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To, <b>BSE Limited,</b> Department of Corporate Services, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400001. Scrip Code- <b>543259</b>	To, <b>The National Stock Exchange of India Limited,</b> The Listing Department, Bandra Kurla Complex, Mumbai- 400 051. Scrip Symbol- <b>HOMEFIRST</b>
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**Sub: Transcript of the earnings conference call for the quarter ended June 30, 2025**

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of the earnings call with analysts and investors for the quarter ended June 30, 2025 conducted on Monday, July 28, 2025. The Company had referred to publicly available documents for discussions during the call.

The above information is also available on the website of the Company at [www.homefirstindia.com](http://www.homefirstindia.com)

This is for your information and records.

For **Home First Finance Company India Limited**

**Shreyans Bachhawat**  
**Company Secretary and Compliance Officer**  
**ACS NO: 26700**



## “Home First Finance Company India Limited Q1 FY26 Earnings Conference Call”

**July 28, 2025**



**MANAGEMENT:**    **MR. MANOJ VISWANATHAN – MD & CEO**  
                              **MS. NUTAN GABA PATWARI – CFO**  
                              **MR. DEEPAK KHETAN – HEAD, INVESTOR RELATIONS**

This document is a transcription of the conference call conducted on 28<sup>th</sup> July, 2025. Click [here](#) to listen to the original audio.

Disclaimer: This transcript is edited for factual errors and does not purport to be a verbatim record of the proceedings. The reader is also requested to refer to audio recording of the call uploaded on the company website here on 28<sup>th</sup> July, 2025. In case of discrepancy, the audio recordings will prevail. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Home First Finance Company India Limited.

**Moderator:** Ladies and gentlemen, good day, and welcome to Home First Finance Company India Limited Q1 FY26 Earnings Conference Call.

As a reminder, all participants' lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Deepak Khetan – Head, Investor Relations of Home First Finance Company India Limited. Thank you, and over to you, sir.

**Deepak Khetan:** Thank you, Rey. Good afternoon, ladies, and gentlemen. Welcome to Home First Finance Company's Earnings Conference Call to discuss the financial results for the quarter ended June 30th, 2025.

We hope you have had the chance to review our investor presentation and press release, both of which are available on our website and the stock exchanges. As per our practice, we have also uploaded an excel sheet containing historical data on our website for your easy reference.

From the management today, we have Mr. Manoj Viswanathan – Managing Director and Chief Executive Officer; and Ms. Nutan Gaba Patwari – Chief Financial Officer.

With that, I now invite Manoj to share his insight on our overall performance. Over to you, sir.

**Manoj Viswanathan:** Thank you, Deepak. Good afternoon, everyone and thank you for joining us today.

Q1FY26 was marked by two important events in our history:

First, we raised Rs. 1,250 crore through our first QIP, which has significantly increased our net worth and further strengthened our capital base. Also, our long-term credit rating was upgraded to AA (Stable) by ICRA, India Ratings and CARE. Both these events further enhance our ability to build a strong and large housing finance franchise.

Now let me walk you through Q1FY26 highlights:

- AUM growth remained strong, growing at 28.6% y-o-y and 6% q-o-q to reach Rs. 13,479 crores.
- Disbursements for the quarter stood at Rs. 1,243 crores, which was the second highest in our history. The previous highest was in Q4FY25 which is seasonally a strong quarter.
- Disbursements in April was slower than expected, however, May onwards, we are moving on expected lines. The shortfall of about Rs. 50 crores will be covered in H2 of the year. Our disbursal guidance for FY26 remains in the range of Rs. 5,600-5,800 Cr.

- We have grown strongly in Madhya Pradesh, Maharashtra, and Gujarat. Growth in Tamil Nadu and Telangana, which are two other large markets was muted in Q1. However, we are confident of a rebound in these regions in the rest of the year.
- HomeFirst's branch expansion strategy is based on a contiguous expansion into large and high-density affordable housing finance markets. During the quarter, we added 3 new physical branches, taking the total to 158 branches as of 30th June 2025. We added 75 employees during the quarter, taking the total employee strength to 1,709 as of June '25. We intend to add 6 new branches in Q2.
- Our Origination Market Share in the Rs 5-25 lakh ticket size in the locations we are present in based on bureau data has gone up from 1.5% in FY22 to 2.3% in FY25. We continue to retain a strong origination yield of 13.4% despite an 84% share of individual housing loans. This is a significant growth lever at our disposal in a falling interest rate environment.
- Asset quality saw a seasonal uptick in 1+ DPD and 30+ DPD. However, we expect the numbers to normalize over the next two quarters.
  - 1 + DPD is at 5.4% (up by 90 bps on a q-o-q basis).
  - 30 + DPD is at 3.5% (up by 50 bps on a q-o-q basis).
  - Gross Stage3 is at 1.8% (up by 10 bps on a q-o-q basis).
- The above seasonal uptick was more pronounced in two regions, Surat and Coimbatore-Tirupur. We have already seen a turnaround in Surat in July. We are expecting Coimbatore-Tirupur also to be resolved in the next few months.
- Our credit cost is at 40 bps. We continue to maintain a credit cost guidance of 30 to 40 bps, ensuring disciplined risk management even as we scale.
- Technology remains central to our execution and continues to give us competitive edge. HomeFirst embarked on the journey of exploring AI/ML technologies more than five years ago. In Q1, we launched "Pulse", which is an omnichannel Conversational AI platform, which enables integrated customer conversations across various channels like Voice, WhatsApp, SMS, Email, etc. It is functional in 7 Indian languages and uses AI to facilitate business process flows and provides actionable insights through advanced transcription and analytics. Pulse use-cases span across lead generation, customer verification, underwriting, collections, and customer service.
- During the quarter, we also went live with our internally developed enterprise-grade "Document Management System" and "Treasury Management System". The core benefit of developing these applications in-house is that these are tailor made to suit our business flows. And more importantly, we remain agile to adapt to changing business requirements.
- Digital adoption continues to be strong and a key area of our focus as we grow.
  - 78% of our approvals in Q1 were facilitated by the account aggregator framework.
  - More than 80% of our loans are digitally fulfilled through agreements and E-NACH mandates.

- And 96% of our customers are registered on our mobile app with 88% of service requests now raised digitally.
- During Q1, we got 70 additional Green Homes certified, taking the total to 190. Our efforts and dedication towards responsible and sustainable financing are evident from our ESG scores. During the quarter, MorningStar Sustainalytics has reaffirmed our “Low-risk” ESG rating. SES ESG Research has assigned a score of 80.8 in 2025 (vs. 78.9 in 2024). And CRISIL has assigned a score of 64 (up from 63) - implying strong rating.
- I would like to share a quick update on the PMAY 2.0 scheme. I am happy to share that 7 customers have already received the first tranche of subsidy with another 7 approved and awaiting funds. We expect the scheme to pick-up traction with increasing customer awareness and streamlining of the process.

With recent cuts in policy rates and the government’s continued focus on CapEx growth, increasing disposable income and “Housing for All”, we remain confident of a strong demand for housing and housing finance. Given our strong and unique business model, we are well positioned to harness this multi-decade growth opportunity.

With that, I now hand it over to Nutan to take you through the financials in more detail. Over to you, Nutan.

**Nutan Gaba Patwari:**

Thank you, Manoj. Good afternoon, everyone.

**Let us start with the key financial metrics:**

- Total income for the quarter stood at Rs. 455 crores, up by 33.4% y-o-y and 9.4% q-o-q.
- For Q1, our spreads, excluding co-lending was 5.1%. Cost of Borrowing (COB), excluding co-lending maintained at 8.4%. Disbursement yields were at 13.4%, in line with 13.3% in Q4FY25.
- Net Interest Margin (NIM) for Q1 was 5.2%, up from 5.1% in the previous quarter. Cost to income at 34.2% in Q1FY26, decreased 150 bps on a q-o-q basis. Operating expenses to assets was at 2.7% for the quarter, in line with our expectations. We expect this ratio to remain range bound within 2.6% - 2.7% as we focus on growth and expansion.
- Our Profit After Tax increased to Rs. 119 crores, up by 35.5% y-o-y and 13.6% q-o-q with Return on Assets of 3.7% and Return on Equity of 14.9%. Proforma pre-money ROE (adjusted for QIP) for Q1 was at 16.6%.

**Moving to Provisions and Asset Quality:**

- Credit cost for Q1 stood at 40 bps. We continue to maintain our annual credit cost guidance of 30-40 bps.

- We continue to adopt a conservative approach to provisioning, maintaining a provision overlay over and above ECL requirements. As of Jun'25, our total provision coverage is 43.1%.

**Moving to Balance Sheet and Capital Position:**

- Our borrowing profile continues to be well diversified and cost effective, reflecting our prudent financial management. 60% of borrowings come from private and public banks, 16% from NHB, 19% from assignment and co-lending and balance from NCBs, ECB and NBFC.
- During Q1, we executed direct assignment transaction worth Rs. 184 crores.
- Our disbursement on the co-lending increased by 87.5% y-o-y and 43.3% q-o-q to Rs. 78 crores for Q1, taking the co-lending book to Rs. 434 crores or 3.2% of the total AUM. Co-lending will continue to be an important part of our strategy to strengthen our ability to cater to higher ticket size segments. We aim to take co-lending contribution to 10% of disbursements as we scale.
- Our Q1 reported cost of borrowing is competitive at 8.4% (Ex- co-lending), enabling us to maintain healthy spreads. With the recent rate cuts and an improved long-term rating, we expect the cost of borrowing to improve in Q2. Our June and July marginal Cost of Borrowing is sub 8%, giving us significant confidence that we can deliver benefit in COB in the next two quarters.

**Coming to Capital Adequacy and Liquidity:**

- Our Capital Adequacy Ratio as of Jun'25 stands at 49.6% with Tier I at 49.2%.
- Our Net worth stands at Rs. 3,855 crores, up by 76.2% y-o-y and 52.9% q-o-q. Book value per share (BVPS) as of Jun'25 is Rs. 373.
- Our strong balance sheet with high capital base underlines our readiness to take on the growth ambitions of the company.

With that, we conclude our opening remarks and are now happy to take your questions.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. First question is from Suraj Das from Sundaram Mutual Fund. Please go ahead.

**Suraj Das:**

Hi, sir. Thanks for the opportunity. Sir, the question is on disbursement. This quarter disbursement has been weak. I think you called out a couple of places where probably there was seasonal impact. But sir, if I look at your guidance and what effectively you were saying is that over the next nine months, the disbursement growth will be something like 24% - 25% on a y-o-y basis. But if I look at your disbursement this quarter, it has been only 7%. And even if let us say, adjust for the co-lending business, it is hardly 4% - 5%.

So, sir, I mean, the question is in terms of disbursement, what are the challenges? In your couple of geography also, not only the ones that you have called out for. But also, let us say, in UP and

Uttarakhand, I think the AUM growth is slowing down. So, if you can give us more color in terms of disbursement and then what has been the pain point for this quarter and how you are planning it? If you can give us a bit more color on that?

**Manoj Viswanathan:** As I mentioned, disbursement only in April was slower than expected number. I think just the year opened on a slower note. Generally, Q1 has much lower number in the industry compared to Q4. Till now, we have always been slightly above, except for last year where we were about 5% higher than Q4. If you see previous years, that is Q1'24 over Q4'23, Q1'23 over Q4'22, etc. you will see that we are just 1% or 2% higher than Q4 in Q1. Generally, it is a seasonally low quarter.

Other than that, frankly speaking, yes, April was slightly slower than expected. That is why I said there is a Rs. 40 - 50 crores kind of difference than what we expected. But otherwise, May onwards, we are moving in line with what we have planned for the year, which is about Rs. 5,600 - 5,800 crores of disbursal. If you see our history also in the past, if you see FY23, for example, Q1 was low, but then Q2, Q3, there was a jump or rather Q3, Q4, there was a jump. So, you will have to look at it through the year.

Other than that there is nothing additional to add. As I mentioned, in Tamil Nadu and Telangana, there were two large markets again, the Q1 was a little muted, which is why we kind of came lower than expected. But this trend is likely to get corrected and we should be moving on expected lines in the future. There is nothing structurally which is difficulty in disbursements or anything which we are seeing on the ground.

**Suraj Das:** Okay, sure. And sir, if I may ask, what was your April disbursement this year versus historical run rate? I mean if the April was slower, is it meaningfully slower?

**Manoj Viswanathan:** It was lower than what we expected. First quarter, we were looking at maintaining about close to between Rs. 430 - Rs. 450 crores kind of a run rate. But April alone came a bit lower. I think it was around Rs. 380 crores. That is about Rs. 40 - Rs. 50 crores of difference came in April itself. We caught up in May and June, and even July, the trends are good. So, I think, it was just a blip in April.

**Suraj Das:** Okay. Sure. And one last question from my side, sir, in terms of asset quality, again, I mean, partly seasonal, I can understand. But again, this quarter, if I see the gross increase in Stage-2, Stage-3 plus write-off, that number has been quite elevated. Is it the new branches that you have opened over the last one or two years that is getting matured and hence, you are seeing the pain now or what it is? Or do you think there is only seasonal?

**Manoj Viswanathan:** Seasonally, there is a 30 - 40 bps impact in general. That is why I have called out that other than seasonal, we had a couple of markets where we had more than the seasonal impact generally that we see in Q1, which was Surat and Tirupur - a little bit of the sluggishness and credit squeeze in the economy has led to a little higher than normal uptick in delinquency in these markets. These are basically people who get employed in factories, etc. So, they end up catching up in a couple

of months. For example, in Surat, they were unable to pay in June but in July we are seeing a turnaround. Many of the people who did not pay in June are now paying two installments in July. It is just something that we feel is under control.

**Suraj Das:** And sir, on a full year credit cost basis, what kind of credit cost you are expecting this year for the full year?

**Manoj Viswanathan:** 30 - 40 bps is what we have always mentioned because there are always ups and downs in this business. We should be in the range of 30 - 40 bps, not expecting higher than that.

**Suraj Das:** Sure, thanks. Yes, that is all from my side. Thank you.

**Moderator:** Thank you. Next question is from Renish from ICICI. Please go ahead.

**Renish:** Hi. Sir, just two - three things from my side. Obviously, sorry to coming back to the disbursement front. When we look at in absolute terms, obviously, it is hovering around Rs. 1,150 crores to Rs. 1,250 crores despite we adding 25 new branches, adding more than 400 people in past one year. Obviously, the scale up is sort of below expectation. And what gives you that confidence that we will catch up this lower disbursement in April, in let us say, May, June, July because two things – obviously, Coimbatore, Tirupur, you said, will take some time for a full recovery; and also, I do not know what is your view on TN and Telangana but what are the feedback you are getting from the ground, which gives you that confidence that we will be able to sort of recover this loss disbursement in April?

**Manoj Viswanathan:** Two things. One, May and June were normal in terms of what we expected. We bounced back in May, June and even in July, if we see the nos. till today. That gives us the confidence that April was a temporary blip. Let us say, in April, we had clocked the same number as May, then we would not be having this conversation. It was Rs. 380 crores. Three months in a row, May, June & July, we have been able to move as expected which gives us the confidence. There is no structural issue or anything like that. That is one.

And secondly, look at the overall industry. If we compare our Q1 with the rest of the industry. In fact, in full year FY25 as well as Q1 versus Q4, if we compare ourselves with some of our peers or the larger industry, the drop has been substantial. In our case, it was a 2% drop compared to Q4, which we accept is not something that we expected. We were expecting a 2% - 3% increase on Q4.

But if you look at overall industry, the industry drop is more substantial than us. We are much better off and we have already corrected that trend in May, June, and July. That is what gives us the confidence that we should be able to meet our overall year numbers.

**Renish:** Got it. And sir, would you like to share your July disbursement number?

**Manoj Viswanathan:** We are still five days away from month end. It will be difficult to share that number.

- Renish:** Sir, secondly, on this small ticket LAP piece. Obviously, we are hearing multiple players highlighting stress in this portfolio. And of late, we have been sort of scaling up this book aggressively in recent past. What is your sense on this LAP book? And would you want to continue this growth path in this product given the current scenario?
- Manoj Viswanathan:** We have always been very picky about what we are picking up in LAP, what we are onboarding in LAP because we never had a pressure to grow that book. And it is anyway not a large contributor to our overall growth. We are not worried about the LAP portfolio and it is not giving us any additional stress in spite of all the noise in the market. Because the contribution of LAP to disbursement is only about 16% or 17%, 80% plus is still coming from individual housing loans, which is why we are not worried about the LAP portfolio.
- Renish:** Have you sort of analyzed your stock in LAP, I mean, in terms of, let us say, number of customers having more than three loans? Or any data would you like to share which can sort of give us some comfort on the health of this portfolio currently?
- Manoj Viswanathan:** Yes, we have done that. We did it a few months ago. At the time, the discussion was more around MFI business and how it impacts. We did a mapping of whether our customers are MFI customers. We only found about 1% odd overlap of our customers with the MFI segment. As far as other loans are concerned, there has always been an overlap. If you see the bureau penetration of our portfolio, it is 85%, which means 85% of the customers are already coming to us with a bureau score, which they must have obtained because they already have some kind of small ticket loan, which they have borrowed. That has always been there, and that number is only increasing every day.
- So, difficult to say what is impacting or not impacting. Maybe, like I said, in some of these markets like Surat, Tirupur, etc., where we are dealing with lower income category people, like factory workers, etc., there is probably some impact. But it is so little that it is difficult for us to attribute everything to that.
- Renish:** And just a last data keeping question, maybe for Nutan. So, what is the realized yield under co-lending? And, also yields for loan in more than Rs. 25 lakh ticket size, which is 14% of AUM?
- Nutan Gaba Patwari:** Realized yield on co-lending will be around 10%. That is what we basically price to the borrowers. What we end up earning is much more if you go through the unit economics principle. But essentially what we charge to the borrower is about 10%.
- Yields for loans in more than Rs. 25 lakh ticket size would be about 50 - 75 bps lower. So, around, let us say, 12%.
- Renish:** Thank you and best of luck to you.
- Moderator:** Thank you. Next question is from Abhijit Tibrewal from Motilal Oswal. Please go ahead.

- Abhijit Tibrewal:** Good evening, everyone. Thank you for taking my question. First thing, I just want to understand this increase in 1+ DPD that we saw about 90 bps q-o-q. Was the slippage much more pronounced in the month of April? And then, in the months of May and June, things kept getting better? Was that the case for us as well?
- Manoj Viswanathan:** The slippage was high in April, yes. In May, we kind of pulled back. Then there was some slippage in June as well.
- Abhijit Tibrewal:** Got it. And July, again, the same thing, I mean, trending along similar lines as June? Or is there a recovery?
- Manoj Viswanathan:** July is much better than June. It is much better than May also.
- Abhijit Tibrewal:** While you have already spelled that out, but all I am trying to understand is what the industry saw in the month of April was a little unusual of sorts. And to be honest, there is not too much of an explanation of why that happened in April. I am talking at the industry level, so as for us. In your view, is it just macro weakness, tightness in customer cash flows, which is resulting into this or is it something else?
- Manoj Viswanathan:** There would have been some weakness at the customer level. But at least internally, it was the collection efficiency reduction as well, just our inability to collect from these customers in April for various reasons. Customers being on leave, employees being on leave, it is basically a collection efficiency issue. If the entire industry has faced something than probably there was some marginal difficulty that customers faced. But that was, I think, more of unavailability of customers, fewer employees on the job and so on.
- Abhijit Tibrewal:** And then the second question I had was around Karnataka. Manoj, just trying to understand, we all know because of e-Khata issues, things have been weak, the momentum has been weak in Karnataka. So, just trying to understand, I mean, Karnataka is not among our top five markets.
- And despite that, I mean, I see the growth that we are seeing in Karnataka for the last three quarters - four quarters, right, that has been weaker than our top five markets. So, if you could just help us understand what is happening in Karnataka on the ground? And when are we expecting things to recover in Karnataka?
- Manoj Viswanathan:** There are multiple issues in Karnataka. One is that we are concentrated more in Bangalore. Almost our entire business comes from Bangalore and surrounding areas. We do not have an extensive distribution across Karnataka. And secondly, this eKhata issue is there, which has impacted our volumes over the last three quarters. It is still not resolved. That process is slow. And of course, the employee dynamics in Bangalore are also very different compared to rest of India.
- All these factors are there, which is why it is not one of our key markets. We will probably get better bang for the buck in many of the other markets. We will have to solve these things one by one. It will take some time for these things to get resolved. Of course, if the eKhata gets resolved,

the numbers will come back, because we have a strong presence in Bangalore. But in terms of distribution across the state, etc., it is more long-term and we need to solve for that.

**Abhijit Tibrewal:**

And Manoj last question for you, while you said long-term. So, that reminds me, I mean, if you could just speak a little bit about what is our market share like today and then over the next maybe three to four years; what is our aspiration like in terms of market share? And if you could just also briefly speak about geographies that you will be focusing on? I understand for the last two years we have been talking about some newer geographies that we have been focusing on in the last couple of years. So, if you could just briefly speak about some of our market share aspirations. And within that, I mean, large part of it, where will they come from?

**Manoj Viswanathan:**

As I mentioned on the call, if you see over the last three-year period, our origination market share, it has gone up from 1.5% in FY22 to 2.3% now in FY25. So, there is a market share gain and our ambition is to take this number to closer to 5%, say, in the next four years to five years. And in terms of markets, so last year, if you remember, we spoke about kind of focusing on newer markets like our MP, Rajasthan, UP, Uttarakhand. Out of those four markets, we have had a reasonable success in Uttarakhand, Rajasthan and MP or has a very good success in these three markets.

As far as UP is concerned, we anyway did not go as aggressively as the other three, because UP is a large market, still a little more rural than the other markets. We have been cautiously expanding distribution in UP. And we will continue to do that. Probably we will see more action in UP over the next, maybe, two years to three years rather than immediately. But in MP and Rajasthan, you can see that our AUM share has gone up. And they have become fairly significant markets for us now.

As far as other markets are concerned, we again did a good turnaround in Maharashtra. A couple of years ago, the AUM share of Maharashtra was reducing. But now, it has again started turning around and the AUM share is increasing. It is a very large market and it is becoming significant for us now. Tamil Nadu and Telangana, we had some issues over the last two quarters in terms of leadership, people, and so on, which we have now rectified.

So, this year, we should definitely see an uptick in those markets. So, these are the largest markets, Gujarat, Maharashtra, Tamil Nadu, Andhra, and Telangana put together and MP. These are our largest markets, followed by Rajasthan. And then, of course, we have Chhattisgarh, UP, Uttarakhand, and Karnataka which are smaller for us.

**Abhijit Tibrewal:**

Got it, Manoj. Thank you so much. And one last question for Nutan. Looking at your borrowing mix, we are increasing our borrowings from public banks versus the private banks. So, if you could just help us understand a little bit about are we getting lower cost borrowings from public banks, which is where that inclination to borrow from public banks? Or how should we think about this?

**Nutan Gaba Patwari:** Essentially, it is a function of where the draw-down is happening in that particular quarter. We did a large draw down from SBI in Q1. That is why if you see the public banks have gone up from 34% to 36%. As a strategy, we are not very choosy between a public sector bank or a private sector bank. If I were to lay down top 3 criteria, the first thing that we focus on is tenure. And second is diversification, third is pricing. And second and third, probably depending on the market situation can be either way. But tenure is sacrosanct for us. We do not do short-term borrowing below five years.

So, when you consider that, depending on where we are getting all these three rights, we will borrow and draw down essentially depends on what time-period we get to draw down depending on the capital charge and so on. This particular quarter, we have drawn down from SBI and last quarter also it was SBI. Now we have completed that large line. So, now you will see some expansion in the private bank line. It will keep interchanging really speaking.

**Abhijit Tibrewal:** Got it. But the pricing is broadly the same, be it private or public?

**Nutan Gaba Patwari:** Yes. The benchmark for the pricing could be different, but the landed cost is broadly the same.

**Abhijit Tibrewal:** Yes. Correct. Thank you so much and I wish you and your team the very best.

**Moderator:** Thank you. Next question is from Chandrasekhar from Fidelity. Please go ahead.

**Chandrasekhar:** Hi, good afternoon. I had a few questions. Manoj, I think over a period of time, the productivity metrics on a per employee basis have actually come down a little bit. I mean, maybe you want to spend some time on where you are deploying people? Are you beefing up some more of the back end? Or is there a reason why the productivity has come down, just because you have added a lot of branches? That is question one.

Second is on spreads, given that we have had the rating upgrade. In the previous cycle when rates went down, we did see a brief period of spread expansion, because you said the customers were not particularly sensitive. But I noticed you have done, I think, a 35 bps cut from starting August. So, how should we just think of spread more near-term in that context and more over the longer-term?

And in Maharashtra, I mean, what is happening because it is pretty much a sharp jump, which has happened in any markets there? And then lastly, just on early delinquencies, obviously, has been inching up. From the commentary, you said, do you sense that, that is topped out and then coming off over the course of this year? Thanks.

**Manoj Viswanathan:** Productivity has been fairly constant. So, if you are just referring to probably dip in Q1, it is again because of the dip in numbers.

**Chandrasekhar:** No, this is more over a period of time. I understand Q1 is a little seasonal, but I mean, we used to have disbursements per employee for the quarter of Rs. 75 lakhs - Rs. 80 lakhs. It is down to Rs.

70 lakhs - Rs. 73 lakhs. That has not moved up despite sort of ticket sizes over a period of time coming, sort of case per employee is Rs. 75 lakhs down to Rs. 72 lakhs, so it is just some.

**Manoj Viswanathan:** You are talking about the AUM per employee.

**Chandrasekhar:** Yes, the cases, yes, the outstanding cases per employee are a little lower now. Disbursals per employee are a little lower now. That is been a sort of trend over a period of time, not specifically one quarter related.

**Manoj Viswanathan:** Largely we benchmark disbursement per employee of about Rs. 3-3.5 crores a year. We are in the same ballpark, except that one or two quarters when the employees join. Like Q4 and Q1 is when large number of employees join and the employee count goes up and the volume is also correspondingly lower. At that time, there is a slight reduction. But I think, it should broadly be in that range of about Rs. 3 - 3.5 crores per employee per year. We are not seeing that going down. We will continue to maintain it at those levels.

And as far as spread is concerned, again, as I mentioned on the call, we have actually tried to maintain the yield at about 13.4% in spite of the overall reducing trend in interest rates. That is one lever that we have with us, and we can use that to build up disbursals as we go forward. As we start seeing the transmission and as we start seeing the cost of borrowing coming down, we can actually use that to build up volumes. We have not actually done any repricing as of now. We still have those levers with us, especially, on the origination side, if you see last quarter also, we maintained the origination yield of about 13.4%. That is a strong lever that we have with us, which we can use to build up volumes going forward.

On Maharashtra, yes, there has been definitely a turnaround. Last two years, we were working on building and rebuilding the team, getting our positioning in the market, etc. So, those things have worked well. And we again see 30% AUM growth in Maharashtra, which used to be much lower a couple of years ago. So last year we managed to get into that 30% + of AUM growth in Maharashtra. And Maharashtra is one of the tough markets where Bombay and Pune are really very formal markets with large players, etc. And here, if we have managed to turn this around and get to a 30% + kind of an AUM growth, that gives us a lot of confidence that we can kind of do the same kind of business and same kind of turnaround in some of the other markets where there is some slowdown.

On the delinquency side, which was your fourth point, in Q1 delinquency always goes a little higher. But except in one or two markets where we saw more than the seasonal uptick. But then the good news is that in July, for example, in Surat, we are seeing a good pullback. Like I said, a lot of customers are making the payment, which they missed in June also. So, we do not feel worried at all about that uptick. We should be able to pull back on that.

**Moderator:** Thank you. Next question is from Amit Ganatra from Invesco.

- Amit Ganatra:** Question is for Nutan. Your cost of borrowings q-o-q is almost same. From when should you start getting some benefit of your rating upgrade as well as the general interest rate cuts?
- Nutan Gaba Patwari:** Amit, if you see it is flat q-o-q. June and July, our marginal cost of borrowing is below 8%. And I am expecting Q2 reported cost of borrowing to be 20 bps lower. So, we should start seeing that benefit and hopefully, by Q4, this 8.4% should be more like 8%.
- Amit Ganatra:** Okay. But this is largely on account of general interest rate cut? Or is there any extra benefit that you are now getting on account of rating upgrade?
- Nutan Gaba Patwari:** See, the spreads have reduced. When we are negotiating with the banks, the spread that used to get added has started to come down by 15 - 20 bps. But of course, the overall rate cycle has also come down. So, it does get mixed up to some extent. So, having a proper bifurcation, which is, let us say, auditable will be very difficult.
- Amit Ganatra:** The only thing is that should not your cost of borrowing improve more than just general interest rate cuts? Or is it that your hunger is so high in the sense that you are still growing fast. And anyways, you mentioned that it is a tenure and then you mentioned one more thing and then pricing is the last thing that you guys look at?
- Nutan Gaba Patwari:** Amit, the issue is not the size of borrowing that we are looking to do either this year or next year. We are small in the relative scheme of things. But what happens is that the benchmark for each of the lines that we draw down, for example, ranges between repo, T-bill to a 3month MCLR all the way to a 12-month MCLR. And let us say, if you are working with a large public sector bank, they will stick to an MCLR based pricing only. And then the lowest MCLR is a one month versus a private sector bank, depending on which bank you may be referring to you can focus on a repo-based pricing also.
- And ultimately, what boils down to is the landed cost. But what gets reported is if I have done a transaction, let us say, six months out and the MCLR has not moved down, though the overall policy rate has moved down and G-Sec has moved down, so it takes time. The only bank that has taken down the MCLR meaningfully today is SBI. Nobody else has done that. So, transition takes time. What we are ensuring is that our marginal cost of borrowing is below 8%.
- Amit Ganatra:** Okay. And have you done any corresponding actions on the yield side?
- Nutan Gaba Patwari:** Not yet. What we had discussed to date is that we will first want to see the cost of borrowing line go down and then take the call. So, we have parked that decision for either middle of Q3 or early Q4. Q2, we are not looking to make any changes.
- Amit Ganatra:** Okay. And lastly, generally disbursement to some extent, slowing down was there. It is not only this quarter, it has been there for more than one quarter now. So, just one question there, that is it on account of rising competitive intensity? So, you mentioned a couple of markets, or is it only very, very geography based? Or is it on account of higher rejections at your end because asset quality basically is also important. And what would be the reasons that one can attribute?

- Manoj Viswanathan:** Amit, I think other than April, frankly, we do not see it as a disbursement slowdown because last year, I think this discussion again came up because in Q1, we had grown quite aggressively. And then Q2 and Q3, we kind of just consolidated. So, there were questions around why the disbursement is kind of flattish across Q2 - Q3. But that was more intentional in some ways. And then Q4, again, we saw a decent jump, almost 10% on Q3. So, April was the only disappointing month if you ask us internally. Otherwise, May, June, July, are going as we have planned. So, we do not see it as a stress on disbursement or difficulty in disbursement.
- Amit Ganatra:** Okay. Thank you.
- Moderator:** Thank you. Next question is from Anand Bhavnani from WO. Please go ahead.
- Anand Bhavnani:** Two questions. One is if you can tell us approximately what percentage of our disbursement in the last one year would be to under construction apartments under the CLP, construction-linked plan, framework?
- Manoj Viswanathan:** Under construction on the AUM is generally around 12% to 14%. As you can see from the chart on Page No. 14 of the IR Deck, which shows the pre-EMI versus EMI.
- So, 13% is under construction, which is in pre-EMI mode, where the loan is fully not fully disbursed and 87% of the AUM is fully disbursed.
- Anand Bhavnani:** And second, when I look at the payment rates, it seems our payment rate has come down in a sense that, maybe the BT out has come down in this particular quarter. Anything that you can share with us, which explains this trend?
- Nutan Gaba Patwari:** It is a Q1 phenomenon, Anand.
- Manoj Viswanathan:** Yes, Q1, to some extent, the overall industry is not as aggressive as Q4. So, the BT out rate comes down a little bit.
- Anand Bhavnani:** Got it. Thank you. All the best.
- Moderator:** Thank you. Next question is from Nidhesh Jain from Investec. Please go ahead.
- Nidhesh Jain:** Thank you for the opportunity. First question again is on growth. So, if I do numbers to deliver 20% disbursement growth for the full year, we have to do a Rs. 500 crores disbursement per month from here onwards. And my sense is that we did around Rs. 430 crores - Rs. 440 crores disbursement in May and June. So, how do you plan to increase the disbursement run rate to Rs. 500 crores per month?
- Manoj Viswanathan:** Yes. Basically, that requires us to have two quarters where we have maybe a 7% to 10% kind of a growth rate on previous quarter, which we have done in the past. And now the organization is much larger with much wider distribution. Getting that additional Rs. 40 - 50 crores, we do not see it as a big challenge. Especially, in a falling interest rate environment. So, what we are saying

is that this quarter, we do about Rs. 1,350 crores. Then next quarter, we do about like Rs. 1,450 crores and then Rs. 1,550 crores. We should get there, ballpark.

**Nidhesh Jain:** Okay. And secondly, so since our RM looks after collection as well as disbursement sourcing, so when 1+ DPD increases, the load on the RM for follow-up, etc., will also increase. So, in that context, how do you plan the bandwidth of RM? And how many cases does the RM handle on collections? And so to make sure that our sourcing engine remains intact, how do we plan the bandwidth for the RM?

**Manoj Viswanathan:** RM is expected to deliver about five loans in a month, which translates into about Rs. 50 - 60 lakhs of disbursal. That is on the disbursal side. And then on the collection side, they generally handle about 15 to 20 overdue customers. That number has been kind of static over time. We do not see a bandwidth problem for the employees. Plus, a lot of tools have been made available over a period, like there is e-signature process, payments through UPI, etc. So, actual effort has actually diminished, which is why bandwidth is available for them to do the activity.

When I say 20 overdue customers, are allocated to a relationship manager. Typically, if I call those customers on phone, out of 20, about 10 would make a payment without any physical visit. I just need to send them a link, and they will make the payment through UPI, etc. Effectively, I am left with only 10 customers whom I have to visit to convince them to pay. Bandwidth has never been an issue.

**Nidhesh Jain:** Sure. And third question is on 1+ DPD, so is it a regional problem? You mentioned Surat a couple of times. So, is it more confined to Surat where we have seen this 1 DPD rise or we are seeing it across geographies?

**Manoj Viswanathan:** I mentioned the two regions where there was a more significant increase. Out of the total, let us say, 16 or 17 regions that we have carved the country into, there were about five to six regions where there was a more than normal uptick in April and June. Out of these five to six regions, there were two regions which were more pronounced, which is Surat and Coimbatore-Tirupur. For the remaining 10 regions, frankly, the numbers were very benign. There was no uptick at all.

**Nidhesh Jain:** Okay. And there also, we are now seeing improvement in the month of July?

**Manoj Viswanathan:** That is right. In July, there is a substantial improvement in Surat.

**Nidhesh Jain:** And in other geographies as well, right, Coimbatore and Tirupur?

**Manoj Viswanathan:** Coimbatore-Tirupur not as much as Surat, but it should improve over the next two - three months.

**Nidhesh Jain:** Sure. And last question is, what is the count of active connectors for the quarter?

**Manoj Viswanathan:** 3,600.

- Nidhesh Jain:** 3,600, that number has also tapered off. I think this number more than 3,700 in Q3 of last year.
- Manoj Viswanathan:** Q4 number was a little higher. It again flows from the fact that the disbursal was lower than last quarter because directly correlated to the disbursal. The way we calculate this number is basically connectors who have contributed to a disbursal in that quarter. Since the disbursal was 2% lower, this number is also slightly lower than last quarter.
- Nidhesh Jain:** And sir, are these connectors linked to the company, or they are linked to the your RMs? Basically, is our business model still dependent on employees and RMs or even irrespective of the RM, these connectors will keep giving us business?
- Manoj Viswanathan:** Irrespective of the RM, connectors will keep giving business because they are linked to us. There is a contract signed with the company. And if an RM exits, then we know that a particular connector needs to be reallocated to a new RM. That information is available to us. So, we end up reallocating the connector and then some other RM will look after that relationship.
- Nidhesh Jain:** Sure. Thank you. That is, it from my side.
- Moderator:** Thank you very much. The next question is from Boon Han ONG from Lion Global Investors. Please go ahead.
- Boon Han ONG:** Hi. I am new to the company, but I have two questions. The first question is regarding the fee income. The fee income has been growing very strong. I just want to know if this growth is sustainable. The second one would be in terms of your cost-to-income ratio. We have seen good improvement in the recent quarter. Do we have a target in terms of our cost-to-income ratio in the near term?
- Nutan Gaba Patwari:** Thank you for your questions. The fee income has gone up because we have seen some mix improvement in our insurance partners. Yes, it is sustainable. We had guided a few quarters back that the insurance commission will range between Rs. 15 - 20 crores a quarter. We were holding to that number. Rs. 15 - 20 crores is what one should expect every quarter on that particular line.
- Cost income has gone down. What we are anchoring the conversation to operating cost to total assets, which is at 2.7%. What we are guiding is 2.6% - 2.7% for the full year, considering that we are still investing for growth. We are also adding branches and people, so 2.6% - 2.7% is there. We are broadly focusing for the rest of the year.
- Boon Han ONG:** Right. What about the near-term? I mean, the near-term, medium-term, what do you expect in terms of cost income ratio?
- Nutan Gaba Patwari:** If you take a three-year view, a medium-term view, we should definitely go more towards 2.5%.
- Boon Han ONG:** Okay. I see. And this fee income, the growth itself, how is it linked to the loan growth? Or how should I do an estimation

- Nutan Gaba Patwari:** It is linked to the disbursal growth. About 90% of our customers take an insurance policy and we earn commission on that. Broadly speaking, 90% of our disbursals and a similar percentage of insurance commission we can do. What I will do is I will do a separate call with you and just take you through the model. Deepak will reach out and we will set up a call with you.
- Moderator:** Thank you. Next question is from Rajiv Mehta from Yes Securities. Please go ahead.
- Rajiv Mehta:** Hi, good evening. Manoj, can you comment on the trends in employee attrition at the branches? And how is your share in your connectors business volume moving? Are we gaining share within existing active connectors? How are the dynamics there?
- Manoj Viswanathan:** Employee attrition has been steady, around 30% across the last, Seven - eight quarters, which we think is kind of a healthy range for us. As far as the share of the connector is concerned, by design, we are trying to keep it very granular. We do not want to get a large proportion of business from one connector and our sales teams are incentivized to kind of diversify their origination across connectors.
- If you see, there are different segments of connectors are dealing with. We want to make sure that if the connector is getting a higher segment loan or a prime loan than they go to a different company. And if it is a loan that is suitable for us, it is in the affordable segment, they send it to us. To that extent, the share will be bifurcated across various companies depending on the segment that they are operating in. And by design, we are trying to keep it very granular.
- Rajiv Mehta:** And just one thing, just observation is on the UP and Uttarakhand market. I mean in the past two quarters, the AUM growth has significantly slowed down. I mean anything to read here? Or if you can comment why the slowed down in the last two quarters?
- Manoj Viswanathan:** If you see last two years, we were saying that we want to expand in UP. So, we put in four branches, in key markets in Eastern part of UP, which is Lucknow, Allahabad, Varanasi, and Gorakhpur. And part of the UP business also comes from what is getting booked in Ghaziabad, because technically that falls in UP. Two quarters ago, we articulated that in some markets, we had tightened some of the credit screens especially on the property side.
- This holds true for the Ghaziabad business as well. So, Ghaziabad and Eastern UP, those screens were tightened. And as a result of which there has been a slight reduction in the business in those markets. It is a very large market, but we know we want to approach it very cautiously, which is why you are seeing a little bit of a slowdown there.
- Rajiv Mehta:** And anywhere else, we have done some tightening of underwriting or selection?
- Manoj Viswanathan:** We did do that last Q2 and Q3, especially of last year, we did put in certain screens in place, which are continuing. Higher ticket cases, pass-through of more screens. And as you can see there, the pace of increase of the higher ticket cases has slowed down from Q2 of last year. Rs 25 lakh ticket size segment was rising sharply if you see the previous year. But from Q2 of last year, that increase has slowed down a little bit. Because we wanted to kind of focus on the

affordable segment, smaller tickets, etc., we did some tweaks to control the increase in the Rs. 25 lakh ticket size plus. Those screens are in place and they continue.

**Moderator:** Thank you. The next question is from Pranav Gundlapalle from Bernstein. Please go ahead.

**Pranav Gundlapalle:** Two questions. One is on the ticket size. Manoj, I think you have talked a lot about this natural increase in ticket size over time. Some of the peers have seen their ticket size stay stable, I guess, by going down a segment or two lower. The question is, is it more a risk filter that is preventing us from going down on the ticket size? Or is this a limitation of the model, either because of geographic presence, sourcing model or whatever else?

The second question is on attrition. You did mention the overall rate is stable at around 30%. Could you give some color around either tenure wise or seniority wise or the position wise attrition? Just trying to get a sense of if someone sticks around for 1 year - 1.5 years or 2 years, how does that number change?

And third, if I can just squeeze in one last one. What percent of customers during a quarter would get a lower rate offered, right, because they express willingness to or intention to move out or any other reason? What would that rough number be? Thanks. Those were my questions.

**Manoj Viswanathan:** The ticket size, it is multiple factors. Obviously, the risk filter is there, but there is also a viability angle. Very small ticket sizes, if you actually wanted to make it viable, then we need to offer very high rates, which we are uncomfortable with. For example, if we have to actually offer a Rs. 2 - 3 lakh ticket size loan, we will have to do it at very high rates. I mean maybe 15% - 17% to make it viable and to make it equivalent to a loan of Rs. 10 lakh loan at 13%. We are uncomfortable doing those small ticket loans at very high rates. Which is why when we talk about our segment, we start at Rs. 5 lakhs. We do not even talk about less than Rs. 5 lakhs. Rs. 5 lakhs to Rs. 25 lakhs is how we define our segment. Which is why, to some extent, we are not as low as some of the other peers as far as ticket size is concerned. There is risk as well as viability both filters are there in ticket size.

On the second question on attrition, RM level attrition in the first one year is generally higher than 30%. It hovers around 30% to 35%. It slows down in the second year. Between 12 - 24 months, it is a little lesser. Then again, it picks up a little bit in the 24 month period. 24 to 36 months, it comes back to around 30%. In head office and post three years, the attrition is much lower. It generally tends to be in the 10% - 20% range, This is the breakup of the attrition across various segments.

The number of customers who are getting a repricing offer would be around 50 odd customers per month. So, maybe about 600 customers to 1,000 customers in the entire year.

**Pranav Gundlapalle:** Thanks, sir.

**Moderator:** Thank you. We move to the next question. Next question is from Kunal Shah from Citigroup. Please go ahead.

**Kunal Shah:** First thing, just wanted to gauge in terms of what led to this problem in Surat and Coimbatore because I think you said like you will be able to roll back. Was it more of internal issue or these were like the external circumstances in terms of slowdown in the economic activity? Because it does not seem like maybe the economic activity levels would have changed, okay, which is making us confidence with respect to the rollback. And particularly, that question is in context of provisioning coverage because that is also down to 22 odd percent. I think that confidence that we will be able to roll it back and get back to 25%. But if it does not come through, then seasonality might impact the credit cost, as we will need to get towards like 25% kind of a coverage.

**Manoj Viswanathan:** Generally, Q1, April, May, June is a little more difficult in terms of collection, which is why you see the numbers going up every year in this quarter. It is because part of the time customers are on vacation, plus there are some stress of school fees and things like that. There is additional load on the customers' wallet during that quarter, which also requires a higher collection intensity during that quarter. In April of this year, on both fronts, we had a problem. One is, obviously, the customer was under stress and plus collection intensity could not be matched, the level of intensity that is required to collect because, again, our employees are also on leave during that quarter and so on. I think it is a combination of both factors, a bit of collection intensity efficiency issue plus some stress at a customer level.

**Kunal Shah:** The only question was on quantum. Generally, it rises, but maybe if you look at last three years - four years, the increase which has been there. Say, even 1+ DPD, it would have been closer to like, say, 30 odd bps or so. And this time, it seems to be relatively on the higher side at 90 odd bps on 1+.

**Manoj Viswanathan:** For Surat, in any case, there are fluctuations in the incomes of the customers because they are all dependent on this whole diamond and textile industry. Depending upon demand in the market, global markets, etc., they may or may not be paid for over time. There is some fluctuation in incomes. Normally, what happens is in April, there is an uptick and then we kind of claw back in May and June. This time, we had a regular May. I mean we had a claw back in May. But then surprisingly, in June, for some reason, there was again some slippage.

That was the only difference if you see past years. Normally, whatever is the slippage in April, we pull back in May and June. This time in June also, there was some slippage, which is why there was a more than normal slippage. We do not see any fundamental issue as such in these markets, except that I think these are more lower income customers. They are all factory workers and people belonging to that profile. Other than that, we do not see anything which indicates a pattern. The good news is, in July, it is getting clawed back. So, we are not reading too much into it beyond that.

**Kunal Shah:** July itself, we are seeing a significant claw-back from this. So, it does not seem to be more like an economic activity issue?

- Manoj Viswanathan:** Yes. some fluctuation maybe in economic activity possibly. Other than that, we are not seeing anything more significant than that.
- Kunal Shah:** Okay. And on the coverage side, maybe getting down to 22 odd percent, now we are at a relatively lower level compared to our recent past as well. So, maybe obviously, it depends in terms of the ECL model, but would we need a higher provisioning out there?
- Nutan Gaba Patwari:** Kunal, we will be watchful on the overall number. If the number rolls back, then the coverage comes back to 25% because we will unlikely reverse the provisions that we have taken. And in extreme scenario, if it does not, then we will build the provisions.
- Moderator:** Thank you. Next question is from Nischint Chawathe from Kotak. Please go ahead.
- Nischint Chawathe:** Hey. My question was essentially on competition in affordable and prime segments. And I think as the BT out trends for you and your peers seems to suggest that competitive intensity seems to have actually gone down, while in the prime segment has gone up. So, what could be the reason for it? And how long do you think it could be sustainable?
- Manoj Viswanathan:** First Q1, there is a lull in the competitive intensity, especially in BT outs because in Q4, many companies use BT outs as a channel to push up the overall yearly numbers. And in Q1, there is a slight drop in that. Otherwise, overall, I think competitive intensity, as we have always spoken about it, there is ups and downs across years. We do not see anything which is fundamentally different, probably Q1, it was a little lesser, especially on the BT side.
- Nischint Chawathe:** Sure. Putting it differently, there are some of the high-rated NBFCs who are now entering into the affordable space. Their cost of funding comes down, I think, much faster than you and some of the other peers. Do you see them getting more aggressive on rates?
- Manoj Viswanathan:** Most of the companies, what they have realized is that they need to maintain at least a 4.5% - 5% spread in this business to be able to make a decent ROE. If you are talking about the highly rated companies and companies which have a higher proportion of prime lending and the affordable is more as an add-on. If the affordable business needs to be ROE accretive, then they need to also maintain a similar 5% spread, because the expense is not going anywhere. The expenses will be similar. Whether it is a large company or a small company, the operating expenses and plus the credit losses, etc. are going to be similar.
- Broadly, the industry has reached the conclusion that this is a business that runs at a 5% spread. So, we do not see rational for companies dropping rates too much. Of course, there are different strategies in the market. Some companies are cutting rates to certain segment of customers and then compensating it by offering a much higher rate to certain other categories, etc. Those are all more temporary in nature. I do not think it will work on a long-term basis. On a long-term basis, in the core affordable individual housing segment, you have to maintain a 5% spread, otherwise, your ROE will be much lower than what we have delivered.

- Nutan Gaba Patwari:** I want to add one point there, Nischint. If you look at the larger NBFCs, the cost of borrowing difference for us and them is less than 60 - 80 bps. Essentially, if you are doing a 13% product, they will have to do it at 12% - 12.20%, on a blended average, which is not very different; which is not the reason why the customer will move. And if they do substantially lower, then to Manoj's point, they do not deliver the product level ROE and it will get called out at some stage. It is unsustainable to that extent. They will have to end up coming close to the similar number where we are; that 60 - 80 bps is the only difference that can be there, not more than that.
- Nischint Chawathe:** Got it. Thank you very much and all the best.
- Nutan Gaba Patwari:** Thank you, Nischint Chawathe.
- Moderator:** Thank you. Next question is from Shubhranshu Mishra from Phillip Capital. Please go ahead.
- Shubhranshu Mishra:** Hi Nutan, two questions or three questions. The first one is to maintain the disbursement run rate, what is the number of loans that we do on a quarterly basis? I understand there are variations in each quarter, but we would have a ballpark budget in our mind for the number of loans, given the fact that the 90+ largely remains similar. Again, when we have to look at the 1+, what is the curing of this 1+ till 15 DPD? From 16 to 30 DPD, what is the curing? And what was this a year ago? Third is if we can have the concentration of disbursements, give us the concentration of AUM, concentration of disbursements of the top 10 branches, 11th to the 25th branch and 25th till the 50th branch?
- Manoj Viswanathan:** Let me go reverse as far as your questions are concerned. Top 10 branches would be delivering on an average about Rs. 5 crores a month in terms of disbursement per branch. That number which you said, 10 branches versus 20 branches versus 30 branches will broadly be in the range of Rs. 4 crores to Rs. 6 crores. So, Rs. 4 crores per month to about Rs. 6 crores per month would be the variation between the top 10 branches versus the top 30 branches.
- You were talking about 1 + how that gets cured in the next two buckets. Basically, about 70% to 80% of the customers eventually get cured and about 20% then flows forward. That is in each of these buckets. I mean bucket, the 0 to 29 bucket, we get an 80%-85% resolution, so about 15% moves forward. And then in the next bucket, that is 30 to 59, the resolution is about 60% to 70%, about 30% moves forward.
- Shubhranshu Mishra:** I am focusing on the 0 days to 30 days. The idea was to understand what flows from 15 to the 16 to 30 DPD because till 15, we can call them or we can send SMSs or WhatsApp, the cost would be much lower versus 16 to 30 days to cure. That is the idea to understand.
- Manoj Viswanathan:** The bounce rate is around 15%, right. And by 15<sup>th</sup> of the month, we collect about 50% of that. So, if you see the number by 15<sup>th</sup>, there is about 6% to 7% would be left.
- Shubhranshu Mishra:** Right. So, we are left with around 20% to 25%, which needs to be cured, right, which will flow into the next bucket, 30+?

- Nutan Gaba Patwari:** No, no, no. Let me clarify this. Fourth of the month is the NACH mandate, which is when we collect 15% of all customers bounce. On the 15th of the month, we have collected another 7%. So, on 15 days past due, it is, 7% 1+ DPD, which at 30-day end of the month is 5%.
- Manoj Viswanathan:** In a particular month let us say, 100 customers bounce the payment. Typically, by the 15th, we collect 50% of that. So, 50 customers, we would collect by the 15th of the month. And then about 50 customers will be left between 15th to 30th. And again, if you look at that number by, let us say, 20th, we will be left with about 20 customers. So, only 20% of the customers who bounce in the beginning of the month will be left by 20th of the month.
- Shubhranshu Mishra:** Right. So, this 16 to 29 DPD, what is the cost of collection per file? Do we have that number or a budget?
- Manoj Viswanathan:** We do not have a separate collection team, which is only focusing on this particular bucket. We have the same relationship manager who is also doing various other activities, who is collecting from these customers. It will be part of the relationship manager's overall compensation. Like I mentioned at the beginning of the call, the relationship manager's broad responsibilities are to disburse a certain number of cases, say, about 5 to 6 transactions a month and plus collect about 20 overdue payments. So, that is how the RM's cost is bifurcated.
- Moderator:** Thank you. Next question is from Raghav from Ambit Capital. Please go ahead.
- Raghav:** Hi, good evening, and thanks for the opportunity. I have two - three questions. One is you have partly answered that, but what is the length of period or years of experience you consider when you build your ECL model?
- Nutan Gaba Patwari:** From the origination of the company, so that's 15 years.
- Raghav:** Also, my second question is, when I look at the total stock outstanding of Stage-2 and 3 assets right on an aggregate basis, the growth in that number is somewhere around 50% - 54% y-o-y, and that growth rate has been increasing for last two - three quarters. That suggests some deterioration in underlying asset quality. I know coming back to asset quality, but what is the reason for that? What are your thoughts? Because it is not just in this quarter that we have seen that, but even in some of the previous quarters, the growth rate in Stage-2 and 3 has been higher than the underlying AUM growth. Any comments that you would have on this?
- Manoj Viswanathan:** No, Raghav. There is no structural problem with the portfolio as such. If you see, our Stage-2, it is one of the lowest in the industry. On that small number, there is some slight movement. At least internally we are not alarmed about that number. If you compare our Stage-2, it is lowest across all our peers. That number might have gone up by a few bps. So, we are not alarmed.
- Raghav:** I am referring to Stage-2 and 3 cumulatively, but I think that explanation holds there as well.
- Nutan Gaba Patwari:** I was just looking at the numbers, for example, Q4, our growth in Stage-2 was only 3% vis-à-vis our AUM growth of 6%. So, I think when you look at stress, you will have to look at it

differently because they are in different buckets provided differently and the impact on financials is also different.

- Raghav:** Understood. Nutan, I was referring to, say, the y-o-y numbers because just to adjust for the seasonality that a particular quarter has. And hence, that is where I was coming from. The other question that I have is, see, in 1H FY25, you added a substantial number of employees, right, that number versus FY24 was up 30%. But since then, I think the addition has not been a lot, 1,650 going to some 1,700 employees. You also said that attrition has been fairly stable, yet your value productivity per employee has not improved, right, despite rising ticket sizes. And given that the typical employee becomes more productive with every passing month, why is it that the AUM disbursal per employee is not increasing?
- Manoj Viswanathan:** There is a certain range in which disbursal per employee moves. Like I said, Rs. 30 - 35 million or Rs. 3 - 3.5 crores is the disbursal per employee per year. Unless we change something structurally, that number will not go up substantially. Like a few years ago, we introduced some level of automation. We were able to kind of move up that number. So, unless we do something which is structural like that, that number is going to be range bound.
- Moderator:** Next question is from Dixit Shah from Ascendancy Capital. Please go ahead.
- Dixit Shah:** Hello. A few statistical questions. Of the Rs. 864 crores for Uttar Pradesh and Uttarakhand, what is the AUM for Uttar Pradesh?
- Manoj Viswanathan:** Rs. 450 crores is the total Uttar Pradesh, which includes the Ghaziabad, which falls technically in Uttar Pradesh, but actually it is part of NCR, plus Eastern UP, which is about Rs. 100 crores.
- Dixit Shah:** Okay. Got it. And during the quarter, I think we might have not drawn any sanctions from NHB, I think because it is flattish q-o-q. Did you draw down?
- Nutan Gaba Patwari:** Not from NHB.
- Dixit Shah:** And one more statistical question. Of the total AUM, what is the pure individual housing loans in the AUM?
- Nutan Gaba Patwari:** 84% is the housing loan.
- Dixit Shah:** Understood. Now coming back to a few questions on state-wise growth. So, Madhya Pradesh, we are seeing massive amounts of growth. It has gained y-o-y more than 200 bps in our composition. Are we seeing a higher ticket size growth there or the Madhya Pradesh market in itself has seen a very massive growth and we are capitalizing on it?
- Manoj Viswanathan:** All of it, actually. Madhya Pradesh is growing well. Ticket size is growing and number of units is also growing.

- Dixit Shah:** And we do not see any risk with respect to asset quality issues because some of the players were having a little bit of an issue, specifically in southern part. One of the players, which we compete in the southern areas, was saying in the less than Rs. 20 lakhs, they are not seeing as much as demand. A few of the other players were saying that there is good demand. So, in the state of Madhya Pradesh and also in South, where we are present, how are you looking at the demand scenario? And are we seeing a lot of competition, with respect to the affordable segment and a sense on the overall view on the housing credit market?
- Manoj Viswanathan:** Madhya Pradesh has been developing well. The industrialization and urbanization are picking up there, and it is been developing well. It is a growth market in an overall sense. Plus, we have also capitalized on it. We have a great team there, and we have very good asset quality there. We have capitalized on that growth. Other markets, South, etc., are also growing. AP, Telangana, Tamil Nadu are also growing well. We had some issues in Telangana and Tamil Nadu in terms of team, etc., which we have sorted. Growth should come back there.
- Moderator:** Thank you. Next question is from Prithviraj Patil from Investec. Please go ahead.
- Prithviraj Patil:** My question was largely answered. I just wanted the guidance for the ROA, ROE given that right now the CRAR is quite high and there is a lot of liquidity on the balance sheet.
- Nutan Gaba Patwari:** Right. So, we had mentioned this in the last call. Currently, our ROE for Q2 will be lower, as we take on board the full leverage benefit. We aim to deliver 15% ROE in the next five to six quarters and then build from there. As far as ROA is concerned, we look to go closer to 4%, again coming purely from the leverage benefit.
- Moderator:** Thank you. Next question is from Shubhranshu Mishra from PhillipCapital. Please go ahead.
- Shubhranshu Mishra:** Hi. One question remained unanswered. What is the number of loans that we disburse on a monthly run rate basis? And I understand there will be quarterly variations, but still there will be a quarterly or a monthly number that we have in terms of our budget.
- Manoj Viswanathan:** About 4,000 loans a month is what we disburse.
- Shubhranshu Mishra:** Right. Sure. Thank you.
- Moderator:** Thank you. The next question is from Dixit Shah from Ascendancy Capital. Please go ahead.
- Dixit Shah:** Yes. Thank you for the follow-up. The second question that I had was on cost of borrowing. So, overall, we have seen 100 bps decline in the repo and we have a credit rating upgrade. So, overall, for the whole year, what would be the impact in the cost of borrowing that we could see by end of FY26?
- Nutan Gaba Patwari:** Very important to understand what is the composition of our cost of borrowing. The repo linked cost of borrowing is about 20%. About 60% comes from MCLR linked borrowing and MCLR of banks have not come down. So, while we may see 100 bps decline in repo, the MCLR

reflection has not yet happened. The deposit rates have started to come down and it is expected that MCLR will come down. This transition takes time. So, currently, we are at 8.4%. By December, I am expecting this to go down towards 8% - 8.1%. By March, we should definitely be at around 8% or maybe slightly lower than 8%. That is the expectation. Unless, of course, the bank's MCLR goes down much faster, then the full transition will also play out in our cost of borrowing. But broadly, we would expect 50 - 60 bps transition by end of March.

**Dixit Shah:** Understood. And what will be the impact on our yields then correspondingly? How much is going to be passed on?

**Nutan Gaba Patwari:** We will have to discuss it in the ALCO. We have not done that yet because we first have to reflect the benefit in the cost of borrowing. So, only in Q3 or Q4 will be start passing it on. We expect the spread to be maintained in the 5% - 5.25% broad range.

**Moderator:** Thank you very much. That was the last question in queue. I would now like to hand the conference over to Mr. Manoj Viswanathan for closing comments.

**Manoj Viswanathan:** Thank you, everyone, for participating and engaging in the call. We hope we have been able to answer the questions to your satisfaction. In case you want to reach out for further questions, you can always reach out to Deepak Khetan or write to us on [investor.relations@homefirstindia.com](mailto:investor.relations@homefirstindia.com). Thank you so much.

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