

August 13, 2025

To, BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400001 Scrip Code: 544044	To, National Stock Exchange of India Limited, Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 NSE Symbol: INDIASHLTR
ISIN: INE922K01024 : INE922K07104	ISIN: INE922K01024

Sub: Transcripts of the Earnings Conference Call for the quarter ended June 30, 2025

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we would like to inform you that the transcripts of the earnings conference call for the quarter ended June 30, 2025, held on August 08, 2025, is available on the website of the Company.

The transcripts can be accessed from the link given below:

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

Further, we confirm that no unpublished price sensitive information was shared/discussed in the meeting.

You are requested to take the same on record.

Thanking you.

Yours faithfully,

For India Shelter Finance Corporation Limited

Mukti Chaplot
Company Secretary and Compliance Officer
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India Shelter Finance Corporation Limited Q1FY26 Earnings Conference Call

August 08, 2025



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

MODERATOR: **MR. CHINTAN SHAH – ICICI SECURITIES LIMITED**

This is a transcription of the earnings call conducted on 8th August 2025. The audio recording can be accessed using the following link, <https://www.indiashelter.in/investor-relations>

DISCLAIMER:

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

Moderator: Ladies and gentlemen, good day, and welcome to the India Shelter Q1FY26 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this call is being recorded.

With this, I now hand the conference over to Mr. Chintan Shah from ICICI Securities. Thank you, and over to you, sir.

Chintan Shah: Yes. Thank you, Samya. Good morning, everyone, and welcome to the Q1FY26 Results Conference Call for India Shelter Finance Corporation. So first of all, I would like to thank the company for giving us the opportunity to host this call and congratulate them on a good set of numbers.

From the management, we have Mr. Rupinder Singh, MD and CEO; Mr. Ashish Gupta, CFO; and Mr. Rahul Rajagopalan, Head, Investor Relations. So without further ado, I would now like to hand over the call to Rupinder, sir, for opening remarks, followed by Q&A. Thank you, and over to you, sir.

Rupinder Singh: Thank you, Chintan. Good morning, everyone. On behalf of the company, I extend a warm welcome to all of you. Thank you for joining us for the call today. Before we delve into the highlights of the quarter, I would like to share an overview of the current macroeconomic scenario and the sectoral outlook as we are witnessing.

In the recent months, several consumer demand indicators have demonstrated some softness. In the first quarter of financial '26, we observed a slowdown in UPI transaction volumes, contraction in passenger vehicle sales and decreasing two-wheeler registrations. In urban areas, wage growth has been subdued and continues to lag behind other segment, contributing to slower-than-expected recovery in urban demand.

Despite these headwinds, inflationary pressure has continued to ease, notably headline CPI inflation, reached a six-year low of 2.1% in June 2025, providing a stable backdrop for consumer and business alike.

Turning now to the positive developments, rural India has shown remarkable resilience. The success of the Rabi harvest and timely widespread monsoon rains have resulted in strong rural cash flows and optimistic sentiment. These factors have already led to a noticeable uptake in the rural consumption with FMCG volumes in rural market also beginning to rise.

Meanwhile, capital expenditure has gained momentum in sectors such as steel and cement, reflecting the increased capital expenditure initiatives by both state and central governments. This uptick in infrastructure spending is expected to create favorable conditions for broad-based consumption growth moving forward.

The Reserve Bank of India has also played an instrumental role, reducing policy rates and implementing a suite of liquidity measures in the previous quarter. These actions have resulted in surplus liquidity within the financial system, ensuring faster and more efficient transmission of monetary policy to credit markets.

So, as we look ahead, there are many reasons to remain optimistic: demand is showing signs of strengthening; policy is both prudent and supportive; and the potential for credit growth in our economy is immense. Together, these elements create a story—our story—of a nation poised for sustained progress, steady renewal, and shared prosperity. While we have undoubtedly faced a few hiccups along the way, the challenges we discussed only make our recent progress more meaningful and affirm that the future looks even brighter from here.

Moving to the sectoral update.

Affordable Housing in India continues to gain momentum, supported by urbanization, rising incomes, government programs like Pradhan Mantri Awas Yojana. As per ICRA estimates, the affordable housing finance loan portfolio stood at Rs. 1.4 lakh crores as of March 2025 and the affordable housing companies loan portfolio is expected to reach Rs. 2.5 lakh crores by FY28, growing at a CAGR of 20-22%.

On that note, let me move towards the quarterly update.

We are pleased to announce that company delivered strong operational performance in the first quarter of financial '26, driven by a strong demand environment in affordable housing segment. We delivered AUM growth of 34% year-on-year, reaching an AUM of Rs. 8,712 crores. In Q1FY26, we disbursed Rs. 887, registering a growth of 24% year-on-year. In Q1FY26, we added 24 new branches as per the branch expansion strategy, geographic presence stood at 290 branches as of 30th June 2025.

On profitability metrics, PAT for the quarter came in at Rs. 119 crores, registering a growth of 43% year-on-year and 10% quarter-on-quarter. Return on equity further improved to 17.2%. ROE crossed 17% for the first time post listing. And our net worth now stands at Rs. 2,836 crores.

We continue to maintain our guidance of:

- Branch addition of around 40 to 45 for the year,
- Maintain spreads of more than 6% in the medium term
- Credit cost of around 40 to 50 bps
- Loan growth of around 30%, 35%

Before I hand over the call to our CFO, let me also highlight a few of the recent tech initiatives that we have undertaken to further enhance our tech capabilities. Technology is significantly transforming operations by automating key processes, improving risk assessment, enabling

faster and fairer credit decisions and eventually enhancing customer experiences. Few of the initiatives that we have implemented are as follows:

- Aadhar-based instant e-KYC level, enabling faster onboarding, promoting paperless process, enhancing security and fraud preventions at the same time providing a cost-effective and scalable process.
- Machine learning-based credit origination score card to analyze financial behavior, digital payments, cash flow and nontraditional data to assess borrower risk.

These are the few important objectives that we took a couple of quarters back and are able to complete it by the end of this quarter.

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

Ashish Gupta:

Thanks, Rupinder ji. Good morning, friends. Let me take you through key financial numbers.

We have ended the quarter June '25 with AUM of Rs. 8,712 crores, year-on-year growth in AUM is 34% while quarter-on-quarter growth is 6%. Total income for the quarter is up by 39% year-on-year. Our portfolio yield is at 15%. Marginal uptick in the yield is driven by improvement in spread of co-lending loans due to reduction in CLM cost of funds, which is linked to the repo rate. Our disbursement yield is stable at 15%. Our bucket cost of fund is further down by 10 basis points in Q1 to 8.6%, driven by lower marginal cost of funds and reset of our borrowing linked to repo rate. Our marginal cost of fund is at 8.5% for quarter and is down by 30 basis point year-on-year. In the last 4 months, we have seen 20 bps reduction in our bucket cost of fund, and we expect another 20 bps cut by the year-end. With this, our lending margins are up by 20 bps to 6.4% and are consistently above 6%, in line with our guidance.

Net interest income has gone up by 34% year-on-year and 8% quarter-on-quarter due to growth in AUM and expansion in spreads. In terms of percentage, NIM is stable at 9% year-on-year in spite of improvement in leverage from 2.6x to 2.9x.

Coming to Opex, our year-on-year growth in Opex is lower than growth in AUM, resulting in better cost ratios. Opex to AUM for the quarter is at 4.2%, down by 20 bps year-on-year.

On asset quality side. Stage 3 is at 1.2%, up by 10 basis point year-on-year. Credit cost for the quarter is at 0.5% which is in line with our guidance for medium term. Net Stage 3 asset is stable at 0.9%. Provision coverage ratio for Stage 3 asset is stable at 25%. Our total ECL is Rs. 67 crores against the regulatory threshold of Rs. 40 crores. We have adequate provisioning in buffers in place.

Profit after tax for the quarter is Rs. 119 crores, up by 43% year-on-year basis, up by 10% quarter-on-quarter basis, driven by growth in volumes, improvement in productivity, expansion in margins and stable credit costs.

ROA for the quarter is 6%, up by 20 bps quarter-on-quarter. ROE for the quarter is 17.2% on an annualized basis with a leverage of 2.9x. On liquidity side, we are comfortably placed with a liquidity of Rs. 650 crores plus and undrawn sanction of Rs. 560 crores. Our ALM is positive across all the buckets.

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

Moderator: Thank you very much. We will now begin the question and answer session. The first question comes from the line of Varun from Kotak Securities. Please go ahead.

Varun: If I heard it right, you said that there's already a 20 bps moderation in cost of funds and you expect another 20 bps in the next 9 months. So, if you can break down your overall borrowings into how much is floating? And of that, how much has already seen re-pricing and how much you expect to flow through in the next 9 months and what's the proportion of NCDs that are going to mature? That would be helpful.

And following that would be if you're planning any PLR cuts, when are you going to implement it or when are you going to take a call on that? These are my questions with regard to margin. And if you can also highlight what is the reason for the gross Stage 2 rise that we see in this quarter?

Ashish Gupta: Sure, Varun. To start with the borrowing mix, 90% of our borrowings are linked to variable rate. And if you look at within the variable rate, about 35% of the borrowings are linked to repo rate, wherein we have already seen the benefit of repo rate cut. And then remaining variable rate-linked borrowings are linked to banks MCLR. Wherein we have yet to see the pricing cut from banks and whenever the reset will come on these MCLR-linked borrowings. So remaining 10% of the borrowings are at fixed rate.

Coming to the pass on of the benefit. So, if you recall, when the repo has gone up by about 250 basis points, we have not passed on the impact to the customer like to the same extent. So we will hold back till Q3. Once we have a reasonable cost of fund reduction, we will think of passing on the rate reduction to our customers. But having said this, it is worthwhile to note that out of the total loan assets that we have only 15% are linked to the variable rate then remaining 85% is fixed rate or semi-fixed rate, wherein the loan rates are fixed for initial 3 years, then it will become variable.

On asset quality side, if you see, our DPD 30-plus has gone up by about 100 basis points. So partially this is on account of seasonality, you have seen earlier as well in Q1, Q2, generally, delinquencies go up. And partially it is on account of macro positioning that you are seeing across the industry.

Varun: Okay. On that front, are you witnessing any particular states which see a rise in stress and the reason I'm asking is because Karnataka, growth has also been weak for us. It's only about 15% year-on-year and that ordinance had created a -- what do you call it, a flutter or some kind of

negative on the collections front. So, are we seeing that still sustaining? Is it long to run out or is it normalized in Karnataka? And are there any other states like MP, where we have seen stress that it has again shown up stress?

Rupinder Singh: So, Karnataka, purposely, we have not expanded in last year or so. And the plan is to again sustain whatever the numbers which we have for some more time before taking to the next level. The delinquency what has increased in a couple of quarters back, I think, 6 months back in Jan, Feb when Karnataka issue arises. After that, we try to have a control on that side. And largely, it has been there. It's not like something has gone out of hand, but yes there is always an uptick when you see the quarter one numbers. That is across, it's not only the Karnataka, but also in most of the places and that we are taking a stock of that regularly. And we are aware of that as the things are settling down, there is definitely going to be an improvement as the quarter progress. Quarter one is generally weak, this time because of macro factors there is more inch up, but what we see as we see the progress in month of July, the 30 DPD remains almost same number, what was in quarter one. And if we maintain that this quarter, then there is optimism in terms of next couple of quarters coming around. So, it's not because of only Karnataka, overall, we see that there's a little uptick on that.

Moderator: Thank you. The next question comes from the line of Soumil Jain from Lucky Investments. Please go ahead.

Soumil Jain: Hi, sir. Thank you for the opportunity and congratulations on a great set of numbers. I had a follow-up question on the asset quality. 30-plus DPD bucket is about 4.5%. Even accounting for the seasonally weak quarter that 1Q is, this is significantly up from the last year's DPD numbers. So, are you seeing that transmit into higher credit costs going forward? Are you sticking in the 40 bps, 50 bps credit cost guidance that you mentioned? How is the trend of those 30-plus DPD buckets in, let's say, moving into quarter 2?

Rupinder Singh: So, we are going to maintain our projection on 40 bps to 50 bps when we talk about credit cost. July month in terms of 30 DPD looks almost same number what was in quarter one. So, they may be 2 bps lower, but not upper side. Since there's 2 months for this quarter left, I think giving exact number will be a little difficult. But what we see that as the time progress; we're also strengthening ourselves accordingly. This should not be a challenge. So, we are giving the same guidance of 40 to 50 bps of credit cost for the year.

Soumil Jain: Got it. And secondly, just if you could reiterate on the cost of funds trend. Sorry, I missed it in the last question. You mentioned 90% of your book is floating rate on the borrowing side?

Ashish Gupta: Yes. On the borrowing side, 90% of our liabilities are variable rate. And out of that, about one-third is linked to MCLR and rest is – one-third is linked to repo rate and two-third is linked to MCLR.

Soumil Jain: And you expect a further 20 bps reduction in cost of funds only?

- Ashish Gupta:** Yes.
- Soumil Jain:** Okay. And on branch addition, we have added about 24 branches this quarter, any full year guidance?
- Rupinder Singh:** We plan to open around 40 to 45 branches for the year, and we'll stick to that plan. Out of that 24 has been opened in the first quarter itself.
- Soumil Jain:** Okay. All right. That's it from my side. Thank you and all the best.
- Moderator:** Thank you. The next question comes from the line of Darshan Deora from Indvest Group. Please go ahead.
- Darshan Deora:** Yes. Firstly, congratulations, Rupinder and entire India Shelter team, fantastic all-round performance. The question I had was regarding on the cost of total assets. This quarter we have brought it down a bit to 4.2%, which is an improvement from the past quarters. But some of our peers are operating below 3%. So, what is our long-term aspirational cost to assets that we can achieve as a business on a steady-state basis?
- Rupinder Singh:** So, this is a continuous journey, and we always keep maintaining the stance that year-on-year, you'll find it is coming down 15 to 20 bps, and we stick to that. We feel whatever the state it is, we need to have a scope of improvement, and we will continue to work in that direction. So, a lot of things happen in terms of technology changes so there is no stable state that we have in mind. There has to be a continuous improvement and that's our philosophy of taking it further down. In fact, in Q3FY23 it was 4.8% and today, we are at 4.2%. So, we feel in this financial year, again, as we keep moving around, there is a scope of reducing by 15 bps, 20 bps and eventually in the coming years. It's a long sustainable business. So, it's not about for a year or 2 years. Let it be continuous process for coming years and coming times basically.
- Darshan Deora:** Got it. And question was regarding employee productivity. So, any insights you can share on currently what is our employee productivity, however, the company measures it and what has been the trend and what is the future expectation, whether it is files per loan officer or AUM per employee or disbursement per employee, however you would like to measure it?
- Rupinder Singh:** So normally what we see, as we keep saying that most of our sourcing comes directly, we don't depend upon the DSAs and third party. So, we have a large set of teams for sales. Today, there are more than 1,700 loan officers which work for us in these 290-plus branches. There in terms of productivity what we measure is in terms of number of files that they are disbursing, not on the volume particularly because again, our ticket size is consistently stable, if you might have seen in last many quarters. So, what we feel that if an employee is able to cross 2 files with this direct sourcing in terms of disbursement and not in terms of login then the things are just justifiable. So, as we closed the last financial year, that no has crossed beyond 2 files also but quarter 1 is normally little lean and you add up many people around since you opened 24 branches. So, it has slightly come down to less than two. But we are confident as we keep

improving on this side, this should definitely beat the last year number. In fact, quarter-on-quarter compared to the last year, this quarter was better in terms of employee productivity.

Darshan Deora: Got it. And an aspirational target for this figure would be?

Rupinder Singh: So, we try to improve every year by 10% at least. And we don't say that this is a large, fixed target on that piece. We put a lot of thoughts on the technology and ease of doing business. That's a continuous process and every year; you'll find the improvement in the productivity that we can assure you.

Darshan Deora: Got it. That's all from my side and all the best.

Moderator: Thank you. The next question comes from the line of Shubhranshu Mishra from Phillip Capital. Please go ahead.

Shubhranshu Mishra: Good morning, Rupinder. Shubhranshu here. So, two or three questions. First, that we've been hearing about asset quality stress in LAP. And especially a ticket size of around Rs. 10 lakhs to Rs. 20 lakhs. How are we faring in this LAP? Any extra comfort we are taking in terms of collaterals or decreasing the LTVs and incremental disbursements?

Second is that we still are running at a higher capital adequacy ratio. How do we plan to deploy this over the period of next 2-odd years?

And what would be our disbursement guidance for this year, if you can allude to the guidance in '27 as well? And what will be the split between home loan and LAP in that mix?

Rupinder Singh: Thank you, Shubhranshu Mishra ji. Basically, on Stage 3 side, we don't see difference between LAP and HL. The number remains same between the two. But yes, on 30-plus side, LAP is a little higher than the HL. If we are at 4.5% of 30 plus, then you can assume that HL is 30 to 40 bps lower than 4.5% and LAP is around 30 bps higher than 4.5%. These are the normal trends, what we can see that. Beauty of this product is since LTVs are low, we are maintaining LTVs around 45% to 47%. Whenever this customer moves to Stage 3, we definitely have a capability of using tools like SARFAESI and thus the recovery is quite faster in that sense, and this is the reason between the two categories of HL and LAP. When you talk about Stage 3, there is no difference around it, that has been same in terms of NPAs. On the collateral side, we have all been prudent, keeping in mind that LAP has to be purely on a self-occupied residential property. Today, we are maintaining 99% on the AUM side. But if you see on disbursement, then it is 100%. Anyway, we're not taking any calls from last many quarters when it's about LAP apart from SORP.

If we talk about going forward, we have given projections of around 30% to 35% of growth. From last six quarters, we are maintaining that, and we feel there is a lot of scope going forward also and this should be a continuous journey for many quarters going forward.

And on your question about capital adequacy ratio, because today, leverage is 2.9, capital adequacy is around 57% to 58%, we feel we should be back in market somewhere after financial year '28 closure for the next round. That's what we look forward. Once you are at a 4.5x leverage, I think you are good to go is what our understanding is.

On the HL LAP ratio query of yours, so, at the LAP ratio, we want to maintain a split of 60-40 that is going to be our trend going forward. As our process, our mechanism, the market which we operate, the set of customers we are targeting, we are quite comfortable on that side. We are not going to change much around that piece.

Yes, for a position's sake, we always look forward to increase by 1% or 2%, that is the progress which we have to continue to take here, though we are not able to get it as of now. But that is the only progression that we have to take it up in future, particularly. So, it'll be a little bit here and there, but you can continue to think about the ratio of 60-40. 1%, 2% upper side.

Shubhranshu Mishra: And just one last question, if I can slip in. Given the fact that we would be assessing our customers' cash flows on various other things apart from the income, so it's basically an assessed income. What are the ranges of FOIR at the point of onboarding for home loans? And what are the various mechanisms that we deploy, especially quantitative mechanisms during the tenure of the loan?

Rupinder Singh: So FOIR generally remains for us in the range of 50% to 55%, irrespective of whether the customer is a home loan customer or loan against property, because we deal in the same vicinity. There, if you see the tenure for the loan against property's average coming around 10 years to 11 years. And for home loan, it is around 15 years. What we have seen is that the monthly income for these set of customers start somewhere from Rs. 30,000 to Rs. 32,000 and goes up to Rs. 65,000. So, these are the aspects that we look into. What is important for us is where we try to fund in the smaller markets of Tier 3, Tier 2, where these set of customers have their own stability in terms of their work, their past experience or maybe the collateral what they are acquiring or what they already have. So, these are few, three, four important items quantifiable that we always look forward in overall macroscopic way while underwriting.

Shubhranshu Mishra: Thank you so much. This was very helpful. Thanks.

Moderator: Thank you. The next question comes from the line of Shreepal Doshi from Equirus. Please go ahead.

Shreepal Doshi: Good morning and thanks for giving me the opportunity. Sir, my question was again on the LAP segment. So, could you please give us some color as to what would be the end use for this category of loans for customers, as in like, is it more towards MSME or is it more towards, let's say, some emergency needs of the customers? That's the question number one.

Rupinder Singh: So, the market, what we are serving, these customers should be a part of that ecosystem and servicing his activities to serve that market particularly. They can be in the form of small

retailers, cloth merchants, sweet marts, grocery shops, small manufacturers and all that kind of customer, which is, his income starts somewhere from Rs. 32,000 or something and have a vintage in those markets of at least three years, four years. And now have an aspiration to go to the next level in life, whether by further acquiring some shops, whether stocking up products in his business, since maybe sometimes they're small manufacturers, they want to put some machines and all, all that kind of customer, because more than 95% of these customers are MSMEs, self-employed in this market. But yes, being a LAP profile, what we make sure that we don't compromise on the collateral, and there we make sure that we are taking a self-occupied residential property with LTVs of less than 50%. That is always a key that we have to keep in mind, and that helps us out also. Like everyone, we also see a lot of noises in market that MSME customers are in pain. But with this kind of security, we have seen that when you execute your process around that piece, you're able to get back this required recoverable amount that we look forward in this kind of set of customers in time of difficulty. So, this is the way the business works.

Shreepal Doshi:

Got it. Got it. So that's a very detailed answer. Thank you for that. Sir, the second question was like, I think, you highlighted that closer to 35% of our bank borrowing or liabilities are linked to repo and 20-basis-point benefit is what we expect for the full year. So, what is the benefit that we are expecting on the spreads or margin front, because we've not yet passed on any benefit to the end customer. So, for full year, are we looking at any benefit or that will not broadly be different?

Ashish Gupta:

So, as we have already said that in terms of our asset profile, like, about 85% of our total assets are at fixed rate or semi-fixed rate and 15% are at variable rate. So even if we think of passing some benefit in the month of, say, like December 2025, say, like 25 basis points, even in that scenario, it will not be having a material impact on the overall yield at the portfolio level. So, we don't think that there will be any impact on the overall yields this year with respect to the benefit to the customer.

Shreepal Doshi:

Got it. So, nothing on the spread and NIM side as well, right?

Ashish Gupta:

So, as we have given a guidance that the spreads will improve by about 20 basis points further this year. And on the NIM side, NIM is a function of your leverage as well. So, as the leverage will go up spread and leverage will offset each other. So, it will remain broadly stable at about 9%.

Shreepal Doshi:

Got it. Got it. Sir, I just had the last question, which is on PMAY CLSS 2. So, are we seeing like how is the momentum in that segment with respect to approvals, eligibility, how many cases have we seen being approved or how many are in pipeline? If you could just give some sense on that? Thank you.

Rupinder Singh:

Yes. I think month-on-month traction is coming on PMAY scheme. Initially, there were hiccups because of the process and new process being laid out. And this time, the process has to be more on the tech integration and on when that money has to be passed on to the end customer. So

today, there are almost 1,500 applications that were being processed. And quite a large chunk of that is in position to get a PMAY scheme. Almost 500 to 700 applications are still in process, and we expect outcome very soon around that side. As we speak today, more than 200 customers have already received the first tranche of subsidy for which we applied to the regulatory bodies. So, we feel this is a continuous process. And as the time progress, with the ease of this process and more customers getting aware, we have a plan to go in these geographies deeper to have a marketing activity and convey these customers the right message which the government wants to pass on where they can also get a benefit on that side. So that's the process. Now we are more comfortable putting around. But till now, the more action was to make the process more quicker and smoother which is now picking up. So, you can see fair traction. With 200 numbers, it is still very low. So, for the first couple of months, I think, this you can be satisfied with this but I think there's a lot of scope going forward around this.

Shreepal Doshi: Right sir. Got it. Thank you so much for the reply and good luck for the next quarter.

Moderator: Thank you. The next question comes from the line of Varun Bang from Bandhan Life Insurance.

Varun Bang: Yes. Thanks for the opportunity and congrats for the good set of numbers. Just two questions. Firstly, how do you see competition on the ground and how it is impacting us and the industry? And do you sense that the quality of underwriting is deteriorating for industry or at least in some cases? Some thoughts would be helpful.

Rupinder Singh: Market is enormous as we keep saying that and we are still too small as a player to feel the heat of that large competition of the bigger players around that side. We have stated our own niche, targeting this Tier 3, Tier 2 market. We believe our productivity numbers are yet to get further improved and we are working on that side. And when we go to market to source our customers, we don't find some kind of undercutting or customer pressure to get moving from one point to other point in terms of what happens in the larger or prime ticket size. Since set of players who are focused on this side is still limited. The same set of players are operating from last 10 years, 12 years, those serious players. We don't see much of action in terms of undercutting or push-pull around the customers. Yes, there is always competition in terms of poaching employees from one company to other company, which we also face a heat around that side. That is one side particular what we see.

On the other side, you said that underwriting quality is going down or something like that. That's a philosophy of any organization or they want to take it up. There are short-term and long-term goals. The people which exist from decades and continue to give performance, I think, know the value of the success potency. We don't find any challenges there, but some new companies, some new players, if they want to play around that, that is their way of thinking about particular.

For us, we are very clear that this is a journey which has to be successful for many, many years going forward and that's the potential we want to take it up next level. So, there's many things happening in the industry. There are many companies which do come as home for that piece, but that's not a focus area for us.

- Varun Bang:** Understood. But from an industry perspective, it is right to say that the quality of underwriting is sort of getting impacted negatively to some extent.
- Rupinder Singh:** Overall macro scenario, as well as seasonality factors, there was definitely a challenge. You have seen the situation happening in MFI, the situation happening with unsecured. Definitely, it does come for this set of also, since market trend is like that. So, that set of pieces is definitely there, but you have to wear your lens accordingly and take it to the next level.
- Varun Bang:** Yes. The second question is on the attrition rate. How is the attrition rate in the sales team, and let's say, versus last year, how it is evolving?
- Rupinder Singh:** So, we have always divided attrition rate into two pieces. One is regrettable and one is non-regrettable. And yes, non-regrettable is always higher than regrettable. When we compare to the last year, attrition rate has slightly improved, but not so much satisfaction. There's no doubt of improvement compared to the last year. When we see the attrition rate. So, I give a data point, quarter four to quarter one, there's improvement around 10% when we talk about attrition rate, particularly.
- Again, to make sure to felicitate our set of employees and to engage more and to make sure that they look for a long strategic career, Board has been very kind to support the company particularly with ESOP currently around 25% of employees are covered under the stock option plan which will go beyond 50%. So, all performing employees, we are trying to rope up under the domain of employee's stock option. So, today we have around 350 employees, which are under this program, which will go up to the level of 800 in this quarter itself. That is the thing that we're doing And thanks to Board and thanks to our investors that have been so kind in terms of supporting this mission, what we're building around.
- Varun Bang:** That is helpful. And if I just may know the percentage attrition rate in the sales team?
- Rupinder Singh:** For non-regrettable side, it is very heavy. For regrettable side, it is around 20% to 23%.
- Varun Bang:** Got it. Got it. Thank you.
- Moderator:** Thank you. The next question comes from the line of Umang Shah from Kotak Mahindra AMC. Please go ahead.
- Umang Shah:** Yes. Hi. Good morning. Thanks for taking my question and congratulations to the team on a good quarter. I have two questions. One is on, if you could help me, what's our asset mix split in terms of fixed, variable and partly fixed-income cum variable?
- Ashish Gupta:** So, in terms of overall asset profile, about 15% of the portfolio is variable rate. Then about 30% of the portfolio is semi-variable kind of rate, wherein initial three years is fixed. So, we started this product about 18 months back. So still 18 months of fixed rate journey is left in those loans. And then remaining 55% is completely fixed.

- Umang Shah:** Okay. And could you help me with the fact that how much have we passed on the variable rate portfolio? Or as you mentioned at the beginning of the call that we'll wait for the cost of funds to come down and probably then pass on reductions on the variable rate book?
- Ashish Gupta:** So, as we have said that we have not passed on the entire repo-rise benefit as well, when the repo rate was rising. And in fact, at this point of time, we are still yet to see the full benefit on the cost of funds side because the larger part of the borrowing is linked to MCLR, wherein banks MCLR has come down by about 10, 15 basis points only. And the benefit of that will come to us when the reset happens for those borrowings. So, we believe that some sizable benefit on the cost of fund will come by Q3 and then probably we will evaluate that how much we need to pass on those 15% variable rate assets.
- Umang Shah:** Okay. And -- got it. And sir, on the semi-variable piece, right, if you could help us that even on an incremental basis, the proportion of semi-variable loans would be largely similar in terms of origination, or it would be lower?
- Ashish Gupta:** So, on the incremental basis, if you look at the breakup of the total disbursement that is happening, around 50% to 60% of the incremental disbursement is happening on a semi-variable rate structure. So, two year down the line, we have an aspiration to have 65% of our total assets are linked to variable or semi-variable rate and remaining 35% get funded by a fixed rate or equity.
- Umang Shah:** But typically, do you really believe that whenever the semi-variable rate loans become fully variable, right, which is typically after a period of initial 3 years, does that create some sort of a volatility in margins? Or you think on a proactive basis, can the management, depending on the rate environment at that point of time, can look at repricing these loans vis-a-vis competition?
- Rupinder Singh:** Umang ji, when we took this call particularly, there was two thoughts on basis of data points which were available. We have observed the customer which are sticking to us for more than 30 months, they continue to run with us for a pretty long time. The maximum foreclosure, the maximum balance transfer, which happens is in the first 24 to 30 months. So, this is one of the factors that become a key driver, particularly.
- Yes, we have to maintain variable fixed proportion also, keeping in mind how is our liability franchisee. You have to always be prepared for the rainy season. And because of that reason, we come up with that fact. And when you have a customer which is engaged with us and you're giving good service, then at least you can engage for long. So, I think till now, and we hope in future also, this strategy should work. That is our thought. And on basis of that, we are working towards this.
- Ashish Gupta:** And just to clarify like, Umang, that these semi-variable rate loans are not a teaser loan kind of structure. The customer is having a regular rate of interest at this point of time, which is fixed rate. And after that, that kind of rate of interest will just become variable.

- Umang Shah:** Sure, sure. That helps. Sir, my second question is on asset quality. Now what we have seen is that clearly, there is a bit of a seasonality in the business, right? So -- but if I just zoom out and take a slightly longer view, I mean, our 30 DPD, let's say, in last 3 years has moved up from, let's say, 2.5% to, let's say, 4.5% today. And typically, we do see the pullback from 1Q to 4Q happening. So, I'm just comparing 1Q numbers over last 3 years, right? But now I understand that there is a bit of a book seasoning, which has happened and also the environment has changed quite a bit compared to last 2 years. So, I just wanted to understand that on a risk-adjusted basis, right, the kind of spreads that we are making and with the kind of customer segment that we are dealing with, how should we look at 30 DPD and Stage 2 numbers, right? I mean the Stage 2 numbers are still not as high. So I'm saying that should we see these movements as some bit of sort of a mean reversion on the upside? Or you think that even in the current environment, you think you can pull it back to lower levels and it will sustain at those levels? Yes, that's my question.
- Rupinder Singh:** 2.5% is the rock-bottom at the best of time, which happens largely in quarter 4, which happened 2 years back. This year, it was around 3.1%, 3.2%, even quarter 4 ending result particularly, right. Even those times we used to say that number which looks 2.5% is even a pleasant surprise for everyone, including us, particularly. What is the number today sustaining? Yes, we are not only hopeful but are confident about that they're going to come back because this will be a time which has been impacted by multiple things, not only seasonality, but macro environments and things that we are hearing across. We feel that this number is going to come and sustain around 3.2%, 3.3% as we close this financial year. But yes, for this quarter, particularly, if you want to understand, I think you can find this number is going to be maybe around the same number, a little bit on the lower side. That is something what we feel around as we see the July progression. But we have 2 months to come out and see how the things stand around that side.
- Umang Shah:** Right. Yes. But Rupinder, sir, my question was not from, let's say, next two-quarter perspective or three-quarter perspective. What I was trying to understand is that for the business that we are running and the customer segment that we are into, should one assume that a 30-plus, a more normalized rate is run rate, let's say, on a steady-state basis is between 4%, 4.5% and maybe Stage 2 is anywhere between 3% to 4%. Is that a fair assumption to make? And I completely understand that 2.5% and 3% numbers are sort of outliers, right? I mean that's an outcome of a very benign asset quality environment. But -- and rather, should we be alarmed at 4%, 4.5% or that should be more like a steady state? That is what I was trying to understand.
- Rupinder Singh:** We should not allow as a team overlooking the businesses, we should always look for the positive things. But directionally, what you are thinking looks practical when we see in the market. Our prerogative is not to allow this. Our prerogative is always to keep pushing and reducing it as far as possible. We'll use further tools which are available today and how to make sure that others can also improve around that side. So, allowance is not there, but on your thinking I largely eco with that.

Umang Shah: Understood. Yes, I think I got the answer. And sir, just last point in terms of credit cost, right, I mean, 40 to 50 basis points is what we have reiterated as a more steady state credit cost number, right?

Rupinder Singh: Yes, absolutely.

Umang Shah: Okay. All right. Perfect. Perfect. Thank you and wish you all the best for future quarters.

Rupinder Singh: Thank you, Umang Bhai.

Moderator: Thank you. The next question comes from the line of Mayank Agarwal from TRUST Mutual Fund. Please go ahead.

Mayank Agarwal: Hello. Thanks for the opportunity. Congrats on a good set of numbers. Sir, can you throw some color on the industries which are facing the stress, the geographies which are facing the stress? Is it urban, semi-urban, rural? What kind of customer segments are facing the stress? Is it agri related, non-agri related? Some color on that? And also, what gives you the confidence that will -- this stress will reverse from next quarter? Yes, that's the question from my side.

Rupinder Singh: So, this is a trend what we are seeing from last many years. That quarter 1 are normally weak and quarter 2 try to remain stable around that side and the things starts progressing from quarter 3 onwards. And when we compare apple-to-apple, we see, yes, there's a little uptick on that side. But we also see how the rollbacks are happening and how things are acting in a field play, particularly, how the teams are getting response and things like that. On basis of that, we are able to give tentative projections for the future that is there. If you talk about -- this is not a phenomenon in one particular state and all. Yes, there are certain states, for example, for us, MP is a little higher than the rest of these, which we always keep mentioning and discussing and we have tweaked few things there particularly, but has not come down to the level of our expectation as of now. That will take some more time. But otherwise, I don't think there is a much difference between one state to other state across country, right? For us, outlier is definitely MP. But rest of the states also have spike this quarter. That's what we have observed across.

If you talk about the particular businesses that we have to pivot around that piece, again, there's a trend market to market. In some markets, certain businesses may have some clause or certain set of customers may have a certain clause. So that we keep building, evaluating on our underwriting side, and we keep focusing on how to tweak it.

End of the day, this is a customer which is definitely at the outer ring of the competitive environment basically. Most of them come with a certain income size, some maybe NTC and maybe someone maybe earning on a daily basis for their living, all those kinds of customers are available there particularly. So, there's no trend like there's some orders got cancelled or some SME got stuck out because of some macro conditions, which is happening at global level. Overall, there is a heat in the environment. And because of that, there is some suppression around that side.

- Mayank Agarwal:** Thanks. Thanks a lot, sir. Best of luck. That's all from my side.
- Rupinder Singh:** Thank you. Thank you.
- Moderator:** Thank you. The next question comes from the line of Shweta from Elara. Please go ahead.
- Shweta:** Thank you, sir for the opportunity and congratulations on a good quarter. Sir, a couple of questions. I'll begin with asset quality only. Sir, while you fairly answered the question on the Stage 2 spike and the 30 DPD spike, but the reason that it has remained slightly unusual and also now this is a new normal is what I understand. So why hasn't our ECL provisioning or PCR sort of seen any changes? So, if you could just throw some color on assumptions on PDs and LGDs and how are you factoring the macro headwinds? That's my first question.
- Ashish Gupta:** While computing the PD and LGDs, we take the data of about the last 12 years, which is briefly two cycles on a behavioural basis for these set of loans. So, while computing the LGD, we consider macro factors, say, like GDP, housing price index, inflation, interest rates. And we find that over the period, our LGDs and PDs have a positive correlation with the market interest rates. So, we have seen that, say, like in the time of COVID, demonetization, when the rate of interest goes down, probability of default rises. So, factoring these macro factors into our ECL calculation, we compute our PD and LGDs. And basis that we calculate our ECL. So, over the period, we have seen that PD has slightly gone up because of these macro factors. But correspondingly, as the resolutions are increasing, we have seen a dip in the overall LGD backed by the strong LTVs and the strong collateral we have in the form of self-occupied properties, our LGDs remain quite under control. So historically, on an average, while doing the resolution of about 2,500-odd properties, we have seen an LGD of about 11% historically. So collectively, by multiplying the PD and LGD, we are arriving at this kind of provision. And we feel that we have built enough buffer while applying the management overlay while computing the ECL.
- Shweta:** Okay. I was also coming from the fact that because the book seasoning is happening now, so maybe if there were any changes in those variables. But yes, nonetheless, I think you've fairly answered.
- Sir, second question is, although you did explain on Karnataka challenges, so a little bit more there. So is it that Q2 will be the last quarter wherein Karnataka challenges, be it on credit volumes or credit quality, that things will be behind because I believe it's already peaked out. So that's one on Karnataka.
- Second, UP, MP, Tamil Nadu. So, these are the other three states where we have a fair presence and concentration. Even these three states have thrown some negative signals. So, could you just allude how is your experience around these three geographies? Thank you.
- Rupinder Singh:** So, we hope that this thing should settle down, Karnataka piece particularly. Yes, we have built certain teams in collection also, and they're also giving a positive response as we added the

resources particularly. And I echo with you that you also believe in Q2, it's going to settle down, and we also believe largely to that extent. So, let's hope for the best around that side.

Talking about the rest of the states like, TN, UP and MP. MP is definitely; we are trying to resolve it as early as possible. Though it has not shoot up beyond that peak, it is around that side, little uptick definitely in month of quarter 1, but we are hopeful that things should come up. The new leadership is settling down and the leadership has a decent understanding and background of collections, and they are actually quite active in the field particularly.

About UP and Tamil Nadu, UP, in fact, we have one of the lowest delinquencies across country among all the states. Yes, book is new. What we learned through the developments which happened in the last 10, 12 years, we are trying to employ in UP, keeping in mind the past tracks and trends around that piece, though market is responding well in that side.

TN, a slight uptick is there, but things look largely under control as we see going forward. And this slight uptick is more aligned with the same what is happening across country. It is not something bizarre or out of the control in that sense. So, since you asked about state by state, I tried to give us some colour around that side. So yes, there's multiple aspects which have come together this time. And I think it is the time to bounce back, for which we are ready.

Shweta:

Sure. Sir, that's very helpful. And last question, if I may squeeze in. Sir, in your LAP portfolio or across segments, whatever the spike we have seen this particular quarter, be it soft bucket or hard bucket, do you also attribute this to multiple loan exposures at the borrower level? Is that also something which is bothering you from your customer perspective? That's my last question?

Rupinder Singh:

So, generally if these kind of set of customers have multiple loans also, but normally they have one single asset which they have to rely on. And this is a trend that we have seen in the LAP particularly. The customers which are having multiple loans, but as they become a delinquency and you execute the process around that piece, there's an impact of a rollback instantly.

And this is the reason between LAP and HL. As I mentioned in earlier answer to the question, the GNPA number remains largely same basically. If it is 1.2% in HL, then is 1.2% in LAP. There's not much of difference between the two particularly. So, there's definitely a lot of loan distribution happened in the last 4, 5 years that it is definitely there for the set of customers.

But we are confident on the basis of that the underlying collateral and the rules and mechanism that we have created around that side. So, I think our worry is not about whether get our money back or whether to roll forward. Point is how early we can come back. That is the point.

Shweta:

Sure. Noted sir. Thank you so much.

Moderator:

Thank you. The next question comes from the line of Shailesh Kanani from Centrum Broking. Please go ahead.

- Shailesh Kanani:** Good morning and thank you for the opportunity. So, most of my questions have been answered. Just a couple of -- one question and one clarification. So, could you throw some light on how the loan utilization has been, how we are monitoring that post disbursement and has there been any change or any colour on that front?
- Moderator:** Sorry to interrupt, there is some background noise. Can you please use the handset.
- Shailesh Kanani:** Yes, sure. So, my question was can you shed some light on how the loan utilization has been from the client's perspective? Is there any post disbursement monitoring of the same and has there been any change in that?
- Rupinder Singh:** So definitely, today, in a world when so much data is available through bureau, the markets and all. The data science team main core job is to assess that and give instant feedback to management which has to percolate further to the ground particularly. That's a continuous activity and that will become more rigorous whenever the times are a little here and there basically.
- So that's a continuous process around that piece, whether it's a bureau, what kind of set of customers there are, how many are having a microfinance customer, all stuff that we take it up and accordingly, we'll keep tweaking it. That's a normal process. And it's for all kind of times. This is existing from last 3 years, the data science team, which is quite proactive on that side, giving the feedback.
- Shailesh Kanani:** Fair enough. And second, just a clarification, when you said the LGDs are 11%, what is the denominator in that? That is including accrued interest, I'm assuming, right, everything included?
- Ashish Gupta:** Shailesh, while we conclude our LGD, we consider both the principal and the interest. So technically, if the SARFAESI process is taking about 9 to 12 months kind of time, then we are recovering entire principal and part of the interest.
- Shailesh Kanani:** Okay, fair enough. That's all from my end.
- Moderator:** Thank you. The next question comes from the line of Kunal Shah from Citigroup. Please go ahead.
- Kunal Shah:** Hi, congratulations. So firstly, when you look at it overall in terms of 30-plus DPD, so when you look at it, like generally in 2Q also, we see some kind of further deterioration that happens on 30-plus. But you indicated that in July, maybe we have seen an improvement. So how should we expect the trends as well in next couple of quarters? Maybe earlier, you indicated that eventually you would see it settling slightly higher at 3.2%, 3.3% compared to that of last year. But would the larger part of the pullback would be towards the fourth quarter? And generally, the trends which we have seen in the last two quarters would continue and would that be at an accelerated pace the way we saw it in the first quarter as well?

- Rupinder Singh:** So, Kunal ji, we feel this quarter should largely remain stable. That is our understanding in the past time, as you mentioned, particularly. Our focus is quarter 3 has to be better than quarter 2, obviously. That's the way going forward. If quarter 2 remains like what is quarter 1, I think we are confident then quarter 3 will be going to be positive. And that's the first indication that we are driving around. So obviously, quarter 4 normally is down if that happens because of all the factors work together. Entire universe works for you. So, only objective is can we bring quarter 2 better than quarter 1? That is something we -- that's our core prerogative and that's what we're working around. But what see is quarter 2 is going to remain stable largely in quarter 1, if you see on the conservative side.
- Kunal Shah:** Okay. And if that doesn't happen, then it would be more likely macro conditions, which would largely reflect in terms of the collection efficiency, yes?
- Rupinder Singh:** So, when we are having so much of discussion on that piece that means so much of work might be going on the field also. We have to put the things on a little more alert. Today, we are working with the x efficiency, then we have to drive the efficiency at 1.2x in that term, whether it's receivable, un-receivable.
- Kunal Shah:** So that we are doing it any which way, that's what you indicated. Okay. Perfect. And secondly, what is the incremental yields currently compared to the reported yields that we have now?
- Rupinder Singh:** It's same. There's not much change into that.
- Kunal Shah:** So, as you mentioned, like you have not tweaked the rate, so it still continues to be similar. So incremental yields are not really lower than the book yields at this point in time?
- Rupinder Singh:** It's same, 15.0%. And frankly as we progress, we may like to pass on some amount, maybe 5, 10 bps to that piece because we are getting a benefit around that side. Help into developing further business, that's a little bit tweaking strategy for the positive side, nothing else.
- Kunal Shah:** Sure. And getting on to the state specific, so MP, you clearly indicated there was an issue and maybe now it seems to be like almost peaking out and the rundown might not be that high in terms of the proportion. But when we look at maybe in terms of, say, Gujarat and Uttarakhand, would it be more like industry-wide phenomena in terms of lower credit demand compared to that of the other states or is it like more company-specific measures wherein the proportion is actually coming down?
- Rupinder Singh:** So, MP is definitely, as I mentioned and you also pointed out rightly. But for rest of the states, we do not find something going here and there in terms of when you're picking up a new set of customers or we are dealing the earlier set of customers. Yes, in last couple of quarters or in fact three, four quarters this is a little strange when it's about getting a collection and all. But we're sorting out in our own ways. And you can see that result in quarter 4. Quarter 1 definitely picked up. And I'm hopeful, this we're going to call on time as we progress particularly.

- Kunal Shah:** No, I was just talking with respect to the growth. So maybe growth when you look at it in terms of Gujarat, Uttarakhand and MP, that's growing at a relatively slower pace compared to that of the overall AUM growth. So, I just wanted to understand, maybe MP, there is a specific issue, but Gujarat and Uttarakhand more -- is it more industry-specific to local credit demand or is it more company-specific, maybe either the attrition issue or we going slow?
- Rupinder Singh:** So, we're going slow in Gujarat because we like to always maintain the spread of 6% that we realize that we still need to build the capabilities around that side. So, there is no point when entire nation if we are able to get a 6% and we're not able to get it in Gujarat particularly. So that is there. And Uttarakhand being a hilly region, there are certain set of branches which we can open, which we opened quite a long time back and we are maintaining that. We are not expanding there particularly. So, there's a limitation around that side.
- Kunal Shah:** Yes. Like -- yes. Like six branches in the past few quarters.
- Rupinder Singh:** Yes.
- Kunal Shah:** Okay. Got it. Perfect. Yes. Thanks. Thanks a lot.
- Moderator:** Thank you. The next question comes from the line of Aman from Phillip Capital. Please go ahead.
- Aman:** Yes. Sir, congrats on good set of numbers. I just have one question which is on your direct assignments. So, if I look at your direct assignment income for this quarter it's relatively high and also on the AUM side if I look at it your direct assignment, the LAP product and has increased to 43% of the total. As I understand, you do major direct assignments in the LAP products. So, is that a trend that we should see continuing for the medium-term?
- Ashish Gupta:** Yes. So, like you are right that we are doing direct assignment only on the LAP product. So, while you may be seeing increase on the quarter-on-quarter basis, but if you see the direct assignment income as a percentage of average total asset year-on-year basis, so like last time it was last Q1FY25 it was at about 1.7%, now this is at about 1.8%. So probably if you look at direct assignment as a percentage of AUM, it remains range bound between 15% to 17% and it depends on at the time at which quarter you need slightly higher funding, and at which quarter you are not. So, some modulation remains because of that.
- Aman:** Okay. Sir is it fair to assume it was mainly because year end, and of course, you would also have to do some hygiene checks on your portfolio. You would have moved more assets off your balance sheet this quarter then?
- Ashish Gupta:** So can you please, like, come again, so we didn't get the question.
- Aman:** Yes. So, my question was, so is it a seasonal thing that you have seen major income this quarter and maybe you will see some moderation going forward?

Ashish Gupta: No. So, like, so it's not that much seasonal -- seasonality impact is there. It is more of the market funding that like how it remains. Like in Q4 generally say, like, bank funding comes up and you do lower DA, but then at the Q1 generally term loan funding proposal takes slightly longer time and then you avail DA. So, it may remain at the same level, so generally you will see around 30%, 35% growth in the DA on a year-on-year basis.

Aman: Okay.

Management: But as a percentage of AUM will remain in the range of 15% to 17%.

Aman: Okay. Thank you. That helped. That clarifies. Thank you.

Moderator: Thank you. The next question comes from the line of Miten Lathia from Fractal Capital Investments. Please go ahead.

Miten Lathia: Good morning, sir. Looking at the repayment rates we have had a steady improvement in the repayment rates over the years and that continues. If you could sort of break that down and what is exactly getting us this better repayment rates over time?

Ashish Gupta: So, like repayment rate remain a function of your prepayments, balance transfer that happen. So, over the last 12 to 18 months, we have seen that BT out remains under control. It is briefly ranging between 5% to 6%. So as currently it is at the lower end of the range. So, your run-down rate is reflecting the benefit of the same.

Miten Lathia: Have you also increased the tenor of the loan on an average or that remains the same broadly?

Ashish Gupta: No. Contractual tenor for LAP is at about 10 years, for home loan, it is at about 15 years. But the real meaning is about the behavioral tenor, how it is not a prepayment. So that is briefly consistent at about six years, for LAP loan, seven years for home loan.

Miten Lathia: Great, sir. Thank you.

Moderator: Thank you. The next question comes from the line of Sakshi Goenka from Sohum Asset Manager. Please go ahead.

Sakshi Goenka: Yes. Thank you, sir, for giving me the opportunity and congrats for a good set of numbers. Sir, I just have a couple of questions. Sir, we've seen for the last three quarters, our AUM growth in the LAP segment has been materially higher than our growth in the home loan segment. Now given the soft commentary around micro LAP, do you think it would be prudent to slow down growth here and focus back on the home loan segment?

Rupinder Singh: So, quarter four has been better than quarter one, quarter two of the last financial year when it about the percentage growth into home loan, right? And yes, there is a prerogative that we are taking because ultimately on the PBC side also we have to maintain 60-40. So, it is not something that we are looking in terms of that this is a risky, this is a non-risky product, but it is a balancing

it that you have to maintain it. So, our focus is to that 60-40, which we are missing slightly, today it 57-43. So, yes, we are seeing certain progress that 57% goes beyond 60%.

Sakshi Goenka: Sure, sir. And sir, just one more thing. Like, obviously, this quarter across lenders, you've seen commentary being soft around SME. So you think this is a recent phenomenon sometime in the last quarter, Jan, Feb, were any of the internal indicators suggesting that things are looking a little soft? Or do you think this is more -- obviously, there is one seasonality and more, this seems like more recent phenomenon rather than we could have spotted these three months to four months back?

Rupinder Singh: SME has largely been divided into two set of customers. One is SME where a lot of unsecured loans being given and maybe quasi loans have been given with some path of mortgage, some may not be, something like that. We have only two products, which is loan against property and home loan. In both of the categories, we make sure that collateral is very intact and has been given to SME particularly. When we have seen a spike going up, we also realize the spike between the two, which is HL and LAP, is not much of difference. So, between the HL and LAP, whatever the difference used to be, that's going to remain same. And in fact, the GNPA ratio between the two, both remain same.

So technically, if SME loan what we are giving that with the right collateral, then you are better placed than if you don't have any collateral at all. So those are the things that we could experience in last eight years, nine years of underwriting, whether it was demonetization and COVID. And the situation like that, this looks not as heavy as it used to be earlier, but these things are working out well basically. That is our understanding.

Sakshi Goenka: Got it, sir. Thank you so much and congrats again. Thank you.

Rupinder Singh: Thank you, madam.

Moderator: Thank you. The next question comes from the line of Vatsal Nagelia from Astral Mind Capital. Please go ahead.

Vatsal Nagelia: Hi. Good morning. I wanted to know about if you want to maintain your ROE guidance. Is there any ROE guidance? And also like for the quarter two, do we expect Stage 3 of around 1.5% since we have seen an uptick in Stage 2 this quarter?

Ashish Gupta: So, in terms of our ROE guidance, briefly we have given that, by like FY28 down the line three years from here, we will start touching a leverage of about 4x. At that point of time, ROA will be about 4.5% that briefly results into ROE of about 18%. So that is guidance for medium-term, and we continue to maintain that.

Vatsal Nagelia: Okay. And on the Stage 3 for the quarter two, do we expect around 1.5% since we have seen higher Stage 2 this quarter?

- Rupinder Singh:** We would always like to have a lower than what is in quarter one. That's a positive and we are working towards that. Still two months to go, should not come out openly that this is our expectation or not. But July, when we see typically on 30 DPD, right? 30 DPD looks almost at the same level. What only I can give an indication around this side.
- Vatsal Nagelia:** Okay. Okay. Sure. Thanks. That's it. Thanks a lot.
- Moderator:** Thank you. Ladies and gentlemen, we'll take this as the last question for today. I would now hand the conference over to the management for closing comments.
- Rupinder Singh:** Thank you, everyone, for taking your valuable time for attending our earnings call. An audio recording and the transcript of this call will be uploaded on our website in due course. Looking forward to hosting you all in the next quarter. Further, if you have any questions or require additional information, please feel free to reach us out. Thank you so much. Jai Hind.
- Moderator:** Thank you. On behalf of ICICI Securities Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.