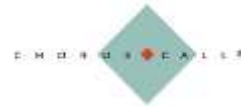




“Indiabulls Housing Finance
Q4 FY2022 Earnings Conference Call”

May 23, 2022



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MR. HEMAL ZAVERI – HEAD BANKING – INDIABULLS HOUSING FINANCE

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY2022 earnings conference call of Indiabulls Housing Finance. 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 with us Mr. Gagan Banga; Vice Chairman, MD and CEO, Mr. Ashwini Hooda; Deputy Managing Director, Mr. Mukesh Garg; Chief Financial Officer, Mr. Sachin Chaudhary; Chief Operating 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 over to Mr. Banga. Thank you and over to you Sir.

Gagan Banga: Thank you. A very good day to all of you and welcome to the Q4 and full year fiscal FY2021-FY2022 earnings call. I hope all of you and your families are doing well and are safe.

The year fiscal FY2022 was to serve as a litmus test for Indiabulls Housing new asset light business model and I am happy to inform you all that we have made tremendous progress on this front beyond what we had ourselves anticipated.

We have laid it out on slides four to eight of the earnings update.

We began fiscal FY2022 with the aim of establishing strategic co-lending partnerships with a set of banks and other financial institutions, implementing the technology integration, which is a lengthy and onerous process and begin disbursements under the model from Q2 fiscal FY2022 onwards. We were hopeful of scaling up the disbursements to achieving a quarterly disbursement run rate of Rs.1,000 Crores by Q3 fiscal FY2022 under this model. Against this in H2 fiscal FY2022 we disbursed retail loans of Rs.2,962 Crores through co-lending and sell down, almost 1.5x of our targeted disbursement run rate and that too at an impressive ROA of well above 3%. The scalability of this model is now established and in the wider market also we see various banks lining up to establish co-lending relationships with multiple HFCs and NBFC, with the banks themselves also making investments in implementing the technology and digital platforms for co-lending. We have a committed demand for disbursing Rs.15,000 Crores of retail loans through co-lending with our partner banks in fiscal FY2023. We have also scaled up our capacity and have added 1,200 employees in fiscal FY2022 to scale up retail disbursements. We are currently capacitated to do over Rs.1,000 Crores of retail loans per month. As employees get trained and productivity improves with vintage, we are on track to do Rs.1,500 Crores of monthly disbursements by September 2022 and Rs.2,000 Crores of monthly disbursements by March 2023 without

significant proportionate increase in manpower. We have also successfully fully integrated the co-lending technology platform with two of our partner banks and are on track to complete tech integration with all of our co-lending partners within H1 of fiscal FY2023. Overall, we aim to disburse roughly Rs.15,000 Crores of retail loans in fiscal FY2023 and Rs.20,000 Crores of retail loans in fiscal FY2024 through co-lending and sell down. Of this only about 30% will stay on our balance sheet, as it waits to get sold out in back-to-back co-lending assignments or the time it takes to achieve the six month of regulatory mandated minimum holding period if a transaction is happening through the securitization route. That is on incremental retail loans. We will have an AUM of between 3x to 4x of what we carry on our books.

We have also progressed meaningfully on our track of establishing partnerships with global funds for setting up the AIF platforms to recommence doing wholesale loans. We have already received SEBI approval for setting up an AIF fund with the fund size of Rs.2,000 Crores in partnership with a global alternate investment firm. The platform will focus on lending to commercial real estate to tap the LRD opportunity, construction finance to residential and commercial projects, investing in stressed asset opportunities and providing mezzanine finance wherever the opportunity presents itself. We are currently in the process of identifying the assets to lend through this fund and expect to start disbursing in H1 of FY23 itself. Of the loans disbursed through AIF, IBH participation would only be 5% to 10% which will remain on our balance sheet while we will earn processing fee and annual management fee on the entire amount disbursed. A second AIF fund in partnership with another global fund with a fund size of Rs.5,000 Crores is in the process of getting approval from SEBI. We expect the approval to be received by the end of this month and again aim to start disbursing within H1 fiscal FY2023. We are also in the process of filing a third AIF fund with again a capacity of Rs.5,000 Crores within May itself. Thus we have created a capacity to disburse around Rs.10,000 Crores through these AIF funds in fiscal FY2023 and to scale up the capacity to around Rs.15,000 Crores in FY2024. This platform has the potential to generate an ROA of 5% plus for the company. Fiscal FY2023 will be the litmus test for this wholesale model much like fiscal FY2022 was a litmus test for our retail asset light model.

Overall, in fiscal FY2023 the company will be focused on resuming AUM compounding on the back of retail co-lending and sell down and wholesale lending through the AIF platform. We hope to compound our AUM in fiscal FY2023 by 10% and fiscal FY2024 by 15%. While we pursue both the tracks, we will continue with the exercise of derisking the balance sheet through reduction of the legacy wholesale book. We are on track to reduce it further by 20% by the end of the calendar from March 2022 level.

The third track that we have been working for the past two years is the institutionalization of the company. Towards this end, Mr. Sameer Gehlaut, the founder, had relinquished the chairmanship of the board in August 2020 and later in December 2021 had reduced his stake from roughly 21% to 9% levels. As a further step towards this direction Mr. Gehlaut resigned from his nonexecutive director post in March 2022 thus making it a fully independent director driven company with 60% of the board today being independent directors. Subsequently the board and the shareholders of the company have also approved the depromoterisation of Mr. Gehlaut and his group companies. Subject to receipt of all request approvals, we will conclude the process of depromoterisation of Mr. Gehlaut in calendar year 2022, post which there will be an effective change of control.

As another step towards institutionalization of the company in April 2022, we had inducted Mr. B. C. Patnaik, the Managing Director of Life Insurance Corporation of India onto the board of the company as a nominee director of the LIC, which is the largest institutional shareholder and the largest bond holder of the company. As I said earlier, with the induction of Mr. Patnaik, now 60% of the board comprises of independent directors. We are also in talks with other such significant institutional investors to have their nominee directors on the board of the company in order to bring direct institutional oversight into the operations of the company.

Together the three track will govern the way we operate from fiscal FY2023 and beyond and we look to regain our position as one of the largest originator of retail loans in NBFC space and establish ourselves as a board driven professionally managed company.

I will now cover the headlines numbers for the quarter.

Please refer to slide #3.

As at the end of the March 2022, our assets under management stood at Rs.72,211 Crores and our loan book stood at Rs.59,333 Crores. Our AUM has been on a decline as we had looked to consolidate our wholesale and higher ticket assets in order to derisk the balance sheet. The AUM reduction has now ended and has formed the base to start witnessing a long-term steady AUM growth from fiscal FY2023 onwards.

Since September 2018, on a gross basis, Indiabulls Housing has successfully repaid roughly Rs.94,000 Crores of money to the financial system. As we did this, we have successfully delevered from a net gearing for 7x in fiscal FY2018 to a meager 2.6x now. Our capital adequacy at the consolidated level stands comfortably at 32.6% of which tier one capital is 27.2%. PAT for the quarter came in at Rs.307 Crores, an 11% Y-o-Y growth as compared to Rs.276 Crores of PAT. PAT for the year is Rs.1,178 Crores.

It is pertinent to note that the company's profitability has formed a base and has shown a steady growth over the last five quarters now. Our strong capital adequacy, low gearing, high liquidity, and robust provisioning provide a strong base for growth from fiscal FY2023 onwards.

Please refer to slide #9 of the earnings update on asset quality.

As at the end of March 2022, our gross NPA stood at Rs.2,318 Crores, down from Rs.2,350 Crores. In percentage terms, the number is higher as the denominator has declined owing to the consolidation undertaken in the wholesale assets to derisk the balance sheet. Our net NPAs are at 1.89% and our stage three provision is 41% compared to 40% in the same quarter last year.

The company has seen strong recoveries in the last three quarters and on the back of the pickup of real estate sector, the company expects this recovery trend to continue through fiscal FY2023.

Overall our portfolio has behaved very well which can be ascertained by the fact that under both the restructuring framework 1.0 and 2.0 combined, we had restructured loans equivalent to only 0.26% of our loan book. Under the government guarantee scheme, we have disbursed top up loans of a mere Rs.214 Crores till the end of March 2022, equivalent to only 0.36% of our loan book. With this said, we will continue to proactively work and identify loan assets which are weak, which we have also done in Q4 and will continue to provide for such assets, especially on the wholesale side so that the recovery can be done in an expedited manner.

Overall, I believe that the quality of our borrowers and loan assets has come through our performance in fiscal FY2023, especially given the fact that this year also saw in midyear a change in the audit practice where from a single auditor the company had to transition to two auditors and that has happened in a fairly seamless manner.

As we move forward, we expect our gross NPAs to remain in the range of 3% to 3.5% for some time. For fiscal FY2023 we expect credit costs to remain between 100 to 150 basis points. From fiscal FY2024 onwards the credit cost should halve from these levels.

Moving on to the next important pillar of our operations, liquidity and ALM management.

On slide #11, we have given the details of the money we have raised in fiscal FY2022. We have raised the total of Rs.24,497 Crores through various institutions across instruments and tenures. These include Rs.5,600 Crores of over three years' term loans and Rs.10,820

Crores of loans between one and three years. We have also raised money through retail NCD issues of IBH, twice in fiscal FY2022, raising a total of Rs.1,345 Crores across both the issues. As I had mentioned in my earlier calls, retail NCD issues will now be a regular perpetual source of fund raising for us and will lead to greater granularization and retailization of our liability franchise. We have already done one public issue of bonds in fiscal FY2023 and intend to do nine more such issues cumulatively raising around Rs.2,000 Crores through this funding channel. Through securitization and loan sell down, last year we raised Rs.5,214 Crores. As a result of this, funding through loan sell down, securitization, co-lending, etc., now contributes to 29% of our funding mix at the end of fiscal FY2022, which is an all time high and is in line with our asset light model. As we scale up the asset light model, funding through this route will contribute to an even higher percentage of our funding mix. We have also raised Rs. 1,517 Crores of equity/ quasi-equity capital through an FCCB issuance and sale of our remaining stake in OakNorth. Thus our funding program is also on a very strong footing much like the profitability.

Over the past one year, on the back of a strong fundraising program and the strength of our balance sheet, rating agencies Crisil, ICRA, and Brickwork and very recently international rating agencies Moody's has revised the company's outlook to stable. While revising our outlook, Moody's cited strong capital levels, high liquidity levels and stabilization in access to funding as the rationale behind the outlook revision.

Our cost of funds on book is now at 8.1% and book yields are at 10.5%, enabling us to earn a spread on book of 2.4%. As we had informed the exchanges earlier this month, we have increased our reference rate of our housing loan and loans against property portfolio by 40 basis points, in line with the repo rate, for our existing borrowers which will be effective from June 1, 2022. This will thus help us in maintaining our margins going ahead.

As I had informed during our last earnings call, in association with the ESG ratings firm Sustainalytics, the company has developed a sustainable financing framework for issuing sustainable bonds. Our total bond issuance program of Rs.3,000 Crores would be largely targeted to sustainable bonds in calendar 2023 via both domestic and international markets. In total, the company will focus on the sustainable bond issuance and placing these bonds for extending loans to the affordable housing sector.

As at the end of March 2022, IBH has a liquidity buffer of Rs.9,107 Crores which is 15% of its loan book, in line with our liquidity management principal.

Now, coming to the topic of ALM management. I want to begin here by thanking our bond investors. I know that the USD bond holders in particular have been on a rollercoaster ride with the price fluctuations of the bond over the last three years. From our end, we have

always provided reassurance to all our debt investors that the company has a conservative approach to ALM management and we plan well ahead of due repayments, do not bank on refinance of any instrument, leave aside maiden sort of an issuance that we did of USD bonds. As the term of the USD bond draws to a close, Moody's has revised its rating outlook.

On the upcoming USD bond repayments, as you all are well aware, we had voluntarily created a reserve fund for repayment of USD bonds falling due on May 28. As against our initial plan to transfer Rs.2,048 Crores, totaling to 75% of the total maturity proceeds, we instead created a reserve fund of a 100%. As informed in our recent stock exchange disclosure and the email sent to all of our bond investors, the company has fully refunded its dollar bond obligations into the trust and has irrevocably instructed the repayment trustee and banks to utilize the proceeds of prefunded fixed deposits towards fully meeting the repayment obligations well in time. The company has fully discharged its repayment obligations and handed it over to the repayment trust well in advance of its maturity date. The company has also made an offer to all holders of its domestic bonds maturing up to June 30th, totaling to sum of approximately Rs.800 Crores to acquire these NCDs at par.

We will continue to take similar proactive steps to manage our ALM and where required we will fund resource pools in advance of any large debt repayment. The company's ALM management and liquidity planning does not assume refinance of domestic or international bonds or term loans and all of our lenders should make particular note of this. We will continue to maintain strong capital and liquidity positions to provide comfort and confidence to our bond holders and other stakeholders.

As far as RBI master directions for HFCs introduced in February 2021, we are supposed to maintain a liquidity coverage ratio of 50% in high quality liquid assets as are defined by the RBI. We have a total LCR of 241% going strictly by these high-quality liquid assets definitions. The actual liquidity available with IBH, which includes investments in overnight schemes of mutual funds, etc., is actually much higher.

Our ALM as at the end of March 2022 is published on slide #10.

The ALM is shown on a cumulative basis up to each bucket. We are positive across all buckets and we will have a positive net cash of Rs.8,587 Crores at the end of the first year. Our detailed 10-year quarterly ALM is in the appendix slides of the earnings update on slide 21 to 25.

Moving on to slide #13,

During the year, we have laid down objective targets for the company over the next 10 years to improve upon on its operations such that they adhere to ESG best practices. We have also started taking operational steps within the organization as well as in partnership with external parties towards achieving these goals. We have engaged center for environmental research and education (CERE) to assess our current environmental footprint. We have also partnered with ESG rating firm Sustainalytics to develop a sustainable financing framework, which will support IBH's sustainability efforts. The framework will be used by IBH for issuing the Rs.3,000 Crores bonds in fiscal FY2023, which are proposed.

Our ESG subcommittee comprising of five directors, with the retired Supreme Court Justice Gyan Sudha Mishra as the Chairman, will govern the process related to the use of proceeds and will be responsible for evaluating, approving, monitoring, replacing, and observing the same. The company will also publish an annual allocation and impact report on the website of the company.

That was the update for the quarter and the year.

The past three years have been testing ones for the company and the management. We have been at the receiving end of blackmailing attempts by extortionists. We appreciate that as frivolous as these attempts maybe, they are inevitable in a democracy. Our entire focus has been to emerge out of such conflicts with our detractors on the basis of our merit. Unfortunately, our detractors try to pull us down by knocking doors of different regulators or legal authorities from time-to-time. However, we have stuck to our ground and refused to give in to such tactics. We have opened our books to all the agencies wanting to inspect us and have come out without any allegations sticking to us. Apart from some relatively minor operational actions and penalties thereof, nothing incrementing with respect to any of the allegations has ever been found.

I would like to now briefly apprise you of the status of the various legal proceedings against the company and our approach to ensuring that all of this is put behind us holistically.

With respect to the writ petition famously known as PIL filed in the Honorable Delhi High Court, the court had directed the Government of India, which is the Ministry of Corporate Affairs and regulators National Housing Bank, Reserve Bank of India, and SEBI to conduct audits with respect to the allegations and file affidavits. All these agencies and regulators have now filed their affidavits and the prayer of the petitioner's stands satisfied, thus making the matter infructuous. We are now waiting for the final pronouncements of the Honorable Delhi High Court. Given the fact that the prayer stands satisfied, all affidavits have been found and as I said earlier no allegation has been found to be true, we expect that

on August 23, 2022, when the matter is supposed to be heard, assuming that it is heard, we will see the end of this story and we will be able to put this behind us.

The same blackmailers have been rehashing the same allegations and using various legal forums, courts, etc. Similar such attempt was made in the state of Maharashtra by filing an FIR. We had approached to protect ourselves in the Mumbai High Court and I am happy to say that on May 4, 2022, the Mumbai High Court quashed the FIR stating 'we are of the opinion that the lodgment of the complaint against the petitioners and continuity of the proceedings is an abuse of the process of law'. This order does mark the end of the road for the patently false and malicious complaint that these blackmailers have been circulating over the last three years.

Based on this FIR, the Enforcement Directorate had registered an ECIR and initiated investigations. The judgment of the Honorable High Court quashing the FIR, which is the underlying offence has been placed before the Delhi High Court. The Supreme Court of India had recently ruled on the May 5, 2022, that if the underlying FIR is quashed, the Enforcement Directorate should discontinue its investigations. Given this recent Supreme Court judgment and a bunch of other similar judgments passed by the Supreme Court of India in the recent past, we believe that given the quashing of the FIR, especially given the language which the judge has chosen to write his judgment on or the bench has chosen to write, we expect the Delhi High Court will also quash this investigation.

It has been the company and the management's unequivocal stand that we will not give into malicious attempts of our detractors and we will fight it out with all our legal might. We have faith in the country's legal system and believe that we will be absolved of all of these allegations in due course of time.

I also want to take this opportunity to specially acknowledge and appreciate all our shareholders who have shown confidence in the company and have stayed with us through thick and thin times. You had invested in one of the fastest growing economies amongst the lowest mortgage penetrations. There have been global headwinds, but despite the favorable macro and the global headwinds, we are very cognizant of the beating of our stock price which is now trading at only 0.5 times of the book value. On top of that, this year, we have also not proposed any dividend in the backdrop of the RBI circular which disallows dividend distribution if a company dips into reserves, which we had done in Q1 of fiscal FY2022 and duly disclosed the same. As management, I can only assure you at this stage that we are taking all the operational steps to put the business back on a steady growth trajectory. The management is focused on creating a strong retail franchise by transforming Indiabulls Housing to an origination and servicing machine by building a technology

enabled, cost efficient, asset light business model, which operates on low leverage yet provides a strong base for mid to high teen ROE.

As I had mentioned at the start of the call, fiscal FY2022 was a litmus test for this model and we have come through, I strongly believe, with flying colors. Fiscal FY2023, we are putting us through another challenge of getting the AIF platforms up and running. We are also working to bring in strategic investors into the company so as to bolster capital, enhance credit rating and further institutionalize the board. We will continue to focus on creating a fortress balance sheet through the pillars of strong capital adequacy, higher provisions, and high liquidity.

In my experience, and what I have seen of large banks and financial institutions, it takes around five years for large financial companies to transform business models. I believe we are now at about the end of this transformation and thus I would like to lay out today very finite goals for fiscal FY2023 and FY2024. We expect AUM to grow in fiscal FY2023 by 10% and fiscal FY2024 by 15%. I expect ROA to go back over greater than 2% by fiscal FY2024 and ROE to go back to 11% to 12% by fiscal FY2024. Dividend distribution of up to 40% of PAT should also recommence. We have had a stellar track record of dividend distribution, but for the regulatory restriction, we would have loved to give dividend out in fiscal FY2022 also. I expect that to recommence next year onwards.

To conclude, I would like to quote Winston Churchill, “Success is not final, failure is not fatal. It is the courage to continue that counts.” IBH and its management will continue to work towards uplifting the company and would request your patience and belief to support the company during this rebuilding. With this, we are now open for questions. Thank you.

Moderator: Thank you very much Sir. We will now begin the question-and-answer session. The first question is from the line of Kang Zheng from Tahan Capital Management. Please go ahead.

Kang Zheng: Hi good morning, this is Kang Zheng from Tahan. I would first like to show my appreciation for management for taking a proactive approach to addressing the May senior notes maturity. Now my first question is about the planned acceleration disbursement for retail loans to about 150 billion in FY2023, which implies about 37.5 billion per quarter. Because this is quite a big step up from about 28 to 29 billion in the last two quarters, so I would like to understand what is behind the optimistic outlook, is it from the increased disbursement under the co-lending partnership. That is my first question thank you.

Gagan Banga: Hi good morning and thank you for your support. Yes, we are getting a lot of confidence from the fact that co-lending partnerships are now maturing. A very, very important and the longest hop for these relationships to mature and go to the next level was the tech

integration, which as I have mentioned we have finished with two and with the others we expect to finish in the first half. Given this entire co-lending model now maturing, one has confidence, but I would also like to highlight the fact that the Rs.2,942 Crores is just the co-lending part, the disbursements are much larger. To put the disbursement number in perspective, just in the last quarter which is quarter four fiscal 2022, we did a gross disbursement on the retail side of approximately Rs.2,900 Crores. We already had a run rate of roughly Rs.900 Crores a month and we expect that run rate to go up and settle at about Rs.1,200 to Rs.1,300 Crores a month which is Rs.300 to Rs.400 Crores jump for the full year, which is also big, but not so big or unachievable.

Fortunately, while the company had buckled down in the wake of COVID and other issues, we had not disbanded the most important physical infrastructure and we had not disbanded a larger part of our credit team, so the core capacity is in place to actually do numbers which are in the ballpark of Rs. 2,500 to Rs. 3,000 Crores. We will continue to add salespeople. As I mentioned on the call, we have already added 1,200 people. In the first half, we will again add about 1,000 people so that for the full year we can get to this average between Rs.1,200 to Rs.1,300 Crores, which currently is at Rs.900 Crores. Both co-lending and securitization has a slight lag to it, plus the month of January and bit of February was also lost because of the new wave of COVID that we had, so if things are to remain normal in India, we do not have any serious disruptions with COVID, I think we are well in capacity to get close to about Rs.15,000 Crores. That said, the one very important realization that as management that we have is that there is no point of blindly chasing these numbers. We have to be cognizant of the fact that we are in an inflationary economy, in a rising interest rate scenario. So the mandate given by the risk management committee to the team is we have set ground rules as part of the risk management committee, we have set credit parameters and pricing parameters and within these ground rules the company has also created capacity to be able to achieve these numbers. Beyond that, if there is a marginal increase or decrease, that is not going to really upset the transformation or disturb the franchise value which we are trying to create. The focus at this point in time is completely in creating franchise value, on maximizing the number of relationships on our co-lending side, our presence in various cities, our disbursements per employee and to focus on a very homogenous kind of a book in terms of its ticket size, loan to value etc., rather than just blindly pursue growth. Given all of these considerations, I have confidence that we should be able to grow our AUM by 10% this year and that is the other area of emphasis and focus that we have as management. Thank you.

Kang Zheng:

Thank you for the explanation. I have two questions related to your answer. The first one is how do you interpret the new HDFC and HDFC bank merging because Indiabulls do have a co-lending partnership with HDFC so have you seen that impact in the way of

disbursements under your partnership and secondly on asset quality, we see that ECL provisions have fallen quite significantly in the quarter. I think about 40% Q-o-Q while your stage three assets have remained relatively stable. Does this indicate pick up in asset quality slippages and where are these coming from. Thank you.

Gagan Banga:

So the HDFC, HDFC bank merger is actually a large opportunity especially on the whole sales side. So our effort of setting up AIF in partnership with global funds in that sense is fairly opportune. On its impact on our retail co-lending model, for one reason or the other, the public sector bank partnerships and a couple of private banks partnerships have been far more remunerative for the company and a large part of our co-lending is happening with public sector banks and two private banks. So it will have practically no impact, the merger, on the retail side. On the wholesale side though, given the fact that banks have significant limitation and HDFC Limited already has a large exposure to commercial real estate, I believe that they would largely be vacating this place at least for the medium term and we will thus get a good opportunity to get yields which will be of interest to these global funds and still not compromise on credit, so all in all I believe it is an opportunity. As I said fiscal 2023 is litmus test for the wholesale platform and as it gets created and starts disbursing so I hope we benefit from the tailwinds of this merger as one of the largest players withdrawing from this space.

On provisions, as I had mentioned, we will continue to proactively deal, especially on the wholesale side, with assets where we believe that some sort of correction or intervention is required and the only way to deal with that is to provide for them, get them into a position where we can take control of the project and then give that control to somebody else. This proactive approach has allowed us to now get a substantial portion of our book to a stage where these projects are achieving occupancy certificate over the next 12 to 18 months. It has also allowed us to keep the headline gross NPA numbers within a tight range. These provisions have been created in the past to provide strength to management to proactively deal with such situations, which we will continue to deal. All I can say is that our focus would remain that whatever is the ECL model of the company we stay provided ahead of that. Our stage 3 provision coverage stays in the range of 40% to 45% and we will continue to use the excess provisions as tools to proactively deal with situation. This strategy is also bearing fruit given the recoveries that we are witnessing. So through the year fiscal 2023 you will see this transition where more and more provisions are done for the wholesale book, recoveries from the past are done which is why I have the confidence that with 100 to 150 basis points of credit cost, we should be able to contain our gross NPA in a range of 300 to 350 basis points, which is essentially nondisruptive. This entire wholesale book consolidation and clean up has thus far been done in the most nondisruptive manner both

from the underlying home buyer, the company's balance sheet perspective and we will continue with that track. I hope that clarifies.

Moderator: Thank you. The next question is from the line of Abhiram Iyer from Deutsche Cib Centre. Please go ahead.

Abiram Iyer: Hi Sir, congratulations on a good set of results. I had a few questions regarding your current liquidity position. Post the repayment of USD bond how much essentially liquidity would you carry on ballpark basis at the end of May, that is question one. The other question is how are you finding funding conditions in May. We realize you obviously issued bonds in April, but since then the lending rate has been increased so is that an issue with your funding rate in May, has it increased, are banks charging more now, and what kind of effect would we see this on NIM going forward.

Gagan Banga: I will answer the second question first. The funding from our perspective is to be evaluated both from a flow as well as cost perspective. The flow in May is undisrupted and it is expected to accelerate as now we have disclosed our full year earnings, our balance sheet etc., can get shared with our lenders, so between now and June we expect the phase to significantly accelerate. To the extent of the fact that banks have increased their MCLR, that much of an extra cost would certainly come to us. As we had shared last quarter, our lead bank had reduced our spread by about 100 basis points over the reference rate. The spread reduction is now coming through with other banks as well and from a spread perspective we would actually be, we would be pretty much unharmed. We have also proactively taken a step where we have increased our lending rates for our existing borrowers by 40 basis points in order to protect margins. So, on both the availability of liquidity as well as margins we should be okay at about 240 basis points, which is why I said that as the disbursement scale up and the AUM grows, we should get back to north of 2% sort of ROA over the course of two years.

The other question in terms of liquidity. We continue to manage our liquidity at about 15% of our balance sheet irrespective of events. This event was slightly blown out of proportion. We had a much larger liquidity event in September of last year which was almost \$1.5 billion. This was all of \$350 million and that was very smoothly handled. This has also been very smoothly handled because we continue to maintain our liquidity at about 15% and we continue to take proactive steps to make sure that happens irrespective of any sort of a bunching, which may have taken place in the past. So this is not going to in any way impact our liquidity principles or our ALM and on the other side I think our margins are fairly protected. Liquidity across the various instruments which are relevant is flowing in. Bonds will have to be re-priced in terms of new issuance given the new market reality. Last year bonds contributed to about Rs.1,300 to Rs.1,400 Crores. This year they are expected to

contribute to extent of around Rs.3,000 Crores, so it is not the biggest needle mover in our scheme of things. The biggest needle mover is how we do on co-lending on which I have spoken enough in terms of how that model has scaled up and the fact that we already have firmed up committed demand from banks of Rs.15,000 Crores, so we are set for this year.

Abiram Iyer: Got it Sir. Just couple of follow-on questions. One is you also called for repayment of your NCD till the end of June. The sort of runaway is shorter than what it was announced at the start of last year when you had called till September 2021. Are you looking for more NCD issuances first before your call for longer sort of term repayment that is one and the second is bit of technical question Sir. If we look at interest income superficially for the company, that is sort of fallen significantly more than the on-balance sheet sort of AUM reduction. Is there any particular reason for that, whether issues with collection or should we expect this to sort to reverse going into the next quarter.

Gagan Banga: So as we consolidate our wholesale book, the wholesale book is obviously more remunerative and therefore the impact on the interest line will therefore be little more than the actual reduction in the AUM or the asset on balance sheet, which is why we cannot expect that the wholesale assets run off and yet we continue to maintain the same sort of numbers which is why I have taken a calibrated stand and said that while we do all of this, we will maintain our spreads at about 2.4% and get back to ROA of 2% in due course of time. The spread maintenance will continue and we will have to use various tactics in order to maintain our spreads at where they are. Even though the new business of co-lending is happening at a ROA of 3%, there would be some sort of a pressure as the wholesale book runs down and having done this maths, we are confident of being able to maintain spreads at the current level. What was your other question I am sorry?

Abiram Iyer: This was regarding the runway of bond repayment.

Gagan Banga: As far as bond prepayments are concerned, the board has taken a call that at the start of every quarter we will announce a bond buyback programme for that quarter on a regular basis and that is what we are being guided by. So for next quarter you can expect the next bond buyback announcement in early July.

Abiram Iyer: Got it Sir. I will step back in the line. Thank you.

Moderator: Thank you. The next question is from the line of Nilang Mehta from HSBC. Please go ahead.

Nilang Mehta: Thanks some of my questions have been answered. Just one question on the asset side: assets for sale on balance sheet have gone up from 14 billion last year to almost 30 billion so could you give some clarification regarding this.

Gagan Banga: See Nilang, we hold a lot of PTCs for all the structured transaction that we have done and some of the PTCs etc would come in that line so that is broadly as I understand the reason why it has bumped up. I will ask my IR team to specifically give you the math in terms of what exactly is the deconstruction of this increase in assets held for sale on the balance sheet. Big picture it would be coming from these junior NCDs that we are holding as an outcome of the various structured transactions that we have done.

Nilang Mehta: So wouldn't that be in investment side, investment line rather than asset.

Gagan Banga: Some of it comes here and some of it would be coming there. The exact breakup we can provide to you separately.

Nilang Mehta: Sure and Gagan earlier we have already had Big Four as our auditors. I noticed that our auditors have changed to some local firms so any explanation or any rational for that.

Gagan Banga: No, so they have not changed to a local firm, Nilang. We had appointed Ernst & Young as our auditors three years ago for a term of five years which was the norm as required by the RBI and you were right, we had a Big Four, prior to which we had Deloitte. RBI, middle of last year, came up with a new guideline where for NBFC, it restricted the auditor's appointment to be for a period of three years. It also said that the gap between an auditor to be appointed has to be at least two audit cycles, which is six years, and there has to be a joint audit now for balance sheets of a certain size and above. Thus, we could not use Ernst & Young which had already done three years. We could not use Deloitte because they had not completed two audit cycles. They were auditing us till three years go. We could not use KPMG, they are our technology advisors. So that was the other guideline that if there any other work that the audit firm is doing for the company it cannot be appointed at least for a period of one year. We could not use Graham Thornton, because they are our internal auditors. We cannot use PWC, given the RBI restrictions on appointment of PWC, so we were left with the second round of international audit firms. Mazar is one of Europe's largest audit firms and we appointed Mazar and as a joint auditor we had to give our banks comfort, so the other auditor is the stat auditor for PNB and a couple of other large banks so this is basically the genesis for the change in the auditor and as I have mentioned we have gone through three audit changes now over the last, three to four years and each of these audit changes have been pretty seamless, which is also reflection of the management practices and we are with Mazar now and I hope that we continue to have the same sort of practices as we move forward over the course of next two years of their appointment.

Nilang Mehta: Thanks a lot for that. Just one last bit on Sameer's de-promitization because it has been there for a while now so what is pending on that front for him to be derecognized as a promoter

Gagan Banga: So Sameer's de-promitization process started only as per SEBI guidelines. You need to have a shareholding of below 10% before you can initiate the de-promitization process. The shareholding change happened where Blackstone and other large institutions came in towards the end of December. We did not want to display any sort of knee jerk or hurry. So it was proposed to the board in March, after Sameer having made this disclosure that he intends to walk this path in December. He had set a timeline for 31st March. The board considered it in mid March and moved that forward. Subsequently shareholders approved it on 18th of April. Now it is pending with lenders to approve. Most of our domestic lenders have approved it. Some of our international lenders have query which one intends to answer through the course of this week. Once that happens, we have also in parallel applied to the stock exchanges. I expect this stage of approvals to end within this quarter and assuming that the requisite approvals are achieved by the end of this quarter, we will move to SEBI. SEBI may or may not refer it to the RBI. We will obviously keep RBI informed independently. I would imagine SEBI will take three to four months after our formal application is made so which is why I have guided that one expects that by the end of the calendar the formal de-promitization will happen. In the parallel, we continue to speak with other strategic investors. So if there has to be any sort of change of control or anything, we should come back for requisite approvals for that by the end of the year.

Nilang Mehta: Thank you so much.

Moderator: Thank you. The next question is from the line of Ruhi Pabari from Reliance Nippon Life Insurance. Please go ahead.

Ruhi Pabari: Yes thank you for taking my question and congratulations on a good set of numbers. I have couple of questions. Firstly, with respect to the board, I appreciate that 60% of the board is now independent and professionally managed. Mr. Mundra has been also appointed as the Chairman of board of BSE and he is also the Non-executive Director and Chairman on Indiabulls Board as well. What I intend to understand here is the continuity of Mr. Mundra on the board of the company or anything has been guided as such on those lines or anything.

Gagan Banga: So Mr. Mundra has been associated with Indiabulls Housing first in the capacity of an independent director and subsequently in the capacity of Non-Executive Chairman. He has been the Non-Executive Chairman of the company for almost two years now. After the reappointment where he has I believe now a further term of around two to two and half

years left in the company as has been approved by the shareholders. As per the listing guidelines and or the Company Act I do not recall which one, independent directors cannot have more than two terms. So his term when it ends in two to two and half years it will have to end. Till that time, to the best of my knowledge, I see no issues. Mr. Mundra also serves on several other boards of financial institutions, of rating agencies, of mutual funds and he is I believe Non-Executive Chairman of a couple of other companies as well, so that in no way comes in the way of his operating as Non-Executive Chairman of the company. I would rather further say that ever since Sameer has stepped down, Mr. Mundra is the most senior independent director on the board. His participation has actually gone up many folds. He is a great sounding board for me personally and I hope that over the next two to two and half years under his watch we are able to seamlessly migrate to a board which is even more independent, has greater institutional stakeholder presence and whatever has to happen in terms of the shareholding pattern of the company is also concluded under his watch. His are the best hands for this transformation to be guided by.

Ruhi Pabari:

Thank you so much. Understood. Another question I have with respect to the liquidity, so the liquidity basically, we have been maintaining a liquidity as a percentage of ALM roughly in the range of 15% to 20% in last couple of quarters. For this quarter, if I understand correctly it has been reduced to around 11% of the on-balance sheet so is this going to be in the new comfort level that we will be maintaining.

Gagan Banga:

You will appreciate that the balance sheet has significantly shrunk and the company has not done any chunky issuance of any bond for the last almost three years now. Thus the ALM has no chunkiness and basis requirement of cash over the next 6 to 12 months we decide on the quantum of liquidity that we have to maintain so that is the principal that we will continue to maintain of cash coverage for the next 6 to 12 months of repayment. As the chunkiness of the ALM reduces, the cash requirement also reduce, and you will be mindful of the fact that even though interest rates have inched up and FD rates and over nights rates have inched up there is still a massive negative carry on the cash that we carry so we have to remain mindful and at some level we have to also benefit from the fact that the balance sheet has significantly shrunk and therefore the capital contribution which is shareholders fund contribution to the overall balance sheet has significantly reduced, which is permanent capital so in light of that we will continue to adjust the liquidity requirement.

Ruhi Pabari:

Thank you so much. If I could just squeeze in one last question. Overall the loan book mix from the previous quarter to this quarter has slightly changed to commercial real estate going up from 26% of the loan book to 29% and retail mortgage coming down from 59% to 57% because there has been a retail disbursement which had a run rate of Rs.900 Crores per months for five, six months now and I understand it has been on the co-lending platform so how do we see the loan book mix going ahead.

Gagan Banga: It should stay broadly in this range of 26% to 30% or 25% to 30% of commercial real estate. As I have been saying in the call, one of the highest areas of priority for the company is to ensure that the underlying projects which are financed by us they continue to receive regular disbursement such that construction can continue and we benefit from the real estate rebound which one is witnessing, but that is restricted to apartments which are completed. So we have to take all of our projects to a stage of completion to that extent they would be a rage. There would be also some reduction on some of the assets that will pay back and we expect the range to continue on percentage basis between 25% to 30% so this is par for the course and our stated strategy.

Ruhi Pabari: Understood. Thank you so much for answering my questions. Very helpful.

Gagan Banga: So I would just like to highlight, before we end, that this call was done pre-market in order to ensure some communication and Q&A with investors. That said I also do appreciate that for several geographies this time of 08:30 a.m. India is very, very inconvenient thus we have also set up another call tomorrow. The details of which have already been shared with all stakeholders. While this pre-market call was a necessity, we just thought that we will do another call with proper Q&A rather than just a playback so that global investors get an opportunity, irrespective of the geography that they are in, so we will be speaking to investors tomorrow as well. Thank you so much and have a good day.

Moderator: Thank you. Ladies and gentlemen on behalf of Indiabulls Housing Finance that concludes this conference call. We thank you all for joining us and you may now disconnect your lines.