

RHFL/SE/45/2024-25

7th August, 2024

National Stock Exchange of India Limited,
Exchange Plaza,
Bandra Kurla Complex, Bandra (E)
Mumbai-400 051
NSE Symbol: REPCOHOME
Kind Attn: Listing Department

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

Dear Sir/Madam,

Sub: Transcript of Analyst/Investor Conference Call held on 2nd August, 2024

Ref: Our letter No. RHFL/SE/31/2024-25 dated 26th July, 2024 and Our letter No. RHFL/SE/44/2024-25 dated 2nd August, 2024

In continuation to our above referred letters, please find attached the Transcript of Analyst/ Investor conference call/earnings call held on 2nd August, 2024.

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 & Chief Compliance Officer





“Repco Home Finance Limited
Q1 FY '25 Earnings Conference Call”

August 02, 2024



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. P.K. VAIDYANATHAN -- CHIEF
DEVELOPMENT OFFICER –REPCO HOME
FINANCE LIMITED**

**MR. M. RAJA – CHIEF BUSINESS OFFICER –
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 Repco Home Finance Q1 FY'25 Earnings Conference Call 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 is being recorded.

I now hand the conference over to Mr. Rajiv Mehta from YES Securities. Please go ahead.

Rajiv Mehta: Good evening, everyone. Welcome to the Q1 FY'25 Earnings Call of Repco Home Finance. We thank the management for giving us the opportunity to host them once again. From the company we are joined by Mr. K. Swaminathan, MD and CEO; Mr. T. Karunakaran, Chief Operating Officer; Mr. P.K. Vaidyanathan, Chief Development Officer; Mr. M. Raja, Chief Business Officer; and Ms. K. Lakshmi, Chief Financial Officer.

I would request Mr. Swaminathan to give us an overview on the company's performance, post which we'll open the floor for Q&A. Over to you, sir.

K. Swaminathan: Thanks, Mr. Rajiv from Yes Securities. We would like to welcome all to the earnings call of Repco Home Finance Limited for the quarter ended June 30, 2024. Thank you once again for joining us in this call. I'm sorry for the time because it's already 5:00 pm now. The company's profitability parameters have improved steadily in the first quarter compared to the period year ago. Though sanctions and disbursements were at the same level of 2023, '24. Usually, the first quarter business is affected by internal movement of staff, relocations, etc. In this year, we also had the impact due to general elections and heat waves across the country. Notwithstanding these temporary setbacks, we are confident that the company is proceeding on the right track to achieve the set targets.

We have dispersed INR680 crores in Q1 FY'25, again INR684 crores in the year ago period. Our sanctions stood at INR727 crores in Q1 FY '25 as compared to INR726 crores in Q1 FY '24. The overall loan book stood at INR13,701 crores as at the end of June 30 2024 against INR12,655 crores in the year ago period registering a growth of 8.3%. The ratio of exposure between non-salaried and salaried segment stood at 51.6% and 48.4% respectively. The share of non-housing loan that is home equity stood at 25.7% of the loan book and housing loans contributed to about 74% of the book -- book quality.

GNPA amounted to INR583 crores as of June 30, 2024 as against INR695 crores as of June 30, 2023 and INR552 crores as of March 31. For the reasons mentioned earlier, there was an increase in GNPA numbers mainly because of the hit we had in the month of April, the position has improved in subsequent months. We have a total provision of INR519 crores with a provision coverage ratio of 62% for Stage 3 assets. Our systematic and relentless action on NPA accounts is proving fruitful and would continue.

As of June 30, 2024, we hold INR506.6 crores of restructured portfolio outstanding of which approximate to INR168 crores are in Stage 3 and remaining are in Stage 1 and 2. The Stage 2 numbers remained at 11.6% same as the last quarter. Profitability. Our NIM for Q1 FY '25 was at 5.14% as against 5.13% in Q1 FY '24. The company has been able to maintain a spread of 3.4% by raising yields to 11.98%, despite facing stiff competition at our pricing levels. The net profit grew 18.35% Y-o-Y amounting to INR105.4 crores for Q1 FY '25 as against INR89.1 crores for Q1 FY '24 and INR108.1 crores in Q4 FY '24.

Our ROA stood at 3.1% and ROE at 16.3% for Q1 as against respective figures of 2.8% and 15.8% in Q1 FY '24 and 3.2% and 16.5% in Q4 FY '24. Cost due to income ratio for the quarter decreased to 23.6% as against 26.3% in the previous quarter. New software. Phase 1 of the project comprising of LLMS, LOS and EGL is fairly stabilized. Phase 2 of the project comprising of software letting to support function are in various stages of implementation and testing. A total of approximately INR27 crores have been spent so far.

Branch network. As of June 30, 2024 we have touch point 223 numbers across 12 states and 1 union territory comprising of 181 branches and 42 satellite centers with additional 2 asset recovery branches. We will be touching 250 outlets by March '25. I will summarize the key financial highlights for the quarter before opening the floor for Q-and-A. The loan book stood at INR13,701 crores registering 8.3% Y-o-Y growth.

PAT for the quarter was INR105.4 crores with 18.35% increase Y-o-Y. ROA and ROE for the quarter stood at 3.1% and 16.3% respectively. The core profitability has remained strong with a solid spread on margin. The gross NPA is 4.25% with a Stages 3 coverage of 62%, net NPA at 1.67%. Way forward, we have started recruiting people with experience in sales and collection vertical. They are in the process of joining our team. With this additional strength, our focus would be on taking the growth numbers to the next level and reducing our overdue on NPA numbers.

We are quite positive on this. Company is geared up on achieving the target set for FY '25 in terms of GNPA reduction, disbursements and AUM growth, and reach an AUM growth of INR15,000 crores by March 2025 organically. We thank each and everyone of you for evincing interest in our company's growth story. We now open the session for Q&A.

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

Kaustav Bubna: I just wanted to talk -- I'm trying to understand why this company's disbursements aren't growing. Our capital adequacy is very high. We are at decadal low leverage. So given both these factors, we should be growing high double digits, and we are not -- our disbursements are flat. So what is stopping this growth from happening? And could you give a detailed answer to this so that we get some insight and how do you plan to now grow from here?

K. Swaminathan: Thank you, Kaustav. See this company is slightly different from the other companies that you may have in mind. We are totally not a company which is charging something like 15%, 16% growth, giving to all customers. We are quite quality conscious. We want to be very much

selective in selecting our loan applicants because this company had problems in the past on the asset quality. We do not want to get a repetition of what we had suffered in the past. That is one of the reasons, perhaps maybe that is there in your mind when we are speaking that we are not growing at a level at which the others are growing.

But one thing I can give you an assurance, we are having clear plans how we will grow. The INR15,000 crores that we are targeting this year is around 11% to 12% growth from what we had last year. And this, we are doing it systematically. We have started recruiting people in sales vertical. People with experience are joining the company, they are going across geographies, across various branches, including head office.

So slowly and steadily, the numbers will keep growing. The people are coming. Already, we have recruited nearly 38 people in sales vertical already. Another 20, 30 people are in the pipeline. So these people are taking time because they have to leave from the previous organization, they have joined us. And this experience is definitely going to help us.

I think you may be knowing that we have already recruited one Chief Business Officer, who is primarily involved in driving business. So past is past, definitely, the company will grow. But one thing I can tell you, sir, we will be growing, but we will be growing consciously with the quality in mind. We do not want to grow just by numbers and get suffered in quality on a future date. That is one thing we are clear in our mind.

Kaustav Bubna:

What's your disbursements, your target for the year, given that you've been flat in the first quarter?

K. Swaminathan:

The first quarter being flat, I think even I already indicated even in the last call itself. First quarter traditionally for this company is not all that because I'm now third year in this company. Almost in all the 3 years, the first quarter has been more or less flat. But even this year, it's around INR680 crores.

I don't think it's all that bad, considering that we had issues like election, heat wave, so many problems, especially in the state of Tamil Nadu where we are predominantly there. In April month, nothing much could be done because of elections and all that, our people could not move. We had so much of transfers also, so many branch heads had to be changed and all that. It took some time for those people also to do. So the first quarters are traditionally like that.

We are sure that in the second and third quarter we will improve. The numbers, I think we told already we are planning to disburse somewhere between INR3,600 crores to INR3,800 crores by the end of the year. As of now, I do not have any hesitation that we would be able to reach these numbers. We do not want to change whatever is the projection that we have already given you.

Kaustav Bubna:

You are saying INR3,600 crores disbursement in FY '25 is your target? Did I hear that correct?

K. Swaminathan:

Yes, INR3,600 crores for disbursement and around INR1,500 crores will be the book increase because we anticipate some INR2,000 crores of repayment.

Kaustav Bubna: Okay. And I have my last question which is if you're planning to go ahead with cautious growth which is a good -- which is there, will you plan to return money to your investors in the form of dividends, etc because of capital adequacy is pretty high or what's your plan on that one?

K. Swaminathan: Okay, see -- of course, it is beyond my thing, Board has to take a call. Already we have increased dividend you would have seen today, there was an AGM also. We already increased the dividend by 3% this year. That is 2023, '24 also we had increased. Whether there will be further increase, I think the Board has to take a call. But we feel that the present capital is necessary for the growth that we are planning, INR15,000 crores by this year and around INR20,000 crores by 2 years. Hence, I think for all these growth numbers, we require capital. And this capital that we are conserving, definitely will be helpful for us in our growth story.

Kaustav Bubna: Best of luck and hope to see that growth numbers from you in the future.

K Swaminathan: Thank you Kaustav.

Moderator: Thank you. The next question is from the line of Ashish from MB Investment. Please go ahead.

Rudrakash: Hi, Rudrakash from MB Investment. My question is, are you guys -- are the promoters planning to dilute stake in the company? And my other question is that micro finance industry and small finance banks are also getting into -- heavily getting into the home loan space so as to secure their book. So what are your plans and strategies to fight off with the small finance dragon, micro finance industry and keeping the trajectory and the results in place?

K. Swaminathan: See, to my knowledge, there are -- I don't think with regards to dilution of stake -- you mean to say dilution stake by the promoters, right?

Rudrakash: Yes, right.

K. Swaminathan: Yes. We do not have any information on that particular thing. So I'm unable to comment. We do not have any news. Till now, there is no such news to my knowledge. Okay. Regarding competition, yes, this company has been facing competition for quite some time. It's not something new. But we have been able to base through all these years, and we are quite confident that we will be able to do current year as well as future year. This company has its own specialty compared to others. They have got -- we have a good brand recall, good reputation, especially in the South of India.

So with all this, we do not feel that competition is going to hurt us. We have gone through all this. It is slightly different as I was saying because our interest rate is anywhere between -- we start from around 10%, we go up to 13%, 14%. Compared to many other housing finance companies this is slightly different. And we feel that at this price range we have a market, we will be able to penetrate in that market.

Rudrakash: All right. Thank you so much.

Moderator: Thank you. The next question is from the line of Sanket Chheda from DAM Capital. Please go ahead.

Sanket Chheda:

So sir, you said it has been close to 3 years that you've been here. I remember in Q4 of '23, we had said that we have done some tech upgradation and maybe during the course of FY '24 on a blended basis, INR1,000 crores run rate would be possible which was about INR4,000 crores, later, we don't got it down to INR3,600 crores and then ultimately delivered even lower. This year also, we are now targeting same, INR3,600 crores. That would be like 11%, 12% growth. And just 2 quarters back in Q3 -- with the miss, you were guiding that we might double the AUM in 3 years, that is INR25,000 crores would be possible, though INR20,000 crores will be the base target. But even that INR20,000 crores would need 15% kind of a growth in '26 and '27.

So while you say be rest assured, but we have not been exactly going on what we believe, what we have guided so far on growth at least. So Q1 being soft is understandable, but there is no growth Y-o-Y. So it's slightly lower than last year also. So how do we see that? On growth, we have not been walking the talk. So just wanted to have a clear sense on that?

K. Swaminathan:

Okay. Mr. Sanket I understand. I understand your views -- but once again, I'm saying please be rest assured, let's not go only by the Q1 numbers. But I think you will agree that in the last 2 or 3 years, the company has been consistently performing. It is not that there is a big dip in any of these quarters right from 2022, 2023, I think you will agree on this numbers. You must want to understand how the company was 2 or 3 years back.

From that level, the company is improving consistently, not only in disbursements, you are only talking of disbursements, what about the NPA numbers, Sanket, I think even there, there has been a considerable improvement. Now growth, as I have already told, we are keeping on changing the strategies. We see the expectation requirements for -- from all the stakeholders including people like you.

We are changing, we have started this verticalization. We have inducted and we are inducting new people who are having exposure in the sales segment. So this is what is giving us the confidence that we will be able to improve the numbers. And as regards to the numbers of INR20,000 crores or INR25,000 crores that we are giving, it is based on the facts on hand as on that date.

Now today, with all the available cost before me, all the people to support and all the cost that I am getting from the fields, I'm quite confident that this INR3,600 crores that we are projecting is on a conservative note, but we want to over-surpass this particular thing. That is our expectation. But definitely, this INR3,600 crores I feel and we are quite confident, unless something extraordinary happens, we are quite confident that we will be able to reach these numbers.

One thing I can assure you, this company will be consistent in performing. We do not want just to meet the numbers and that will be a problem on a later date, as I said in a previous answer as well. Just for the growth numbers and having a problem later is not our -- we want to be consistent, and we want to be quality conscious. This is a slight differentiator from maybe other companies that you might be having in mind.

Sanket Chheda: Sir, the other thing was that in past 2 quarters, whatever been growth we have said, that mainly comes from our home equity segment as growth on home loans has been pretty weak. So while maybe the cost of funds were increasing and in an attempt to maybe maintain margin, we're doing higher yielding loans.

But now incrementally, how do you see that share moving in whatever disbursement that you are anticipating, that INR3,600 crores, what should be the share between the two? Will the home equity continue to -- or the LAP one will continue to be a higher proportion in an incremental growth?

K. Swaminathan: Okay. See even if you increase -- internally, we have fixed a target that we will not be going above 35% as far as home equity is concerned. Today, we are only around 25% something. Internally, we want to even restrict to around 30%. Home equity as a whole overall book, it will not be more than 30%. That is there. So we do not want to get into riskier areas of pure LAP going above 25% or something like that. So this is helpful for us.

Not only that, as I have been telling in the previous calls also, this home equity segment also consists of some of the home loans, which could not be classified as home loans in other ways, like a plot loan which has not been -- houses has not been constructed or reimbursement loans that we have given for purchase.

So some of these loans are actually home loans, but we are classified that as home equity to be in line with the regulatory requirements. That said, please be assured, we want to grow more in home loan segment. We want to grow more in home loan segments for our documented -- our people, so that we become more and more safe, we become more and more stable in our numbers.

Sanket Chheda: Sure sir. Thanks a lot and those are my questions.

Moderator: Thank you. The next question is from the line of Kamal from Investec. Please go ahead.

Kamal: I had a couple of questions. Firstly, can you please give your AUM and credit cost guidance for FY '25?

K. Swaminathan: Okay. Next question Sir -- only one question, right?

Kamal: Yes, I have one more. Like I wanted to know like -- so my second question is that what forms the other income? Like this quarter, it has increased quite a lot despite disbursements of being flat. So I wanted to understand like what has formed in our other income?

K. Swaminathan: Other income. Okay. The AUM, we have given a guidance of INR15,000 crores. Okay. We will be able to maintain. Credit costs will be almost negligible. So even this quarter, we had only around INR1.4 crores of credit cost. In fact, we wanted to do a reversal of provision in the current year, INR25 crores to INR50 crores of reversal of provision on credit cost. So credit cost will not be a big factor, and we are quite confident by the way things are moving after April. April

was, of course, a negative thing. We could not manage April, there was some problem. But after April, things are improving.

So credit cost will not be a big issue in the current year. This is our expectation. Other income is mainly because of interest income that we got. We had some investments in fixed deposit and all. So the other income increased only because of investment -- interest income from investments as well as some Gsec securities that we have purchased for our liquidity requirement.

Kamal: Okay. That's all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

Abhijit Tibrewal: Yes. Thank you and good evening everyone. Sir, can you just remind all of us when was the last time we had taken a PLR increase?

K. Swaminathan: See, this current quarter, that is in April to June quarter, we have very raised our PLR twice from 9.8% to 9.9% in April, and 9.9% to 10% in the month of May. So we have been revising our MLR every month, now MLR is 10%.

Abhijit Tibrewal: Right. So sir, I mean, if I understand you right, I mean, during the course of this quarter, you have increased the PLR by 10 basis points twice and taken it up to...

K. Swaminathan: 20 bps.

Abhijit Tibrewal: Okay. And sir, before that, when had you taken the last PLR increase before April?

K. Swaminathan: I think it was -- if I can remember right, it was May 2023.

Abhijit Tibrewal: Sir, I mean, what I'm kind of trying to understand is your reported yields have gone up by 30 basis points from 11.7% to 12%, if I'm reading it right. Given the fact that you've taken PLR increases in this quarter itself, I mean, very unlikely, right, that it will start reflecting use in this quarter itself. So how is it that our yields are going up? What are those drivers that are helping you further expand yields in an environment when rest of the HFCs, rest of the peers are actually facing pressure on the yields side?

K. Swaminathan: See, the reset is happening every quarter. So the April reset would have affected all the accounts which are due in April and subsequent. May, again, which are all the accounts which are done in February and subsequent. So which means, by June, almost all the accounts would have had at least 10 bps increase. That is one of the reasons why our yield have gone up. I do not know about the other companies, how they have done, but we are doing a quarterly reset. That is, all the accounts face their quarterly reset of interest.

Abhijit Tibrewal: Got it, sir. So sir, effectively, this 12% that we report is the yields as on the last day of the quarter on your book?

- K. Swaminathan:** Yes. The income that we earned in the quarter divided by average AUM.
- Abhijit Tibrewal:** Okay. And sir, the last thing is, I mean, I've been asking this question, I mean, as you would have seen from lot of participants you've asked to, I mean, though it is something that worries everyone. I mean, while profitability is very good, ROA upwards of 3%, very good, are you not thinking along the lines of maybe bring down the NIMs a little bit and expedite growth?
- K. Swaminathan:** You are perfectly right. If I have to bring down the NIMs, the problem will be on -- again, how people will take profitability and all that. Second, what will be the price rate. Suppose -- definitely, I cannot compete with the bank. So how much I can reduce? Even if I reduce, I can reduce by 10 bps. By 10 bps, can our business grow too much, this is a question that we need to ask ourselves.
- We feel that maybe at this price range, if I had to reduce, I have reduced something like 1% or 1.5% for which, my rating has to improve. Of course, there is a rating improvement, my cost comes down, I cannot reduce my yield beyond a point. So this is where we are placed.
- Abhijit Tibrewal:** Got it. Got it. I think what you're saying is there that -- basically just reducing it by 20, 25 basis points will not move the needle on growth for you. If at all, we have to accelerate growth, we have to reduce it by 100 basis points, 125 basis points which actually requires you to also benefit in the liability side before you do that. Got it, sir. This is useful. Thank you very much and wish you and your team the very best.
- K. Swaminathan:** Thank you.
- Moderator:** Thank you. The next question is from the line of Shubhramshu Mishra from PhillipCapital. Please go ahead.
- Shubhramshu Mishra:** So essentially, I'm looking at the disbursement and I'm sorry, I have to again stress on this disbursement number. But if I have to take it on a unit basis, if I have to do number of loans, which I'm thriving at basis the average ticket size and when you do the number of loans either on a per-employee basis on a per-branch basis, on a per-employee basis, I think we are doing close to 5 to 6 loans in a quarter, which is around 2 loans per employee per month and at a branch level, we are doing around 25 to 30 loans per quarter, which is around 10 loans per month.
- So when we are talking about the INR3,600 crores, INR3,800 crores disbursement by FY '25, where is this delta going to come from? On a per-branch basis, per-employee basis, how are we working this out on a bottoms-up basis? So essentially, I'm trying to get at the number of loans which is presently hovering at around 5,500 to 6,000 level. My sense is that we'll have to go up to almost 10,000 loans per quarter. So if you can explain this math, sir, it will be very helpful?
- K. Swaminathan:** Thanks. I think, you have done a better analysis than we. One thing I can tell you, sir, one thing we are trying to improve our channels. See, the sourcing channels, we are increasing. In addition to the DSAs that we are already having, we are adding DSPs who are having some connections so that they will also bring. There is one more channel, Connectors we have now started. So they

will also be giving. In addition, our sales personnel, sales vertical people also, they are getting energized, they are getting -- people with experience are coming.

With all this, we are anticipating an increased productivity from our staff numbers at a branch level as you have rightly pointed out. Each branch we have also segmented depending on the potential of each and every branch, their location, how much they can do, what sort of business each branch can do, we have done a detailed analysis.

So each and every branch has been given targets based on all these parameters. That is how we are trying to improve the productivity numbers of each and every branch. Each branch depending on the potential we are having anywhere between 2 to 3 persons in sales alone. Maybe some of the new branch we'll have one, but some of the old branches, established branches, we'll have 2 or 3.

In addition to the branch head who will also be sourcing channel for sales. So with all this improvement in the funnel as well as trying to improve the productivity, this is how we want to drive the numbers to the INR3,600 crores that we are targeting. In addition, as we have already said, we are also increasing our footprint, another 30, 40 branches will be opened. Already from 212 we had last year, we are now around 223, another 10 branches have already been added. So another 20, 30 branches will also add. These branches in addition to the disbursement numbers, will also give increase in the AUM numbers. Subash? Hello? Have I answered your question?

Shubhramshu Mishra: Yes, sir, just one data point. Sir, what percentage of your branches account for -- so if there is a funnel for the branches, sir, top 10% of the branches account for how much of disbursement versus the top 50% of the branches account for what percentage of disbursement? Is that data available?

K. Swaminathan: I don't have readily available, but I will be able to share you offline. After the call, we will help you. Send you by mail.

Shubhramshu Mishra: That will be very helpful, sir. And just by adding branches, they will also take time to breakeven, right? So the 30, 40 branches, my sense is each branch takes close to 18 to 24 months to really breakeven and come up to a size. So will they be really meaningful in the disbursement target that we have given, the additional 30, 40 branches that you just spoke about?

K. Swaminathan: Okay. So breakeven is a different issue because that also depends on the cost, that we have factored. But as far as disbursements are concerned, right from day 1, they can start. So that should not be an issue, especially because we are recruiting people with experience and all that. And the people who are familiar with the geography are only getting posted. So it should not be a difficult thing for a new person who is -- but familiar in that particular area to start sourcing proposals. So that may not be an issue as far as disbursement is concerned, but breakeven is a different subject. I agree with you it may take some time.

Shubhramshu Mishra: Understood sir. This was very helpful. Best of luck for the future quarters. Thank you for the question.

- Moderator:** Thank you. The next question is from the line of Anand Mundra from Soar Wealth. Please go ahead.
- Anand Mundra:** So wanted to take your guidance on GNPA for this year, sir?
- K. Swaminathan:** So we will -- we are given a target of INR450 crores by year-end on 3% of GNPA.
- Anand Mundra:** INR450 crores by year end?
- K. Swaminathan:** By year end, yes.
- Anand Mundra:** And sir, what are the policy changes which we have done to increase business and growth in this financial year? I'm assuming you would have done something to increase the disbursement. So any policy changes you have done?
- K. Swaminathan:** See, in addition to the staff thing that I have already talked about some policy level changes also we have done, some sort of a liberalization for all this. I think it would be very difficult for me to explain in detail depending on the geographies and the requirements of the geographies because in housing it is a state law. So each and every state, they have got their own legal thing. So we are given some specific policies depending for the each and every state. We have liberalized somewhere we have liberalized the lease also. So it will be very difficult for me to elaborate in detail, but such policies -- relaxation in policies are already in place.
- Anand Mundra:** And sir, are you seeing changes with respect to say last month, July in terms of disbursement growth?
- K. Swaminathan:** Yes, I'm unable to give you the number, but I'm seeing definitely a change compared to one year back.
- Anand Mundra:** Okay, sir. And sir, last thing which you have promised last time also that Stage 2 you will try to bring it down to 10% which was currently 13%, 14% then. So any update on that?
- K. Swaminathan:** I still maintain that number, sir. We are quite confident. We are pushing our collection vertical. And I'm seeing a slight traction in each and every month. So the numbers are coming down. Maybe the numbers are coming down -- not coming down as steadily as, let us say, GNPA, but still, my Stage 2 numbers as well the bucket one numbers are coming down. And we are quite confident that by year-end the denominator effect also will be there. With all that, we will be able to maintain the Stage 2 guidance of 100%.
- Anand Mundra:** And sir, what is the update on NHB loan?
- K. Swaminathan:** NHB, okay. Today was our AGM as well. So NHB will get application only post AGM first posting of our numbers in ROC side. So we will be taking up with NHB only after that.
- Anand Mundra:** Okay. But we are hopeful that we will apply for the NHB loan very soon, sir?

- K. Swaminathan:** Yes, yes. We are always hopeful, sir, because we are meeting all the requirements. Last year, there was an issue of GNPA, but NNPA, we are not able to meet our NHB's requirement. But this year, because of the reduction in NPA numbers, we will be meeting the needs of NHB. We are quite confident that NHB will also agree on this section.
- Anand Mundra:** Okay. And sir, any chances of getting trend upgrade because of lower GNPA?
- K. Swaminathan:** That is not in my hands. Rating agencies, they will take their own views, but I'm quite positive that they will look into all our numbers. They will see the trajectory that the company has been moving, with all that, it is left to the rating agencies.
- Moderator:** Thank you. The next question is a follow-up question from the line of Kaustav Bubna from BMSPL Capital. Please go ahead.
- Kaustav Bubna:** Yes. Thank you for the follow-up. So I wanted to understand a little bit more about your incremental AUM growth you're talking about, could you explain, so right now to get to INR20,000 crores you need to disburse probably INR6,500 crores incremental. I mean, you need to grow your loan number INR6,500 crores to get to INR20,000 crores. So out of the INR6,500 crores ballpark number, how much incremental loans would be to states outside of Tamil Nadu?
- So are you really trying to understand loan book diversification over here? And are you growing in your core state or are you incrementally growing outside of the core state? That's the first question. And the second question is, for this -- when you talk about INR2,000 crores AUM, when we add INR20,000 crore AUM, what type of disbursements would we be at? Is it fair to assume between INR4,800 crores and INR5,000 crores or something like INR4,500 crores?
- K. Swaminathan:** Yes. As far as this growth outside Tamil Nadu geography because of the increase in the branches outside Tamil Nadu slowly the share of branches outside Tamil Nadu will keep growing. Tamil Nadu today is around 56% and all. Going further, maybe it may come down to around 50%. This is a rough ballpark number that I can give. INR15 000 crores this year and INR20,000 crores by 2 years down the line. This is our expectation.
- We anticipate a repayment of around INR2,000 crores, including prepayments, BTOs and all that we expect. So if you had to reach around INR20,000 crores, another INR5,000 crores we have to increase in the next 2 years, which means around INR7,000 -- INR8,000 crores to INR9,000 crores of disbursement we have to make in the next 2 years. And we are focusing, based on our performance this year, we will also be re-strategizing our sales disbursement number in the next 2 years. This is other thinking of INR20,000 crores AUM.
- Kaustav Bubna:** The management intent is to use this capital to grow, right? It's not like -- or is there a sense of complacency that just to stay safe, we won't grow. The intent is to grow, right? Or is the intent just to stay safe?
- K. Swaminathan:** No, intent is to grow. There is no second opinion on that intent is to grow, intent is to grow faster year-on-year. We do not want to just ape another person. That is a thing that we are very clear.

Just because another company is growing at 25%, we do not want to grow at 25%. We want to grow at our own pace so that we reach those numbers.

Kaustav Bubna: Yes, sir. The only question we analyst had as you can see everyone was focusing on growth is what is your own pace? Is 15% your own pace, is 20% your own pace, is 5% your own pace? That was the main thing what I'm at least trying to understand?

K. Swaminathan: From 8% we have moved to 10%. 10% we want to move to 13% this year, from 13% to 15%. This is the trajectory that we want to have.

Kaustav Bubna: Okay. Understood. Thank you so much for answering all my question. Thank you.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference to Mr. Rajiv Mehta for closing comments.

Rajiv Mehta: Okay. Sir before we wind up, I had a couple of questions to ask and then after my questions -- there are no more questions we will wind up. Sir, firstly on this new people with experience joining us in the company in various roles that is really good, but how are we attracting them? I mean, are we trying -- I mean, is it true matching their salaries and you're giving them higher positions, can you just kind of elaborate on this?

K. Swaminathan: Yes. Naturally, sir, people will not join unless there is an increase in salary. Otherwise, who will join. So naturally, we have to match with their expectations. We have to do it. We offered something extra, that is way they have joined. And they also see, to my knowledge at least I can say that, they also see some growth movement that is happening in this company.

That is why people are willing to join. So the new people are coming not only for the salary purpose, they also see future in this company, maybe they can show their skills in this company and exhibit themselves outside. That is the thinking why people are joining.

Rajiv Mehta: Okay. And we plan to augment our sales and collection team. So what is the number right now for salespeople and collection people? And what is the year-end number we are looking for?

K. Swaminathan: I'll just see whether I'm having the data ready. Can I give you offline? I do not have readily available. There is a number of people in sales today. I do not have readily available, I'll try to give you. Only thing is, some 38 people have joined, 210 people -- one minute -- Rajiv, I got information that we have around 210 people in sales. I will confirm, I'll send you through mail exact numbers in sales.

Collection is around 150 people, that I know. Sales is up 210. Some of them are existing employees. But in the current quarter, there is so far, 38 people have joined in sales, 22 people in collection, they have joined. And another 20, 30 are yet to join. In sales also, people are yet to join, another 20, 30 people are likely to join in sales.

Rajiv Mehta: Sure, sure. And sir, just your outlook on margins because, firstly, if you can share how the incremental cost of fund is moving? And secondly, what is the incremental lending yield now? Because I think a couple of quarters you have been talking about focusing on salaried home loan

segment with the competitive pricing in mind, so how should, as a consequence we should look at the NIMs moving in the next 2, 3 quarters?

K. Swaminathan:

Okay. The cost is moving up, as you all know. Because of competition in the market, the cost is also going up. We have so far passed on. See, last quarter also, we have passed on almost 30 bps, totally the yield has remained the same, which means we have passed on all the cost increase. But going forward, whether we will be able to maintain the same spread of around 3.4% may be difficult because there will be some resistance beyond the point.

So I will not be -- maybe if the cost continues to increase, maybe it can be difficult for the company to completely pass on all that. Maybe we have to bear some of the cost increases. That is one. Now for the people -- the salaried people, especially for home loans, competition is tough. So I have necessarily offering them some favourable pricing, unless they will not come to me. So such discussions are already on.

Maybe if we are getting some favorable pricing in our cost, we will be able to pass on to such segment of customers, maybe with the quality, but salaried sales segment so that we can offer them a better grade. That is how we plan to increase on salaried segment home loans. There may be -- net-to-net, there may be a small dip in our spread, that we anticipate. But overall, the profitability may not come much because we will be able to compensate, perhaps we will be able to compensate by the return of solutions that we've already made. So the income loss that we may have because of competitive pricing may get compensated by the reversal in provisions.

Rajiv Mehta:

Okay. Got it. So there are no more questions. So can you wind up?

K. Swaminathan:

Yes. Thanks, everybody. Thanks, everybody, for joining this call. I thank Yes Securities, Rajiv in particular as well as Chorus Call who have been able to arrange all the things. Once again, thanks to all the investors for the trust that you people have. I would like to give an assurance that the company is on the right path, notwithstanding the flat business that we had in the first quarter.

We are quite confident that the numbers will keep improving in the second and third quarter, which is a busy season for the company as well. Things are going in the right direction. I'm quite confident. Thank you once again for sparing your time for hearing us. Thank you.

Moderator:

On behalf of Yes Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.