"Indiabulls Housing Finance Limited
Q1 FY2022 Earnings Conference Call

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Moderator: Ladies and gentlemen, good day and welcome to the India Bulls Housing Finance Limited Q1 FY2022 Earnings Conference Call hosted by Investec Capital Services. 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. From the management we have Mr. Gagan Banga - Vice Chairman, MD, and CEO, Mr. Ashwini Hooda - Deputy Managing Director, Mr. Sachin Chaudhary - Chief Operating Officer, Mr. Mukesh Garg - Chief Financial Officer, Mr. Ashwin Mallick - Head, Treasury, Mr. Ramnath Shenoy - Head, IR and Analytics, Mr. Veekesh Gandhi - Head Markets and Mr. Hemal Zaveri - Head Banking. I now hand the conference to Mr. Gagan Banga. Thank you and over to you, Mr. Banga.

Gagan Banga: Thank you. A very good day to all of you and welcome to the Earnings Call of Quarter one of FY2021-22. I hope all of you and your families are doing well and are safe. Kindly bear in mind that most of us are taking this call from our homes, therefore we request that you restrict yourself to high level questions. Granular numbers beyond the ones detailed in the earnings update or on this call can be taken directly from the investor relations team by e-mailing them.

Since our last call post our quarter 4 fiscal 2021 results in May, the COVID-19 pandemic situation in the country has fairly normalized. The country as a whole has seen continuous fall in the number of new cases reported and restrictions on movement have been lifted to a large extent in most of the states. Scientist and doctors continue to warn us of an impending third wave, but given the extent and pace of vaccination in the country, it is expected that any rise in infections will not be as wide spread as during the second wave. At IBH, over 80% of our employees have taken at least the first dose of the vaccine and all our branches are now operating following strict hygiene checks, sanitization, social distancing norms, and local guidelines.

With the economy opening up again in June coupled with vaccination gathering pace, economic activity has rebounded. Our disbursals too have picked up pace from June onwards. Our collection efforts suffered in April and May, dropping to a low of 96%, owing to the lockdowns and consequent restrictions on the movement. It has recovered steadily from June onwards and is now back to 98% plus levels. Residential real estate demand, which picked up last year has continued to gather pace. Property registrations are at an all time high in most of the cities. Housing sales in the first half of calendar 2021 recorded a 67% year-on-year increase in the top 8 Indian property market with strong sales being recorded across price segments after over a decade, especially in the premium segment. Real estate developers too have regained confidence with residential project launches in the first half of calendar 2021, recording a robust 71% y-o-y increase. Real estate cycles in India are typically at least 6 to 8 years long and it is after almost 9 years that we are seeing this uptick. We strongly believe that we are now at the cusp of a long upcycle and the next 6 to 8 years will be extremely good for the residential real estate sector in the country and India Bulls Housing will continue to take benefit of this tailwind.

I will now quickly cover the headline numbers for the quarter. I request all of you to refer to the earnings update that has been sent across.

Please refer to slide 3.

As of end of June 21, our loan book stood at ₹ 65,438 Crores. Our AUM stood at ₹ 79,213 Crores. Our regulatory capital adequacy at the consolidated level stands comfortably at 30.9% of which tier 1 capital is 24.3%. Our net debt to equity has moderated to 3.1 times. Our net interest income for the quarter stood at ₹ 765 Crore. Our employee expenses for the quarter were ₹ 115 Crores compared which is ₹ 16 Crores in quarter 4 fiscal 2021 and ₹ 88 Crores in quarter 1 fiscal 2021. Last quarter which is quarter 4 fiscal 2021, we had a write back of superannuation, retiral and ESOP expenses of over ₹ 60 Crores, which resulted in a low net employee expense. If we were to compare just the salary and the incentive expenses within this, excluding the ESOP and the retiral expenses, the comparable number was ₹ 98 Crores for quarter 1 fiscal 2022 versus ₹ 80 Crores in quarter 4 fiscal 2021 and ₹ 78 Crores in quarter 1 fiscal 2021. This increase quarter on quarter of about ₹ 18 Crores is on account of the following: Roughly ₹ 3 Crores is on account of new recruitment, the remainder ₹ 15 Crores is on account of the annual long-term performance linked bonus which we have paid to our employees. This long-term performance linked bonus is aimed at helping us retain employees, help us quickly ramp up disbursals this year and will also in some ways help us compensate for two very nominal increments that we have given over the last couple of years. This bonus has a clawback provision build into it based on performance and continuation of employment. Thus most of the increase is related to increase or sustaining our capacity of disbursals and will certainly be offset by higher the income with a lag of around 6 months, so this increase should result in a compensating ₹ 18 Crores or so of increase in fee income on quarterly basis within about 6 months. Overall, our PAT for the quarter came in at ₹ 282 Crores, a 3.2% y-o-y increase as compared to 273 Crores of PAT in the same quarter last year.

The company's profitability has now stabilized and is showing a trend of growth over corresponding period last year for the first time since the IL&FS crisis broke out in September 2018. Going ahead, one has confidence that our profits will also be supported by declining cost of funds. Our incremental borrowing costs have reduced and the stock of borrowing is also trending lower, thanks to a change in the outlook of our credit rating. This reduced cost of funds on book to 8.3%, has enabled us to maintain our spread at a comfortable 2.6%.

Moving onto slide 4. Here, we have detailed our performance on various important financial metrics.

The management continues to work on three important pillars: capital adequacy, liquidity, and asset quality to fortify the company's balance sheet. I will cover updates and progress on each of these three pillars in the next few minutes.

We are one of the best capitalized housing finance companies within our peer set with a capital adequacy of 30.9% of which tier 1 is 24.3% and one of the least geared with a net gearing of 3.1 times. On the back of strong performance parameters, CRISIL had revised the companies rating outlook to AA with stable outlook in March this year. As we speak, the company is engaged with the other rating agencies to also review our credit rating outlook and one is very, very confident of the outcome. The next meaningful target on the ratings front is to get an upgrade to AA+. An upgrade to AA+ will immediately reduce cost of funds both stock and flow of funds by as much 50 to 70 basis points. AA+ will also enable diversification of long-term pools of capital becoming available again to the company, given that provident funds and insurance companies prefer to invest in AA+ or higher rated paper. Subsequent to the AGM, where we have taken several enabling resolutions from our shareholders, the management is now in implementation mode and would be taking all strategic and operational steps to try and ensure an upgrade to AA+ in the current financial year itself.

Our asset quality has remained stable despite a period of a cute macroeconomic stress brought about by COVID and resultant lockdowns. Till date we have had to restructure loans of only ₹ 84 Crores, equivalent to 0.1% of our AUM, under the restructuring framework 2.0. But, under the restructuring framework 2.0, the Reserve Bank has given time for the smaller borrowers till September 2021. We are thus engaged with all of our small borrowers, evaluating their request. At this point in time, I would like to clearly state we do not foresee any large amount of restructuring being required in the book. Under the government guaranteed ECLGS program, where the government guarantees the loan that we give out, we have sanctioned loans of ₹ 489 Crores and we expect this to rise to a total of ₹ 800 Crores under the government guaranteed scheme. Overall, our portfolio performance has been much better as compared to the industry, that is besides the fact that we run a secured book. The retail loan book is now well seasoned with an average vintage of the book of about 4 years given the deep consolidations that the management choose for the company. This high vintage of 4 years implies very low current loan to values and hence increased resilience to the economic consequences of the pandemic. However, taking heed of the warnings of an eminent third wave and fully appreciating that the economic impact of the second wave will play out over the coming months, the management of the company has decided to take an extremely conservative and prudent approach towards provisioning in order to strengthen the balance sheet to effectively tackle any and all potential future contingencies. We have showed up our provisions on balance sheet to ₹ 3,600 Crores, which is almost 4 times the regulatory requirement and equivalent to a healthy 5.5% of our loan book. It is also 159% of our gross NPA. This higher provision cushion places our portfolio in a strong position to negotiate any potential macroeconomic uncertainty due to the second or the expected third wave of the COVID-19 pandemic. On the more optimistic side, since growth has resumed on the disbursal front, we believe with this 5.5% coverage of loan book we have created a very comfortable foundation of provisions, which will allow the company to replicate the steady compounding that we had witnessed across all financial parameters for a 10 year period between 2009 and 2019. We are starting with that exercise now and this 5.5% provision cover of our loan book should be a good base for management to be able to focus on compounding all financial parameters on a very steady basis at CAGR close to 15%. Our net NPAs are down to ₹ 1,227 Crores from ₹ 1,517 Crores in quarter 1 fiscal 2021. As further detailed on slide 6, our gross NPAs as at end of June 2021 are at 2.86%. The NPA percentages seem optically higher on account of the large reduction in our loan assets. Had the company not chosen to degrow its book in the past one year, the gross NPAs of 2.86% would have actually been at 2.45%.

To conclude the asset quality point, we believe our strong provisioning pool, seasoned retail portfolio and strong demonstrated recovery capabilities will ensure that asset quality will remain stable in the future as well. The guided range for asset quality is plus minus 50 to 60 basis points from where we are.

On slide 5, we have given an update on the elements which are at the core of laying the strong foundation of our retail focused asset light model. We have been on a path of consolidating our wholesale loan book for the past two and half years. Strong sales traction in residential real estate and hence collections in escrow account of projects, which are hypothecated to us, of our wholesale borrowers has put the company firmly on track to reduce its wholesale book by 33% by March 2022. Over the course of the last two financial years, the company has entered into several structured transactions to enhance the pace of reduction of the wholesale book and also to generate liquidity such that it can continue to disburse for last mile financing of projects, which are mortgaged to us. While we have invested over ₹ 10,000 Crores, or nearly USD 1.5 billion dollars, over the course of the last 2 to 3 years, we have achieved a unique opportunity today where most of our projects which are mortgaged to us have either gotten to a stage where they have already received the occupancy certificate or would receive the same over the course of the next few months. While there is tremendous sales pickup in the residential real estate market, the consumer tendency is to purchase homes, which are nearly complete and not early stage homes. The projects which are mortgaged to us are thus uniquely placed to enhance the sales momentum going forward and we believe in fiscal 2022, therefore, the primary reliance to rundown the wholesale book would actually be on self liquidation where incremental sales and collections from sales which have already happened would facilitate this process. We do not foresee significant number of structured transactions being required in fiscal 2022 to reduce the wholesale book by 33% by March 2022, which is the goal that we have set. On the retail side, we continue to expand our branch network in tier 3 and 4 locations. Over the last few months we have opened 10 technology enabled smart branches. We are well on track to add 50 such branches in tier 3 and 4 towns within the financial year. We have also made immense progress in establishing our co-lending partnerships over the past few months. We believe now, given the multiple partnerships we have, we have the widest product offering in our history where we can afford to offer home loans at rates as low as 7% - 7.2%, to MSME loans as high as 14%, with each and every loan being eligible for either securitization or co-lending. On the co-lending side, we have started sourcing loans actively for each of our partnerships. The real time technology integration is also progressing and with most of our partners should get completed by the period of September to December of this year. So, we have all the partnerships in place and we have a very wide product offering, the widest in our history, the sourcing has started in the market and as we look to scale up, the tech integration is also progressing well. We expect to do meaningful disbursals under these arrangements from the current quarter, which is quarter 2 fiscal 2022 itself and as I had stated in my previous call, from quarter 2 fiscal 2022 onwards, when we declare our results, we will also be updating stakeholders on the specific co-lending numbers that we have achieved in the quarter.

Moving onto our third pillar, the pillar of liquidity and ALM management. We had liquidity buffer of ₹ 11,419 Crores. A large part of that, almost ₹ 10,000 Crores, was in unencumbered bank balances and bank deposits and the balance in government securities, liquid bonds, mutual funds, and commercial papers. As part of our ALM management, we had updated that 66% of the bond repayments of ₹ 6,576 Crores coming due in September, we have already completed buyback or an effective build up of treasury stock, thus nullifying any additional out go of cash from here. We have also complied with the debt redemption fund requirement of creating 15% of total maturity of bond, thus now the additional liquidity requirement is miniscule, which will not move the needle in our liquidity buffer. So, we have moved on from one lumpy repayment that we had to continue to leverage our liquidity buffer to build further credibility. We believe our strong buyback/ repurchase program of ₹ 6,000 Crores has gone down well with our lenders. In order to continue to move on that momentum and given the fact that we have repayment of USD 350 million worth of dollar bonds due in May 2022, we have done something very unique where we have created voluntary reserve fund for repayment of these dollar bonds. The company will periodically transfer a sum totaling to 75% of the total maturity proceeds of these bonds in three tranches of 25% each to a debt repayment trust managed by our lenders repayment trust of IDBI trustee. IDBI trustee will utilize these funds towards the scheduled redemption of these bonds. We have already transferred the first trench on 4th August and the second and the third will be transferred on 4th November and 4th February. These bonds are fully hedged thus the INR liability of 2,730 Crores will be made in May 2022 of which ₹ 2,047 Crores will come from the reserve fund and we will transfer the balance of ₹ 682 Crores in May. The IDBI trustee has already notified Citicorp International, which is the dollar bond trustee and we believe Citicorp would have in turn informed all the bond holders via the Euroclear and Clearstream system. Besides the ₹ 6,000 Crores of bond repurchased in buyback, we had also done a similar prepayment or creation of a reserve for ₹ 315 Crores of Masala bonds which had come due in February 2021, by transferring to our lenders repayment trust in November 2020. We will continue to follow this proactive approach towards our ALM management and continue to leverage our strong capital position and comfortable level of liquidity. I am sure this will also provide comfort and confidence to all stakeholders and further strengthen the company's credentials. Our ALM is published on slide 7 and we have also provided quarter wise detailed ALM on slides 22 to 26.

If you can now please refer to slides 12 and 13.

As we have laid out in our fiscal 2021 annual report, from this year onwards, environmental and social consciousness will be key considerations in every aspect of our operations. We are engaged with leading ESG rating institutions to further formalize benchmark and measure our ESG approach. Doing so, we are confident that the targets that we have laid out for this year as well as over the next 10 years will be met and we will continue to improve our operations such that we adhere to ESG best practices. These targets have been detailed on slide 13.

Despite the first two months in the quarter being a washout due to the second wave, we have made considerable progress in terms of disbursals in June, which has further gained momentum in July. We have now stepped on the gas pedals to increase our retail disbursals through our new asset-light business model, our co-lending partnerships are in place, we are increasing our man power and opening new tech enabled branches. The macro on the residential real estate demand is also very strong. Barring any significant adverse economic consequence that an impending third wave of COVID may have on the economy, we are very optimistic and confident about our future growth. The management team continues to focus on fortifying the balance sheet and making sure our principles around asset quality, liquidity, and capital, we continue to get stronger on. The retail asset-light business model is maturing well and we are fairly sure that by March 2022, we would be disbursing through this asset-light model at a monthly rate of ₹ 2,000 Crores. On this note the IBH management is now open for questions. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on your touchtone telephone. If you wish to remove yourself from the question queue you may press "*" and "2". Participants are requested to use handset while asking a question. Ladies and gentleman we will wait for a moment while the question queue assembles. The first question is from the line of Abhiram Iyer from Deutsche CIB Centre, please go ahead.

Abhiram Iyer: Hi first of all congrats on the results. I have two quick questions. One was primarily pertaining to reversal of provisions which were made under NBH guidelines of ₹ 825 Crores, could you just elaborate a bit on that and the other question was the increase in total provisions. So I believe that increase has been around ₹ 1,200 Crores over the last quarter. Could you let me know where the impact of this would be seen from the income statement perspective because I think the total impairment on the income statement is close to ₹ 200 Crores rather.

Gagan Banga: Yes sure. There is an enabling provision of the national housing bank, which we have taken use of to create a base. It is merely an additional provision that we have created, we have not utilized any of that provision, in order to have a strong base. As a consequence of this, the total provision buffer has moved up to 5.5%. The ₹ 825 Crores plus ₹ 200 odd Crores, there would also be some deferred tax advantage that the company will get that would add up to another ₹ 200 odd Crores. That is how we would have had a total increase of around ₹ 1,200 Crores in our provision pool. We have not utilized any of that. We have just taken advantage of the enabling provision under the national housing bank guidelines, which are now the Reserve Bank of India guidelines.

Abhiram Iyer: Got it, thanks for the clarification.

Moderator: The next question is from the line of Craig Elliot from NWI Management, please go ahead.

Craig Elliot: Thank you so much for the presentation and congratulations on the great results. A couple of questions, one is if you could provide a little bit more color on the credit quality as we were hopeful to sail out of the second wave and you seem to have pretty good amount of confidence that if there is a third wave it would not be quite as bad, so just little more texture on your thoughts there. Number 2, you mentioned very good progress with credit agencies and your goals there, you mentioned unlocking insurance companies as potential investors, would the mutual funds also be sort of linked to further credit rating improvements or are there other factors and then you mentioned great results as well progress on the co-lending agreement anything specifically related to HDFC. Thank you very much for three questions.

Gagan Banga: Thanks for always supporting us and I will take these questions one by one. As far as credit quality is concerned, as we mentioned April and May were difficult months for collection, both keeping in mind the safety of our own employees as well as adherence to the local guidelines, we could not really move out and repayment instrument which were not getting honored by our borrowers, we could not do any sort of field collections on them. We also continued to be hampered and that hampering continues till date by the fact that several courts in India have barred lenders from taking possession of homes where we have completed the process of taking possession, which is a 6 to 9 month process but we are technically barred as of right now from taking possession. On the wholesale side, the entire IBC process is also going extremely slow with new cases not really getting admitted. So these are some of the limitations as far as asset quality is concerned. The good news is despite these limitations, we have been able to keep the asset quality in check. There has been an insignificant movement in our gross or net NPAs, slowly now various courts are lifting these restrictions as the county emerges from the second wave impact of COVID and optimistically speaking, what we have already classified as NPA or done a technical write off on, we should see a hastened speed of recovery over the course of next 2 to 3 quarters. As more and more states open up and remove these restrictions as well as physical court start sitting, for example the Mumbai High court is now physically sitting on multiple days of the week and is thus taking new matters. Once various NCLT branches also start sitting, there would be good momentum on recovery. As far as the third wave is concerned, we continue to be optimistic yet cautious which is why we have invested in the provision buffer and as I said in my comments, the optimism makes me believe that we have through these provisions laid a very, very good base for a very steady compounding over the next 8 to 10 years as we did in the last decade. As a worst case, we believe this is a very big provision buffer and therefore with this provision buffer there should be minimum volatility in the companies earning profile and additional buffer is coming from the fact that a large number of loans by value as well as number which we are in a position to liquidate the asset on an immediate basis. We should be enabled to do that over the coming few weeks to month. Given all of this, we believe that we should be able to have a asset quality range is plus minus 50-60 basis points of where we are. Moving onto your next question, the engagement with the credit rating agencies is indeed very positive. Most credit agencies, the domestic credit agencies have a deep understanding of the nonbank business and have been supportive of the organization. That said, the nature of credit rating globally tend to be procyclical. Moving onto your question and these two points are related about new pools of capital and will there be provident fund and insurance companies or mutual funds. Mutual funds themselves and the underlying capital that they have on the debt side tends to be extremely procyclical and if we get into a downcycle, then a large quantum of bonds subscribed by mutual funds tend to make the company suffer more on the downcycle, which is what we suffered from over the course of last two, two and half years, especially the first two years after the IL&FS crisis.

We have learned our lesson. As we speak, we have only 50 million dollars of bonds which are subscribed by mutual funds and as long term strategy, learning from some of our other peers, which are of similar size but which are companies which have been around for 3 to 4 decades, the bond issuance will be either done in the form of public issues or would be preferred to be done to provident funds and insurance companies. The quantum will certainly be much smaller than mutual funds can potentially do, but we have to keep longer term stability in mind. With all the good intentions that fund managers have, if they are facing redemptions, they have no option and we wish to keep ourselves away from that trap. So, the engagement with the credit rating agencies and the positive results that one is confident of should enable two things for us, reduce our cost of funds by anywhere between 50 to 70 basis points on flow on the bank borrowing side which is roughly about 35% to 40% of our borrowings, it should reduce that stock by 50 to 70 basis point and it should diversify and the diversification would be focused more towards insurance companies, provident funds, retail investors and high net worth individuals and not really be focused towards mutual funds. On your third question on co-lending and the progress with HDFC. Obviously HDFC is one of the most strategically important relationships for the company. The good news there is the initial planning, the initial integration around loan agreement, standard operating procedures, credit policies etc., is all behind us and as of last week we have actively started sourcing cases in the market. There will be a slow build up. HDFC is gold standard for the fact that they are very, very conservative, so as we push loans through to them they will take a conservative view and there would be a slow buildup. Similarly, with our other partnership also, we are now in the market and fairly well progressed on the technology integration side, which is almost like a prerequisite for this whole model to scale up. One is quite confident that with all of our co-lending partners, between the months of September and

December, we would be on a real time technology interface and that would really be the base for a long term sustainable scale up in numbers. In the meantime, we will continue to do business with the processes and the tech enablement that we have already achieved and we will start reporting these numbers to you from this quarter onwards. I hope I answered your questions.

Craig Elliot: You did. Thank you very much. I appreciate it.

Moderator: The next question is from the line of Prashant Sridhar from SBI Mutual Fund, please go ahead.

Prashant Sridhar: I have two questions, one on asset quality and co-lending agreement. Sir asset quality, if we look at FY2021 annual report, the stage 2 plus 3 is almost 35%, seem to be high for an HFC, so maybe you could throw some more color on how this would be today segment wise and whether we have moved to stage 2 because of higher provisions that would be helpful and on co-lending, what percentage of the P&L do you to expect would come from the co-lending fees or if you could guide towards that.

Gagan Banga: On the asset quality since the company is an NBFC and NBFCs follow Ind-AS, so our ability to be able to create provisions are largely constrained by the ECL model and given the low loss given default, the ECL model will enable on an ongoing basis only very, very minimal sort of provisions. This is a reasonably significant constraint unlike in IGAAP where you can create very large management overlays, you can have counter cyclical provision etc. All of that is not really technically allowed under the ECL model. Therefore, we have to do in order to be as management intent in order to track greater provisions, especially in a phase of the kind of volatility and vulnerability that one is seeing, one has to ensure that technically also we are correct. If you look at the stage 2 movement between fiscal 2020 and 2021, in absolute value, it is insignificant and we had to keep those assets in stage 2 in order to ensure that we do not let go of any of the provision. This is a time for enhancing provisions not releasing provisions. Thus, we have done three things, one we have created a larger pool of stage 2 assets, within that we have not really looked at doing any sort of restructuring and the third thing that we are doing is wherever we are seeing stress, we are taking larger provisions either by technically writing them off or by enhancing the stage 3 provision coverage, which has also now gone up to almost 45%. Between these three, I feel we have a very very comfortable position and thus irrespective of the near term volatility, which wave 3 may bring out, I have been able to articulate a guidance of plus minus 50 to 60 basis points on the gross NPA side. As far as co-lending is concerned, it is early days, the volumes are picking up. We expect as a first mile stone 30% of our disbursals to be under the co-lending model by March of 2022. Once we have achieved that 30% of disbursal under co-lending, we will be able to give you a more accurate guidance as to from fiscal 2023 onwards what would be the percentage contribution to our net interest income. At this point in time, we would like to focus on making sure that we ramp up these numbers. Let us see which partnership scales up faster and better and which products between either home loans or secured

MSME loans scales up. Earning gap between a home loan spread and MSME spread is almost 2.5 times, so we will need the next 6 to 7 months for all of this to mature.

Prashant Sridhar: Sure thank you so much. That pretty much answers all my questions. Just one addition, how would the stage 2 and stage 3 look across the home loan, LAP and other segment?

Gagan Banga: There would be a greater concentration on the wholesale assets in stage 2, so it would be something like 50, 30, 20 sort of contribution between wholesale assets, LAP assets, and home loan assets.

Prashant Sridhar: Thank you so much, best of luck.

Moderator: Thank you. The next question is from the line of Oon Jin Chng HPS Investment Partners, please go ahead.

Oon Jin Chng: Hello hi. Thank you for taking my question. Good quarter, congratulations on that. Just want to get quick update in terms of the loans, you mentioned 66% of that due by December have completed the part of actual cash reserves, I just want to go back to the fourth quarter, can you update with a little more details. I think there was ₹ 2,236 Crores remaining that was due by September, ECB loan of 200 million dollars in October 2021. Just want to get a little more color, has there been more progress in terms of buying back of ₹ 2,236 Crores remaining and on the other loans as well. I know that you have already provided 25% reserves for the US dollars bonds but also any update on the ECB loan which is due on October 2021 that is my first question.

Gagan Banga: Thanks for your kind words. To answer this, what we are trying to do is do a proactive ALM management and go behind buckets, which seem to be apparently bloated. The September bucket was apparently bloated because of the large public issue of bonds that we had done 3 to 5 years ago and for that we had gone behind by creating a treasury stock via the buyback program. Since the time that we did the large buyback in April, now the bonds which are being made available to us are at a significant premium, therefore, it makes no economic sense for the company to be investing in its own bonds at a significant premium. The only other input that I would like to give to you is that aside of the 66% of the bonds that we have already bought back as treasury stock, we have additionally adhered to the local guideline which requires us to keep 15% of the maturity value of bonds in lien marked FDs towards a debt redemption fund, so we are in compliance of that as well. 66% plus this leaves a very miniscule number, which we will need to fund out of our liquidity buffer come September. So that sum of money is really small. The ECB repayment is again just 200 million dollars, it is not a large sum of money. The next big bunching that we had was in May 2022 of 350 million dollars towards which we have also taken this proactive step, which we have reported to you yesterday of creating a reserve of 25% and continuing to contribute to that reserve at the rate of 25% every quarter over the course of the next three quarters such that come May, we would again have a very miniscule additional sum of money that we have to take out of our liquidity buffer. As a policy, we will have to be constrained by the various regulatory guidelines applicable to our local bonds as well as our overseas issuances be it dollar bonds or dollar loans. Mostly the dollar bonds and dollar loans cannot be prepaid or brought back, thus we have devised this new reserve structure that we have created. If there are any further bunching up of liabilities, we will continue to use all the tools which are available to us within the constraints of the regulatory guidelines. As we speak and as I look at the ALM over the next 24 months, I see no further bunching up happening.

Oon Jin Chng: My second question is on your loan disbursal. I did not see any numbers in your presentation. Could you share with us at least for the first quarter how was the loan disbursal trend in April, May, June and in July.

Gagan Banga: April and May were obviously extremely disturbed months. It was in June that disbursals picked up, so we disbursed close to about ₹ 2,300 Crores, roughly about 300 million dollars of loans in the quarter 1, most of that happened toward the month of June. From June to July, we have seen a very steady pick up and we have seen an increase of almost 40% and August onwards it would be a more normalization of the pickup and this number would tend to reach about ₹ 6,000 Crores, which is close to about almost two and half times of where it was in the previous quarter, by the fourth quarter of this year, so from ₹ 2,300 odd Crores we will get to about ₹ 6,000 Crores by the fourth quarter of the fiscal.

Oon Jin Chng: Fourth quarter of the fiscal right. Thank you and do you have any update in terms for your equity shares that you mentioned before in terms of sale 20% to 25% of the company shares, new shares.

Gagan Banga: So we have taken an enabling provision from our share holders to issue either via QIP or via FCCB structure or similar structure of up to 275 million dollars. For any preferential structure, we need to go back to shareholders and seek a specific approval. As we speak not only us but several participants both in HFC and VFC space as well as the fund management space are eagerly awaiting the outcome of the PNB housing, LIC housing mandate given by SEBI. I believe that PNB housing matter is in the Securities Appellate Tribunal, once that outcome is clear, the preferential market would realign itself to whatever is the reality of that order. In the meantime, we have this enabling resolution. So for now we will wait out for to see how things are progressing. If it going to be taking time and no eminent resolution is coming, we will move onto plan B, otherwise we will stay with plan A which is a preferred option. So at this point in time, I do not have anything specific to report on this as and when we have we will obviously immediately get back to the market via exchange release.

Oon Jin Chng: That’s all for me. I will go back in the queue. Thank you very much.

Moderator: Thank you. Participant to ask a question please press pressing “*” and “1” now. The next question is from the line of Mahendra Kanakiya from MK Capital, please go ahead.

Mahendra Kanakiya: Good afternoon to everyone and thank you for the opportunity. The company is trying to reduce the cost of borrowing. In this regard I have a question that what are the reasons that company is not borrowing from NHB, for example Repco they are borrowing from NHB at a very low cost and secondly is why the company not borrowing through the public deposit, so these are my question.

Gagan Banga: Every company has a borrowing program, which is defined by the existing lenders of the company. In the case of India Bulls Housing, we have historically followed pari passu charge to all of our lenders and therefore given the nuances of borrowing from NBH, there is a provision for a specific charge and all of that. It becomes a fairly big restriction for the company, relative to just going back to our existing lenders and borrowing from them. If we borrow long term money, which is 7 odd years from our long term debt providers which is our bank, it tends to come at more or less the same cost that we would get from the National Housing Bank and therefore to avoid this operational difficulty, which is fairly significant difficulty and one of the reasons why covered bonds also have not been able to get any success in India from NBFC, we are suffering from that sort of a limitation. As far as the public issue is concerned, we have been one of the largest players in the public issue market in the past, given the fact that our rating had a negative outlook, we believe that it would have been difficult to give the necessary confidence to the public to have an attractive public issue success. Now that rating has a stable outlook, one is certainly exploring this route and the right time when the reception is expected to good, now with RBI today for example clearing up and stating that they would continue with accommodative stance, we believe that interest rates should continue to remain stable and we will try and utilize this opportunity to come up with a public issue shortly. The credit rating outlook was crucial and now that we have achieved that, public issue is the next step.

Mahendra Kanakiya: My question was regard to the deposit from the public not the NCD, the deposit from the public.

Gagan Banga: Since 1987, any company, which is incorporated after the year 1987, the reserve bank of India has not granted the license of being able to accept public deposit. I think about 5 or 6 years ago Reserve Bank of India further tightened the guidelines to say if there is a merger between a deposit taking and a non-deposit company the deposit taking license will fall off, so we cannot go and now get a deposit taking license because this particular company was incorporated only in 2005. We cannot also acquire a deposit taking company because that license will fall off and that window is not open to us.

Mahendra Kanakiya: Okay got it. Thank you**.**

Gagan Banga: We will just take one more question and then we will end this call, any further questions can be directed to the investor relations team over e-mail and we will answer them one on one, if there is a last question.

Moderator: The next question is from the line of Pranav Hinduja from Rare Enterprises, please go ahead.

Pranav Hinduja: Thanks a lot for the opportunity. Sir you mentioned that total restructuring is around ₹ 80 Crores, am I right total restructured book.

Gagan Banga: Yes Pranav, at this point in time it is about ₹ 80 Crores.

Pranav Hinduja: And what is the pipeline.

Gagan Banga: We do not see a significant increase, we are engaged. We have to report on a biweekly basis to the regulator as to what kind of restructuring is happening. Since it is targeted to the smaller borrower, the regulator and the government of India are very clear that they want a solution to flow through the system, so we have to proactively engage. But as we speak, given the fact that restructuring will leave a permanent mark on the credit history of the borrower, most borrowers are hesitant to go for restructuring and thus I do not expect any large tick up in this number. But by the end of this quarter, we will have a fair idea of what is going to happen since the provision lapses on 30th September.

Pranav Hinduja: Sir can you just give me some color on the wholesale book. You mentioned in the call that many of them have received or in the process of receiving OC and also you are in the position to sell some of these exposures and last quarter you guided that ₹ 4,000 Crores around will be sold, so can you just give me color in terms of how much percent of the projects are complete, how much percent of projects have received OC, what is the percent of sales that they have achieved. Any color will be really helpful.

Gagan Banga: So 50 to 60 percent of the projects where they are would either be at OC stage or would be getting OC within the financial year, which is in the next 7 months so they are at that stage. In order to take advantage of the provision that came out by the Maharashtra government, which makes sense rather than taking advantage of the deferred payment of premium which is also allowed, you pay the premium up front and get a discount on the premium. We believe our projects would have been perhaps the largest beneficiaries of that and we would have spent around ₹ 500 Crores in paying premium up fronts because we see a large number of these projects getting completed over the course of next one year. So majority of the book is at that stage, in another about 20% to 25% would be about a year to year and half away from OC and the balance will be 3 to 4 years which is early stage projects.

Pranav Hinduja: How much percent of these have been sold?

Gagan Banga: On an average, where a project is close to achieving OC, that number would be about 70 % and for an early stage project it will be close to about 30%

Pranav Hinduja: Perfect and all this are in tier 1 cities?

Gagan Banga: These are all either in national capital region or in Mumbai, Pune, Bangalore, Hyderabad, and a very very small number in Chennai.

Pranav Hinduja: Thanks a lot for patiently answering all my questions.

Gagan Banga: Thank you everyone and if there are any further questions then we will be happy to take them one on one over e-mail, you also have our telephone numbers so you can call us and we are happy to take the call. I have to jump into another call. Thank you so much and we look forward to speaking with you next quarter.

Moderator: Thank you. On behalf of Investec capital, that concludes this conference. Thank you for joining us and you may now disconnect your line.