BAJAJ FINSERV

31 January 2025

To, The Manager Listing Department BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai - 400 001	To, The Manager Listing Department National Stock Exchange of India Limited Exchange Plaza, C-1 Block G Bandra - Kurla Complex, Bandra (East) Mumbai - 400 051
BSE Code: 544252	**NSE Code: BAJAJHFL - EQ**

Dear Sir/Madam,

Sub: Transcript of Conference Call held in respect of the Financial Results for the quarter ended 31 December 2024.

Ref: Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the 'SEBI Listing Regulations') r/w Clause 15 of Part A of Schedule III to the SEBI Listing Regulations.

In furtherance of our letter dated 22 January 2025, the transcript of Q3 FY2025 investors conference call has been uploaded on the website of the Company and is available at 'Quarterly Earning Conference Call Transcript' drop down at https://www.bajajhousingfinance.in/investor-presentation .

Also, enclosed is the transcript (pdf) as attachment for ease of reference.

We request you to kindly take the same on record.

Thanking you,

Yours Faithfully,
For **Bajaj Housing Finance Limited**

Atul Patni
Company Secretary

Email id:- bhflinvestor.service@bajajhousing.co.in
Cc: Catalyst Trusteeship Ltd. (Debenture Trustee, Pune)

"Bajaj Housing Finance Limited Q3 FY25 Earnings Conference Call"

January 27, 2025

MANAGEMENT:	**MR. ATUL JAIN - MANAGING DIRECTOR, BAJAJ HOUSING FINANCE LIMITED** **MR. GAURAV KALANI - CHIEF FINANCIAL OFFICER, BAJAJ HOUSING FINANCE LIMITED** **MR. JASMINDER CHAHAL - PRESIDENT (HOME LOANS), BAJAJ HOUSING FINANCE LIMITED** **MR. VIPIN ARORA - EXECUTIVE VICE PRESIDENT (CRE AND LOAN AGAINST PROPERTY), BAJAJ HOUSING FINANCE LIMITED** **MR. NIRAJ ADIANI - EXECUTIVE VICE PRESIDENT (RISK), BAJAJ HOUSING FINANCE LIMITED**
MODERATORS:	**MR. SAMEER BHISE - JM FINANCIAL** **MR. MAYANK MISTRY – JM FINANCIAL**

Moderator: Ladies and gentlemen, good day and welcome to Bajaj Housing Finance Limited Q3 FY25 Earnings Conference Call hosted by JM Financial Institutional Securities 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 this conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sameer Bhise from JM Financial. Thank you and over to you, sir.

Sameer Bhise: Thank you, Nirav. Good evening, everyone, and welcome to the 3Q FY25 earnings conference call of Bajaj Housing Finance.

First of all, I would like to thank the management of Bajaj Housing Finance for giving us the opportunity to host the call. From the management team, today we have Mr. Atul Jain – Managing Director; Mr. Gaurav Kalani – Chief Financial Officer; Mr. Jasminder Chahal – President, Home Loans; Mr. Vipin Arora – Executive Vice President, CRE and Loan Against Property and Mr. Niraj Adiani – Executive Vice President from Risk.

As always, we will have opening comments from the management team post which we will open the floor for Q&A.

With that now, I would like to transfer the call to Mr. Atul Jain – Managing Director for his "Opening Remarks". Over to you.

Atul Jain: Thank you, Sameer. A very good evening to all of you and good morning to those who are attending from Western Hemisphere.

First I will take you through the Presentation that we have uploaded on the Investor Section of our website and also on the stock exchanges.

Coming to Panel #3, it was overall a good quarter for us in terms of AUM growth and profitability. During the quarter AUM was up by 26% and overall AUM have now stood at Rs. 1,08,314 crore. While PBT and PAT both also grew by 25% on a YoY basis and were Rs. 713 crore and Rs. 548 crore respectively. Asset quality continued to hold well during the quarter with GNPA remaining stable at 0.29% and NNPA at 0.13%, provisioning coverage of 55%. Operating efficiency has improved further during the quarter and OpEx to NIM came at 19.8% in the quarter gone by against a 23.2% in Q3 FY24. Operating expenses remained in control at 7% growth on YoY against a NIM growth of 25%.

Capital adequacy of the company remained strong with CAR tad below 28% due to the capital raise which we recently did. PBC ratio also remained above. PBC is a principal business criteria

ratio which is applicable to housing finance companies which is at 60%. The ratio was at 62.15% for BHFL.

I'll move to Panel #4. The addition of AUM during the quarter was Rs. 5,745 crore. Total AUM growth was 26%. Within 26% under various segments, home loans grew by 23%, loan against property by 19%, lease rental discounting by 26%, and developer finance by 59%. Broadly, overall, portfolio mix remains stable with slight movement between the products. HL at 57%, LAP at 10%, LRD at 19%, and DF at 12%. During the quarter, we also saw disbursement growth of 17% compared to same quarter last year. As an update, we had set up a near prime and affordable vertical to meet the mortgage need because we had predominantly been a prime company earlier. This SBU business has started picking up which is in line with our expectations and as we go forward we expect this vertical to become very significant in our overall scheme of things.

Moving to Panel #5, cost of funds was stable at 7.9% from the last quarter indicating that the cost of funds have peaked out and the pass-through of all cost of funds has been there in the balance sheet. Borrowing mix again remained by and large stable at 43% to the banks, 46% money market and NHB at 11%. Net Interest income grew by 25%, net total income also grew by 25%. Gross spread remains constant at 1.9%. NIM dropped slightly to 4% against a 4.1% on a sequential basis and also on a YOY basis.

Moving to Panel #6. GNPA stood at 29 bps as against 25 bps on Q3 FY24 and 29 bps of preceding quarter. NNPA at 13 bps against 10 bps of Q3 FY24. In terms of credit cost, loan loss to average loan assets stood at 0.15% in Q3. However, net of overlay release, it was 0.20. If the same number net of overlay release during the last year same quarter was 0.15%. Now, past this, there is no other management overlay, which is there remaining in the balance sheet of the company. In terms of profitability, as already called out, PAT grew by 25% in Q3 and ROA remained at 2.4% in line with Q3 FY24 and ROE at 11.5%. ROE is down given the full impact of capital raise, what we have done in September in Q2 FY25. The ROE had partial impact because the capital raise being done in September. These ROA and ROE of course are annualized figures.

I'll move to Panel #15 now. This is first time we are putting up a medium term guidance on key financial indicators. In last quarter, when we did our first call, we were still in the silent period, could not have guided for medium term guidance on the financial numbers. We estimate in the medium term 24% to 26% AUM growth, Opex to net total income to go down to 14% to 15% from in the current quarter it came to 19.8%, GNPA at 40 bps to 60 bps.

Credit cost remaining sideways between 20 to 25 bps. Provisioning coverage at 40% to 50%. ROA is of a 2% to 2.2% with leverage of 7 to 8 times. Thus ROE of 13% to 15% in the medium term horizon.

Moving to Panel #17. I've already talked about the quarterly number. On the nine-month number, the PAT has grown by 17% because of a one-time tax provisioning release during last year what we had. Nullifying that in PBT the growth had been 23% as far as nine months figures are concerned on YOY basis.

Moving to Panel #19 on a key portfolio trend, marginal downward in the portfolio yield from 9.9% to 9.8% and spread remaining same at 1.9%. In fact, it was 1.94% last quarter to 1.89% That's why you are even with a 10 bps portfolio dip and looking at 1.9%. So it's a second decimal change what has happened there. Operating efficiencies I have talked about 19.8% in terms of a OpEx to net total income and NIM remains at 4%. Asset quality again stable at 0.29% with NNPA at 0.13%. Return ratios again talked about from 13%, now to 11.5% with full impact of a capital raise coming in.

Moving to Panel #20. The borrowing mix remains quite diversified. Banks borrowings are backed by 17 banks. 43% bank borrowings have reduced by 1.2% sequentially. The portion which has been offset by a money market borrowing which has gone up by the same amount. Because it was led by larger bond & CP issuance during Q2.

Moving to Panel #23, portfolio mix remains stable over a period of time with a minor movement in terms of the composition of the product.

Moving to Panel #28. We have talked about GNPA and NNPA. Stage 1 assets have stood at 99.34%, again in line with the long-term average of what we have seen over the last few quarters. Stage 3, we have already talked about 0.29%. Stage 2 at 0.37%, again more or less in line with last 7-8 quarters.

Moving to Panel #30, in terms of our provisioning coverage, the provisioning coverage, we continue to remain conservative on the provisioning coverage across products, in terms of product-wise GNPA in home loans are slightly up by 2 bps to 33 basis points. LAP has improved by 3 bps to 76 basis points. LRD continues to have a nil GNPA, while DF has improved by 1 bps to 9 basis points. And overall, an NNPA up by 1 bps sequentially. That is all from my side on the highlights of the quarter.

Open to take any questions from the forum. Thank you.

Moderator: Thank you very much. We will now begin with the question and answer session. First question is from the line of Raghav Garg from Ambit Capital. Please go ahead.

Raghav Garg: I have three questions. So one is on the retail segment disbursements. Can you give us the absolute number of retail disbursements that was there? And then what was the growth on YOY basis and Q-on-Q basis in retail disbursements? And then another part of that question is that within retail, what was the growth in the home loan disbursements?

Atul Jain: Raghav, first thank you for your compliment, but we won't be able to share segmental disbursement numbers. We have given the segmental AUM growth number, and overall AUM growth at a product level. The segmental disbursement numbers we generally do not publish.

Raghav Garg: But last quarter, you had indicated about 7% retail disbursements growth. Can you give a comparable number to that for this quarter?

Atul Jain: That quarter was also total disbursement. There was no retail disbursement.

Raghav Garg: I thought you had indicated retail disbursement growth of 7% in the last quarter.

Atul Jain: To the best of my memory, Raghav, no. to the best of my memory.

Raghav Garg: So the other question is that can you talk about your strategy in affordable home loans, say around ticket size, sourcing model? Are you going to be targeting the existing players in the market maybe from a BT perspective or you know, there loans? Which all geographies will you be focusing on? Just some color on that the affordable piece.

Atul Jain: So for affordable strategy, we will remain anchored predominantly on purchase transactions and not on take over or the BT because BT in any case, as a part of our digital channel, what we get leads through the digital channel from Bajaj Finance. I think we have built a presence there. Vertical what we have set up, this is which is a special SBU, what we have set up to cater to non-prime and affordable is largely organic. Of course, a part of a BT, which is in the terms of an industry, 15%,-16% of the disbursals remains BT. So this vertical also may have 10% 15% of the total disbursals as a BT. States, what we'll be focusing is largely southern states and the Western. So initial period, Andhra, Telangana, Maharashtra, Gujarat and Rajasthan would be the states where we are focusing, where we have started. Because this SBU has two parts. One is a near prime and second is affordable. Near prime would come through the top 26 markets more, which is outskirts of the top 26 markets and affordable will come through a bit of a deeper presence in these markets. Ticket sizes in affordable will be between, average ticket size would be 16-17 odd lakhs, and in the near prime close to 35-40 odd lakhs. That would be the ticket size focused on purchase transactions.

Raghav Garg: And one more question, you know very broadly at maybe industry level or maybe you would have also heard some kind of softness in sales for developers, the numbers which the real estate developers have reported. So what is your assessment? Can you give us some idea in terms of what the developer off take is or can potentially be given your view on the real estate industry, the absorption of the existing inventory and all that, just in that backdrop?

Atul Jain: Yes, Raghav. I think all of us have read through the reports or which have come by various agencies tracking real estate sales and launches that the first nine months of FY25 residential real estate has witnessed slowness in growth versus last year. So I'll say slowness in growth versus last year and there is an overall sale drop also as what has been reported by few agencies

but in terms of a market sizing and in terms of their the launches have been lower. So the sales are lower because of the number of launches or the amount of launches are lower in our assessment because what we see in the market the launches across various markets are lower, but the where the launches are there we have not seen an issue in the sale. That sales at the counters where there is a new launch, there is no issue, so there's no inventory built up. There's no inventory overhang getting built out, but decline in sales is largely led by, I'll say decline in launches, what we are estimating. Of course, we'll have to wait for the formal official numbers. These are all feedback from the ground kind of a numbers, what I'm talking about.

Raghav Garg: No, that's fine, but I was asking more from a perspective where your developer loan book growth could also come down right now. It's growing at a supernormal rate of more than 50%. Do you see any risk to that if, say for example, the launches are not as much or the demand on a higher base comes down from here on?

Atul Jain: Raghav, our book which we had mentioned has grown at a faster pace, but at absolute level we are still less than Rs. 13,000 crore kind of a book, which is across 738 active projects. So I'll say even if the launches are slow, which launches have been slow in first 9 months, but we have continued to grow at a good absolute pace, because the percentages in our case are not that relevant because of our base being lower compared to the industry overall size. So in the short term to medium term, I don't see a problem in terms of continuing to grow construction finance because that is the essential ingredient for us to grow our retail home loan business.

Moderator: Thank you. Next question is from the line of Piran Engineer from CLSA India. Please go ahead.

Piran Engineer: So before I get to my question, I just want to ask the previous participants question a different way. In the 17% disbursement growth, would the retail growth be higher or lower than this, than the overall average?

Atul Jain: I'll have to check because last time I had answered specifically saying that we tracked AUM growth, but I'll check and by the time we finished the call we would have checked. It should more or less in my, to the best of my understanding in the similar range or a bit above, it will be a bit above, but I'll check and I'll confirm the number.

Piran Engineer: My first main question really is on builder loans. This is a product where you're growing quite fast. If you can just give us some sense of what percentage of the loan book is under moratorium right now, or where the DCCO has not yet come. Because I see your stage two is nil and stage three is just a few crores. So want to get a sense of whether the entire pool right now is even eligible for repayments or most of it is under moratorium?

Atul Jain: Piran, we follow, the way we do our building finance business is that we take the sweeps from the day one largely barring 1 or 2 projects where the agreement can be that the sweep is not from day one because moratorium is not the rightful metric to look at it. So technically, the project moratorium is in line with the RERA extension date RERA completion date which is the date at

which the DCCO is supposed to happen and after that the repayment starts from the contracted term. However, along with the contracted term, what we always contract for is a sweep from the day one in the realization. So practically, there will not be any project where there is a launch has happened and the repayments are not coming in. But the contracted repayment rate where that irrespective of the sales they have to pay down comes when the RERA expiry date comes, which is the DCCO date of the project. Because any project finance is constructed, the moratorium is still the DCCO date, which is the date of RERA expiry and after that the customer is supposed to pay in equated monthly principal installments for the balance period. However, as per our construct, we start taking sweep from the day one from the sales proceeds as agreed with the developer partner and most of the cases you don't hit the DCCO date because the sales have been so strong in last three years that you don't even hit the date for the full repayment of a loan before you hit the DCCO date. If you're referring to the DCCO extension, there in our history till date, we have given two DCCO extensions in our history. Not even now, and no DCCO extension has been given in last one year. There were two DCCO extensions which had been given over a period of time, one during the COVID period and one a bit later on that. Out of that two loans which DCCO was given, one loan is already successfully closed and one loan is NPA which is part of your Stage 3 asset as of today. Apart from those two loans, there is no other loan where we have ever given DCCO extension.

Piran Engineer: So Atul, if I understand this right, if you give a builder loan today on 27 Jan 2025 and the RERA completion date is, let's say, September 2026, which is in line with your DCCO date, between Jan 25 and September 26, he is not obliged to make payments, but obviously if he has some pre loan sales are good, he will make payments, but he is not obliged to do it. Correct?

Atul Jain: He is obliged to pay the interest servicing every month. Interest servicing is every month. So principal servicing is from the sweeps where the collection is happening. There is no moratorium on interest servicing from day one in any of the loans. Interest needs to be serviced by a developer on each loan from day one through the ECS mandate. The principal repayment, there's no obligation till the DCCO date, but the sweeps come in.

Piran Engineer: And just my second question in terms of given your medium term Opex to NIM target of 15%, today it's 19-20, what exactly would be the driver of that?

Atul Jain: We intend to keep on, if you look at even the past also, every year generally we improve this ratio by 1.5% to 2%. Because the kind of investments that are required or the income growth would always outpace the OpEx growth, given the nature of the business and as the balance sheet keeps on becoming bigger, there will be natural jaw which will keep on coming in. Because in our case, in mortgages, expenses are on acquisition while the income is on AUM. So as AUM becomes bigger, your jaw in any case keeps on expanding giving you more operating efficiency. So that's what we estimated to play at. So 14%15% is a number in the medium term, which we are very confident. In a longer term, in fact, we wanted to go down to between 9% to 10%, but

that's a longer term that's what we are not guiding for. But we're pretty confident that this is the operating efficiency path, which we will be able to achieve.

Moderator: Thank you very much. Next question is from the line of Shubhranshu Mishra from PhillipCapital. Please go ahead.

Shubhranshu Mishra: Quickly on housing home loans. Essentially, we have to grow the home loan and LAP part much higher, at least to meet our medium-term growth rates because they are growing at anywhere between 20% to 23% with home loans being a larger part because this is roughly around 70% of the book. So what is causing this slowdown in LAP book and home loan book? The second question is around the home loan book. We actually used to give a split between pure home loans and what is the top up. So today we have got roughly around 56% which we quantify as home loans, but I believe there is a substantial part which is also top up. And by RBI's prescription, we need at least 50% which should be pure home loans, right? And 60% which should be related to home loans and 70% of the assets should be related to entire pure home loans. So wanted that part. And of the bank borrowings, what is on external benchmark? These are my couple of questions. Thanks.

Atul Jain: Thanks, Shubranshu, I'll try to answer your questions one by one. Home loan and LAP growth, you are saying we need to grow much faster, yes, because if we are guiding for 24% to 26%, probably we are growing at close to that range. Today maybe 21% 22% in terms of a home loan plus LAP put together. LAP actually we don't consider as a standalone because LAP for us is a, there is as you have rightly called out as there is a regulation or regulatory requirement for individual home loan. There is a regulatory requirement for residential assets, which is 60% of total assets. I'm not sure what is 70% requirement what you are referring to. There's a 50% individual home loan requirement, which is pure home loan excluding any top up or excluding any VAS products sold which is booked as a home loan and there is a 60% requirement for a total residential assets on the total asset. Now for the remaining assets, remaining part of the book, which can be non-home loan, we take a call basis, at any point of the time, return risk metrics between loan against property and lease rental discounting. Our recent assessment of last three years had been that the lease rental discounting adjusted for risk is better return generator in last 2-3 years, given the intensity of competitive activity in loan against property market and the kind of what we say risk-adjusted returns which are coming in. So LAP and LRD, we are agnostic. We have grown LRD much faster in previous two years, as return risk metrics were in favor of LRD. For home loan remains the piece where we have to continue to grow in line with where we have to grow the company book. If you're guiding for 24% to 26% kind of a company book growth, that is where that minimum or higher than that is where we have to grow home loan. Now this 23% growth has been coming in where our economies of scale of our economies from our new near prime and affordable vertical has not kicked in. We expect this vertical to start generating meaningful contribution to the growth from next year, but this year we just started in May and June. So right now the numbers are for us a good indicator of the beginning but not that relevant from the AUM growth perspective. But coming year 2025-26

and followed by 2026-27, I think from a AUM growth perspective from a home loan, this vertical will generate significant contribution to give us overall growth. In terms of the question you asked on the numbers in terms of IHL, 50% that number is 50.9% as out of 57%, 50.9% is the number for individual home loan, which is minus any top loan or minus any VAS loan or any. As a percentage of total asset. As this is what you see 57% is a breakup of AUM. But 50.9% regulatory requirement is on total asset, which includes the cash balances what you carry. So there's a bit of a different metric, but 50.9% is you can say the conservative metric when you are looking at that metric. 60% I called out with a residential asset, which we are 62.1% on the total assets again, which is called out as per the presentation as of 31st December 24. Bank borrowings, you had asked a question on, how much is linked to external benchmark. Out of 43% total mix 30% of our total liability is linked to external benchmark and 13% to MCLR. 43% is bank borrowing out of total borrowing. Out of that 43%, 30% is EBLR and 13% is MCLR. I hope I have answered your question Shubranshu.

Shubhranshu Mishra: Just one counter question here, Atul. You're talking about economies of scale kicking in next year from a very low ticket item. Our average ticket size is around 45 lakhs to 50 lakhs. We're talking about a 15 to 20 lakhs ticket size giving economies of scale just a year from now. The math seems staggering.

Atul Jain: So what I'm talking about, Shubranshu, is that there is a normal organic growth on the normal business what will keep on coming in which is what we are delivering a growth today of a 22% to 23%, let us say, in a home loan segment. The incremental growth, because we have to deliver above 24% to 26% or at least 24% to 26% if we want to deliver the growth there, that is the growth which will come in from the new vertical, if not from expansion in the market share in the current vertical. Because when you look at the growth number, if you are talking about, let us say, 2% or 3% of incremental growth number to come, then we are talking about, Shubranshu, only Rs. 3000 crore kind of a number in terms of a 25-26. So it's not staggering.

Moderator: Thank you. Next question is from the line of Viral Shah from IIFL Securities. Please go ahead.

Viral Shah: A few questions. One is I'm looking at your stage two. Over there, across both home loans and LAP, we are seeing that the stage two has kind of increased sequentially. So is this the part of the normal seasoning? What are you seeing? Any color, incremental color would be helpful.

Atul Jain: Yes, thanks, Viral. But if you look at it, of course, you're looking at a Q2 to Q3. But when you look at over the year, which because we have put up in the investor deck for the last 7-8 quarters, this is broadly in line with. See, what happens is there are stage 2 assets. They consist of two parts, which is 31 to 90 DPD accounts and also in our case, we classify certain accounts below 30 DPD also as a part of a stage 2 basis our internal classification where risk team assesses that there is a significant increase in the credit risk. There are two parts to it. So 31 to 90 DPD, which is the regulatory definition of a stage two. But incrementally, we also follow a definition where internally risk schemes categorize certain assets as stage 2, which are actually in stage 1 from a

definition point of view. Now, there was reduction in stage 2 last quarter, primarily on account of a movement of less than 30 DPD, which were risk classified accounts. When you look at a 31 to 90 DPD accounts, the movement, there is no movement. So there was a less than 30 DPD, which was risk categorized accounts. There was a movement downward last quarter, which got broadly normalized in this quarter. 31 to 90 DPD have remained largely range bound to 0.08% at a company level from 0.07% in Q2. So we don't see anything. So 0.07% was a 31 to 90 DPD regulatory definition with stage 2 accounts in quarter two, which is 0.08%. Rest of the stage two assets are a reflection of what we internally classify as an increased risk, and that's why we classify them as stage 2. Have I answered you, Viral?

Viral Shah: I think you are mentioning at an overall level, I think broadly that will hold true even for home loans and LAP segments?

Atul Jain: It is 0.07% to 0.08% it will hold true and lease rental discounting does not have any stage 2 account. So it is home loan and LAP as DF also does not have. So it will apply on home loan and LAP only.

Viral Shah: And, Atul, basically wanted to get a sense if you can quantify if at all there has been any impact from the property registration disruptions in a few states Karnataka, Telangana, what has, say, how much it has been impacted? And secondly, has it impacted your say incremental disbursements? Again, not the existing projects, but the new projects even on the construction finance or the LRD side. If you can just give some color over there, both on retail as well as wholesale?

Atul Jain: Viral, there has been some delays in execution of registrations due to a change in Karnataka, if you are calling out as state of Karnataka because of e-Khata introduction which is for long term good for the industry and long term good for the customers. But situation is getting normalized as we speak because there are delay. It is not cancelling or impacting the volume in the long run and we don't see any long term or a persistent impact of e-Khata as far as Karnataka is concerned. Telangana I am not aware of any disruptions in registrations or anyway. So Telangana you called out Karnataka and Telangana. Karnataka yes, its introduction to this e-Khata which has resulted into some delays or some deferments in terms of time taken, but not in Telangana to the best of my knowledge, I am not aware of any effect in the Telangana.

Viral Shah: And lastly, just again, I think this point has been broadly touched upon, but see, if the real estate cycle turns, right, and again, I think we are probably in third, fourth year of the cycle whatever people have different opinions of how long the cycle lasts. My question is that, say, if the cycle turns hypothetically, whenever that is, do you see the exposures that you have taken? Have you done stress testing? How will your exposures fare in that cycle? And what can be the, say, potential portfolio at risk, say, either on stage 2, stage 3 levels, if that kind of thing pans out?

Atul Jain: So Viral, in terms of the way we lend our construction finance construct, which is given again also as a part of our IPs, we try to do so that we are able to stand the time and in terms of a cycle,

if there is a cycle movement or a slowness itself. Because you have rightly called out there is a cycle which will be there and there can be a cycle when there is an enhancement in terms of what you call an inventory overhang. But if I have to say on a macro level, the kind of inventory overhang today is there even if there is a slowness in sales versus the launches, I think we are very far from even the pre-COVID days of a kind of inventory overhang which is there. So there is a good 3-4 years away in my assessment, even the inventory overhang what we had during the pre-COVID days. At that time also industry was worrying. Second, the way we underwrite if you look at this Rs. 13,000 crore kind of a balance sheet what is outstanding in developer finance, it is representative of 738 projects. Average disbursal or average outstanding per project is what we construct ourselves for granular book and that is what we, I was mentioning in the earlier question when it was there on the terms of a sweep**.** While the repayment starts on the DCCO date but the sweep starts from day one and our disbursals are constructed in such a manner that we give a generally tranche based disbursal that at every stage there are each disbursed amount what is booked for a construction finance is given in terms of a breakup of various tranches which are linked to three milestones. One is a construction milestone, second is a sales milestone and third is a collection milestone in the project. We believe the construct what we follow, even in terms of a downturn in industry, we should be able to hold ourselves well.

Moderator: Thank you. Next question is from the line of Ganesh from Bharat Bet Research. Please go ahead.

Ganesh: My question was basically a follow up of the same. So given that we are kind of growing our developer finance book at a relatively high pace, broadly as we go into the, if we go into a kind of a negative cycle in that sector, how will that fare? And broadly the way I wanted to think about it is if you could give us some guidance with respect to say past negative cycles in the real estate space. How has the median player done, how has the top decile player done in terms of say, GNPAs on the developer finance book? That would be helpful to quantify this as such.

Atul Jain: So Ganesh, if I carry the same point forward what I was mentioning to Viral, now in terms of you asked for a benchmark for a better players versus us, you can say not so good players in terms of a low cycle. I think if you look at a pre-COVID or the last cycle, probably I would not have access to the numbers. You will have access to the number. You should probably refer to HDFC Limited and ICICI bank numbers on GNPAs and NNPAs on the construction finance because they had one of the largest books there. To the best of my understanding, they never have these issues of what we are calling or even in the low cycle, because it depends upon how do you run the business. How do you run the business and what is your construct in terms of running a business, and are you able to identify the emerging risk or emerging stress much earlier and manage the risk accordingly. Because there is a execution risk which is embedded in the construction finance which you need to manage. So my assessment and my knowledge is that the better players had always handled the risk very well and have not got impacted by the cycles over the period of time the longer term players. We also have been in the industry now for seven years. Now since inception we have funded close to more than 1300 odd projects. We have so

far seen only four cases which have slipped into an NPA. Out of them two we managed to recover later on and close and the two which are still in NPAs which is visible from the balance sheet. And which I called out in earlier also, till date we have only given DCCO extension also to two accounts. So, and the industry had not been that good apart from what it had been for last 2-2.5 years. So I'll only maintain that if you handle risk well, you play granular and you are on top of the risk, you have an ability to manage this risk. We believe we have the ability to manage this better than maybe some other players.

Moderator: Thank you. Next question is from the line of Siraj Khan, individual investor. Please go ahead.

Siraj Khan: My first question is actually I would want to have a clarification with respect to the LRD vertical. So there we see there is no NNPA, GNPA but the average ticket size that I can see is approximately Rs. 98 crores, although I would want to this situation not happen but in which scenario will this, why will there be an NPA in this case and what will be the procedure for collecting such a large amount in the in the NPA?

Atul Jain: So Siraj, as the name calls out, lease rental discounting is given against two securities, if I have to say two securities. One, the customers here is broadly 50% of the portfolio would be to very large rated funds or rated companies, which are very large portfolio. So you can say the inherent risk stability of the portfolio is much higher than any other mortgage portfolio. That's why you see GNPA and NNPA are nil. And if you look at overall industry, also for last 20-25 years, this is not the LRD has never gone through a cycle because of inherent double security structures which get built in. First is that you have the cash flows escrowed to you because there is no execution risk of the project. You have a, because this is already built and leased out, you have the cash flows escrowed to you which is more than your current EMI coverage and as there are rental escalations, and as the tenor moves, your security in terms of a cash flow keeps on getting better. Added to it, in any case, the property is mortgaged to you, which is at a lower LTV. So that's why you don't see stress. This portfolio to us, I think this is one of the safest asset classes in mortgages. That is an industry experience in India and that has been our experience as well, which is a reflective of a nil NPA.

Siraj Khan: And now, coming to the main question, the affordable housing. So we have seen many players coming into the affordable vertical. There are already some players there in the affordable vertical. So my question is, in the medium term slide that you have given, that you want 20% to 25% growth, so the book size for this affordable vertical, what do you see in the medium term for this vertical over the medium term?

Atul Jain: So Siraj, the medium term growth, so our dominant portion of the book is likely to remain in the medium term of a prime only because it is affordable as. If I have to put that over a five-year period, this will not, between non-prime, near-prime and affordable, 80% of the book is still going to remain prime. So because there is a, affordable is a various definition of various people,

we generally call there is a non-prime, near-prime and affordable. Affordable is not going to be very very large as an overall portfolio composition even in the medium term.

Siraj Khan: So would that still go somewhere in the region of say 5% of overall portfolio something like that in the medium term because why I want to understand is, if that grows very fast will it have extra impact on the yield or the ROA etc. like for example because ROA is on the lower side. Affordable will have a better yield, so will the yield increase faster, higher ROA as a consequence?

Atul Jain: So no, probably here 5% of the overall book also would not be affordable. 5% to 7% of the home loan book can be affordable. 5% to 10% of the home loan book can be affordable, but not a 5% of overall book. That is first part because I think it will because Prime has a much more head start. We are already at Rs. 108,000 crore kind of a balance sheet for us to built a 10% on overall 5% to 10% on overall books that fast. Second part in the terms of yields, yes, affordable is a different nuanced business while the yields are better, but there is also a much higher cost to originate, which is what you see in most of the affordable companies' results. So, and given the mix what we are projecting for a medium term, I don't think it will have a very significant impact in enhancing the overall ROA. But we need to move to affordable to cover our full product suite because we are a mortgage company. And also given the emphasis of the government and the regulators on the housing for all, we need to be part of contributing to that vision as well as offering a full suite of the mortgage product for all customers so that we are present in all markets. As we learn the trick of the game, because it has a different skill set, like we called it, we had been largely present in the prime segment, it has a different skill set. As we learn the skills, basis the metrics what we see and if we are able to do it at a lower cost and it generates a much higher net return, net of cost, we can take a call to accelerate this more. But as of today, I will say that it will have some impact on the overall yield profile, but not much impact on the overall ROA profile. That's why the medium term guidance also for ROA, what you are seeing is not very different from what we have today.

Siraj Khan: And you actually touched on the follow up question was on the distribution and the cost side only. So how, it was with respect to how are we going to source this business like because these affordable companies, they have very high cost because they have to set up a lot of branches and etc. So cost is high. So how are we going to do that?

Atul Jain: We will figure out our ways in terms of where we have started in a particular way. We will learn over the period whether that results into an efficient origination, what we are trying. Because we are very small, I would not want to comment upon our sourcing model today. But we are trying to be slightly different from the industry to have a benefit of a lower cost as well as a bit of a higher yield. But time will tell whether we succeed or not.

Moderator: Thank you. Next question is from the line of Jigar Jani from B&K Securities. Please go ahead.

Jigar Jani: Just one question, can you share what yields are you giving loans as of now on the near prime and affordable segment?

Atul Jain: Near prime and affordable actually is a very wide segment. The yields vary from, let us say for home loan, we have talked about home loans from 9% to 16% in the market, because it is a scale of a profile, assessed income, not assessed income, verified income, not verified income, type of collateral, and various combinations. We largely operate in this segment between 9% to 13%. We are not in a much higher segment because there is a 13% to 17% or 18% segment as well in the market. But for a near future, in the foreseeable future, we'll operate in the 9% to 13% kind of a market, not 13% to 17%, 18%, because we have to learn that skill set also to further source.

Jigar Jani: And just to follow up to this, any, this we have separate branches or this product will be sold through the same branch?

Atul Jain: The geographies where we are commonly present with the other segments, it will be the same branches, but where geographies, there will be geographies which we are going to cover through this segment where we are not existingly operating, we will set up the branches for those markets for this particular. But there are no dedicated branches in that sense. In that market, if we start on affordable and later on the prime vertical or the other verticals want to go, that's a BHFL branch. There is no affordable branch. It's a BHFL branch, which all businesses of the company can operate from.

Jigar Jani: Yes, so no dedicated branches, for say. It will be all products across all branches.

Atul Jain: Yes.

Moderator: Thank you. Next question is from the line of Rahul Jain from Goldman Sachs. Please go ahead.

Rahul Jain: Just two or three questions. So I actually joined in the call much later, so pardon me if it is repetitive. But did you answer any question related to the credit cost? It was about, calculated basis 15 basis point in this quarter annualized. So what explains this? Is this just the rising stage 2 and stage 3 in this quarter that you had to make provisions for or some contingent provisions also started building into the books?

Atul Jain: So Rahul just to answer you on the credit cost, was not asked. So overall credit cost gross of overlay release in this quarter was 0.20% which is because there's a Rs. 10 crore overlay release because 0.15% is net of overlay release. But if we nullify that because then it is 0.20% which was in last quarter, 0.14%. A quarter prior was 0.17%. So it's more or less in range. The stage 2 also remains more or less in range, which I answered in a previous question, saying that if you take a 31 to 90 DPD kind of account, that remains in range and would be in 0.08%. While you see the stage 2 accounts at a 32 to 37 bps kind of a movement. But out of that, the 31 to 90 DPD, which is a regulatory Stage 2 accounts are only 0.08%. So there is no uptick in the credit cost, if that is a question, what you are saying. 15 to 20 bps range movement. In the last year, same

quarter, the credit cost was 0.15%. Again, net of overlay release, which is 0.20%. Now the difference of 0.15% and 0.20% is also largely on account of a stage 1 provisioning movement because the credit costs move in line with, because there is a stage 1 movement and also various asset classes mix. So if there is a particular asset, because every asset classes are different stage 1 provisioning, which is a general provisioning, what you call it. So there is a particular mix shift that happens, or assignment out versus in a one quarter to another quarter. So largely stage 1 movement, which is a harmless movement, Rahul, if I have to just answer you.

Rahul Jain: Very helpful. The other question is, have you disclosed what proportionally developer financing book would be to the under construction projects? And what would you explain now, what stages of development these projects would be, etc.?

Atul Jain: So entire book would be largely to under construction projects because construction finance is given for that purposes to build so that entire, almost entire book barring very small portion which may be to, in the completed project where there's a rundown of POS is happening. So that is entirely for the under construction projects rather. The various stages of construction because there are 730 projects. There are projects which are in various stages. It's an ongoing business. We keep on lending more and there are projects which keep on getting completed or the loans getting run off.

Rahul Jain: Just one last question. In retail, this was still, has there been any significant movement with regards to balance transfer out in this quarter versus the previous quarters?

Atul Jain: No, it is by and large stable. In a home loan, we generally have, you see on an annualized basis, close to 12% kind of a balance transfer out which is more or less in line with what we had seen in previous part.

Moderator: Thank you. Next question is from the line of Parth from Nomura. Please go ahead.

Parth: Most of my questions are answered. But just one doubt. You previously mentioned that one of the reasons for growing the developer finance book is to bring the ecosystem to act as a distribution channel. But now considering the development finance growth in this quarter, are we seeing the developer finance book as a potential growth driver in the coming quarters or in the near term?

Atul Jain: I think in between I was again losing your voice, but I'll try to answer what I've understood from your question. I think you are asking, do we. We had earlier called out that construction finance is a tool for us to grow our home loan business as a distribution point. But do we now see that can it be a growth engine in itself? Have I understood your question?

Parth: Yes.

Atul Jain: Developer finance remains critical for us in two parts. First, of course, as a funnel for home loan and a point of availability at the expansion of a distribution counter. But in itself also from a mortgage company point of view, it is a return enhancer. But given there is an inherent risk in construction finance, which is higher than the normal home loan business, we would like to not exceed around in the short term close to 12% to 15%. We are already a 12% kind of a mix, 12% to 15% mix in terms of our portfolio of construction finance to balance the risk. So it is not going to be a standalone growth driver from the balance sheet. From the current perspective, yes, 12% contribution to AUM can go up to 15% in the coming time, but it is not going to be dominant portion of the book because then the risk profile of the balance sheet changes. Because irrespective of the method, the way we would want to underwrite and the way we monitor the projects, inherently there is an execution risk of the projects or a macro risk which sets in versus a retail granular transaction. So that's where it, on a standalone basis, it won't be a balance sheet builder for us.

Moderator: Thank you. Next question is from the line of Abhishek from HSBC. Please go ahead.

Abhishek: My question is on this medium-term guidance. Just wanted to understand some of the assumptions behind it. So is it like a 2-3 year aspiration and have you factored in any repo cut impact, etc. or this is just BAU without all those external events?

Atul Jain: Abhishek, this is a three-year kind of a medium term, and we call it a three-year kind of a visibility. Of course, it is assuming what you can see or what you can forecast, whether it's a repo cut, because we are largely a variable balance sheet on the assets side as well as variable. So like I had called out earlier as well, that changes in the rate, there can be at a point of a time, sometimes lag impact, where if the rates are going up, we can see temporarily for a timing margins going up, which happened in FY23, that is where, or if there are rate cut is there and the competitive intensity is higher, there can be a bit of a lag of six to nine months in terms of there. Of course, this medium term guidance assumes the cycle to the best of what we are able to predict. It is not created in standalone where the impact of a repo cut is not there. For next year, we have our own projections of repo cut, which are based in the forecast or the assumption medium-term guidance what we are giving.

Abhishek: But essentially, you're saying that over three years, it will get neutralized. So whether repo cut or not repo cut, you could still look at it as a through-the-cycle kind of aspiration?

Atul Jain: Through-the-cycle average returns. But if you look at today, we are having a ROA of 2.4%, if you're guiding for 2% to 2.2%, if there is a bit of a lag impact also which impacts the margin for some point of a time that in any case factors it out. The 2% to 2.2% kind of a ROA range factors that. If ROA range does not move beyond that also, we had at the highest level where we had seen the ROA to go to 2.5% to 2.6%. So if we had seen on an upper cycle movement of a 20 bps, if you take the same movement from 2.4%, 2.1%, 2.2%, that's where Abhishek it is factored in.

Abhishek: Because when I work back, it sort of implies a 25 bps NIM compression from here. So I was just wondering whether this is a function of you assuming repo cut etc. or whether this is a function of the loan mix, changing yields coming off in the industry. So, this 25 bps, how we should look at it?

Atul Jain: Yields coming off is one of the factors and as you grow bigger, and we have to assume the competitive intensity, which is already very high, will continue to be like that. So there can be a, there are various factors which are baked in, whether it's a yield compression and which is a yield compression and the COF through the cycles at point of a time, which can compress. So I'll say, we have done a bit of a financial understanding of the P&L, what we understand, and this is that we have forecasted.

Abhishek: Just trying to understand, because obviously with scale, the mix will change, the yields will change. So I can understand that.

Atul Jain: Yields in our business, Abhishek, are also guided by competitive intensity, because that's an external factor. So we have to we generally assume a bit of an extra competitive intensity to be there in the market.

Abhishek: I think the second question is we are you know doing all this developer financing right now. Obviously with a view that this will help us in increasing our retail Home-loan sales later on. So at what point do we see that inflection right that this starts contributing to more retail origination and disbursement?

Atul Jain: So Abhishek, even today also they contribute a very significant part of our retail home loan. So it is at, while we say the penetration what we have in our projects may be still lower than what we want. Our penetration in our projects in terms of would be close to 16% to 18% as of today, we would prefer to be it having a higher, but it is even today also significant portion of our home loan registrations in a month. It contributes very significant amount. As it goes forward, it will contribute more as well as we become more efficient as we are able to penetrate more at the counters where we have extended the construction finance.

Abhishek: Then irrespective of whether you scale up near prime or not, ideally the growth in prime should sort of accelerate. Because right now the jaws between growth in developer finance and let's say even if you take it by number, number of developers you're financing versus how many of those projects are contributing, there's a jaw there, right?

Atul Jain: We have work to do to improve our efficiency in capturing the market where we are funding the projects. You are rightfully calling out, Abhishek. There is a jaw there and we capture that what we intend to do or the prime growth can be much higher than what is there. But pluses and minuses, there are always pluses and minuses. That's why the projections for near term or medium term or the medium term projections are in line with what is there. There will be some pluses, there can be some minuses.

Moderator: Thank you. Next question is from the line of Pranuj from J.P. Morgan. Please go ahead.

Pranuj: So if I just follow up on the previous question another way, for this 14% to 15% OpEx to NII and 2% to 2.2% ROA, is there a particular set of spreads that you would want to target on a steady state?

Gaurav Kalani: Spreads would remain in that corridor of 2% to 2.2%.

Atul Jain: Gross spread would be lower than 1.8%.

Gaurav Kalani: Broadly, yes So, over a medium term, yes it would be So, between 1.8% to 2.2% in that corridor, spreads would move.

Atul Jain: Depending on the rate cycle and depending on the competitive intensity, 1.7%, 1.8% to 2.2% through the cycle, the spreads will remain at the book level.

Pranuj: That and 7x to 8x leverage, as you stated in your presentation.

Gaurav Kalani: That is from a ROA 7x to 8x leverage, delivers a 13% to 15% ROE. We had previously been raising capital when we had been closer to 7x, but as we have now grown in scale and reached a stage, our earlier threshold used to be 6x to 7x leverage as a private company. Now we have moved the threshold to 7x to 8x of a leverage as we have grown bigger, not as a private to public, but as we have grown bigger, we believe that we have ability to shell the capital more now.

Moderator: Thank you, Pranuj. Ladies and gentlemen, we'll consider that as the last question. I'll now hand the conference to Mr. Mayank Mistry for closing comments.

Mayank Mistry: Thank you all for joining the call today. And thank you to the management team of Bajaj Housing Finance for giving us this opportunity to host the call. Thank you all.

Moderator: Thank you very much. On behalf of JM Financial Institutional Securities Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.