

“Repco Home Finance



Q1 FY2026 Earnings Call”

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Management:

Mr. T. Karunakaran – Managing Director &
Chief Executive Officer – Repco Home Finance
Mr. A. Palpandi – Chief Operating Officer – Repco Home
Finance
Mr. P. K. Vaidyanathan – Chief Development Officer –
Repco Home Finance
Mr. M. Raja – Chief Business Officer – Repco
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Ms. Shanthi Srikanth – Chief Financial Officer –
Repco Home Finance
Mr. Ankush Tiwari – Company Secretary & Compliance
Officer – Repco Home Finance

Analyst:

Mr. Rajiv Mehta – YES Securities

Moderator: Ladies and gentlemen, good day and welcome to the Repco Home Finance Q1-FY2026 Earnings Call hosted by Yes Securities Limited. Please note all participants are currently in listen-only mode. There will be an opportunity for you to ask questions following the conclusion of the management's opening remarks. 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: Good evening. Thank you all for joining on this Earnings Call of Repco Home Finance, first quarter FY2026 results.

We have with us from the management side Mr. T. Karunakaran, MD and CEO, Mr. A Palpandi, Chief Operating Officer, Mr. P. K. Vaidyanathan, Chief Development Officer, Mr. M. Raja, Chief Business Officer, Ms. Shanti Shrikant, Chief Financial Officer, and Mr. Ankush Tiwari, who is the Company Secretary and Compliance Officer.

Sir, with this, I would want to hand over the call to Mr. Karunakaran for his opening remarks, post which we will start with the Q&A session. Over to you, Sir.

T. Karunakaran: Thanks, Mr. Rajiv. Good evening to everyone. We would like to welcome you all to this Earnings Call of our company for the quarter ended June 30th 2025 to discuss performance of the company. We would like to thank you all for joining us in this call today. We are proud to announce the declaration of 25% interim dividend for the FY2025-2026. This milestone dividend is tribute to the company's 25 years journey of empowering home ownership across the nation. This interim dividend is not just a financial reward. It is a celebration of a journey, our values, and the trust our stakeholders have placed on us. As we mark 25 years of service, we remain committed to expanding access to institutional credit for the purpose of housing finance to unserved society and delivering long-term value to our shareholders.

Coming to the company's performance:

We have been able to maintain growth trends seen in the last few quarters in Q1 2026 as well. The company is steadily progressing on its business parameters, the structural changes that have been made or getting strengthened across the

organization and have started to yielding results. This will be ongoing process and we shall adapt to changes as and when the business demands. We have initiated the introduction of new loan schemes and business process in current year. Some of the major changes taken by us, I am highlighting.

1. Target-oriented approach in sanctions, disbursements, NPA, while strengthening verticalizations.
2. Localized file processing by creating regional level operations like technical, legal resources, improvement of turnaround time.
3. Recovery efforts and special OTS schemes we have introduced. We are also taking steps to improve employee morale.

We were able to achieve disbursements of 829 Crores in Q1 of this current financial year as against Rs.680 Crores in Q1 FY2025. Our sanctions stood at Rs.907 Crores in Q1 FY2026 as compared to Rs.727 Crores in Q1 of last financial year. This is the highest ever disbursements and sanctions achieved in the first quarter by us.

Our AUM stands at Rs.14,690 Crores at end of the Q1 FY2026, as against Rs.13,701 Crores in FY2025.

Loan disbursements in the first quarter reflect strong regional engagement with Tamil Nadu contributing to 60% to our overall disbursements. Karnataka accounted for 12%, followed by Maharashtra at 8%, Andhra Pradesh and Telangana at 5% each, while remaining 10% was dispersed by other branches in across other states. We are seeing improvement in disbursement of Rajasthan, Gujarat, and Madhya Pradesh in this current quarter. The ratio between the self-employed and salaried segment stood at 52% and 48%. The share to non-housing loan that is home equity stood at about 28% of the loan book and housing loan contributed to about 72% of the loan book. The new loan book has shown strong performance with the NPA accounting just 1% of the total AUM with improvements in stage one and stage two numbers. This is in the new loan book I'm talking about.

Book quality, our GNP stood at 3.3% of the AUM as end of Q1 FY2026 and significantly improved as against 4.3% as end of June 2025. The net NPA stands

at 171 Crores representing 1.19%. The total provision for NPA amounts to Rs.314 Crores with a stage 3 provision coverage ratio of close to about 65%. Additionally, the stage 2 outstanding stood at Rs.1420 Crores at the end of June 2025 at 9.7% as against Rs.1,596 Crores in the corresponding period of the previous financial year, which is at 11.70%. On year-on-year basis, we have seen reduction in stage 2 assets aggregating to Rs.175 Crores. The cost of funds for our company stood at 8.7% as end of June 2025. We are happy to share that we have started diversification of our borrowings.

After a very long time gap, we entered into the capital market. As an initial step, the company has successfully issued a commercial paper amounting to Rs.150 Crores. This will help us improve our funding sources and manage costs better. The total outstanding of borrowings to debt, Rs.11,074 Crores as end of June 2025. The current borrowing mix remains at 82% from banks, 8% from NHB and 8% from Repco Bank and 1% from commercial paper. During the Q1 of FY2026, we have also availed refinance facility to the extent of Rs.58 Crores after gap of three years. Our NIM for Q1 FY2026 was at 5.23%. The company has been able to maintain spread of 3.27% for Q1 FY2026. Our yield on loans stood at 1.02%. The net profit stood at Rs.180 Crores at end of current quarter as against Rs.105 Crores in the corresponding period of the previous financial year. Our ROA and ROE stood at 2.9% and 14% respectively for Q1 FY2026. Cost to income ratio for Q1 FY2026 is 24.26%. We have seen a notable improvement in our cost to income ratio compared to the financial year ended March 2025. The credit cost as end of June 2025 is negative.

In respect of software, I mean upgradation of our software core system, including the loan origination system, loan management system, and loan collection system are fully operational with initial issues successfully resolved.

Additional mobile applications for sales, collections, and field investigation offices have been rolled out. The company continues to drive various technology initiatives with ongoing developments in areas including the customer mobile application portal, associate system, assets and liability management system, which we rolled out during FY2026. Following the recent revamp of our IT infrastructure, we have observed measurable improvement in overall productivity.

Coming to the branch network, as of June 13, 2025, a total of 234 touch points across the 12 states and one union territory we represent. This includes 233 branches and 31 satellite centres with additional two asset recovery branches. We are expanding our branches presence in region outside Tamil Nadu going forward.

Now I will summarize the key financial highlights for the quarter ended June 2025 before opening the floor for Q&A session. The loan book stood at Rs.14,690 Crores, registering 7% Y-on-Y growth. Profit for the quarter ended was Rs.108 Crores. ROA and ROE for the quarter stood at 2.9% and 14% respectively. The core profitability has remained strong with solid spread, Margin of 3.27% and 5.23% respectively.

Gross NPA remains at 3.3% with the stage 3 provision coverage ratio of close to 65% and net NPA is at 1.19% as end of June 2025. With the momentum gained in the first quarter, the company is confident of reaching a disbursement of Rs.4,000 Crores and an AUM of Rs.16,200 Crores by this current financial year-end. We are setting a target of achieving GNPA percent of 2.5% and maintaining stage 2 numbers between 7-8% by year end. We will be adding 14 new branches in the current financial year and existing 12 SAT centres will be upgraded to the branch. And year end, our branch count including SAT centres may touch 247. The focus for the current year includes growth, acceleration, and overdue reductions. We thank investor, analyst, credit rating agencies, borrowers, vendors and all the stakeholders for showing interest in the company's growth history. In this last board meeting, I am happy to announce that our Board of Directors approved to induct Mr. P. K. Vaidyanathan, our CDO into our board.

I am extending a warm welcome to him. Looking forward to his continued contribution to the growth of this company. Also, I would like to inform that our board has appointed Dr. G. Venkataiah as an Independent Director in the last board meeting. With that, I am concluding my opening remarks and now I am opening the floor for question and answer. I am very happy to answer your questions.

Moderator:

Thank you very much, Sir. Ladies and gentlemen, we will now begin the question and answer session. We have a question from Shubhranshu Mishra from Phillip Capital. Please go ahead.

Shubhranshu Mishra: Good afternoon, Sir. The first part is just an observation. If we can have the quarterly call on the same day as that we declare our results. Second if you can keep your opening remarks limited to possibly the guidance because we have already gone through the presentation. My question is just if you can repeat the target for your AUM and disbursement and the gross NPA target that you mentioned, how are we going to manage it? What are the various measures that we are taking? Thanks.

T. Karunakaran: Yes Sir, we have taken note of limiting my future address as well as conducting this con call. My target for this current financial year is, I have planned to disperse Rs.4000 Crores and achieving AUM of Rs.16,000 Crores. We set a target to achieve GNP of 2.5%.

Shubhranshu Mishra: And how do we do that 2.5% from the present level, Sir? What are the various measures we are taking?

P. K. Vaidyanathan: I am Vaidyanathan, CDO speaking. Sir, last year we have reduced our NPA from 545 to 472. This year we are planning to reduce below 2.5%. Till last year, we have introduced collection vertical to concentrate on the collection of forward use that is B1, B2, B3. This year we have created a separate layer that is the recovery vertical managers exclusively to monitor the NPA accounts. As of now, we have posted at least three recovery managers in each region to concentrate at least 100 to 150 NPA accounts. Apart from that, we have introduced a special OTS, which was approved by the board of the company yesterday.

So with that, we hope that we will reduce considerably the NPA portion. Apart from that, we are conducting mega auctions on monthly basis. See, we are also having the recovery agencies and we are planning to give more number of accounts to the recovery agencies and also with the collection vertical, we are giving various strategies to control the flow from B3 to NPA. See, with these strategies, we hope that we will reduce considerably the NPA portion before the financial year ends.

Shubhranshu Mishra: Right Sir, if you can just quantitatively answer one last question, what is the total amount of OTS we have done YTD Sir in this fiscal year?

T. Karunakaran: Right now we do not have data in hand Sir, we will discuss this offline.

Shubhranshu Mishra: Okay thank you, Sir.

Moderator: Thank you very much. We take the next question from Samir A. H. of Vidura Capital. Please go ahead.

Samir A. H.: Hello, Sir. My questions are twofold. First is the stage 2 assets. We are at around 9.7%. Sir when we compare it with other affordable HFC players like Aadhaar, Aavas, HFFC, India Shelter, Aptus, PNB, and LIC Housing, they are in the range of 1.3-4.7% Sir, as compared to our number of 9.7%. So, if we can work in getting this number to that range, it will be a great confidence booster for the shareholders. So I would like to hear your views on how you are planning to go about doing that. That is question number one Sir. Question number two in your earlier analyst call you mentioned about having a builder channel, so you are going through builders and originating the files etc. Some of the other housing finance companies have had actually very difficult situation, when they have sourced from builders, especially in the western part of the country, which has led to a lot of NPAs, Sir. Given that we have recently forayed into this channel and these geographies, I just want to seek your views on what studies we have done. For example, have we decided that we will finance apartments sold through builders only after a certain stage of construction or something like that. I want to get more colour about this, Sir.

T. Karunakaran: In respect of stage 2, yes Sir. If you look at old book performance versus a new book performance, our new book, that means a loan given after COVID is doing good, even NPA in our new loan book is below 1%, even on stage 1, stage 2 assets in the new loan books are very, very minimum. We are having the issues with the old book that we have given before COVID. We are taking a lot of efforts to reduce. I am sure and confident going forward this numbers will come down. If you look at analysis of stage 2 in last two quarters it started coming down. If you look at June 2025 stage 2 assets with June 2024 assets, we have seen a reduction of close to about Rs.175 Crores, so we have taken efforts to reduce stage 2 and stage 1 assets. Going forward, we can see substantial improvement in both categories.

P. K. Vaidyanathan: To supplement to that, I wish to say, if you see the percentage of stage 2 accounts

two or three years back, it was around 14%. Last year, we have reduced to 11.7% and this year again, 9.7%. So gradually we are reducing. The only thing is three years or four years back, we have not concentrated more on the B1, B2 account, stage 1, stage 2 accounts, only we have concentrated on LNPL but now that we have changed the strategy and we are now concentrating from B0 onwards. Because of that reason, we have reduced the stage 2 accounts from 14% to 9% and we are planning to reduce below 7.5% before the end of this year.

T. Karunakaran: In connection with the builder product, we are very conservative. We are having well-defined policy. We always exercise more caution. We have taken note of your thing. We always exercise more caution on this kind of product, so far we have not experienced any kind of bad thing on this builder product.

Samir A. H.: Thank you, Sir.

Moderator: Thank you. Next question is from Kaustav Bubna from BMSPL Capital. Please go ahead.

Kaustav Bubna: You had mentioned in your opening comments that management is going to take certain steps to boost employee morale. I found that pretty interesting. Could you delve deep into that and explain exactly what you all are going to do?

T. Karunakaran: Yes Sir we have conducted a promotion exercise. We have elevated a suitable candidate. That is the number one step we have taken. Of course, we have given annual increment, which is a little bit higher than what we have given in the last financial year. We are conducting a regular training programmes to improve their knowledge and other things. These are the few initiatives we have taken to improve the morale of the employee.

Kaustav Bubna: So none of these initiatives are stock-based compensation for senior employees, right, not that.

T. Karunakaran: Right now, we do not. We will explore the possibilities in future. Right now, we do not.

Kaustav Bubna: Okay, thank you.

Moderator: Thank you. We will take the next question from Rajiv Mehta of YES Securities. Please go ahead.

Rajiv Mehta: So just in the meantime, as more people are queuing up, I just wanted to check in terms of growth momentum, right? You said Rs.4000 odd Crores disbursement, you are retaining your guidance. So when you look at the first quarter and can you give us some idea how the monthly disbursement run rate is playing out, right? So generally, April, May is weak and then you would have had good June. How is July going? And also in terms of where are we in terms of Karnataka because I am sure Karnataka is not fully normalized for anyone. So can Karnataka normalization can also help us in better volumes going ahead? And yes, I think if you can answer how the incremental volumes will come from and from which geographies you expect higher volumes to come.

T. Karunakaran: You rightly said Karnataka, yes, now the scenario is better than what we experienced February or March. Day by day things are improving in Karnataka. I am expecting more disbursement in coming quarter. If you look at our RHFL history, any other housing finance company, the first quarter will be always dull. Yes, we have seen improvement in July, our disbursements are picking up.

And if you look at disbursement numbers, I mean, Gujarat and Rajasthan, we have seen substantial improvement in disbursement in first quarter. We are expecting increase disbursements in states like Rajasthan, Gujarat, and Madhya Pradesh.

M. Raja: Rajiv to supplement what MD was saying, Raja here, say our trend has been almost the same as what it was, but only a plane higher. That is whatever number we were doing previously we are doing the same trend, but the numbers are higher. Because whatever we have invested on manpower strategy and our positioning in the last year is now giving us dividends. That is what is happening now. And I believe it will continue to happen and it is happening good also, from a business perspective.

T. Karunakaran: In addition, last two, three years we have opened around 30 to 35 branches. All the branches, infrastructure facilities we provided, manpower issues, branch head issues, verticalization issues, all those things are stabilized. All the branches that opened last two, three years, started to giving the business, which all those things indicate therefore achieving Rs.4000 Crores disbursement will not be any

challenge.

Rajiv Mehta: Sure. I will just come back in the queue. There are people who want to ask questions so maybe I will just join back. Thank you.

Moderator: Thank you. We will take the next question from Damodaran Narayanan from Acuitas Capital. Please go ahead.

Damodaran: Thank you for the opportunity so just to continue the previous participant's question on growth and on asset quality. We have heard, I mean two of your peers call out that asset quality stress in South and particularly I think one of them highlighted Karnataka. So just wanted to get your thoughts on any region specific stress that you are seeing out or emerging signs of stress in Karnataka especially and the other geographies in the south. And as a result, even on growth, I mean not only Karnataka, we have heard about Telangana and Telangana also having a issue with slowdown in terms of growth. So, are you seeing any signs of improvement there? Just wanted to get your thoughts on those regions and the asset quality.

T. Karunakaran: In respect of asset quality, we have not experienced anything in Karnataka or any other specific states. It is similar to what we experienced in the previous quarter. We have not noticed or we have not experienced any significant increase in asset quality or deterioration in our asset quality across the states.

M. Raja: The issue in Karnataka, what we were facing or we are facing even today is on the E-Khata, A-Khata and B-Khata. Now the government is coming out with solutions and slowly the situation is improving. And we are also trying to go in line with the market and the government. And we are doing cases where only we get the E-Khata upfront proper. So that is helping us a lot. Though the business has slowed down a tad, we are not impacted by it and we are managing the same. And Telangana growth story is something we believe is happening. Though it is not at the speed that we had expected, but yes, Telangana is growing and we are getting our numbers better in Telangana and we wish to continue to do so. So, on the growth perspective, we are almost equal across all the states except for a few packets in states like Maharashtra or somewhere else where we are yet to put in the proper manpower in place. Everywhere else, my growth is not an issue. On the asset quality, as rightly what my MD was saying, we are not facing any packet

specific issues. It is more general for us across the states and across all of our branches.

Damodaran: Can you quantify in terms of year on year, what Karnataka and Telangana would have grown at in terms of disbursement?

M. Raja: See, Karnataka is anywhere between 10 to 12% growth for me. Telangana has been at 7 to 8 percentage. And we are looking at improving Telangana. Yes, we should be doing it.

Damodaran: Okay sure, Sir. That is all from me. Thank you.

Moderator: Thank you. Our next question is a follow-up from Samir A. H. Vidura Capital. Please go ahead.

Samir A. H.: Sir it is a follow-up question to earlier question about the builder channel.

Because in affordable space, there are also a lot of builders who are first time or have done only one or two projects. So what is our criteria, again my question is also on at what stage do we finance, right at the project launch stage or after a certain percentage of the project is completed. What is our whole criteria on choosing builders and at what stage do we jump into finance? That is first question, Sir. The second question is related to ESOPs because compared to the peer set, we are valued at less than one time price to book whereas many other companies are at 3 plus price to book. So if we give ESOPs to management team and others it can really be very good, if part of compensation is given through ESOP it can be really a very good wealth generation mechanism for the management team also and they will collectively work for the growth of the company. The AUM growth is anyway coming. ROEs are good, so if NPAs also go down the stock can really get re-rated very well so this question is about ESOP Sir.

M. Raja: Yes Samir, thanks for advocating for us. On the builder front, as you rightly said, we have revamped our APF norms wherein we go with only builders who have a proven track record. Like we look at his past projects, how many projects he has done, and we go purely with RERA registered projects only. We have our controls and checks in place and also we will be funding only after the borrower invests

margin money. So, basically, yes, whatever controls you are talking about is already in place. It is in the form of our APF policy. And hence, we do not see that much of a strain in our funding to projects that are being promoted by builders because we choose on the builders. And that has helped us a lot. And it should continue to be so.

Samir A. H.:

Thank you, Sir.

Moderator:

Thank you. Our next question is a follow up from Rajiv Mehta of YES Securities. Please go ahead.

Rajiv Mehta:

I have a few questions and Sir just to understand the impact and the contribution of the sales vertical in the collection vertical that we have set up in the last 12-15 months.

Can you give us specific numbers for example, the sales verticals contribution in disbursement, how is that growing and playing out in your monthly disbursement or quarterly disbursement? That is number one. And for the collection verticals performance, can you give us whether are we able to control the bounce rates itself or are we able to resolve the bounce better in first bucket, second bucket? So the flow rates are lesser now than what they used to be before. So can you give us more outcome numbers and the impact of the sales vertical in business and the collection vertical in resolution of bounces and forward flows?

M. Raja:

Rajiv to talk about the sales vertical on the impact, I would say the impact of 22 percentage has been because of our collective efforts on both improving our branches and sales verticals. So there may not be an exact science of splitting it because whatever my BSM or my sales vertical does as a business comes in the branch numbers only. To give you more of a clarity, the productivity of each of my BSM is more than 40 lakh plus and my DSC is 25 lakh plus. So that is the kind of productivity that we are operating on currently. We are working at increasing both on numbers and also on the productivity. So I think that should be a fair idea of what I am talking about on a contribution from a sales vertical.

T. Karunakaran:

So on collection side, after implementing vertical system, if you look at analysis and numbers of stage 2 and NPA numbers, we have seen substantial improvement.

If you look at stage 2 number as end of June 2025 versus June 2024, we have seen a reduction of close to Rs.170 Crores. This is purely based on what the implementation of the vertical system in the company. Even if you look at numbers of NPA, even bounce rate also yearly which was close to about, I mean 4-5%. Now after implementing the correction vertical system, the bounce rate has decreased to 1-2%.

Rajiv Mehta: So what is this 1-2% per month? I mean, what is this number? How should I look at this 1-2% number?

T. Karunakaran: Right now, numbers I am not having.

Rajiv Mehta: You just said, initially it used to be 4-5% now it is 1-2% the bounce rate. So are you saying that of all the EMI presentations that were happening in a month 4-5% were bouncing and now it is just 1-2%.

T. Karunakaran: Now it is below 1%.

Rajiv Mehta: So less the bounce rate.

T. Karunakaran: Yes.

Rajiv Mehta: Yeah.

T. Karunakaran: That is shows the effectiveness of vertical system in collections.

Rajiv Mehta: And also any, any incipient pressure that you are seeing in terms of not direct competition, but at least given the fact that you just yourself pointed out that your new book is holding up so well in terms of asset quality and our customers are not exactly very affordable types. We are slightly below prime. So then in that case, the BT pressure from the larger players should come on us. So are we seeing that BT pressure increasing in the recent months? And how do you take care of it in the future?

M. Raja: Rajiv as you rightly said, yes, we are seeing a small uptick in BT out happening, but we are trying to manage or we are trying to retain the customers either through a reduction in ROI or through a top-up. As you rightly said, we may not be able to

hold them back for a long time, but as of now, yes we are a bit comfortable, though the trend is increasing.

T. Karunakaran: Rightly said, BT is uptick. We have taken a lot of efforts to retain a good customer wherever it is possible. We are reducing the interest rate wherever it is possible. We are giving top up loans and retaining the good customer. As April, May, June, we have experienced a BT out of close to about 60 to 65 Crores.

Rajiv Mehta: And Sir, have you factored this rising and increase of BT out in your guidance of reaching 16,200 Crores of AUM by the end of the year? Has that already been factored?

T. Karunakaran: Yes. If you look at my corresponding BT, my BT in's are more.

If you look at April, May, June, my BT outs are close to 60 Crores, whereas my BT in is close to about 80 to 85 Crores. I factored all those, my BT in, BT outs arriving the outstanding of 16,200 Crores what I have just now given for target in this current financial year end. The guidance what I have given is all those things are factored, including repayment, prepayment, scheduled, and unscheduled payment, all those things are factored in 16,200 Crores.

Rajiv Mehta: And just to understand the profile of the BT in customer. I am sure these will be the good customers of affordable housing finance companies. So you are onboarding them at what rate?

M. Raja: At our average rates, Rajiv, because their current financial rates are higher than our average rates. So we are managing to maintain our average rate so far so good, touchwood.

Rajiv Mehta: Okay fine moderator you can check for questions, please.

Moderator: Our next question is from Dev Shah from HDI Securities. Mr. Shah, could you please unmute your microphone? Please go ahead.

Dev Shah: My question was more on the yields and cost of borrowing front. Have we taken any kind of yield rate cuts during the quarter or are we planning to anytime soon? And how much of the cost of borrowing benefit will be passed on to the customers?

And could you also highlight what kind of mix since you all have started doing commercial papers and accessing capital markets, what kind of optimal borrowing mix are we targeting by your end? And if you could give any kind of cost of borrowing guidance for the year, that will be my question. Thank you.

Shanthi Srikanth: Our cost of borrowing is consistently reducing, but to highlight by majority, commercial bank loans are still not passed on the benefit to us. And we are trying our best to reduce the cost of borrowing by at least diversifying with the NCD market and the PTC market. And we hope we could raise around 500 Crores in the NCD market before this financial year.

T. Karunakaran: See if you look at our borrowing mix, all our borrowings are linked with respective banks, six months MCLR. I am expecting that is our due for resetting July onwards. We have experienced some reset in July. Of course, we have also availed a refinance from National Housing Bank to the extent of 900 Crores. Recently, NHP has reduced their benchmark interest rate. Such a reduction in repo rates we will experience in coming quarter, one or two quarters. The average cost of fund as end of June is close to about 8.75%.

Moderator: Mr. Shah, do you have any more questions?

Dev Shah: No, no, thank you. This is quite useful.

Moderator: Thank you. As there are no further questions from the participants, I hand over to Mr. Rajiv Mehta from YES Securities. Over to you, Sir.

Rajiv Mehta: Sir broadly, just maybe a couple of last questions from my side and then we can end the call. So, from a spread point of view and credit cost point of view, I think what I also see is that you have kind of moved your coverage from stage 2 to stage 3. There has been a shift of provisions from stage 2 to stage 3. Now, what is the thought process behind shifting the ECL provisions from stage 1 and 2 to stage 3? And what purpose does it serve and this write-off that we have started doing more assertively in the last two to three quarters. Is this an exercise to have a much lower NPAs, so that we are able to, you know, appease or ensure that the rating agencies and the lenders are very comfortable with us going ahead.

T. Karunakaran: Stage 1 as such, these are the provisions what we have made during a time of COVID. Now, we felt that provision is no longer required. Therefore, we shifted the entire provision, what we kept in over and above the norms in stage 1 assets we shifted to stage 3 that is the answer to your question. Yes, this quarter we have done few technical written off. Right now our provision coverage ratio is close to about 65%. We want to maintain this 65% going forward.

Rajiv Mehta: Sir, why 65%?

T. Karunakaran: See if you look at my borrowings, majority of the lending is coming from bankers. Of course, the PCR coverage is not applicable for industry like NBFCs, HFCs. Our lenders are very comfortable with having a PC coverage ratio of close to about 70 or 75. That is the reason we want to increase our provision coverage ratio.

Rajiv Mehta: Sorry to ask this, but no other HFC is holding and especially on retail NPAs, I believe that whatever NPAs we have are all retail NPAs. So the loss given default, if you can share the loss given default experience on the NPAs earlier and if that is much lesser, then you are saying that you are holding higher PCR just to give comfort to the lenders. So maybe when the headline GNPA numbers correct or get resolved as you are thinking it should, then the coverage's can be lowered so that your net NPA number can still be managed at a more comfortable level.

Shanthi Srikanth: See this PCR coverage what we are keeping now is to just to maintain the same coverage as we were having. This quarter we have shifted some stage 1 to whatever coverage we have, which we felt it is no longer required. It was kept in the provision itself, which was adjusted with the stage 3 as well. So it is not that we made additional provision to make the coverage higher. So what we maintained in the provision basket, it was continued with the stage 3 assets and limited portion, we thought it is no longer required, we can take it back to P&L. We have interchanged the provisions that is all, but we still think the stage 3 coverage is higher compared to the other HFCs. It is on a conservative basis and not to reverse it in the P&L in the one quarter and hit the coverage list that is all.

Rajiv Mehta: No, just one thing, because as you are looking to reduce your NPAs and you have set yourself a target also. So if you were to reduce your NPAs by, say, 70-80 Crores by from now to March, then you will have to release 40-50 worth odd Crores of

provision or will you just retain it?

T. Karunakaran: We will decide based on the numbers. If such scenarios happen, we will keep it that access provision in contingencies. Based on that, we will decide other courses.

Shanthi Srikanth: It will depend on our quarter to quarter numbers.

Rajiv Mehta: Okay fine.

T. Karunakaran: That is our whole idea.

Company Speaker: Whatever the provision reversal we are getting going forward we will take it something in profit and loss account.

Something will keep it in contingent liability.

Rajiv Mehta: Got it.

Shanthi Srikanth: We are saving it. That is all.

Moderator: Thank you. I now hand over to Mr. Rajiv Mehta for closing comments. Over to you, Sir.

Rajiv Mehta: Thank you to the management for giving us the opportunity to host this call as always. And thank you everyone for joining. Sir, any last thoughts or should we just wind up?

T. Karunakaran: We extend our sincere gratitude to all investors, analyst, and credit rating agencies, borrowers, vendors and stakeholders for continued support for us and also thanks to you for arranging this con call. Thank you.

Moderator: Thank you. On behalf of YES Securities Limited, that concludes today's call. Thank you for joining us. You may now click on the leave icon to exit the meeting. Thank you for your participation.