

November 11, 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 September 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 September 30, 2025, held on November 04, 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Further, we confirm that no unpublished price sensitive information was shared/discussed in the meeting.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
Mem. No. 38326

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“India Shelter Finance Corporation Limited Q2 FY'26 Earnings Conference Call”

November 04, 2025



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

MODERATORS: **MR. RINESH BHUVA – ICICI SECURITIES**

This is a transcription of the earnings call conducted on 4th November 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 Limited Q2FY26 Earnings Conference Call hosted by ICICI Securities.

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 the 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. Rinesh Bhuvra from ICICI Securities. Thank you and over to you.

Rinesh Bhuvra: Thank you. Good evening, everyone. Welcome to India Shelter Q2FY26 Earnings Call. On behalf of ICICI Securities, I would like to thank the India Shelter Management Team for giving us the opportunity to host this call.

Today, we have with us the Top Management Team of India Shelter represented by Mr. Rupinder Singh - MD and CEO; Mr. Ashish Gupta - CFO and Mr. Rahul Rajagopalan - Head, Investor Relations.

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

Rupinder Singh: Thank you, Rineshji. Good evening, everyone. On behalf of the company, I extend a warm welcome to all of you. Thank you so much for joining us on the call today.

Let me start with some broad macro updates:

Headline inflation is expected to stay towards the lower end of RBI's target band in 2025-26 after experiencing significant moderation during H1 Financial Year '26, mostly as a result of sharp correction in food prices. Despite flooding brought by excessive rainfall in a number of states, the prospects for the agricultural industry remain positive. Adequate reservoir levels, helpful policy actions, and above normal monsoons in the majority of regions all contribute to this promising outlook. With significant increase in sales of fast-moving consumer items in rural regions and positive sales of tractors and motorcycles, rural demand is expected to stay solid. GST 2.0 reforms are expected to further boost private consumption and domestic demand. High festive sales volume and consumer emotions already indicate a revival in household discretionary spending in both rural and urban areas, which should help credit expansion in upcoming quarters.

The growth outlook is supported by reduced inflation, increased capacity utilization, favorable financial conditions. In the short run, the government's persistent emphasis on capital spending, GST changes, and bettering lending conditions should increase aggregate demand and support

the sector's strong momentum with robust loan demand. On that note, let me move towards the quarterly update:

We are pleased to announce that the company delivered another quarter of sustained performance. We delivered an AUM growth of 31% year-on-year, reaching an AUM of Rs. 9,252 crores. In quarter 2 Financial Year '26, we disbursed Rs. 931 crores, registering a growth of 12%. In quarter 2 Financial Year '26, we added 9 new branches as part of the branch expansion strategy. Geographic presence stood at 299 branches as of 30th September 2025. Gross Stage-3 and net Stage-3 came at 1.2% and 0.9% as of 30th September 2025, as against 1.2% and 0.9% same year last year, 30th September 2024.

On profitability metrics, PAT for the quarter came in at Rs. 122 crores, registering a growth of 35% year-on-year and 2% quarter-on-quarter. Return on equity stood at 17%. Our net worth now stands at Rs. 2,914 crores.

We continue to see demand and growth potential in the affordable housing market in Tier-2 and Tier-3 cities, supported by government policies.

Our guidance remains the same, i.e. branch addition of around 40-45 year-on-year, of which we already opened 33 in this Financial Year, i.e. H1. Maintain spreads of more than 6% in the medium term, credit costs around 40-50 bps and loan growth of 30-35%.

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

Ashish Gupta:

Thank you, Rupinderji. Good evening, friends.

Let me take you through the key financial numbers:

We have ended the quarter of September 25 with AUM of Rs. 9,252 crores, Year-on-year growth in AUM is 31%, quarter-on-quarter growth is 6%. Total income for the quarter is up by 30% year-on-year, largely driven by 31% growth in AUM. Our portfolio yield is at 14.9% which is stable year-on-year basis. Our disbursement yield is also running at same level.

On the funding side, we have diversified borrowing at more than 30 counter parties. Average borrowing tenure is at about 8 years. Our bucket cost of fund is down by 10 basis points in Q2 to 8.5%. Total reduction in cost of fund in last 9 months is 30 basis points. Our marginal cost of fund for Q2 is at 8.1%. Thus, we expect to see another 20 basis point reduction in our bucket cost of fund by year end. We have received sanction of Rs. 550 crores from National Housing Bank, which we expect to draw in next 2 quarters. Further, we have received a sanction of Rs. 500 crores from SIDBI for the first time. This will help us to further diversify our sources of fund.

Our lending margin are consistent above 6% in line with our guidance for medium term. Net interest income is up by 33% year-on-year, 5% quarter-on-quarter on the back of growth in our AUM and improvement in spread.

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 4.1% down by 30 basis points year-on-year. Cost to income for the quarter is at 35%, down by 170 bps year-on-year.

On asset quality side, Stage-3 is stable at 1.2%. Our credit cost for the quarter is stable at 0.5% in line with our guidance for medium term. Net Stage-3 asset is stable at 0.9%. PCR for Stage-3 asset is stable at 25%. Our total ECL is Rs. 73 crores against the regulatory threshold of Rs. 43 crores. Thus, we have adequate buffers in place.

PAT for the quarter is at Rs. 122 crores, year-on-year up by 35%. ROA for the quarter is 5.8%, up by 20 basis points year-on-year. ROE for the quarter is 17% on annualized basis with a leverage of 2.9 times.

On liquidity side, we are comfortably placed with the liquidity of Rs. 580 crores and undrawn sanction of about Rs. 1,500 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. We will take the first question from the line of Raghav from Ambit Capital. Please go ahead.

Raghav: Hi, good evening and thank you for giving me the opportunity. I just have two questions. One is, what is your bounce rate for the quarter and if you can give a split by housing and non-housing book?

Rupinder Singh: So, bounce rate is in the tune of 20%-22%. Sometimes, if there is a weekend Sunday or something, it spikes by 1% or 2%. Otherwise, it ranges between 20%-21%.

Raghav: And what was the split between housing and non-housing, in terms of bounce rate?

Ashish Gupta: So, there is no difference between bounce rate between the HL and LAP. So, broadly, we are catering to self-employed segment in both the loan product category. So, there is no much difference between the two.

Raghav: Understood. Second question is couple of affordable housing finance companies which have reported yet have shown slippages come through. What are your thoughts on the industry collections and asset quality given that even your Stage-II ratios have gone up. Some of your thoughts would be very helpful?

- Rupinder Singh:** So, I think last one to one and a half years this discussion has been running around and largely it is because of the overall industry if you see not only affordable housing, when we talk about rest of the products, that is MFI sector which is unsecured, there is heat around that side. So if there is heat around one sector you will always find that in some or the other way it does impact the overall ecosystem. So, there is a slight shift. But having said so, affordable housing companies, do have one strong support in terms of getting collection fast and quicker and this is the reason that even if customers slips and move to further stage, which is 90 DPD and above GNPA level, the opportunity with the affordable housing company, they are always there to bring it back. So, little bit up and down that keep coming, it is a long-term business, so at least every quarter it cannot remain that way, but yes, I think most of them are in the range-bound basically.
- Raghav:** Just about second half, what kind of disbursements are you budgeting, second quarter disbursement growth is only 12%, it was trending at 25%-30% before this. So, how are you thinking about disbursement in the second half and then will you still stick to a 30% plus growth guidance on AUMs for the year?
- Rupinder Singh:** Yes, I mentioned during opening remarks that we will be maintaining this growth rate of 30%-35%. This quarter due to rains, GST coming in late and people trying to hold back anything, there are so many answers that can be given around. But as I said, a month here and there won't impact as the prospect of business and the momentum that has been built, that will continue. So, 30%-35% of AUM growth, you can easily consider that happening.
- Raghav:** That is all from my side. Thank you.
- Moderator:** Thank you. We will take our next question from the line of Darshan Deora from Invest Group. Please go ahead.
- Darshan Deora:** Firstly, congratulations on a great set of results. Actually, the question I also had was on disbursements. I think you already answered that. So, hopefully the disbursements will pick up in the second half?
- Rupinder Singh:** So, this normally trend which has been seen in history also, for not only myself but most of the companies around, H2 is always considered to be optimist when compared to the H1. H1 has many factors, seasonality factors, streamlining those things. So, effectively, as we are in the middle of the quarter, almost there, we can see that this traction is coming back as the numbers keep building around. But I think it will be more like a forward-looking statement. But always H2 you will find better than H1 in that sense.
- Darshan Deora:** Appreciate that. Thank you. And again, great set of results and congratulations to the entire team.
- Moderator:** Thank you. We will take our next question from the line of Sonal from Amsec. Please go ahead.

- Sonal:** Hi. Thanks for the opportunity. So, I just wanted to check how the connection trend was in October? And also, disbursements were slightly slow, not just for you, but for the entire industry. So, how is the demand, per se? Is there any challenge in demand? You just answered that, partially saying that towards is better, but anything that we are seeing on the demand side and also, if you could talk a bit about the rejection rates, how they were in 2Q this year and how was it in the previous year?
- Rupinder Singh:** So, if you talk about demand, which comes in form of new customers coming for logins and all, I don't think any challenges coming around. But as last 1-1/2 years, everyone has tried to stringent their norms. Definitely, that has reduced certain amount in terms of conversion rates for me, as well as most of the people, which we keep also sharing along with you guys. Going forward, as we see the trend it looks like things are going to come back. Because August was not a great month to have, basically, if you ask me. But as we see September coming up decently well, that was the quarter. This is the beginning of next quarter. So, I think we will be able to come back as for the trend, what we have seen this year or 2 years or 3 years back.
- Moderator:** Thank you. Next question is from the line of Shweta from Elara. Please go ahead.
- Shweta:** Thank you, sir, for the opportunity. A couple of questions. Sir, could you throw some light on the LAP portfolio? How has been the FOIR now? And how are we distinct vis-a-vis industry? Second is also, you sort of alluded to this, but still, just don't mind me harping on it. So, 30 DPD has spiked to 4.7%. Even Stage-2 has spiked. But we have not seen much of a movement in our PCR or ECL provisioning. So, if you can provide color there and also any sort of customer cohort or ticket size or region specific challenges. I remember last quarter you sort of pointed out Gujarat, Uttarakhand growing slower and certain sort of challenges in particular markets. So, if you can just throw some color there. And lastly, just a data keeping sort of a question like what is the attrition rate?
- Rupinder Singh:** So, if you talk about LAP per se, the norms are not very different. With FOIR in terms of 50%-55% and LTVs are lower than 50%. That is for the LAP portfolio. Our focus largely in this Tier-2, Tier-3 market, that continue to remain for the self-employed segment, most of them who are generating their own incomes in those markets by serving those vicinities and all. So, if you talk about month-on-month, we are seeing, observing that in some months there is a spike which is coming, some months it is dull, and there can be various factors around that. Sometimes it is a monsoon, sometimes multiple things. But our thought is not to go break into month-on-month basis. It is ultimately to continue to remain in that segment of 30%-35% growth. That we are committed and that we are focusing on directly per se.
- Shweta:** Sir, both 30 DPD as well as Stage-2 saw some material spike, right? And we have been seeing this trend formation like over a year now. So, any customer cohort, any specific ticket size or any geographic challenge, you want to attribute this to?

- Rupinder Singh:** Yes, there is a 20% spike than the previous quarter. Obviously, this is spike, which is there particularly. But as we see the traction coming in month of September back, as I mentioned, August was literally not as a great month. But as we have seen that, we feel that there is going to be a sticky around this piece, little bit more, maybe 4.7% may come to 4.5% or so. That is what we feel so in coming time. But let us see how the things turn around So, we don't see things going out of proportion or something that we have to worry about it.
- Shweta:** Sir, lastly on the attrition rates?
- Rupinder Singh:** Attrition remains constant in same range, what we are observing in last year or 2 years. In fact, today Board has been kind enough to approve the numbers, what we discussed last time, to include all the Branch Managers under the ESOP scheme. So, almost 13 lakhs of stock options will be given to the Branch Manager level. They will be going to include almost 500 new employees in the ESOP pool, which is a pretty large sum to cover them under that scheme, which are normally the frontline staff, which includes Branch Managers and Branch Collection Managers. So, I think these are the some tools that we are using and we are hopeful they should go into support in one way or other way for the attrition side also.
- Shweta:** Perfect, sir. Thank you so much and congratulations on a good quarter.
- Moderator:** Thank you. We will take our next question from the line of Rinesh Bhuva from ICICI Securities. Please go ahead.
- Rinesh Bhuva:** Yes. Hi, sir. Congratulations on a good set of numbers, especially during current time. So, my question is actually related to that thing. So, we have more than 40% share between Rs. 5 and Rs. 10 lakh ticket size and most of the players, especially in the LAP segment or a few of them from the affordable housing segment as well, highlighting stress or they have changed their strategy to disburse on the stop below Rs. 7 lakh ticket size loans, which essentially means that the stress in that segment is relatively higher. So, what is the asset quality performance of this particular pool and also how confident you are that over next 2-3 quarters, this segment should not sort of result in a higher credit cost of what the rate is currently?
- Rupinder Singh:** So, Rinesh bhai, if we compare the same quarter compared to the last year, typically in this ticket size, what we are talking about 5-10 lacs, our numbers largely remain same. I can understand that few of the institutions which are not, may not be part of housing finance company, they might be finding this problem because this is a point of discussion which happened many times in past also that if you don't have SARFESI right then there is always a scope of struggling. So, I think that challenge does come because those rights are not for the institution which are not housing finance company or the Bank. So, there they find this kind of challenge while doing that piece. So, fortunately, as a housing finance company, there are some role which has been played by the SARFESI that way to curtail that piece. So, that remains almost same when we compare year-on-year. Same September numbers continue to remain the same number.

- Rinesh Bhuv:** So, concluding this, we don't foresee any risk from this pool in coming quarters?
- Rupinder Singh:** So, we are continuing with this pool. We are not stopping it because we get a better yield and in the market where we operate Tier-3, Tier-4, self-construction houses, someone who want to extend his own, there is quite a few cases where we get this opportunity wrong.
- Rinesh Bhuv:** Got it. And just a last question on the return on equity front, right? So, we are already touching 17% and have been sustaining that number from last 2 quarters. And now, given your growth guidance of 30%-35%, with increasing leverage, where are you going to see ROE settling in near term?
- Rupinder Singh:** I think there are many aspects to that piece. So, the guidance remains safe on the typical 3-4 points. And you can easily calculate it. It is not difficult to make it up. So, we want to continue where credit costs remain in the same segment of 40-50 bps. That is our thought and again, going with the loan growth of 30%-35%. So, more than focus, our objective is more on the operation side. But what is running around, I think that is something which doesn't look out of scope that is quite manageable. So, we don't want to comment on ROE per se.
- Moderator:** Thank you. We will take our next question from the line of Shreepal Doshi from Equirus. Please go ahead.
- Shreepal Doshi:** Hi, sir. Thank you for giving me the opportunity. My question was pertaining to the BT out rate for the quarter if you could give that detail?
- Rupinder Singh:** Yes, Shripalji. I think when you see the market trends are little tough, you always find there are some green shoots also. And I think BT out rate is one of that. What we realize in BT out rate is curtailed well, decent in the range bond. Currently it is in the range of 4%-4.5%, which is comparatively slightly better than what it was a year back or 2 years back.
- Shreepal Doshi:** Got it. And sir, on the cost of fund side, so how do you see that number ending for FY '26? And what percent of our bank borrowing is linked to repo and T-bill? So, how do you see that benefit flowing in on the cost of fund side and where do you see it ending for the full year?
- Ashish Gupta:** So, on the borrowing side, about 32% of the borrowing is linked to repo rate or T-bill, wherein largely the benefit has already flowed in. And remaining borrowing, about 15% of the borrowings are at fixed rate and rest of the borrowings are linked to MCLR rate, wherein the benefit is coming in a very gradual form. But the good part here is that if we see our bucket cost of fund that is at 8.5%, incremental borrowings are running at about 8.1%. So, the blend of the new borrowing and the old borrowing will keep changing. So, we expect that by year-end, we should be having another 20 basis point reduction in our overall bucket cost of fund.
- Moderator:** Thank you. We'll take our next question from the line of Shubranshu Mishra from Phillip Capital. Please go ahead.

- Shubranshu Mishra:** Just wanted to check on the BT out. What is the percentage of the AUM that goes up in a monthly basis? What is the total?
- Ashish Gupta:** Yes, Shubranshu, so BT out as a percentage of average AUM is in the range of about 4.5%- 5% briefly. And that is consistent in the last 2 quarters. But if you compare it year-on-year level, it is down by about 100 basis points.
- Shubranshu Mishra:** And do we have a dedicated team to address this attrition?
- Ashish Gupta:** Yes. So, we have a centralized team, who is engaged in the customer retention. So, whenever we come to know that customer is looking out for loan, our team, proactively connect with the customer and try and retain the customer.
- Shubranshu Mishra:** And what is the major reason of still the people who are going out? Is it just the drop in interest rate because they again have to pay fees anyway for the loan, right?
- Rupinder Singh:** Very difficult to judge that at the moment when it is moving out basically. But largely, one is going for higher loan amount. And yes, obviously, rate drop is also the option which is there. And when you are operating these markets, there are nationalized banks and all, which does offer that very lucrative rate. So, irrespective of paying fees again and all, that looks lucrative to move out sometime.
- Shubranshu Mishra:** And given the fact that you spoke about nationalized banks, are these guys also chasing us in treasury to take up loans or coming up with cheaper pricing for us? What is the translation of the cuts till now for us?
- Ashish Gupta:** So, far if we talk about the PSU banks specifically, so PSU banks, if you see the borrowings are linked to MCLR, and there is not much movement in the MCLR of PSU banks at this point of time. So, the benefit of rate cut from PSU bank is limited to about 20 basis point till date. But we expect that as their deposit ratio between the new and old will keep changing, the benefit will keep coming gradually over the year end. So, as and when the reset of those borrowing will come, the benefit will keep coming on that borrowing.
- Shubranshu Mishra:** Right. And both PSU and private banks, have they become more aggressive towards our treasury?
- Ashish Gupta:** So, liquidity in the overall market is quite good at this point of time. So, everybody is looking for quality lending. So, we are seeing like good aggression from the bank side to fund at this point of time.
- Moderator:** Thank you. Next question is from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead. Abhijeet, the line is unmuted. Yes, please go ahead.

Abhijit Tibrewal:

Good evening, everyone. Thank you for taking my question. So, just two things I wanted to understand. One is, a lot of participants in this call have already asked about asset quality, the fact that Stage-2 is inching up. And we are seeing that across some of the other affordable housing finance players as well. Again, pardon me, but I don't think this is just a seasonality indeed we are seeing today, because somewhere there is an acknowledgement that in addition to seasonality, which is about maybe rains in the second quarter, there is also some spillover that is being seen from MFI, Micro LAP into affordable. Somewhere we see an acknowledgement that, hey, there are pockets like maybe Chennai, Surat, Tirupur, right, which are exhibiting some localized stress, again, primarily because of tariffs. So, I understand, like in last year, right, but pulled back very strongly in the 4th quarter. But this year, is it looking like any different or you think that this is just H1 deterioration and things will definitely get better once we move into the second half?

Rupinder Singh:

Thank you, Abhijit. I think we answered this question, but yes, we have not only said seasonality, we said when overall industry is impacted, so some heat gets purged into entire ecosystem and that does affect a little bit. But what we have to see, what are the guardrails? And how we are reacting to that piece? That is an important piece. Fortunately, the market where we operate, the ticket size, where we can apply various norms and this is the reason, though there are certain slippage in certain buckets, but when you talk about overall numbers, whether it is a credit cost or this thing, we are able to maintain. So, dynamics keep changing month-on-month, quarter-on-quarter, that is bound to happen when you are running a long-run business. So, does it going to affect it? It is only helping to prepare better. That is our thought that is our philosophy working around that piece. You have seen, since you appreciated the last quarter of previous year and I think that was the obvious reason that preparation has to do that side. So, I think that keeps building our capacity and appetite to face these kind of changes which is happening and which are very dynamic particularly. So, I don't think that we have to overly concerned about it, but yes, operationally how to execute, that is more important that we are on the job. And maybe that is why this set of customer, if it moves to 90 plus, bringing them also become easier because the tools which are available in form of SARFAESI or in form of LTVs and all, and they are being used very effectively. And you can see also, even if there is some inching which happen in certain buckets, but if you see the GNPA is very well in control, that happens particularly that way. So, instead of going month-on-month basis or quarter-on-quarter basis, there may be little flip here and there, but our focus is more on execution and we are confident on that.

Abhijit Tibrewal:

Got it, sir. And then the last question I have is, earlier in the call I saw that we continue to guide for that 30%-35% year-over-year growth in the AUM, I think which is a very good thing. And I think that at our current size, which is about Rs. 9,200 crores of AUM, maybe we should do that. Having said that, so don't you think even that, at the overall industry level, if there are some concerns emerging, maybe, and also because we have a good exposure to the self-employed customer segment as well, don't you think, it will be maybe little prudent to slow down a little bit, see how things evolve and then kind of maybe grow strongly after things have settled down. So, just wanted to hear your views on how we are approaching this, given that I, for one thing

that the self-employed customer segment right, in case some of the things that we have seen in the last 6 months, they continue for some more time, will exhibit vulnerability going ahead?

Rupinder Singh:

So, I think we are into this business for many years together. I think the company from day 1, when incepted, the focus always remained to self-employed because they feel the market where we operate, the product what we are into that suits maximum in that term particularly. And while you are exhibiting that side, you also hone a skill for underwriting those set of customers and how to deal in terms of problems and challenges which has happened. So, the company has faced Covid, Demonetization and how the tools has been developed. So, one side, there is a mechanism which is on the underwriting side, other side, then there is a mechanism of collection and on dealing side also basically. So, on basis of that only, we project in terms of the going forward guidance and all and that remains same. And that is the reason when we say that those is going to remain around in tune of 30%-35% and credit cost is going to be around between 40-50 bps. That we are focused on and they will keep doing it. And as I mentioned, when you see the business, it should not be seen a business on a monthly basis or a couple of month basis. It is for a long range and your guardrails should work keeping in mind that you get the right officer on that piece. So, we are on the job. We have a job on the field in terms of operation as well as execution. Both sides while making sure that lending is prudent and other side ensuring that the collection is very well intact that way. That is going to remain there basically.

Abhijit Tibrewal:

Got it. And sir, just one follow up on that. I am just trying to understand, in this repo rate cut cycle, we have not seen any affordable housing finance companies cut their PLR rates as yet. Won't it be more prudent that in an environment like this, maybe cut PLR a little bit, take better credit quality customers because at the same time, while RBTs have not inched up, like you said, it is still in the range of 4.5%-5%, BT outs at the industry level are going up. So, maybe with slightly lower pricing, which would mean slightly lower profitability, cater to a better customer segment during the environment that we are in today?

Rupinder Singh:

Our model is where we deal with a ticket size of Rs. 10 lakhs. And again, the market where we operate particularly. What are you saying, that may be applicable to someone, some different ticket size, some different set of markets where the competition is very different way and format around that piece. And I think largely, the guardrails has been created, as I mentioned, to cover those things basically. But yes, as new customer comes, we definitely pass on what needs to be passed as per the system mechanism. There our business rule engine work around that side and give them that output particularly. So, that path will come accordingly with time.

Moderator:

Thank you. We will take our next question from the line of Saptarshee Chatterjee from Groww AMC. Please go ahead.

Saptarshee Chaterjee:

Yes. Thank you so much, sir. And thank you for the opportunity and congratulations on good numbers in a difficult time. Sorry for harping again on the asset quality piece. Just to understand that fundamentally, whenever there is a problem in the environment, it happens sharply. And then it takes a couple of quarters to repair the damage. But generally, as you were mentioning

and other players are also mentioning that it should be better in a couple of months. So, what is giving that confidence or any on-the-ground insights that is giving us confidence that it should be better in a couple of months in that way?

Rupinder Singh:

So, what happens generally when a customer moves from one bucket to another bucket, you have to wait for a couple of months to realize that it comes back. So, if it is in Bucket-2, Bucket-3. So, customers have two options, either to pay back and become normalized or another option, if he is not able to do that, then he will move to the next bucket, which is the NPA bucket basically. So, as the customer moves to the NPA bucket then definitely the triggers come into play whether acquisition of property, using the tools around that piece of SARFAESI and all. So, there then customer reaches the level of taking a conclusion and right decision basically. And those decisions are to close the loan on various basis. Either he will try to dispose this asset and settle it down because he also knows that at the end of the day, he has to pay interest and principal to the institution back. So, that decision moment becomes more effective in that way. And in case if it doesn't happen, then obviously another 6-7 months, sometime it 8-9 months that we were able to possess and sell the property in the market. So, the decision making point, because everyone knows that it is my asset, which he has to keep it intact. He knows that as far as possible he can manage it, let me try to manage it out. So, those decision points come at a certain level. So, many of the customers, they do come back after being into those buckets for a couple of months. And if that doesn't happen, then your tool gets triggered basically. So, this leads to some kind of output in that way. And on basis of the trends, past trends and what data says, people are able to give you an idea that couple of quarters or couple of months, they should be able to track it back. Since you asked a question about why in industry what happens, so I thought to give you more as a broader answer on that. I hope this helps.

Saptarshhee Chatterjee:

Very helpful. And for us, any customer level color? Like, is it happening on any customer profiles where income is impacted or any vintage of loans where that delinquency is happening or any regional level problems? Any color on those asset quality?

Rupinder Singh:

So, slight here and there keeps coming, basically. And it is not because of current times or specific times. This is a trend. So, if we are maintaining the GNPA of 1.2-1.3, what we are showing it from last so many years, it is not that during that time everything was neat and clean and suddenly something has happened. So, when you are operating in 300 branches, executing this kind of set of customers, every time you find some challenges and trouble around that speed, for those set of customers, then you have to have very clear understanding what are the tools need to be applied at what time. That is the learning that we learn by underwriting 2 lakhs of customers in the last 10 years.

Saptarshhee Chatterjee:

And last piece is in terms of competitive intensity versus 1 or 2 quarters back, is it higher or similar or lower? Any color on the competitive intensity part?

Rupinder Singh:

That remains almost same. I didn't find much of change. It has not increased or decreased, but almost remains same. There are set of competitors which are always existing, co-exist together

and there is always a push and pull effect to certain level. And I spoke this thing last time also, more than a customer, the intensity is more about pushing the people from one company to another. That is the more role which competition plays around. This is the trend which has been observed.

Saptarshee Chatterjee: Great. Thank you so much and all the best for future.

Moderator: Thank you. We will take our next question from the line of Vaibhav Lohia from CFM. Please go ahead.

Vaibhav Lohia: Hi. Thanks for the opportunity. Sir, I just wanted to understand what is the aspiration for the next 3-5 years? Like before we have grown around 40% CAGR for the past 3-5 years. So, like where do you see yourself in the next 3-5 years? I have only these questions.

Rupinder Singh: So, next couple of years what we feel, we want to grow in the range of 30%-35%. That is our thought and that is the way we are trying to build our model businesses and our structure accordingly. So, this is something what we are looking for next couple of years.

Vaibhav Lohia: That is helpful, sir. Thank you so much.

Moderator: Thank you. We will take our next question from the line of Sidharth Chandrasekar from SJN Securities. Please go ahead.

Sidharth Chandrasekar: So, my first question is about our LAP business. So, what is the maximum and minimum interest rate that we charge to the customer and what is the LGD of that portfolio, historical LGD?

Rupinder Singh: Our ticket size remains 10 lakhs and rate what we are charging is anywhere 13% to 16.5%-17%. Again, depending upon risk-based model basically, risk-based pricing, how it works around that means.

Ashish Gupta: So, on the PD-LGD side for this LAP customer, so generally, historically, we have seen PD of this customer remain higher by about 20-30 basis point. But given the fact that they have a quite lower LTV, so our LTVs for LAP loan is at average about 45%. So, we have seen that LGD remains lower than the home loan cases. So, on a net-net basis, credit cost between home loan and LAP is pretty much similar when we apply both the PD and LGD.

Sidharth Chandrasekhar: Sir, when it comes to that once portfolio move to an NPA, right, where is the maximum probability like, it get recovered, right? Is it because you are selling the property or doing a settlement? How it usually happens?

Ashish Gupta: So, generally, given the fact that we have access to the SARFAESI, we have seen historically that if the customer moving into an NPA bucket, so we like invoke our SARFAESI process, wherein customer generally comes out for a settlement, they call their friends, family and like

offer further settlement. And generally, this trend remains further about 85% of the total NPA cases. And remaining 15 cases, we have to go for auction and like close the loans.

Sidharth Chandrasekhar: Sir, usually this happens, right? So, we usually value some metrics to some value to one property. But when it comes to the auctioning of these things, right, we might not get the actual value, right?

Ashish Gupta: If the customer is coming for settlement, then the losses remain lower in the range of 9%-10%. But in the rare cases, wherein the settlement couldn't be concluded and we have to go for auction and those are very rare cases because of some family dispute with the customer, wherein he is not able to sell the property. Losses got slightly higher in the range of 22%-25%. But at a blended level, since the cases of auction are very limited, to the tune of about 12%-15%, the overall LGD remain in the range of 11%-12%.

Sidharth Chandrasekhar: That is helpful. Sir, the second question is about our off-book strategy. So, what is the spread that we earn from our off-book, whenever we do the co-lending or assignment?

Ashish Gupta: So, in off-balance sheet strategy, we generally do our LAP loans only, both in DA and the co-lending. So, our average yield on the LAP portfolio is close to 15.5%, while average cost of fund is about 8.5% for the LAP book. So, broadly, it is about 7% margin that we get on this off-balance sheet portfolio.

Sidharth Chandrasekhar: And on-balance sheet also, we do the same?

Ashish Gupta: On-balance sheet is also same, but it includes both the home loans and LAP. So, obviously, on the home loan book, the margins are lower and the LAP, the margins are similar at 7%.

Sidharth Chandrasekhar: Sir, is there any thought process that you have given, basically like our capital adequacy, right? So, right now, it is beyond 50%, right? So, is there any thought process put behind, for the time being, slowing down the off-book strategy and using a better capital, then we expand this, right? Any thought process on this?

Ashish Gupta: So, off-balance sheet strategy is not a function of CRAR exactly. So, it is a function of various funding sources that the company need to bank upon. So, as a matter of diversifying our funding sources, we have devised a strategy that we will keep a part of book in the form of off-balance sheet and that strategy says that briefly in form of DA, we will raise about 16%-18% of our total funding. Co-lending, we will go up to 10% of the total book at this point of time, our thought processes. So, these off-balance sheet sources give you a very long-term funding which you generally don't get in the form of term loan. So, that is how, it is always good to keep a blend of both on-book and off-book.

Sidharth Chandrasekhar: So, just a last question. So, any update on the rating upgrades?

- Ashish Gupta:** So, our last rating upgrade has happened somewhere in July 2024 and we have not even concluded about 2 years from the last rating upgrade. So, we expect that once we conclude the vintage of briefly about 18-24 months from the last rating upgrade, we will be in position to pitch the rating agency for like another rating upgrade. We will wait for a quarter or so before like pitching to the rating agency for that.
- Sidharth Chandrasekhar:** Yes, thanks for answering this question.
- Moderator:** Thank you. We will take our next question from the line of Adityapal from MSA Capital Partners. Please go ahead.
- Adityapal:** Hi, sir. Thank you so much for the opportunity. Great set of results. So, when I look at your 30 plus Stage-2 and your GNPA, 30 plus in Stage-2 have increased, but GNPA has not increased that much. So, what is it that we are doing that we are arresting the slippage and not letting it fall in the higher bucket?
- Ashish Gupta:** So, in Stage-2 as we have said that the customer remains generally sticky. If the customer has missed one or two EMI, they are generally not able to, they are not in position to pay a couple of EMIs together and come out of the Stage-2. And while moving to Stage-3, everybody has that concern that if they move to Stage-3, then then the company will invoke the SARFAESI process. And the company is also very strong in terms of recovering money out of the overall NPAs. So, that is why you are seeing some accumulation happening in Stage-2 for the time being. But the moment the overall scenario will improve, either these cases will go to the like standard assets or in case they move to the NPA stage, we will be quickly invoking our legal recovery process and do the resolution of the same.
- Adityapal:** Sir, just one last point. Have we taken any write-offs in first half of 2026?
- Ashish Gupta:** So, we have very stated write-off policy since last 4-5 years that any account which move into NPA bucket for more than 2 years, then we do a write-off. So, in this last quarter Q2, we have written off about Rs. 5 crore of such NPAs. But parallelly, we have recovered about Rs. 3 crore of NPAs that we have written off earlier. So, that is a regular churning that keep happening between NPA bucket and recovery out of these write-off accounts.
- Adityapal:** Understood. And sir, last year in FY '25 Q2, we had said that we had some leadership transition in our Madhya Pradesh state that the State Head and Branch Head had moved out and we were facing some difficulty and because of which asset quality has spiked up at that point. Do we see that the issue with that state has been resolved and we can expect now moving forward a resumed growth rate what we are seeing now?
- Rupinder Singh:** Yes, around 7-8 months we were able to hire a new leader. And I think he is picking up. Yes, we have given gestation period to that gentleman and it looks the things are on track and we are

optimist about the future, the way NPA looks going forward in terms of output. That we look forward. So, the team is stable now largely.

Moderator: Thank you. We will take our next question from the line of Meghna Luthra from Incred Equities. Please go ahead.

Meghna Luthra: Yes, hi. Thank you for the opportunity. And just taking the previous question ahead, can you give some color on the process of recovery that starts once an asset is in Stage-2? And my second question is, with an AUM growth of around 30%, do you expect the LAP proportion to change or would it be at a similar level?

Rupinder Singh: I think we have an intent to continue with the 60-40 ratio, though there is a slight gap between 60-40. We are 58-42. So, we have an intent to continue with the 60-40 ratio where 60 is the housing and 40 is the LAP. That is the intent going forward also. This is the way the model has been created and the markets where we operate around particularly.

So, once customers move to NPA, it is basically SARFAESI invocation which happens from 13-2 notice and then give around 60 days or something. Then 13-4 notice and then we go for a DM order and acquisition of property. But, it has been observed more than 80%-85% of customers, once you invoke the SARFAESI rights, they try faster to settle the loan amount. So, the entire process, which takes normally 8-9 months, only 20% of customers reach to that level where you have to reach to that extent and then some part of that you have to possess and sell it off of them.

Meghna Luthra: That is very helpful. Thank you, sir. That is all from my side.

Moderator: Thank you. We will take our next question from the line of Sonal from Amsec. Please go ahead.

Sonal: Sir, just, sir if you could just highlight a bit on credit filters that you have applied during Q2. Also if you could just give out some data on how the delinquency trend is moving in home loans and LAP any segment that you see where the delinquencies are higher within the team? Similarly, on the self-employed and the salaried customer segment. And when do we do ECL reset every year?

Rupinder Singh: Between HL and LAP, I think there is, if we are at 1.2%, then LAP will be around 1.3% and HL will be 1.1% in terms of these numbers. So, there is around 18-20 bps of gap which does remain between HL and LAP when you talk about the numbers around that piece particularly. As for the tweaks that we keep doing it, that is a continuous process which happens in our BRE, business rule engine, while curtailing this customer. So, irrespective of timing and all, wherever we find that some branches we need to tweak in terms of BRE, we try to make it up. There is a mechanism internally where we use our data science team to give an output on the basis that BREs are upgraded. And on the basis of that, those tweaks happen in terms of, in those markets, how the things has to be tweaked and whether in terms of FOIR, whether in terms of certain

segments or geographies, all those things that we have to keep in mind. That is an underwriting tool that works in that particularly.

Ashish Gupta:

Our ECL model which we are running since last 5 years and this model is behaving well. So, whenever like COVID situation have happened, we have done some tweaking, built in some like assumption to compute higher ECL. But since last 3 years, we are seeing the model is behaving well and there is no change in assumption which is required briefly and we compute ECL every quarter, re-compute every quarter.

Sonal:

Sir, just another question was, what is your fixed rate book currently on the asset side? And how do you see spreads evolving? Because we spoke about probably exit, Q4 exit, the cost of borrowings will go down to 8.2%. So, our spreads would ideally, logically, they should go to about 6.6%-6.7%. So, some commentary around that and how do you see yields moving from here?

Ashish Gupta:

So, about 15% of our loan book is at a variable rate and then we have about 35% of the book which is at a semi-variable rate wherein the reset will fall, start doing in from FY '27 and then remaining 50% of the book is at a complete fixed rate. On the liability side, as we have said that there will be there will be some reduction in the cost of fund which will flow to us in the tune of about 20 basis points. So, we expect that by year end, we should be reaching overall cost of fund at about 8.3%. That is how we are. So, there will be some temporary expansion in the margin. You are right to that extent.

Sonal:

Thank you, sir.

Moderator:

Thank you. We will take our next question from the line of Shailesh Kanani from Centrum Broking. Please go ahead.

Shailesh Kanani:

Yes. Good evening, everyone and thanks for the opportunity. I have three questions predominantly on growth and demand. So, the first question is some peers have kind of called out macro softness impacting disbursements. So, we have posted decent growth, right? So, any qualitative differentiation you can talk about in terms of our customer base or any geographies or something on that? Second question is with respect to have you observed any moderation in lead conversion section to disbursement ratios or approval turnaround times in recent months? And third, is the demand strength you are witnessing more in urban-centric or broad-based across semi-urban and rural areas?

Rupinder Singh:

So, we are spread largely into Tier-3, Tier-4 market. Our most strategy is not in urban market but those markets which are semi-urban. That is the focus area and areas around that piece. And that again catering the segment which is more on self-employed who are dealing into those vicinity. They may be small cloth shop, cloth merchant, sweet mart, small mechanical shop, whatever it is basically. And these are the businesses which generate income on weekly, monthly, even daily basis basically. So, that is the way their income generates on that piece. And

their ecosystem is very stagnated to those vicinity where they are operating it. They are not something which going to get infected by situation like trade wars or exporters of that piece basically since they are all self-employed in that category. And most of them they are something who are not being a part of a strong banking ecosystem particularly. Instead of segment of customer who want to have their own house or take a small loan to fulfill their needs and requirement of that working capital. Those things are the set of customer we try to operate that piece. So, we find this is a huge humongous market. And as we go deeper, there is a scope of improving that piece. There are some challenges which does come on the basis of sometimes seasonality or something which is not picking up. And that piece moving month-on-month or sometime quarter-on-quarter, zone by zone basically. Because we are spread across 15 states in a country. So, those things you do face when you are into the operational activity per se. But when you see overall output I think we don't find much of challenge on that piece. Yes, when there is a heat around, you always have there is a scope of something missing off here and there. Because market is not booming particularly. But we are not affected because of what is happening around basically. There is a small impact on that which keeps happening particularly. So, this is the trend which you keep finding. Not only during this time but any good and bad time across basically, when you have expanded operations across so many geographies.

Shailesh Kanani: Sir, anything we have seen moderation in terms of lead conversion or sanction to disbursement ratio or any turnaround time?

Rupinder Singh: Our logins remain almost as per the plan. Yes, you keep picking the tools of your underwriting at that time. You will always find that you try to churn around those things. But sanction to disbursement is also equally good that way. So, little up shoots and heat coming around that piece but nothing which we have to be concerned about or we would change strategy on that side.

Shailesh Kanani: And sir, in terms of demand strength, it is broad-based right? That is a fair assumption across states when we cooperate?

Rupinder Singh: Yes.

Shailesh Kanani: Thanks a lot, sir and best of luck, sir.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question for today. I now hand the conference over to management for closing comments. Over to you.

Rupinder Singh: Thank you, everyone for taking your valuable time for attending our earning call. Also 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 and good night. Thank you.

Moderator: Thank you, members of the management. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.