"Indiabulls Housing Finance Limited

Q4 FY 2024 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY 2024 Earnings Conference Call for Indiabulls Housing. We have with us on the call today, Mr. Gagan Banga, Vice Chairman, Managing Director and Chief Executive Officer; Mr. Sachin Chaudhary, Chief Operating Officer; Mr. Mukesh Garg, Chief Financial Officer; Mr. Ramnath Shenoy, Head, IR and Analytics; Mr. Rajiv Gandhi, MD and CEO, ICCL; and Mr. Ashwin Mallick, Head, Treasury.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded

Please note that this conference is being recorded. I now hand the conference over to Mr. Gagan Banga, MD and CEO. Thank you, and over to you.

Gagan Banga: A very good day to all of you, and welcome to the quarter 4 FY '23, '24 Earnings Call. I hope all of you have the earnings update handy. Financial year '23, '24 has been a year of stabilization for the company, and I shall begin with the highlights of the year.

I request you all to turn to Slide number 4. In Feb of '24, we raised INR3,693 crores, approximately $445 million of equity shares by way of rights issue. The issue was subscribed over 2x times and was one of the most successful rights issues of significant size in India in the last 5 years. This equity infusion will support borrowings, accelerate the retail disbursals, put credit ratings on a positive trajectory and will thus overall serve as a springboard for our retail originations engine. While meeting with investors, existing shareholders, et cetera, I highlighted that with this rights issue, we should be able to take forward our local borrowing program.

If you go through the slide on our borrowings which I will also go through in due course of the presentation. You will realize that the borrowing franchise from the banking sector has already started growing.

Last month, our dollar bond issue of $350 million also saw great success. The issue was subscribed over 3x and this success was supported by our track record of having raised and repaid $3.2 billion of foreign borrowings over the last decade. Of the $3.2 billion repaid, $2.2 billion was repaid since 2018, which has been a period of 5.5 years of very tight liquidity conditions for most Indian nonbanks. These moneys have been raised under the sustainable financing framework and will be deployed towards retail disbursals towards affordable housing loans and loans to MSMEs.

Under our asset-light model, this year, we disbursed INR9,560 crores of retail loans, up by 22% from fiscal '23. Through the course of fiscal '25, which is now just, what is now just under INR1,000 crores per month will be scaled up to INR1,500 crores by the middle of the year and towards INR1,800 crores per month by the end of the year. The year also saw completion of the de-promoterization exercise, and we began 4 years -- which we began 4 years ago in 2020. The erstwhile promoter has since completely exited his entire shareholding in the company.

Our long-term credit ratings have been revalidated and reaffirmed by both of India's premier rating agencies, CRISIL and ICRA at AA stable as recently as this month, earlier this month, which is May '24 by CRISIL and December '23 by ICRA.

In the month of March '24, Moody's upgraded the company's long-term rating by 1 notch. In the same month, the international credit rating S&P also signed up a similar rating, which enabled the dollar bond to go through.

Very importantly, in fiscal '24, in January of '24, the Delhi High Court finally saw the dismissal of the extremely frivolous Public Interest Litigation, which had been troubling the company for the last 5 years, which was launched by a group of vested interest against the company. For affidavits filed by regulatory bodies and government agencies after conducting new audits on the company. The Honourable Delhi High Court dismissed the PIL, finding no merit in the allegations. The court also strongly pulled up the petitioners noting that their irresponsible allegations and conduct resulted in losses to shareholders and other stakeholders.

The success of financial year 2024, actually owes its foundation through mission fortress balance sheet, which we had launched in fiscal 2020. Since then, through disciplined deleveraging and prudent ALM management, we have indeed built a fortress balance sheet based on the pillars of moderate gearing, high capitalization, ample liquidity and stable asset quality.

The strong financial footing and the market confidence we have established has laid the foundation for a multiyear steady compounding much like the decade-long compounding that we witnessed between 2009 to 2019, where we had done a CAGR of 22% across all financial parameters. We now are well set, having consolidated over the last 2 years to begin or now as we go into the second quarter of that compounding journey.

We've also overhauled our entire corporate governance framework. And now we can probably call ourselves, a Board run professionally managed, diversely held financial institution. No individual owns any significant or strategic sale. Large financial institutions are only key stakeholders of the company. And the shareholding base today cuts across more than 0.5 million shareholders.

All key committees are chaired by independent directors with relevant experience. And the Board has a very effective oversight over all aspects of the company's operations. The build-out of the fortress balance sheet and the sustainability of that relies heavily on the scale up of our asset-light retail origination engine, which also was an initiative which we started in fiscal year 2020.

Over the last 4 years, while we were pretty much the first movers as far as the asset-light model is concerned, we have leveraged our 1.5-decade-long sell-down relationships and laid the path by formulating joint lending policies and undertaking technology integrations with our partner banks.

We now have strategic and sizable sourcing partnerships, cutting across midsized public as well as private banks. And we are, by far, the largest co-lending mortgage lender in the country. Most importantly, today, our loan documentation, our valuation methodology, our low life cycle management processes, our all industry standard processes accepted by multiple private and public sector banks and so are our credit policies. This is perhaps India's first such example of a financial institution's loan management model starting from origination to the entire life cycle management, becoming an industry standard and provides us with a great foundation of pivoting towards our goal of being a very efficient, large-scale distribution and origination machine.

Around 37% of our AUM is now funded by co-lending or sell-downs, up from a mere 10% in fiscal 2018. The core strength or the moat as investors call is the fact that in all of these relationships, the 90-plus delinquency, which is the 90 DPD or the NPA or Stage 3 delinquency is only 15 basis points.

In the quarter ahead, our near-term goal is to expand, given the fact that our entire loan management methodology is now an industry standard. We can easily expand the number of relationships to 12 in number, again, increasing our focus on midsized public and private sector banks.

Supported by the growth in retail disbursal, AUM and loan book have started growing from quarter 3 to quarter 4, which is something that I had committed that by the end of quarter of the financial year, we will resume the growth process. It took us around 3 quarters to consolidate and now towards the end of the financial year, the growth has started, which will only compound and speeding up hereon.

We are well aware that the nonbank sector is going through unprecedented developments, both on the regulatory front as well as there is a phase of consolidation. Companies around us, a few of them are choosing to become larger. Some are going public and others realizing that there is a harmonization between banking and nonbanking guidelines are choosing to become smaller.

These developments generate a variety of value-creating opportunities for the company. Given the consolidation that we have performed over the last 5 years, we believe it is time to be strategically poised to be able to take advantage of these opportunities, which may arise from time to time in the products of our interests.

In order to do so, today, the Board has given us an enabling provision, subject to shareholder approval and other regulatory approvals of raising equity, if required, of up to INR3,500 crores. At this juncture, our balance sheet is fortress. It is highly and most strongly capitalized. We are moderately geared and have a very stable asset quality.

Unless it is for strategic reasons, which create shareholder value, we will not need to raise this capital. But at the same point in time, there are very good deals, which one can get, if one is nimble-footed. Historically, Indiabulls has been nimble-footed, and we would like to have this enabling resolution in our bag, subject to shareholders also approving it and other regulators and lenders also approving it, we will be well poised to take advantage of this evolving -- rapidly evolving situation as we see it around us.

Our fortress balance sheet, a built-up and trained manpower, branch network reach and our co-lending partnerships present us an opportunity to accelerate our disbursal growth. To further facilitate this, we have extremely strong macro enablers. For those of you in India, if you've read the newspapers of today and yesterday, the 2 key large real estate markets, which are -- which is the Delhi NCR and the Mumbai Metropolitan Region are now having inventory, which is at the lowest point in the last 6 years, which, in some ways, signifies how strong the real estate market is.

And given the government focus and the policy support historically, for the last decade or so, on the housing loan sector, we expect this macro enabler to further facilitate the acceleration of our disbursal growth.

Slightly philosophically speaking, I request you all to turn to Slide 6, where most respectfully, we have replicated or reproduced a word from the Bhagvad Gita. On the eve of the Mahabharata War, Lord Krishna expounds on the concepts of duty and the path of the warrior. Why I am -- we are reproducing this, because we feel having lived through and fought through the last 5 years, we have goals to achieve.

But we are also all warriors in our own light. This verse emphasizes the importance of single-minded determination and focus in pursuing one's duties. It contrasts the resolute individuals who have a clear and focused mind with the irresolute, who are distracted by many desires and ambitions.

The key message is that, true success and fulfillment come from dedicated and undivided focus on one's goals, avoiding the distractions that lead to confusion and inefficiency. The management team, having fought the battle over the last 5 years has come through only with this single-minded focus.

Now as we have the beginning of a new journey, under a new name, practically a new live, under the brand of Sammaan Capital, which we should be adopting in the next 40 days or so. I'm happy to announce today all, every regulatory approval, RBI, ROC, et cetera, everything is in place. And now we are going through the very logistical mechanics of implementations of the name change, which we should do well within this quarter.

As we begin this new life, what we are focused on ensuring is that Indiabulls Housing or Sammaan Capital, as it will be called, will remain an earning machine. We have stood as a team for steady earning compounding. This earning machine, unlike earlier, where the earning compounded relied on balance sheet compounding would rely on our ability of becoming a very efficient or remaining a very efficient origination machine and compounding our origination numbers.

What is also very important in a widely held company, which is completely board managed and run by professionals, the key board members who are guiding the company as well as the key management personnel who are leading the company every day, have a performance-linked sweat equity plan so that their wealth is completely tied to the company's performance. We have to make sure that Sammaan capital is perceived as one of the most transparent companies with the best disclosures in the industry. And as we prepare to begin our lives under Sammaan capital, to be very, very transparent, we are putting route, as we have put out the goals of fiscal '27.

I'll just go through the logic, the goals and how we will keep you updated. I'm sure at the end of this call and over the course of the last few years, I have dealt with this question, and I will deal with this question again that Gagan, if you are what you are, and if the balance sheet is what it is, why do you guys trade at 0.5, 0.6x book? I strongly believe having come through the last 5 years, the discount is merely an inability of the market to value the pace of growth, the pace of compounding and it is just the cost of capital which discounts us every year. And thereby, we are unable to move beyond this 0.5, 0.6x price-to-book valuation.

I'm not a stock market pandit. I don't know how to value the company appropriately or inappropriately. But I've also heard that your portfolio will require provisions. I have myself admitted that we need to be tactical to achieve our variety of goals. And one of the key goals is the unwinding of the legacy AUM.

Therefore, without getting into specific details, what we are directing or advising is that from our current net worth of approximately INR19,000 crores, the net worth would grow to at least INR23,000 crores by fiscal '27. This implies that we have done our math, taken care of all the tactical moves that we will need to make in order to meet the other 7 objectives. And with all of that calculation behind us, what we are guiding is that by the end of fiscal '27, the net worth will grow to at least INR23,000 crores. This does not factor in the balance amount of rights that has to be called. This is merely on the basis of our earnings compounding net of credit cost that we expect to do.

The legacy AUM, which is rapidly winding down. In our mind, it's an AUM or earning asset, which has actually stood the test of time. If you notice our Stage 2 assets, there has been a significant reduction in our Stage 2 assets, in our Stage 3 assets. Despite that, we believes that there is a degree of opacity that the market views in all that we did prior to 2022. So the entire loan book, which is prior to 2022, irrespective of the underlying asset, we think of that as our legacy AUM. And by the end of fiscal '27, this AUM would be sub INR5,000 crores.

The incremental retail AUM would be past INR1 lakh crore. So the legacy AUM would be sub 5% of that. 95% of what we would be having in fiscal '27 would be assets, which would have been originated by us, but blessed by one or the other counterparty, which is a bank.

In order to get to INR1 lakh crore, we will need to be making about INR35,000 crores of disbursals in fiscal '27, which will require us to ramp up what is INR1,800 crores in March of '25 to about INR2,700 crores, INR2,800 crores in March of '27, which means every month, we will need to add INR50 crores to INR70 crores to our monthly disbursal and we should be able to achieve this.

We used to do back in 2018, INR35,000 crores of annual disbursals. We have kept the underwriting and the distribution machinery intact, as a matter of fact, grown the coverage of cities by almost 50%. So we are extremely confident of being able to create the franchise value of disbursing INR35,000 crores and create an earning powerhouse, which is extremely capital efficient by having a retail AUM, which is completely blessed and transparent of over INR1 lakh crores.

The retail ROE target on incremental disbursals by fiscal '27 would reach 18%, the ROA would be at about 3.2%. Historically, we have been a very cost efficient machine. We have tried to make sure that our team stays together. And as a management team, we've thought about payouts to the team as investments. We are quite sure that now with the scale up, we will be able to bring down the cost/income ratio, and it should be operating in high teens by fiscal '27. The net NPA should also be at a moderate 1.2%.

Starting quarter 1 fiscal '25, which is the next quarter, the coming up quarter, every quarter on the first slide of our earnings update, we would not present our financials. We will present to you an update on these 8 parameters. The sweat equity plan that I mentioned, which the Board had kindly approved in Feb of '24, which we stopped from implementation since we were putting together this entire model is linked, is going to be linked only and only to the successful achievement of each of these 8 milestones or 8 key parameters on a quarter-by-quarter basis.

If you look at these numbers, just to put them in perspectives, at 18% ROE, this will be by far the best reducing ROE of 100% or near 100% retail, and that also secured retail franchise.

This franchise will be unique that it will have no asset liability maturity risk, will be running at a very moderate sub 2x gearing. And on an annualized basis, it will be producing 2x of the stock, of -- it is -- just via disbursals, 2x of the book that one of the recently listed HFC has produced over a decade.

Moving on to the quarter's results. Please refer to Slide 3 of our earnings update. The AUM and the loan book have resumed growth, as I mentioned, supported by retail disbursals. The net interest income has come in at INR964 crores. For the year, it is at about INR3,318 crores, up approximately INR300 crores over last year.

The profit has also nicely moved up from INR320 crores for the quarter from INR261 crores. The gearing remains moderate at 1.2x, and we believe that plus/minus 0.5x, this is going to be the operating range for the company. The spread is at 300 basis points. It has declined. It should decline in other about 20 to 30 basis points as the granularity of the book increases and the character of the underlying loans change. This is all factored into the 8 key parameters that I've spoken about earlier. And we are extremely mindful of the fact that we are not magicians. We can't build stable, granular, secured book and yet have spreads which are similar to a company, which is in either unsecured lending or gold loan lending or some such asset class.

Our gross NPAs were at INR1,754 crores, and net at INR995 crores. From an asset quality perspective, this is the lowest gross and net NPA in the last 15 quarters. I mentioned earlier that of fiscal '24, one of the key achievements was the elimination or the end and a very respectable end from our perspective of the frivolous Public Interest Litigation filed against us. As we look to manage our asset quality, as we look to achieve point number 2, which is a rapid rundown of our legacy AUM. As a team, we are mindful that we will have to be tactical in our approach to the legacy book. And some of our borrowers will do counterblast by doing litigation, by using their contacts with various agencies and enforcement divisions. We'll have to take it on the chin, fight it out in the court of law. We have great belief in the courts of India. And at the end of the day, we are lenders, we are only trying to recover our money. I'm sure, as the courts have been supporting us in this endeavour over the last 5 to 6 years, the courts would continue to support us.

So please do pardon any headlines which may appear out of our endeavour to get our moneys back. This is part and parcel of doing business in India and we are fairly resolute that this is the right way of going about doing our recoveries, with the legal remedies, which the legal system of India gives to any and every lender.

The Board has also recommended a final dividend of INR2 per share, which is 100% of the face value of the share to the shareholders for approval at the AGM. There is a dividend payout policy now or a dividend payout regulation now with -- which the Reserve Bank of India had incorporated about 2 to 3 years ago. As the compounding gathers pace and becomes more steady over the next 24 to 36 quarters, I'm quite sure the past history of the earning machine, also being a dividend distributing machine as the earning machine grows in size the dividends distribution size will also keep increasing.

Slide 8 contains an update on the asset-light retail disbursal done in fiscal '24. Since the end of the last quarter, the company has signed up one new co-lending partner, taking the relationships to 9. The company is capacitized both in terms of trained manpower and branch network.

I already spoke about the unique franchise that we have created of being the industry standard for the entire loan origination, loan management, life cycle management process in terms of our documentation and reports, technology, et cetera. Given this benchmark that we have created, we will continue to look to expanding these relationships and expand the overall network such that we are comfortably placed to achieve the goal of INR35,000 crores of disbursals in fiscal '27.

As part of our mission fortress balance sheet launched in fiscal 2020, there has been since then heavy emphasis on disclosures around the asset liability maturity of the company. I'll run you through some of these disclosures which may not be extremely relevant now given our repayment track record and our moderate gearing. But we cannot ever ignore the fact that mission fortress balance sheet is a lifelong mission that we have to continue to follow.

Please refer to Slide 9. As at the end of March '24, on balance sheet, we carried liquidity of about INR7,000 crores. The ALM, which is shown on a cumulative basis on each bucket, we are positive across all buckets with a positive net cash of INR11,376 crores at the end of first year. The detailed 10-year quarterly ALM is also there on Slides 19 to 23.

As per RBI's Master Directions for HFCs introduced in Feb '21, we are required to have a LCR of 70%. We are very comfortably placed against this LCR only based on what is defined by RBI as high-quality liquidity liquid assets, which excludes even bank's fixed deposits.

As part of the fortress balance sheet process, we had initiated a program there for all large repayments. We would start the process of creating a voluntary fund, 4 quarters prior to the maturity. As part of that process, in April of '24, we deposited the second tranche of INR291.5 crores.

Now we have deposits totaling to INR583 crores, which covers 50% of the maturity amount of the convertible bond where the put option comes through in September '24, assuming that the put option is actually exercised. We have already gotten it covered through specific deposits of up to 50% at INR583 crores.

As I mentioned, the total cash that we are carrying is actually INR7,000-plus crores. Please refer to Slide 10 of the earnings update on asset quality. Again, as I mentioned, maintenance of asset quality, especially in the asset-light model, is a unique mode besides the industry standard documentation and loan management process. This mode remains a high area of focus. And with this focus, we've been able to achieve a 15-quarter low gross and net NPA. We are quite sure that the asset quality of the company is something that we are on top of. And as we look to run down our legacy book, we will utilize our provisions, our capital, et cetera, to make sure that our gross and net NPAs remain within a tight range.

We are also quite sure given the fact that our loans are all secured, largely secured. We will be, whatever goes into NPA also gets recovered. Just this afternoon during our Board meeting, I was presenting a slide on progress of loans sold to ARCs. Over the course of the last 4.5 years, we sold loans to ARCs of approximately give or take INR5,500 crores over the last 4.5 years. And we have already recovered, and this is all present there. And this is in our annual reports and will also be present in the forthcoming annual report. Of this INR5,500 crores, we have already recovered 71%.

The industry average after 5 years of a loan being sold to an ARC, after 5 years, we have been consistently selling over the last 4.5 years. After 5 years, the industry average, and this is as per a review done by the Reserve Bank of India for all the ARCs in the country as recently as 10 days ago, is only 12%. So that's the kind of -- even if a loan slips into the nonperforming category, that's the kind of recovery expectation. And again, in the spirit of transparency. This is not what we are claiming. This is what is coming through, through external ARCs, and there are only 2 or 3 large ARCs in the country with -- and we do business with almost all of them.

Between the provisions we already carry and this particular comment that has become extremely relevant, between the provisions we already carry are conservatively estimated recoveries over the next 3 years and some other releases, result into an imputed provision of about INR6,191 crores, which is covering 11.7% of the loan book and covers our gross NPAs 3.5x.

To deviate a little from the mundane discourse around earnings, as I met with hundreds of investors through the course of the calendar year, what I realized and concluded was that as far as NBFCs or most financials are concerned, the regulations will keep evolving. The regulator has taken a stance, which is very unique for the Indian regulator besides ever-evolving regulations, even the manner of supervision is extremely firm. The macro is evolving.

Today, we have a situation where we have so much of geopolitical tension that no economies in the world can perhaps predict where the growth would be 2 or 3 years hence. Government policy naturally has to be responsive to all of this. Interest rates are in a zone of their own, where no one being able to accurately again, predict whether we have 2 cards, 3 cards, 5 cards and when do we have that.

From now -- now and then we do see credit cycles also emerge across asset classes. And as a nonbank finance company, we have realized that nonbank finance companies, irrespective of parentage, asset class, size and scale, tend to be slightly more pro-cyclical than banks. We are focused on trying to build an efficient earning machine.

We believe the best mitigant for this pro-cyclicality, which comes out of evolving regulations, macro, government policy, interest rate, credit cycles and 100 other variables, the most sustainable counterbalance to that is to have a low gearing, yet be on a path of being able to achieve a competitive ROE, which can only happen by very efficient usage of capital. Therefore, the earning machine has to be an outcome, not on of leverage of capital, but of how efficiently you build size and scale by remaining capital efficient.

We are thus taking one step forward every day, and we are confident of building a unique distribution-focused nonbank, which is the least pro-cyclical, as one hopes through a multiyear earning compounding process. Again, to remain on this track of not specifically being on earnings, for those of you who have been associated with the company.

And I've heard me on these calls over the years, a lot of you may relate to the fact that I love running. I ran many races across the world. Over the last -- since practically, January of '23, I have not run any race.

I was running the race of making sure that my commitment of stabilizing the company through fiscal '24, I do not fail on. And it was indeed the fag-end of a marathon and one was tired as one is after the 32nd kilometer of a marathon. But there is no point of life, I believe, if you're not focused on both health and wealth. I have decided to seize back my health. My running mileage for me is as good as it used to be over the 15 years preceding 2023.

We've also, as a management team, me, included, have made sure that we have a model, which is a transparent model, where our wealth, along with our shareholders' wealth and other stakeholders wealth also compounds. It is completely aligned and now completely and transparently goal linked. And as we move towards the higher and higher ROE and ROA, I'm sure all stakeholders will benefit from that.

On that note, we thank our shareholders for their unwavering support during these tough times. All our other stakeholders, the regulators, rating agencies, lenders and the employees at large and the various associates of the company, who helped us through the last 4 to 5 years, especially through the last 12 months, which is fiscal '24. We are excited to come up with that first sheet for quarter 1 fiscal '25 in about 2 months from now.

Thank you for your continued trust and partnership. And look forward to speaking with you with an update on the 8 parameters. Thank you. We are open to questions now.

Moderator: We'll take our first question from the line of Bajrang Bafna from Sunidhi Securities & Finance Limited.

Bajrang Bafna: Congratulations for your again 2024 results. Sir, just my first question pertains to little wondering, we are already embarking upon a net worth of close to INR20,000 crores right now.

And yet, almost close to INR2,400 crores is going to come from the rights issue, which is pending. And then we are talking about next '25, '26, '27, 3 years profit. And the net worth number that we have floated on this is close to INR23,000 crores. So are we building in some sort of the provisions, while calculating these numbers. So just not able to match the math part? That's my first question. If you can help me to understand...

Gagan Banga: I request you to stop there because it's a very important point to be highlighted. No doubt, our net worth is currently INR19,000 crores. In my comments, I very clearly said that the INR19,000 to INR23,000 crores does not include the balance INR2,400 crores that we have to receive from rights. So please remove that from your calculation.

The second point I also highlighted was that, as a team, we stand for being an earning machine, which also compounds earnings, that gives out dividends very steadily. So this also assumes a healthy rate of dividend payout from the earnings as the scale of the company and the stability of the company has now been achieved.

We just have to start scaling up materially, and we also scale up our dividend payouts. We do rely and are mindful of the fact that we are very well capitalized. We have not 1, but 8 goals to achieve. And I very transparently also said that we will use all tactical measures to make sure that we make the best of the resources available by fiscal '27 achieves the milestones that I've spoken. We will continue to rely on capital.

Today, we have 11.7% of our loan book as provisions. I do not visualize any requirement of a large dip into our capital. That said, capital is there for a purpose. The larger objective of that capital is not only to provide stability to the company and comfort to its lenders. But for it to also get transformed into an efficient return providing machine for shareholders.

So within these ground rules, we will continue to operate. We've done our math. And without the -- again, I'll repeat, without the balanced rights issues and with a heightened dividend payout, materially heightened dividend payout, we will still get to INR23,000 crores.

Bajrang Bafna: Quite helpful, sir. And sir, we have also mentioned in the press release additional fundraising of close to INR3,500 crores. We are yet to receive additional INR2,400 crores and our capital adequacy is again close to 33% right now. So just get some -- if you could help us to understand the rationale behind further announcing the fund rating.

Gagan Banga: So if you read the exchange information which we gave last week as well as read the outcome of the Board meeting, you would have probably read that this INR3,500 crores is merely an enabling provision from the Board, any equity raise as is common knowledge requires to go through the process of shareholder approval.

I also mentioned the fact in my comments that we are extremely well capitalized. We do have INR2,400 crores of further equity at our disposal to be called from equity shareholders. Over and above that, given the rapidly evolving regulatory environment and macro environment. One is aware of the fact that they would be fairly rewarding opportunities which may come around. If they do come around and we have a situation that in some structure, we believe that we can create value for shareholders. It's not as if management can do anything unilaterally.

There is no promoter here. We will propose both the opportunity as well as the capitalization required for that opportunity to shareholders and let them decide. So please be most comforted with the fact that when we say that we are management-driven widely held company. Management is one of professionals, whose wealth compounding is completely linked to these 8 parameters.

If these 8 parameters are to get achieved, the wealth of share -- existing shareholders intuitively, should be up manyfold. And despite that, whatever we do, the empowerment of the shareholders, in our case, is 100% for anything and everything that the management may propose to do out of the ordinary. Fundraising or any other pursuit of strategic opportunity is clearly something which is out of the ordinary.

Bajrang Bafna: Got it. And just to get a sense, the new RBI circular that has come up, regarding this -- the guidelines where they're talking about 5% additional provision on the project loans, so do we -- are we impacted by that guideline if that becomes a circular, so your thought perception that will be really appreciated, sir.

Gagan Banga: It is a draft guideline. A lot of feedback has gone to RBI from all quarters pertaining to that. And the projects that we have financed incidentally, if you look at the, again, the goals where we are talking about a rapid runoff and sub INR5,000 crores of legacy book and the legacy book comprises both of wholesale as well as retail loans.

Hypothetically if the circular does come. And hypothetically, what is left with us are INR5,000 crores of project loans only, it will be an impact of INR250 crores, which is immaterial. So in our current avatar when we are only focused on origination, origination in partnership, keeping our balance sheet light. If our balance sheet is light, the underlying capital requirements are light, the underlying liquidity requirements are light and the statutory provisioning requirements are also light.

So while I will await the outcome of the circular at this juncture, given our business plan, I do not see the circular having any meaningful long-term impact on the company.

Bajrang Bafna: Got it. Got it sir. And sir, my last question, just the growth guidance, you have broadly indicated the path for next 3 years, how we are going to grow in terms of broader numbers. But just for the sake of understanding, now we are embarked on the loan growth part. And this quarter, we have started that. So what sort of the final number that you are targeting, you have given the guidance for disbursement. But on a net basis, because you are going to run down the legacy book also, so net-net, what sort of overall growth in AUM, we can anticipate both your own and as well as...

Gagan Banga: If you look at point number 3 is very clearly highlights incremental retail AUM of fiscal -- by fiscal '27 of over INR1 lakh crores.

Bajrang Bafna: But for sir, this FY '25, if you can just get some sense in terms of growth.

Gagan Banga: Just wait for the first quarter, like I said, the first slide would very categorically and clearly give you an update on what we've achieved towards fiscal '27 and what we are intending to achieve in the next few quarters.

Moderator: We'll take our next question from the line of PD Sharma from Yes Investments.

PD Sharma: Ganga ji -- Gagan Banga ji Namaskar. You have given net worth guidance INR23,000 crores till '27, which is now at INR19500 something crores net worth. So the ROE guidance which you have given in the past, are going to add only INR3000 crores?

Gagan Banga: As I have explained now, our dividend payout 40% to 50% of our profit were given in dividends. Today, the company's capital, delinquency, provisions, and ROA numbers, on that basis, we can still give dividends in that ballpark. We were just waiting for the company to stabilize first and then scale up. When our disbursements reach INR1800 crores per month in the next 2-4 quarters, we will scale up our dividends accordingly. So, if you see how much profit we can earn in the next 3 years, and if we give that much dividend, then it will be mathematically impossible to reach a net worth of more than INR23,000 crores.

Moderator: We'll take our next question from the line of Gautam Jain from GCJ Financial Advisors.

Gautam Jain: First of all, detailed discussion about how you have been doing? And what is your target for fiscal 2027? So my question pertains to, again some clarification. So you are saying that your loan book should be around INR105,000 crores in the next 3 years. And out of that INR1 lakh crores would be retained? Is that right to understand?

Gagan Banga: INR105,000 crores will be AUM, of which INR1 lakh crores will be retained. The balance, INR5,000 crores will be legacy. Some portion of that INR5,000 crores will also be retained.

Gautam Jain: Okay. And what would be the -- out of that INR105,000 crores, how much would be loan book, any rough numbers or percentage of that?

Gagan Banga: We will have to mandatorily hold approximately 20% of that on our balance sheet. Plus the throughput would ensure that we would have another 10% to 15% on our balance sheet. So we should be having of this INR1 lakh crores, around INR35,000 crores to INR40,000 crores of assets on our balance sheet.

Gautam Jain: This is less than what we have right now.

Gagan Banga: We will also have INR5,000 crores of historical assets. So our balance sheet assets, we have been guiding for several quarters, including today that are gearing and balance sheet quarters will remain very, very flat. It is the AUM. We are not talking about earning compounding, coming by balance sheet growth. We are talking of earning compounding via compounding of the origination machine by compounding of the disbursements.

Gautam Jain: Okay. Second question is that you are keeping very high liquidity of around INR11,000 crores, INR12,000 crores. So we will have continue to have this kind of liquidity in the future also?

Gagan Banga: Sir, I mentioned the liquidity number to be in the ballpark of INR7,000 crores. And we have liquidity principles, which we continue to follow in terms of upcoming maturities, how many months of coverage, et cetera. We also perform stress tests from time to time to see how this number has to go up and down.

At the current level, given our analysis of the next 12 months, given all the variables that I spoke about, evolving regulations, macro, et cetera. We feel comfortable in a INR7,000 crores sort of liquidity and we've also provided over 50% and set aside the liquidity for our upcoming September maturity of the FCCB. With both of these numbers, we are fairly comfortable. We don't think, we need to go higher than this.

Gautam Jain: Okay. We have mentioned that our net NPA would be below 1.2%. And you also saw in the presentation your incremental net NPA on the disbursement is 0.15%. So here we are given the conservative guidance or you really think that net NPA could be even more than 1% going forward for the incremental book?

Gagan Banga: If the book runs down, as the legacy AUM or the legacy book runs down, what runs down are the good assets. The bad assets take a much longer period because we have to run through a recovery process. So it's -- the 1.2% will be a combination of assets, which come along our currently NPA over the next -- course of the next 3 years from the legacy book will turn NPA. And obviously, there would be slippages from the disbursements that we do. So it will be a combination of all 3 of that.

Moderator: Ladies and gentlemen, we'll take one more question. The next question is from the line of Yash Agarwal from JM Financial.

Yash Agarwal: I just have one question on this AIF provisioning. Last quarter, I think you made a INR850 crores provision and now it says that you sold that AIF, but I don't see any write-back in the credit cost. Could you just explain that a bit to me.

Gagan Banga: Yes. So this is not the time to be releasing provisions, whatever provisions are created for one reason or the other need to be retained. I also mentioned that in order to continue to run down the rapid -- as rapidly as we are doing the legacy AUM, we will adopt whatever tactical steps we can adapt.

And provisions besides capital is the go-to as far as any tactical step is concerned. We have not guided for any provision release. We have continuously and repeatedly stated that we are about 3.5x covered of our NPAs on an imputed provision basis, and we intend to use each and every cent at least for the time being of the imputed provisions to make sure that we first achieve goal number 2, which is the -- which is the reduction of the legacy AUM before we start thinking of any write-backs of provisions or adding that to profits and so on and so forth.

So at this point in time, I would again repeat that from a goal perspective, from a success measurement perspective, please focus on these 8 points. There are various other hidden jewels in the company which we can continue to unearth from time to time.

Over the course of the last 2 to 3 years, we had extraordinary gains on investments we have made in the past to the tune of INR3,500 crores, which came in extremely handy through the last 5 years. One is not going to land up selling all the family jewels for the short term. You have to keep some for the long term as well.

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

Gagan Banga: Yes. I think I've spoken enough. So thank you so much, guys, and look forward to speaking to you in a couple of months. Thank you. Have a good evening, weekend.

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