

RHFL/SE/15/2023-24

02nd June, 2023

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai-400001
BSE Security Code: 535322

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E), Mumbai- 400051
NSE Symbol: REPCOHOME

Kind Attn: Listing Department

Dear Sir/Madam,

Sub: Transcript of Analyst/Investor Conference Call held on 29th May, 2023

Ref: Our letter No. Our letter No. RHFL/SE/11/2023-24 dated 26th May, 2023 and Our letter No. RHFL/SE/14/2023-24 dated 29th May, 2023

In continuation to our above referred letters, please find attached the Transcript of Analyst/ Investor conference call/earnings call held on 29th May, 2023.

The aforesaid Transcript will also be made available on the Company's website www.repcohome.com.

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

This is submitted for your information and records.

Thanking You,
Yours Faithfully,
For Repco Home Finance Limited

Ankush Tiwari
Company Secretary & Compliance Office





“Repco Home Finance Limited
Q4 FY '23 Earnings Conference Call”

May 29, 2023



MANAGEMENT:

**MR. K. SWAMINATHAN – MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER – REPCO HOME
FINANCE LIMITED**

**MR. T. KARUNAKARAN – CHIEF OPERATING
OFFICER – REPCO HOME FINANCE LIMITED**

**MR. N. BALASUBRAMANIAN – CHIEF
DEVELOPMENT OFFICER – REPCO HOME
FINANCE LIMITED**

**MS. POONAM SEN – CHIEF GENERAL MANAGER
– REPCO HOME FINANCE LIMITED**

**MS. K. LAKSHMI – CHIEF FINANCIAL OFFICER –
REPCO HOME FINANCE LIMITED**

MODERATOR:

MR. RAJIV MEHTA – YES SECURITIES

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY '23 Earnings Conference Call of Repco Home Finance, hosted by YES Securities. 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 has been recorded.

I now hand the conference over to Mr. Rajiv Mehta from YES Securities. Thank you and over to you, sir.

Rajiv Mehta: Thank you, Jacob. Good evening all. Welcome to Q4 FY '23 earnings call of Repco Home Finance. We thank the management for giving us this opportunity. We have the entire top management team, Mr. K. Swaminathan, Managing Director, Mr. T. Karunakaran, Chief Operating Officer, Mr. N. Balasubramanian, Chief Development Officer, Ms. Poonam Sen, Chief General Manager, and Ms. K. Lakshmi, Chief Financial Officer.

Now, I would like to hand over the call to Mr. Swaminathan for his opening remarks on performance of the company and the outlook. Post this, we'll open the forum for questions. Over to you, Mr. Swaminathan.

K. Swaminathan: Thanks, Mr. Rajiv. Thanks, Jacob. On behalf of the entire management of Repco Home Finance, I welcome you all to the earnings call of RHFL for the quarter and the year ended March 31, 2023. We would like to thank you all once again for joining us in this call. Recalling the priorities of the financial year '22-'23 of bringing stability in business and asset quality to be under control, we are extremely happy to announce that we have continued the momentum of the previous quarters in the last quarter of the year '22-'23 and successfully closed the financial year. We have also been able to initiate the introduction of a new system and business processes and wish to take advantage of the same in the current year.

Some of the major steps that have been taken by the management in FY '22-23 were, bringing a culture of target-oriented approach in sanctions, disbursements, NPA control, etc. Simplification of underwriting processes including decentralization of powers, implementation of a new software, improving the employee morale, controlling BT outs. I will go to the business updates.

Despite the expected initial glitches of the new IT platform during mid-quarter, we were able to achieve disbursements of INR835 crores in the fourth quarter as against INR 601 crores of Q4 FY '22 and INR696 crores of Q3 FY '23. This is the highest disbursement the company has made in a quarter in the recent past. Our AUM stands at INR12,449 crores, it increased by around 2% in this quarter from the previous quarter of INR12,196 crores and 6% from INR11,759 crores in FY '22. This growth is despite bulk receipts of subsidy from government of INR84 crores in FY '22-'23 and INR51 crores in the last quarter.

Loan sanctions increased 30% Q-o-Q to INR966 crores, from INR745 crores in Q3 and about 72% increase annually to INR3,232 crores, as compared to INR1,880 crores in FY '22. The ratio between exposure between self-employed and salaried segment stood at 51.6% and 48.4%

respectively. The share to non-housing loan, that is home equity, stood about 20.7% of loan book, of which housing loan sanctions contributed to about 79.3% of the book. The quality of our NPAs, despite INR700-plus crores of restructured portfolio hitting us during the year, we were able to reduce the GNPA to INR719 crores at 5.8% GNPA percentage and net NPA at INR362 crores with a percentage of 3%. We have a total provision of INR519 crores with the provision coverage ratio of 50% for stage 3 assets alone.

Profitability, our NIM for Q4 was at 5.1%. NIM for the year as a whole was at 4.8% for FY '23, compared to 5% for FY '22. We have been able to maintain a spread of 3.3% above our guided numbers of 3% by passing on the interest costs despite intense competition. We will continue to monitor the movement in our cost of borrowings and strive to pass the change to our customers as well as having a quick control on our other costs.

Our average yield on incremental loans sanctioned rose to 10.7% in FY '23, as compared to 10% in FY '22. The profits grew 2% sequentially to INR82.1 crores during the quarter, driven by stable margin, and we earned ROA of 2.7% in Q4 FY '23, same as in Q3, and ROE of 14.4% as against 15.2% in the previous quarter. Our annual ROA and ROE stood at 2.5% and 13.5% respectively, as against 1.6% and 9.6% achieved in FY '22.

New software. We have started implementing a new software in phases. The Phase 1 has gone live from February '23. The loan origination module is fully stabilized, and once the teething issues are addressed, the loan management, loan collection, and EGL modules also will be on par by the end of this quarter. There are value-addition products as well, which we plan to roll out during the course of this year. Our distribution network was 192, comprising of 159 branches and 33 satellite centers, with additional two asset recovery branches.

I will summarize the key financial highlights for the year ended March '23, before opening the floor. The loan book stood at INR12,449 crores, registering about 6% year-on-year growth. PAT for the year surged 55% to INR296 crores. ROA and ROE stood at 2.5% and 13.5% respectively. The core profitability has remained strong, with a solid spread and margin of 3.3% and 4.8% respectively. The gross NPA stood at 5.8%, with a coverage of 50%, and net NPA is at 3%.

Way forward, for the next year, we plan to grow sanctions and disbursements by 20%, and achieve an AUM growth of 12% on a conservative basis. The GNPA numbers are planned to be brought down by at least INR100 crores during FY '23-'24.

I once again thank Mr. Rajiv and his team, and I leave the floor open for any questions.

Moderator:

Thank you very much. We will now begin the question-and-answer-session. The first question is from the line of Aniket from BMSPL Capital. Please go ahead.

Aniket:

Good afternoon. Thanks so much for the opportunity. So I had a couple of questions regarding the NIMs. So can you just give a color on what do you feel are the sustainable NIMs that we can expect in FY '24 given that, you know, rates may have peaked? And can you give some sort of guidance over the next couple of quarters or over the next year for NIMs?

- K. Swaminathan:** Okay. Any other questions?
- Aniket:** Yes. So the second question is, if NIMs are peaking, then what will be the main catalyst for profitability in the coming financial years? And how are we looking at the loan growth and asset quality going into FY '24 as well?
- K. Swaminathan:** Okay. For the second question, I think I have already answered in the presentation, in the initial remarks. See, we plan to grow around 12% as far as book is concerned. Okay. And 20% growth in both the disbursements and sanctions in the current year. This is our broad expectations. We hope that we will be able to do this as we have already done some good momentum in the year passed by, that is 2022-'23.
- As regards NIMs, we are confident that we will be able to maintain. In fact, we have passed on all the cost increases more or less to the ultimate end customers. One more thing which I would like to point out, we have also changed the method of passing on the, that is, the periodicity of reset of our interest rates. Earlier, we used to have an interest rate reset of every half year. Now, from April '23 onwards, we have decided that such resets will happen every quarter, that is, April, July and on. So, this also will help us maintain the NIMs that we have already projected. We plan to have at least 4.8% in the coming year as well.
- Aniket:** Okay. Okay. Thanks so much. And just a final question if I can put in here. Can you just give me the number for the slippages for Q4 FY '23 versus the Q4 FY '22?
- K. Swaminathan:** Okay. I don't have immediately, but I will give you. Okay. Give me some time. I will get the number.
- Aniket:** Okay. Sure. Yes. Thank you and all the best.
- K. Swaminathan:** Thank you.
- Moderator:** Thank you. The next question is from the line of Aviral Jain from Siguler Guff. Please go ahead.
- Aviral Jain:** Good afternoon, sir. Can you please talk about what has been the repayment rates and the competitive intensity? Last two, three years, what we have observed is there were large number of BT outs and even in your opening remarks, you had mentioned that BT outs, you are trying to contain the BT outs. So how does this balance going forward as you are, that we see maintaining BT outs versus maintaining yields and also high disbursement and growing AUM?
- K. Swaminathan:** Okay. See, the BT outs have been one of the reasons why we could not grow in the last two years. Okay. We have been able to contain to a large extent. See, last year, the whole of last year, there were the total BT outs were INR367 crores. But we should also see that we have also got a BT in of around INR270 crores. So this BT outs has been more or less matched by our BT in. This is one.
- Second one, the BT outs are also being controlled by our repeated touch with the products from CIBIL, whereby we are able to advise the branches about the likelihood of a particular customer going out of our fold. So our branches are able to talk to the customer, meet their requirement,

maybe if they want some interest reduction or something, if it matches our expectation, then we were able to do that. Because of such things, we were able to contain BT outs to a large extent, especially in the last two quarters.

Aviral Jain: And so the falling book, as in if I were to look at the opening book-plus disbursements, minus your closing book, BT out is not a big portion, but regular amortization of loans has caused the loan book to grow only by 4%, whereas your disbursement has grown by almost 25% as a percentage of your opening book for the year.

K. Swaminathan: Yes, Aviral. See, this cannot be avoided. See, this company is now 23 years old. So naturally, the normal repayments also get -- there is -- normal repayments also going up year-after-year. This cannot be avoided. But what we can do is to match this, we need to increase our disbursements so that this is overshadowed. That is what we are planning. And month-after-month, we are seeing that the increased disbursements vis-a-vis the previous month or previous quarter are always on the higher side so that we are able to match the AUMs. And we are sure that in '23-'24, this AUM growth will be more than offset by the likelihood of repayment, normal repayments or some prepayments. Some prepayments also cannot be avoided. So with all this, we will be able -- we are confident that we will be able to increase our AUMs.

Aviral Jain: And so this is very heartening to hear about the BT in. You mentioned some INR200 crores of BT in that your team has been able to garner. Is there a separate product? How is that being achieved? And if you can give us some understanding of -- are these high yield loans from some of the NBFCs or housing finance companies which are chasing high yield housing loans, or where are you getting in from?

And could this be a bigger number? Could you make a bigger play? Because some of the higher yield housing finance companies are also reporting very, very strong asset performance. So there would be a lot of seasoned loans which they would have given out two, three years back, which could be changed. I'm just, I am wanting to understand how this being achieved is? And it's a tremendous achievement on part of your team on this regard.

K. Swaminathan: Okay, thank you, Aviral. See, the point is, one, our interest rates are really competitive compared to those in the industry. And sometimes during the course of last year, we found that our interest rates are one of the cheapest. So this is one of the main reasons why people are coming from maybe a slightly high-priced NBFCs to our fold. This is one main reason. We also have a product whereby a customer with a better credit score, we will be able to offer a cheaper interest rate vis-a-vis that in the industry. For these reasons, we are seeing a good amount of BT-ins in the last two quarters.

Aviral Jain: And is there a focused team who is only focusing on BT-ins? And how do you see that going forward?

K. Swaminathan: The fact is, we don't have a specific team. We have a sales team. But we are telling our field, saying that this is one opportunity we should not lose. So our people are being able to take care, and whenever such customers are there, we are able to get the momentum.

- Aviral Jain:** And one last, again, would you expect the trend to continue or increase going forward, the BT-ins?
- K. Swaminathan:** Definitely. Because our pricing is slightly competitive compared to many of the players in the housing finance industry. So this is the main reason of this BT-ins coming. We will try to maintain the same competitive pricing so that going forward too, we will have a similar drive towards us.
- Aviral Jain:** Okay. And, sir, as you mentioned, the interest rates are among the lowest in the industry. So who do we see as immediate competition from a segmental perspective? Because is it more a Can Fin Homes, which is very, very going after prime borrowers and not so much like an Aptus or some of the other affordable housing finance players?
- K. Swaminathan:** No. I don't want to name any specific corporate in this particular call. But in the housing finance industry, I think you know very well, there are players who are giving the cheapest and there are also players who are costlier. So we are somewhere in between. So definitely, customers who have got a track record in other housing finance companies, they are ready to switch over to us, the same way as some of our corporates or some of our customers are going to others. So our pricing becomes attractive for those customers who are being priced on a higher scale in some of the HFCs.
- Aviral Jain:** Okay. And going forward...
- Moderator:** Sorry to interrupt. Mr. Jain, may we request that you return to the question queue for any follow-up question.
- Aviral Jain:** Yes, thank you.
- Moderator:** Thank you. The next question is from the line of Renish from ICICI Securities. Please go ahead.
- Renish:** Yes, hi, sir. Congrats on good set of numbers. So just two questions from my side again, on the growth side. So does our 12% AUM assumption would require any investment in branches? I mean, we have not yet, you know, sort of opening branches in the last two years. So with this assumption of 20% disbursement growth and 12% AUM growth, does it require any aggressive branch expansion, or do you feel that the current branches are capable enough to drive this growth?
- K. Swaminathan:** Yes, Renish, this year, that is '23-'24, we plan to open some 10 branches and 10 satellite centers. Okay. This is excluding some of the existing satellite centers. We have around 33 satellite centers now. Some of the existing satellite centers would get upgraded to a branch. When they reach a critical level, we upgrade them to a branch. So excluding such upgradation, we plan to open some 10 branches and 10 new satellite centers. Any disbursements in these new branches and the satellite centers will directly lead to an increasing AUM. I think I am clear.
- Renish:** Yes, sir. So second, on the credit cost side, you know, so this quarter credit cost has been still lower. So on a steady state basis in '24, considering our coverage ratio is already at 50%, and if

asset quality remains or the fresh slippages were to remain at the current level, what sort of a credit cost you are assuming in '24?

K. Swaminathan: Maximum of INR25 crores. See, this is what we are planning, a maximum of INR25 crores of credit cost in '23-'24. Okay, we would like to continue to still lesser. Hopefully, if slippages are maintained, we will be able to contain, but we plan to have a maximum of INR25 crores credit cost.

Renish: In 2024?

K. Swaminathan: In 2024, yes.

Renish: Got it. Okay. Got it, sir. Okay, that's it from my side, sir. Thank you.

Moderator: Thank you. The next question is from the line of Paras Pandit from Nirmal Bang. Please go ahead.

Paras Pandit: Hi, good afternoon, sir. I was checking through the presentation. I could not find the borrowing profile given this time. So if you could shed some light on the split between the banks and yes.

K. Swaminathan: Yes, I'm sorry. Actually, we only removed because the presentation happened to be bit lengthy. That's why we removed. Anyhow, I will tell you, see, the borrowing remained more or less same. That is why we thought that we need not do. But I will tell you the issue is, see, we had INR9,688 crores of borrowings in the previous quarter -- the previous year. Now it has moved to INR9,914 crores. In that, the borrowing from NHB has come down by around INR500 crores, from around INR2,000 crores in '22 to around INR1,500 crores in '23. But that has been offset by an increase in borrowings from banks from around INR6,600 crores to INR7,300 crores.

And our borrowing from our parent Repco Bank, remained more or less stable at around INR1,100 crores. So net-to-net, from INR9,700 crores approximately, to INR9,900 crores borrowings in FY '23, which means a INR200 crores increase in borrowings. I'm sorry that we have omitted it was only because we found that the presentation was becoming bit lengthy. Anyway, we will see to it that from next presentation onwards, these particular numbers are included. Sorry for that.

Paras Pandit: Yes. Could you also provide the incremental cost of borrowing?

K. Swaminathan: One minute. Weighted average cost that is an incremental is 8.1%.

Paras Pandit: 8.1%. And segment wise, that would be?

K. Swaminathan: Segment wise, I do not have immediately. I will call that later. Okay. Segment wise means housing loan and the HE, you are saying, right?

Paras Pandit: Yes.

- K. Swaminathan:** Yes. So my cumulative borrowing cost is at 8.08 as of March '23. As against 7% in March '22. So 1% increase is there. We have passed on more than that.
- Paras Pandit:** All right. Thank you so much.
- K. Swaminathan:** From 8.15, our borrowing, our lending cost has gone up to 9.6 as of March 31.
- Paras Pandit:** Okay. All right. So thank you so much.
- K. Swaminathan:** Thank you. Thank you.
- Moderator:** Thank you. The next question is from the line of Himanshu Taluja from Aditya Birla Sunlife AMC. Please go ahead.
- Himanshu Taluja:** Hi, sir. Thanks for the opportunity. Just a few questions at my end. Firstly, when you are giving a disbursement guidance of 20%, if you can also talk about qualitatively that under the new LOS in the software, how you are seeing the, have you started seeing the normalized trend in terms of the disbursement in the month of April and May?
- Secondly, in terms of the mixed composition, given we have made a last year, a lot more clean up on the asset quality, now we are comfortable on our credit costs as well for our going ahead, what should be the mix between the portfolio, between a home loan and a LAP? How do you expect, do you expect any change in this?
- K. Swaminathan:** Okay. This software has been implemented only from February, so some stabilization is going on, but definitely this new software is going to be an enabler in making us reach 20%, that is for sure. Because it has got added features, it has got the simplicity.
- Himanshu Taluja:** Sir, your voice is breaking. Sorry, your voice is breaking.
- K. Swaminathan:** See, this new software is going to be a definite enabler in increasing our disbursement, that is for sure. And I can tell you that in the two months or three months of implementation in the branches, this has been accepted well by our field. But we have now done only a basic version, there are so many add-on features that is going to be there, including mobile lending and all. So going forward, all these things will help us in improving our disbursement, that is for sure.
- Second, as far as home loan and LAP, we don't want to call it as LAP, we would like to call it as Home Equity, because it also includes some of the commercial and other products in this. So this home loan equity portion will remain more or less at 50-50.
- Himanshu Taluja:** Okay, sure. The second question is around your asset quality. You can just talk about your restructured book, what is outstanding, how much provision coverage you are holding, and where is this breakup of this restructured book sitting on the middle in a stage 2 and a stage 3? And how much you expect to any adverse outcome in your restructured book?
- K. Swaminathan:** As far as restructured book is concerned, I can tell you the worst is over. We had around INR700 crores of book, restructured book during the year, sitting us during the year, out of which around

INR200 crores have already skipped. And around INR100 crores have become normal, regular. So the remaining INR400 crores, approximately INR150 crores to INR200 crores is in stage 2.

This, even though it is in stage 2, we are seeing some acceleration in repayments. So while I am not ruling out some slippages from this restructured book, we do not feel that there will be going to be a big hit because of restructured book in the current year. I do admit that this is going to be an issue in the current year. If at all there are going to be slippages in the current year, this restructured book will be an issue.

But we do not foresee any big hit because of restructured book. Because in our view, the worst is over as far as restructured book is concerned. Even on the stage 2 accounts, we are seeing repayments. Only thing is they are paying every month with some lag. We would like to see that some acceleration happens in such restructured books. Hopefully, this current year, this restructured book will also become normal.

Himanshu Taluja: Okay, sure. Sir, in your credit cost guidance for FY '24, you are considering the movement of your restructured book, some slip on the restructured book in your estimate?

K. Swaminathan: Yes, but see, please also understand that we will be having some recoveries. To that extent, there will be a saving in provision. So the additional credit cost that we may require because of the slippages is likely to be offset by the recoveries that we may make from our core NPA portfolio.

Himanshu Taluja: Sure. And sir, just my last...

K. Swaminathan: We plan to have additional INR25 crores.

Himanshu Taluja: Okay, sure. Then, sir, just my last few questions. On the slide 13, your margins have improved by 40 bps during the quarter. The spread is compressed by 20 bps. Can you give some clarification on how it triggered this? Basically, how this triggered this?

K. Swaminathan: I am unable to get you. Actually, the margins have increased. There is no second opinion that the margins have increased quarter-on-quarter. Because of our increase in MLR, that is a Minimum Lending Rate that we charge our customers, the margins are increasing quarter-on-quarter. But I could not get you the question on the...

Himanshu Taluja: Sir, my question is when the MLR has increased, as you mentioned, your margins have improved. Why is there a spread compression of 20 bps during the quarter?

K. Swaminathan: Because there may be an increase in cost. See, please understand. See, there may be an increase in borrowing cost during the quarter, but we would not have passed on that particular increase to all the customers. The MLR increase has happened only for the new customers. The resetting is happening only once in six months. So, during January to March, only those accounts which fell for reset only would have got the increased interest rate.

That is why I said in the initial remarks that going forward, since we are going to have the reset every quarter instead of every six months, this passing on of this interest of any cost increases from our borrowings will definitely happen at a faster pace from the current quarter onwards.

- Himanshu Taluja:** Okay. Sure, thank you, sir. Thanks a lot.
- K. Swaminathan:** Thanks.
- Moderator:** Thank you. The next question is from the line of Sushil Choksey from Indus Equity Advisors. Please go ahead.
- Sushil Choksey:** Congratulations to the team, Repco, for a stable number and best wishes for all the growth. Sir, my first question is average ticket, which is approximately INR12 lakhs with the housing prices and land prices on upswing in the geography where we have strength. Do you see that average ticket size growing?
- K. Swaminathan:** See, the average – thanks, Sushil, for coming to the conference. See, the average ticket size of INR12 lakhs is for the entire book. But actually, if you see only the ticket size for the current year, that is, '23, the average ticket size is INR17.8 lakhs. This is as against INR15.33 lakhs in the previous year, which means the average ticket size is, in fact, going up. But when we see 1,05,000 accounts, the average ticket size remains at that. And we see an increase...
- Sushil Choksey:** Further going up or stable around INR17 lakhs, INR18 lakhs?
- K. Swaminathan:** Yes, it is going up, sir. It is going up.
- Sushil Choksey:** Second thing, sir, in competition where the growth is visible between 30% to 40%, and I am sure your digital and software spend would be stabilizing in this quarter. So, if so, is the aspiration internally for growth higher?
- K. Swaminathan:** I would not like to spill the secrets, Mr. Sushil. Let me be very clear. I want to be very conservative when I am talking to people like you. Okay, that is why we have said 12%.
- Sushil Choksey:** It is fine, sir. But is organization geared up if there is demand at your existing offices and remote locations where you have spoken hub or whatever, if the demand is higher than your origination, origination capability needs support? That is what my question is, more or less.
- K. Swaminathan:** Yes, definitely, sir. We are seeing some momentum, sir. We are seeing some momentum. And we are trying to fill any gap, whether it is in human resources or technology or in any other requirements, wherever such gaps we are finding, we are trying to fill up immediately. And definitely, we are confident that we will be able to even surpass our own estimates.
- Sushil Choksey:** So, does it mean that your current staff strength is capable of handling much bigger and larger volume than what you are processing today?
- K. Swaminathan:** Maybe, if at all there is requirement, current staff requirement is enough, especially in some pockets. Maybe in some geographies, we may require more people, especially where we are not all that popular. We are finding it slightly difficult to get people. And some attritions are also happening in such geographies. So, going forward, maybe we may have to tweak our HR policies so that we get the best talent in these geographies as well. But as of now, in our main southern markets, especially in Tamil Nadu, I think our staff strength is high.

- Sushil Choksey:** Where do you see your cost to income?
- K. Swaminathan:** Cost to income should go down. It is slightly on the higher side. And that can be offset by productivity, improving in productivity. That is our expectation.
- Sushil Choksey:** Last five year average is around 20%, 21%.
- K. Swaminathan:** Yes, I understand. I understand. Maybe, see, please understand, in the last year, we had added approximately around 200 people, including some trainees and all we have added. So, that is one of the reasons why our cost to income ratio went up. And there was also cost due to this technology change. These things may continue also. See, for example, this year, we are planning to have some staff cost increases because of the salary revision and all to be given to our employees because it is long overdue. But all these things may be an initial cost. But going forward, this will be more than offset by an increasing revenue in the coming quarter. That much we are confident.
- Sushil Choksey:** Any view on the parent Company's holding in Repco Home Finance?
- K. Swaminathan:** They are already having 37%. I don't think there will be any change in that.
- Sushil Choksey:** No, but they are in need of capital. That's what I hear.
- K. Swaminathan:** Repco Bank is in need of capital?
- Sushil Choksey:** Yes.
- K. Swaminathan:** No. I am not aware, sir. I am not aware.
- Sushil Choksey:** You are not aware. Never mind. Thanks a lot and all the best, sir. Thank you.
- K. Swaminathan:** Thanks, Sushil.
- Moderator:** Thank you. The next question is from the line of Praveen Kumar from Acuitas Capital Advisors. Please go ahead.
- Praveen Kumar:** Yes. Hi. Thanks for the opportunity. I was looking at your region-wise loan book disclosure that you have provided in the presentation. So, there I was noticing that, you know, on a Y-o-Y basis, you have de-grown in Gujarat and Kerala, and there has been marginal growth in Maharashtra. So, what I wanted to understand is that, is this largely driven by competition, the competitive intensity in these regions, or is it driven by any adverse asset quality experience that you might have had and you decided to go slow? So, could you throw some light on that?
- K. Swaminathan:** Thank you, Praveen. See, it is not specific to that particular market. Maybe Gujarat, what you are saying is right. Maybe we have slightly de-grown in that particular region during last year, but we have taken steps. We have changed some people there and all that. We are confident in '23-'24, Gujarat also will be a contributor.

As far as Kerala is concerned, I would like to mention that in previous two years, we had de-grown in a large manner in Kerala. In fact, we did not grow at all in Kerala. We did not. We even stopped the disbursements. But now we have started disbursements in Kerala. This has happened.

Pune, that is the Maharashtra region, is turning around. You will see good improvement in '23-'24 as far as Maharashtra is concerned. Gujarat was a challenge last year. Gujarat will turn around this year. And we are planning to open more branches in our Ahmedabad region. Ahmedabad region consists of Gujarat, Rajasthan, as well as Madhya Pradesh.

Praveen Kumar: So when you say it was a challenge, you mean from a competitive intensity perspective or from an asset quality perspective? I wanted to understand that.

K. Swaminathan: No. One is competition. Second one is our brand. See, our brand in Gujarat is not as popular as in Tamil Nadu. So that was a challenge in Gujarat. And there were some issues related to staff, some attrition and all in that particular locality. These are getting addressed.

Praveen Kumar: So do you -- when you guide for a 12% AUM growth in FY '22, these two, three states which you spoke about, they should go on par with the book or there will still be a drag as far as going lower than the overall growth?

K. Swaminathan: No, actually we expect Gujarat and Maharashtra to contribute better. And not only that, these areas we are slightly new. So whatever disbursement is going to happen in these particular areas, it will directly improve our AUM. Compared to the same type of disbursement in our Tamil Nadu area, because these are all new places for us, there will not be much repayment. So our AUM growth will be better in these geographies.

Praveen Kumar: Okay. Thanks. Thanks for the clarification.

K. Swaminathan: Thanks, Mr. Praveen.

Moderator: Thank you. The next question is from the line of Kunal Shah from CITI. Please go ahead.

Kunal Shah: Yes. Hi. So firstly in terms of the balance transfer number for FY '23, you mentioned it was INR367 crores. How much was that for full-year FY '23?

K. Swaminathan: INR367 crores was BT out.

Kunal Shah: BT out?

K. Swaminathan: Yes.

Kunal Shah: So BT out was INR367 crores, which is almost like 3% of the opening AUM. I'm just checking. Was that right? Is that the right number?

K. Swaminathan: Yes, yes. I got it from our people.

- Kunal Shah:** Okay. So it was just 3% annually for entire FY '23. And so when we are maybe highlighting in terms of almost like 12% AUM growth, 20% disbursement growth, that is suggesting almost like 16% kind of run down, which would be just the normal repayment. I think there, maybe then we are highlighting that the entire BT out will be almost zero kind of a number because this year it was like on the higher side. But, so is that in the assumption that maybe on the BT out side, there won't be much hit will be there and there will be a complete delta available?
- K. Swaminathan:** The BT outs will be matched by a BT in or an increased BT in. So net to net there will be an increase. So if you see only BT outs, yes, what you are saying is right. But we are also expecting an increase in BT-ins. So net there will be an increase. This is our expectation.
- Kunal Shah:** Okay. And secondly, sorry, if I missed on the stage 2 number, then you are highlighting to Himanshu's question on restructuring. So what is the stage 2 at this point in time? And if I have to look at it, stage 1 plus stage 2, we have provisioning of almost 1.3%-odd. So if you can just highlight in terms of how much we are getting as a provisioning on stage 1 and how much is the provisioning on stage 2?
- K. Swaminathan:** Yes, one minute. I think it is 0.5%. Yes. See stage 1 provisioning is 0.5%. Stage 2 provisioning is 6.5%. And stage 3 is 49%.
- Kunal Shah:** Yes, stage 3, yes. And what is the proportion in stage 2?
- K. Swaminathan:** Stage 2 is around 13%, approximately. Approximately 13%. But let me be very clear. Let us get the exact MIS. Maybe going forward, we will be able to give you the breakup of stage 1 and stage 2. As of now, we do not have the exact number, but it should be around 12% to 13%.
- Kunal Shah:** Yes. So when we look at it, almost 12% to 13% of stage 2 and maybe somewhere around 5.8% of stage 3. So almost like 18%, 19%-odd, against which we have ECL provisions of 4%-odd. And still we are getting for INR25 crores of credit costs. So does it seem like quite adequate at this point in time? Because maybe on the overall stretch, the provisioning of 4.2 is still slightly lower. Yes.
- K. Swaminathan:** Yes. We are confident on only one front, sir. We are now focused more on stage 2 as well as the current dues. We have created a separate collection vertical from April '23 onwards. So almost 66 persons or 66 people are exclusively or only on collection of current dues as well as stage 2 dues. These people are not handling the core NPA. So we are confident that we will be going below 10% as far as stage 2 numbers are concerned. You will see the numbers in the coming quarters. We will be able to give a breakup of stage 1, stage 2 in the coming quarters.
- That is the confidence that we are getting, and we are seeing increasing better numbers in the first two months itself. This collection vertical is proving to be a game changer in my view, going to be a game changer in my view in the current year. So definitely the stage 2, slipping to stage 3 will more or less be reduced to the maximum in the current year. That is our expectation.

- Kunal Shah:** Okay. And then in terms of the quarterly volatility, what we see generally in Q1, there is an inch up since we would have rolled this out from April. Then should we see end to that trend as well or that will still continue?
- K. Swaminathan:** I don't get you, sir.
- Kunal Shah:** Generally in Q1 and Q3, we see the inch up, which is there in the stage 3, and that is largely the flow through from stage 2, which happens, okay, particularly in Q1 and Q3, and that has been historically different for Repco. So now, given that you are saying that we are putting the collection thing from April more focused on stage 2, then should we assume like a more consistent behavior across the quarters or maybe that quarterly volatility can still continue?
- K. Swaminathan:** That is our expectation, sir. We want the NPA numbers to come down sequentially quarter-on-quarter. We are confident. Even if there is any slippage, it may be a small number. It may not be a big hit. That is our expectation.
- Kunal Shah:** Okay. Yes. Thanks and all the best.
- K. Swaminathan:** Thank you.
- Moderator:** Thank you. The next question is from the line of Rahul Jain from Credence Wealth. Please go ahead.
- Rahul Jain:** Thanks for the opportunity. So congratulations on the good numbers.
- K. Swaminathan:** Thank you.
- Rahul Jain:** And the BT in of INR200 crores you mentioned, that was really good. And just to understand, has the momentum. For last entire year, this amount is at around INR200 crores. Have you seen the momentum of BT in increasing in last six months or last two, three months, four months? How do we see that?
- K. Swaminathan:** Yes, in the last two quarters, I do not have the exact number of month-on-month. But in the last two quarters, we are seeing a momentum as far as BT-ins are concerned.
- Rahul Jain:** And that is primarily due to the competitive interest rates, which we have been able, you said we are providing the lowest interest rate. So just to understand what has helped us in terms of this, and is the momentum continuing?
- K. Swaminathan:** That is the primary reason, Mr. Rahul. I will not say we are the lowest. We are one of the lowest in the industry. That is the primary reason.
- Rahul Jain:** Sure, but given the industry is competitive, and typically, everyone looks forward to growth. So what exactly are the reasons for our success on this side?
- K. Swaminathan:** I do not know. I am unable to give you a specific reason, Mr. Rahul. But the only thing is maybe, because we are now focused on disbursements, we are each and every file getting focused.

Maybe the customers are having a feel that things are changing in our RHFL. Maybe because we are tracking track in all such logins. Maybe because of all these reasons, customers get a feel that things are turning for the better in our RHFL. That could be one of the reasons.

Rahul Jain: So with regards to BT-ins, are we targeting certain markets or certain kinds of players where we feel the vulnerability among the customer is higher, where we can easily get them to our side? Is that how we are trying to strategize that?

K. Swaminathan: No we do not have a specific strategy. But most of the BT-ins are mostly from the South markets, where we are already popular and where we have DSAs also empanelled. So these people are able to convince the customers from other housing companies perhaps. But as you say, but we do not have a specific strategy of targeting a particular geography or a particular lender.

Rahul Jain: Sure. And when we spoke about 12% AUM growth, 20% sanctions and disbursement growth, so typically, are we trying to get more market share? And if so, how are we doing it specifically? Is it like one you mentioned about opening up of new branches, Gujarat area being now the focus area?

K. Swaminathan: Opening of new branches, that is the main thing. Second one is follow-up. Micro-level follow-up that is being done, I think that is going to help us in improving our disbursement. Compared to the previous thing, now we have started following-up on a file wise from our head office. Third one is our TAT. Because of our decentralisation that we have done, that has proved to be a game changer. So many new files are getting sanctioned even at the lower level. So that has helped us to improve the numbers and the simplification of processes. More importantly, the new platform will definitely help us in improving our performance.

Rahul Jain: Sure. And the current two months of the current year, do we see that kind of momentum or that momentum is much better than what you are guiding for?

K. Swaminathan: I don't want to give you a number, but I am seeing some definite improvement compared to year-on-year.

Rahul Jain: And this is across your growth sanctions disbursement? And also the BT-ins and the BT-outs?

K. Swaminathan: Yes, across geographies, net-to-net. I don't have an exact number of BT-outs or BT-ins in the last two months. But across geographies, we are seeing a better performance in disbursements compared to year-on-year.

Rahul Jain: Sure, sir. Thank you so much. I wish you all the best.

K. Swaminathan: Thank you.

Moderator: Thank you. The next question is from the line of Aviral Jain from Siguler Guff. Please go ahead.

Aviral Jain: Just quickly, I wanted to understand if I were to look at the whole of FY '23 versus FY '22, the net interest income has gone down, whereas the yield, there was only a very slight compression in yield. So was it that the AUM buildup happened towards the latter half of FY '23?

K. Swaminathan: Yes, primarily that is the main reason. But there are some other factors as well. The main reason, as you say, is because the disbursements or the increase in the AUM happened in the later half. But some of the issues are related to the previous year. We found that there were some previous year issues related to processing fees vouching. That was one of the reasons. The second one is some accounts, we started providing 100%.

So that some old accounts in NPAs, we started providing 100%. In those accounts, we had to reverse whatever the interest income that we have done. So these are all some of the main reasons. Third one is on PMAY, all these subsidies that have come. In such cases, the processing fees, we have to reverse. So these are all the things. More importantly, penalty income, see penal income because of our efficiency, penal income has reduced. So the other interest income other than loan-related income that has come down.

And then deposit, we were having nearly some INR400 crores of deposits with the banks. That has now come down to INR153 crores. So multiple factors because of all these reasons, but mostly pertaining to the previous year's issues. Otherwise, our income should have gone up at least by INR15 crores to INR20 crores year-on-year.

Aviral Jain: So, would it be fair to say that your Q4 effective yield on the book is the right way to look at your book going forward? Which would mean that there would be a very strong yield growth?

K. Swaminathan: That is precisely the point I was about to come. Yes, if you see Q3 to Q4, you would have seen a definite increase in the net interest income as well as interest income vis-a-vis the previous quarter. So this will be maintained in the coming quarters as well. Because of a blip, I should say, in the first quarter of '22-'23, there were issues. And because of some bulk vouching in the previous year, these are the reasons why our interest income remained more or less stable year-on-year, if you take the whole year into consideration.

But going forward, I think quarter-on-quarter, there will be an improvement, more so because we are repricing our book quarterly and we keep on increasing our MLR. Between April '22 to March '23, we have increased our minimum lending rate from 8.15% to 9.6%, which means 1.45% that is an increase, even though cost is, cost increased only by 1%.

Aviral Jain: Okay. And since you are disbursing more, the processing income increase will take care of the penal interest income?

K. Swaminathan: Hopefully. But the processing income, I think you may be aware that in Ind AS, we have to spread it over the entire life of the asset. So whatever processing income, I cannot vouch. But if you can do some other products, related products like insurance and all, that may help us. That we will take care. That other income will help us.

Aviral Jain: I'm sorry, in last year, you had to reverse some of the processing income because it had to be amortized, it has to be amortized over the life of the loan.

K. Swaminathan: In '21-'22, we booked a large portion of our processing fee income because the previous years, from 2017 onwards, we have started vouching under Ind AS. So in 2021-'22, the company

reversed all the processing fee income of the previous year. Three or four years, a bulk reversal happened during 2021-'22. That advantage we did not get in '22-'23. That was one of the reasons why our total interest income was more or less flat year-on-year.

Aviral Jain: Okay. But that would have depressed the number in FY '22, not increased it. I think I'm not able to follow you.

K. Swaminathan: No. The point is, your point was why our total income remained flat. Even though, there is an increase in AUM, right?

Aviral Jain: Yes.

K. Swaminathan: Yes. So the issues are, that's what I'm saying. There are multiple factors which contributed to this stable interest income, total income, interest income in '22-'23 vis-a-vis '21-'22. One such reason is this PF vouching that I was telling you. Second one is because we transferred many accounts from stage 3 to 100% provision provided accounts. So we have to reverse.

That was in '22-'23. So we have to reverse much of the interest income that we had booked in those accounts. See, around INR23 crores of principal, we reversed. Third one is on the, as I was saying, the processing fee. And in case of bulk receipt of subsidies, again, there too, we had to reverse processing fees in PMAY accounts. Like this, there are so many factors which led to a more or less stable interest income in '22-'23 vis-a-vis '21-'22.

Aviral Jain: Okay. And what was the amount, quantum of the incentives that you received from the government before this?

K. Swaminathan: Total of INR84 crores. Total of INR84 crores we have so far received. And INR51 crores was received in the last quarter itself. Out of this INR84 crores, INR51 crores we got it in the last quarter. Despite that, we have increased our AUM.

Aviral Jain: So this directly gets knocked-off from the AUM and you have to reverse the processing fee on this amount?

K. Swaminathan: Yes.

Aviral Jain: But does it get credited back to the customer, the processing fee of this INR51 crores as in for an individual loan? It gets knocked-off from the principal outstanding, the processing fee part?

K. Swaminathan: Yes.

Aviral Jain: Okay. Thank you so much, sir.

Moderator: Thank you. The next question is from the line of Rajiv Mehta from YES Securities. Please go ahead, sir.

Rajiv Mehta: Sir, just two, three questions. Sir, firstly, when you talk about a disbursement growth of 20%-odd, would portfolio buyout and BT-in be outside of this?

- K. Swaminathan:** No. I do not know. No, Rajiv.
- Rajiv Mehta:** They are a part of it?
- K. Swaminathan:** Yes. I do not want to give such guesses. Everything put together.
- Rajiv Mehta:** Okay. And this portfolio buyout, which we have done this year also, would that be a recurring strategy that we would follow?
- K. Swaminathan:** No, I do not want to call it a strategy. We will take it as and when we, suppose we get a good portfolio at a better price and all, we will take. And we do not want to do only that. See, that will supplement our normal growth. That can't be a main thing. And we do not go behind this portfolio buyout.
- Rajiv Mehta:** Got it. So, we always keep looking out, provided it suits our profile. Yes. And, sir, in terms of the rate transmission that you did when you increased your MLR from 8.15 to 9.5 today, what percentage of customers you have to increase EMI and by what extent?
- K. Swaminathan:** See, we have around 1,05,000 customers. Netting NPAs, we have around 1,00,000 customers. Almost all the customers, maybe barring some 1,000, almost all the customers get re-priced every quarter now.
- Rajiv Mehta:** Yes. No, I am talking about how this rate transmission was effected. I mean, was it just the entire, I mean, was it all through tenor extension or did you also have to change, increase the EMI?
- K. Swaminathan:** No. Invariably, we keep the EMI same. We only, this will only lengthen the repayment period. Invariably. But in some cases where it has already reached the maximum, maybe we may have to change the EMI after informing the customers.
- Rajiv Mehta:** Yes. So that is the question. That is what number of cases and what percentage of portfolio?
- K. Swaminathan:** I don't have immediately, Mr. Rajiv. Maybe I may have to give. Maybe, but that will be a very small percentage. Most of the customers, we will be able to accommodate by lengthening the repayment schedule.
- Rajiv Mehta:** Yes. And so again, just coming on stage 2 asset, because stage 2 loan book or portfolio, it's a sizable feature for us. So if I remove the restructured, already restructured piece, still we would have INR1,500-odd crores, INR1,600-odd crores of normal stage 2 asset. Are these accounts, what is the collection on these kinds of accounts? Are they paying regularly? And does the risk of slippage is not significant?
- K. Swaminathan:** The risk is not significant. You see, had they been significant, how my GNPA's would have come down? Please understand. That too, when we did not have a specific collection vertical last year. Now that we have a specific collection vertical, I am seeing a real change in the stage 2 numbers in the last two months. We are confident that going forward, the stage 2 numbers will be very much manageable and on par with the industry.

- Rajiv Mehta:** Okay. And hence you would be okay with not increasing coverage because you believe that the stage 2 pool itself will come down?
- K. Swaminathan:** Definitely. Stage 2 numbers will come down. That is for sure.
- Rajiv Mehta:** And we are not looking at raising coverage at this point in time?
- K. Swaminathan:** It may not be required. If required, we will add, but it may not be required.
- Rajiv Mehta:** Got it, sir. Thank you for answering my questions. Back to you, Jacob.
- Moderator:** Thank you. That was the last question. I now hand the conference over to the management for closing comments.
- K. Swaminathan:** I once again thank all the participants who took time off to attend this call. On behalf of the entire management of RHFL, I would like to assure that this company is on the growth path and we are confident that '23-'24 will be a real turnaround year for this company. I will seek your continued support for this organization in the coming quarters. Thank you. Thank you very much.
- Moderator:** Thank you. On behalf of YES Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.