



हडको/लिस्ट.कंप./एस ई/2024- 25

29 जनवरी, 2025

लिस्टिंग विभाग  
बीएसई लिमिटेड  
फ़िरोज़ जीजीभाय टावर्स  
दलाल स्ट्रीट  
मुंबई - 400001  
स्क्रिप कोड: 540530

लिस्टिंग विभाग  
नेशनल स्टॉक एक्सचेंज ऑफ़ इंडिया  
लिमिटेड एक्सचेंज प्लाज़ा, प्लॉट नं. सी/1,  
जी ब्लॉक बांद्रा-कुर्ला कॉम्प्लेक्स, बांद्रा (ई)  
मुंबई - 400051  
स्क्रिप कोड: हडको

विषय: 23 जनवरी, 2025 को आयोजित आय सम्मेलन कॉल की ट्रांसक्रिप्ट

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महोदय/महोदया,

सेबी (सूचीबद्धता दायित्व और प्रकटीकरण आवश्यकताएँ) विनियम, 2015 के विनियम 30 के अनुसार, कृपया 23 जनवरी, 2025 को निवेशकों/विश्लेषकों के साथ हडको के प्रबंधन की आय सम्मेलन कॉल की प्रतिलिपि संलग्न देखें। यह कंपनी की वेबसाइट यानी [www.hudco.org.in](http://www.hudco.org.in) पर भी उपलब्ध होगी।

यह आपकी जानकारी के लिए है।

धन्यवाद

भवदीय  
हाउसिंग एंड अर्बन डेवलपमेंट कॉर्पोरेशन लिमिटेड हेतु

विकास गोयल  
कंपनी सचिव एवं अनुपालन अधिकारी

संलग्न : उपरोक्तानुसार



**“Housing and Urban Development Corporation Limited  
Q3 FY 25 Earnings Conference Call”**

**January 23, 2025**



<b>MANAGEMENT:</b>	<b>MR. SANJAY KULSHRESTHA – CHAIRMAN &amp; MANAGING DIRECTOR – HOUSING &amp; URBAN DEVELOPMENT CORPORATION LIMITED</b>
	<b>MR. M. NAGARAJ – DIRECTOR (CORPORATE PLANNING) – HOUSING &amp; URBAN DEVELOPMENT CORPORATION LIMITED</b>
	<b>MR. DALJEET SINGH KHATRI – DIRECTOR (FINANCE) AND CHIEF FINANCIAL OFFICER – HOUSING &amp; URBAN DEVELOPMENT CORPORATION LIMITED</b>
	<b>MR. LVS SUDHAKAR BABU – EXECUTIVE DIRECTOR (FINANCE) – HOUSING &amp; URBAN DEVELOPMENT CORPORATION LIMITED</b>
	<b>MR. ACHAL GUPTA – GENERAL MANAGER (FINANCE) – HOUSING &amp; URBAN DEVELOPMENT CORPORATION LIMITED</b>
<b>MODERATOR:</b>	<b>MS. SHWETA DAPTARDAR – ELARA SECURITIES</b>

**Moderator:** Ladies and gentlemen, Good Day, and welcome to the Housing and Urban Development Corporation Limited, HUDCO, Q3 FY 25 Earnings Conference Call hosted by Elara Securities. As a reminder, all participant lines will be in 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 Ms. Shweta Daptardar from Elara Securities. Thank you, and over to you, ma'am.

**Shweta Daptardar:** Thank you, Sejal. Good morning, everyone. On behalf of Elara Securities, we welcome you all to Q3 FY '25 Earnings Conference Call of HUDCO. From the esteemed management, we have with us today, Shri Sanjay Kulshrestha, Chairman and Managing Director; Shri M. Nagaraj, Director (Corporate Planning); Shri Daljeet Singh Khatri, Director (Finance) and CFO; Shri LVS Sudhakar Babu, Executive Director (Finance); Shri Achal Gupta, General Manager (Finance). We express our gratitude towards the management of HUDCO to provide us the opportunity to host this conference call.

Without further ado, I now hand over the call to Mr. Sanjay Kulshrestha, CMD, for his opening remarks, post which we can open the floor for Q&A. Thank you, and over to you, sir.

**Sanjay Kulshrestha:** Good morning, I am Sanjay Kulshrestha, I'm CMD of HUDCO. Thank you so much for arranging this call, and I welcome all the participants on this call. So let me go to the background of the Company. HUDCO earlier, which was a housing finance company, has transited its positioning, and now we are an NBFC-IFC Company, and we are into the infrastructure financing. We are providing a holistic support for creation of the infrastructure, which is required for the Viksit Bharat, and which is in line with the policies of the Government of India.

This is not a sector-based financing institution. We are into multi-sector kind of financing industry. So starting from the housing to urban development. So if I talk about urban development, I think urban development takes care of the metro, mobility, roads, transports, water, sewage and everything which is required for the urban development. So we are financing that part of the thing.

Then we had also revised our object clause and include the rural infrastructure as well. So it is a company, which provides a holistic support of financials. At the same time, we are also extending our consultancy services starting from the conceptualization of the project to the handholding of the utilities because we understand that the best practices have to be shared between the stakeholders, and India is a very diverse kind of country wherein the requirement of each state may vary from time to time.

And we are also having training institutes, and we welcome the participants from the stakeholders to which we are lending, which also includes -- there are some few foreign participants also we are inviting. So you can say we are providing a 360-degree kind of solutions for creation of infrastructure for our stakeholders.

If you see our operations, we operate through our regional offices across the country, and there are full-fledged regional offices who take care of the business development, the policies, the recoveries, the HR and everything is there at the doorstep of the borrowers. And that's why if you see that we have been able to reduce our SMA-2 assets also. So they take care of the monitoring, financial monitoring and the physical monitoring, the status, the progress of the project, starting from the business conceptualization.

So, they are becoming our growth engines for the company. Then regarding the figure, if you can see that our financial ratios are very strong. So, debt equity is in the range of less than 6%, which is best for any financial institution. Our CRAR is also around 47%-48%. We are leveraging our capital very well. And you can see our sanctions has raised around 5 times on quarter to quarter on a yearly basis, from INR 18,000 crores, we have raised up to INR 92,000 crores. The company has a very robust pipeline, which is testimony that our disbursements are continuously growing. If you see our disbursement on quarter to quarter on a yearly basis, we had raised up to INR 31,760 Crores of the disbursement in the past 9 months. In last year, it was only INR 17,000 Crores, the year before past, it was around INR 8,000 Crores. So company is in -- on continual growth path.

Our loan book has raised about 41% on a yearly basis. If you see, last year, by 31<sup>st</sup> of December, quarter 3, the loan book was around INR 84,000 Crores, which has raised to INR 118,000 Crores of the loan book. And we will not be stopping at this pace because we have a very robust pipeline, so committed liabilities of the loan, the loan book or, you can say, order book of the Company is more than INR 1.2 lakh Crores presently, and we are continually working to raise this order book.

Our borrowing, if you see that we had continually worked to cut down our cost of funds, irrespective of our growth, we had been successfully able to cut down our cost of fund and during last 9 months, we had raised around INR 39,000 crores - INR40,000 crores and the weighted average cost of the borrowing is 6.8%. So on a year-to-year basis, you can say we had cut down around 30 basis points of our borrowing and this is actually providing potential to fund the best asset quality and without compromising on our yields, NIMs and the spreads.

On NPA side, we are very, very aggressive in resolving our assets, and you can see that our NPA levels are coming down very, very heavily and now our net NPA is only 0.18% and gross NPA is also reducing. So you can say that we are not only working towards growing business, we are also resolving our assets. We had come to the market for recruitment and around 65 officers we had recruited, a new blood, fresh blood is also infused.

At the same time, we are taking of fear of our corporate governance and all the compliance of the RBI is being done and all the IT framework is also in line with the requirement of the company, including ERPs and e-office. More or less, you can say it's a paperless kind of office.

We are a AAA-rated Company, of course, and 75% owned by Government of India. We are continually raising external commercial borrowings also. Last, we had taken funds from the Japanese market, yen-denominated, and total we had taken 2 tranches in yen and they are giving good arbitrage in terms of the interest rate, which is also one of the factors in reducing our cost of funds.

The borrowing is very diverse, around 17% is coming from the foreign currency and the bond is around 40%. So we are taking care of each and everything starting from the financial ratio maintenance up to the asset quality, then the growth of the business, then the spreads and the resolution of the assets and enhancement of our process and the procedures, including the recruitment of the new officers.

So this is my opening remarks. Thank you so much.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. Anyone, who wishes to ask a question may press star and 1 on their touchtone telephone, if you wish to remove yourself from question queue, you may press start and 2. Participants are requested to use headsets while asking a question. Ladies and Gentlemen, we will wait for the moment while the

question queue is assembled. The first question is from the line of Nilesh Jethani from BOI Mutual Fund. Please go ahead.

**Nilesh Jethani:** Hi, Good Morning Sir, and thanks for the opportunity and congratulations on the great set of numbers. So first question is on the overall loan growth guidance. I wanted to understand with robust performance in the 9-month period, do we revise or do we aspire to grow at a much faster pace versus 20%, 25% guided earlier?

**Sanjay Kulshrestha:** Regarding the growth numbers, yes, last year was very favorable, and this is because of the tailwinds available in the infrastructure sector and the commitment of the Government of India backed by the policies and the capital expenditure in the budget. At the same time, the growth of Company in the last 5 years was not so high, so you can say it was muted.

So in 1 to 2 years at the time, our growth rate may be around high as good as maybe 40% or 30%. But finally, we will be settling in the CAGR of 15% -16% only because we will not be aggressive after 2 years. So we are looking at the figures in the next fiscal of around INR 150,000 crores and by 2030, around INR 300,000 crores. So average CAGR will be around 15%.

**Nilesh Jethani:** That was helpful. So second question was broadly on the color on the sanction book. So the sanction book today, what we carry, can you give us understanding of what is the nature of these books? And typically, on a very broad-based scenario, sanction to disbursement, what percentage gets converted, A? B, what are the timelines of this conversion typically?

**Sanjay Kulshrestha:** See, we are a multi-sector financing institution, and our loan book is across the country. I think we have footprint across nearly all the states, only a few states of Northeast may not be there, but in all the states. And states are now becoming most competitive in terms of creation of the infrastructure because it is aspiration of the people to create the infrastructure. So one, we are across states. Second, we are across the sector.

So I cannot say that this sector is moving high or this sector is not moving because in one sector -- in one state, this sector will be moving very high, in other states another sector will be moving very high. But at the same time, since we are housing and urban development, so we will be taking care of the housing as well. Presently, our housing portfolio is around 40%.

And with this PMAY 2.0 push from the Government of India, we are definitely sure that we will be maintaining this kind of loan book for another 2 to 3 years

at the time because the horizon of this scheme is 5 years and regarding the other assets also, regarding the conversion that you are asking, that pipeline is converted in a year -- 3 to 4 years of the time because we all understand, these are highly capital-intensive projects and a good gestation period is required for implementation of such huge capital expenditure projects.

So 3 to 4 years is enough time. And first year, the disbursement may be around 30% to 35%, and in next couple of years, the project is getting completed. So the conversion ratio presently is more than 80%, and we are definitely sure that whatever we are promising and committing to our borrowers because of our terms and conditions, including the interest rate, we will be the most preferred lender. So conversions will be more than 80% always.

**Nilesh Jethani:** Got it, sir. And sir, on the disbursement run rate, what we are seeing, the Q-o-Q growth, but we also had the understanding that this time H1 was slightly better for us with some loan disbursement being preponed, but we still carry the fact that H2 typically is better for the BFSI industry as a whole. So this Q-o-Q trajectory of disbursement, is it right to assume we'll continue on a growth trajectory?

**Sanjay Kulshrestha:** Definitely. I think everything is going as per plan, in H2, every quarter, we are disbursing around INR 10,000 crores and I think in quarter 4, it will be slightly more than that. So it's all planned and -- because the planning is being done on the progress of the project, so we look at the project to project and find out the disbursement schedules and on the basis of that, only the quarter-to-quarter disbursements are planned.

**Nilesh Jethani:** Got it sir. It was really helpful, I have few other questions, probably, I will join back in queue and come again.

**Moderator:** Thank you, a reminder to all participants, you may press star and 1 to ask a question. The next question is from the line of Rucheeta Kadge from I-Wealth Fund.

**Rucheeta Kadge:** Hello Sir, a very Good Morning, just wanted a little bit color on your cost-to-income ratio. So how do we see that panning out going ahead?

**Sanjay Kulshrestha:** Cost-to-income ratio, definitely, we are sustaining on from -- if you see the last 5 quarters, the cost of funds we are continuously reducing and income, we are continuously improving. So you can see our turnover is around INR 7,700 crores. And if you compare it with the last year, it was around INR 5,000 crores INR 5,600 crores. Am I right? Around INR 5,400 crores. And regarding the

spreads, we are continually sustaining or you can say improving also. This year also -- this quarter also, we had improved to the extent. And I'm sure that we will be maintaining such kind of levels in terms of the spreads and the NIMs. NIMs will be around 3.2%.

If you exclude the EBR portion of INR 20,000 crores, which has been taken by the Government of India, our NIMs are around 3.85% and our spread is around 2.41%. And the return on assets also, if you can see, we had improved a lot. We are at 2.45%, and the return on equity, we had improved from around 11% to more than 14% now.

**Rucheeta Kadge:** So my question was mainly on your operating expenses side. That is your employee cost and all of that. How do you see that panning out going ahead? Do you think that will be constant or you think it will improve, like increase?

**Sanjay Kulshrestha:** No, no, definitely, it will not be increase, rather if you take out the escalation, we will be reducing our cost because now the new officers is being included and a lot of retirements are there. So we will be rather maintaining or we will try to reduce our cost. If you see the cost of employees per unit profit, it will be definitely improving.

**Rucheeta Kadge:** Got you. And sir, on recovery side, how much are we expecting to recover maybe next year?

**Sanjay Kulshrestha:** We had a definite plan, madam, and we are continually monitoring for resolution of the assets, and you can see our figures also. We had been able to reduce and came out with 1.88% kind of NPA level. For next financial year -- for next quarter, quarter 4, we are targeting some resolutions, which includes the principal of around INR 150 crores and the interest of around INR 50 crores. So, since our NPA levels are very strong, you may feel that these figures are not so catchy, but our total figure is only INR 2,200 crores. And INR 1,200 crores out of INR 2,200 crores is under NCLT. So very soon, I think we will be taking care of this result.

**Rucheeta Kadge:** Ok sir, understood. Thank you so much.

**Moderator:** Thank you, the next question is from the line of Rati J. Pandit from Nirmal Bang Institutional Equities. Please go ahead.

**Rati J. Pandit:** Thanks for taking on my question. My first question is regarding the recoveries. I mean what is the proportion of PSU and private sector NPAs as of now? And what is the status on resolution on the PSU NPAs, which we are having, and in the private sector as well?

**Sanjay Kulshrestha:** See, lot of PSU NPAs we had resolved, like AP Housing Board, we have resolved and Mizoram Urban Cooperative Development is resolved and SBI is resolved -- SBI Staff Housing Cooperative Society was resolved and Naya Raipur is resolved. So now it is only the J&K that we are working it out, and I'm sure that in quarter 4, we will be resolving that because we are giving some special emphasis on J&K because of its structure.

So we are in discussions with the administration. And very soon, it will be resolved. And last is the Agriculture Produce Market Committee (APMC), (Ahmedabad), which is in the stage of the auctioning. So very soon in quarter 4, we will be resolving that. So the PSU NPA will come to 0 by Q4, that is what we are expecting.

And regarding the private sector, there is no new NPA. We had hold sanction of the private sector. And whatever we are doing is for the resolution of these private sector projects only. And as I have stated earlier also, out of INR 2,200 crores NPA, around INR 1,200 crores is under the NCLT and around INR 429 crores is under the DRT. So we are monitoring the cases, and I think we are in the advanced stage of the resolution.

And at the same time, we are working our OTS policies also, and we are revising continually in line with the need of the projects. And we are going project to project to resolve those kind of assets and understanding the kind of problem they had faced and how to resolve these assets in the given scenario.

**Rati J. Pandit:** Okay. And my second question is regarding the PMAY Urban Yojana, do we expect any further disbursements in the same?

**Sanjay Kulshrestha:** Yes, yes, it has just started, madam. So it's a very big program of Government of India. If you say PMAY urban and rural around INR 1,200,000 crores is to be infused which takes care of the BLC component and ISS component and the affordable housing on rent and partnership. So what we are expecting that INR 100,000 crores in next 4 to 5 year total disbursement will come from this sector for HUDCO only.

**Rati J. Pandit:** So it will be towards state sector entities? I mean I hope we won't have another round of GN, so it won't...

**Sanjay Kulshrestha:** It will be towards the state sector entities. And other than that, we are also opening our window for the PPP housing projects under PMAY in partnership. So we are opening that window also and we are discussing with the government that how this modelling can be done.

- Rati J. Pandit:** Ok sir, that's it from my side. Thankyou sir.
- Moderator:** Ladies and Gentlemen, you may press star and 1 to ask a question. The next question is from the line of Navin Shetty from Tara Capital Partners. Please go ahead.
- Navin Shetty:** Sir, just wanted to understand in terms of your growth guidance, you told after 2 years, it's going to be 15%. Is there a change in the growth numbers that you were expecting earlier? Or has it been the same? Just wanted to clarify on the growth numbers.
- Sanjay Kulshrestha:** Presently, it is the same that by 2026 fiscal, we will be around INR 1.5 lakh crores. And for this year, the target was around INR 1.2 lakh crores. So we had already achieved 1.18. So we may be settling at around 1.25. So if there is a revision because of the opportunities and the potential of the market, we will be informing to the market. But as of now, we are settling at INR 1.5 lakhs crores, which is the same number for next fiscal and INR 300,000 crores by 2030. At the CAGR average, CAGR of around 15% to 16%.
- Navin Shetty:** Okay. Okay. So that was always the guidance that you had given. Sorry, just wanted to understand -- reiterate that.
- Sanjay Kulshrestha:** Yes. It will be between -- average CAGR will be between around 20%.
- Navin Shetty:** So, you mean 20% will be the average CAGR over the next 3 to 4 years?
- Sanjay Kulshrestha:** True.
- Navin Shetty:** Got it, thank you.
- Moderator:** Thank you. The next question is from the line of Arjun Bagga from Baroda BNP Paribas Mutual Fund.
- Arjun Bagga:** Yes, Hi Sir, Good morning and thank you for the opportunity. So you shared this AUM growth guidance of around 40% -- 30% to 40% for the next 2 years. Just wanted to understand the color of this, in sense what segments would be growing and would be leading this growth? I think for this quarter on a quarter-on-quarter basis, the growth has been almost equally distributed between the housing side and the urban infra side. If you could give some color over there, sir?
- Sanjay Kulshrestha:** If you see the different reports of CRISIL or McKinsey, I think huge numbers are coming in terms of the Capex requirements by 2030. So we are taking a pie of that only. So our focus will remain on the urban infrastructure and

housing. So housing will be the big way because PMAY 2.0 has been launched by Government of India, which is a very ambitious project. If you can see, in earlier PMAY 1.0 also, HUDCO has contributed a loan of around INR 42,000 crores, INR43,000 crores.

So this time, we are expecting around INR 100,000 crores coming out of the housing only. And other, then that metro projects are there, then the road projects are there, then the port projects are there, then the water sewage is always there in our kitty. So all these projects will be the guiding factor of our loan book. Then the energy will also be there, yes.

**Arjun Bagga:** Sir, just coming again in terms of the numbers out here, so would it be safe to assume that -- assuming that we are growing at this 35% to 40% number for the next 2 years, then that would be equally, like a similar number would be there for housing and similar for urban infra as well. Would that be safe to assume?

**Sanjay Kulshrestha:** It will be around 40-60 only because housing is not so capital-intensive. We are into the affordable housing category only. So you can take 40% towards the housing and 60% towards the urban infrastructure.

**Arjun Bagga:** Sure Sir, Thank you so much

**Moderator:** Thank you, the next question is from the line of Arvind from Sundaram Alternates.

**Arvind:** Hello Sir, thank you so much for the opportunity. I would like to understand this. So our yields are based on internal benchmarks or is it based on external benchmarks? And if you can give the split of that internal and external benchmarks, if there is any? And similarly, what would be the reset period -- like a typical reset period? Is it early or anything? And the effort is an internal benchmark. And with respect to cost, like a borrowing side, like is there any big chunk of borrowings in the external benchmark? I mean, like not straight like floating rate borrowings, is there any significant mix?

**Sanjay Kulshrestha:** Our Director (Finance), Mr. Khatri wants to speak on that.

**Daljeet Singh Khatri:** Our yields are based on internal benchmarks. We have our own internal -- we worked out our own internal MCLR, and we have our own rate card, which is applicable for various category of borrowers and various sectors. So yield is based on that. And then coming to your second point that, how do we look at further raising of our resources in the times to come?

As you have seen, around 17% of my total borrowings is now from external commercial borrowings and FCNR (B). And we look forward to take this percentage of external commercial borrowings and FCNRs to around 20% of our total borrowing mix, so as to have -- so as to further reduce our cost of borrowing.

So I was mentioning about the diversification of our resources, -- which have taken place in the last 1.5 to 2 years. As you have seen that our external commercial borrowing mix has increased from nearly 1% to around 17% of our total borrowings. And we intend to further increase it to around 20% of total borrowing mix, so as to reduce our overall cost of borrowings. As you have seen in the last 9 months ended during the current financial year, our incremental cost of borrowing has reduced from 7.2% to around 6.8%. And so we look forward to continuously diversifying our borrowing mix.

**Moderator:** Thank you, the next question is from the line of Kayur Asher from BNP MetLife.

**Kayur Asher:** Thank you sir for the opportunity. I guess most of my questions have been answered, but maybe just a few follow-ups. So sir, we understand that there's been a strong traction on this urban infra segment. So if you could provide some more color there on the, let's say, larger disbursements that you would have made recently in terms of projects you are funding and geography where this funding is happening? And more importantly, if you could talk about, I mean, how you are mitigating potential asset quality risk here? I mean are all these loans typically guaranteed by the state government? Whether HUDCO is the sole lender in these projects?

**Sanjay Kulshrestha:** I think our Director (Corporate Planning) will speak on that, and then I will also supplement.

**M. Nagaraj:** Good afternoon. Actually, if you see our balance sheet, in terms of the majority of our loans are secured by government guarantee. By nature in urban infrastructure, we funded predominantly in infrastructure, especially like roads, urban mobility, water supply, sewage, very good portfolio we have. So some of them are secured by a government guarantee, and some of them are bankable projects. In terms of housing, we have predominantly done Pradhan Mantri Awas Yojana. Again, now Pradhan Mantri Awas Yojana 2.0 is likely to start. Probably next year, it will pick up gradually. So it is in the planning and conceptual stage.

**Kayur Asher:** Sir, whether HUDCO is typically the sole lender in these projects? Or how does it work?

**Sanjay Kulshrestha:** Actually, now we had started working on the idea to become a sole lender. But at the same time, we are open to consortium financing and some of the projects we are financing with REC and PFC also because they had also off late started the infrastructure financing. Of course, there is a cap of 30% with them, which is not there with the HUDCO.

So if the project size is too large and as per the regulatory guidelines, we are not able to fund 100%, we are going ahead with the consortium. But having said that, we always prefer to go solo, to have our own terms and conditions and the monitoring framework and everything on us to take care of the loan during the lifetime. But at the same time, regulatory framework has to be taken care.

And regarding the urban infrastructure, that's what you were asking, you may be knowing that India has a very high rate of urbanization and a lot of requirement of the capital is coming into the urban sector and a lot of traction is there and which is driven by the aspirations of the people who are coming to the urban side or the urbanization of the rural side. So a lot of infrastructure is required, starting from the housing to water and the basic needs of a person, starting from the sewage to energy, then the roads, then the mobility. So all these things of the urban infrastructure for which HUDCO is mandated to support as a financier.

So we have ample opportunities of the funding, and we have been exercising this very judiciously. Of course, presently, our more than 75% of the loans are backed by the government guarantees, but we had off late started doing the cash flow based projects also. So we have a very diverse kind of loan portfolio, and we are continually working with the states to understand their needs and the requirements and to work out some customized loan product also in line with the requirement of the project.

**Kayur Asher:** That's helpful. And sir one other follow-up. So just more broadly, like you mentioned at a high level, if you could help us understand given that large proportion of the lending that HUDCO does is, let's say, backed by the state government guarantees or maybe budgetary provisions.

So what is -- what typically restricts the states to, I mean, fund these projects directly from their budget or through, let's say, the SDL borrowings that they do, the market borrowings that they do, given that, I mean, the borrowing rates on those bonds are likely to be much cheaper than what HUDCO would be lending at? So what's driving that demand, if you could help us understand that.

**Sanjay Kulshrestha:** You are right on your point. The first option the state exercises is of the SDL, but the appetite of the market and the requirement of the state at that point of time, it actually decides the amount of the SDL, which the states raise. If you see the HUDCO loan, we are a project financing-based organization. So we are disbursing the funds in line with the requirement of the projects. So there is no holding charges on the states for our loans. So on one day, if they require INR 1 crores, we will be disbursing in line with the requirement of INR 1 crores something.

However, if you go for the SDL, there will be a holding cost with the states and for HUDCO loans, they can use as a tap arrangement, so they will be saving on their part. And secondly, there are some concerns about the FRBM limits also, so they have to be within that FRBM limits also. And thirdly, the market appetite to control their cost of funds in terms of the SDL, it also plays a very vital role while deciding the amounts of SDL.

**Kayur Asher:** Understood. Sure, sir. And sir, lastly, I mean, so we understand, I mean, you're guiding for a pretty strong growth in the coming years and also HUDCO is known to, I mean, have a decent dividend payout. So do you envisage any equity requirement going forward over the medium term?

**Sanjay Kulshrestha:** By 2030, going by this figure, whatever projections that we have taken -- given to the market, I don't think that we will be requiring any capital infusion. Our CRAR is very strong of around 47%. Our debt equity ratio is very good, so now the profits are being generated. So I don't think anything will be there. Last year also, the net worth has raised by around 11%. I think all the financial ratios are in control. ROE is around 2.45% and debt equity is also in control. So I don't think any requirement of the capital will be there for the company.

**Kayur Asher:** And sir, is this also -- I mean, given that bulk of our loans are backed by the state government, which might be coming at a lower sort of risk weight, that is also driving stronger capital ratios. Would that be a key contributor there?

**Sanjay Kulshrestha:** Yes, yes, definitely.

**Kayur Asher:** And sir connected question there because you mentioned about, let's say, INR 300,000 crores book by 2030, how should we look at, I mean, the overall mix of that particular loan pool vis-a-vis -- I mean, what percent of the book would then be, let's say, backed by state government borrowing -- state government guarantees or budgetary provisions? Any rough idea if you could provide there?

**Sanjay Kulshrestha:** See, definitely, lower on size on the numbers because Ministry of Finance, Government of India is continuously monitoring extending the government guarantees and the budgetary allocations, and there are issues in the FRBM. That's why we have switched towards the bankable projects and now we have set up internal department to look at the private sector funding also.

So we are appraised of the situation that we may not be getting the government guarantee and we will be going for a good quality of the asset in other side or PPP side kind of thing. So I don't see any high -- this is the highest that government guarantee we had. So going forward, the number may reduce. But at the same time, we will not compromise on the quality of the asset and the quality of the entities to which this lending will be done.

**Kayur Asher:** Understood sir, this is very helpful. Thankyou sir.

**Moderator:** Thank you, the next question is from the line of Dhaval from DSP Investment Manager.

**Dhaval:** Congratulations on good numbers. Just had a couple of questions. First was relating to the Government of India bond book that we have about INR 20,000 crores. When does it sort of run off, if you could just remind, that would be useful? And second was relating to the profitability that we've achieved in the last 9 months, just sustainability around these ROA metrics, if you could just talk about what's the sustainable ROA for our business? That would be quite useful.

**Sanjay Kulshrestha:** Regarding the bonds, which has been raised as EBR, '27-'28, everything will be retiring.

**M. Nagaraj:** '28-'29.

**Sanjay Kulshrestha:** '28-'29, sorry. So, profitability numbers will be sustainable on a growth path, and we are maintaining our spreads and the NIM. So I have no doubt that the trajectory of the profitability, we will see. At the same time, if you see our ROA is around 2.4% - 2.45%, so we will be somewhere around that number only because we are not compromising, at the same time, we are resolving our assets. We are working towards cut down the cost of funds. So everything is contributing in terms of the ROA or ROE. These figures, we are settling down. I think by next quarter, we will be settling and sustaining those figures.

**Dhaval:** Sir, just on the first one, on this INR 20,000 crores, so our INR 300,000 crores guidance is after this run-off that we'll see in FY '29. So that is budgeted. So is that correct?

**Sanjay Kulshrestha:** Yes, it's for 2030, so before that, they will be retired. So it is net of that, correct.

**Dhaval:** Understood. And the second one is, sir, where I was coming from an ROA perspective was the current profitability also includes the write-backs, which probably couple of years, maybe we'll sort of see a normalization of that provision line, which is right now negative. So from that perspective, I was just trying to understand, you are confident of achieving this 2.5% -- 2.4%, 2.5% ROA even at that size is where I was coming from.

**Sanjay Kulshrestha:** Yes, yes. If you see in the last year, our profit has grown by 40%. So it may not be 40% because some of the figures are coming from the write-backs, you have rightly said. But after resolving all these assets, I think we will -- and at the same time, we are enhancing our loan book also. The contribution of the loan book will be higher towards the profit. So that's why the threshold level of the profit will come and the trajectory will be maintained.

**Dhaval:** Perfect sir, Great. Thanks and all the best.

**Moderator:** Thank you, the next question is from the line of Ritika Dua from Bandhan AMC.

**Ritika Dua:** So just one question. On the release that you had made on this MoU that you had signed for the development of the port project, so could you just share some more details around that? What -- you've said that it's a INR 25,000-odd crores kind of project. So how does that progress? And may be also some color on how -- on what yields do we look to do this business at?

**Sanjay Kulshrestha:** Yes. Mr. Nagaraj will be speaking on that.

**M. Nagaraj:** We are really thankful for such a nice question you have asked. So this is a very progressive one, ma'am. As you see, the JNPT has already reached saturation levels. So as a result, now they are going for a new port. So we already committed almost 1/4 of the total one. This will be implemented in a progressive manner. So it is expected that in a couple of years time, it will get mature.

Depending upon the requirements, they'll be drawing out funds. This is the first step what we have done is executing an MoU. So next step will be that sanctioning and all. We expect that 8.9% will be the range of yields in which they will be availing this facility, ma'am.

**Ritika Dua:** And sir, when you say 1...

- Sanjay Kulshrestha:** Just to supplement. This is a very important infrastructure for the country, and we are very fortunate to get this opportunity of associating with JNPT. But at the same time, we will not compromise on our yield. So yield will be around 8.9% to 9% kind of thing. But these yields are continuously varying. It depends on the cost of funds and the rate cut expected from the RBI. But definitely the yields will be maintained, madam. At the same time, the quality of the assets will not be compromised.
- Ritika Dua:** Sir, on an incremental basis, the spread on this particular funding would be -- if it all, 9% is the yield, the incremental spreads on this particular project would come at what?
- Sanjay Kulshrestha:** Not less than 2%.
- Ritika Dua:** Not less than 2%. And sir, like you said that 1/4 has already been approved, I believe, is what that number you said and this number is likely to be disbursed over what time frame?
- Sanjay Kulshrestha:** No, no, it is not sanctioned, madam. The MoU is just signed yesterday -- day before yesterday. So now we are in the advanced stage of discussions regarding the terms and conditions. Then only the DPR will come to us. And then only -- because we work actually backwards because we want to ensure that business rather than just signing an MoU. So now the discussions on the terms, conditions and the disbursement schedules and everything will be worked out, and it will go to the Board for sanctioning.
- Ritika Dua:** And sir, likely, this would be on a consortium basis considering the size?
- Sanjay Kulshrestha:** Yes, yes. It will on the consortium basis. But we have to see it should be under our regulatory limit. And since our net worth is continuously increasing, so presently, we can take up to around INR 5,000 crores of the loan. So balance will be -- if they require then balance it will go for other lenders also. But if they require in 5 years of the time, by the time our net worth will also increase. So we will see that how to engineer this disbursement and the loan outstanding in line with the regulatory requirements.
- Ritika Dua:** And sir, just one last question, like to one of the previous questions asked by another caller that you know if at all this were to be funded by the state themselves, what other routes they could have maybe taken and what would have been the cost of fund in that case versus the 9% that you are maybe looking to lend them at?

**Sanjay Kulshrestha:** Since they had exhausted that route of SDL or asset-based funding, that's why they have come for the long-term lending because we are providing more than 15 years kind of door-to-door tenure. So, all these things mean lending comes after the issuance of the SDL or government-backed security.

**Ritika Dua:** Great! Thank you so much.

**Moderator:** Thank you, the next follow-up question is from the line of Rucheeta Kadge from I-Wealth Fund. Please go ahead.

Ms. Rucheeta, I would request you to unmute your line and speak, please.

**Rucheeta Kadge:** Yes. So my question was on the average age of our book, so if you could just provide some color on that?

**Sanjay Kulshrestha:** Around 7 years is the average age of our book.

**Rucheeta Kadge:** Urban plus housing.

**Sanjay Kulshrestha:** Yes, yes. This is the average age.

**Rucheeta Kadge:** Okay. And this would be the norm going ahead as well?

**Sanjay Kulshrestha:** Longest loan will be around 20 years, the shortest is around 1 year. So average, we'll be maintaining between 6 to 7 years of the time.

**Rucheeta Kadge:** Understood. Thank you so much.

**Moderator:** Thank you, the next follow-up question is from the line of Omkar from Vasuki India.

**Omkar:** Yes, Good morning Sir, I just wanted to know the outlook on credit cost. So for now, we are having write-backs, but what will be our normalized credit cost, if you could say that, in the next 1 to 2 years?

**Sanjay Kulshrestha:** Credit cost, we will be maintaining that because there are some external parameters, which we see that some reductions will come. We are expecting some reduction, and the credit costs will definitely go down.

**Omkar:** Okay. So we will have the write-backs on for next 2 years?

**Sanjay Kulshrestha:** There will not be any new NPA, so it will definitely go down.

- Omkar:** Okay, that's great. Congrats on the results.
- Moderator:** Ladies and gentlemen, due to time constraint, we will take that as the last question. I would now like to hand the conference over to the management for closing comments.
- Sanjay Kulshrestha:** Thank you so much. I think it was a very interactive session, and we understand this kind of questions we've been asked. So definitely, it has enriched our experience. And thank you for believing in us. And I can assure you that the figures will be sustainable and whatever we are doing, there is a definite framework to set these targets, and on that basis only, we are working and there is a huge potential in the infrastructure financing market.
- Looking at the Viksit Bharat plan of Government of India and now states had started competing in creation of the infrastructure, which is a good work. This infrastructure growth is driven by the aspirations of our 1.4 billion people. So, I think the sustenance of our business, which is -- since HUDCO is a multi-sectorial financial institution, so it will provide a natural hedging in our business. So the growth rate will be sustainable. So that's what I want to assure you.
- Moderator:** Thank you, on behalf of Elara Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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