

RHFL/SE/81/2023-24

20th February, 2024

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai-400001
BSE Security Code: 535322
Kind Attn: Listing Department

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E), Mumbai- 400051
NSE Symbol: REPCOHOME

Dear Sir/Madam,

Sub: Transcript of Analyst/Investor Conference Call held on 13th February, 2024

Ref: Our letter No. RHFL/SE/71/2023-24 dated 7th February, 2024 and letter No. RHFL/SE/77/2023-24 dated 13th February, 2024

In continuation to our above referred letters, please find attached the Transcript of Analyst/ Investor conference call/earnings call held on 13th February, 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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“Repco Home Finance Limited
Q3 FY '24 Earnings Conference Call”

February 13, 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**

**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 Q3 FY '24 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 touch-tone 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, Seema, Hi, good evening all. Welcome to Repco Home Finance's Q3 FY '24 Earnings Call. We thank the management for giving us this opportunity to host this call. From the company, we have Mr. K. Swaminathan, MD and CEO; Mr. T Karunakaran, Chief Operating Officer; Mr. P.K. Vaidyanathan, Chief Development Officer; Ms. K. Lakshmi, Chief Financial Officer.

With that, I hand over the call to Mr. K. Swaminathan, MD and CEO, for his opening remarks. After that, we'll open the call for Q&A.

K. Swaminathan: Thank you, Mr. Rajiv of YES Securities. Good evening, everybody. We once again welcome you all to the earnings call of Repco Home Finance for the quarter ended December 31, 2023. Thank you all for joining us in this call.

Before we present current quarter performance, we would like to inform that our Board in its yesterday's meeting has approved 3-year broad road map of reaching an AUM of at least INR20,000 crores by 2027, with an addition of 40 branches per year. The GNPA is expected to grow below 2% by then. This planning is on a normal growth model. If the company benefits on some external factors, like government schemes on affordable housing, the growth could be on a different plain, with the AUM reaching nearly INR25,000 crores in 3 years.

Now coming to the December '23 quarter results, we are happy to announce that we have been able to maintain the growth trend seen in the last few quarters continuing in Q3 '24 as well. The company is progressing on its business parameters. The structural changes that have been in process across the organization, which we also mentioned in our previous earnings call, like delegation of powers, implementation of new software, verticalization, etc. are beginning to yield results, and we are confident that we would be able to see the combined impact of all these changes in the forthcoming quarters.

Business updates - We were able to achieve a disbursement of INR759 crores, against INR696 crores in Q3 FY '23, registering a growth of 9% Y-o-Y. Our sanctions stood at INR777 crores as compared to INR745 crores in Q3 of last year, registering a growth of 4% Y-o-Y. Our AUM stands at INR13,185 crores, an increase of 8% Y-o-Y. While we admit that the disbursement numbers could have been better, we notice that the Y-o-Y disbursement numbers have actually gone up. The ratio of exposure between the non-salaried and salaried segment stood at 51.3%

and 48.7%, respectively. The share of non-housing loan, that is home equity as we call it, stood at 24.4% of loan book and housing loans contributed to about 75.6% of the book.

Book quality - We were able to reduce the GNPA from INR637 crores to INR618 crores, which is 4.7% of the AUM, and the net NPA stood at INR247 crores at 1.9%.

GNPA numbers have come down by INR137 crores Y-o-Y organically. The reduction in NPA would have been still better, but for the heavy rains in parts of Tamil Nadu during December '23. We have a total provision of INR528 crores, with a provision coverage ratio of 60.1% for Stage-3 assets. Our systematic and relentless action on NPA accounts is proving fruitful and would continue. As of 31st December '23, we hold INR547 crores of restructured portfolio outstanding, of which approximately INR178 crores are in Stage 3 and the remaining are in Stage 1 and Stage 2.

Overall, under Stage 2, that is dues between 31 to 90 days, the exposure is around INR1,500 crores, which is 12% of our AUM. Our aim is to bring down to less than 10% by March '24.

Profitability - Our NIM for Q3 FY '24 was at 5.3%, up from 4.8% in Q3 FY '23. The company has been able to maintain a spread of 3.41% by raising yields to 11.76%, despite facing stiff competition at our pricing levels. The net profit grew, 1.4% Q-o-Q and 23% Y-o-Y, and amounted to INR99 crores for Q3 FY '24, as against INR98 crores for Q2 FY '24 and INR81 crores for Q3 FY '23, respectively. Our ROA and ROE stood at 3.1% and 15.8%, respectively, for Q3 FY '24, as against respective figures of 3.1% and 16.1% last quarter.

Cost-to-income ratio for the quarter decreased marginally to 22.03%, against 23.2% of the previous quarter.

New software - Phase 1 of the project comprising LLMS, LOS and EGL are completely integrated across branches and stabilized. The few related applications will be completed before 31/3/24. The company has started work in implementation of Phase 2 applications covering HR, audit and other related works. Implementation of 12 applications under Phase 2, specifically for our internal departments, will be completed in 2 stages by September '24. A total of approximately INR22 crores have been spent so far in this software implementation.

Branch network - As of 31st December 23, we have 200 touch points across 12 states and 1 union territory, comprising of 166 branches and 34 satellite centers, with additional 2 asset recovery branches. We will be touching 210 outlets by March '24.

I will summarize the key financial highlights for the quarter before opening the floor. The loan book stood at INR13,185 crores, registering 8% Y-o-Y growth. PAT for the quarter was INR99 crores, with a 23% increase Y-o-Y. ROA and ROE stood at 3.1% and 15.8%, respectively. The core profitability has remained strong with a solid spread and margin of 3.4% and 5.3%, respectively. The gross NPA has shrunk to 4.7%, with a Stage 3 coverage of 60.1% and net NPA is at 1.9%.

The company is on its track on profitability and GNPA figures. In the last quarter, that is the March quarter, our focus would be on taking the growth numbers to the next level, and we are quite positive on this. We had planned a reduction of INR100 crores of GNPA for the entire financial year, against which we have already achieved INR101 crores in a span of 9 months. Our profit guidance was INR350 crores for the whole year, and we have so far achieved INR287 crores in the 9 months. We are confident of surpassing the target for the year.

On the disbursement trend, we are likely to reach INR3,200 crores organically and an AUM of approximately INR13,500 crores by March 2024. We thank each and every one of you for evincing interest in our company's growth story. We now open the session for Q&A.

Moderator: Thank you very much sir. We take the first question from the line of Sanket Chheda from DAM Capital. Please go ahead.

Sanket Chheda: Sir, my question was primarily on growth. In all likelihood we'll miss our guidance for this year of about INR3,600 crores of disbursement and thereby doing 12% AUM growth. What gives you comfort to now guide for 3 years, doubling the AUM in 3 years, which would entail 26%, 27% CAGR?

K. Swaminathan: Sanket is that only one question?

Sanket Chheda: Yes, sir. Yes. That's on growth.

K. Swaminathan: Yes, yes. As far as growth is concerned, yes, you are right. This year against INR3,600 crores we had promised, we will be nearing around INR3,200 crores organically. That, of course, excludes any DA transactions that we may enter into during the course of this quarter. But that said, for the future, we have plans. We are having a plan of growing normal -- in the normal way that we are now growing, - that will be at 12% for this next year, 14% for the second year and 17% for the third year.

And of course, if we are supported by other measures, I mean, if you are seeing some growth improvement likely to happen, like government supports and all that, naturally, we'll be accelerating. At that time, our growth rate will be more than 20%. That is our expectation. So it will be around INR15,000-odd crores if it is in a normal pace. And if you are supported by external factors, we will be reaching something like INR24,000 crores.

Sanket Chheda: And what could be the external factor, sir?

K. Swaminathan: What could be?

Sanket Chheda: What could be those external factors?

K. Swaminathan: Like government support. See, for example, the budget has given, I think, for middle class households, for new housing, they are going to give some schemes. Likewise, let's say, the new government is also planning some measures for affordable segment.

If the company is able to take advantage of all these measures, definitely, we will be having on a different -- depending on how we are growing during the course of next year, maybe we will be recruiting people on sales front. We will be improving even our delivery plans and all that. So those are all plan B. But even in the normal way, we are having a growth plan of reaching INR20,000 crores by FY '27.

Sanket Chheda: Because out of this, the middle class or the PMAY thing, I was just skimming through the annual reports, I couldn't find our data in terms of, say, how much subsidy we have received until FY '23 in case of earlier PMAY. If you can help with that number, it would be useful to understand how much of tailwind we should expect out of that.

K. Swaminathan: See, I do not have the exact numbers, but we have received all the subsidies that are received for the previous schemes. So for the scheme that has been announced, I think the contours are yet to be revealed by the government. We will come to know. But for those which were released earlier, the company has already recovered -- received all the subsidies that are to be received from the government.

Sanket Chheda: Okay. As you reiterated, you are saying 12% maybe this year, then 15%, then 17%, then 20% like that, you are expecting the growth path to be?

K. Swaminathan: Yes, sir.

K. Swaminathan : Yes, sir, this is on AUM.

Sanket Chheda: Okay. And the other question was in now recent quarters, most of our growth has been from home equity or the LAP per se, the growth in pure HL has been just 2% Y-o-Y. How do we see that? And in this growth aspiration that you have, how would the share of LAP and HL would look like? Because we are growing the base wherein the pain has been higher since history, and hence, a reason to worry maybe.

K. Swaminathan: See, as far as regulation is concerned, we can go even up to 40%. Non-home loan segment can even go up to 40%. But as of now, we are at around 75%. So still, we are very much below the regulatory requirement, As well as even our internal thing, we are now approved -- got the approval from Board for about 30% of non-home loan segment. We are still below. We have -- the home loan portion has come down only from around 76.9% to 75.6%. I think that is only a marginal decline as far as home loan is concerned. And that too -- in the current quarter, it was a mere 0.6% decline.

Sanket Chheda: Sure, sir. I think those were my questions.

Moderator: We take the next question from the line of Akash Jain from Moneycurves Analytics.

Akash Jain: Sir, I think my first question is quite similar on the lines of what the earlier participant asked, because I think everything looks very good as far as the numbers are concerned. The only thing like slightly disappointing is growth, because we initially guided to INR14,000 crores AUM for the end of the year. Clearly, not going to get there. You've also revised it downwards INR13,500.

And now we have obviously got a board approved plan for the next 3 years, which again is aspiring for a growth which we have not done over the last few years.

So I think what we want to understand is probably a little more detail in terms of what has -- what we have -- what processes, etcetera, will be implemented where results are not yet completely visible. And what are the steps or what are the things you will do so that we can get more comfort that growth will come in the years to come? I think some concrete points, if you can elaborate, will be very useful, sir. So that is the first question. Maybe a little more depth in terms of how are we going to change the whole trajectory, I think that will be very comforting for investors.

The second question is, sir, on recoveries, even though, like you rightly said, we had guided INR100 crores GNPA decline, and it's going to be much better than it -- than that for this year. But where do you see recoveries? Because a lot of our restructured book as well as the NPAs is sitting -- there's a large block there.

So recoveries is going to be very important for us over the next 2 years. So the SARFAESI situation and the initiation you've done at SARFAESI, can you give us some broad guidance in terms of the where do you see the trajectory of this recovery is going over the next few years? Because there's a large chunk sitting down in restructured book, not restructured book, but mostly as GNPA, recovery will be from NPA, not from restructured book. There will be some slippage from restructured book. These two things, if you can please elaborate in more detail? Thank you.

K. Swaminathan:

Okay. Thanks, Mr. Akash. See, as far as growth is concerned, just to be very clear. The company's growth was not all that good in the last few years, even before COVID. See the growth number was only around 10%, 12%, 7% and all pre-COVID. Of course, during COVID, it was 2% or minus 2%. From that level, the company is slowly but steadily going up. See, '23 was around 5%. '24, which will be around 9%. So what we are projecting is more on a conservative level, more on a realistic level. That is why, when we say 12% in the normal growth path, I think it is quite reasonable.

See, we had planned to do a disbursement of INR4,000 crores. So that is from the existing, we will be doing something like INR3,200 crores by the end of this year. And what we are predicting for the next year is, in addition to the normal growth from our existing branches, we also plan to open some 40 new centers. So we are expecting a contribution from these 40 new centers also adding to our disbursement number.

So with all these only, we are now projecting a normal growth of 12%, which we feel that's quite reasonable. Especially what we plan to do is let us promise less so that we try to perform more. And we are also planning to add more and more sales people in our vertical. There is a likelihood of a person exclusively -- at a senior level, an exclusive person to follow up on business parameters. He's also likely to join. And with the new setup of sales, with a different way of approaching our customers, I think what we are projecting for next year as well as in the next 2 years -- further 2 years, I think it is more a reasonable level.

So the way we are going to reach around INR20,000-odd crores in 2027. And by the trajectory by which the company has been performing in the last 2 years, I think it is not unreasonable to achieve a number of INR20,000 crores. And we are quite confident by the momentum that the company has gained in the last 2 years, it should be in a position to reach INR20,000 crores by 2027. And if we are supported, as I was telling the previous caller, if we are supported by the government measures or by our own impetus inside the organization, I think the acceleration also will take place, and we will be even surpassing our own estimates.

So the new branches as well as the additional sales staff, all these are going to contribute to our improved numbers as far as growth is concerned. And we, as a company, as a management, we are quite positive and confident we'd be able to reach these numbers.

Now coming to NPA, see, the NPA numbers have now reached a stage where almost all the 4,000 odd accounts we have now, I think it is slightly lesser than 4,000 accounts, it has almost reached a level where it is going to be an auction level. Now for that also, we have already reached certain states. We have now started a separate vertical exclusively for following up from their legal angle. So our own recovery department, we have split it to two – one is recovery collection, recovery legal. So we have engaged some three or four exclusive legal people, mainly to follow up on SARFAESI related measures, because all these accounts have reached the – SARFAESI auction stage.

So what we are predicting in the next 2 or 3 years is a similar performance of what we've done in '23-'24, a reduction of INR100 crores per se per year in each of '25, '26 and as well as '27. This is excluding any of the technical write-off that the company may engage if things are favourable.

The expected GNPA number by 2027, GNPA I'm talking, is -- will be 2%. It is around 4% now. We will be reaching around 2% by 2027. That is our expectation. And we are quite confident by the way the trajectory is moving. We are quite confident that we will be able to do. In addition to attacking the existing NPAs, we are also following up on the present overdue accounts. That's what I was saying, the second vertical within the recovery department is called the collection vertical.

Around 80 odd people are there in the field, which number also will increase over a period. These people are there to handle only our 1 plus DPDs. And if the trends which we saw in January 2024 is to go by, we are quite confident that over a period of 2 or 3 years, we will be on par with the others in the industry as far as overdues are concerned.

That said, the flow from Stage 2 to Stage 3 also will get minimized, and our GNPA number as we are seeing, is likely to reach a number of 2%. This I am repeatedly saying this also clearly organic, excluding any ARC sale that we may enter into in a few years or any technical data the company may have. So without all these itself, we are quite confident the company will be in a position to reach GNPA number of 2%. I think I have answered that, right?

Akash Jain: Yes. Can I just ask a quick follow-up question on this part only. I think earlier we had mentioned that one is -- once we are now at a stage where auctions are happening, so are we also seeing some people -- hello?

K. Swaminathan: Yes, yes. Please.

Akash Jain: Yes. So now that we are a stage which is very close to auction, are we seeing the customers or the homeowners coming to the table for settlement with the company? So what is -- what are you observing on that trend? And earlier you had mentioned that auction obviously is not the best option both for us as well as a customer, right, because there is other recoveries and the customer also, to some extent, lose a part of its equity in the business.

So how are we viewing -- because there's a large NPA to be auctioned, so what is your view in terms of under-recoveries and how aggressive will you be in terms of recovering both -- either with a onetime settlement options or with the -- and go ahead with auctions? So that's more -- a little more thought on that part, sir? Thank you.

K. Swaminathan: You are perfectly right as far as auction thing. Only thing is this auction, in our view, should be used more as a threat than as a pure recovery measure. And that is the strategy we are completely following? Okay, each and every account -- NPA account and the legal team is expected to follow. see that -- it gives a pressure on the borrower so that he comes to us for a discussion. And that we are seeing a momentum. If things are what we are seeing in this current month, if it is to go by, we are seeing some momentum. Hopefully, by the pressures that we bring in, we will be in a position to have more and more people on discussion table, and we will be in a position to reduce the NPA number. Maybe we will also have to have some relaxation on our settlement mechanism. Maybe we may have to sacrifice some more interest because there will be some NPA accounts which are more than 1,500 days or more than 2,000 days old account. Maybe some relaxation in our recovery policies also will happen. With all this, we are quite confident that, going forward, the GNPA number will be coming down.

Moderator: Ladies and gentlemen, we have the line for the management reconnected. So please go ahead. Mr. Vikas, you may go ahead with your question, please

Vikas: Sir, first of all, big congratulations to you on achieving that INR100 crores recovery in this year, sir. I had two questions. So the first is some data keeping. I would want to know the numbers for BT out, recoveries and slippages for this quarter, sir?

K. Swaminathan: Okay.

Vikas: Should I go ahead with the second question, sir?

K. Swaminathan: Yes, please.

Vikas: Yes. So the second question is, sir, is there any plan to reduce the concentration of Tamil Nadu in your overall business? Because I think it's right now at 55% plus. So any thoughts on that, sir? Just these two questions.

K. Swaminathan: Thanks, Mr. Vikas. As far as BT out is concerned, it is around INR30 crores per month. okay? And BT in are also at the same level. And then coming to recovery and slippages, slippages are INR57 crores during the quarter and we were able to recover INR76 crores during the quarter. That is for Q3 '24. Your other question was reducing concentration. See, Tamil Nadu is around 57%. But Tamil Nadu is our core market Mr. Vikas, so we do not want to lose our hold in this particular market. So while we want to grow in other areas, definitely, we do not want to lose our grip in our market, in our core market.

So in our growth strategies also, we would like to maintain at least the same percentage that we are having. So next year also, for example, when we are planning around 40 new branches, we will be having around 50% in Tamil Nadu and the remaining 50% will be non-Tamil Nadu regions. And maybe in Tamil Nadu, we will be reaching something like Tier 3 or Tier 4 centers. But the second year onwards, maybe you are right, with Tamil Nadu would have got some saturation, we may be moving to other centers. And the ratio of Tamil Nadu to non-Tamil Nadu will be less in the second year onwards.

Moderator: The next question is from the line of Kaustav Bubna from BMSPL Capital.

Kaustav Bubna: So I just wanted to understand, we're speaking about slowly gaining back growth momentum. Just wanted to understand how -- on the speed of growth...

K. Swaminathan: Can you be a little bit more louder? You are not audible.

Kaustav Bubna: Yes. You can't hear me? Can you hear me?

K. Swaminathan: Now, it's okay.

Kaustav Bubna: Yes. So I just wanted to understand on the speed of growth, see, right now, we are 15.5% to 16% ROEs, right? And -- yes, yes. Can you hear me? Hello?

K. Swaminathan: Now it's okay, sir.

Kaustav Bubna: Yes. So right now, we're at 15.5% to 16% ROEs, but NIMs could have -- could be topping. So just wanted to understand if NIMs come down, what are the steady-state NIMs should -- we should see in the current rate environment if rates stay stagnant? And also wanted to understand what type of -- you're saying 12.5% growth in FY '25. So will this growth rate be enough to maintain these ROE levels given that NIMs could be topping over here?

K. Swaminathan: Okay. Sir, you were not fully audible, but I could understand the context. See, for the next 2 years, we will also have an advantage. In addition to our growth-related net interest income, we would also have an advantage of provision -- excess provision that we are already holding in our books. So the more and more recovery measures that we are going to have, that will help us in increasing the release of provision. So going forward, that will definitely help us in improving our ROA and ROE levels. That is one advantage that we'll have in the coming years.

Kaustav Bubna: So you're saying your credit costs could come down?

- K. Swaminathan:** Definitely.
- Kaustav Bubna:** Which will improve your...
- K. Swaminathan:** There could be -- going forward, there could be even a reversal of provision. See, so far, we have been holding back. Whatever is the release of provisions, we are holding back, we are increasing our provision coverage ratio. But going forward, as more and more provisions are happening and our provision coverage keeps increasing, maybe time will come when we will start releasing our provisions, which will help us in improving PAT as well as results.
- Kaustav Bubna:** So is this a possibility for FY '25? And could you give some kind of quantum on what range could that be, like how many INR100 crores? Like what -- INR50 crores? Like what is the range you're expecting of...
- K. Swaminathan:** Sir, internally, we are estimating something like INR40 crores to INR50 crores of provision release in '24-'25, depending on how things move up. But hopefully, by the trend of the NPA movement, I think it should be possible for us.
- Kaustav Bubna:** Okay. Great. But again, on that question, do you think apart from the write-back that we could be getting, what about growth rates? Is that 12.5% enough to maintain these ROEs? Or we should be growing faster? I'll just frame my question in another way. given all that -- yes, can you hear me?
- K. Swaminathan:** Yes.
- Kaustav Bubna:** So given these scenarios we see going into FY '25 on interest rates, etcetera, what type of ROE should we expect and ROA should we expect for FY '25?
- K. Swaminathan:** FY25, can you give me some time, I will give you exact number, okay? Whatever we have planned.
- Moderator:** We take the next question from the line of Tejas Shah from Laser Securities.
- Tejas Shah:** Sir, can you throw some light on the new RBI directions? For the processing charges, are we included in that or only the banks are included?
- K. Swaminathan:** I don't think there is an issue as regards to processing charges. That is it's -- not on processing charges, but I think it is related to Penal income, right?
- Tejas Shah:** Yes.
- K. Swaminathan:** Yes. penal income is -- as far as we are concerned, we have been not accounting for penalty income even otherwise. Okay. So only as we earn, we vouch the penal income. So that way, the company is not affected by the any gain on penal income.
- Tejas Shah:** Okay. And is there anything on the processing charging side? Because I think they specifically said when we take the loan, when we are charging processing charges or any documentation

charges, now that needs to be included in your rate of interest, what you are charging. So are we affected on that or no?

K. Swaminathan: To my knowledge, I think there is no issue. We will check up sir. To my knowledge, there is no issue as regards to processing charges. But still, I will check up, if anything, we will definitely inform offline.

Tejas Shah: And any growth rate -- looking at the housing demand, we can definitely do better than what we have or are we planning any co-op lending also, if that helps, in terms of the growth?

K. Swaminathan: Yes, you're right, sir. That is also in our horizon. See, it all depends on if we are able to grow on our own. Definitely, this co-op lending will help us in improving the numbers. That is for sure. But that's what I'm saying, whatever we have given a number, it is purely organic, it is purely in-house what we are doing. Anything extra, like book buying or co-op lending or any other thing, will be all additions.

Tejas Shah: Okay. I think, if you can look at sectors which are out of your domain for a co-op lending, I think then that can help as a big growth lever.

K. Swaminathan: We will take your view, sir. See, in fact, we have got one or two queries from some of the organizations. We will take a view. If it is profitable, we'll definitely take a view.

Moderator: The next question is from the line of Bunty Chawla from IDBI.

Bunty Chawla: Sorry, I joined late if I'm repetitive. Can you share the exact number you have guided earlier for recovery of more than INR100 crores in FY24? So what is the absolute number for 9 months FY24?

K. Swaminathan: See, FY24, that is nine months, GNPA has now come down to INR618 crores.

Bunty Chawla: No, no. You have guided for the recovery of more than INR100 crores in FY24. So -- and last quarter, you said, in H1, we have recovered around INR82 crores. So what is that number for nine months?

K. Swaminathan: Sure. See, nine months is INR213 crores reduction and INR112 crores slippages.

Bunty Chawla: Okay. And sir, if we see during this FY24, we have this much of recovery in hand, that's why our credit cost is almost low in last few years, which is coming around 9-10 bps only. How is the next year, FY25, we should see is with respect to credit cost if our similar kind of a recovery we have so that our credit cost? So any guidance on the credit cost for the next year as such?

K. Swaminathan: Actually, I'm not able to give you any specific credit cost. But we are quite confident that the credit cost will not be much. In fact, as I was telling a previous caller, there will be a provision reversal. So net to net, there will not be any impact. That is our expectation by the way we are going. This confidence is coming only because our new book, so far it's holding very well. We have not seen much of a deterioration in the new book in the last or two years, whatever disbursements that have happened. So based on that -- and it is only the existing NPA books

which will have an impact on our NPAs as well as credit costs. There, we are confident by the way we are performing. We are quite clear that the numbers will keep coming down, and there will not be much requirement of increasing the provision or increasing the credit cost.

Bunty Chawla: Okay. And sir, lastly, on the margin front, though there has been a slight dip in the margin, but still we are well above 5% for this year. What will be the margins -- how the margin should shape out in Q4 and then FY25?

K. Swaminathan: Sir, Q4, definitely, it will be on par, sir, or there may be a slight dip. But FY25, what we are saying is we do not mind. Internally, we have now talked. We do not mind foregoing some spread if we would be able to retain our customers and improve the quality of the customers. But we will be supported -- as far as yield is concerned, NIM is concerned, we will be supported as I was telling, by the reversal in provisions.

So net to net, there will be an increase in the NIM numbers. That is our expectation. Today, we are at around 5.1%, we will definitely be maintaining at least this number.

Bunty Chawla: Okay. 5.1% for FY25, you're saying, right?

K. Swaminathan: Yes.

Moderator: The next question is from the line of Anand Mundra from Soar Wealth.

Anand Mundra: Sir, I wanted to understand when we are saying INR100 crores of GNPA reduction in this financial year for the first nine months, so they have become a standard or we have -- the loan has been reduced?

K. Swaminathan: The loan has been reduced. We have recovered.

Anand Mundra: Okay. So next year...

K. Swaminathan: It has been upgraded or recovered. It is a combination of everything. But mostly, they are recoveries.

Anand Mundra: Okay. So mostly, there is a reduction of AUM because of that?

K. Swaminathan: Yes, yes, yes.

Anand Mundra: Yes. So next year also, sir, when you're guiding for 12% growth, we have to factor in 2%, 3% contraction in portfolio because of GNPA recovery, because we would be doing auction of so many properties or we would be recovering that?

K. Swaminathan: Yes, you are right, sir. You are right. Even in the current year, one of the reasons why our AUM is not growing, is this -- see, for example, in the last three quarters, our recovery has been something at INR200-odd crores, so -- INR213 crores. See, this is one of the reasons of our AUM not growing. So this is also to be factored.

- Anand Mundra:** That translates to around 1.5% of AUM. It has not grown because of growth has -- so next year also, there would be 2%, 3% impact. So net of that, our growth may be 10% only.
- K. Swaminathan:** Yes. No, no. Whatever we have projected is after factoring this GNPA.
- Anand Mundra:** Okay. So gross growth can be 2%, 3% higher than 12% what you are projecting?
- K. Swaminathan:** It's still better, yes.
- Anand Mundra:** Yes. Sir, second question was what is our NPA split between new book and old book? By new book, I'm saying post COVID you have built. So all this GNPA package will be from the previous book?
- K. Swaminathan:** Yes. So new book, as I was telling, new book that is holding really well. And internally, we have found out that slippage in the last two years disbursement - we have disbursed around INR5,600 crores since January '22. And today, out of this new book, the slippage is only around INR18 crores. And whatever is the NPA is all with previous book. Usually it is more than four years or five years only.
- Anand Mundra:** So from January '22 -- sir, if you can cumulatively give the data on a quarterly basis in presentation, that would be helpful to understand how the new book is doing and -- because historically, the Repco always had higher GNPA or Stage 2 loan. So there is something which is changing. That's the reason I'm saying the new book has a lower number of GNPA or Stage 2 loan, so I was wondering if you can keep that as a part of the presentation every quarter.
- K. Swaminathan:** Okay. See, that is the strategy. In fact, we want to see that the new book doesn't increase our NPAs. So we -- in our underwriting standards also, we are improving. So that the new book is not giving us additional problems. So whatever GNPA's that we are handling is only the existing ones, which we are tackling.
- Anand Mundra:** Okay. Sir, another question was, what about the Stage 2 percentage currently?
- K. Swaminathan:** 12%, sir.
- Anand Mundra:** So there's no major reduction over there?
- K. Swaminathan:** Around -- see, in the last quarter, we have reduced around INR50 and odd crores. So our estimate is to make it below 10% by March '24. One, of course, the denominator also will increase. So we will be ending up around INR13,500 crores for March '24. Today, we are around INR1,500 crores as far as Stage 2 is.
- Anand Mundra:** Understood, sir.
- K. Swaminathan:** See, the AUM is expected to be around INR13,500 crores by March '24. The expectation of Stage 2 in March '24 is to be between INR1,350 crores, INR1,400 crores.

- Anand Mundra:** Okay. Sir, okay. The last question which I had was what would our loan from National Housing Bank. What is the status of that approval, sir?
- K. Swaminathan:** For '23-24, unfortunately, we could not get the sanction. But '24-25, we are confident. But even otherwise, we have got enough sanctions from the bankers. So that way, we are quite comfortable.
- Anand Mundra:** But National Housing Bank loan would certainly reduce our cost of capital, sir, or cost of borrowing?
- K. Swaminathan:** You're right. You are right. At least there will be a marginal reduction. So that will be an additional feature in the next year.
- Moderator:** The next question is from the line of Sarvesh Gupta from Maximal Capital.
- Sarvesh Gupta:** Sir, in your NIM calculation, do you include income from the write-backs? And if we were to adjust that, what would be the adjusted NIM?
- K. Swaminathan:** See, so far, write-backs have not been factored because this company was only providing, which was not adding back. Probably next year, we may have -- we may start some write-backs, because there's no point in keeping on adding to the provisions. But whatever this 5.1 we have said is, taking into account this write-backs as well.
- So write-backs we are factoring around INR50 crores. This 5%, we have factored this as well. Let us see. Maybe I can drill down, find out what will be that excluding write-backs. We are estimating around INR425 crores of profit.
- Sarvesh Gupta:** Sorry, what level of profits? Sir, I couldn't hear you.
- K. Swaminathan:** See this - Ms. Sarvesh, am I audible now?
- Sarvesh Gupta:** Yes.
- K. Swaminathan:** Sarvesh, I think you wanted a break-up of NIM excluding this write-backs, right?
- Sarvesh Gupta:** Yes.
- K. Swaminathan:** Yes. We'll get back to you, sir. But the thing is so far this company has not done any write-backs. From next year onwards, we may have to have some write-backs. Okay. We will give the bifurcation without write-backs, maybe separately.
- Sarvesh Gupta:** Okay. So to put this differently, like if we just look at the spreads between our current cost of borrowing and the expected loan interest rate, sir, what would that be in, let's say, next couple of years? Because it is at a higher level, so -- I mean, for growing fast, do we expect to sort of bring it down?
- K. Swaminathan:** Yes, sir. That is -- am I okay -- audible, Mr. Sarvesh? I mean, Sarvesh, see -- presently, our spread is around 3.4%. But as you said correctly, maybe it will be very difficult to sustain for

the quality of customers that we are handling. So internally, we are now projecting that we may even go down to 3% as far as spread is concerned, so that we maintain the quality of customer profile.

Sarvesh Gupta: Understood. And secondly, on your cost to income now, there would be some one-offs maybe because of the software implementation, tech upgrade, etc. So where do we see it settling down in the coming years?

K. Swaminathan: I'm unable to hear you. I think there is some line problem at your end.

Sarvesh Gupta: Yes, sir, I was asking there might be some one-offs in your cost structure right now because of the software implementation and the changes in hiring and all that, that we are doing right now. So excluding that, in the coming years, what could be our cost to income?

K. Swaminathan: See, today, cost-to-income ratio is around 22%. And the Board has also indicated that, at no cost, you should increase the cost-to-income ratio. I think the volume increase will help us in maintaining this cost-to-income ratio. And the additional costs, see, it's already -- we have now paid around INR22 and odd crores as far as technology is concerned. Another INR20 odd crores may be there. But despite all that, I think we should be in a position to bear that additional costs as far as technology as well as the additional establishment costs because of this increase.

Sarvesh Gupta: So after this year or next year, maybe from FY'26...

Moderator: Ladies and gentlemen, we have the line for the management reconnected. We're extremely sorry for the inconvenience caused. Sir, you may please go ahead.

Sarvesh Gupta: Yes, the question was this INR20-odd crores that we are incurring per year in this software implementation. So will that go away from FY'26?

K. Swaminathan: Yes, Sarvesh. First of all, my apologies for the break that has happened. Yes, this INR20 crores -- see, we have already incurred INR20 crores. Another INR20 crores may be there in the next year. That's all. With that, it will stop. We have six years to have a depreciation for this entire of INR40 crores. So with that it should not be a big problem for us to absorb this technology expenditure.

Sarvesh Gupta: So sir, it will continue as it is every year? Or will it go away from FY'26?

K. Swaminathan: See, as far as the software implementation that is now in progress, it should be over. Maximum, another INR10 crores, that's all, it should be over. But technology, it's dynamic. So maybe two years hence, maybe we may again incur something extra. But the company should be in a position to absorb.

Sarvesh Gupta: Understood. And sir, finally, on your credit cost. So of course, it is lower right now because you're also getting the benefits of the write-backs or maybe reduction in the GNPA. But in a steady state, what can be the expectation now in terms of credit cost?

- K. Swaminathan:** See, every month, our slippage is around INR20 odd crores, okay. So net-net, I think going forward, too -- and even in this INR20 crores, it's all the old book that is slipping. The new book, as I have been saying, it's not all that problematic. With that being the case, I think we should be in a position to absorb whatever is the little credit cost that may happen because of these slippages. It may not be much. That confidence is emanating because of the quality of the new accounts.
- Sarvesh Gupta:** Sure. Thank you, sir.
- Moderator:** We will take the next question from the line of Rajiv Mehta from YES Securities. Please go ahead.
- Rajiv Mehta:** Yes. Sir, I have a few questions, firstly, on the asset quality. You said that you've disbursed INR5,600 crores since January '22, and the slippages, which is 90 plus, is only INR18 crores. Can you also tell us how much will be between 1 to 90 of slippages? Can you just tell us how much will be Stage 2 out of the new disbursements that you've done?
- K. Swaminathan:** I do not have from 1 to 90. I think from 30 to 90, it is around 4.5%. 4% -- less than 4%.
- Rajiv Mehta:** Correct. So even that is significantly lower than the old book?
- K. Swaminathan:** Yes.
- Rajiv Mehta:** And now just coming back to credit cost, it seems that it's going to be remaining negligible for a long period of time because on a quarterly basis or on an annual basis, you'll be reducing NPL by INR100 crores. You are already carrying a 60% coverage. Plus you'll also be improving Stage 2 assets and even there could be some provision releases or at least the incremental provisions will not be there.
- So now what about -- so one is that the incremental provision releases will be taken back or will get adjusted. What about the current excess that we are standing with in terms of management overlay? Because I believe you're having a very high coverage. So any plan to take any accelerated actions in terms of -- doing some technical write-offs, doing some [ARC sales] -- accelerating your journey to 2% NPAs?
- K. Swaminathan:** See, we have additional overlay of around INR100 crores as of now. See, this is -- may help us in doing a technical write-off or even in ARC sales. But as of today, we do not have any such immediate plans of inorganic reduction. Maybe we will take a call on 31st March. Depending on the numbers, we may take a call.
- But ARC sale immediately, we are not in a position to do any ARC sale today. Because we have additional provision, we have surplus provisions, I think that will help us. And recovery is also happening. So a way to incur cost for this ARC sale. That is our plan today. So today or maybe this quarter, we may not enter into any ARC sale. But during the course of next one or two years, maybe we will take a call depending on the availability of provisions and the NPAs.

Rajiv Mehta:

Okay. And sir, in terms of growth, what is stopping us from growing slightly faster than what we are growing with? Because I think we are making -- we are adding people, sales people in every branch. We are willing to try to compromise even on spreads and margins. As you just said that we are sitting on higher margins and spread, and we are okay with retaining customers, are acquiring high-quality customers, and can become more competitive also in terms of rates in the market. So operationally and even from a pricing standpoint, they would lead us for growth. And when you talk about 12% growth next year, it is some industry level growth on even a low base. So is it a minimum number that you are giving out that we'll achieve?

K. Swaminathan:

Okay. Rajiv, one is whatever numbers we are projecting for next year, it is purely conservative, as I told earlier. But as far as the trajectory is concerned, please also understand what was the trajectory two years back. The company is truly coming out of its negative thing. See, it was 2%, minus 2% and all that. So I do not have a magic wand so that suddenly we grow 20%, 30%, like others in the industry. See, the existing staff members are also reorienting themselves with the new verticalization and all that we are now implementing.

So I think it is quite natural that it will take some time for the existing staff. See, even the sales vertical or the collection vertical that we have now implemented, these are all the staff who were inside the branch, who were doing desk work or doing non-sales related work. Slowly, they are now being trained to do work like what the others in the industry are doing. So it is taking time, it is quite natural that it is taking time for them to adapt to this new situation. And I should compliment that people have realized the situation and people are now going out. Things are improving.

But I think I should be more realistic in giving growth number. So the growth that is happening is more realistic. I think this will be a sustainable level. And more importantly, we do not want to just like that improve the numbers, giving a compromise on quality because this is a basic differentiator between our company and other company because our NPAs are already on the higher side. So we do not get into future problems. We do not like to get into future problems on NPA front. So that is one of the reasons while we want to grow, we want to grow qualitatively.

Rajiv Mehta:

Got it. Clear. And just last question, while you were discussing the road map for the next three years in terms of growth and many other things, did we -- did the Board also decide on the dividend payout? Because, sir, our ROEs are 16-odd-percent. We've been sustaining 15% ROEs in the last three quarters. Our growth rates are improving at a gradual pace. And we will be -- we are sitting on excess provisions, so credit costs will also be lower in the coming quarters. So it seems that we'll be maintaining good ROEs and the growth will remain slightly lower in ROEs. So to utilize and to improve ROEs in future and to utilize capital, are we thinking of giving out better dividends in the future?

K. Swaminathan:

Rajiv, last -- yesterday's meeting, this particular issue was not discussed. Maybe in the forthcoming Board meeting...

Moderator:

Participants, we have the line for the management connected. Sir, please go ahead.

- K. Swaminathan:** Rajiv, see in yesterday's meeting, there was no discussion specifically on dividend payouts. Maybe in the next meeting, there will be a discussion on dividend payout versus growth percentages. That time, I think the Board will also take a call on dividend percentage.
- Rajiv Mehta:** Okay. Thank you so much and best of luck.
- Moderator:** The next question is from the line of Rishikesh from RoboCapital. Please go ahead.
- Rishikesh:** Yes, hi. Thank you for the opportunity. Sir, we have our current employee strength of around 1,050. Could you please let us know how much is for the sales front? And regarding our future targets, you would be adding more sales staff. So how much are you looking to add and by when?
- K. Swaminathan:** See, as of now, we are having 200 people on sales, okay? During the course of next year, if the growth is also around the same level, maybe we will be adding maybe 40, 50 people more. But if you are seeing some tailwinds, which will help us in improving the numbers, definitely, we will be adding at least another 200 people.
- That depends on how would the things improve during the course of next year. Otherwise, as of now, from 200, maybe we will be adding another 40, 50 people next year – if things grow in the same way that we are now growing. So the management will take a call depending on the growth pattern.
- Rishikesh:** Okay. And this should add value after you hire maybe around in 5, 6 months, would it be fair to say?
- K. Swaminathan:** Yes. Because it will take some time for the new entrants to understand our company, understand our policies and so on. So some 2 or 3 months will be a stabilization period. So post that, they will start giving us numbers.
- Rishikesh:** Okay. And would you be starting hiring like in future -- like next quarter itself, or like could you give us a broad sense when are you starting to hire staff?
- K. Swaminathan:** See, the hiring is on an ongoing basis. Because in the industry, people are also resigning, so there will be replacements even for the existing staff. So the hiring will keep on happening. But for the growth, there will be an increasing number. Even for the next year, we are planning for 40 branches, which means at least around 200 people we will be hiring. For the growth of existing -- our existing numbers as well as for the new branches, we will be hiring at least additional of 150 to 200 numbers.
- Rishikesh:** Okay. And secondly, the branches which you said, which you'll be adding 40 per year, where are you looking to add those branches in the new areas or the existing areas, if you could indicate, please?
- K. Swaminathan:** See, for '24-25, 50% of our branches will be in Tamil Nadu. That is our plan. Maybe in Tamil Nadu, we will deepen our presence. But in non-Tamil Nadu regions, we will be exploring new branches, mostly in the areas where we are already present, like Gujarat, Maharashtra,

Telangana, Andhra and Karnataka. Maybe '26, we will also be branching out to newer centers like NCR or UP or Bihar.

Rishikesh: Okay. Thank you very much.

Moderator: Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to the management for closing comments.

K. Swaminathan: I should first thank you. And my apologies for all the technical glitches that happened during the course of this conference call. I once again thank YES Securities as well as all the analysts who are present in the call. Once again, thank you for the importance that you have given for this particular company. Thank you. Wish you all the best.

Moderator: Thank you, sir. On behalf of YES Securities and Repco Home Finance, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.