



हडको/लिस्ट.कंप./एस ई/2025-26

14 मई, 2025

लिस्टिंग विभाग
बीएसई लिमिटेड
फ़िरोज़ जीजीभाय टावर्स
दलाल स्ट्रीट
मुंबई - 400001

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: 540530

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विषय: 8 मई, 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 08 मई, 2025 को निवेशकों/विश्लेषकों के साथ हडको के प्रबंधन की आय सम्मेलन कॉल की ट्रांसक्रिप्ट संलग्न है। यह कंपनी की वेबसाइट यानी www.hudco.org.in पर भी उपलब्ध होगी।

यह आपकी जानकारी के लिए है।

धन्यवाद

भवदीय
हाउसिंग एंड अर्बन डेवलपमेंट कॉर्पोरेशन लिमिटेड हेतु

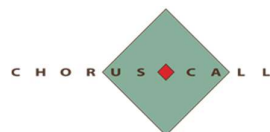
विकास गोयल
कंपनी सचिव एवं अनुपालन अधिकारी

संलग्न :उपरोक्तानुसार



“Housing and Urban Development Corporation Limited Q4 FY '25 Earnings Conference Call”

May 08, 2025



MANAGEMENT:

MR. SANJAY KULSHRESTHA – CHAIRMAN AND MANAGING DIRECTOR – HOUSING AND URBAN DEVELOPMENT CORPORATION LIMITED

MR. M NAGARAJ – DIRECTOR, CORPORATE PLANNING – HOUSING AND URBAN DEVELOPMENT CORPORATION LIMITED

MR. DALJEET SINGH KHATRI – DIRECTOR OF FINANCE – HOUSING AND URBAN DEVELOPMENT CORPORATION LIMITED

MR. LVS SUDHAKAR BABU – EXECUTIVE DIRECTOR, FINANCE – HOUSING AND URBAN DEVELOPMENT CORPORATION LIMITED

MRS. SHEFALI SUDHAKAR – GENERAL MANAGER, FINANCE – HOUSING AND URBAN DEVELOPMENT CORPORATION LIMITED

MR. ACHAL GUPTA – GENERAL MANAGER, FINANCE – HOUSING AND URBAN DEVELOPMENT CORPORATION LIMITED

MODERATOR:

MS. RATI PANDIT – NIRMAL BANG INSTITUTIONAL EQUITIES

Moderator:

Ladies and gentlemen, Good Day, and welcome to the Housing and Urban Development Corporation Limited Q4 FY '25 Earnings Conference Call hosted by Nirmal Bang Equities Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Rati Pandit from Nirmal Bang Equities Private Limited. Thank you, and over to you, ma'am.

Rati Pandit:

Thank you, Sejal. A very good morning to everyone. On behalf of Nirmal Bang Institutional Equities, we welcome you all to the 4Q FY '25 earnings conference call of Housing and Urban Development Corporation Limited. We are pleased to host the senior management of the Company, represented by Shri Sanjay Kulshrestha, Chairman and Managing Director, Shri M. Nagaraj, Director (Corporate Planning), Shri Daljeet Singh Khatri, Director (Finance), Shri LVS Sudhakar Babu, Executive Director (Finance), Mrs. Shefali Sudhakar, General Manager (Finance) and Shri Achal Gupta, General Manager (Finance).

I now hand over the call to CMD Sir, Shri Sanjay Kulshrestha, for his opening remarks, post which we can have the floor open for Q&A. Thank you, and over to you, sir.

Sanjay Kulshrestha:

So, Good Morning all of you, and thank you for joining on the call. So, let me start with the journey of HUDCO. HUDCO is a more than 5-decade old organization and primarily created by the Government of India to create affordable houses for the economically weaker sections in way back in 1970. So, during last 55 years of its journey, the Company has grown leaps and bounds, and lot of changes in the transitions had been made. Presently, the Company is a NBFC-IFC. It has started its journey as a HFC. So it's a huge transformation that Company has grown from Housing Finance Company to the Infrastructure Finance Company.

In the scheme of things of the Government of India, the HUDCO holds a very strategic role in creation of the infrastructure to create the Viksit Bharat ambition of the Government of India. So, we are under a Ministry of Housing and Urban Affairs. If you see that this ministry takes care of each thing and everything, starting from the housing, which is the epicentre of the development of the infrastructure, to metro, rail, hospitals, then water, sewage, drainage. So lot of programs the ministry is undertaking. And since we are directly coming under the ministry.

So we are taking that complementing position to take these schemes and the programs forward, not only in terms of the lending, because the counterpart lending has to be done by the financial institution, and HUDCO is doing that role. And we have a consultancy arm also which actually hand holds our borrower and then we lend. And then we have a capacity building institution in Delhi. So if you see, we furnish a kind of 360 degree kind of solutions to our borrowers. So we're starting from the hand-holding to up to the operation and maintenance of these assets.

So there is a huge commitment of Government of India. We have seen not only the commitment from the political level, the policy level, but also from the capital expenditure. We have seen last 3 budgets from 2021, government is continuously infusing more than INR10 lakh crores into the capital infrastructure segment. And there is one good thing that now states are also coming forward with the commitment, in line with the Government of India commitment that every state is now started talking about, say, Viksit Maharashtra, or Viksit Rajasthan or Viksit Tamil Nadu. So this is creating a very wealthy trend in in the country.

And we have seen that how these last 10, 15, years are the transformative kind of years for the infrastructure growth in the country. If you see the macroeconomic systems also, we are very fairly doing in terms of the deficits of the budgets or in terms of the foreign currency deficits, so -- in terms of the inflation. I think in all senses and truly this is a way towards the Viksit Bharat. If I talk about my company, we are also traveling with the journey of government and it's since it is 75% owned, stake holding and strategic partner.

So we are continuously growing, our sanctions are growing. Now we stand at INR1.27 lakh crores during last financial year. Earlier, it was more than INR82,000 crores. So we have started from INR24,000 crores in FY '23. So now we are at INR1.27 lakh crores. And regarding disbursements also, last year we had closed slightly more than INR40,000 crores. And the philosophy of the company is that we want to create a viable and sustainable kind of infrastructure. In this scene, we are continually working towards reduction of our NPAs and now we stand at 0.25% net NPA.

And we are committed to resolve all these kind of NPAs in 18 months and all efforts are made. And we are continuously coming out of different model and modalities and the mechanism that how to resolve these kind of assets because we believe that this will further increase our bottom line and this capital will go and infused into our business network. So it is not only the business side, we are also continually working towards how to cut down the cost of funds. And you may have seen that in last year we had been able to reduce our cost of fund by around 35 basis points.

And in last year's market, it was a very herculean task, but tapping different sources, timing it, the tenure. So all these things has made it possible to cut down this kind of cost of funds. And at the same time, we had worked towards the internal governance of managing our funds also, be it LCR or HQLA. So all these things have been worked out. And so it is a composite effort of the external and the internal measures that we had taken.

So the NIMs and spreads, we are continually improving. At the same time, we are not compromising on our asset quality. Company starting is -- will be starting very soon a PPP model or HAM model kind of private sector funding with a very selective approach to have good entities, best entities, best product with a good cash flow back-to-back through the concessionaire agreements. So all these things we are working. And in the meantime, we had taken around 63 new employees to create that kind of capacity and capability within the company.

So now we are becoming a paperless office, and we are continuously reducing our turnaround times. So I think we are at the right place, right time because right opportunities are there in the market. If you see our balance sheet size, it is around INR1.25 crores. So there is a huge scope and potential for growth of the company from the peer organization, which are plus INR5 lakh crores. So we can have a 4x kind of growth which is available in the market. Our financial ratios are very strong. Our CRAR is slightly around 50%. Then our debt equity ratio is less than 6%. So if you see all these parameters, all these permutation and combination give a good opportunity for the company to grow in times to come.

We had kept a long-term target of INR3 lakh crores loan book by 2030 and INR1.5 lakh crores loan book by FY '26. So if you look at the opportunities available, starting from the PMAY to metro and a lot of opportunities are there and now in the last budget, the Government of India has launched Urban Challenge Fund also, which will be projecting around INR4 lakh crores of the investment, and INR1 lakh crores will come from the Government of India as a subsidy or grant. And another 25% will be coming from the state government. So there will be PPP model for this INR2 lakh crores project, which is 50% of the total project cost to make it bankable.

So I think we are best placed with good ratios, financial ratios, with good opportunity, with good policy advocacy. And we are also well equipped and we are all prepared to take that leap towards the Viksit Bharat. Thank you.

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 star 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 Shweta from Elara Capital. Please go ahead.

Shweta:

Thank you Sir for the opportunity and congratulations on a good quarter. I have couple of questions. Sir, first pertains to your growth targets. So while you mentioned around INR1.5 lakh odd crores of loan book by FY '25 -- sorry, FY '26, but then if we look at the current trajectory, so this quarter we posted almost 35% growth. And overall FY '25 stood robust.

So don't you think highly likely you might even surpass this INR1.5 lakh odd crores of target? That's the first question. But just a follow-up there. So your disbursement run rate has been pretty strong, but Q4 saw a slight decline in disbursements. So what is the normalized run rate going forward? Yes, that's my first question.

Sanjay Kulshrestha:

Okay. Good morning, Shweta. And I think this is a very relevant question regarding the growth targets. We had kept a target of INR1.2 lakh crores for the last financial year, and we had achieved INR1.25 lakh crores. So the target will remain INR1.5 lakh crores for the next financial year. And because you see we are into a segment which is very, very competitive, and we are with a commitment that we will not compromise on the asset quality.

So all these 2 parameters are prime for us to come out of any number. So very safely, and we are very -- you can say we are cautiously aggressive. We are not too aggressive. But at the same

time, you can say we are a cautiously aggressive company towards the funding of the infrastructure project.

So INR1.5 lakh as of now, you are right that it seems to be an achievable figure. But let's see. Let's cross the second quarter. Then if there is something to update, then we are ready to update that thing because there is something which is in preparation, including the Urban Challenge Fund or PMAY 2.0. So all these opportunities are there in the market. We had not factored these kind of opportunities because we don't know whether this disbursement will be coming in this financial year or next financial year. So that's why we had capped this INR1.5 lakh crores.

And regarding disbursement, I think we are doing pretty well. On year-to-year, we had more than doubled our disbursement from INR17,000 crores, INR18,000 crores to INR40,000 crores. And if you see, they are spreadly factored into the quarters. Rather it's slightly equal also.

But since you know that we disburse fund on a reimbursement basis, we want to see that assets are created. So there is slightly up and down on that side on quarter-to-quarter basis, but it is not fair to work out these kind of figure on a quarter-to-quarter basis. I think the year target is more prudent for a financial institution, and we had achieved INR40,000 crores.

Shweta: Fair point, sir. Sir, just a follow-up there because you mentioned PMAY 2, and I was looking at the government website. So there is no press release per se on any kind of PMAY 2 disbursals going through this year. So can we assume that PMAY disbursements might not happen in FY '26? And therefore, then your growth run rate would remain in the range of what we are seeing currently today?

Sanjay Kulshrestha: See, PMAY 2.0, it starts from the Government of India, go back to the state government, then the work will start. So that's why we had not factored in. But I'm sure that some disbursement will come in times to come. But since there is very little clarity on the states, that's why we had not factored that PMAY 2.0. So if it comes and there is a visibility, we will be able to revise our target upward from INR1.5 lakh crores.

Shweta: Sure. Sir, my second question is on NII and cost of funds. So was there a one-off element there because your NII sequential basis have dropped? And also, I was looking at certain components of liability mix. So correct me if I'm wrong, is it that the government bonds, which are -- which you mentioned in last quarter, they are retiring in '28-'29. So are these EBR bonds pressurizing a bit on cost of funds? Also 1 or 2 components like taxable bonds, FCNR incrementally is looking down, but the existing ones have seen certain spike on cost of funds. So can you just elaborate on what was the one-off element in NII and also cost of funds a bit?

Sanjay Kulshrestha: We had improved our total cost of fund from 7.25% to -- sorry, 7.1% to 6.75%. So it is a reduction of 0.35 basis points. But at the same time, EBR is a pass-through kind of arrangement and government is taking care of the repayments of the EBR. But yes, you are right. In arithmetic, if you see because the total borrowing, those bonds were borrowed slightly more than 8% of the cost.

So in a weighted average, they are factoring in and slightly higher weighted average cost is coming. That's why we had shown in 2 ways that is including EBRs and excluding EBR. So to make it more fair and information to the market.

Shweta: Okay. So are you giving a NIM guidance basis NII and cost of funds going forward? That's my last question.

Sanjay Kulshrestha: We are maintaining our NIM rather improving from 3.18% to 3.22% during last financial year. And I think we will be remaining around these figures only, maybe around 3.25%. So we will be making a sustainable kind of NIM. And yield, we had improved drastically from 9.04% to 9.5%. Similarly, we had improved on ROA also. It has now grown from 2.42% to 2.44% and on ROE, as we had last time also communicated that we will be working around 15%. So we had achieved 15% in last financial year.

So the guidance will remain the same. But on the borrowing side, we will be trying because we are hoping some more repo cuts also in this financial year and some dollar will go down. So that may be a possibility that we will be further cutting down of the cost of fund. And now the government has given a window of 54 EC. So all these things, if you factor in, so we are hoping that another 10, 15 basis points on weighted average cost can be reduced during the financial year.

Shweta: That's very helpful sir. I will join in the queue. Thank you, so much.

Moderator: Thank you, the next question is from the line of Ramesh Damani from RSD Finance Limited. Please go ahead.

Ramesh Damani: Good morning, thank you so much for the chance and congratulations for a good set of numbers. I just wanted to understand some color on accounting, sir. In your consolidated results that you sent to the stock exchange, there are 2 items that I just wish if you could add some color to it. 4-3, which is the net loss on fair value changes, is that based on the bond value interest rates and 8-B, could you explain the accounting behind that? Just those 2 questions, sir.

Sanjay Kulshrestha: Okay. I think our Director (Finance) will be answering this question. Mr. Khatri?

Daljeet Singh Khatri: Yes. Good morning. There is an increase in the MTM valuation, fair value changes, and that is primarily because of the hedging which we have done and the movement of dollar in favor of INR. So on account of that only we have MTM valuation losses in this quarter.

Ramesh Damani: I mean for the whole year, it's about, what, INR400 crores?

Daljeet Singh Khatri: Pardon?

Ramesh Damani: For the whole year, it's been INR400 crores MTM losses?

Daljeet Singh Khatri: Yes, that is because the dollar moved -- I mean, from 88, the dollar came at around 85 as at the close of the financial year. So it has reciprocal impact on the MTM gain or loss. When the dollar

moves, right, when the dollar goes up, there is an MTM gain. And when the dollar comes down as vis-a-vis INR, there is an MTM loss. So that is why, yes.

Sanjay Kulshrestha: These all things are happening because of the global uncertainties and the currency fluctuation. So no directly contribution of the business of the company. But yes, these are the things that -- they are beyond our control.

Daljeet Singh Khatri: And this is actually notional also. Actually there is no cash outgo involved on this, these notional calculations.

Ramesh Damani: Correct, sir. And 8-B, sir?

Daljeet Singh Khatri: B part?

Ramesh Damani: 8-B in your notes, in your P&L, 8-B. Can you just give us some color on that? I'm not understanding the accounting behind it.

Daljeet Singh Khatri: Actually, there are 2 parts in the MTM -- I mean, MTM gain and losses on fair valuation on foreign exchange transactions. And these detailed calculations are done by the bankers and vetted by our consultant, which is Deloitte. There are 2 components. One shows the MTM gain or loss on account of the movement in the dollar vis-a-vis INR. And the B part, that is derived assuming if the entire transactions are unwinded today and if we have to again enter into those transactions or contracts what is going to be the gain or loss on that.

Sanjay Kulshrestha: But both are notional as of now.

Ramesh Damani: Yes, it's notional, but it kind of affects the P&L. So I just wanted to understand that. Thank you sir

Moderator: Thankyou sir, before we take the next question, a reminder to participants that you may press star and 1 to ask a question. The next follow-up question is from the line of Shweta from Elara Capital. Please go ahead

Shweta: Thank you so much Sir for a follow-up, you made comments in the opening remarks mentioning that there are INR2,000-odd crores of NPAs, right? And you expect these to get resolved over the next 18 months. So can you just spell out the names of these 6, 7 accounts? That will be very helpful.

Sanjay Kulshrestha: Yes. We have around INR2,000 crores of the NPA accounts. And out of that, around INR1,100 crores are under NCLT and out of INR1,100 crores, the orders of the NCLT has already been received for around INR800 crores. So most of the assets which are under NCLT, they are resolved, either liquidated or resolved. So NCLT has came out with the order. So you wanted some names also?

Shweta: Yes, sir, those loan accounts, names of those loan exposures.

Sanjay Kulshrestha:

Yes. There is one KVK Nilachal Power Pvt. Ltd. So total NPA amount is INR348 crores. Then Konaseema is there, it is INR102 crores. In first case, PFC is the lead. In second case, IDBI is the lead. Then there is one Sri Maheshwar project in Madhya Pradesh, where the PFC is the lead. It is also resolved and things are going ahead. Then there is one Nagarjun Oil Corporation Limited. So we are exposed to INR350 crores. IDBI is the lead. For that also the liquidation order is approved by the NCLT.

So the total sum of around INR800 crores resolution or liquidation has already been received from the NCLT, and we are hopeful that within a year of the time, we will be getting whatever our portions are. So the next is the other assets other than these NCLT, we are in DRT or DRAT and we are resolving through our various OTS or revised OTS kind of schemes. And now we are ready to discuss on one-to-one basis also because these cases are lingering in legal battles from last 20, 25, 30 years.

So now we are coming out with a policy to resolve and make a commitment that we will be resolving all these INR2,000 crores assets within 18 months of the time. And at the same time, we will not compromise on the quality, and we will make all out efforts that there will not be any new NPA.

Shweta:

Right, sir. Sir, while you continually are emphasizing that asset quality will take precedence, but simultaneously, you also mentioned in your opening remarks that you will be participating more so now in PPP and private sector projects. And we have already seen over the years the NPAs were cladded because of these private sector power assets and others. So how do you -- so given that private sector exposure or component might go up, so how do you see the NPA cycle panning out going forward?

Sanjay Kulshrestha:

See, while starting this PPP or HAM or BOT, whatever the models are, so we will be very, very selective in terms of the entities, in terms of the project or segment and in terms of the concessionaire agreements and the comfort that how the revenue flow will come and what will be the fallback arrangement.

So it will not be a kind that we will be doing in consortium just the mistakes that we had done last time. And we have taken a lot of lessons from that. And now things are settled up. The policies are in line. There is a commitment. There is a framework, regulatory framework also.

There is a market framework also to oversee and monitor these kind of models. If you start with power, there is a SECI-based where the PPA PSAs are in place and there is concepts that kind of fund flow arrangement. If you go for NHAI, the HAM model has that kind of cool fund kind of repayment arrangement. In case of real estate, there is a RERA, which is set up. So we will be going with most of the listed entities or A-rated kind of entities only, the A-rated kind of projects only. And there will not be any target for the private sector projects.

So we may be starting it up further. But at the same time, I can assure you that there will not be any compromise on the quality. And at the same time, there will not be any target to do so. And thirdly, initially, we will be very, very cautious and maybe some third-party external agencies

will be there to appraise along with our own staff also so that in the meantime, the capacity and capability will further increase.

So all these cautions, all these risk mitigation measures, all these compliance measures, all these things will be taken whenever we will start this private sector. But now from last 1 year, we are only working it out, what will be -- who will be the entities, what will be our guidelines, what is the segment and all these things we are working out. So there is no set timeline also to start this PPP.

So there will be a very robust monitoring also. There also, we will take support of the third party. There will be a robust monitoring of the TRA. So whatever we had not done in last cycle of NPA, I think with all these policy measures of the government, Government of India and the regulatory framework, we also have -- we've also put in some regulatory and monitoring framework to see that our money will go towards the project and our -- the cash flow should come back to the company.

Shweta: Understood, sir. Sir, last question. Your opex saw a meaningful spike. And also in the opening remarks, you mentioned you sort of boosted your capacity building by adding 63 new employees. So can you just sort of throw some color what actually led to this significant spike in opex?

Daljeet Singh Khatri: I mean if you see the total expenses, whether it is employee-related or it is establishment-related expenses, if we compare with current figures with FY 2023-'24, net-net, they are more or less comparable, but there is some reclassification of expenses between establishment expenses and employee-related expenses that there is some difference, which is visible in the financials.

Shweta: Sir, but then if you see that staff expenses have been reclassified into other opex, but then -- okay. So I understand other opex was up 65% quarter-on-quarter and almost 500% year-on-year because of this reclassification. But even your staff expenses were sort of on the higher side. So is it because of those recruitments? See, because overall opex still remains higher, right? I mean -- so I'm not sort of clear. Although there is a reclassification, overall opex component still continues to look elevated.

Daljeet Singh Khatri: Yes. But as you said, one of the reason is because of the recruitment of another 63 executives in the company because of which the employee-related expenses as well as establishment-related expenses also rise to that extent.

Shweta Ok that answered. Thank you so much sir.

Moderator: Thank you, Ladies and Gentlemen, you may press star and 1 to ask a question. The next question is from the line of Sumeet Rohra from Smartsun Capital Private Limited.

Sumeet Rohra: Hello Sir, a very good morning to you and congratulations on a very good set of results. Sir, I just wanted to understand, I was seeing page number 28 on your presentation. And you have signed some very strong MOUs, which is with MMRDA for INR1.5 lakh crores with MOU with

Rajasthan for housing for INR1 lakh, etc, etc. So sir, can you just throw some color on how much are the MOUs today, what we have signed?

And, sir, secondly, if we are to become a \$10 trillion economy by 2030, my sense is that you've set a very conservative loan book of about INR3 lakh crore because already you'll be INR150,000 crores by end of this financial year.

So sir, can you just throw some light on the MOU signed on the potential MOUs which can come up? And also on realistically, because I'm assuming that this 3 lakh is a base target which you have. But where do you think actually we can be if all these things were to happen of we reaching the 10 trillion economy mark, sir?

Sanjay Kulshrestha:

So regarding MOU, this is our continual affair that we engage with the states and try to support them in identification of the project and come out with a financial model which will support them. MOU doesn't mean that the projects are sanctioned. So it is the first step towards the understanding that HUDCO will be the partnering lending agency for funding these kind of projects. So there may be some time because some projects may come in first year, then second year and then the third year. These MOUs are generally for next 5 years of the time.

So this is a business development exercise that we does with the states, and it gives comfort to both the sides because whenever there is a project, they will directly come to the HUDCO and we will standardize the terms and conditions, so that at that point of time there will not be any waste of time in discussing these kind of things.

So this is number one. And number two, you had told that INR3 lakh is very optimistic and looking at the \$10 trillion economy. You are very right because these numbers were -- we had calculated last year, last financial year -- before last financial year.

So still, we are keeping these INR3 lakh crores because we have to see our CRAR and debt equity ratio and all the financial ratios. But yes, definitely, looking at the opportunity, we need to revise this number, but I think the time of revision is still to come. And there are so many things which are opening up from the Government of India side also. And now we are into the era of urban reforms and a lot of things we are working with our Ministry, including how to come out with this program of Urban Challenge Fund.

So all these things will -- are the potential business development programs as far as HUDCO is concerned. So I think may be next financial year, if the things unfold, we may be working out some figures more than this INR3 lakh crores. But as of now, we will keep our INR3 lakh crores.

Sumeet Rohra:

Thank you so much and wish you all the best.

Moderator:

Thank you, the next question is from the line of Aakash Goel from Tara Capital Partners. Please go ahead.

Aakash Goel:

Congrats on a good set of numbers. Sir, I just wanted to get some clarity on a statement you just made in a recent interview. You were talking about the RBI giving us advice to become a 75%

infra lending company. And I think currently, as per your PPT, I can see that the urban infrastructure is roughly around 61% of the mix and you're talking about reaching that 75% mark by FY '26. So does that mean that this year we will see a significant shift in the mix in terms of affordable housing and urban infra? And if so, then how does it impact your margins?

Sanjay Kulshrestha:

Yes, Aakash, there are 2 things. One is the RBI 75% guidance that has been given as a part of the IFC. Second is the harmonized list. So what RBI is saying that out of total lending, the 75% is towards the infrastructure side. And as per the harmonized list, the affordable housing is under the infrastructure category. So regardless of this urban infrastructure, presently, we are just touching 70%. So the RBI mandate is only for the 75%. So in 70%, it is urban infrastructure, 60% that you had told.

And another 10% is coming from the affordable housing, which is also under the harmonized list of the infrastructure. So we had already achieved 70%. So this year, I think we will be easily achieving this 75% as advised by the RBI.

Aakash Goel:

Okay. And can you give some sense about how the spreads are between the infra category of loans and the general affordable housing side?

Sanjay Kulshrestha:

I didn't get the question.

Aakash Goel:

The spread difference, like what you're saying the 70% will go to 75%.

Sanjay Kulshrestha:

Yes. So the major spreads are coming from the infrastructure financing only. And since we are a Government of India company, so -- and we also want to support the affordable housing and economically weaker section housing through this PMAY. So our rates are minimum for that category.

But at the same time, we also understand these houses are the epicenter of the infrastructure growth. If we are talking about 30 million households to be created under PMAY 2.0, then at least 5x kind of infrastructure growth will come into the states. So it may be minimum spread for these kind of loans, but it is cross-subsidized through the infrastructure funding to maintain the NIMs and the spreads as per the guidance.

Aakash Goel:

Got it. And sir, my next question was on the cost side, the funding side. So you have mentioned about the 54EC the capital gain exempt bonds and the zero coupon bond. So any plans that we have? So like how much are we looking to source from these bonds and say -- and of course, like we -- it might not get into our costs immediately in the next 1 year. But like if I were to take a medium-term horizon, say, from a 2, 3 year perspective, how much do you think these bonds can come in and benefit our cost of funds?

Sanjay Kulshrestha:

54 EC, we had just launched. Yesterday, we had launched this 54 EC. And the market is very supportive because these proceeds are coming out of the housing sector only. So HUDCO is a natural choice, and it's a good brand name across the retail segments also. So I think we have a very good takers.

But as you have rightly pointed out, in first year, we are not expecting too much because the existing players are also there. But since we are starting from the clean slate, our domain will be the customer service, paperless kind of working and reaching out to them, which are missing out this opportunity of 54 EC. So there are lots of leakages, which is limiting the market.

So I think we are working on a clean slate with no target on this for first year. But we will be very, very aggressive to take these kind of funding. But yes, within 2 to 3 years of the time, we are very hopeful that we will come out with a good figure because I don't know what can be the figure, but we will be more aggressive towards this window. But the government has also approved this zero coupon bond also this year. So it is around INR5,000 crores zero coupon bond. So this will further add to contributing towards this reduction in cost of fund.

Aakash Goel: Sorry, did you mention INR5,000 crores, sir?

Sanjay Kulshrestha: Yes, INR5,000 crores, zero coupon bond.

Moderator: Thank you. The next question is from the line of Vijay Singh from Mirae Asset Sharekhan.

Vijay Singh: Good morning sir, this is Vijay here. Congratulations on a good set of numbers. Sir, just could you color on NIM, net interest margin, how it is likely to be in next 2 years, while the rate of interest is going down?

Sanjay Kulshrestha: We will be maintaining these levels. We had improved from 3.18% to 3.22%. So 4 basis points we had improved. So we are expecting some rate cuts. So another few points increment will come towards the NIM also. And I think it will be around 3.25% or 3.3%, not more than that because we want to create a viable and sustainable kind of infrastructure. So the basic is the viability. So we don't want to load with extra interest cost on the projects. And at the same time we want to become the competitive and no compromise on the assets. So I think it is within this 3.25% to 3.3% levels.

Moderator: Thank you, a reminder to all participants that you may press star and 1 to ask a question. The next follow-up question is from the line of Ramesh Damani from RSD Finance Limited.

Ramesh Damani: I just wanted to ask you 2 quick questions. You said that you don't have any targets for private sector lending. But what do you expect to say, at the end of this year, the end of 2030 to be as a percentage of your loan book will be 5%, 10%? Do you have any idea about that? And secondly, have we written back any amount of the NPAs this year? Maybe just shed some color on that please, thank you.

Sanjay Kulshrestha: So our Director (Corporate Planning), will be answering this.

M Nagaraj: Good morning Ramesh ji, so with regard to private sector lending, so we are very, very cautious and careful to begin with. We will go with the reputed rated agencies only at the beginning. Based on our past experience where we burned our fingers, we would not like to commit the same kind of mistakes.

So without any targets, we will be cherry-picking some good projects so that portfolio will get added and also margins will also be improved. We'll be going in fact, risk-based pricing, depending upon the viability of the project, project to project we'll be pricing it, which will be very competitive in the sector.

Ramesh Damani: Okay. So no targets at all. And what is your NPA write-back this year? Is there any NPA write-back?

Daljeet Singh Khatri: During the previous financial year, we had a write-back of around INR600 crores as a part of recovery from the NPAs.

Ramesh Damani: And how do you account for that, sir, could you just tell me that? How is it accounted for? Where do you account it for in the P&L?

Daljeet Singh Khatri: Yes. It is by way of write-back -- I mean, write-back of the provision which we have made as part of ECL provisioning because almost 100% of my private sector NPAs have been provisioned. So whatever principal which I recover out of the resolution of these NPAs, they are taken to the profit and loss account by way of decrease in the ECL provisioning.

Ramesh Damani: Okay. So it's about INR600 crores this year, right?

Daljeet Singh Khatri: Total was INR358 crores, out of which -- I mean, total was INR600 crores, out of which INR350 crores was principal and INR300 crores was towards the interest.

Ramesh Damani: Okay. And do you have any idea what it should be this year, if there should be write-back or write-offs, extra?

Daljeet Singh Khatri: Current financial year, we are expecting a recovery of around INR400 crores, out of which one major recovery has already been done in the -- I mean, current quarter, I should not be, in fact, sharing with you. But yes, one major account has been resolved in the current ongoing Q1. And we are optimistic that we will recover around INR400 crores to INR500 crores from the resolution of the NPAs during the current financial year.

Moderator: Thank you, the next question is from the line of Rati Pandit from Nirmal Bang Equities Private Limited.

Rati Pandit: So I have a couple of questions. First is, what is our current order book? By order book, I mean the outstanding sanctions? And in what period it is expected to get disbursed? And also, usually, what part of sanctions are converted into disbursements? This is my first question.

M Nagaraj: Actually, if you see our financial figures as on 31st March 2025, we have done sanctions of INR1.27 lakh crores, whereas a disbursement of INR40,000 crores. That shows that almost 3x of what we normally do a disbursement. On an average, madam, project like this is around 2 years.

If you sanction in the first quarter of financial year, the amount, that will get disbursed over the next 2 years. So depending upon the milestones or project progress, we keep on disbursing. We

also ensure that the company which is borrowing will also invest in their share. So in fact, we have a very good pipeline.

So I would like to give one small example of Maharashtra, is very progressive. Next is Uttar Pradesh. The kind of progress is happening, especially in road sector, plus also urban mobility, plus certain sectors like airports and seaport, tremendous potential is there, ma'am.

Sanjay Kulshrestha:

So I'll just give you the figure. We have a committed pipeline of slightly more than INR2 lakh crores, which we had sanctioned in last financial year and this financial year. So it's a very committed kind of pipeline, and we are continually working to create this pipeline through these MOUs or through one-to-one interactions or through the counterpart funding required from the Government of India project.

So, the pipeline is not a problem. There is a lot of potential in the infrastructure segment across the country. So now we have INR2 lakh crores more pipeline and around INR8 lakh crores MOU we had already signed, so it will be coming up within a year or 2 years of the time.

Rati Pandit:

And my second question is regarding this capital adequacy. It has been around 46.6% as per your disclosure for March. So given the present high loan growth rates, when do you think we will need to raise capital?

Sanjay Kulshrestha:

I don't think so, Madam because whatever ratios or whatever projections that we are making, we are keeping this in our thoughts that we should not -- because government will not infuse generally, it is not a trend. This is a profit-making company. So I don't think that infusion will be required at any point of time. And in case it is required, then there are several other ways also to infuse the capital in the company.

Rati Pandit:

Okay. And my third question is on the borrowing repricing. I mean what part of our borrowings are on MCLR? And what will be the repricing of asset and borrowing side in the next 1 to 2 years?

Daljeet Singh Khatri:

Yes. As you see, my borrowing mix is most of my borrowing is fixed rate borrowing. I mean 50% of my borrowing is fixed rate borrowing by way of domestic bonds. And 50% of my borrowing is kind of variable, which is linked to repo or which is linked to the MCLR of the concerned banks. So presently, the interest rate scenario is very comfortable and favorable for the lenders like NBFCs like us.

And going forward, we are expecting that there will be another 1 or 2 repo rate cuts. So we intend to raise more of fixed rate bonds in such a scenario and retire some of the high interest rate bearing term loans, which we have taken from banks as there is no prepayment premium for that.

So we'll try to rationalize our cost of borrowing and look forward to reduce our borrowings by way of paying off those high cost bearing term loans, which we have raised.

Rati Pandit:

So, in bank borrowings, all of it is on MCLR or some of it is on EBLR as well?

- Daljeet Singh Khatri:** EBR is going to mature in 2028-29, madam.
- Rati Pandit:** No, I'm talking about external benchmark-linked loans, I mean, repo-linked loans.
- Daljeet Singh Khatri:** External benchmark.
- Rati Pandit:** Yes.
- Daljeet Singh Khatri:** External benchmark-linked loans, those are mainly from the loans which we have taken from the banks, whether those are medium-term loans or short-term loans. And those are variable rate borrowings. So we are examining those, and we look forward to retire some of those term loans, which are still carrying high rate as compared to the market -- today's market borrowing rate from domestic bonds.
- Rati Pandit:** And on the asset side, our reset period is 1 to 3 years, right?
- Daljeet Singh Khatri:** Yes.
- Rati Pandit:** Okay. So will this benefit the NIM in some ways because part of our borrowings would be repricing downward and asset side will take time to re-price. So what are your thoughts on this?
- Daljeet Singh Khatri:** Yes, there is always a slight time lag between the -- I mean, passing on the increase -- I mean, increase in cost of borrowing or decreasing cost of borrowing scenario. There is a slight time lag in that.
- But yes, we quarterly monitor our internal prime lending rate, and we decide whether to slightly increase or slightly decrease our lending rates, which are applicable for new lending as well as the loans which are coming up for reset in the next 1 year. And yes, there is slight time lag. But in that case, in a decreasing interest rate scenario, we stand to gain and an increasing rate scenario, we slightly stand to lose on that count.
- Sanjay Kulshrestha:** So just to supplement, see, there is a difference between the retail loans and the bulk loan. So repo on a real time, it may affect the retail loans like personal loans or home loans or vehicle loans. But for bulk loans, since there is a reset of 1 year, we are generally going with the reset of 1 year. So even though we will cut down our cost in line with the market and in line with the bond yields and the bank loans, but the transfer will come on the reset date only.
- So this is a normal NBFC best practices that we had adopted. So even though we will cut down our cost of funds, so it will be less cost for the new project or greenfield project, initially. And at the time of reset, it will be transferred to the old assets also.
- Rati Pandit:** And my last question is on the asset quality. In third quarter earnings call, you had mentioned about the J&K State and Ahmedabad Municipal Corporation, the NPAs are expected to get resolved in Q4. So what is the status on those accounts?
- Sanjay Kulshrestha:** So Ahmedabad, this onetime auction has already been happened. So it is in the advanced phase. So we are expecting that by second or third quarter, the receipts will start coming to the company.

So it is -- the second round of the auction is going on. Regarding the J&K, as you know, the loan is very, very less. It is only INR28 crores, INR29 crores, and it is slightly sensitive state as of now. So we are holding our discussions with the government here in Delhi. And we are hopeful that it will be resolved.

It's a very small amount because -- they also want to resolve, only thing is that they are slightly engaged in other parts which are more sensitive, more important. So we have no doubt that we will be resolving during this financial year. But since J&K is slightly different state, so we are treading cautiously on that front. But Ahmedabad will be resolved. One auction has already been done.

Rati Pandit:

Sir, Ahmedabad, what is our exposure over here?

Sanjay Kulshrestha:

Around INR124 crores only. And the value of the asset is good. So we are expecting good returns, and that's why we are telling them to go out with a second round of the auction to announce the prices.

Moderator:

Thank you, as there are no further questions from the participants, I would now like to hand the conference over to CMD, Mr. Sanjay Kulshrestha for closing comments.

Sanjay Kulshrestha:

So thank you so much for all the participants and asking us the questions because these questions will work as inputs for us that whatever market is thinking so that we will align our thoughts on that. And I'm very thankful that you had looked at our presentation and you had appreciated the results of the company.

And I can assure you that you will not find any stone unturned, and we will be keeping this pace of progress, including the NIMs or spreads, and we will be continually improving on all financial parameters. At the same time, we will not compromise on the asset quality. And we will be tapping different markets to cut down cost of our funds.

And there will not be any compromise on the compliance part or the risk part, and the company will remain highly governed kind of best practices standard. So with these words, I remain thankful for your support and cooperation. Thank you so much.

Moderator:

Thank you. On behalf of Nirmal Bang Equities Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.
