



“Indiabulls Housing Finance Limited
Conference Call”

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MANAGEMENT:

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LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Indiabulls Housing Finance Limited conference call. 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. I now hand the conference over to Mr. Gagan Banga – Vice Chairman, MD & CEO of Indiabulls Housing Finance. Thank you and over to you Sir!

Gagan Banga: A very good day to all of you and I welcome you to Q3 FY2020 earnings call. It gives me a great pleasure to mark 20 years of Indiabulls which began in a basement in Delhi in January of 2000. We have had 20 good years in which we have created a tremendous shareholder value which we tried to detail on slide #3 of the earning update. Four years after our inception in the year 2000 we got listed via an IPO in September 2004. At that time we had raised odd of ₹ 52 Crores at ₹ 19 a share and listed at a market cap of ₹ 253 Crores.

While stock performance is not strictly in our hands we have tried to make sure that we have a consistent dividend payout policy and since fiscal 2006 to date which is one year after a listing to date, we have paid out a sum total of ₹ 11,439 Crores of dividends totally adding up to ₹ 302 per share. This in an environment where our promoter for the longest time has been a small minority shareholder with the shareholding in the ballpark of 20%.

Combined with our share price of ₹ 277 we have generated a 25% annualized return for our shareholders since listing. The macro for the sector and the micro for Indiabulls has been challenging for the last few quarters. Just to offer some comments and observations on the realizations for the HFC sector as well as for Indiabulls and its impact on business, I will spend the next few minutes on this after which I will get to the quarter’s numbers.

The HFC business in our view has gone through a cyclical shift, even as the liquidity situation normalizes, the fundamental realization is that the business model has to be much more ALM matched and conducive to generating a sustainable ROA without borrowing short or as a matter of fact doing much of market borrowings. The earlier model where we would get approval from banks for specific transactions has changed to getting securitization lines or other lines that we can continue to tap into over a period of time, so there is no one sanction one disbursement kind of a process any more, it is a staggered disbursement over the lines which get sanctioned. This allows us to not resort to any short term borrowing even intra quarter.

In our view all HFCs will have to collaborate with banks and build a model around securitization and coorigination, rather than compete with bank. Over the course of the next

24 to 36 months, I expect certain important changes will happen to the HFC industry and even for Indiabulls Housing. Specifically for Indiabulls Housing over the next 24 to 36 months 90% to 95% of the loan book will be granular loans, on the more macro side securitization market will see participation of insurance and PF monies, more players will enter the five to ten year bond market which is a more relevant bond market for housing finance companies and the credit defaults swaps market will also evolve. The government has made some observations around that even in the budget and I expect more movement to happen on that.

As all this happens, IBH will get back to balance sheet growth from fiscal 2021 onwards. We also believe that in Q3 extending to Q4 profitability has bottomed-out and profitability at north of 500 Crores is the bottom level which we have already come down to and from here at north of ₹ 500 Crore levels profit from fiscal 2021 onwards will start growing. We expect fiscal 2021 onwards, a 20% AUM growth, annual PAT growth in high teens and a single-digit balance sheet growth.

To those not in the know, the Ministry of Corporate Affairs, Government of India through an affidavit filed in the court on November 28, 2019, has given a clean chit to the company against all allegations. The Honorable Supreme Court of India also dismissed a related case filed by one of the blackmailer stating that the writ petition has become infructuous. With the highest court in the country quashing the allegation, we remain hopeful that this legal entanglement will be resolved in due course. With the PIL overhang on IBH having lifted and consequently the impact is being visibly abundantly displayed in our funding side, the situation has largely normalized and Q3 FY20 we have received sanctions to the tune of ₹ 16,540 Crores across instruments of which we have drawn down ₹ 8,040 Crores and we have undrawn available sanctions of ₹ 8,500 Crores.

We have further funding proposals for on balance sheet borrowing of approximately ₹3000 Crores which will come through in the course of next three to four weeks. Drawdown under the PCG scheme of the Government of India also happened in the previous quarter. Along with PCG we sold down loans of approximately ₹ 2,000 Crores compared to ₹ 750 Crores in Q2 FY2020.

The biggest strategic initiative that the company has been running for the last four five quarters now is to run down the developer book. In the 12 months from October 2018 to September 2019, I had reported to you that nearly ₹ 10,000 Crores of large ticket loans were either refinanced or repaid at a gross level, a further ₹ 2,150 Crores was refinanced/repaid in between October 2019 and January 2020.

In Q3 FY2020 we disbursed a total of ₹ 6,396 Crores of which over 80% of these loans were retail loans and that accounted for an increase of 26% of disbursements in the retail loan category over Q2 FY2020.

Our Q3 FY2020 disbursements are already at 70% of our Q1 FY2019 disbursements. I am pretty confident that within the first half of fiscal 2021 we will be back to the level of disbursements of FY2018 and the first half of FY2019, on the retail side. Our revised business model is exclusively focused on the retail segment. Our wholesale book, as per that model and as per the traction we have seen over the last few months, will continue to run down.

I will now go through the quarterly numbers. Please refer to the earnings update that we sent across to you which is also uploaded on the website. Kindly refer to slide#4 and 5. Our profit for the first nine months of the year declined to ₹ 2,063 Crores from ₹ 3,084 Crores last year. Our profit for Q3 FY2020 came in at ₹ 552 Crores, the nine month NII is ₹ 3,763 Crores, our loans on balance sheet are ₹ 78,253 Crores, our net debt to equity has significantly dropped Y-o-Y to 3.3 times now as the company moves towards an asset-light business model.

In terms of capital we have the highest capital adequacy amongst all large NBFC, HFC peers. Our capital adequacy at the end of December stands at 28.98% compared with an average of 18.3% for the top five NBFCs and HFCs excluding us. We have the highest on level balance sheet liquidity at 15.8% on the balance sheet in cash and liquid investment compared with 5.2% for the top five NBFCs and HFCs, we thus have three times the level of liquidity our peers carry.

Our book spread is at 296 bps. As we transform our book to be completely retail through our new business model, our book spread will tend towards 270 basis points as per the business model that we have shared with you which is also detailed in the earnings update.

Our cost to income ratio at 15.7% is one of the lowest amongst the NBFC, HFC, peers. Our return on asset and return on equity stood at 2.4% and 15% respectively. This will slowly move towards our optimized ROA of 2.8% and ROE of 23% as we scale up on the retail focused business model given on slide #10.

To summarize, the spreads are still trending way above almost 27 basis points above where we target it to reach at 270 basis points and at appropriate gearing of 1:5 we will get to a 23% type of a return on equity shortly with over 90% of the book being completely granular.

On the ALM to just while all the quarterly numbers are there for next ten years on a cumulative inflow to outflow basis we will have a positive cash of ₹ 18,980 Crores at the end of one year from now with ₹ 35,497 Crores of inflows including the opening cash and only ₹ 16,517 Crores of outflows. That is the kind of a balance that we have achieved on the ALM side.

I am pleased to announce that the board has recommended ₹ 6 per share of interim dividend for the quarter which is in line with a dividend payout policy corresponding to 50% of profits. As summarized earlier we have paid out ₹ 11,439 Crores of dividends to shareholders since our listing in 2004. Our balance sheet at the end of Q3 stood at ₹ 1,04,000 Crores, AUM at ₹ 1,02,335 Crores.

Our detailed ten year quarterly ALM is in the appendix slides of the earning update. That shows that over the course of the next ten years even if we were to not borrow anything incrementally from the banking system or any other lenders we will continue to remain on the positive side, we have no negative mismatch in any bucket in any quarter.

Now let us turn to slide #9. As detailed earlier our spread is 2.96% as the business transitions away from wholesale business and most of the incremental disbursements are on the retail side, this 2.96% will slowly transition towards 2.7% which is the targeted spread that we are hoping to achieve and steady then and increase gearing subsequently to get to return on equity of 23%.

Co-origination, which is the core of our new business model and we are targeting a 40-40-20 ratio between co-origination with banks securitization and smart cities, the co-origination part of it which is the new initiative is moving fine. Not only have we moved fast to sanction and disbursement stage we have also done the first billing with the bank together and appropriated EMIs which is a very important step in the overall accounts management and here I expect to see tremendous traction almost like 100% growth month on month and for this number to start reaching a monthly run rate of ₹ 1,000 Crores by September 2020.

Basis this by Q2 FY2021 which is the September 2020 quarter IBH will get to disbursing ₹ 10,000 Crores of retail loans from current run rate of around ₹ 5,000 Crores per quarter. About ₹ 3,000 Crores of these will be retained on our books while the rest will be split between co-origination and sell down.

For well over a decade now, excluding HDFC Limited's sell down to HDFC Bank, we have been consistently the largest sellers of mortgage pools in India and have sell-down relationships with 25 financial institutions mainly banks. These banks are well acquainted

with our portfolio and underwriting quality. Thus the sell down portion of the strategy is already firmly in place and is happening every quarter. Loans are sold down at a spreads received from end customers, this spread is earned on 100% of the sold loans, while only 10% of this remains on our balance sheet.

With the entire spread loaded on the 10% that is retained, the ROA on on-balance sheet portion is as high as 8.6% for all the retail loans, HL and LAP put together. Co-origination tie-ups have already fructified and moved forward into an execution with one nationalized bank. Technical integration happening with two other banks and there are a couple of other banks on which these principle arrangements have happened and credit policies are being drawn up.

The model is, as I have detailed earlier, to have banking relationship which will allow us to offer home loans at rates as low as 8% and in tier II, tier III markets as high as 10% and thereby earn us a healthy spread. Between securitization, co-originations and smart city home loans we will be able to achieve a ROA of 2.8% which will also get us to a ROE of well north of 20%.

At a group level there is a very important development that is the Founder and Chairman of Indiabulls Housing who is also the Founder of Indiabulls Real Estate has taken concrete steps to exit the real estate business. An MoU has been arrived at with Embassy. Embassy along with its financial investors which includes Blackstone will be merging their under development assets into Indiabulls Real Estate. Subsequent to this merger it will mark the Indiabulls group exit out of the real estate development business. Sameer will completely focus on the financial services business and the rest of the senior team members at the group level will also fully focus on the financial services business.

This also allows tremendous amount of financial flexibility to the Founder and Promoter of the company. He has already achieved a personal debt free status middle of last year, this entire transition will also generate a few thousand crores of funds for him and all of those funds are eventually targeted in one structure or the other to come into the financial services business of which Indiabulls Housing will be a massive beneficiary.

On this note we are now open to questions. Thank you.

Moderator:

Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Subrat Trivedi from SBI Life. Please go ahead.

Subrat Trivedi: Thanks for taking my question. My first question is on the cash balance, so earlier you had guided that it will be in the range of 20% of balance sheet but steadily it has been declining and some reasons have been enumerated but still like the consistently declining cash balance is a matter of concern so going ahead how will this pan out and what is the rationale for basically payment of bonds maturing in FY2021-2022?

Gagan Banga: Yes, it is a very important long-term question as well. It is not only about the short term. So in the past we would maintain liquidity at a level of 20% to 25% in a scenario that we had CPs which were close to about 15% of our borrowing mix plus we also had other short term liabilities loans, with some of our bonds maturing over the course of next one year. You are well aware that short-term rates have collapsed. You are also aware that the company today has a commercial paper outstanding position which is practically zero and we have over a period of time also been buying back bonds maturing in the near term over the next few months. So the short term liabilities have really shrunk for the company over the next one year or so. In my opening comments, I had detailed that even if we are not to do any borrowing, after one year we will still be sitting on over ₹ 18,000 Crores of cash. Given this liquidity position both on an absolute basis and on a relative to our peers basis if you look at the top five HFC NBFC peers their ALM from a one to three year bucket maturity is only about 5%. As a percentage of our loan book we are still maintaining about 21% of cash. So at 21% cash we are about four times what any other player in the industry is so I do not see this as a matter of concern. On a more longer term basis as the book becomes more granular and as the short term liabilities are not there because of absence of CPs and incrementally no issuance of very short term bonds, I think the longer term policy will be to maintain 15% to 20% of cash rather than 20% to 25% of cash. That said, it is not something that we are going to inch down tomorrow morning. As the retail portfolio keeps increasing every quarter slowly and steadily we will bring this down. As we speak we are sitting at about 21.2% cash which is a very healthy level. At this level of cash our negative carry is roughly ₹ 700 Crores which is a very large sum of money. Historically if you go back to few of our earning calls we have said that as long as the negative carry is captured at about one quarter of net earnings its fine currently it is exceeding one quarter of earnings so at about ₹ 500-550 Crores we are comfortable but beyond that is an unnecessary dream. So directionally speaking we will in the short term will be about 20%, over the medium term we will be in the range of 15% to 20% without any CP or one to two year kind of bonds.

Subrat Trivedi: 15% to 20% of the loan book you mean?

Gagan Banga: Of the loan book.

Subrat Trivedi: That is it from my side.

Moderator: Thank you. The next question is from the line of Ramon from Deutsche Bank. Please go ahead.

Ramon: Thanks for taking the call. I have two questions from me, first one is what is the current net NPA figure and No.2 can you just briefly talk about the relative concentration between corporate, LAP and Home Loan?

Gagan Banga: Net NPA is about 1.39%. We have detailed our housing and non-housing book which is a split of roughly two-thirds, one-third, the commercial real estate on our balance sheet will be roughly in mid teens around 16%-17% so that is the broad breakup of the book and on an incremental basis, practically all of the disbursements are happening in terms of new sanctions are happening towards retail loans. We do continue to do disbursements around our construction finance projects which is necessary to see the projects achieve delivery to their customers and that is how the book is playing out so as I shared earlier, in the course of next 24 to 36 months the retail part of the loan book will be north of 90%.

Ramon: Thank you.

Moderator: Thank you. The next question is from the line of Anuj Narola from JM Financial. Please go ahead.

Anuj Narola: Can you please let me know how much is stage II assets and wholesale part what percentage of book is under moratorium?

Gagan Banga: We have historically not kept the book under moratorium and we in the rarest of rare situations would construction finance model go beyond one year of moratorium which is right at the start of the project. We have been going slow on construction finance for the last now almost three and half years since 2016, so practically nothing would be in moratorium. If you are reflecting on the CRISIL report then that is not really the type of portfolio that we have created and so you should not expect any fireworks in terms of gross or net NPAs to happen anytime in the near future. As they have not happened even though the AUM has gone down from a ₹ 1,30,000 Crores to a ball-park of a ₹ 1,00,000 Crores, so thus a ₹ 30,000 Crores reduction and yet the NPAs have held up. On the developer side the NPAs will be in the range of 8%-9% and that is a number that will probably inch up to may be 9% to 10% in due course of time. On the retail side the NPLs have give or take 50 basis points average into a gross NPL of about 1.9%.

Anuj Narola: On next question on quantum of exposure to Supertech and have we classified it as NPA like some of our peers?

- Gagan Banga:** We were perhaps the first to classify it as NPA way back in 2018 itself.
- Anuj Narola:** Okay and I think you missed out the stage II asset number for this quarter?
- Gagan Banga:** I will just come back to you that number.
- Anuj Narola:** Okay and which account slipped during the quarter any color on this?
- Gagan Banga:** These are regular developer loans, large part of the slippage will be regular developer loans. There is nothing out of the ordinary which has slipped out, which has also reflected in the fact that despite a decline in the overall book the NPLs have moved up by all of 30 basis point so nothing out of the ordinary just normal slippage of midsized accounts in the developer book.
- Anuj Narola:** Any name please if you can give?
- Gagan Banga:** No I would not like to share that.
- Anuj Narola:** Okay no problem, thank you so much.
- Moderator:** Thank you. A next question is from the line of Harsh Agarwal from Deutsche bank. Please go ahead.
- Harsh Agarwal:** Two or three questions from me. One was it is really good to see that there no more negative headlines on the company, headlines if anything have turned positive for the last three or four months so I guess great job on that front. Just this high court case that we are hearing I think on the February 28, I know it is a different kind of counter party but given that the MCA has already given you a clean chit, Supreme Court is ruled in your favour in the previous verdict, just curious like why this case even listed for a hearing and again if I can ask you to kind of predict how do you think this plays out on the February 28? The second question I had for you, was you made an interesting comment on the beginning of the call that you think gradually all housing finance companies will have to move to a co-origination model, they cannot be competing with the banks that work with the banks I was just curious could you speak a bit more about that? Do you think it is kind of RBI driving housing companies towards that model or what kind of driving more and more companies you think towards that model over the next two to three years? Thank you.
- Gagan Banga:** Thanks Harsh for your kind words. As far as the High Court case is concerned if you go back to the High Court case right from the original petition to rejoinder to everything the petitioner himself says that he has done no research all these complaints have come to him

and he has merely filed those complaints. It is the same complaint which had been going on for four months prior to the timeline that this gentlemen chose to file and it is on the same complaint that the supreme court has judged the matter to be infructuous. In both these petitions including the Delhi High Court petition, the primary prayer is that someone should look into the books of the company, the relevant authority had looked into the books of the company and has filed his affidavit which is in public domain which has given us a clean chit, so therefore whatever happens in this court it is from our perspective a non-event. The plea made by the petitioner has already been acted upon suo moto and there is no direction which the High Court has been required to give so much so that not only has the plea been activated it has also been responded and the response has been filed so what more can the court do when the plea is fully done. That said this is India. Hearing can happen and hearing may not happen; it is not really in my control. What I am aware off with the legal advice that has been given to us and a lot of legal advises came our way over the last six months that this is clearly a non-event so there is no management time on an incremental basis which is being spent as far as this topic is concerned. Even from our lenders perspective which is the more operational point, what is evident is that they have also put this matter behind them which is how we been able to generate close to about ₹ 16,000 Crores of sanctions which is roughly about 2.5 times the sanctions that we gotten in the previous quarter which is Q2 and we have drawn down about half of the sanction so those sanctions are for real and as you progress into Q4 we continue to do further drawdowns from the same sanctions and also achieve new sanctions so in our scheme of things this High Court case on 28th is a non-event whatever will happen will happen. As far as the co-origination comment is made. I made the comment that collaboration is necessarily the way forward as we see things and by collaboration I mean that what is quite evident is that the Indian bond markets are extremely shallow and even though when you issue a bond there are no put/call options given the very shallow nature of the secondary bond market, the kind of pressure it can put on the company if the company is not sitting on cash or even if it is sitting on cash. One of the other participants, I am sorry for getting specific name, made a comment that why do you need to buyback, it is no brainer, if my bonds are priced at certain yield and if I am sitting on cash I am in the business of taking risk, one of the most risk free business that one can do but then the cost of carrying that cash for years and years is tremendous and that is something that will eat away into the profitability the ROA and the ROE of the company. I think the longer term moral is all banks in the country are focused on increasing their retail business. Public sector banks have constraints around HR practices and policies and distribution and therefore that gives a very long term opportunity in terms of what you can do with the bank and still generate a 20% plus return on equity without bloating up the balance sheet without significantly increasing the leverage. In today's context of India and given the status of the bond markets, I think small is beautiful and that small actually generates a higher ROE so what better business it can there be as compared to continuing to

grow the balance sheet. Some of us have traditionally grown up in the Indian context to believe that size matters. I believe size in the non-bank finance world matters are may be about ₹ 40,000-50,000 Crores after that you are considered one of the big boys, by the time that you get to ₹ 40,000-50,000 Crores you build a reasonable track record, for banks and counterparties to trust you. For us anyway we have a 14–15 year track record of doing securitizations across products and that portfolio has done extremely well, that portfolio continues to be detailed on a static basis every quarter for stakeholders such as you. So the dynamic that we see is completely shifted to collaboration. Co-origination is one of the tools of collaboration. You originate to securitize is another tool, you borrow on an onward lending basis make that tool available for banks to warehouse that is also another tool and this is perhaps India's answer. We do not have a Freddie and a Fannie; we do not have any entity which can be a long term warehouse of mortgage loans. The longest term capital in India, with all other constraints is still with banks. So they will rightfully or strategically from the government perspective turnout to warehouse for mortgage loans in India and this is abundantly clear to me and I do not see any other option but this fortunately is not an option which is being sort of taken up to the back on the wall if it was an option, hit the back on the wall it would not be generating a 20% plus return on equity. I hope I have answered your question.

Harsh Agarwal:

Very good Gagan. Thank you so much for your time. Thanks.

Moderator:

Thank you. The next question is from the line of Amit Agarwal from Elara Capital. Please go ahead.

Amit Agarwal:

Thank you. Our question is mainly regarding the dollar bond, we have consumer holding and two questions, one is dollar bond holding currently giving a yield of 14% and there was news about buyback of these bonds by the company so what is the status of buyback? Second what are we trying to do in terms of stabilizing the prices because we have ample liquidity?

Gagan Banga:

Yes, so unfortunately India has its own view around overseas remittances of any sort. Now if we guys travel overseas to meet you we will have to pay 5% of tax to somebody who I do not know who I am paying a tax to, which generally this gets connected by the government of India so that is the general view I think that the government has taken. We are concerned about dollar remittances in that context permission to buyback dollar bonds just does not come. The company can only use the alternate route which is to continue to demonstrate domestic liquidity, money is fungible if I have domestic liquidity, permissions apart I could have very well used this same liquidity to buy back dollar bonds which were actually priced extremely attractively till about two months ago and from a buyback perspective they were extremely attractively priced, not necessarily from an investor point of view. So the short

answer to your question is we will continue to do rupee buybacks and we will continue to both use display our liquidity, use the same to continue to do our rupee buybacks. We have concluded one towards the end of December of consequence by buying back bonds which are maturing in 2021 and some even in 2022, so that practice will continue keeping in mind the following that our liquidity principle should not get compromised so that will not come at the cost of dipping the liquidity beyond the principle that I have spoken about and it should also make commercial sense I am in the primary business of loaning and not of buying back my bonds but I am also in the primary business of risk management and if I see that there is practically risk free money available out there by doing buyback I will obviously indulge in that. So that is what I can do. I cannot really do much more given the tight regulations around what you can do and what you cannot do around ECBs.

Amit Agarwal:

Thank you.

Moderator:

The next question is from the line of Nischint from Kotak. Please go ahead.

Nischint:

Just one question, if you could just kind of guide us in terms of how your dividend policy is now going to be are you going to have a higher payouts grossing up for the DDT?

Gagan Banga:

The long-term dividend payout policy is 50% of profits. With DDT gone it will remain at 50% of profits, DDT was always over and above that so next quarter you can expect a 50% of profit to be paid out to you and as I mentioned earlier profits are bottoming out at this ₹ 500 plus Crore kind of a level so plus minus a buck, dividend should be at these levels; from fiscal 2021 they should start growing again.

Nischint:

Great. Thank you very much

Moderator:

Thank you. The next question is from the line of Vikram Agarwal from Jupiter Asset Management. Please go ahead.

Vikram Agarwal:

Thanks for the call. First question I saw a headline saying that you plan on raising ₹ 50 billion by debentures, can you please give more details as to how you plan on doing this? What route you are currently taking and perhaps what sort of yield you have in mind in terms of volume you need to pay?

Gagan Banga:

From time to time the company has to take enabling resolutions from the board so as to be able to conduct its business without necessarily go into the board when a transaction is ready to be done, so these are enabling resolutions which we take either the national housing bank requirements or the RBI requirements or the companies act requirements. So this ₹ 50 billion approval that we have taken is not for any transaction which is going to

happen tomorrow. It is merely an enabling resolution and as and when we do a transaction we will be looking at doing bond transactions of consequence only in the longer than five year bucket atleast through the course of the month of February none is envisaged.

Vikram Agarwal: Secondly following up on one of the previous points, regarding the dollar bond buyback, is it fair to say that the RBI rejected the request or it is still pending?

Gagan Banga: It is still pending. RBI has not rejected any request. RBI had come back to us in between and had asked us for some clarifications which we have given and since then we have not heard back from them. We have been in touch that they are also aware fully and are in regular touch with the company almost on bi-weekly basis so they know exactly what our liquidity position is, what our stance for on our bonds is, it is rightly reported in media that we have been buying back our bonds, they have full details of the same, we will file those with the stock exchanges so they are extremely aware of what is going on but at this point in time we do not have further news from them.

Vikram Agarwal: Okay a final question, you mentioned a buyback of 2021 and 2022 bonds in December so what quantum of bonds did you buyback and what is the average yield that you paid?

Gagan Banga: Both of this Vikram have been filed with the stock exchanges. We have bought back close to about \$200 million and we bought them back at whatever was the prevailing market prices depending on the valuation of the respective bond holder so mutual funds follow different valuation matrix insurance companies follow a different one so depending on whatever was the market valuation at that time we bought it back.

Vikram Agarwal: Since it is 200 million was it all private placements?

Gagan Banga: Yes, we are not allowed to buyback either public offer or subdebt so these have to be all privately placed secured debt.

Vikram Agarwal: Okay and do you disclose the price paid?

Gagan Banga: It is part of the disclosure in terms of what is it.

Vikram Agarwal: Yes, I have not seen on the filing, unless I am mistaken. I have not seen the price paid on the filing.

Gagan Banga: I think it is disclosed by and we can come back as I am not sitting with the filing in front of me.

Vikram Agarwal: I mean just the average yield that you have paid?

Gagan Banga: Directionally in terms of the directions followed in the past or what we will follow in the future is the general large counterparty of sale has been mutual funds, so wherever mutual funds are valuing the bond is where we will buy it back.

Vikram Agarwal: Okay and what level is that?

Gagan Banga: That in December was north of 20%. I am not on top of where it is it right now.

Vikram Agarwal: Because I mean there was some press report saying that you are buying back bonds anywhere north of 12.5% yield?

Gagan Banga: No, Bloomberg did an interview with me and their question was till what levels does it make commercial sense for you to buyback bonds. The answer that I gave to them was that my portfolio yields in the ballpark of 12% so any level which is above 12% in theory is an attractive level.

Vikram Agarwal: Okay understood.

Gagan Banga: I hope that clarifies.

Vikram Agarwal: Yes, thank you.

Moderator: The next question is from the line of Hiten Boricha from Sequent investments. Please go ahead.

Hiten Boricha: Can you please provide me the NPA and slippages numbers for current quarter, last quarter and for the same quarter last year?

Gagan Banga: You can refer to the earning update, this quarter it is 1.39% and the last quarter it was 1.07% on net NPA basis.

Hiten Boricha: I will go through the investor update. We are targeting the ROE of 23% right, if I am not wrong so what is the financial year targeting is that FY2022 or FY2021 itself?

Gagan Banga: No it is financial year 2023 not even 2022.

Hiten Boricha: Okay so we are targeting ROE of 23% in FY2023 right?

Gagan Banga: That is right.

Hiten Boricha: Okay. That is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Kunal Shah from Edelweiss. Please go ahead.

Kunal Shah: Again to touch upon into terms of the bond buyback so you highlighted it depends upon the overall liquidity which you want to maintain and the yields but looking at the current scenario and we are half way almost through this quarter so what is the kind of bond buyback which we would be looking over next three to six odd months, because if I look at your Q4 may be in terms of the net cash position we are still estimating it to be somewhere around ₹ 18,200 which is still much more comfortable so do we see similar kind of a run rate of a bond buyback for say three six months as well?

Gagan Banga: Kunal so just to put all those numbers in perspective ₹ 18000-odd Crores is if we look at the cumulative inflows and outflows and in cumulative inflows we account for the existing cash then the gap there which is the positive gap is well north of ₹ 18,000 Crores at the end of Q4 next year. So one year from now if we are to not borrow and not disburse then we will still be sitting on ₹ 18,000 Crores of cash. So that is just a snapshot of ability of the company at such times you also have to continue to reiterate this stability of the company from time to time even though these numbers have been put out on a quarterly basis for many, many quarters, yet there are time that people choose to not refer to what is been put out but resort to rumor mongering and so on. Now the second point that I have been highlighting through the comments made in this call is that we are firmly back on growing our retail disbursements. In the course of the first quarter of fiscal 2021 we would have hit back our normal levels, we have already come back to levels of approximately 70% of what used to be our normal levels prior to the start of the NBFC crisis in September 2018 so what we did in Q1 fiscal 2019 is something that we have already hit 70% off. By next quarter we will hit that same number and thereon we will start growing and that is the normal business of the company. Buying back bonds is not the normal business of the company. For the bond buyback plan as far as that is concerned it is a very opportunistic cum strategic type of an intent, opportunistic in the sense that my bonds are mispriced despite my cash balance despite my solvency and my conduct over the last ten years, it gives me an opportunity. I will utilize that opportunity and I will put my cash to work. Now what is the plan that I have right now, without dipping into any of my cash management principles or any other principle in terms of how much growth I can do, how many disbursements I can do on the retail side in Q4 I can comfortably buyback anywhere between ₹ 1,500 Crores and ₹ 2,000 Crores of bonds. Will I utilize the whole thing or not is something that I will have to see basis the opportunity which is available but in terms of ammunition I have the kind of ammunition today. Now I will have to indulge into discussions with counterparties to see

whether it is a meaningful opportunity or not, if it is then I will put that money to work. I hope I have in abundantly answered.

Kunal Shah: Yes, sure. Secondly in terms of this 400 Crore kind of increase which is there in the gross stage III, so is it largely coming in from stage II assets and finally may be to the previous question how has this stage II moved, so if I have to look at it in terms of the cumulative number of stage II and stage III, how it is been compared to where we were in Q2?

Gagan Banga: Stage II to stage III is pretty stable, between Q1 to Q2 there was a reduction in stage II. Q2 to Q3 stage II is stable. We like to think about stage II purely not on the basis of days past due, we also look at various other risk parameters, we also roll back assets from stage II to stage I only after a period of time and not necessarily immediately so there is a whole policy around it. As far as all of these slippages are concerned 100% of these slippages on the wholesale side have come from stage II assets only. There is no surprise or there is a nothing of consequence which has happened like a large loan has slipped or anything of that sort. That said whatever income extra that we will get we have in the past used it for provisioning. I have spoken about the very large pre-provisioning operating profit that we have so we will continue to use our earning power to make sure that we are extremely well provided and we continue to recognize early. In some of the names which have been spoken to about in the past in the media by the time that the media started talking about it as far as recognition with some other lenders is concerned we had already recognized it. So we will continue to try and stay a step ahead unless we are very sure that if there is LRD asset or something. In all other situations we will try and continue to stay a step ahead to the extent that we can. Including making sure that if there is something of concern which comes up mid quarter we classify it as stage III mid quarters itself.

Kunal Shah: So since it moved from stage II to stage III and stage II is also remaining stable so there is almost like ₹ 400 Crores kind of addition in stage II as well in this quarter?

Gagan Banga: As the book seasons, there will be some slippages into stage II. This is a book which is seasoning and ageing and ageing rapidly, you know book which sees we have made, that is as a matter of record, we have made something like ₹ 40,000 Crores of repayments to the lending system. Now we have not like printed this ₹ 40,000 Crores. We have received it back from our borrowers. So when ₹ 40,000 Crores of good loans have come back there would be some slippages to the tune of ₹ 400 Crores of bad loans also. So ₹ 400 Crores in that context is an inconsequential kind of a number.

Kunal Shah: Thank you.

Gagan Banga:

Thank you. I, along with my team will speak with you in three months. And on a lighter note, in the past I have spoken about sports and running and the company and all of that, the same Bloomberg interview that Vikram was mentioning spoke about the fact that I have not touched the tennis racket, that is the fact I have not touched a tennis racket since the start of the crisis but just to let you know the my mood, the senior management mood and the company mood I have started after a year gap to train for a full marathon again so we have that confidence that things are normal and I can spare the time to run 70 kilometers a week and in April I would have run that so by the time that I speak to you guys again I will share my time also. Thank you so much and all the best.

Moderator:

Thank you very much Sir. Ladies and gentlemen on behalf of Indiabulls Housing Finance Limited that concludes this conference. Thank you for joining us. You may disconnect your lines.