

RHFL/SE/14/2024-25

21st May, 2024

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

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

Dear Sir/Madam,

Sub: Transcript of Analyst/Investor Conference Call held on 16th May, 2024

Ref: Our letter No. RHFL/SE/07/2024-25 dated 9th May, 2024 and Our letter No. RHFL/SE/13/2024-25 dated 16th May, 2024

In continuation to our above referred letters, please find attached the Transcript of Analyst/ Investor conference call/earnings call held on 16th May, 2024.

The aforesaid Transcript will also be made available on the Company's website www.repcohome.com.

This intimation is submitted pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This is submitted for your information and records.

Thanking You,
Yours Faithfully,
For Repco Home Finance Limited

Ankush Tiwari
Company Secretary & Chief Compliance Officer



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“Repc Home Finance Limited
Q4 FY '24 Earnings Conference Call”

May 16, 2024



MANAGEMENT:

**MR. K. SWAMINATHAN – MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER – REPCO HOME
FINANCE LIMITED**

**MR. T. KARUNAKARAN – CHIEF OPERATING
OFFICER – REPCO HOME FINANCE LIMITED**

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

**MR. M. RAJA – CHIEF BUSINESS OFFICER –
REPCO HOME FINANCE LIMITED**

**MS. K. LAKSHMI – CHIEF FINANCIAL OFFICER –
REPCO HOME FINANCE LIMITED**

MODERATOR:

MR. RAJIV MEHTA – YES SECURITIES

Moderator: Ladies and gentlemen, good day, and welcome to Repco Home Finance Q4 and Full Year Earnings Conference Call hosted by Yes Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rajiv Mehta from Yes Securities. Thank you and over to you, sir.

Rajiv Mehta: Yes. Thank you, Michelle. Good evening, everyone. Welcome to the fourth quarter full year results call of Repco Home Finance. We thank the management for giving us the opportunity to host them once again. From the company, we are joined by Mr. K. Swaminathan, MD and CEO; Mr. T. Karunakaran, Chief Operating Officer; Mr. P.K. Vaidyanathan, Chief Development Officer; Mr. M. Raja, Chief Business Officer; and Ms. K. Lakshmi, Chief Financial Officer.

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

K. Swaminathan: Thank you, Michelle. Thank you, Rajiv, from Yes Securities. Good evening, everybody. We would like to welcome you all to the earnings call of Repco Home Finance Limited for the quarter and year ended March 31, 2024. Thank you all for taking your time off and joining us in this call.

We are happy to announce that we have been able to maintain the growth trend seen in the last few quarters, in Q4 2024 as well. The company is steadily progressing on its business parameters, the structural changes that have been made are getting strengthened across the organization and are yielding results. This will be an ongoing process and we shall adapt to changes as and when the business demands.

Business updates. We were able to achieve disbursements of INR895 crores against INR835 crores in Q4 '23. Our sanctions stood at INR978 crores as compared to INR966 crores in Q4 '23. Excluding the DA pool buyout transaction we did in Q4 '23, the growth in sanctions and disbursements are 9% and 16% Y-o-Y. After taking into account GNPA reduction of INR168 crores, our AUM stands at INR13,513 crores, an increase of 9% Y-o-Y.

Our disbursements for FY '24 was a record high of INR3,135 crores as against INR2,919 crores of FY '23. On a comparative basis, we have registered a growth of 12.7%, excluding the DA pool buyouts done in FY '23 for INR136 crores. Loan sanctions stood at INR3,340 crores as against INR3,232 crores of FY '23, with a growth of 7.9% on a comparative basis.

The ratio of exposure between non-salaried and salaried segment stood at 51.4% and 48.6%, respectively. The share of non-housing loan that we call as home equity, stood at 25.3% of loan

book and housing loans contributed to about 74.8% of the loan book. All of our loans are to individuals and there is no corporate book.

Book quality. We were able to reduce the GNPA from INR618 crores in Q3 FY '24 to INR552 crores, which is 4.1% of the AUM. Net NPA stood at INR192 crores at 1.5%. We have reduced the NPA by INR168 crores for the full year. For the NPAs, we have a total provision of INR518 crores with a provision coverage ratio of 65.2% for Stage 3 assets.

Our systematic and relentless action on NPA accounts is proving fruitful and would continue. As of March 31, 2024, we hold INR528 crores of restructured portfolio outstanding in our book, of which approximately INR158 crores are in Stage 3 and remaining in Stage 1 and 2.

Profitability. Our NIM for FY '24 was at 5.23%, up from 4.84% in FY '23. The company has been able to maintain a spread of 3.38% for FY '24 by raising yields to 11.75% despite facing stiff competition at our pricing levels.

The net profit grew 8.7% Q-o-Q and 32% Y-o-Y and amount to INR108 crores for Q4 as against INR99 crores and INR82 crores for Q4 '23, respectively. For the whole year, we have earned a net profit of INR395 crores against INR296 crores for FY '23. Our ROA and ROE stood at 3% and 15.8%, respectively, for FY '24 as against the respective figures for FY '23 at 2.5% and 13.5%.

New software. Phase one of the project comprising of LLMS and EGL are completely integrated and fully functional. Applications planned for Phase 2 are under progress. We have so far spent INR24 crores, of these, INR13.5 crores have already been capitalized.

As of March 31, 2024, we have 212 touch points across 12 states and 1 UT comprising of 168 branches and 44 satellite centres with additional 2 asset recovery branches. We plan to reach a number of 250 by the year-end.

The future. Dear All, we would like to recall the roadmap of the company presented in our last call that is INR20,000 crores of AUM and GNPA below 2% by 2027. With the problems which were plaguing the company, like negative growth, high NPA, technology backwardness, etc. having been overcome, the company is well and truly on its way to reach these numbers. For the current year, the company plans to strengthen its resources in sales, collection and underwriting verticals by market recruitments. We will be adding another 40 outlets in FY '25 to make the number of outlets to 250.

Two more regions would be added to our present 9 to make deliveries faster. Topping the current year agenda are growth acceleration and overdue reductions. With the momentum gained in the just concluded year and the learnings, the company is confident of reaching a disbursement of INR3,600 crores to INR3,800 crores, an AUM of INR15,000 crores, stage 2 numbers between 7% and 9% and GNPA below 3% by March '25.

While there may be a dip in our NIM and spread percentages as we plan to move a relatively price-demanding clientele, we are confident of maintaining our profitability growth of 20% to 25%. The credit cost for this year is expected to be minimal.

To summarize, the key financial highlights of FY '23-24. The loan book stood at INR13,513 crores, registering a 9% Y-o-Y growth. PAT for the quarter was INR108 crores, and INR395 crores for the full year, with a 32% increase Y-o-Y. ROA and ROE for the quarter at 3.2% and 16.5%, respectively. The core profitability has remained strong with a solid spread and margin of 3.3% and 5.1%, respectively. The gross NPA has shrunk to 4.1%, with a stage 3 coverage of 65% and net NPA at 1.5%.

We thank each and every one of you for evincing interest and being part of our turnaround strategy. We now open the session to Q&A.

Moderator: Thank you very much sir. We will now begin the question-and-answer session. We have the first question from the line of Megha Agarwal from AM Capital.

Megha Agarwal: My question is regarding the asset quality in the Home Equity segment. From the later half, GNPA of this segment is at a 7-year low, which is likely due to the commendable work this management has done and also due to the increase in denominator effect. With regards to the home equity segment, likely to go up to 25% to 26% of AUM. While you have spoken about like steps to keep the asset quality in check -- my question is, do you have a certain metric like a GNPA target in mind for this segment? Like there is a below 2% overall GNPA target? Will you have a specific target for the home equity segment?

K. Swaminathan: See, 2% is for FY '27 and the 3% is for the current year that is our expectation. Home equity is slightly -- the NPA numbers of home equity slightly larger, see, out of the 3%, maybe it will be around 4% for home equity and 2% for home loan.

Moderator: We have the next question from the line of Kaustav Bubna from BMSPL Capital.

Kaustav Bubna: Could you please speak about disbursement growth targets for FY '25 and -- mainly FY '25? And how do we plan to achieve this?

K. Swaminathan: Okay. See, as I told in the initial speech itself, we are targeting something between INR3,600 crores to INR3,800 crores. This is our normal target which we are planning, because from around INR3,100 crores what we are targeting on a conservative basis, it's between INR3,600 crores to INR3,800 crores.

If there are some tailwinds like I said in the last con-call like government support or a new scheme or some improvement we may even reach a number of around INR4,000 crores, but for the present I would like to hold around INR3,600 crores to INR3,800 crores.

Kaustav Bubna: You said FY '24 was INR3,100 crores?

K. Swaminathan: Yes.

- Kaustav Bubna:** So you're targeting 15% plus growth in disbursement for the year?
- K. Swaminathan:** Up to INR3,800 crores. It can go anywhere between INR3,600 to INR3,800 crores.
- Kaustav Bubna:** And will this growth be back-ended towards the second half or do you think it will be equally spread across the quarters?
- K. Swaminathan:** First quarter will be slightly dull let me admit, but going forward, yes, it will pick up. Normally for this company second and fourth quarters are peak quarters.
- Kaustav Bubna:** But why will the first two quarters be...
- K. Swaminathan:** See, the first quarter normally because of the change because of the transfer, new branches opening and all that invariably the first quarter is relatively dull, but second quarter being a peak quarter especially for the business second quarter is more. Third quarter, again, because of the local holidays, February month being there.
- Because of these reasons third quarter is relatively less compared to the second quarter. Fourth quarter, of course, people will run on that. So what I request all of you people is maybe -- there may be a slight dip in some quarters, but at the year-end we are quite confident INR3,600 crores to INR3,800 crores is achievable one.
- Kaustav Bubna:** Okay. Sir, and one more question on your provisions front. I mean, for FY '25 what type of credit cost can we see, what type of write-backs are expected? Could you please go into detail in this and explain us?
- K. Swaminathan:** See, as of now for this INR515 crores we have around INR350 crores of provision. Going forward we expect a reduction of around max minimum of INR60 crores up to INR100 crores of NPA reduction. So this will help us in releasing a provision anywhere between INR40 crores to INR50 crores.
- Kaustav Bubna:** But there's no -- you're not expecting any additional provision you're expecting write-backs. You're not expecting any incremental provisions to like to add on.
- K. Swaminathan:** Not much because of the provisions we have already made. So for any likely slippages that may happen which are bound to happen. I think the provision coverage that we already hold, I think that will take care of these slippages.
- Kaustav Bubna:** And did I hear right that you're guiding for 20% growth in PAT in FY '25. Is that what you said? Did I hear that right?
- K. Swaminathan:** Anywhere between INR450 crores to INR475 crores.
- Kaustav Bubna:** And this is taking into account the possibility that interest rates could fall in this year. Is that correct?

- K. Swaminathan:** Even if interest rate falls anyway that gets passed on also. So what we are thinking is there may be a slight dip in my spread and NIM. But we -- I have an advantage of the additional provision that we have. So that will help us in meeting this 20% to 25% of profit target.
- Kaustav Bubna:** Got it. Thank you so much for answering my questions. Best of luck.
- K Swaminathan:** Thanks Kaustav.
- Moderator:** Thank you. The next question is from the line of Shubhramshu Mishra from Phillip Capital. Please go ahead.
- Shubhramshu Mishra:** So given the fact that we are so confident about the disbursement growth, what would be the split of the disbursement between LAP and home loans in FY '25, what would -- and what kind of credit costs are we forecasting for FY '25. And again, if there is a split between the credit cost for LAP and home loan? And also, if there's a disbursement mix one can give in terms of states that would be contributing to the disbursement?
- K. Swaminathan:** See, as of now, the ratio between home loan and non-home loan is 75% and 25%. Under non home loan, LAP constitutes only around 15%. So going forward as well, we will be maintaining the same ratios. Maybe some -- instead of 75%, 25%, it may become 74% or 73%, 27% and all that. But more or less, it will be within this range. Regulatory requirement is -- we cannot exceed 40% of non-home loan. And internally, we ourselves have fixed not more than 30%. So definitely, we will maintain these ratios.
- Second question on your credit cost as I all told you net credit cost will be marginal because of the provisions that we hold. So even for any slippages that we have, our existing provisions may take care of the likely slippages. So net credit cost like what was there in FY '23-24, net credit cost to the company may not be much. This is second.
- Third one you asked about the state-wise distribution. Gradually, of course, 56% of our loan book is from Tamil Nadu because of the effect -- base effect. So Tamil Nadu may slow -- may come down slightly, maybe from 56% it may come to 55% or 54%. We will be increasing our exposure in non-Tamil Nadu especially in the southern regions of Karnataka, Telangana, Andhra and all, that is our plan of action.
- Shubhramshu Mishra:** No, that is on the AUM, sir. I get that point. We have been on that path for some time. What will be the split of disbursements between Tamil Nadu, Karnataka and Maharashtra our three large states?
- K. Swaminathan:** Okay. See, that's what I'm saying no. See, going forward if you see the percentage of growth, percentage of growth in Tamil Nadu may slightly tamper down. And the non-Tamil Nadu regions, especially the states that you were talking, definitely it will go up percentage-wise. But quantum wise, we do not have the exact number I cannot give you. But percentage wise, I can tell you that growth will be slightly muted in Tamil Nadu compared to the other states.
- Shubhramshu Mishra:** Understood sir. I will come back in the queue. Thanks.

- Moderator:** Thank you. We'll take the next question from the line of Gaurav Agrawal from Nine One Capital. Please go ahead.
- Gaurav Agrawal:** Sir, my apologies I joined the call a bit late. So one or two questions that I'll ask might be repetitive. So we would request your patience on that front. Sir, first of all, did we hear right on the loan growth I heard about the disbursement growth that we are targeting in the range of INR3,500 crores to INR3,800 crores. In terms of AUM growth what kind of number are we guiding for in FY '25?
- K. Swaminathan:** Okay. You have one more question or this is the only one?
- Gaurav Agrawal:** Sir, I have a couple of more. And then on the NIMs I wanted to ask from FY '24 levels whatever NIMs that we had in FY '24, how do we see those NIMs spanning out in FY '25?
- K. Swaminathan:** See, loan growth from INR13,500 crores we are anticipating something around INR15,000 crores by March '25. For about INR3,600 crores to INR3,800 crores net of repayments. We expect a net growth of around INR1,500 crores. So we will be reaching around INR15,000 crores.
- As far as NIM is concerned, yes, we now have a NIM of around 5.2%. But going forward, it may not be 5.2%. It may be anywhere between 4.8% to 5.2%. As I told, we may be slightly aggressive in pricing our products especially for home loan to salaried segment. So to that extent my NIM may come down.
- Gaurav Agrawal:** Okay. But sir, even if I reverse calculate it, I take let us say 20 bps lower NIMs for FY '25, I take zero credit cost assuming you know there will be zero credit cost because of excess provisions that we are holding. And also, I take, let's say, the loan growth we're targeting is INR15,000 crores. So if I do all those numbers I get to around INR430 crores kind of PAT while we are targeting around INR450 crores to INR475 crores kind of PAT. So where will the upside come from in FY '25?
- K. Swaminathan:** Gaurav, there will be -- what we are anticipating is that could be a reversal in provision because of our Net NPA reduction.
- Gaurav Agrawal:** There is a scenario of having a negative credit cost to let us say INR30 crores, INR40 crores kind of negative number for the provisions be fair in FY '25, is there a possibility?
- K. Swaminathan:** Definitely. There is a possibility.
- Gaurav Agrawal:** Okay. So sir, INR20 crores, INR30 crores is a strong possibility negative INR20 crores, INR30 crores kind of a negative provision for FY '25.
- K. Swaminathan:** There is a possibility. In fact, even in the last year there was a small reversal of provisions.
- Gaurav Agrawal:** But that was only for negative INR1 crore, hardly anything. So but for FY '25, we expect the quantum to be much bigger. Is it?

- K. Swaminathan:** Yes. Hopefully, that is.
- Gaurav Agrawal:** Okay. And sir, any levers on your cost of funding side because in my understanding, there were some approvals that you were getting from NHB once we get those approvals our cost of funding can initially change. Will you be able to describe some on this?
- K. Swaminathan:** It's definitely possible because now that our net NPA has come down we become definitely eligible for our NHB funding. Of course, that can happen only post the AGM because NHB normally expects the AGM to be over. That is one. Second one, even if with NHB funding, well, there may be a reduction in cost of funds. It may not be all that much. That much I can tell you. Of course, NHB funding is definitely cheaper than bank funding.
- Gaurav Agrawal:** Right. But sir, as of now you know it's only about, 10%, 11% of our overall borrowings. So over a period, 3-year period, can we still scale up meaningfully from these 10%, 11% level. It used to be for 15% last year.
- K. Swaminathan:** See, NHB funding, we do not know how much we will get because normally, it is allotted by NHB. Definitely, whatever is getting allotted, we will avail.
- Moderator:** We'll take the next question from the line of Bunty Chawla from IDBI.
- Bunty Chawla:** Just one data point, if you can share. Last quarter, we have seen for the 9 months FY '24, the recoveries were around INR100 crores versus our guidance for the full year was INR100 crores. So if you can share what was the recovery for the full year FY '24? And similarly, what you will be guiding for recoveries for FY '25?
- K. Swaminathan:** See, for the full year of FY '24. Okay. Netting any recoveries made during the quarter let us assume in a month, a particular slippage happen, and we were able to recover within that year, those things have been netted off. So the actual recovery is around INR316 crores for the whole year. So INR150 crores was the slippage for the whole year, INR360 crores for the -- INR316 crores was the recoveries for the whole year. For the last quarter alone, if you want, one minute -- it is INR37 crores of slippages and INR101 crores of recovery.
- Bunty Chawla:** Okay. And sir, what will be the guidance for FY '25?
- K. Swaminathan:** Okay. See, we had given a guidance of less than 3%, assuming that INR15,000 crores is the book, so we should definitely go below INR450 crores.
- Moderator:** The next question is from the line of Devendra Chawla, from Prasun Exponentials.
- Devendra Chawla:** What is the operational challenges being faced in growing disbursements faster?
- K. Swaminathan:** There is nothing like challenge, only thing is since we are making so many changes within the organization, like verticalisation, decentralization and all that. So it is taking some time for the people to understand, to change themselves to the circumstances. That is the only thing. Otherwise, comparatively, we are better off if you see, compared to the previous years, the company has done fairly well in a disbursement of around INR3,100 crores. So going forward,

since that these verticalisation and all have more or less stabilized, we will be improving -- increasing the numbers, improving the -- increasing the number of outlets and all that. So these challenges will be met. We will be in a position to take care of the, whatever is the budgeted numbers.

Devendra Chawla: Understood. And what are the number of outlets the organization is trying to add in the coming year?

K. Swaminathan: See, today, we have around 210 as of March '24. So by March '25, we want to reach a number of around 250.

Moderator: The next question is from the line of Sushil Choksey from Indus Equity Advisors.

Sushil Choksey: Congratulations to team Repco for excellent results.

Moderator: I'm sorry to interrupt, there is a static on the line. May I request you to kindly use your handset, please?

Sushil Choksey: I'm using a handset. Congratulations to team Repco for excellent results. Sir, your guidance of INR3,600 crores to INR3,800 crores of growth, what kind of repayment is expected this year?

K. Swaminathan: Hi Sushil, see, like last year, INR3,600 to INR3,800 crores. Last year, we had a repayment of around INR2,100 crores. So even if you go around the INR2,300...

Sushil Choksey: Already projected disbursement, what is the receipt?

K. Swaminathan: I don't get you. One thing, see, INR2,300 crores is the expectation. So net to net, book increase will be around INR1,500 crores.

Sushil Choksey: So our AUM will grow approximately by 12% to 15%, that is the assumption?

K. Swaminathan: Yes.

Sushil Choksey: Sir, now you highlighted that for salaried section, you may lower rates, so you may sacrifice a bit of margin, but you'll grow the book on a healthier note. What kind of mix are we estimating on a self-employed and salaried class because Southern India has a lot of self-employed, self home construction business are a larger pie compared to developers loans. So can you give me a mix, what is expected for next year?

K. Swaminathan: See, as of now, it is around 52% and 48%. Sushil, as of now, it is around 52% salaried and 48% non-salaried. Maybe because of our stress this 52%, may become important for salaried, this 52% may become 53% or 54%. There may not be much increase, but definitely, there will be an increase quantum wise.

Sushil Choksey: Okay. Are you finding that your loan ticket size led by the inflation in construction cost as well as house loan prices is getting elevated on an average ticket from the current values?

- K. Swaminathan:** Yes. Today, my average ticket size is around INR20 lakhs. 2 years back, it was only around INR12 lakhs to, INR13 lakhs. So my average ticket size for the new book is around INR20 lakhs. But for the entire book it's around INR12 lakhs.
- Sushil Choksey:** How are you seeing your collection track record in terms of 30-day DPD and on a normal basis?
- K. Swaminathan:** It has improved, Mr. Sushil, but not to the extent even we want. That is why as I was telling in the initial speech itself, our focus this year is on book growth. And secondly on the overdue recovery and we are strengthening our collection team, especially on the overdue numbers. We had around 80 -- 80-odd people for collection. Now we want to almost double it to around 150 for this current year. Our focus this particular year will be more on collections, especially 1 to 90 days' bucket.
- Sushil Choksey:** Sir, based on the forecast for growth, are we looking to penetrate in the same area with additional office or we are getting into new geographies?
- K. Swaminathan:** At least for FY '24-25, I do not want to venture into new geographies because the existing geographies itself, there are so many new places to venture into. So we will be spreading our wings in those areas especially Maharashtra, Andhra, Telangana, in addition to, of course, Tamil Nadu. Tamil Nadu, maybe this year, we may expand. But going forward, I do not think that there are much -- there are many places in Tami Nadu, so there will be branches in other parts of country at least from FY '25-26.
- Sushil Choksey:** If I have to like visualize your asset under management in FY '25-26, not even FY '24 what percentage would constitute South India and specifically Tami Nadu?
- K. Swaminathan:** Tamil Nadu maybe around 54% because some 56%, today we are around 56%, maybe anywhere between 50% to 54%. The other states will start increasing.
- Sushil Choksey:** And sir, every housing finance companies' commentary is to enter Northern India led by UP because of the growth model run by the local state government, are we having any plans for that?
- K. Swaminathan:** Yes, yes. In fact, even in our Board meeting there was a request to open such branches. Maybe we will think, but as of now we do not have specific plans.
- Moderator:** The next question is from the line of Naveen Baid from Nuvama Asset Management.
- Naveen Baid:** Just a housekeeping question. What are the ECL provisions for Stage 1 and Stage 2 assets this quarter?
- K. Swaminathan:** I could not get you, Mr. Naveen, can you repeat, Stage 1 and Stage 2 what do you want?
- Naveen Baid:** Stage 1, Stage 2 provisions?
- K. Swaminathan:** Stage 2, we have INR94 crores, Stage 3 INR360 crores and Stage 1 INR64 crores.

- Naveen Baid:** Stage 1?
- K. Swaminathan:** INR64 crores.
- Moderator:** We'll take the next question from the line of Dev from Haitong Securities.
- Dev:** Congrats on a good set of numbers. I've seen that your employee expense and other expenses have seen a jump on a Y-o-Y basis and even on a quarter-on-quarter basis. What do you guide for FY '25? And can you also tell me -- you spoke that we are in Phase 2 of the transformation. Can you throw some light on how it will pan out in FY '25? And what sort of expenses do we expect on this project in FY '25? Yes, that's my question.
- K. Swaminathan:** Thanks, Dev. See, as far as employee expense is concerned, we made an additional provision of around INR4 crores in March quarter. This was mainly because of a request from our HR department, saying that there may be an increase in incentive payments for the fourth quarter based on the changes in the metrics of our staff incentive scheme for FY '23-24 for your information, we implemented a new salary structure from FY '23-24 onwards.
- So HR department came out with a request, maybe there may be an increase in incentives and requested us to provide for the same. So heeding to their request we have made a provision of INR4.5 crores. Of course, this is only one time. This may not get repeated even if it is there, we will see that it is spread over a period of 12 months that is the first thing. As far as the Stage 2 of our -- Phase 2 of this IT project, it is more related to back-office operations, mostly related to our head office like HR, treasury, departments like audit and all that. So these are all back-office operations, and it will not have any impact on the day-to-day functioning of the company. This is first.
- Second one, as far as cost is concerned, the total project cost, excluding any security-related expenses is around INR40 crores. We have already spent around INR22 crores. So it will be -- maybe another INR15 crores to INR16 crores will be there for Phase 2.
- Moderator:** The next question is from the line of Darpin Shah from Enam AMC.
- Darpin Shah:** Sir, during the course of the call, I've been hearing that you're confident of having GNPA reduction of INR50- 100 crores and have lower provision or negative provisions for FY '25. Sir, I just wanted to check what is the vintage of these NPA, which we are expecting recoveries. Also, what has changed for the borrowers that were so confident that the recoveries will come back from these borrowers?
- K. Swaminathan:** My confidence maybe is because of the relentless efforts we have been doing in the last 2 years on the NPA front.
- See, out of this INR500-odd crores of NPA that we have, almost all the accounts have moved into the final stage of auctioning the properties or even taking physical possession or a symbolic possession of the properties. So there will be more and more pressure on the borrowers from our side. So they will come to us for discussion, come to us for settlement and all that.

We are also planning to implement a simplified settlement scheme for all the old borrowers, especially those accounts which are more than 1000 days old. So with these 2 things, we are quite confident. Even without these parameters, we were able to recover a net recovery of around INR160 crores last year. So what we are estimating this year is a net reduction of around INR100 and odd crores. So that way I think we are quite confident.

Darpin Shah: Okay. Sir, in terms of this vintage borrower which is 1,000 days plus, how much will be that proportion?

K. Swaminathan: See out of around INR500 odd crores, INR300 odd crores, I do not have the exact number, around INR300 crores is more than 1000 days old. In fact, we are targeting a special scheme only to attract these borrowers, these NPA borrowers. This helps us -- see, last year also in the same segment only, we got bulk of our recoveries. So this is the way we are planning to target.

Moderator: The next question is from the line of Kishan Rungta from Emkay Global.

Kishan Rungta: Congratulations on good set of numbers. So sir, I just wanted to check like what is the guidance for ROA for FY '25?

K. Swaminathan: ROA?

Kishan Rungta: Yes, sir.

K. Swaminathan: Yes. ROA should be anywhere around 3%. And ROE should be around the same. We were around 15.8%. Hopefully, we should be able to maintain around the same range.

Kishan Rungta: Okay. So sir, like as you guided like you will be increasing the share of salaried and there will be some impact on the NIMs, so like what would be the impact like -- and we are expanding also we are like going to open 40 branches. So what would the cost-to-income ratio and opex to AUM for the FY '25, like do you have any guidance for that?

K. Swaminathan: Kishan, cost-to-income ratio is around 24% for the whole year. Hopefully, with the likely increase in the income because of our recovery -- sorry, because of our expansion as well as the recovery that is going to give us income, I think this cost to the income ratio should be -- we should be able to maintain around 24%.

Moderator: The next question is from the line of Rajiv Mehta from Yes Securities.

Rajiv Mehta: Sir you gave a target for Stage 2 reduction by March '25. Can you just repeat that target, I missed it?

K. Swaminathan: Okay. I think we are around 11% on March '24. We are estimating anywhere between 7 to 9%, 11.5% to be exact. So we want to reach anywhere between 7% and 9%. That is going to be a challenge. This is the challenge we are planning taking this year. As I was telling in the initial call itself, growth and reduction in the Stage 2 numbers is our target.

Rajiv Mehta: And I believe you spoke about almost doubling the collection team for that.

- K. Swaminathan:** Yes.
- Rajiv Mehta:** Okay. And on sir, can you also speak about the quality of the new loans or of the underwriting in the last 1, 1.5, 2 years. And while we can see the slippages are low, but the initial flows in the initial bucket from the zero DPD bucket, so just to understand that nature or that quality of the loan, if you can just give some parameters around how the last 2 years' loans are performing?
- K. Swaminathan:** Rajiv, I can tell you, see, we have disbursed something around INR5,700 crores from January'22, which means in 27 months, we have disbursed outside of INR5,700 crores. Our NPA in this book is only INR24 crores, it is 0.24%.
- And Stage 2 is around INR100 crores, around 1.8% while -- what this implies is, the new book there is not -- there are not many shocks. I cannot guarantee that these accounts will not slip in the future, but at least there are no shocks -- immediate shocks are not there.
- Rajiv Mehta:** And on this management overlay, I mean you spoke about writing back a good amount of provision in the current year. But still, I believe we'll be left with a significant amount of provisions even to be written back in FY '26, would that be right that you can be in a negative credit cost even in FY '26, if the overall asset quality cycle remains as good.
- K. Swaminathan:** Hopefully, let us hope, Rajiv, see, I cannot think what will happen in next year. But at least FY '24-25, if you are able to maintain the same momentum of the last 2 years in recovery efforts, definitely, there is a good possibility that we'll improve. We will write-back provisions. And touch wood if we are able to recover more than what is our expectation, like what we did last year, yes the provisions release will be that much more.
- Rajiv Mehta:** Correct. This is in FY '25, you are talking?
- K. Swaminathan:** Yes, that will be an optimistic thing. But FY '25-26, there could be some slippages. See, you cannot avoid a slippage in this lending business. But still, as we are already having enough of provisions, your thinking may be right. But I think that will be a guesswork, which I don't want to venture into.
- Rajiv Mehta:** Correct. And just two things. I mean what was the BT-out of monthly run rate in fourth quarter? And second is whether any more augmentation of senior management team is being planned.
- K. Swaminathan:** BT-outs were around INR102 crores and BT-ins were INR161 crores for the Q4, is one. As far as senior management, I think we have already informed one CBO, Chief Business Officer, Mr. Raja has already joined and we may induct some people at the middle level under all verticals whether it is sales, collection or even in underwriting, at middle level, but not at the senior level, perhaps, but definitely at the middle level.
- Moderator:** The next question is from the line of Shubhranshu Mishra from Phillip Capital.
- Shubhranshu Mishra:** What kind of employee expense are we targeting in FY '25-26 and what will be our total OPEX growth will it be more than the disbursement growth or the growth that we're targeting. And that's the first. And second is just on observation, sir. I think you've been giving out calls almost

2 days after we declare our results my request to the entire management is that going forward from next quarter, if we can have the conference call on the same day that we declare the results?

K. Swaminathan:

Mishra, see, same-day call may be slightly difficult because invariably, our call -- our Board meeting gets over in the evening or at least around 3 to 4 p.m. So immediately afterwards it may be strategically difficult for us. Maybe the next day we can target. The next day of our meeting, definitely, we will target, that is for sure.

Regarding employee expenses, see, last year, we were around INR102 crores. So maybe this time, there may be a 10% to 12% increase, that is for FY '24-25. FY '25-26, we have not so far budgeted exactly about the employee benefit expenses. But FY '24-25, yes, there is likely to be an increase because of the likely induction of our workforce. But I think we are quite confident by the increasing business and the reversal of provisions and all that, the recoveries from our technically written-off accounts, all this will help us in maintaining the profitability.

The cost-to-income ratios as I already told, we hope to maintain for the whole year. My only request to you people is please do not look into the numbers quarter-wise. But annually, we should be able to maintain.

Shubhranshu Mishra:

Total opex growth, sir, what is the guidance?

K. Swaminathan:

That's what I'm saying, see, I do not have the exact number of opex, but the cost to the income ratio is what we are targeting. That we will see to it that we maintain.

Moderator:

The next question is from the line of Sumit Rathi from Centrum PMS.

Sumit Rathi:

Congratulations on good set of numbers. I just had one question to ask. We were doing to uplift our sales team -- our in-house team, and in the last quarter, we had given some colour on that, that how the training is happening and the proportion of DSA and in-house sales team with respect to the new business. Can you give similar kind of flavour this quarter also like what is the progress on building our internal sales team and the training over there? And any metric if you can give for us to understand that how we are progressing over there.

K. Swaminathan:

Okay. The internal sales team we had given training as I told already. Yes, I can say that it is partially successful, I will not say that it's entirely successful. Maybe we may have to augment as I told in the beginning itself, maybe we may have to augment from outside resource also. So this year, we plan to increase the number to around 300. Last year, we had around 200 salespeople. This year, our foot-on-street sales persons will be around 300. This will be excluding the branch head, okay? This is on sales front.

Sumit Rathi:

So this 100 additional we would be bringing from outside. Is that understanding correct?

K. Swaminathan:

Not fully outside, maybe a mixture of outside & local, that is within our stream.

Moderator:

Ladies and gentlemen, that was the last question for today. I will now hand the conference over to the management for closing comments. Over to you, sir.

K. Swaminathan:

Thank you. I think we have spoken enough on all the aspects. I once again, thank all the participants who have took time off. I heard that there are 2 or 3 more meetings happening simultaneously. Still, you people have come and joined in this conference call. I thank you, each and every one of you for showing interest in our organization. Thank you very much.

Moderator:

Thank you sir. Thank you, members of the management. Ladies and gentlemen, on behalf of Yes Securities, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.