

HUDCO/List. Comp. /SE/2025

18th August, 2025

Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400001
SCRIP CODE: 540530

Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1, G Block
Bandra-Kurla Complex, Bandra (E)
Mumbai – 400051
SCRIP CODE: HUDCO

Sub.: Transcript of Earnings Conference Call held on 12th August, 2025

Sir/Madam,

In compliance of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached transcript of Earnings Conference Call held on 12th August, 2025.

The same shall also be available on the website of the Company i.e. www.hudco.org.in

यह आपकी जानकारी के लिए है । This is for your kind information.

धन्यवाद

भवदीय

फॉर हाउसिंग एंड अर्बन डेवलपमेंट कॉर्पोरेशन लिमिटेड

विकास गोयल

कंपनी सेक्रेटरी एंड कंप्लायंस ऑफिसर

Encl. as above

हाउसिंग एंड अर्बन डेवलपमेंट कॉर्पोरेशन लिमिटेड
(भारत सरकार का उपक्रम)

आई एस ओ 9001:2015 प्रमाणित कंपनी

कोर – 7ए, हडको भवन, इंडिया हैबिटेट सेंटर, लोधी रोड ,

नई दिल्ली – 110003 , दूरभाष : 011-24649610-21

Housing and Urban Development Corporation Limited
(A Government of India Enterprise)

AN ISO 9001 : 2015 CERTIFIED COMPANY

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Building Assets for Viksit Bharat



“Housing and Urban Development Corporation Limited
Q1 FY '26 Earnings Conference Call”

August 12, 2025



MANAGEMENT: **MR. SANJAY KULSHRESTHA – CHAIRMAN AND
MANAGING DIRECTOR – HOUSING AND URBAN
DEVELOPMENT CORPORATION LIMITED**
**MR. M. NAGARAJ – DIRECTOR (CORPORATE
PLANNING) – HOUSING AND URBAN DEVELOPMENT
CORPORATION LIMITED**
**MR. DALJEET SINGH KHATRI – DIRECTOR (FINANCE)
HOUSING AND URBAN DEVELOPMENT CORPORATION
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**MR. LVS SUDHAKAR BABU – EXECUTIVE DIRECTOR
(FINANCE) – HOUSING AND URBAN DEVELOPMENT
CORPORATION LIMITED**
**MR. ACHAL GUPTA – GENERAL MANAGER (FINANCE)
– HOUSING AND URBAN DEVELOPMENT CORPORATION
LIMITED**

MODERATOR: **MR. SANKET CHHEDA – DAM CAPITAL ADVISORS
LIMITED**

Moderator:

Ladies and Gentlemen, Good Day, and welcome to the Housing and Urban Development Corporation Q1 FY '26 Earnings Conference Call hosted by DAM Capital Advisors. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sanket Chheda from DAM Capital Advisors. Thank you, and over to you, sir.

Sanket Chheda:

Very good evening to all of you. We are going to discuss HUDCO's Q1 results FY '26. From the management side, we have with us Mr. Sanjay Kulshrestha, Chairman and MD; Mr. M. Nagaraj, who is a Director (Corporate Planning); Mr. Daljeet Singh Khatri, who is a Director, (Finance); Mr. LVS Sudhakar Babu, who is Executive Director (Finance); and Mr. Achal Gupta, who is General Manager, (Finance).

Without further ado, I'll hand the call over to Mr. Sanjay Kulshrestha for his opening remarks. Will follow that after, Q&A. Over to you, sir.

Sanjay Kulshrestha:

Thank you, Sanket. Very good evening, everyone, and thank you for connecting the call. So I will start from the story of the HUDCO and we are continually outperforming the expectations of our investors and their stakeholders. The company is in a very healthy kind of journey, and we are continuing our journey towards the financing of the infrastructure across the country.

During this journey, we have started exploring new areas, new segments, new infrastructure segment. We had also explored new states and other entities for which we can land. We had customized our product. We had come out with new policies also. We had corrected ourselves. We had revised, reformed and start performing, and this is a transformational time for the country in terms of the infrastructure.

We had aligned our objective in line with the Viksit Bharat theme of Government of India. Since we are under the administrative control of MoHUA, which takes care of housing and urban affairs, so we had expanded our products, starting from the metros to rapid rail in the mobility side, besides the road transport corporations, the mobility, e-mobility.

So all these things we had started. At the same time, we are also working in the water side, a lot of water projects, a lot of rejuvenation projects of the water that we are funding. A lot of demand is coming from the counterparts, requirement of the states to make the AMRUT 2.0 successful. We are also advising them as a consultant so that we should understand their project and see the impact of these kind of works across the country.

We are into the roads also starting from the state HAM models to state-owned EPC projects also. So a lot of capital-intensive requirement is coming across the country. And you can see in our sanctions that is a commitment for financing of the infrastructure projects, which is coming. And on a year-on-year basis, we are working as high as more than 30%, 35% across the sanctions.

If you see financial year '23, we had ended with around INR25,000 Crore of the sanctions and financial year '24, we had closed at around INR83,000 Crore. Last Financial Year, we had closed at INR1.27 Lakh Crore of infrastructure funding, which is on a year-to-year basis more than 55%, 60% of the CAGR.

On quarter-to-quarter basis, also, if you see from the last quarter, our sanctions has raised from INR14,000 Crore to INR34,000 Crore, which is a jump of around 143%. On a year-to-year basis, if you see the loan disbursements also, we had -- in 2023, it was INR8,400 Crore. And in FY '24, it was INR17,000 Crore or INR18,000-odd Crore.

And FY '25, we had ended at around INR40,000 Crore. So clearly, we are doubling our impact, doubling our disbursement, which is actually improving our bottom line. On a year-to-year basis, if you see the loan outstanding, the loan assets, which are actually creating revenues for us, they had increased.

In FY '23, it was INR80,000 Crore and FY '24, it was INR92,000 Crore in FY '25, it has raised to INR1.24 Lakh Crore, and we had ended our quarter 1 at INR1.34 Lakh Crore. So you can see a very clear road map, very clear loan outstanding, which is increasing. The sanctions are increasing, the disbursements are increasing, the net worth are increasing.

And I'm sure that you will be happy that we are continuously growing at the rate of around 30% or so during last 2 financial years. So this year, sanctions also at around INR34,000 Crore, we had already sanctioned in quarter 1, and we are targeting more than what we had done in last financial year, which was around INR1.24 Lakh Crore.

Similarly, the disbursement, we had achieved around INR12,800 Crore, which is all-time high for the Company. We are targeting around 30% of the growth, if you see from the last Financial Year of INR40,000 Crore. Similarly, on the loan book side also, we had grown by 30%. Now we are at 1.34%. All these things are happening, one, because of the opportunity which is available in the market.

Also, if you see our loan book, it is not so -- the volumes are not so high, and there are ample opportunities to fund big projects, big capital projects. There are exposures available. The financial ratios are very, very strong. If you see our debt equity ratio, it is only 5.93x. So which is a very, very healthy kind of debt equity ratio and which actually gives us the driving force to make more disbursement, to make more borrowings.

From last 10 quarters, there is no new NPA. And I'm very happy to inform that we are going towards -- we are reaching towards a zero NPA company and now our net NPA has reduced to slightly less than 0.1%, which I think is the best in the market. Liquidity buffers are very strong.

We had a lot of sanctions from the bank, and we have a very strategized course of action for borrowing, be it the bank loans, repo-linked loans, bonds or international commercial borrowing or FCNR.

So all these things are very judiciously decided. And as a result, we have been able to reduce our interest rate. In last quarter, we had borrowed around INR20,000 Crore at around 6.32%, which is a remarkable achievement in the market. And thanks to the RBI for reducing this 100 basis points and by judiciously using our loans from the banks, which were repo-linked and all these things are reset.

So, all these things are contributing towards the revenue also. Our revenue is growing more than 34% on a year-to-year basis. The net profit is continuously increasing and it has increased by 13% on a year-on-year basis. The asset quality, even the gross NPA reduced from 1.67% to 1.34%. And within 16 months of time, we are trying to make the HUDCO a –net zero NPA company.

So our ratios are very strong. If you see the spreads, we are continuously maintaining around 3% -- NIM of 3% and spreads of around 2%, 2.2%, 2.3%. So we will continue to make our efforts to maintain these kind of levels. And at the same time, we will be working with the speed without taking any risk on our asset quality, without compromising on the asset quality. If you see, there are a lot of potential which are coming in the way of the company.

And now we will be opening up towards the urban infrastructure also. The government has already announced the Urban Challenge Fund, and we are continuously working with the Ministry on that. Very soon, we will be opening our offices -- dedicated offices for urban financing, in our regional offices, that window will identify big projects and take care of the advantages under the Urban Challenge Fund.

So there are a lot of things which we are expecting within a quarter to come, including the UCF. At the same time, we are working with the metros also for refinancing kind of products that the foreign currency loan be replaced by the domestic loans now since these loans are coming at a very competitive pricing.

So I can only say that HUDCO enters into the -- in the remainder period of FY '26 with a well-capitalized balance sheet with a strong sanction pipelines and the diversified funding avenues, and we will continue to sharpen our infrastructure-led development. So this is from my side as the opening remarks. Thank you so much.

Moderator:

We have our first question from the line of Shweta Daptardar from Elara Capital.

Shweta Daptardar:

Congratulations on a great quarter. Sir, a couple of questions. So if I look at disbursements for the Q1, the INR12,800-odd Crore. So of course, Q-on-Q basis, we have done really great. But if I look at year-on-year basis, then it has remained flattish. So do we have to read your -- or can you elaborate and throw some color on the momentum here?

And so just a follow-up there. So if I look at the entire FY '25, so the run rate, which we have maintained a quarterly basis, wherein Q1, Q2 looks slightly -- Q1 to Q3 looks slightly stronger. And Q4, we are somewhere around INR8,000-plus-odd crores. So is that the trend formation now on the disbursement front? Yes, that's my first question?

Sanjay Kulshrestha:

Okay. So I think from last year, we had taken an effort that all our disbursements will be regularized or uniform across the quarters. And in that effort, last financial year in the first quarter, we had achieved INR12,000 some odd Crore. This financial year also, we had already done more than INR12,000 Crore or INR12,800 Crore.

So generally, in financial institution, the quarter 1 is a bit slow and the acceleration starts from quarter 2, then quarter 3 and then quarter 4. So we had successfully reversed this exercise. And because of that, the turnover is continuously increasing and they are actually improving our bottom line.

So INR12,800 Crore is a very satisfying figure for us for which we were targeting. And with these figures also, if you can directly multiply by 4, we will be overachieving INR50,000 Crore of the disbursement. So this is an indication that what's there for this year in terms of the disbursement. Yes.

Shweta Daptardar:

Okay. That explains -- yes, that explains, sir. Sir, second question, what is the lag between sanctions to disbursements?

Sanjay Kulshrestha:

I think generally, we are working with the capital-intensive capital infrastructure project where the construction time starts from as low as 3 years to 4 years of the time. So sanctions to disbursement -- in a broader sense, you can say it is around 35%. But you cannot match it from the sanction to disbursement because we are now disbursing whatever sanctioned before 1 year or 2 years or before 3 years as well.

So it cannot be mapped on project-to-project basis. But generally, it is around 35%. So here also, the first quarter, we had sanctioned around INR32,000 Crore -- INR34,000 Crore and disbursement is around INR12,000 Crore, so around 35%.

Shweta Daptardar:

Sure. Also, sir, considering over 70% of our book is either guaranteed by state or through budget provisions. So we do not suffer directly credit losses. But does project implementation delays or government capex momentum delays and execution, especially from the Central Government-led projects, do these -- or does this impair our loan growth momentum or disbursement traction, if not asset quality?

Sanjay Kulshrestha:

No, I think this is a very pertinent question, and that's why you can see our sanction pipeline. So whatever we want to achieve, now we are taking that into the sanctions also. If you see, last year, sanction was INR1.27 Lakh Crore. And before that, it was INR83,000 Crore. This year, around INR34,000 Crore. All put together, we have a sanction pipeline available at hand more than INR1.5 Lakh Crore.

At the same time, we have signed MOUs with the multiple states ranging to around INR7 Lakh Crore to INR8 Lakh Crore. So we will be doing at this pace only the disbursement. I have no doubt that we will be overachieving our disbursement schedule. And at the same time, whatever the RBI guidelines are there for the DCCO, we are complying to those guidelines.

And all the DCCOs are being earmarked in the sanction letters only, and they are continuously being monitored so that there should not be any slippage. And I think our borrowers are also well versed with all these kind of guidelines.

Shweta Daptardar:

Right, sir. And just I'm squeezing in very last question on forex losses. So I understand that there has been good amount of volatility, especially in past 1 quarter, which has led to foreign exchange losses. So how are we hedged? What is the breakup of dollar versus Japanese or any other currency denomination-led exposure? And yes, so how are we tackling this?

Sanjay Kulshrestha:

So the Company has a very clear thought-out kind of hedging policy. And whatever we are doing, it is as per hedging policy. I can give you the example. Generally, we go with the data of 10 years of the currency movement, and we will be very, very conservative while deciding our levels. And we take the 1-year forward levels.

And whatever loss we had done, you are right, it is only because of the 1-day movement of the CHF. This is only -- there is only one reason and which was not in our hand, and it has crossed the 10-year cycle of the CHF. Our hedging was done well within the ranges, rather, our forwards are very well.

Even we had over -- we had taken much ahead of 1 year forward levels. The protection levels were very, very high. But as you have also mentioned, it is only because of the global economic scenario because of that, all these losses are there. But, I'm sure that now we have learned our lessons, and we have to live with this all global facts that are happening and evolving.

And for all future things, we are correcting our course of action, and we are monitoring on a day-to-day basis so that these kind of phenomena should be avoided or if at all something goes bad, it should be as less as possible.

Moderator:

We have a next question from the line of Sumeet Rohra from Smartsun Capital.

Sumeet Rohra:

Firstly, many congratulations on a fantastic loan book growth of 30% and 8% quarter-on-quarter, very heartening to see that. Sir, just 2 questions. One is that you already touched upon this mark-to-market...

Sanjay Kulshrestha:

Sumeet, sorry to interrupt you. Can you please be a bit louder?

Sumeet Rohra:

Yes, sure. Firstly, many, many congrats on a fantastic loan growth of 30% year-on-year and 8% quarter-on-quarter. Now sir, just 2 things I want to check with you is that you spoke a bit about this mark-to-market loss on this forex borrowing. So is my understanding correct that this is about INR100 crores?

And sir, secondly, if you can just talk a little bit about your NIMs because your NIMs, which were at about 3.2% have come down to about 2.94%. So how do you basically see NIM shaping up from here till the end of the year, sir?

Sanjay Kulshrestha:

So you are right, it is mark-to-market loss because of the currency fluctuation. It's a onetime phenomenon that had happened. And regarding NIM, you see most of the disbursement in this

quarter had happened in last 15 days. So they had not converted into the NIM. They have not converted into the income. But I think we will be successfully be able to maintain our NIM more than 3% during the financial year.

And you will see the corrections because this income will come in the second quarter. We will be crossing 3% figure. And this is a slight variation in the NIM that had come because of the last fortnight disbursement, high volume of the last fortnight disbursement. But I'm sure that it will be recovered in the quarter 2.

Sumeet Rohra: Sure. And sir, just I mean, if I can ask you one more thing. So now we are 45 days into quarter 2 broadly. So as we see today, is the foreign exchange kind of stuff stable? Is the -- I mean, are the mark-to-market variations stable now in this quarter at least?

Sanjay Kulshrestha: Yes, yes. They had been stable as of now, but things are very, very volatile, and we all are waiting for the 15th August meeting. So -- but as far as HUDCO is concerned, CHF is well within our protection levels as of now. Dollar is going as high, but our protection levels are very high. So on dollar side, I don't see any issues there. But we have to see that what happened on this 15th of August, and we have a very close watch on this kind of global development.

Sumeet Rohra: Sure, sir. And sir, I mean, if I just may ask one very quick thing. So sir, I mean, you are growing at a fairly fast clip as evident of the 30% growth. So sir, this loan book guidance of INR1,50,000 Crore honestly seems to be very conservative. So are you going to revise it upward now? I mean, when could we hear something on that?

Sanjay Kulshrestha: Yes. As per arithmetic, we will be crossing INR1.50 Lakh Crore, may be lending at around INR1.55 Lakh Crore, INR1.60 Lakh Crore something of that kind. So revision, we are not done. But I think as per the arithmetic is concerned, you are right, we will be crossing this figure.

And after quarter 2, we will be revisiting and we'll see that if the guidance needs to be changed. But yes, you are right, we will be crossing INR1.50 Lakh Crores may be in the quarter 3 or sometime before that.

Moderator: We have our next question from the line of Arman from Blue Sky Fintech.

Arman: First of all, my congratulations for a good set of numbers, especially the loan book side. My question is on return on...

Sanjay Kulshrestha: Can you please be a bit louder.

Arman: First of all, congratulations on great set of numbers, especially growing on the outstanding book side. My question is regarding return on assets. Like NIMs previous question we answered, return on assets also seen a clear dip in Q1. So what will be the guidance for return on assets especially for FY '26? And what will be the trajectory going forward for FY '27 and FY '28?

Sanjay Kulshrestha: So I think you are talking about ROA. It had come down a bit because of the last fortnight disbursements. It's a temporary phenomenon, which will be corrected in quarter 2. But if you

see our return on equity, it is already more than 14.28%. So it will be corrected. So it's only an arithmetic ratio.

So in quarter 2, I think we will be again coming back to the same terms of may be 2%, 2.2% or 2.3% kind of figure. So it is a temporary phenomenon and only reason is the last fortnight disbursement. I would just like to expand the question. If you see our main objective is to grow our loan book now because whatever we can do in the quarter 1 to enhance our loan book.

All measures were taken so that all these income and all these ratios will be improved in this financial year. So because of this, this dip is there, which is temporarily affair. But if you see the loan book, the kind of loan book, which we are -- we have successfully increased is around 8% in 1 quarter. So multiplication can show it is around 32%. So our main objective is to enhance our loan book now.

Arman: Okay. Got it, sir. And my next question is regarding the -- already the loan book guidance, which we have already told. And what -- how much percentage of our borrowing is floating borrowing?

Daljeet Khatri: Around 1/3 of our borrowing is floating and around 2/3 of our borrowings is fixed rate borrowings of the total borrowings of INR1,16,000 Crore.

Arman: Okay. And for the fixed rate borrowing, when is the reset? Is there a bifurcation for the fixed rate borrowing reset timing?

Daljeet Khatri: I mean all the -- basically all these bond market borrowings, domestic or you know, in case of these borrowings -- bond market borrowings are normally fixed and the borrowings of short-term loan borrowings and medium-term loan borrowings from banks, which we are taking, they are basically floating rate borrowings.

Arman: Like the bifurcation is around?

Daljeet Khatri: Bifurcation is around -- 40% is from bonds and then another 20% is external commercial borrowings and the remaining is short-term, medium-term and long-term borrowings from the banks.

Arman: Okay. Got it, sir. And the similar bifurcation on the asset side, floating as well as fixed?

Daljeet Khatri: Our asset side is semi fixed rate borrowings, semi-variable, you can say, or semi-fixed, you can say, because all our -- I mean, asset side, all our lending is semi-fixed. Semi-fixed in the sense, they all are -- have the option of reset either after 1 year or after 3 years, barring a loan book of around INR2,000 Crore, which is floating rate borrowings -- I mean, floating rate assets. Rest of the borrowings are semi-fixed. Most of them are having 1-year reset.

Arman: Okay. So majority of our lending is having a 1-year reset, right?

Management: Yes, majority, yes.

Moderator: We have a next question from the line of Gaurav Kochar from MLP.

- Gaurav Kochar:** Sir, I have 3 questions. First is on the sanction pipeline. You indicated that you have currently sanctioned pipeline of INR1.5 trillion, which has not been disbursed yet. So just wanted to understand by when do we expect this to be disbursed?
- I understand there will be further sanctions that will come through the year. But on this INR1.5 trillion stock of the sanctions that we have, by when do we expect this to get disbursed? Or what is the time line by which your sanctions get disbursed?
- Sanjay Kulshrestha:** So it is around 3 years. So 3 to 4 years of the time, the complete disbursement out of this INR1.5 Lakh Crore will be there. And in the meantime, we will create the further strong commitment of the sanction.
- Gaurav Kochar:** Sure, sure. Understood. So theoretically, even if you don't sanction anything from here on, this INR1.5 trillion is good enough to give you INR50,000 Crore kind of disbursement every year for the next 3 years, theoretically?
- Sanjay Kulshrestha:** That's true.
- Gaurav Kochar:** Okay. Okay. Sure, sure. And sir, second is on the size of the opportunity. Now infra power and all these sectors, I mean, there are a lot of players, both government and private, including banks. So if you can just highlight on what is the size of opportunity? And for us, how -- there would be 2 scenarios. One would be where most of the government agencies, banks, all of them are competing.
- And there would be certain projects where the competition is very little, and we have some unique positioning over there. So if you can highlight both these aspects as to what would be the size of the opportunity where we are uniquely positioned may be over the next 1 or 2 years and the size of the opportunity where there is intense competition from banks.
- Sanjay Kulshrestha:** See, I can give you only one example. There was a program of Government of India, the National Project Pipeline, which was created in 2019 till 2024. Now it was INR1.11 Lakh Crore pipeline. It is revised by 1.6% recently. So this is the one guidance that I can give you in terms of the creation of the infrastructure.
- But if you see the CRISIL and the McKinsey report, they are talking about total investment of \$ 300 billion -- more than \$ 300 billion across the different sectors. So the pipeline is very high. And I think all the lenders have a space to set up. Only thing is that like some of the institutions are segment based.
- They are working for 1 segment or 2 segments. HUDCO is a company which is not agnostic to any sector, and we are funding to each and every sector. We are serving the requirement of state government. In some states, the roads may be the priority, but in other states, the river linking is a priority.
- In some states, the new towns are coming and in some states, the satellite towns are coming. So all these things are giving a clear arbitrage and clear road map for the HUDCO business model.

But I'm sure that all the institutions, be it the energy transition or be it the mobility, all these things are contributing and the main driver is the urban.

So all these things are created and starting from the HUDCO. And since we are funding from the housing to all the entire gamut of the urban infrastructure without having bar on any sector. So we are, I think, very comfortably positioned, and we can choose our right to select good projects, good entities, good asset quality, and that's what we are doing.

Gaurav Kochar:

Understood. And so, sir, in that context, if your last year's sanction was INR1.27 Lakh Crore this year, can we expect INR1.5 Lakh Crore plus kind of sanctions? INR34,000 Crore plus is already done. So is that a fair ask that maybe INR1.5 trillion is where we should be in terms of total sanctions for this year?

Sanjay Kulshrestha:

Yes, it will be something more than INR1.27 trillion. That's what I can say. We have not devised any figure as of now. We are working on a lot of opportunities. Our main target is the disbursement. So we generally target our disbursements. So that is already decided. And it will come out of the pipeline.

M. Nagaraj:

I just would like to add one sentence here. So if you see that in line with Viksit Bharat, most of the states, majority of the states are also coming, like Maharashtra, for instance, I would like to give a small example. Recently, they have come out with Vision Maharashtra 2047, Viksit Maharashtra. So most of these big, big towns, especially Nashik, Nagpur, Pune, these towns, they are coming out of the beautiful project.

Let me give you only one example of Nagpur. They're creating a new city called Navin Nagpur, just on the outskirts, which is on the way -- on the main highway of Nagpur to Mumbai Expressway plus Golden Arch Ring Road, there being created. Like many examples, we can quote it in the state of Maharashtra.

Similarly, Tamil Nadu recently had Invest Tamil Nadu; again, Invest Karnataka. So each state is competing with each other. So there is a huge potential exist. So HUDCO continues to get tapped by especially in infra.

Gaurav Kochar:

Sure, sir. Sure. And sir, just to understand your margin dynamics, you said Q1 typically because the disbursements were towards the fag end of the quarter, that resulted in yield moderation, it will improve going forward. So sir, just to understand what would be the incremental yield that we would be sanctioning or disbursing at? So let's say, of the amount that you have sanctioned or of the amount that you have disbursed, what would be the blended yield and whether that yield would be similar to what our book yield is?

Sanjay Kulshrestha:

See, we are into the era of discounting on repo rates and which can be clearly seen and visible from the borrowing. So I think at this point of time, talking about the yield of, say, 9.5% may not be right. But keeping our spreads and the NIM constant or healthier that is more important for us.

So since we are also reducing our cost of funds and at the time of reset, we are passing to our borrowers also because we firmly believe that whatever infrastructure is created in the country, it has to be paid by our citizens also. It should be more viable, more sustainable, then only the assets are fruitful, they will be good for country.

So here, the yield may be corrected because of the reduction in the repo rate, may be around 9.1%, 9.2% will be the yield. That's what I can foresee as of now. We are also expecting some rate cuts on repo, which will further redefine the yields. We are also expecting something from the Fed side, U.S. side because we are planning our MTN program. So all these things are dependent on such kind of time.

Gaurav Kochar: Understood. So sir, if I just said it correctly, the spread is still maintained. So whatever benefit we get on our cost of fund, that we pass on to our borrowers. So our spread is maintained even on incremental basis. So sir, you mentioned...

Sanjay Kulshrestha: Unlike the bank passes on the date of reduction of the repo, we pass it on the 1-year reset on the basis of 1-year reset.

Gaurav Kochar: 1-year reset. Got it. -- Right. Understood. Understood. And sir, on our cost of fund, I think you mentioned 6.32% as the incremental borrowing for INR20,000 Crore. Did I hear that correctly?

Sanjay Kulshrestha: 6.32% is -- yes, you are correct.

Gaurav Kochar: This is for the first quarter, the average rate that we borrowed.

Sanjay Kulshrestha: Yes. You are right.

Gaurav Kochar: Okay. Okay. And sir, the second repo rate cut happened in June. So is it fair to say that the incremental borrowing cost would further come down? The 6.32% was average for the quarter. So this number would have even fallen to a slightly lower number in July, August. Is that a fair understanding?

Sanjay Kulshrestha: Actually transmission, if you see on a long-term basis, it has not happened. For 10-year bond, we make steady -- the past discount is only 20 basis points as of now. But as you know that the CRR is reduced after September and other form of liquidity will come to the market. We are also expecting that some correction in the bond market will happen.

Gaurav Kochar: Sure. Got it. And sir, what percentage of your borrowings would be linked to G-Sec, 10-year G-Sec and what percentage would be repo in your floating rate liabilities? And second derivative to this is what would be the average duration of your liabilities?

Sanjay Kulshrestha: So we don't go for the G-Sec. We only go for the repo because strategically, we have decided that since the loans are linked with the repo, so on the day of the reduction, they will be reset. And what was the second question?

Gaurav Kochar: Percentage, around 15%.

Gaurav Kochar: Percentage of...

Daljeet Khatri: Yes, I'm Daljeet Khatri, Director (Finance). Your second question was perhaps regarding what percentage of our borrowings is linked to repo rate.

Gaurav Kochar: Yes.

Daljeet Khatri: So around 20% of our borrowings represented by bank term loans is linked to repo rate.

Gaurav Kochar: Okay. And on your fixed rate borrowings, what would be the average maturity rate?

Daljeet Khatri: Average maturity is 5 years. We normally raise 3 years, 5 years and 10 years, but the average remaining maturity on our fixed rate borrowings is around 5, 5.5 years.

Gaurav Kochar: Understood. Understood. Sir, just last question on the target of zero NPA -- net NPA. And we still have some pool of NPA. So in terms of resolution, maybe in the next 1 or 2 quarters, do you see any resolution in advanced stages? We saw some recoveries in this quarter. So do you expect some recoveries in the second quarter as well?

Sanjay Kulshrestha: Yes, we are working on that. Definitely.

Gaurav Kochar: Okay. And any sort of amount that you can quantify what kind of recoveries we can expect in the second quarter?

Sanjay Kulshrestha: See all these NPAs are more than 20 years back. So I cannot say what will happen for this quarter, but I can tell you for the financial year that the figures will be very, very healthy because if you see around INR1,157 Crore of our NPA loans are under different stages of the NCLT only.

And for most of them, either the liquidation or the resolutions orders have already been passed. Only thing is that we are waiting for the approval from the lenders and the bankers, there are some few minor issues. So I cannot describe the time lines. But yes, of course, within 6 months, I think a lot of things will be coming on.

Moderator: We have our next question from the line of Nemin Doshi from Geojit PMS.

Nemin Doshi: Firstly, sir, any update on our PMAY 2.0 disbursement side that we will be seeing the growth in disbursement in this financial year or in the coming financial year?

Management: Actually, PMAY 2.0 has been designed in such a way that all the states have to identify under 2, 3 verticals, especially BLC, Beneficiary-linked one. Second one is in CLSS. So majority of the states are now -- they started sanctioning. Maybe in Q2, Q3, we will have major sanctions and disbursements. As of now, it is yet to pick up. So gradually, it is progressing.

Sanjay Kulshrestha: So PMAY around 7 lakh household loans are already sanctioned by the Ministry, MoHUA and the applications of around 50 lakh households are pending with them. Maybe within this month,

these will be sanctioned. And after sanctioning, it will go to the state and then they will come out with their counterpart requirement.

At the same time, they have to come out with the beneficiary contribution also. So see, under PMAY, this is the most vital thing that is there now in the guidelines that beneficiary has also needs to contribute for creation of that house. So state to state, these figures are different. They are working on that to what kind of beneficiary contribution will be there.

But from the Government of India side, 2.5 lakh has already been sanctioned for 7 lakh households and 50 lakh households are under the pipeline of the sanction. So I'm sure that by quarter 3 or quarter 4, the states will start identifying their counterpart requirement and coming back for funding from HUDCO.

Nemin Doshi: Got it, sir. Sir, with respect to this PMAY, so can we assume -- can we say that the growth in the disbursements, if at all, the PMAY disbursement happens in this financial year, our growth of the given guidance of the current run rate of disbursement would surely exceed -- is excluding the PMAY disbursements, if any?

Sanjay Kulshrestha: We are excluding the PMAY disbursement because PMAY disbursement is dependent on many factors. So we have not taken into account. So whenever they are -- get matured and whenever the states are coming, then only I think we will be factoring in. But as of now, we have not factored into our figures.

Nemin Doshi: Fair enough, sir. Sir, last question from my side, sir. With respect to our liability side, do we see any further benefit coming in towards the fag end of this quarter or next quarter with respect to cost of borrowing side, especially with respect to our addition since our loan book is growing so fast. So do we see any further capital raise at low cost? And at what levels will we be comfortable on our debt-to-equity side?

Sanjay Kulshrestha: I think 6.32% figure is quite competitive to achieve, and we had already achieved. So now we will be competing with ourselves only. So we are talking with other banks also regarding the squeezing the spreads also. But there is some bottom line. So I think we are very nearing to our bottom line.

And if the repo rate is reduced, which is -- which I foresee that it may come or the tariff settlements had happened, then of course, there is always a space of correction. But all these things need to be settled first.

Moderator: We have our next question from the line of Raghu from Travest Capital.

Raghu: I was just having a look at your presentation in which you have mentioned earlier also the incremental cost of borrowing is 6.32% for the quarter. I just have a small doubt because in the section of bank loans, the short-term INR11,992 Crore, the average cost is 6.24%. Please correct me if I'm wrong. The bond yield presently is something around 6.2%, 6.3%. How are we getting a bank loan of INR11,000 Crore at 6.2%? Am I missing something here?

- Sanjay Kulshrestha:** No, no, you are not missing anything. Because the repo has reduced, now the repo is around 5.5%. So we are getting at a very competitive terms from the banks. So it is only the skill of the negotiation that we had achieved this kind of short-term rates from the banks.
- And see, if you see from the banker side, they have a lot of exposure left with the HUDCO, which is not there with other institutions. So we are taking that kind of advantage of the exposure limits, which is available with the banker.
- Raghu:** No. But at least -- really the question I was having is the government of India is paying 6.3% to borrow for its loans. The bank is lending at 6.24%, somehow it seemed odd to me. So that is the reason I'm asking. So is there a fixed percentage bank should lend for this priority sector and HUDCO comes under that. That's why they are giving us this loan? Or what is the reason?
- Sanjay Kulshrestha:** No, no. I think there is slight correction. These are short-term loans of 1 year, right? And Government of India is taking the SDLs, which are of around 5 years or 10 years of the time. So their rates cannot be compared with these rates. So our long-term rate, if you see -- if you compare the bond rates, we had taken a 5-year loan bond at around 6.64%. So it can be compared with the 5-year borrowing of the state government.
- Raghu:** Okay. Okay. And the reason for taking the short-term bond, is there any specific reason? Why are we doing that? Will it cause any...
- Sanjay Kulshrestha:** We are doing our treasury. Actually, we are doing our treasury management, and we are looking at the markets to settle down so that these can be converted to the long-term loan. So whatever advantage we can take during this time gap, that's what we are taking.
- Moderator:** We have our next question from the line of Parth from DAM Capital.
- Parth:** Sir, my question is on growth again. So sir, as you rightly mentioned that we are sector agnostic. There is abundant opportunity. We would be financing even in urban financing and PMAY 2.0. So with a large TAM available unlike many other peers here in the same sector or in the government undertaking.
- Sir, do you think there would be an upside risk to our growth projections for FY '30 as well? So we target INR3 trillion by FY '30. But do we think we will achieve much before FY '30 since there's a huge opportunity available and we expect our disbursements and sanctions to remain healthy from here on?
- Sanjay Kulshrestha:** Yes, that's what I was talking that for this year, we will be overachieving the targets, which we had set around 1.5 years back. So I think there is still some time left till 2030. So we will be revising in the third quarter, looking at the pace of the PMAY because under PMAY, we are still to confirm what kind of disbursement the states will be taking.
- So that is only the questions that is unanswered. Otherwise, our sheets are fully filled and we are ready to come with the targets. Only we need to fill this PMAY figure. So even though the

PMAY triggers in the late '27 or '28, even though we will be achieving that INR3 Lakh Crore and the corrections will be made looking at the PMAY progress.

Parth: Okay. Got it, sir. Sir, just one more thing. You mentioned that there is a lot of opportunity for getting opened in the urban financing sector. So what are the kind of projects you would typically target? And how big that opportunity would be for you?

Sanjay Kulshrestha: So till now also, whatever we are doing, it's in the urban segment only. But now this opportunity of Urban Challenge Fund is coming up. Honorable Finance Minister has announced during her budget speech, which is a subsidy of INR1 Lakh Crore will be extended by the Government of India to the states.

The INR1 Lakh Crore has to be arranged by the states either through loans or their own accruals or through FDI or some municipal bonds or HUDCO loan or multilateral loan. And for INR2 Lakh Crore, they have to identify the PPP players. So the private sector will also be there. So it's a unique kind of model where the State Government, Government of India and the private player will be there.

And for this 50%, they have to make the project bankable. So that the bank loan or the lenders' loan will come to that segment. So we are -- now we have started the private sector funding also. We had made our guidelines for entity as well as the sector. So we had already approved the guidelines for road and real estate. In times to come, we will be sanctioning our guidelines for port, airport and energy transitions also.

So I think this is a place because under UCF, the State Government will be requiring some funds that we will be doing. At the same time, the private player to make that project bankable, we will be funding maybe a private sector project. It is a very huge opportunity that will be coming in the next 3 to 4 years of the time line. So that's what I was talking about.

Moderator: As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Sanjay Kulshrestha: Thank you, Sanket, and thank you, dear friends, for joining. So I hope that we have been able to answer your queries to your satisfaction. Only thing is that I can assure you that we will be correcting ourselves during this financial year only. So whatever guidance that we had made to the market, we will be trying to overachieve that kind of guidance.

And looking at the opportunities available across the country and the kind of business model and the kind of confidence of the stakeholders, I'm sure that we will be overachieving. And regarding NPA, we are very serious to resolve all our assets which are under NPA. Even though the figures are very, very less, but at the same time, we need -- we want our books to be cleaned up.

At the same time, we will continuously wheel towards reducing our cost of funds, maybe different currencies will be there. We will continue to review our hedging policies and the

monitoring will be on the day-to-day basis to avoid all such kind of things, even though the global uncertainties will be there.

And the compliance will be the most relevant part that we will not compromise on the compliance of the RBI or SEBI or whatever statutory agencies are there. So this is all for first quarter, I think, and let's wait for the second quarter to come. And I can assure you that second quarter will be much better than whatever we are discussing. Thank you so much.

Moderator:

Thank you, sir. On behalf of DAM Capital Advisors, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.
