understand is there any specific demographic change happening on the street or in your strategy? That's one.

And secondly, on the rating side, do we have any further update on that side on any discussion with the credit rating agencies?

Rupinder Singh: We continue to have this average ticket size of Rs. 10-11 lakhs. In fact, it has slightly inched up to Rs. 11 lakhs because when you tighten the norms, the lower ticket size disbursements curtail to certain level. That is one piece. So, there is no much change if you see. But what you mentioned that 73% is now 88%. That is not the correct fact. The number remains around 88%. Earlier it may be 89%, this may be 88% today. So, there is no much change around that piece, those numbers and that quantity remains same around that side particularly.

Ashish Gupta: And the previous disclosure that you were referring is anyway available in the fact sheet. So, you can refer that for your reference.

So, on the credit rating side, we are engaging with our rating agencies. So, with the overall macro environment, they were a bit cautious. So, we hope that they will take up our proposition for a rating upgrade. And we expect that they may consider it favorably in a quarter or so.

Mayank Mistry: Okay. That's all from my side.

Moderator: Thank you. The next question comes from the line of Darshan Deora from Indvest Group. Please go ahead.

Darshan Deora: So, my question was on October disbursements. Can you give us some indication on how it was October? What was the amount disbursement that we did?

Rupinder Singh: I think quarter 3 have to be better than quarter 2. That is the way the team has been aligned and they're focusing on that side. This will give us some idea which direction we are going in, giving

numbers of October, I think, would be not that exact number. But yes, quarter 3 is going to be better than quarter 2, exact number is yet to come. But looking at it historically Q3 is always better in terms of growth when compared to Q2.

Darshan Deora: Do we have any quantitative targets for disbursement for the entire year?

Management: I think we always keep mentioning that this year, you can expect the AUM growth of 26% to 27%. This is a range bound for the year. You can easily calculate and that can come around that number around which you are looking forward. So instead of giving up openly a quantitative target will be a little more aggressive on that side. If you see the last 4 years, 5 years with a track record of company also even after the listing, H2 has always been a bigger number when we compare to the H1.

Darshan Deora: Thank you and good luck

Moderator: Thank you. The next question comes from the line of Nidhesh Jain from Investec. Please go ahead.

Nidhesh Jain: Sir, on the stress that we are seeing, your credit cost has increased Y-o-Y. So, is there any customer segment or a geography which is showing this stuff?

Rupinder Singh: So, less than Rs. 8 lakhs definitely have a stress that we mentioned during the last call also. And for that, we have put a certain guardrail purposely. And we identified not a specific geography alone, but across country, wherever we find a certain pin code, because we want to go a little more micro about to address this issue particularly. So, we have tweaked the underwriting model there and the BRE is working with a more tightness around. And even in this quarter, typically quarter 2, we have seen this tightness as definitely giving an impact when you see that stage 2 being little more cooler than what it was in quarter 1 particularly, number one.

Number 2, with this tightness, no doubt our sanction ratio has not been picked up the way it was, say, 2 years back or 3 years back. It remains at 50%. I think those are the actions which are already being taken and are giving a result around that side. So, wherever we find these challenges, typically those pin codes where the challenge comes, we always put the guardrails around and that we are on the job particularly. So, I won't say a particular geography. Yes, MP which was tough for us in the past, is now trying to normalize now as of now. Only that indication I can give particularly. But these 700 pin codes may be in some 40-50 branches across the country. Each branch may have some 15-20 pin codes and they may have 2-3 such pin codes that we have to tighten the underwriting norms.

Nidhesh Jain: In terms of the asset quality deterioration is similar across home loans and non-home loans?

Rupinder Singh: For us, home loan and LAPS has not much of a difference when we see the NPA ratio particularly as well as the 30 plus. The gap in NPA for home loan and LAPS is in terms of some 10-15 bps. But yes, bucket-wise, the gap remains in terms of less than Rs. 8 lakhs and above Rs.

8 lakhs, less than Rs. 8 lakhs is definitely more delinquency when we compare to the little larger ticket size.

Nidhesh Jain: Thank you sir. That's it from my side.

Moderator: Thank you. The next question comes from the line of Meghna Luthra from InCred Equities. Please go ahead.

Meghna Luthra: Hi, I just wanted to ask, what were the top 3 industries in LAP and what is this contribution or sectors?

Rupinder Singh: I may not be able to give it instantly. But yes, my team can identify and cater this question, you can directly get in touch with them.

Meghna Luthra: Sure. And our BT-Out rate is very well contained at 4%. What are the steps that we've taken to contain BT-Out and is there any change in competition that you're seeing banks have eased out in rural or in Tier-3, Tier-4 markets or you are not seeing any aggressiveness from banks currently?

Rupinder Singh: So, affordable housing ecosystem is pretty large in terms of competition also. Many housing finance companies as well as NBFCs operate there. And definitely, there's always a scope of BT-Out which does happen. In our case also, the number has not come down. That remained around the 4-5% range particularly. So, we have put our guardrails around that side where we were a team and where we immediately tried to engage the customers, where we realized that there's always a scope of BT-Out around that side. So, one is data analytics, which gives a fair idea in terms of that and bureau pool and the team which keeps engaging the customer. So, these are three or four important inputs that we keep working around to make sure that customer is engaged well and they continue with us.

Meghna Luthra: Got it. And sir, lastly, on MP and Karnataka do you see that demand will be strong in our contribution as a percentage of total AUM is slightly dipped over the last 2 quarters?

Rupinder Singh: When we mentioned that we put our guardrails in typically geographies and pin codes, then definitely they have an impact on the market which were anyway little on higher side. So, MP is one of that. So, it has not picked up that level, but the disbursement level remains constant there. So, as things start progressing, getting more improved, then automatically you will find the MP numbers also start picking up like the rest of the geographies. Karnataka has shown a significant improvement and going forward you can see good numbers coming from Karnataka in disbursement also because our numbers are improving quarter in terms of, you know, delinquency number also.

Meghna Luthra: Thank you. That's it from my side.

Moderator: Thank you. The next question comes from the line of Sonal Gandhi from Asian Market Securities Private Limited. Please go ahead.

Sonal Gandhi: Hi, thank you for taking my question. So, sir, just wanted to understand or wanted clarification on two parts. One was on the disbursement growth when you mentioned that you are looking at 20% growth for the year. So, the ask rate for the second half is somewhere closer to 40%, 41%. So, when you think 20% growth, does it include that Rs. 300-350 crores, which disbursements could not happen in first quarter or is it excluding that?

Rupinder Singh: I think to get 26%, 27% of numbers, there were certain numbers in mind in terms of disbursement which will be around Rs. 400 crores monthly run rate for which team is very well poised. If you see even this quarter, we had delivered Rs. 1,126 crores and the average of the same comes around Rs. 375-380 crores of average disbursement. So, taking to the next level of around Rs. 400 crores should not be a problem when we see the entire H2 particularly. So, I think if we reach that piece, we will do the number of 26%, 27% of AUM growth.

Sonal Gandhi: Okay. And then you mean your growth is on gross managed assets, right?

Rupinder Singh: Yes.

Sonal Gandhi: Okay. Sir, also thinking at your coal lending part. So, the disbursals have kind of stopped over the last 2, 3 quarters. So, what exactly is happening with the co-lending side?

Ashish Gupta: If you look at the co-lending as a product, is more of a diversification of our borrowing. So, if you see last 3 quarters, there are a lot of changes which has happened in the co-lending is on the RBI directives, which has mandated the CLM-1 model which is impacting the overall customer TAT. Then later on, GST guideline came in last quarter, which has imposed GST on the co-lending excess interest rate. So taking these together, we have the overall proposition of CLM is not a lucrative, and we are not very keen as of now. If any further clarification comes to these 2 things, probably we may relook at co-lending at this point of time, we are not very keen.

Sonal Gandhi: Okay. On the direct assignment part. So, when I look at 1H numbers for last year and 1H for this year, so last year, I'm looking at we have done about Rs. 503 crores in drawdown and this year is about closer to Rs. 500 crores. So, the drawdown has not really gone down very significantly. So, what has led to the direct assignment income going down?

Ashish Gupta: If you look at the overall direct assignment income as a percentage of direct assignment transaction, it depends on multiple things that how much is the spread, what is the underlying portfolio characteristics. So, if the residual maturity is slightly lower, you will see slightly lower income if the spread is slightly different, the customer profile is different, then the income might get impacted to that extent. It's completely a function of that, nothing more to read than that.

Sonal Gandhi: Okay. But at the same time, I'm looking at direct assignment as a percentage of gross income. So ,we wanted to maintain the 15%, 16%, that inched up to 18% in this quarter.

Ashish Gupta: Currently, it's around 17.5% currently, and we will continue to maintain it around 18%.

Sonal Gandhi: Okay. So, what you're trying to see what I understand here is that it's basically change in the portfolio that has happened probably where the spreads are lower. that is why the direct assignment income is lower than this one.

Ashish Gupta: Yes, it is completely a function of underlying portfolio for which transaction has been done. So, there is no change in the overall approach, how we are doing the transactions.

Sonal Gandhi: Okay. Thank you so much.

Moderator: The next question comes from the line of Gaurav Purohit from Systematics Group. Please go ahead.

Gaurav Purohit: Good morning sir, a few questions from my side. So first one is on the rating upgrade. We have been highlighting that this could be a potential lever for a few quarters now. And I just wanted to understand what is holding back the upgrade because in the past, your peers at a similar scale have got upgrade, I mean, most of them. So is there a specific point where it is getting stuck. For instance, it could be like a higher home loan mix? Or any color you can go around that?

Ashish Gupta: So look, generally, rating agencies look at 3, 4 things. One is scale as you have rightly pointed out. Secondly, the important point is the vintage. Vintage from your last rating upgrade. We have completed about 2, 2.5-year kind of vintage from our last rating upgrade. And generally, ratings look for a 3-year kind of time from your last rating upgrade to do a next rating upgrade. So that is the only point that is holding them back. Otherwise, we don't see any reservation from their side on the overall mix and of that.

Gaurav Purohit: So, are you expecting the upgrade to come in the fourth quarter? Is my understanding correct?

Ashish Gupta: Yes, also we have 3 rating agencies, India ratings, CARE and ICRA. So, as they will keep getting their 3-year vintage, we will see rating upgrade from them. probably we are pitching to them for early rating upgrade. If they do that, it's better, but 3-year vintage is a important milestone that they are tracking.

Gaurav Purohit: Okay. Fair enough, sir. Second question is on your portfolio mix. So, LAP is almost 44% of your AUM now, right? And given the guidelines, you have to -- on a total asset base, you have to bring it down below 40%. So can we assume that incremental growth from here on could be driven by HL rather than LAP? And as a follow-up to that, how will that impact NIM? Because you just said in the call that credit cost is largely similar for both HL as well as LAP. So whatever the difference in the NIM, I think it will show directly to the bottom line.

Ashish Gupta: Sure. So, let me just clarify the regulatory expectations. So, the regulatory expectation is to maintain a 60% home loan ratio at a balance sheet level, not at the portfolio level. So, we keep doing direct assignment transaction of our LAP portfolio to maintain our overall healthy ratio of HL and LAP mix at the balance sheet level. So, if you look at our balance sheet level, we are maintaining about 68% home loan. And if we calculate it as per the RBI guidelines, which includes liquidity as well as non-housing loan, our overall PBC requirement is close to 63%,

which is well above the regulatory threshold. So, we need not to tweak our incremental home loan LAP ratios much. So probably, if we continue to do around 57%, 58% home loan, we are good to go in terms of compliance.

Gaurav Purohit: Okay. Sir and one question is on competition intensity. So, if you can give us a slightly at view below what from the competition that you're facing below 15 lakh and probably above 15 lakh up to 25. And who are the primarily -- who are the primary competitors in both these segments?

Rupinder Singh: I think more or less every player in affordable housing has their own mission particularly. There are certain national players, listed, non-listed both who are in the same market and they're into existence from last 10, 12 years. So more than any new competitor entering, I think they coexist between the all players who understand this market very well. Who are operating from more than a decade and creating their own what you said, niche in these markets, particularly. So, we do face the competition, and we do face competition from both affordable housing segment companies as well as companies which are mortgage-based companies. So, these are competition, which they do balance transfer, sometimes that happens also.

Secondly, people also move from one company to the second company. That is also there. But ultimately, everyone has created their own niche, and they know that how to deal in that market. And this is the reason, if you see the BT out ratio, that remained consistent again and again for many, many quarters, basically.

So, everyone has created their own niche. So more than a competition, we have to also see how much supply is there in the market. Supply is not an issue here. The set of customers which is available not in dearth here. It is on the execution of each individual company who are operating in that market. Talking about large banks and institutions for them still it is not something very interesting business and not their core business on that where they can invest very heavily particularly. So that way this is a market which has been created for the companies, which we are dealing typically in affordable housing or the small mortgage product vertical. So, there is nothing new competition which has come up or something we have to worry about as of now, frankly.

Gaurav Purohit: I'm asking more from a prime housing player entering into the space from that perspective? I understand banks are not doing it.

Rupinder Singh: We have not seen any kind of such challenge from prime entering typically into these Tier 3, Tier 4 markets where we're operating for the same self-employed customers. We have to understand the model is very opex-heavy model. Most of the players are operating somewhere from 2.75% to 4% of opex ratio to AUM, which becomes difficult to play for any larger player who have a very different model altogether. So frankly, when we talk about deep penetration, you not find that much of impact what we keep hearing and listening and also keep getting listening wrong. But when we talk about market, that is not the case around.

Gaurav Purohit: Fair enough. Thank you for this.

Moderator: Thank you. The next question comes from the line of Aman Soni from Seven Alpha Investor. Please go ahead.

Aman Soni: We are guiding for 25% to 30% AUM growth but achieved only 23% in Q2 FY27. And we have been pulling sort of decline in over the last 2 to 3 quarters. What are the key reasons for this gap? And what challenges are we facing in achieving the targeted growth. And also, how confident are we achieving about to achieve 25% to 30% growth going forward?

Ashish Gupta: So Amanji, so as you might be aware that we have done a transition to disbursement accounting business clearance in Q1. That has impacted our Gross AUM by about Rs. 350-400 crores that transitioned to about 3.5%, 4% of the total growth. So, if you just normalize that particular number, probably you will see that the growth is close to 27%. So, on a normalized basis, we feel that we should be able to continue delivering around 27% growth in our AUM this year. And starting from next year, once this impact will be over, our growth will be much better.

Aman Soni: Okay. And sir, some of our competitors in housing finance segment are growing at a significant pace, so what are they doing differently? And why we are not able to achieve similar growth despite operating in the same industry, are there any significant specific talent are we facing net resisting our growth?

Rupinder Singh: Market does not have an issue of supply. Obviously, that's not a challenge. When we talk about the company has a very clear understanding to grow at a rate of 25%, 30%, keeping in mind all the optics, which is yield, which is the opex, which is the branches which we have to open and all the directive which we have to work on basically to maintain those things, we have to also keep tweaking our various models time to time basically. So for us, the most important point is the progress we have made in the first quarter was to make a transitory move from check handover to check realizations, which we did successfully. And after that, quarter 2 typically has also given a decent improvement in terms of growth. Now this has been something which has been done and dusted. Now it's a high time to take it to the next level. And on the basis of that confidence, we are saying that H2 when we start building the repetitive number, what happened in Q2 with the additional support which comes from H2, I think you'll find that things going up typically. And I think now way forward, the things which has been done in terms of process and all has been done, and it's the time of bringing in the growth back.

Aman Soni: Thank you. That's all from my side.

Moderator: Thank you. The next question comes from the line of Vivek from Raise Securities. Please go ahead.

Vivek: Thanks for the opportunity. Sir, my question is on the asset quality. So, if you look at your 30-plus at 5.2%, it is slightly higher compared to the other affordable peers. Additionally, if you look at the trend, longer-term trends, it is on upward trend. So, as the portfolio getting season, delinquency has been increasing. So, is that going to cause any impact on the DA pool demand

going forward? And if you can share the rates on the DA pool it has changed over the last 12 months?

Ashish Gupta: So, as you might have seen that we are primarily focused on self-employed segment. So, in self-employed segment, especially in ticket size of average Rs. 10-11 lakhs, lower ticket size has a slightly high delinquency, but that is the good business in terms of overall ROE. If you see like less than Rs. 8 lakh ticket, they have a slightly higher delinquency, but they are very good in terms of delivering ROE above 20%. So we are doing the appropriate blend of the like overall ticket size and that is helping us generating good yield as well.

Coming to your question on the direct segment transaction, select banks, we have a relationship with about 12-odd partners who are keen and our picking up our self-employed pool of LAP pool from us in the last 5 years, briefly. And we have a very good track record with each of them, and we continue to see good demand from them. If you look at the overall cost of fund in the direct assignment transactions, so like our blended marginal cost is at about 8.2%. Generally, direct assignment transactions come at a slightly higher rate, so like at about 15 basis points, 20 basis points higher than a regular cost of funds. And there is a reason to that because these lenders absorb the credit cost on that particular pool as well. So generally, the rate of these transactions remain 15 basis points, 20 basis points higher. But in terms of overall P&L perspective, they are at par with the rest of the pool.

Vivek: Got it. In terms of the delinquency number, sir, where do you see this settling at? Because at 5.2%, and if you look at the credit -- if you look at this trend, it has been rising. Though you have mentioned that it will come down in the second half. So -- but historically, our delinquency have always been inched up in 3Q have materially pulled back in 4Q. So -- and any ballpark numbers, where do you see this number settling at?

Rupinder Singh: So, after quarter 1, our aim is to maintain that number. So, as H2 moves, you're right, later half of the year, that is an improvement. And as we maintain that number, now the next level of our target would be how to start bringing it down basically. Quarter 4 definitely have an improvement. Now it's going forward, how it has to keep working on that, that's important. In current scenario, we are not focused to the level that it has to come to what level. But yes, our aim is always to keep improving on this number quarter-on-quarter. And we believe that H2 typically, you can see good traction coming in this number.

Vivek: Got it. And sir, you mentioned that the credit cost across the LAP and home loans is slightly similar. And the much of the delinquency is coming from the Rs. 8 lakhs and below kind of a bucket. So, in home loan, Rs. 8 lakh and below kind of low bucket largely comprises of the repair renovation of that kind of segment. So, what will be the total share of repair & renovation in the overall segment?

Rupinder Singh: Our biggest customer base, which coming from housing is the self-construction because the markets where we are operating typically tier 3 or tier 4, they own their own plot and they want to build and construct around that piece. Now in certain seasons, typically first half, what

happened the construction process halted in stops and sometimes this leads to a challenge for the customer also. And that's why the team so particularly, which is starting back into H2 particularly. Apart from that, what have you talk about renovation and all stuff. That number is very small for us. Even in that case, the LTVs are very, very low for us.

Vivek: Okay. Got it. Thank you, sir. Thank you for answering all my questions.

Moderator: Thank you. Ladies and gentlemen, we will take this as a last question for today. I now hand over to the management for closing comments. Over to you, sir.

Management: Thank you, everyone, for taking your valuable time for attending our earnings call. An audio recording and the transcript of this call will be uploaded on our website in due course. Looking forward to hosting you all in the next quarter. If you have any questions or require additional information, please feel free to reach us out. Wish you all a very happy and prosperous Diwali and happy New Year. Thank you so much.

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