IndiaShelter Home Loans

August 14, 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
ISIN: INE922K01024 : INE922K07104 : INE922K07112 : INE922K07120	ISIN: INE922K01024

Subject: Transcripts of the Earnings Conference Call on the Unaudited Financial Results for the quarter ended June 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 ended June 30, 2026, held on August 07, 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

Kindly take the above information on records.

Thanking you,
Yours faithfully,

For India Shelter Finance Corporation Limited

MUKTI CHAPLOT Digitally signed by MUKTI CHAPLOT Date: 2026.08.14 10:07:09 +05'30'

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

"India Shelter Finance Corporation Limited Q1FY27 Earnings Conference Call"

August 07, 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 7th August 2026. The audio recording can be accessed using the following link, https://www.indiashelter.in/investor-relations

Moderator: Ladies and gentlemen, good day, and welcome to the India Shelter Q1FY27 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 this 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. Thank you, and over to you, sir.

Renish Bhuva: Thank you. Yes. Hi, good morning, everyone, and welcome to India Shelter Finance Q1FY27 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 top management team of India Shelter, represented by Mr. Rupinder Singh, MD and CEO; Mr. Ashish Gupta, CFO; Mr. Rahul Rajagopalan, Head of Investor Relations.

I will now hand over the call to Rupinderji for his opening remarks, and then we'll open the floor for Q&A. Over to you, sir.

Rupinder Singh: Thank you, Renishji. A very 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.

Before we discuss our quarterly and annual performance, let me briefly touch upon the broader macroeconomic environment, the operating landscape, and some of the strategic priorities shaping our business.

The Indian economy continues to remain one of the fastest-growing major economies globally, supported by strong domestic demand, healthy government capital expenditures and improving private sector investments. Overall, on the macro front, things are looking encouraging on account of reduced impact of West Asia crisis, monsoon deficit has narrowed, rainfall deficit has been less severe than previous years of deficient rainfall, RBI maintaining a neutral stance during the recent weeks.

The long-term outlook for the housing finance industry continues to remain compelling. India's mortgage penetration remains at approximately 11% to 12% of GDP, significantly lower than most of developed and several emerging economies, highlighting the long runway for structural growth.

Whereas technology and artificial intelligence are becoming increasingly important differentiators across financial services, AI is being institutionalized and embedded across business, credit, collections, operations, compliance, and marketing. Today, our AI initiative includes AI-enabled work assistance, AI-assisted collection voice calls, voice and chatbots in vernacular language particularly. Simultaneously, we are working on multiple different use cases to increase our AI adoption.

These initiatives are aimed at improving productivity, enhancing customer experience, strengthening risk management, and enabling scalable growth while maintaining operational efficiency.

Coming to our performance for the quarter. During the quarter, the company consciously transitioned to recognizing disbursements on check realization rather than check handover. This transition is aligned with strong operational controls and the impact of same is onetime in nature.

This onetime accounting change has shifted a portion of disbursement recognition across reporting periods and temporarily impacted reported quarter 1 financial year '27 disbursements. Reported disbursement for the quarter stood at INR 641 crores. Bank clearance was around INR 1,040 crores, which is at par with quarter 4 financial year '26 and almost 37% higher than Q1FY26.

This activity has no P&L impact, as benefit of interest was already being provided to the customers. Excluding this timing impact, business trend remains as per plan with strong login and sanction pipeline. Against this backdrop, gross AUM grew 24% year-on-year to INR 11,284 crores.

On the asset quality front, we witnessed an increase in Stage 3 assets to 1.5% and early delinquency buckets during the quarter. We remain watchful of the operating environment, and our collection teams continue to focus on early intervention, recoveries and maintaining portfolio quality. We expect Asset Quality to stabilize around similar levels at the end of Q2FY27 and expect recovery from Q3FY27 onwards.

As stated earlier, the disbursement recognition methodology has no P&L impact. PAT for the quarter came in at INR 143 crores, registering a growth of 23% year-on-year and 4% quarter-on-quarter. Return on equity for the quarter stood at 17.5%. Net worth now stands at INR 3,353 crores.

Despite the near-term moderation, our long-term strategy remains unchanged. We continue to invest in expanding our distribution, strengthening technology capabilities, deepening customer relationships, and building organization capabilities that position us well to capture the significant opportunities in the affordable housing finance market.

On that note, let me re-iterate the guidance for FY27:

- Branch addition of around 40-45 for the year
- Maintain spreads of more than 6% in the medium term
- Credit Cost of around 40-50bps
- Loan growth of around 25-30%

Now I would like to hand over the call to Ashishji, our CFO, to take you through the financial metrics. Ashishji, over to you.

Ashish Gupta: Thanks, Rupinderji. Good morning, friends. Let me take you through key financial numbers. During the quarter, we have disbursed INR 1,046 crores of funds to customer account, which is higher by 3% as compared to quarter 4 of last financial year.

However, the transition of booking from handover to clearance had a onetime impact on our reported disbursement this quarter. Our gross AUM as of June '26 is INR 11,284 crores. Year-on-year growth in AUM is 24%. The growth was impacted by change in accounting of disbursement. However, we are confident of catching up the growth in remaining 9 months and retaining our AUM growth guidance at 25% to 30% this year.

Our portfolio yield is 14.8%, stable quarter-on-quarter basis. Our quarter 1 disbursement yield was at 14.9%. Finance cost is stable at 8.2% on quarter-on-quarter basis. Our marginal cost of fund is also stable at 7.9% quarter-on-quarter basis. We have drawn down INR 172 crores from National Housing Bank in June '26 at 7.3%.

Since our incremental spreads are higher than the portfolio spreads, we are confident that we will be able to maintain our portfolio spreads even there is some impact on the margin cost of fund due to ongoing macros. Our borrowing profile continue to be diversified with more than 30 counterparties.

Share of NHB funding is at 15%, up by 230 basis points year-on-year basis. Average borrowing tenure is more than 8 years, which is co-terminus with the behavioural tenure of our loan assets. On liquidity side, we are comfortably placed with liquidity of more than INR 800 crores and undrawn sanction of more than INR 1,500 crores. Our ALM is positive across all the buckets.

Net interest income for the quarter is up by 30% on the back of growth in our AUM and 20 bps improvement in our spread year-on-year basis. Coming to opex, our opex for the quarter is 4% and down by 10 basis points year-on-year. Cost to income is for the quarter 36%.

On asset quality side, Stage 3 is at 1.5%, up by 30 bps due to seasonal factors. We expect resolution to start coming from Q3 onwards. Our credit cost is stable at 0.5% year-on- year basis. PCR for Stage 3 asset is stable at 26%. Our total ECL is INR 93 crores against the regulatory threshold of INR 52 crores. BT-out rate for the quarter is down to about 4%, down by 50 bps year-on-year basis.

Our focused data-driven approach of customer retention is helping us to contain our BT-out. PAT for the quarter is INR 143 crores, year-on-year up by 20%. If we exclude the impact of direct assignment transactions accounting, PAT growth for the year is 30%, driven by higher volume and margins. ROA for the quarter is well above 5%. ROE for the quarter is 17.5%, up by 30 bps year-on-year basis.

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

Moderator: Thank you. We will now begin with the question-and-answer session. The first question comes from the line of Aman Soni: with Seven Alpha Investors.

Aman Soni: Sir, could you please leverage on the company adoption of conversational AI across key functions like loan disbursement, collection recovery, customer servicing and customer engagement? And conversational AI has been implemented. Could you also share the technology partner and also vendors supporting of these technologic advancements and measurable value as and when in terms of operation level can see customer experience or collection in performance.

Rupinder Singh: Regarding our AI partners, we definitely have partners for AI adoption, but disclosing names at this juncture is I think not feasible for us. When we talk about use case, definitely we have now a large call center where most of these phones are being used there to connect customer for inbound and outbound query and engagement with the customer. There are 3 AI tools being used and vernacular language, because we operate from North to South. So, language becomes an important tenet where certain tools are actually helping us out. Whilst sitting in Gurgaon, when you have to serve a customer in Tamil Nadu, here you don't get the resources typically on the call center side, there these tools are quite effective in serve basically. So that's a particular utility. Plus, we got a lot of leads which falls on websites and all. There again you have to immediately go back to customer instantly without keeping in mind the time gaps what we have in the call center. So we started adopting it. Additionally, when we see on the process side, there are many operational things which AI has taken up in terms of reducing turnaround times, improving the efficiency of operational department particularly, and now we started adopting into this. And more we go deeper inside, we'll be more in position to keep giving you exactly where it is happening in coming quarters, coming times as this is how we go about it. Thank you.

Moderator: The next question comes from the line of Kunal Shah with Citigroup.

Kunal Shah: So you are again confidently reiterating the AUM growth guidance of 25% to 30-odd percent. So just wanted to gauge in terms of the disbursements, last time you had indicated that maybe if it's like, say, 20% plus disbursement growth, then that should help deliver like 27%, 28% AUM growth. So now looking at on a check realization basis, how is the disbursement growth that you are expecting? And maybe if you can just highlight in terms of the recent months disbursement trend, that would also be helpful. Yes.

Rupinder Singh: Thank you, Kunalji for the question. I think when we talk about the current month, we just saw the July getting over. That has been good in terms of disbursement pickup. In fact, July had a better number than the March number, July we have done around Rs. 400 Crs of disbursement in fact under the cheque realization methodology. And if we continue to maintain this trend, which we are quite confident about, I think we should be in position to cross 20% mark in disbursement growth. And obviously, 25%, 30% is the AUM target that we have taken for this year, which we will be working towards that.

Kunal Shah: Okay. So 20% plus we are still retaining that despite the cheque realization?

Rupinder Singh: Yes, yes, because check realization is just for this quarter, but not beyond that. And easily it will get absorbed as we pass on the year. And that is the reason strategically we took a first quarter to implement that piece.

Kunal Shah: Got it. Yes. And secondly, with respect to collection efficiency, maybe it has never been so low as 97-odd percent. And even on base of almost 4%, 30 plus, we still saw it moving towards 5.2-odd percent. So, if you can highlight maybe there is definitely a seasonality. But again, on a very high base seasonality has continued and collection efficiency got disrupted to an extent maybe getting towards 97%. So if you can highlight anything specific.

Rupinder Singh: So frankly, there are certain months where things looks a little haywire in terms of first numbers on that piece. But largely we see the 1+ number remains intact for us particularly. So I think earlier the better. So we have now a couple of quarters to work and turnaround this piece. This quarter may remain same what it has been last quarter. Though our intent is to improve on that, right? But definitely quarter 3 is going to help into all. Because the smaller set of customers has been in little pain for some time, that we keep expressing even in a last 2, 3 quarter calls. So I think that is a set of customers which we focus on and there's a better delivery for us on that piece. It's a matter of time we'll be come back to the same level what is expected. And that's the reason we wanted continue with the guidance of this 40 to 50 bps credit cost basically.

Kunal Shah: Okay. Okay. So this might continue even at 97% even in the second quarter, similar level of collection efficiency?

Rupinder Singh: I won't say collection efficiency. Definitely the improvement in this 97% that is going to give a delivery. But when you talk about GNPA number or say 30-plus number, 30 plus at least that will be lower than what it has been in quarter 1. But stage-3 may be around the same number for quarter 2 particularly.

Kunal Shah: Yes. So that's why you mentioned maybe the resolutions would start from 3Q on?

Rupinder Singh: Yes. Yes. Yes.

Kunal Shah: Okay. And lastly, in terms of the employees, so this is on the expectations of adding 40, 50-odd branches through the year wherein you have added the employees as well during the quarter or this was like maybe strengthening the collection infrastructure as well, almost like 160-odd employees added during the quarter with no branch addition at all over the past quarter

Rupinder Singh: So the set of employees that we hired, few have gone into the collections obviously, because we feel that we need that push, and even the current branches where they in fact is required because today we are operating in more than 300 branches. Even from that, say 30, 35 branches, you add up 1 resource, you're going to add some 30, 35 resources on that piece. And few employees we added into the head office where we are building the new initiatives, whether it's on AI or tech side.

So on a base of 4,700 to 4,800, these are just a small addition and on a branch basis, yes, we have a plan to open and most of these branches will start coming in quarter 2, quarter 3, and beyond basically.

Moderator: The next question comes from the line of Darshan Deora with Indvest Group.

Darshan Deora: First of all, congrats on a decent set of results. You maintained the 17.5% ROE, ROA, spreads. So good showing on that front. So my question was really just wanted to get some clarification on this policy change regarding the recognition of disbursement. It seems that about INR 405 crores of disbursement was impacted due to this change in policy, which is from check handover to check realization. So just assuming if the policy has been kept the same, is it fair to say that our AUM would have been higher by about INR 405 crores and then AUM growth would have been on a Y-o-Y basis about 28% instead of the 24% which we reported?

Rupinder Singh: There was a policy which came where you have to recognize income from the time of check handover that came around 1.5 years back. And that time itself, we implemented check handover policy where we start charging interest only on realization.

But in many of the cases there is a lot of back and forth where the cheque has been handed over but realization takes times and this is something which you want to cover the gap. And that's why we need this change where we start recognizing from the day the check is clearing from the customer account instead of the handover. So we put this mechanism to become a more transparent pair, not only in terms of the customer but in terms of reporting also. That was the intake around that piece. And because of this, we made this tweak around that side. And this is the reason there's a no change when we see the reported PAT around that side.

So, if this impact was not there then there would be some increase in numbers. So, I would say this Rs. 641 Crs of disbursement should definitely have gone much bigger in that number. What is critical is our disbursement growth, what we project earlier for 20%, that's going to remain same. So, AUM growth is again going to be maintained between 25% to 30%. So for us that is not a matter of worry. Our point is the operation has to be more predictive.

Moderator: The next question comes from the line of Umang Shah with Kotak Mutual Fund.

Umang Shah: Rupinderji, I'm just trying to -- I'm just taking a step back from the quarter, right? And what I'm trying to understand is how should one look at the credit quality of the business? And where I'm coming from is that since listing, every 1Q on a year-on-year basis, our 30-plus Stage 2, Stage 3 has steadily just gone up. So from sub-3%, we are at about 5.2%, 30-plus at this point of time. Our Stage 2 plus 3 also has steadily risen over the last 3 to 4 years. What looks like a steady state? And this is more importantly this is something which has happened at a time when our book has compounded at 35% CAGR. We are now talking about much lower growth rates now. What exactly is the issue? I mean, is there any specific geography, any specific customer cohort, which is playing up? Is there some deficiency in the collection mechanism? What exactly is the cause of this issue?

Rupinder Singh: So we keep measuring all the parameters, what is impacting and what is the overall impact of everything particularly. We are dealing with self-employed customers. Last 1.5, 2 years, there's a lot of news which we keep discussing, hearing and talking about it. And we have taken the cognizant of that piece also. Today, we have more than 80% of customers which are self-employed and that's something which is a bread and butter for our entire business and working very well for us. So one side when we see the -- when you talk particularly in the cohort side, the smaller pieces has definitely having effect, but that has a both of impact, you have to see both of the sides.

So let me take a ticket size of up to 7 lakhs, there definitely the number has been very different from what it used to be 3 years back, so earlier stage 3 used to be around 1.4% or 1,45%, which is above 2% today on this specialty cohort. But good part is on this cohort you maintain best of the ROAs, where you get 16%+ yields and good RoAs. For this cohort we also get that there's a lot of seasonal impact that's there, but again times they are the -- or the seasonal times they are the one which got impacted. But they have the tenacity to cope up and revert that very cost, we've seen it in the past particularly. So this is the reason that we feel so confident. And they may be in a bucket, but you'll never find that someone which had gone out of the box or beyond control. So 1+ almost remains same what it was a year back or what it has been a quarter back or so particularly. And I don't think that we have to read much on that piece.

So I think you asked for these cohort around 15%, 20% of customers for us is around that bucket in the 7 lakhs, 8 lakhs. But, yes, you have to be confident because these have been same customers from last 10, 12 years and we know when the recovery compares that these are very first giving all the important things including this charges, effects, charges and everything on that piece.

Umang Shah: I'm sorry to harp a little more on this, right? See, unfortunately we don't see the 1+ data right? So whatever data we have seen, we are trying to analyze that. And that data is clearly showing the deteriorating trend. Also the comment that you are making about the lower ticket size segment, I mean, somehow I mean, the proportion of 10 lakhs AUM continues to remain the same, right? I mean, it has been about 45% to 50% for last 3, 4 years. So I am still unable to understand that if the share of that book has not increased or rather in this quarter, it has gone down to 46%. We were at about 50-odd percent last year. But still on an overall book basis, the stress appears to be inching up, right? So then there has to be something more than just the lower ticket size cohort. That is what I'm trying to understand.

Rupinder Singh: So I think when we talk about certain cohorts, first of all, we don't want to leave this space there maybe gap of 2%, 3% maybe because of the inflation what you're talking about, 50% has come down to 46% or something that way.

But it is a cohort which us gives us best of output for us. And we know that eventually we get a result from that piece. So quarter 3 last year was that, but quarter 4, you'll see that as if it gets mature, things starts coming back, we were able to get the numbers, or whatever we planned on at least.

So, the same way when we -- someone asks like how it's going to be this for this quarter, I said it's a cooling off period. This quarter you will find the number being same around that side and next quarter, we will start getting the results around that phase.

So I think this has been there. We talk about cohort, we talk about ticket size, we talk about what yield we get there, we talk about what are the numbers what is there, and we talk about all the progress is going to happen in this particular phase.

Umang Shah: So then a related question out here is then how confident are we to hold on to our credit cost at about 50 basis points, right? So see, I mean, our Stage 2 plus Stage 3 numbers are now by far the highest that we have seen in the last 4 years. And our overall ECL provision on the balance sheet still remains sub 1%. Technically, then this number has to inch up, right? Because I mean, if as a business, we take a call to stick to this particular cohort, which is relatively largely volatile and vulnerable as well, which means then higher cushions have to be built into the balance sheet, right? I mean, in the fourth quarter, we did see a strong pullback in 30 plus, and that has completely gotten reversed in the first quarter. So do we intend to build any buffers on the balance sheet or we'll just hold on to this credit cost? And I'm not too sure whether we would be able to hold on to this 50-basis points credit cost or not.

Rupinder Singh: I think we are confident of maintaining this 50bps of credit cost, number one. And LGD on this category is very, very low if you talk about, and that is the reason we always take a management overlay for building on that side. So, with the 1,000 collection employees set across 300 plus branches, this is a mechanism that is being built on this. And on seasonality factor, even as whatever is going on, it's our intent to bring it up as we keep doing that regularly.

Umang Shah: The other point which I wanted to talk about is on the growth part, right? I mean, I'm glad that we have reiterated our guidance of 25% to 30% sort of growth rates. But just to the point what Kunal was mentioning, the ask rate in terms of growth for the rest of the year, even at 25% AUM growth looks relatively higher. I'm not too sure whether the management is even aspiring for higher than 25%. But if the management is doing that, then in that case, clearly, the ask rate for the rest of the year will be even higher, especially under the new mechanism of calculating disbursements. So how confident are we that we would be able to deliver a 25% plus sort of AUM growth this year?

Rupinder Singh: So as we see how the check realization process has begun, it was the first month, and we have seen the output in that case internally. And on basis of that that confidence is getting built. If we see the trends in terms of logins or sanctions drying up then it is not the case out there particularly. As we see our mechanism in terms of output that we do day in day out in the field that is giving us the confidence. When we see the AUM growth particularly of this quarter itself of Quarter 1, this 24% is considering the new methodology if we exclude that and add those numbers then you can get that piece. And then next 3 quarters, we're quite confident from that piece because July we have done Rs. 400 Crs of disbursement and July is generally rainy season and that time most of the companies, they always not able to reach that number. But that efficiency is already build in and I don't see any reason that in coming times when seasonality factor will be more positive and giving more output, we'll not be able to do that.

Umang Shah: Well, I appreciate that. But as I said, I mean, looking at the trends with your peers and what is generally happening in the industry, clearly, the outcomes in this quarter appear to be a bit more divergent, both on asset quality and growth. I just hope that things tend to improve from second quarter onwards.

Moderator: The next question comes from the line of Nilesh with Goldman Sachs. Since there's no response from the participant.

We'll move to the next participant that is Akhil Gulecha from Hornbill Capital.

Akhil Gulecha: My first question is just to understand the AUM growth. So, there's some little confusion here on your Q1FY26 number. So, the number that you have reported in your current investor presentation is INR 9,120 crores, which shows a 24% growth. But the number reported in your Q1FY26 investor presentation was INR 8,700 crores, which shows around 30% AUM growth. So what is the correct number for Q1FY26?

Ashish Gupta: So that was the gap between the gross aum and the net aum. So, what we do is that so we have a book of about INR 450-odd crores in terms of co-lending that we've done in last 3 years. So that is the gap. So, earlier we don't used to report that as a part of AUM because we have like originated that book as a part of the arrangement wherein the 80% share used to remain on the bank balance sheet. But later on as per the industry practice, we, like, realized that everybody is reporting that as a part of AUM. So now we have started from March 2026, we are now reporting it as a gross AUM part.

Akhil Gulecha: Got it. Got it. So it's actually 24% is the right number to look at?

Ashish Gupta: Yes.

Akhil Gulecha: Got it. And on your disbursements. So even if I account for the check handover changes, your disbursements have grown 18%, I would say significantly lower than all your peers this quarter who are growing above 30%, 40% on a much higher base. So what happened this quarter? It's also that you have no branch addition this quarter where you're guiding for 40, 50 branch additions for the whole year. So can you just run us through what -- why this happened?

Rupinder Singh: I think every year we make changes in the strategy when it's about the branch opening particularly. So 2 years back, we opened most of the branches in first quarter. Last year, it was spread across 4 quarters. This year on keeping the targets that we internally driving it, we make it keeping the first and starting from the quarter 2 particularly, this has been the plan basically. That piece we keep taking in mind our internal operational expectations from the teams on the line.

And it's what we keep even mentioning during our calls that every year will keep changing around that mechanism. But yes, adding 40, 45 branches is always a projection and this year also. When we talk about 18% of growth or something, every company has their own way. Some of the companies in quarter 1 last year had been based on the numbers where we might be stronger. What we see that ultimately this is both on AUM that 25% to 30%, we're able to deliver this year and that's perfectly going on. So that is something which we'll look at on overall.

Akhil Gulecha: Got it. Got it. So just to understand, and this is the last question, that we will see accelerated growth in disbursements in Q2 and Q3 going ahead, right, because of the policy there will be a lot of spillover that happens?

Rupinder Singh: So that is obviously, but ultimately when you see the company, disbursement on both on quarter-on-quarter, you'll always try something because of some other reason or something like that. Ultimately, see overall how the book is growing. So if your book is growing 25%, 30% annually, you're reaching the target what you have taken in mind for both long term and short term.

Moderator: The next question comes from the line of Mayank Mistry with Antique Stock Broking.

Mayank Mistry: Sir, one data keeping question first. What would be your disbursement number on the year-on-year basis with the new resolution method? Just to compare on a like-for-like basis, because which we -- this disbursement growth has slowed down earlier slightly, which you have also highlighted. So this number I would like to know on a year-on-year basis?

Rupinder Singh: It's around 18%.

Mayank Mistry: Okay. Okay. And secondly, sir, currently 99% of your processing is in-house. Any plans to diversify this, and add DSA or connectors maybe to further reduce the impact of increasing risk, which may moderate the gross number gradually that we are observing over last year? So since your guidance have now reduced from 30% to now 25% to 30% and maybe with the increase in the number is expected to further go down when it's clearly anticipated? So -- yes, so that's my question on the projection.

Rupinder Singh: So we feel a affordable model that we have created that is more suited when we do that is a new customer, largely in the field. That's why the branches numbers, which is spread across so many states and so many numbers particularly. And the process is where the customer has to meet multiple times. That percent is something we have specific for many, many years and we are quite confident about this process particularly. So the question keeps getting raised again and again. So I always answer this way, if tomorrow we have to open any of the piece that has the independent preparation, that's currently part of it particularly.

So whenever that has to come up, not as a part of your open channel in the same market, through the same things. It has to be independent on that piece. And on a -- keeping in mind the objectives of that product basically, because this is category of products customer may, may not have an idea, they have a very informal income.

But for that category it has to open. We feel it has through a different mechanism of underwriting and now through different mechanisms also. So we are not going to indulge that process on that type. But yes, whenever we start it, we'll be the first to give an idea that how the things are building around that type particularly.

Mayank Mistry: Okay, sir. So no plans to invest also in that sense?

Rupinder Singh: So exactly, it started with the first to come basically on that side. So what this is, we're not going to touch anything. We see exploring in the market which is a best-in-class working available for us, whether it's in technology, whether in the other side. But whenever it happen, we'll be the first to count up all, I mentioned that it is a base, something we're trying to build upon for us.

Moderator: The next question comes from the line of Mohak Batra with Goldman Sachs.

Mohak Batra: For this quarter, we have seen buildup of stress for us, which is something we have not seen in the industry otherwise. Like MFI is doing well and competition has also done better. So if everyone else is doing well, like, why is the problem for us specifically? So is it something internal that we are only witnessing?

Rupinder Singh: I think there is nothing internal that we should read among the lines. In fact, increased collection team to a large extent scattered across geographies around 2, 3 quarters back. And we keep finding that there is a market trend where overall discussion is happening around that piece. MFI was a case, which happened around 1.5, 2 years back, and it spread for around one year particularly.

Self-employed is again a set of customers which were having some stress around that piece from last 1.5 years basically. So obviously now along with that this is the first quarter, which is normally seasonal impact.

So I think against our book which is 80%, 85% which is into self-employed, and on a smaller ticket size, this stress is which is there around that piece. But we simply said that in a quarter-to-quarter you'll easily find the results coming according to that side basically. So there is no point of reading that there is something internally getting built or something on that side.

Mohak Batra: Got it. And just a follow-up on that, like, how will collection efficiency behave in Q2 then?

Rupinder Singh: If you talk about GNPA number, it is going to be hovering on the number which we had maintained in quarter 1. Obviously, 30+ you'll start seeing it come down. But GNPA takes almost a quarter or 2 quarters to start giving the results because of SARFAESI process. So in quarter 3, you'll also start finding that the SARFAESI activities also start giving the results around that side. This is the way forward particularly. So quarter 2 numbers of the GNPA should remain around the same level which we are working on. Quarter 3 you'll start finding the reduction around that side.

Mohak Batra: Got it. And how is July behaving specifically?

Rupinder Singh: July if you talk about 1+ or 30+ that numbers almost remain same. That is a clear idea how the things can shape up in future.

Moderator: The next question comes from the line of Sonal Gandhi with Asian Market Securities.

Sonal Gandhi: My first question was on this recognition of interest income. So just for clarity over there is what you're trying to say is that even post the check handover thing happened about 1.5, 2 years back, we started recognizing interest income on check realization basis only and that is why there is no impact in this quarter. Is that understanding correct?

Ashish Gupta: Yes. So your understanding is correct. When this regulation came in May 2024, we have moved our disbursement booking from loan booking to check handover. And move our interest booking from loan booking to, like, disbursement clearance. So technically when we see there is an impact on the reported number but there is no impact on the interest income.

Sonal Gandhi: Okay. And just one more question, what is the difference or timing difference between check handover and check realization?

Ashish Gupta: So it depends on the product. It's -- if it is like a purchase of property when sometime the TAT also depend on state-to-state. That like which state has a -- how much TAT with respect to the, like, title registration. So if the title is getting registered in 15 days, the TAT is 15 days. In few of the states due to change in some processes sometime the TAT got slightly higher. So that's why it varies state-to-state, and sometime product-to-product as well. If it is a BT out case in -- like BT in case that you have handed over the check, then the new institution has to like accept it. Probably it may happen in 10 to 12 days, but if it is a month end, probably that institution may take around 15, 20 days as well.

Rupinder Singh: And in few states there are registered mortgage is set to be executed. So all this depends upon product, state, location, how the SRO is reacting in terms of getting registration done. So there may be many nuances. And all these things leads to complexity where you have handed over the check, but you are not having a sure about when it's going to realization. And ultimately it was not impacting in terms of your interest income. So we thought let's take a onetime decision around that piece. And quarter 1 is always conducive because you have entire year to work and make the things more normalized and process is becoming more effective on that piece.

Sonal Gandhi: Got it. So sir, what I understand is it would vary anywhere between 15 to 20, 25 days. So is it fair to assume that whatever the loss was should be recouped in July because maybe some spillover from July to August, but ultimately it should get recovered in second quarter?

Rupinder Singh: So point is June piece we will do in July, July piece will go to August, August will go to September because whatever you have done in July, you are going to get realization in August. August will get in September. This has moved on, but yet there will be impact of improving many things around that piece basically. So ultimately there will be normalization which is going to happen, but it will take 2, 3 quarters to remain there. And irrespective of that piece, our numbers is going to remain intact. That is exactly we want to convey here as a message.

Sonal Gandhi: Okay. Got it. And sir, also you had the spread out of semi-fixed, semi-variable rate of interest on home loans. So I believe this started about like a year, 1.5 years back. And this was a 3 year product? So when do we see that the first tranche from that product would come for change in yields probably moving from fixed yields to variable yields. And also what is the rate of interest that you charge on fixed -- what is your fixed rate of interest and what is your variable rate of interest?

Ashish Gupta: Sure. So like, we started disbursement under semi-variable product in somewhere in January '24. So the first lot for reset will come, like, in Q4 of this financial year that we will be doing. But as far -- if you look at the reset terms, so the loan will not get reset on the, like, January '27 itself. The loan rate will remain same and the spread will get like adjusted to the, like, current terms.

So, like, if the loan -- if the customer has availed the loan at 15% and our, like, variable benchmark was, like, 17%. So then the reset will come, the loan rate will remain same, and the spread will get defined as 2% in that scenario. So there is no impact is going to come because of ongoing interest rate environment on the reset date itself.

And we have currently about 15% of our book in variable rate, 35% of the book is in semi-variable rate and 50% of the book is at fixed rate. We feel that on a medium term basis even if the reset will come from semi-variable to variable book. So overall variable rate book will not -- will remain in the range of 15% to 20% only.

Sonal Gandhi: Sir, sorry, I missed what is the rate of interest between fixed rate of interest and variable rate of interest?

Ashish Gupta: Yes. So fixed rate to variable rate there is a gap of about 50 basis points which we generally feel that customer is acceptable, while we offer the rate in terms of variable and offer the rate in terms of fixed rate. Customer acceptability remains to, like, accept a premium of 50 basis points for a fixed rate product.

Moderator: The next question comes from the line of Renish Bhuva with ICICI Securities.

Renish Bhuva: Just a small clarification. Sir, you are saying we have already disbursed INR 400 crores in July. And obviously, as we go along rest of FY27, things will improve only. So even if we go by this run rate, let us say in Q2 itself we'll be doing around INR 1,200 crores, 25% around disbursement growth. So are we confident that this kind of growth on the disbursement side is visible at this point in time specifically because last year all 3, 4 quarters our disbursement growth was slightly muted at around 11%, 12%? So just wanted to get some clarity that the run rate which we saw in July is sustainable and maybe from here on there will be only improvement on month-on-month basis?

Rupinder Singh: Renish ji, I think numbers speaks itself. We always been very clear when we talk about the growth. So if we are able to deliver more than 20%, we'll be easily able to maintain 25%, 30% of AUM growth that model says so particularly. So same way we see the July number, yes, this is the number what you're talking about INR 400 crores, and I think INR 1,200 crores is quite reachable in that way. So that doesn't look a difficult piece particularly when we talk about quarter 2. And after quarter 2, quarter 3 is always go on a betterment way basically.

Renish Bhuva: Yes, that's what.

Rupinder Singh: So the number that quarter 3 is going to what level I think it will be a little proactive approach and forward-looking. So -- but, yes, everyone knows quarter 3 is better than quarter 2 in all the optics particularly. So if quarter 2 is INR 1,200 crores, then eventually it has to go up. That is the number one thought around basically. So our thought remains consistent that for the year 25%, 30% of AUM growth has to be there and these are the basic fundamentals on which we are even talking about. Because most of the people are considering quarter 1 multiplied by 4. That doesn't happen in mortgage business which we should have a cognizant of. That is one side.

Secondly, ultimately the franchise is about doing this set of customers into this category maintaining 17%, 18% of ROE. In first quarter itself we have delivered around 17.5% of ROE. That gives an idea which direction things are going in that side basically. So our main prerogative is to maintain the credit cost of 40, 50 bps, maintaining loan growth of 25%, 30% and this is all reiteration of our guidance that we keep giving for this financial year.

Moderator: The next question comes from the line of Nilesh with Goldman Sachs.

Nilesh: Sir, one question was in terms of the collection efficiency, right, if you can break that 97% from, say, between the months, like how did -- starting with March, what was the collection efficiency in March and then for the next 3 months? How did it kind of pan out?

Ashish Gupta: So like if you look at the collection of business, like, efficiency first, I would like to clarify when we report our collection efficiency, it is on the entire loan portfolio. It's not generally we report it on a, like, current bucket or, like, DP -- exclude the DPD buckets. So it is on the entire loan portion.

Nilesh: Yes, I understand that. I understand. But that's comparable, right?

Ashish Gupta: Sure.

Nilesh: I mean, in terms of previous disclosures also, right? Yes.

Ashish Gupta: Yes, sure. So if you, like, break down the 97%, obviously, so like, April month was slightly slower. So, like, somewhere in the range of 96.2% to 96.4%. And then gradually it started inching up.

Nilesh: How much was it in March?

Ashish Gupta: In March, generally used to exceed 100%. It used to be 101% because we close a lot of NPAs account at that point of time and realized lot of overdues as well. So March was about 101%. Then as the arrear start building up somewhere else, started from April, then the collection efficiency goes slightly down. And as we enter June, it's slightly better than 97%. But April was slightly lower.

Nilesh: So is this normal -- is this April different from the last April or the Aprils that we've seen earlier? I mean, I'm just trying to think that 97% seems to be -- and if it's below 96%, actually around the 96%, should have sounded alarm bells for the company, right, in terms of taking action and improving it?

But doesn't seem to be the case because we've been able to pull back only up to a certain extent. So I'm just trying to think that as a system, were we okay with that kind of a number? Or because this is unlike, as my colleague and Umang also earlier asked that this is very different from what the trends that we've seen across the system.

So which is where I think this question circles back to is it more internal to us or was it like you're seeing for the industry? Then maybe if the industry equation maybe we need to understand better here.

Rupinder Singh: So thank you, Nilesh bhai. Industry, I don't know how they calculate -- how they do it. The numbers are in front of you. So when we see April, April is normally very bleak. It was the last year also it was a very bleak one. And almost same number was there 96.2%, 96.3%, whatever.

And June was 97.5% or something like that. Couple of months as you start strengthening the sales things, and then eventually then quarter 2 will remain almost flattish by that time and quarter 3 starts coming in fact, basically. In fact, last year, quarter 3 was little disturbed. Quarter 2 was better comparatively if you talk about.

But what we -- we feel that even if the flowing is happening there, instead of curtailing there is always better to make the tool most accessible for you to basically. And on basis of that, what we are saying that what has been flown around, even if quarter 2 remains flat, typically on NPAs and we said not on particular that you have to bring it down obviously because as things start improving that side.

Quarter 3 will start getting a result around that piece. So when you talk about April this year to last year, you will not find much of difference, almost it is there basically in terms of efficiency.

Nilesh: No, Rupinder ji, so basically we -- if you look at say last couple of years, right, I understand last Q3, '26 was where we saw a sharp increase?

Rupinder Singh: Yes.

Nilesh: And you'd call that, so that is fine. But typically, as things kind of progress, say into Q2, we have seen over the last couple of years at least since the data that we have listed data that there is an inch up in Stage 2 and Stage 3. Right?

Rupinder Singh: Right.

Nilesh: So that forward flow kind of continues. And so this time what you're saying that the Stage 3 should be steady as the Q1 level, so it should not increase. Is that the message that you're giving?

Rupinder Singh: Yes, yes. And if you...

Nilesh: Unlike the trend that we have seen earlier, right?

Rupinder Singh: Yes, yes. So Q2 you'll find Stage 3 remaining almost same what we seen at Q1. And Stage 2 may be slightly less. But I am saying, let's assume that it will be on the same level basically. And then Q3 will start getting a result around that.

Nilesh: Okay. So why would it be different this time compared to the last time? Given that, is it because that we've seen a sharper jump in Q1 which is an anomaly compared to what we've seen earlier?

Rupinder Singh: Absolutely. These are the mechanisms that work basically. So ultimately if you try to hold in first bucket or something like that, and the customer is stressed, he can pay one EMI particularly, but once he move on, then you have a recourse around that side basically which works in that sense. Because expecting a 3 EMI from bucket 3 customer is always something not easy overnight, very few customers are able to do that piece.

Nilesh: No. I understand that. But how is it going to be different compared to the previous trends? Is...

Rupinder Singh: Because we did it last year, last year it remained constant for Q1, Q2. Right? And Q3 it has taken a spurt. This time the spurt has come in Q1 and Q2 is going to remain muted like Q1 and then Q3 start getting results.

Nilesh: Okay. So Stage 2 will see an increase or that will also remain flat?

Rupinder Singh: That will remain flattish. In fact our prerogative internally is something different. But I think -- assume it to remain flat.

Nilesh: Okay. Okay. And so the reason I'm asking that from 50 bps today, we've hit Q1 at 50 bps on credit cost. So that should not go up to 60 bps and then kind of see a sharp jump in -- sharp drop in Q4, right? Was there a possibility of that happening or it kind of holds on at the 50 bps assuming the other numbers stay where they are?

Rupinder Singh: For the year, it is to be 40, 50 bps. For this quarter, we are trying for 50 bps only and should be 50 bps. That is the thought.

Moderator: The next question comes from the line of Shreepal Doshi with Equirus Capital.

Shreepal Doshi: My question was on the yield and cost of fund side. So incremental cost of fund has remained stable at 7.9%. However, the incremental yield has gone up by 30 basis points. So what explains this? And also wanted to understand what percent of our liabilities and asset is variable and fixed rated?

Ashish Gupta: Yes, so I was saying that on the yield side as we are seeing tightness in the macros discussion on the borrowing side are happening at a slightly higher cost of fund. Bankers are asking 20, 25 basis point higher cost of fund. Discussions are stretching longer.

But we expect that the overall impact on the cost of fund will remain limited to 10 basis point. Keeping that in mind, we have already started passing on the, like, incremental disbursement. So that's how you are seeing some impact on the -- like, on our incremental disbursement yield.

Those are running at 14.9% higher than about 20, 30 basis point as compared to what it was in Q4. So that's how we are saying that there will not be any impact on the overall spreads even if there is some impact on the cost of fund. That may come in the H2 because of ongoing tightness in the macros. And coming to the segregation of the portfolio, we have about 15% of our portfolio which is at variable rate and about 35% portfolio is at a semi-variable rate and 50% is completely fixed.

Shreepal Doshi: And on the liability side?

Ashish Gupta: On the liability side, if you see about 20% of our liabilities are at fixed rate. Then we have a -- some repo link, T-bill link funding of about 33% and rest of the fundings are linked to MCLR or PLR of the banks.

Shreepal Doshi: Sir, MCLR would be to what, 1 month, 3 months or 12 months?

Ashish Gupta: So generally if you see 3 months largely -- a large part of the funding is linked to 3 months, 6 months kind of MCLR, but 1 year, MCLR is limited to, like, borrowings that we have made about 2 years back. That would be about 10% of the total borrowing.

Shreepal Doshi: Got it. So just a follow-up on your comments on the increase in the incremental yield. So we've taken a PLR hike already and have passed it on to the customers. Is it so?

Ashish Gupta: So PLR hike is a function of our overall cost of fund. So in fact we have passed on the benefit of about 10 basis point in Q4 to our existing variable rate customers. Since there is no change in our blended cost of fund, there is no change in the PLR. But having regard to the tightness in the market, we have passed on some impact to the incremental disbursement that we are making.

Moderator: The next question comes from the line of Meghna Luthra with InCred Equities.

Meghna Luthra: I had 2 quick questions. One is on the disbursement front, what would be a breakup between LAP and home loans? Also a similar like-for-like numbers last quarter and on gross Stage 3, similar breakup in LAP and home loans?

Ashish Gupta: So our home loan ratio is about -- as a percentage of AUM is close to 57% and it is stable year-on-year basis. And if you look at the GNPA number between home loan and LAP, it is pretty much similar. So like if the home loan is at about 1.48%, LAP is about 1.52%. So there is not much gap in our delinquency between home loan and LAP. And that is because of couple of reasons. So like in case of LAP, we also do self-occupied residential properties. LTVs are quite controlled and the LAP average LTVs are at about 45%. So those things help us in maintaining a better delinquency in the LAP portfolio as well.

Meghna Luthra: And sir, disbursement breakup between home loan and LAP?

Ashish Gupta: That is number -- so if there is no change in our overall AUM number that is remaining at about 57%. So there is -- so disbursement number is also running at -- in the similar number wherein 57% disbursement happening in home loan and remaining 43% in LAP.

Moderator: Ladies and gentlemen, we will take that as the last question for today. I would now like to hand the conference over to the management for the closing remarks.

Rupinder Singh: Yes. Thank you everyone for taking your valuable time for attending our earning call. 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 further questions or require additional information, please feel free to reach us out. Thank you so much. Thank you.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of ICICI Securities Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.