May 15, 2025

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BSE Limited, **Phiroze Jeejeebhoy Towers, Dalal Street,** **Mumbai- 400001** **Scrip Code: 544044**	**National Stock Exchange of India Limited,** **Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E),** **Mumbai – 400 051** **NSE Symbol: INDIASHLTR**

Sub: Transcripts of the Earnings Conference Call for the quarter and year ended March 31, 2025

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we would like to inform you that the transcripts of the earnings conference call for the quarter and year ended March 31, 2025, held on May 12, 2025, is available on the website of the Company.

The transcripts can be accessed from the link given below:

https://www.indiashelter.in/investor-relations

Further, we confirm that no unpublished price sensitive information was shared/discussed in the meeting.

You are requested to take the same on record.

Thanking you.
Yours faithfully,

For India Shelter Finance Corporation Limited

MUKTI CHAPLOT
Digitally signed by MUKTI CHAPLOT
Date: 2025.05.15 17:36:25 +05'30'

Mukti Chaplot
Company Secretary and Compliance Officer
Mem. No. 38326

"India Shelter Finance Corporation Limited Q4FY25 Earnings Conference Call"

May 12, 2025

MANAGEMENT: **MR. RUPINDER SINGH – MD & CEO**
MR. ASHISH GUPTA - CFO
MR. RAHUL RAJAGOPALAN - HEAD, INVESTOR RELATIONS

MODERATOR: **MR. RENISH BHUVA – ICICI SECURITIES**

This is a transcription of the earnings call conducted on 12th May 2025. The audio recording can be accessed using the following link, https://www.indiashelter.in/investor-relations

DISCLAIMER:

Transcript may contain transcription errors. The transcript has been edited for clarity, readability, etc. The Company takes no responsibility of such errors, although an effort has been made to ensure high level of accuracy. In case of discrepancy, the audio recording will prevail.

Moderator: Ladies and gentlemen, good day, and welcome to the India Shelter Finance Corporation Limited Conference Call hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Renish Bhuva from ICICI Securities Limited. Thank you, and over to you, sir.

Renish Bhuva: Yes. Thank you. Good morning, everyone. Welcome to India Shelter Q4 FY25 Earnings Call. I will now hand over the call to Mr. Rahul for the management introduction. Over to you, Rahul.

Rahul Rajagopalan: Thank you, Renish. Good morning, everyone. I take this opportunity to thank ICICI Securities for hosting our call today. I extend a warm welcome to all the participants on our Q4FY25 earnings conference call. I hope everybody had an opportunity to go through our investor presentation and press release uploaded on the Stock Exchanges. We have also uploaded the Excel fact sheet on our website.

With me today, I have Mr. Rupinder Singh, MD and CEO; Mr. Ashish Gupta:, our CFO. I now request Mr. Rupinder Singh, our MD and CEO, to brief you all about the company's performance. Thank you, and over to you, sir.

Rupinder Singh: Thank you, Rahul ji. A very good morning, everyone. On behalf of the company, I extend a warm welcome to all of you. Thank you for joining us on the call today. Looking back at the past year, I take immense pride in sharing our progress and achievements that have marked our journey towards responsible growth. India remains a land of boundless opportunities, where rising aspirations for homeownership and increasing financial inclusion are shaping the affordable housing finance sector.

As a company committed to making homeownership accessible to underserved communities, we have reinforced our foundation by fostering trust, driving efficiencies and creating meaningful impact. Demand for affordable housing finance continues to accelerate across Tier 2, Tier 3 and fast-growing micro markets. Rising disposable income driven by expanding job opportunities in various sectors are reshaping consumer aspiration in these regions.

On that note, let me move towards the quarterly update. We are pleased to announce that the company delivered strong operational performance in the fourth quarter of financial year '25, driven by demand environment in affordable housing segment. We delivered an AUM growth of 35% year-on-year, reaching an AUM of Rs. 8,189 crores. In quarter 4 financial year '25, we disbursed Rs. 933 crores, registering a growth of 25% year-on-year, whereas in financial year '25, we disbursed Rs. 3,335 crores, registering a growth of 25% year-on-year. During the quarter, our branch network expanded to 266 branches in total and during the year, we added 43 new branches as per the plan.

On profitability metrics, PAT for the quarter came in at Rs. 108 crores, registering a growth of 39% year-on-year. It's the first time that we achieved PAT of more than Rs. 100 crores in a single quarter. Return on assets came in at 5.8% and return on equity further improved to 16.3%, this is the first quarter post listing, where we delivered the ROE above 16%. Our net worth now stands at Rs. 2,709 crores.

We continue to maintain a guidance of:

- Branch addition of 40 to 45 for the year
- Margins of around 6%
- Credit cost of around 40 to 50 bps
- Loan growth of around 30% to 35% to reach AUM of Rs. 30,000 crores by March 2030

Lastly, as we remain committed towards sustainable finance, the Board has approved the ESG policy. Through the implementation of this policy, we seek to achieve a sustainable future for our stakeholders and future generations.

Now I would like to hand over call to Mr. Ashish Gupta, our CFO, to take you through the financial metrics. Over to you, Ashish ji.

Ashish Gupta: Thanks, Rupinder ji. Good morning, friends. Let me take you through the key financial numbers.

AUM as on March '25 is Rs. 8,189 crores. Year-on-year growth in AUM is 35%, in line with our guidance. Quarter-on-quarter growth in AUM is 7%. Total income for quarter is up by 34% year-on-year, largely driven by 35% growth in AUM. Quarter-on-quarter, total income is up by 8%.

Our portfolio yield is stable at 14.9%. Disbursement yield for the year is 15% versus 14.9% in previous year. Our bucket cost of fund is down by 10 basis points in Q4 to 8.7%, driven by lower marginal cost of fund at 8.6% in Q4 and reset in few of our borrowing linked to repo rate.

Share of NHB funding is stable at 15% year-on-year. We have undrawn sanction of Rs. 200 crores to be drawn in Q1FY26. With this, our lending margins are up by 10 basis points to 6.2% and are consistently above 6%, in line with our guidance for medium term.

On liquidity side, we are comfortably placed with liquidity of Rs. 1,480 crores, including undrawn sanction of about Rs. 900 crores. Our ALM is positive across all the buckets.

Net income for the quarter is up by 33% year-on-year basis and 6% up on quarter-on-quarter basis. On interest rate risk side, we have been able to bring down the percentage of fixed rate portfolio funded by variable rate liabilities from about 45% last year to about 18% this year. We are committed to further reduce this in coming 12 to 18 month’s time.

Coming to opex, our year-on-year growth in opex is lower than growth in AUM, resulting in better cost ratios. Opex to AUM for the quarter is down by 10 basis points quarter-on-quarter and down by 20 bps year-on-year.

On asset quality side, DPD 30 is at 3.1%, down by 60 basis points quarter-on-quarter. Stage 3 is at 1%, down by 20 bps quarter-on- quarter. With improvement in asset quality, credit cost for the quarter is 20 basis points and for the year, it is at 40 basis points, which is in line with our guidance. PCR for Stage 3 asset is stable at 25%. Our total ECL is Rs. 64 crores against the regulatory threshold of Rs. 37 crores. Adequate provisioning buffers are in place.

If you look at our BT out rate, it is stable below 6%. On PAT, we have crossed the important milestone of Rs. 100 crores a quarter on the back of strong volumes, margins and credit cost. PAT for the quarter is Rs. 108 crores year-on-year up by 39%, quarter-on- quarter up by 12%. PAT for the year is Rs. 378 crores year-on-year up by 53%.

RoA for the quarter is 5.8% and RoA for the full year is 5.6%. RoE for the full year is 15.1%. During the quarter, we have crossed the milestone of 16% ROE for the first-time post IPO and ended the quarter with RoE of 16.3% at a leverage of 2.9x.

With this, I conclude, and now we can open the floor for Q&A.

Moderator: The first question comes from the line of Varun from Kotak Securities.

Varun: Congrats on a good set of numbers. I had a couple of questions. The first one is regard to the Karnataka portfolio. There appears to be a decline in the portfolio in 4Q. Is it because the e-khata issue has not been settled yet? Or are there any other issues you're seeing?

The second is with regard to collections, while overall collections are good and you have reported significant decline in stressed assets, are there any trends you're seeing in Karnataka, Tamil Nadu or MP, these particular states, whether the collections have improved, where they are up compared to last year or last quarter?

And third, I had a data keeping question, but you've already given the breakup of fixed and floating loans on borrowing side. Just wanted to break up on the benchmark that they are linked to?

Rupinder Singh: Thank you, Varun, for the questions. I'll go one by one.

About Karnataka, we have portfolio of around 6.3%, there is a slight dip of some 20 bps, 30 bps. Obviously, these are the reasons which you know very well in the market. Thankfully, India Shelter distribution portfolio has been spread across country since the very formative years, so that there is no impact in any case. So yes, these are a few challenges which are obviously going to come when you're in the operational business. But otherwise, there's no major impact on that side.

So I think we'll be able to cover, as the time keeps building up in the future also. So today, we are at around 6.3% of portfolio in Karnataka.

Varun: Yes. Just that overall collections are looking fine, but are you seeing any issues in Karnataka or Tamil Nadu or MP, especially given that Karnataka and Tamil Nadu have this ordinance of bill coming into effect?

Rupinder Singh: This Tamil Nadu piece came very recently. Even in Karnataka, if you see overall, there is a decent traction. Yes, they may have missed a little bit of target here and there because there's always challenges, which does happen when any shift happens in the operational activity. But accordingly, we keep preparing ourselves and growing around. So nothing to worry on that side. Like Karnataka, where we have a 6% of portfolio. Same in Tamil Nadu, we have around 6% of portfolio. So we doesn't think there is anything, which is challenging and worrisome for us around that side.

Ashish Gupta: And coming to your question on this benchmark about the portfolio, our portfolio is linked to our PLR, which is variable rate. And coming to the liabilities, on liability side, 30% of our liabilities are linked to RBI repo rate or the T-Bill and then about 55% of the borrowings are linked to MCLR. Out of the total 55%, 20% is linked to 3 months and remaining 80% is linked to the 1 year or 6- month MCLR and remaining about 15% is fixed.

Moderator: The next question comes from the line of Raghav Garg from Ambit Capital.

Raghav Garg: Congrats on this quarter's numbers. Just three questions from my side. One is on the fee income part. So apart from the processing fee, if I look at the other fees and commission line item, that has grown quite substantially this year. So what is driving that?

Ashish Gupta: So Raghav the processing fees that we get on our loan disbursement get amortized over the period of the loan and comes under the head of interest income. Coming to the rest of the fee and commission income, the larger portion of the income is coming by way of cross-sell on the insurance. And then part of the income is coming from foreclosure of loans and then and there's the routine servicing of the loan. So as you may be aware that during the Q1, we have got our corporate agency license. So as the license income has got stabilized now, so you are seeing some spike in the overall commission income.

Raghav Garg: Understood. The second question is on assignment margin, so it appears that the assignment margin dipped this quarter on a quarter- on-quarter basis. Is that because you may have done more of HL assignment this quarter than non-HL -- or there's something else to it?

Ashish Gupta: So as a matter of policy, we only do LAP direct assignment transactions. But the margins depend on various factors that what is the residual tenure of the loan that we have sold, what is the seasoning and what is the ROI of that underlying loan. So basis that the margin income comes up. So it completely depends on the underlying pool. But there is no change certainly in HL and LAP.

Raghav Garg: Understood. And what's your expectation of reduction in funding costs on a full year basis in FY '26 versus '25?

Ashish Gupta: So as we have said that about 30% of our total funding is linked to the repo rate and T-bill. For that, we will keep getting the rate benefit on an immediate basis. But for the rest of the larger portion of the borrowing, which is linked to MCLR, the benefit will keep coming in a staggering manner, and it will depend on how much the pass on that the bank will do on the MCLR cut. So if the 50 basis point rate cut has already happened, we have already got a 10 basis point cut. So maybe another 10 basis points may be there in 3 to 6 months kind of time and rest will be dependent on the cut in MCLR.

Raghav Garg: Understood. When you say 30% linked to repo or T-bill, you are saying including assignment, right, the fee -- funding mix that you gave in the presentation? Or is it the on-book mix only?

Ashish Gupta: Generally, it is similar on the on-book and the DA side.

Moderator: The next question comes from the line of Shreya Shivani from CLSA.

Shreya Shivani: Sir, my question is on the new branch addition, and you also give out a metric on AUM per branch of your vintage up to 1 year, 1 to 3 years and all of that. So clearly, the new branches that you've been adding, the AUM per branch has picked up quite a bit over there, particularly in 4Q. Is this more of a function of the new branches that you've opened are more in Tier 1, 2 cities than in smaller cities? And also, so the reason I'm asking this is because the 1-year AUM per branch has sort of moved -- remained range bound in the past 6 quarters of numbers that you've given out, but the new branch addition seems to have much better AUM outlook. Can you help us understand that?

Rupinder Singh: Yes. So as an experiment, what we did last year, most of our branches got opened in the first quarter itself. That I think if you see go back on the data side also, quarter 1, we tried to open the branch as per the plan that time. And by the time we covered 3 quarters, I think that has picked up. There's no strategy about opening branches in Tier 1. We still not very gung-ho about the Tier 1 market, typically when we talk about affordable housing the segments that we are getting around that side. It's only that we preponed the plan instead of staggering across the year, we did this experiment last year, and I think it worked a little bit and that's helpful on that side.

Shreya Shivani: Sure. Understood. So the new 40 to 45 branch addition guidance that you've given, that also you'll do in a similar manner going ahead?

Rupinder Singh: No, this year, we are making some different changes. Every time you have to see some ways how it can be more effective. That's the internal strategy. But overall, this year, again, we're going to open around 43 to 45 branches. So a different way of setting it. So it's not like last year, but maybe we come up with a better idea this time. We'll probably convey as time progresses.

Moderator: The next question comes from the line of Aman from PhillipCapital.

Aman: Yes. So sir, congrats on a good set of numbers. So one question is on the repayment rates. So if I look at your repayments rate, they have climbed up sequentially, right? And you also mentioned of some foreclosures. So could you give us a sense on as to why -- I mean, is it because of some competitive intensity that we are seeing in -- I mean, is it something also of seasonality? Some clarity on that would be really helpful.

Ashish Gupta: While calculating the amortization rate, you might not have been considering the impact of co-lending that we have done. So co-lending portfolio that we like originate for the banks, we don't consider this as a part of AUM. So we will have to factor in from the disbursement number, while computing the amortization rate. It is better than last year.

Aman: Okay. Got it. And sir, secondly would be on the co-lending part of our book. So we are at 57% housing loans on a portfolio level and about 43% on the loan again property, right, LAP. And that is where we, I assume, do most of our DA business, direct assignment. Now isn't this a bit aggressive from a housing finance company standpoint? I mean, is that something of a risk that we see down the line, where an RBI might come down on you that, okay, you're being too aggressive in the LAP portfolio?

Ashish Gupta: So if you look at our overall AUM, yes you are right that our housing loan portfolio is at 57%. But if you look at the on-balance sheet portfolio, so as you have rightly said that for direct assignment, we do it for LAP portfolio. So at the on-book balance sheet level, the proportion of housing loan is at about 67%. So we are well compliant with the RBI regulation on this particular PBC criteria.

Aman: Sir, any plans on maybe running down this book a bit or maybe slowing down disbursements in the LAP portfolio?

Rupinder Singh: Instead of slowing down LAP portfolio, we'd always insist of taking up our HL portfolio. So this 57% eventually would tweak to respected level of some 60%, 61%. So that things are very well taken care of in full threshold form. So we're not pulling down LAP, but we definitely will take up our HL. We have a plan around that side. So as the quarter progress, you'll see it progressing.

Aman: And sir, one last question, if I may. So my last question would be on the competitive intensity, right? So we have seen a lot of your bigger players also getting into the affordable market, right? So how do you see that affecting you? Or maybe if you could just elaborate a bit more on what is our right to win in such competitive markets? I mean, Rajasthan being one of them. So just some clarity on that would be helpful? Thank you.

Rupinder Singh: Well, we are a player of Tier 2, Tier 3 markets, basically, which is a deep down into geography. Maintaining our ticket size of around Rs. 10-11 lakhs and sourcing is through our direct team instead of depending upon third-party channels. And this is a quite operational expensive activity around that side.

So to build this DNA, you require thousands of people, hundreds of branches and then focusing on this market. So large players do have a tendency to take the business to next level instantly if they do. So replicating this model becomes a little difficult. So the way we serve, you require to come to this level around that side. We are into business from last 15 years and so many players keep coming around, big and small, all kind of that. Everyone has to find their own forte accordingly.

Moderator: The next question comes from the line of Adityapal Jaggi from MSA Capital Partners.

Adityapal Jaggi: Sir, great set of performance. Just wanted to quickly get a few data keeping questions. That is how much would be our 1+ DPD? And what would be our total gross write-off for FY25 and for this quarter and the collections of our earlier write-offs for this year and this quarter?

Rupinder Singh: So if you look at our DPD 1, it is at about 7%, and we have done a write-off of about Rs. 8 crores this year. But however, we have parallelly recovered about Rs. 6 crores from the loans that we have written off in the previous years. So there is no material impact of write-offs in the credit cost this particular year.

Adityapal Jaggi: Understood. And sir, so Andhra Pradesh and Telangana for the last 3 years have really performed well for us. So what is the strategy or what is working for us over there? And how do you think about this market, say, in the subsequent years? And another question on this strategy is that how are you thinking about state-wise AUM growth for FY26?

Rupinder Singh: So it's not a one state specific focus we have. We are spread across the 15 states. Being a new geographies for us, Andhra Pradesh, Telangana compared to the other one like Rajasthan or Maharashtra or MP, I think being a small base, that looks good output in that sense. If you see in South, we are spread across 4 states, AP, Telangana, Karnataka and Tamil Nadu. Karnataka. Telangana, we are having some AUM of 6% and 4%. So with time, you will see the progress across there basically. It is not a state specific. Yes, there is a good productivity, which is coming from AP, Telangana also.

Adityapal Jaggi: Understood. And sir, what would be a district penetration in states, Rajasthan, Maharashtra, Madhya Pradesh? And then what would be our market share in these geographies?

Rupinder Singh: Look, we don't compare it in terms of what is my market share and all. Reason being mortgage finance is a humongous business, which is staggered into various ticket size, various forms in that sense. We play in a ticket size of Rs. 10 lakh to Rs. 11 lakh. There are competition, which are in affordable playing between the other set of ticket size simultaneously. So we see our continuous growth. And as we see compared to the last year, there's a continuous growth in Rajasthan and the rest of the states also. Rajasthan, we still have the highest AUM of 31%.

Adityapal Jaggi: Got it. And sir, just last question. So our Stage 2 plus the GNPA does not match a 30-plus DPD. So intuitively, the 30-plus DPD should match our Stage 2 and GNPA.

Ashish Gupta: Yes, you are right. So there is some impact of the restructured loan that we have done during the COVID 1 and 2 schemes. So impact of the same is about 15 basis points to 20 basis points between the 30 plus Stage 2 plus Stage 3.

Adityapal Jaggi: So that is the delta that is, I mean, that is the restructured book.

Ashish Gupta: Yes, which is actually Stage 1 asset, but this is a conservative philosophy. We have considered slightly higher provision on that and consider that as a Stage 2 asset. But that book is doing fine now.

Adityapal Jaggi: All right. All right. And sir, what would be a difference between unique customer collection? I -- you've given overall collection. What would be a unique customer collection.

Ashish Gupta: So unique customer collection is at about 97% plus.

Moderator: The next question comes from the line of Shreepal Doshi from Equirus Capital.

Shreepal Doshi: Congrats on a good quarter and really appreciate the detailed presentation. My question was on GS3 coverage. So if you look at that number is closer to 25%. However, as we deepen our penetration in the existing and the newer states, do you see this 25% inching upward? Because if you look at some of the larger guys are having a much better PCR on GS3 ranging between 50 to 60%, 65%. So do you see this 25% inching upward? And what is the credit cost that we are comfortable with?

Ashish Gupta: So you need to differentiate between us and any other prime housing finance company. So while we underwrite the loan, we underwrite the loan only against the self-occupied residential property and average LTV of the portfolio is close to 52%. So if you go over the historical numbers, which are available for more than 12 years now, so the LGD that we have seen on our portfolio is close to 11%, 12%, including principal and interest. So the PCR of 25% that you are seeing on Stage 3 assets is actually 2x of what the actual provision is required.

So basis on the management overlays and all that, we have been able to pull up this PCR to about 25% that we feel is sufficient for this kind of business that we are doing. And on the overall credit cost, including the like growth on the Stage 1, Stage 2, Stage 3 asset, which is currently running at about 30%, 35% we are comfortable with about Rs. 40 to Rs. 45 paisa on the overall credit cost on the P&L.

Shreepal Doshi: Got it. But sir, I mean, your LGD of 11% is -- I mean, seems much controlled than some of the peers. But the idea is that as we scale up and deepen our penetration, do you see this inching up or as a business model, you believe that this is what it should be closer to 25%.

Ashish Gupta: So we have seen the last 5 to 7-year trend in the LGD, this remain broadly in the range of 10% to 12%. So in case the actual trend reflects some uptick, then probably we will increase our ECL provision as well. But in case not, then probably we will continue with the current numbers.

Shreepal Doshi: Got it. And sir, have we -- in terms of customer profiles, have we sort of -- when we add newer branches, are we also able to see newer customer profiles being onboarded in our system in terms of underwriting them or in terms of filtering yes and no in those customer profiles?

Rupinder Singh: We are largely catering the self-employed customer in these markets of Tier 2, Tier 3 and which includes all set of gamut on the customers, who are serving this vicinity. Obviously, we also have a list of negative profile, which we don't want to touch basically and that you can get as and when you want. So this is a matter of policy for us. So we are very clear this is the market which we have to serve it. If you see, we have not changed any large ticket size or things on that side. We continue to work between Rs. 5 to Rs. 30 lakh of ticket size and majorly into affordable mortgages. So it's nothing new that which has come up around that basically because the set of customers, who should have a collateral or property to offer in the same vicinity. So I think that gives a clear cut visualization of the questions that you are asking for.

Moderator: The next question comes from the line of Miten Lathia from Fractal Capital Investments.

Miten Lathia: In the broader cohort that you mentioned sticking to Tier 2, Tier 3, maintaining a Rs. 10 lakh ticket size, direct sourcing, is that maintainable all the way to Rs. 30,000 crores of AUM? Or do you think along the way, we'll have to tweak this to get to that number?

Rupinder Singh: So as the market is growing, your inflation is growing, the cost of construction is going. This Rs. 10 lakhs will obviously go up, but step by step. It's not an overnight change of shift or gear on that side. If you see 6 to 7 years back the ticket size used to Rs. 6 lakhs, Rs. 7 lakhs, today, it is Rs. 10 lakh. As we reach towards this another 4 to 5 years, you can see that this is going up. And by that time this may go up to Rs. 14 lakhs, Rs. 15 lakh of ticket size also. But yes, we want to continue to work in the affordable housing segment. Any new opportunity in terms of product opening, we always welcome into that piece. But it has to be very well taken care of risk adjustment business, not like just for the sake of doing it. So we'll be cautious, but yes, we'll be eager for going up there.

Miten Lathia: So sorry to reemphasize, but up to Rs. 30,000, it will still be a direct sourcing model. You don't see a need to change that.

Rupinder Singh: That will be our prime model. In case if you have to come with the new models, then definitely, we'll not be able to disturb the current one basically. We're not going to overload our current set of teams, who will be shifting from a direct sourcing model to some new models because of the expertise which this team has developed to with time.

Moderator: The next question comes from the line of Sonal from Asian Market Securities.

Sonal: Congrats on a good set of numbers. So I have two questions. One is on this fee and commission income. So if I look at it as a percentage of assets or on disbursements, this number has inched up quite significantly. Now just a few questions here. If you could just help us with the breakup, how much is the insurance income in this fee and commission income?

And second is how many insurance companies have you tied up with? Do you also provide any insurance loan to the end customer? That is my first question. And second is with focus shifting to floating rate advances, how do you see yields moving from here?

Ashish Gupta: Yes, Sonal. So if you look at the breakup of the total other income or the fee and commission income, so about 50% of the income is coming by way of cross-sell. And while giving the insurance, we also fund the customer loan in case we want to do that.

And remaining about 20% of the income come by way of foreclosure charges on the loan and remaining 20% comes on the loan servicing fees in the form of bounce charges, cash handling charges, etc. And remaining 10% of the income comes from the co-lending fees that we are doing. So on the co-lending loans, we get upfront fees share on the processing fees that we charge from the customer.

Sonal: Sure. And sir, just one more clarification here. So you said that 50% income is coming from cross-sell of insurance. So I mean, whatever loans we disbursed during 4Q. So if you could just indicate how many customers or borrowers have kind of opted for insurance and probably how many of them have we funded during the quarter?

Ashish Gupta: Sure. So we do primarily 2 types of insurance. One is property insurance, wherein we see a good penetration rate wherein more than 90% of the customer go for the insurance. And another is credit life insurance, wherein we see a penetration of upward of 80%, wherein customer go for the credit life insurance for about 5 to 7 year basis their behavioral expectation of the loan. And coming back to your old question, so we are working with about 4 insurance companies for the life and the property insurance.

Sonal: Got it. And sir, on the floating rate advances, I understand you'll be able to maintain your 6% plus spreads, but how do you see the yields moving from here?

Ashish Gupta: So floating rate loan that we have said that is constituting about 45% of the portfolio. So on that portfolio, there is a structure that the loan is like semi-variable kind of structure wherein it is fixed for some initial 3 years period and then it is variable. So these loans are linked to our own PLR basis the cost of fund and the opex of the company. So as and when that will change in the future, probably we may pass on some benefit to the customer as well.

Sonal: But sir, the initiation of the contract, could you just help me with the difference between what will be charged during the fixed rate period and what will be charged during when it becomes floating rate or variable rate.

Ashish Gupta: So the rate is similar. It's not a teaser loan kind of product where the initial rate is slightly lower and the subsequent rate will be higher. It's a flat rate of product wherein customer rate remains fixed for initial 3 years. And this is the moment after 3 years, the customer rate might change in future.

Moderator: The next question comes from the line of Jainis Chheda from Kemfin Family Office.

Jainis Chheda: Congrats on the good set of numbers. Sir, when you talk about this Rs. 30,000 crores AUM by March 30, what will be the ROA by then since on scale, do we expect a dip in the others?

Ashish Gupta: Yes. So our ROA is currently is about 5.6% for the year, but our leverage is close to 2.9x. So as the leverage will increase from here, our ROA will moderate from there. So we expect that down the line, 2 years from here, we will be touching close to 4x kind of leverage. At that point of time, you will see some moderation in ROA close to 4.5% that you could expect.

Jainis Chheda: Okay. And I'm assuming this Rs. 30,000 crores will not require any additional equity raise?

Rupinder Singh: It would require eventually, I think, but I think it will take another 3 years to reach there. We're talking about Rs. 30,000 crores in 5 years of time.

Moderator: The next question comes from the line of Rohit, an Individual Investor.

Rohit: Yes. Congratulations on a great set of numbers. I had just one question. What can be the trajectory of ROE going forward, sir, for the next two financial years, FY26 and FY27? That's my question.

Ashish Gupta: So as we have said that -- so in the previous question that currently, our RoA is at about 5.6%. This is the low leverage of the company. So RoE is a function of ROA and the leverage. So as we will progress, our leverage will be increasing, and ROA will be moderating. But as we have ended the Q4 with about 16% plus ROE, you can expect a similar trajectory or the upward trajectory in the coming quarters.

Moderator: The next question comes from the line of Renish Bhuva: from ICICI Securities.

Renish Bhuva: Just two questions from my side. So one on this LAP portfolio, right? So of course, you've been growing this portfolio at almost 30%, 35% plus over the last 2 to 3 years. And given this ordinance in TN and Karnataka, do you foresee any disturbance in collection in LAP portfolio at least as of now?

Rupinder Singh: I think not exactly as of now. We are just taking stock of situation regularly on that side. So if you see current state of affair, we can't see instantly some kind of jittery on that side. But yes, we are cautious about if anything happens, we'll be first to come back to you on this.

Renish Bhuva: Okay. And sir, would you like to share the overlap of LAP portfolio with MFI customers?

Rupinder Singh: I think it's around 3.5%, 4%, but this is a very old customers we are talking about. We did do our scrub a quarter back or so and largely, when we see the delinquency ratio also, there's no very large spurt on that side. It's a range bound again.

Renish Bhuva: Okay. So 3.5% to 4% of LAP book or total book?

Rupinder Singh: It is total book.

Renish Bhuva: Okay. It is of total book. Okay. Got it. And sir, secondly, in this next phase of growth, wherein we are sort of planning to reach Rs. 30.000-odd crores by March 30. And when we look at the geographical concentration or presence, we are still 30% plus in Rajasthan. So going ahead, which are the key states which will sort of drive the growth for us? And where do you see the share of Rajasthan settling maybe over next 2 to 3 years?

Rupinder Singh: I think with the progress of time, every state starts performing in that sense. And Rajasthan is still a flagship zone for us and delivering a wonderful numbers in that sense. Though they'll continue to maintain their momentum typically on the disbursement side, but that's definitely because of the impact of other states growing and they're settling down, there will be more growth coming from those states. I feel this will start settling down and another 4, 5 years, they will come less than 25%, if you talk about Rajasthan per se basically. If you ask the other states, which is coming around, I feel good scope in South, all 4 markets typically, right, as we see that. Consistency, you can see with -- both in Maharashtra and MP. And new things, green shoot you can see coming from other states like UP or Haryana.

Renish Bhuva: But -- okay. So would you like to spell out any, let's say, 2, 3 markets, where we are focusing more incrementally?

Rupinder Singh: I think we should not discuss because of we are focusing in one market or the other. For us, all are being clear shot distinction. We chose the market, keeping in mind the objective of giving this affordable housing. Obviously, quarter-on-quarter we will be sharing the numbers. And because of that, when we focus it, if you see the India Shelter philosophy always is there, any branch which has to be opened, it should be very well controlled from the centralized team. So we have spread our distribution in such a way. And the system works in such a way that there should not be any distinction between the two markets because of the reasons that we feel that this is a good market, or the people are not good or something like that.

Renish Bhuva: Got it. And just a last bookkeeping question. Sir, what is the disbursement yield and incremental cost of fund?

Ashish Gupta: Disbursement yield are currently at about 15% and our incremental cost of fund for Q4 was about 8.6%. So that was having some element of NHB funding as well. But on a stable state, you can say that our incremental cost of fund is also at about 8.7%, excluding NHB, which is similar to our average cost of fund.

Renish Bhuva: Got it. Got it. And maybe just the last question on the sourcing side. So sir, let's say, as on March, what percentage of disbursement is through branch sourcing and what percentage would be non-branch sourcing? When I say non-branch it's basically Connector, DSA, digital marketing, etcetera.

Rupinder Singh: So if you see entire thing, servicing of customers happens via the branch. The traction of digital is going up since we keep working the venues. But ultimately, all these leads and customers is been passed on to branches So branches are there to serve the customer. So digital sourcing is picking up for us, where there are newer venues and still are in the experimental phase. So we have not commented much on the numbers around that side.

Renish Bhuva: And DSA connector is practically zero for us as of now, right?

Rupinder Singh: So from branch side, it is not. But yes, through digital, we have a certain aggregator, who are providing the lead that helps us out someway basically.

Moderator: The next question comes from the line of Mona Khetan from Dolat Capital.

Mona Khetan: Congratulations on a strong set of numbers. I have 2, 3 clarifications. So firstly, what is the share of cash salary if at all we have any exposure there?

Rupinder Singh: I think the recent disbursement of cash salary is quite minimal. But overall, if you see among the salaried profile of 20% that we have, around 8%, 9% constitute cash salary But as of now, we are majorly focused on formal salary wherever we are doing in the smaller markets also.

Mona Khetan: Okay. So 8%, 9% of the AUM?

Rupinder Singh: Of the salaried profile

Mona Khetan: Okay. Of the 25% of salaried?

Rupinder Singh: Yes, yes.

Mona Khetan: Okay. Got it. And secondly, just on the co-lending, so just wanted to understand this piece a little more. So the 20% of the book that comes at your end, is it yield dilutive? Or is it at the same yield? And also, on the opex, does the entire opex for the 100% of the loan come at the NBFC's end? Or how is it sort of distributed?

Ashish Gupta: So in case of co-lending, we are doing like CLM-2, wherein the customer is getting the same yield as we are doing it on our on book loans. But having said this, we are booking only 20% of the loan portion, wherein we are getting slightly higher interest income. So -- but one side, there is a higher interest income. But correspondingly, on the expenses side, we are also getting the expenses to the extent of 100% of the share. So that is matching at the PAT level. So the PAT is similar, whether we do the co-lending or whether we not do the co-lending. It's one of the avenue of funding that we do. So at this point of time, co-lending is at about 4% of our total AUM. So that's how the position is.

Mona Khetan: Sure. And so, the effective yield, I understand it's higher than the overall, but the effective yield, is it higher than your 14% or so of yield on the book? Or is it lower?

Ashish Gupta: So we do only the LAP loan under co-lending product. So our average LAP yield is at about say like 15.5%. And the LAP yield to the co-lending loan also will be in the similar range of 15% to 15.5%.

Mona Khetan: Got it. And just finally, in your loan mix, what percentage of loans will have above 80% kind of LTV?

Ashish Gupta: We don't do 80% like above LTV. So there will not be any loan wherein the sanctioned LTV is above 80%.

Mona Khetan: Okay. So it's almost nil or so at your end?

Ashish Gupta: Yes.

Moderator: The next question comes from the line of Chinmay Nema from Prescient Capital.

Chinmay Nema: I just wanted to follow up on the previous question related to leverage. You guided that leverage could go up to 4x in 2 years' time. I just wanted to understand if there can be any regulatory challenges in increasing the leverage. And also from a long-term perspective, how do you see leverage increasing? Or where do you see it peaking out, as the AUM grows?

Ashish Gupta: So there is no regulatory challenge on the leverage side. Regulation allows you to maintain 15% CRAR. That effectively means leverage upward of 9x as such. But when we speak to the credit rating agencies, the bankers and all that, they are comfortable with the leverage up to 5x kind of number. So our brief thought process is that once we start touching 4x kind of leverage, then we start working on like equity raise and probably try to close the equity before touching the 5x kind of leverage.

Moderator: The next question comes from the line of Raghav Garg: from Ambit Capital.

Raghav Garg: Just two more questions. One is on attrition. How was it for you in FY25? Has it come down compared to last few years? Or is it still a problem? And what are you doing to control it?

Rupinder Singh: So compared to last year, there is an improvement in attrition, but not to our level of satisfaction. That is one thing. Attrition is still a challenge on that side. Particularly for controlling this attrition, I think Board has been kind enough. They have just approved the next tranche of stock options, which is going to cover the large set of people. And to the extent, earlier it used to cover 25% of the employees excluding frontline staff and now this will take to the next level. So this is something Board has come up, and we'll bring this as a traction for the people to run long with us. So we are just going to formalize it. And once it is done, we'll also convey you around that side.

Raghav Garg: Understood. And I'm also trying to understand your branch expansion and hiring strategy. So when I look at FY24, right, these activities appear to have been spread out through the year. In FY25, you seem to have upfronted branch openings and hiring during the year in the first half. Can you share some thoughts on how you'll execute in FY26 and why you believe it's a better strategy?

Rupinder Singh: I think since it hasn't been executed yet I won't say better strategy or not. I simply said that there will be new experimentation, and we'll come back to you once done. So, we are just in the process. As it completes, we'll definitely showcase ourselves how it works, like as what we did etc. But yes, that's what I can assure is we'll be again opening around 40 to 45 branches.

Raghav Garg: Just one more follow-up to the previous question on attrition. So you said you plan to give ESOPs at the branch level. Is it an effective retention tool you think? Because I would assume generally salaries and something which is more tangible appeals more to the staff at the ground level than ESOPs, but happy to share your thoughts on this?

Rupinder Singh: So looking at the best practices followed by stalwarts of the industry, I think this has been a good tool for retention typically for the quality resources in the system. I think that worked well in the past. That has a history towards it. So yes, retention is something which you can't ignore it, and you can't say simply that it can be used at one point of time. But these are the tools, which actually definitely pull the right set of people, the quality people, who look for a long term and can align with the vision of company. So this is an important piece. This is one of the important tool, what we feel confident about that should help us some way. But one side, the Board is also kind enough and other side, and as we receive feedback from the employees on the line, and we try to align together. I think let's see how it turns out but we are optimistic as of now.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Rupinder Singh for the closing remarks.

Rupinder Singh: Thank you, everyone, for taking your valuable time for attending our earnings call. An audio recording and the transcript of this call will be uploaded on our website in due course. Looking forward to hosting you all in the next quarter. If you have any further questions or require additional information, please feel free to reach out to us. Thank you so much, and have a nice day.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of ICICI Securities Limited, that concludes this conference. You may now disconnect your lines.