



“Indiabulls Housing Finance Limited
Q2 FY 2024 Earnings Conference Call”

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INDIABULLS HOUSING FINANCE LIMITED**

Moderator:

Ladies and gentlemen, good day, and welcome to the Q2 FY '24 Earnings Conference Call of Indiabulls Housing Finance Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during 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. Gagan Banga, Vice Chairman, MD and CEO. Thank you, and over to you.

Gagan Banga:

A very good day to all of you, and welcome to the quarter 2 FY '24 Earnings Call. A very happy Diwali and wish you a happy, healthy and prosperous year ahead. We shall start with Slide 4 and then come back to the key financial highlights on Slide 3. I request everyone to please turn to Slide 4. .

Quarter 2 fiscal '24 was a turnaround quarter for the company. It is the last quarter of chunky debt repayments for us. In quarter 2, we repaid debt of approximately INR 5,000 crores. And for the 12 months ended September 30, 2023. We repaid a gross debt of INR 19,305 crores. Since September 2018, the start of a period of elongated liquidity squeeze for non-banks, we have repaid gross debt of over INR 1,64,000 crores and net debt of INR 85,587 crores.

This translates to gross and net debt repayments of almost INR 33,000 crores a year and INR 17,000 crores net debt, respectively, every year. Contrasted with approximately INR 19,000 crores that we have repaid in the 12 months, and INR 5,000 crores that we have repaid in quarter 2, our debt repayments for the next 12 months are only INR 4,700 crores; for the next 24 months, including the INR 4,700 crores to be paid over the next 12 months, a total of INR 10,267 crores which translates to a debt repayment of only about INR 400 crores per month. Against this, from our loan portfolio, our inflows will be approximately INR 800 to 1000 crores per month. This relates to an excess liquidity from the ALM of between INR 1,200 crores to INR 1,800 crores a quarter. This, along with incremental borrowings is now fully available for the AUM growth in the target segments primarily retail.

Please remember that under the asset-light model, we need to fund only about 20% of the incremental retail disbursal and the rest gets turned as it is sold down to our co-lending and sell-down partner banks. A few other numbers on the slide later point strongly about how comfortably we are now placed on the ALM front.

Our gross gearing is now under 2x, and net gearing stands at only 1.6x -- we have a very comfortable liquidity cover, which works to over 1.5x next 12 months debt repayments. In the long term, we intend to keep this number given the now very, very benign ALM. We intend to keep this number at about 80%. I would request you to now turn to Slide 5.

With the ALM turning positive, we are now in a position to step up disbursals under the asset-light model. From presently about approximately INR 700 crores a month by March '24, as we have been speaking about earlier, we should be at about INR 1,200 crores of monthly retail disbursals.

In anticipation of this degree of freedom afforded by liquidity from a positive ALM, we have been expanding our manpower and our branch network. We are now at over 5,400 people, up by about 2,000 people from March of 2021. And we have expanded the branch network to 220 branches.

This is about the same number where we were both on people and branches in fiscal 17, when we used to average an approximate INR 3,000 crores of disbursements a month. We are capacitated for over 2.5x of the number that we are currently doing. We intend to mature both the people as well as the new branches to make sure that we can continue to grow on the INR 1,200 crores per month that we wish to achieve by March of 2024.

At the macro level, the economy has emerged very strong and resilient, and the housing sector is seeing strong secular growth. Across price segments, many longstanding industry observers and experts are unanimous in their view that this is the start of a long up cycle for the real estate residential sector. Growing organization, nuclearization of families, and a fast-growing economy and concomitant rise in incomes are factors that were always favoring housing demand in India.

All of these are now playing out. For the company, stability in profits, good recovery traction from wholesale loans, and receding risks mean that we are also now on an extremely strong financial footing. We have thus got all the engines firing for the AUM growth that we are henceforth targeting.

I will now go through Quarter 2 Fiscal 24 numbers, for which I request you to turn back to slide 3 of our earnings update. Our net interest income came in at INR 893 crores versus INR 821 crores in the same quarter last year. For H1, the number is INR 1,454 crores versus INR 1,404 crores in H1 of last year. Profit after tax for the current quarter was INR 298 crores versus INR 289 crores in the same quarter last year and for the half year, it is INR 594 crores versus INR 576 crores for first half last year.

Annualized net interest margin stood at about 4.8%. RoA has expanded to 1.6% and is inching upwards to the desired past 2% mark. Gross NPAs stood at 2.88%. Net NPAs stood at 1.66%. At INR 1,830 crores, the gross NPAs are at the lowest that they have been in the last 12 quarters. Net debt-to-equity is muted at 1.6 times. And capital levels are standing very comfortable at a CRAR of 35.7%, of which Tier 1 is over 31%.

As we've been indicating, we are now beginning to see healthy recovery from the portfolio that we had prudently technically written-off over the last five years. In the first half itself, we've had recoveries of INR 546 crores. For the period, recoveries and NPA upgradations were higher than the new NPA formation, resulting in reduction in NPAs and increase in provisions.

Resultantly, as mentioned, our NPAs are at the lowest that they have been in the last 12 quarters. As the wholesale portfolio assets gets further developed, the portfolio logically de-risks and is further aided by the sharp turnaround in the real estate sector, which is also resulting in our Stage 2 loans having dropped to their lowest level in the last 12 quarters. They're now at just under 5%, approximately 4.9%, down from a high of 24% during the period of the COVID pandemic.

So 24% is now down to 4.9%. Retail disbursements under the Asset Life model are at INR 4,807 crores in the first half.

Cumulatively, the company has disbursed almost INR 16,000 crores since Fiscal 2022 under the Asset Light model. We've set the foundation for this, and now we are at that stage where both from a capital availability as well as capacity perspective, we can rapidly grow this.

At the end of September'23, we carried liquidity of about INR 6,000 crores. The ALM, which we have displayed on a cumulative basis for each bucket, we are positive across all buckets and will have a positive net cash of over INR 10,000 crores at the end of the first year. Our detailed 10-year quarterly ALM is in the appendix slide of the earnings update on slides 19 to 23.

As per RBI Master Directions for housing finance companies introduced in February'21, IBH is required to maintain a liquidity coverage ratio of 60%. Against this, the company's LCR stood at 925%. Please know that LCR is only basis high-quality liquid assets maintained as defined by the RBI and excludes even banks FDs, the actual liquidity that's available with IBH is much, much higher.

In line with our approach to create and build up trustee-managed pools of monies to grow out to meet [chunky], repayments, while management continues to strongly believe this is a traction on business that the foreign currency convertible bonds would get converted in March and September of '2024, but as a prudent measure, we have for the March'24 maturity, created FDs totalling to about INR 942 crores, which is 75% of the USD 149.5 million or INR 1, 255 crores.

Our stock exchange intimation regarding this has also been made today. We have another foreign currency convertible bond of about USD 135 million, which will have put options in September'24. As I said earlier, given the conversion price, and the traction that we are seeing in our business and thus, we hope that would get converted into the market price of the stock as well, which should lead to conversion.

We strongly believe that would happen. But, we are now in the process of obtaining the requisite approvals from the requisite external stakeholders, vendors etc. and we hope to create the first 25% of the fixed deposits that we have historically created for our foreign currency borrowings. And we will keep topping up this with 25% with every passing quarter. The first 25% we should create in the current quarter itself.

Since, September 2018, we have repaid debt and securitization liabilities of over INR 1, 64,000 crores. This achievement marks the largest debt repayment, both on a gross and net basis by a corporate entity in India, encompassing both financial and non-financial companies. This is reflective of the quality of the portfolio we built and also our approach to asset liability management.

But in some sense, it's also a 5-year pause that the company took for reasons both beyond its control as well as a part of its internal strategy, where we needed to evaluate and measure the quality of the portfolio that we had created in the steady 10 year compounding that we had done between 2009 and 2019. So we thought it is prudent that we take a gap, allow a large part of the

portfolio that we've built to run down to assess what is the terminal asset quality that we are able to achieve.

Through this period, we've also repeatedly provided reassurance to all our debt investors, that the company has a conservative approach to ALM management, and we plan well ahead of due repayment. So we really used the last 5 years to conservatively approach and affects both our liability program, which has also compounded at a very steady rate through '2009 and '2019 and had encompassed at the end of 2019 having over 250 Indian and overseas lenders.

To each of them, we had to go back with an approach that we are both conservative borrowers as well as conservative lenders. The company's ALM management and liquidity planning has never resumed -- sorry, assumed refinance of domestic or international bonds. On the liability side, we will continue to maintain a strong liquidity position. We will continue to maintain a strong capital buffer and with the asset book having significantly run down, we believe that we understand the provisioning requirements, the credit cost requirements as well as the credit standards that we need to maintain and the guardrails that we need to set that as we approach growth, we are both from a liability as well as the asset side, a far more mature organization than we were 15 years ago.

We have a long-term rating, which was reaffirmed by CRISIL just earlier this month of AA/Stable on November 3, 2023. CRISIL, as we all know, is an S&P affiliate in India and the reaffirmation of our AA rating post our half year performance is a big boost to the company's long-term efforts to now start growing the AUM again.

Moving on to asset quality. If you can please refer to slide 9. Gross NPAs stand at INR 1,830 crores, which is 2.88%, net NPAs at 1.66%. We are fully compliant with the RBI circular on NPA recognition based on daily days past due. And these NPAs will not be regularized unless all overdues are repaid. Our Stage 2 loans have declined from INR 22,000 crores that they were at the end of March '20 to all of INR 3,000 crores. Between the provisions we have already created and carried are conservatively estimated recoveries over the next 3 years and some other releases we have included provisions of approximately INR 6,204 crores, which is 12% of the loan book and over 3.4x of our gross NPA.

To conclude, we believe we are well capitalized, our ALM is benign. We are a mature and stable management team with great oversight from our well diversified board. We're also an upper layer NBFC and thus have a very proactive sort of supervision and regulation by the Reserve Bank of India.

All in all, I think we have a good base to now resume the journey of growth. Growth is in our DNA. We took a call to assess to get our bearings and we believe we've landed on our feet so we should start running again now.

On that note, I would end the update for the quarter and open the house for questions. Thank you.

Moderator:

Thank you very much. We will now begin the question and answer session. We'll take our first question from the line of Craig Elliott from NWI Management.

Craig Elliot:

Good Evening! Congratulations on the great results. I wanted to say that we partnered with you through a number of years, including some harrowing ones like during COVID, we have been in 4 different debt instruments. And I wanted to compliment you that you've always laid out in advance which you're going to do and you end up doing what you say. We invest all over the world and our experience with you is world-class.

As far as questions, I'm happy to see that CRISIL appears to understand your new asset-light business model and did indeed affirm your rating. Let me know if there's anything you'd like to add around that? And then the second question is in local market liquidity. You've done a great job, especially vis-a-vis international investors like ourselves, in terms of paying down the financing. What are you seeing as far as local markets as a source to potentially drive your growth in the future? Thank you.

Gagan Banga:

Firstly, thank you, Craig, and thank you, the entire team at NWI and having -- to have really partnered with us through what has not been in 4 to 5 years, both for the company at a macro and a micro or the world with COVID raising, etc. And your words that our approach is world class is like a compliment to the team on how we would aspire to continue to say what we do and do what we say. It's not always easy, but we will try and continue to keep on foot in front of the other entities and hope that we grow from now. CRISIL and Indiabulls have had a 19-year a long association.

We have while perfectly understanding that rating agencies go through their own internal cycles as well as there also in that sense, influenced by what is happening externally. There would be divergent views coming from various rating agencies. We have historically in the past tried to work with all the relevant rating agencies in the country. And our goal is essentially not to try and do rating arbitrage and go and get the rating, which is suitable for us at the moment or not.

The other big realization for the company is that much like other stakeholders, rating agencies can tend to be a little bit more pro-cyclical. And it's a big learning. And I'm not faulting the rating agencies. I believe that when you are on the path of growth, to see an event like what one saw in the IL&FS crisis or through COVID, etc. these are clearly black swan events, which if one starts building into a rating thesis, nobody will ever get to a very high credit rating level.

These are all learnings for the company. So I'm grateful to the CRISIL team that they have appreciated the model. They have been extremely patient in giving us the necessary audience to explain our business case, and they continue to be one of the most mature rating counterparties that I have interacted with over the last two decades. There reaffirmation clearly helps us both domestically and internationally.

Our current audience is the domestic pool of debt captive, largely focused on three pools. One is the co-lending pool, which is the most crucial, the second is the bank term loan pool, which is the second largest pool. And the third is a franchise which we are trying to create, which is raising bonds which are sort of quasi deposits in our case from retail and high net worth individuals and trying to granularize our liability program to the extent that, the extant regulations allow us to do.

On the co-lending pool of capital, rating agencies and their views are important. So what is even more important given the very long track record that we have with our counterparties on the co-

lending and securitization side, is how our underlying pools are performing. And I keep telling all stakeholders in one-on-one interactions or on calls such as these that the risk on the co-lending or the asset-light business model is not how much demand is there.

There is 10x of the demand out there than what we can potentially produce quickly. The biggest risk and in ways -- in some ways, a moat that we have created for ourselves is the underlying asset quality of the loans that we've originated. The moat is that, we have done transactions of over INR 60,000 crores with about 25 parties, of these 25 parties, 8 of them are current co-lending partners. And over the next -- over the course of the next two to three quarters, this number will expand to 12. So after 25, 12 would be our co-lending partners. And they will largely long term be guided by how our back, pool is performing.

If our back pool continues to perform to what they bought from us last year or the year before that, continues to perform, there would be demand. They would obviously get impacted and influenced both positively and negatively by the rating. But the more influencing factor is going to be the performance of the back pool.

The second pool of debt capital is bank term loans. There, again, given the almost a little over \$7 billion of sorry -- almost \$10 billion of net repayments that we have done with the equivalent. A large portion of that has gone to domestic banks. And that has built a lot of comfort. Obviously, they rely on external ratings to help them assess our current financial health.

There also are organizations which are capable of doing their own internal credit appraisal, which they do. And as things stands today, I think today they're more comfortable with our financial health as well as their understanding of what the company does, how does it work and all of that. Because of regulation, we've had a concurrent auditor appointed by these banks for over four years, auditing every rupee in and out that additionally gives them comfort.

I believe today, as our lending counterparties, they've also matured in their practices. They are aided by much tighter and stronger both supervision and regulation of the RBI, and therefore, all of this as a combination provides them a great degree of comfort that we are an upper layer NBFC. And there are all of 15 NBFCs in the country, which are in the upper layer. And RBI is indicating that the trend line for upper layer NBFCs would be a bank like approach to both supervision and regulation that additionally provides comfort to this pool of capital.

The third pool of capital, which is the high net-worth individuals and retail individuals, which today as a percentage of our borrowings would be approximately 5%. But on an ongoing basis, we would like to see this pool contributing starting to contribute at least 20 - 25%. This would get swayed by our credit rating for this pool to continue to give us capital at a comparative cost, we would need to maintain our focus on credit rating and reaffirmation of credit rating coming from the country's premier rating agency is a huge boost in our endeavour to address this new pool of capital for us, which is a relatively virgin pool of capital for us.

That's my perspective. All these three pools are providing us at adequate liquidity. So there is no issue as far as the free flow of capital is concerned. Now it's all up to us as a team to really

prioritize what our approach has to be, operate within the guardrails that we have said and focus on the quality of the portfolio that we are creating versus the quantity.

So when the management team speaks to our feet on the street, we talk about periodically accessing the quality of our origination whether the cost, whether the turnaround time of our co-lending portfolio in terms of how long do we have to hold, the acceptance of what we're originating versus just the quantum of disbursals.

So the quality of what we are disbursing is far more important for us. And while maintaining that quality of disbursals, there is adequate flow of capital, which is available to us.

Sorry, I gave a very long answer to what was perhaps a very direct question, but I just wanted to use this opportunity to explain the model properly to everyone.

Craig Elliot: That's great detail. Thank you very much.

Moderator: Thank you. We have a next question from the line of Shabad Thadani from Arkkan Capital. Please go ahead. Mr. Thadani.

Shabad Thadani: Thank you. Yes. Gagan thanks and congrats on a good set of numbers. I think testament to the work that you and the team have done over the last few years to get yourself in this position. Just one question from me. With regards to the wholesale portfolio, can you give us a sense of what the gross and the net exposure on that is at the moment? And what is the plan to, I guess, keep running that down? Or I think there was some discussion of some AIFs being set up previously and how these transfers are going?

Gagan Banga: Shabad, through quarter two we were fundamentally focused on ensuring that the lumpy sort of liquidity repayments that we had to make. Those were the primary sort of areas of focus for the company. We were also allowing the larger part of the organization to focus on stabilizing the retail distribution platforms. There's a lot of integration work that needs to happen, which we used quarter two for.

We haven't really had the bandwidth through quarter two to focus on strategic initiatives as far as wholesale lending is concerned, whether we do it via credit platform or partially via credit platform and partially via an NBFC. It's an important decision to take and it's an important contributor to profitability medium to long term. In the short to medium term, our profits will get aided by the recoveries that we get from the wholesale book.

But over the medium to long term, we do intend to do wholesale lending. I would request you to bear with me for another month and a half or so for me to really chalk out a very clear plan in terms of the scope of the credit platform, how much effect would be loaded on the NBFC. How much effect we do via third-party funds and all of that. Those are numbers.

We clearly see approximately on a steady-state basis, a disbursement of opportunity of anywhere between \$2 billion to \$3 billion every year. But if we have to do \$2 billion to \$3 billion, we have to also ensure that we have the capacity to contribute to approximately 20% of that from our balance sheet directly on the NBFC or our – as our contribution to the credit fund. So we are

working out all of those details. Please bear with us for the time that we declare quarter three results to be able to give you a more clearer picture as far as that is concerned. Till that time, we rundown of the past book continues. A large part of it in terms of new contributions that we needed to make towards construction, I would say, a large part of that has already happened.

We would need to make another about INR 3,000-odd crores of fresh commitments to make sure that the entire pool comes back. These INR 3,000 crores would be disbursed over the next 12 months to 24 months and over the next 24 months to 36 months, we can get back the entire book. But that's not our goal to how to calibrate that, how to mesh it with new disbursements and thereby have a full game plan around that like we have a game plan around our retail business. We should be able to firm up over the next three months.

Shabad Thadani: Okay, great. And so can you just give me a sense of what the size of that back book looks like both on a gross and a net basis?

Gagan Banga: It's only a gross basis, so gross would be about 20%.

Shabad Thadani: Okay, great. Thanks a lot.

Moderator: Thank you. We have our next question from the line of Amit Mahendale from Robo Capital. Please go ahead.

Amit Mehendale: I appreciate the opportunity. My question is on AUM. What do you expect that AUM to be by FY '26? And also, if you could indicate credit cost for the next couple of years, like FY '25 and FY '26.

Gagan Banga: Yeah, so our thought process is that quarter 3, which is the current quarter which is going on, the AUM will stop declining. Quarter 4 will ensure that on a year-on-year basis, which is March '23 to March '24, we would have grown somewhere around 7% to 8% on AUM. So that's the kind of increase that we see between now and March.

Though this quarter would be more about stabilizing the AUM and the next quarter we'll see a pretty large net growth. And then from where we end up quarter 4 to fiscal '24, which is where we end up fiscal '24, we would imagine a steady compounding of AUM for the next three years at between 15% to 17%. So my sense is if we go by that number, we will be by fiscal '26 give or take at about a INR 1 lakh crores of AUM.

Yeah. Then in terms of credit costs, on a normalized basis, we will run with credit costs of under 100 basis points annually, 70 basis points to 80 basis points annually. We could see large provisions. We could also use those provision releases because of technical write-backs. We could also use those large provision releases to do some, to tip some guys over where we feel that recovery with hastened legal action can happen. So in normal course of business, you will continue to see credit costs of just under 100 basis points annualized.

Amit Mehendale: Great. And just to follow-up on the credit cost, for this quarter, we have taken INR 257 crores of impairment. And now that we are already at a 12% kind of provision coverage, including the write-backs, etc. So that looks, at least from outside, looks like excessively conservative type of

provisioning. So any comment on that would be helpful? Or the other way to look at it is, one may feel that there is some hit expected in some quarters. That's why we're building the war chest or something like that. So maybe some, why are we taking additional hits, if you could throw some light on that?

Gagan Banga:

So what I've steadily maintained for the last three years is that at every opportunity that we get, we will use that opportunity to create larger provisions. We had a larger than expected gain this quarter outside of normal course of business. It was larger to the tune of approximately INR 200 crores. And our endeavor would be any such event. And that has been the case over the last eight - ten years that any gain that we will have, which is larger than what we had estimated on an operating basis, we will use that gain to kind of create additional provisions.

All-in-all, if you look at it for the first half, in the first quarter, we had a write-back. In the second half, we've taken a slight amount of provision. For the full year, I would still imagine that we will, between write-backs and provisions, we will land up with give or take 100 basis points provision.

Amit Mehendale:

Okay, great. Thanks.

Moderator:

Thank you. We'll take the next question from the line of Bhavan Gala from Marine Capital. Please go ahead.

Bhavan Gala:

Hi, Gagan. Very good evening to our entire team and the festive greetings as well. I have been tracking Indiabulls Group for a decade now. And the way the Group has navigated the entire turbulent period is nothing less than commendable. I have only a few questions. One is on the recovery rate that you envisage. Why I could understand in H1, there was a recovery of INR550-odd crores. What are your recovery expectations for H2 and FY '26? And also, if you can guide on, what is the recoverable pool expected? So that is my first question.

Gagan Banga:

So the recoverable pool is north of INR 13,000 crores. From that, the recovery would be anywhere between over a period of time would be 60% to 70%. Time value adjusted, it will be 40% to 50%. And therefore, those carried numbers go into the estimation when we say imputed provision stand at 3.5x of our current gross NPA. It's very difficult to say, how these provisions play out quarter-on-quarter. In the second half, my sense is that our recoveries would be similar to the first half.

So for the first full year, this year, we will land up having recoveries well north of INR 1,000 crores. If all goes well, that number could be closer to INR 1,500 crores. But some portion of this recovery is also or a large portion of this recovery is linked to the maturity of various legal proceedings. And we all know that while our judiciary always tends to provide the right sort of a decision, it tends to also sometimes take its own time, which is perhaps why the right decision eventually emerges because it listens to both parties carefully to arrive at a decision, which then is usually in favor of the lender.

So as a lender, we typically have enjoyed the support of the judiciary, but both the judiciary as well as the regulator is also extremely mindful that it should not land up creating a one sided

playfield where whatever the lender is saying or claiming, the borrower who perhaps is a defaulter is not given even a chance to rebut that.

So, given our reliance on the judicial process, we can't really give you an exact timeline, I can estimate that on a rolling basis, we should still continue to have credit costs of 100 basis points, which they can as part of the assumptions that we do that on an annualized basis, we should be at least every year over the next three years be able to get INR 1,200 crores to INR 1,500 crores kind of recoveries coming to us. So that's the broad math and I hope I have not very specifically but given you an estimate of how the credit costs and the recovery will play out.

Bhavan Gala:

Yeah, sure. So, the second question is on the scale of the business that we plan to ramp-up. While you have already guided on you achieving INR 1,200 crores for disbursement starting FY '25 first quarter. And you have also told that you have created adequate capacity in the system to target for 15% to 17% kind of an AUM growth year-on-year. Could you please give us a brief sense, a broad sense in terms of when our peak days of performance could return? I mean, we just want a fundamental view from you on this.

Gagan Banga:

So we are targeting INR 1,200 crores of disbursal a month by March. So in the first quarter, we should be targeting anywhere between of next year, we should be targeting between INR 3,600 crores to INR 4,000 crores, which will be approximately 45% of what we used to do at the peak. It will take at least two years after that to go back to that number. The only way to expedite that is a large infusion of capital. If we do a large infusion of capital, we can clearly fast forward that number.

We are calibrating this is two things. One is the free flow of capital and the other is the quality of the business that we are generating. We've set good ground rules for the credit side of it or the efficiency side of it, we have the right number of people. If we get clear flow of capital, then we can accelerate that.

If we get the flow of capital like we're getting today, then it will take us two more years to get to roughly INR 3,000 crores odds of disbursal a month. As a management team, we are focusing more on the quality aspect of the business. And the quality, I mean, what is our cost to income ratio?

What is our per person efficiency, going forward now, since we have a benign ALM, what is our relative cost of funds to G-Sec and everything else. So those are the quality parameters. How is our ALM looking like that we are more focused on rather than the gross disbursal number.

Shabad Thadani:

Sure. I'll ask my last question. Given the kind of valuation that you are quoting at, which is essentially point half the price to book, what are the strategic opportunity you are getting across? I mean, have you seen in recent past interest coming on from reputed fund houses or private equity players or any financial investor to put in capital? If you could please give us a sense on the kind of discussions that are happening.

Gagan Banga:

If you have to assess the company, the company has a diversified ownership with no dominant shareholder. We have a very well diversified board, again, which is highly independent. Only

two executives and the entire board is independent aside of one nominee of LIC, which is the largest shareholder of the company and the largest lender as well.

And then on the management team side, we have a team which has been together, managed both the ups and downs together. So this is from a strategic level how we look like. From an operational level, this is a company which has established expertise in management of both assets and liabilities and on assets, all types of mortgage assets we've done at scale, which is home loans, loans against properties, commercial developer loans, loans to corporate, commercial loans, etc.

So, for such a franchise, for it to be quoting at some halftime book is essentially an outcome, I believe, of two things. One, that if the company is de-growing, how do you value it? And two, if the company continues to carry a wholesale book, then unless you get a very granular assessment of it, how do you assess the kind of hits that can potentially come on that book?

And this contributes to the current valuation. The management team is per se more guided by RoA and a directional RoE rather than any personal gain. Now, I'm amongst the management team, the largest shareholder, and my shareholding is 0.89%. So we are not really on a day-to-day basis very swayed by the market cap.

What this provides is an opportunity for private equity funds, corporate houses, other NBFCs to talk to us to see whether there can be a larger platform that can get created to leverage on both our retail as well as wholesale opportunities. We are seized of these various options in front of us. We continue to remain engaged with them, and we will eventually take to our Board what we feel is in the best interests of all stakeholders.

At this point in time, we are not committed to any option, but I would also not deny that we have not either been in discussion or progressed with any of these options that I highlighted. But let's just wait. Let's let the management team focus on the operational challenges.

You may appreciate that, we had a big operational challenge in sorting out these chunky repayments, and we had to therefore de-prioritize a few of these strategic calls like what do we do on wholesale lending, what do we do about our capital and ownership structure and all of that. Now we have a little bit more of strategic bandwidth, so we should be able to report some progress to you guys on that also shortly.

Shabad Thadani: Thank you, Gagan, for explaining it very, very elaboratively, and all the best to you and your entire team. Thank you very much.

Gagan Banga: Thank you. I'll just take one last question, please, if there is any.

Moderator: Sure, sir. We'll take a last question from the line of Rishikesh Oza from RoboCapital. Please go ahead.

Rishikesh Oza: Hi, thank you for the opportunity. Sir, just one question from my side. Could you please give a sense on the NIM and the OPEX trajectory going ahead in H2 and FY'25 going ahead? So basically we're aiming to do mid-team RoE by FY '26, so just wanted to get a sense how exactly

are we looking to achieve it with our revenue growth would be surpassing the loan book growth of 15%- 17% and how do we go about it?

Gagan Banga:

The biggest aid as far as our RoA and our profitability, so we are not targeting at revenue growth to exceed asset growth and do any of that. We do expect right backs to be aiding profit growth. So while I've been conservative in my credit cost assessment, I am being a little bit more ambitious on my RoE assessment. And I said we should be able to get to about to get to about INR 3,000 crores of disbursements by FY '27.

By '28, we will get to mid to high-teen of RoE and our current short-term goal is to take our RoA by fiscal '25 or first half of fiscal '26 to be past 2%. So, these are broadly the timelines that we have set for ourselves and on cost income basis, we will from fiscal '25 onwards start seeing a decline.

First half of quarter-on-quarter in the first half our OPEX has been flattish. Quarter 3 and quarter 4 we will add more people and in order to prepare ourselves for next year and that will provide a little bit of uplift in our operating expenses. But on a cost income basis, fiscal '25 onwards we should start seeing a decline and the goal is that by fiscal '28 which is when we are looking at sort of an 18% RoE, we should be in the handle of a 20% cost to income from the current 30% odd that we are at. Those are broadly the numbers that we will be tracking.

Moderator:

Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Gagan Banga for closing comments. Over to you, sir.

Gagan Banga:

So thank you everyone. Thanks for joining us as you do every quarter and again wishing your family and you a very, very happy Diwali and a happy new year. I hope to catch you in a new calendar year with the October to December results, hopefully by which time aside of giving you an update on the operational side, we would have also moved ahead on the various strategic initiatives which were discussed today and I'll have something to report to you on both of those as well. On that note, thanks again and bye.

Moderator:

Thank you, sir. On behalf of Indiabulls Housing Finance Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.