"Bajaj Housing Finance Limited Q4 FY25 Earnings Conference Call"

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MODERATOR:	**MR. ANUJ SINGLA – BANK OF AMERICA SECURITIES**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Bajaj Housing Finance Limited Q4 FY'25 Earnings Conference Call.

This call will be recorded, and the recording will be made public by the company pursuant to its regulatory obligations. Certain personal information, such as your name and organization, may be asked during the call. If you do not wish to disclose, please immediately discontinue this call. Ladies and gentlemen, please note, this call is not for media representative or Bank of America, investment bankers or commercial bankers, including corporate and commercial FX. All such individuals are instructed to disconnect now. A replay will be available for Bank of America, investment bankers and commercial bankers, including corporate and commercial FX. The replay is not available to the media.

As a reminder, all participant lines will remain 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 the operator by pressing "*" then "0" on your touch tone telephone. I now hand the conference over to Mr. Anuj Singla. Thank you and over to you, sir.

Anuj Singla: Thank you, Ryan. Good evening, everyone. This is Anuj Singla from Bank of America Securities.

Thank you very much for joining us for the Bajaj Housing Finance Earnings Call to Discuss Q4 & Full Year FY'25 Earnings.

To Discuss the Earnings, I am pleased to welcome Mr. Atul Jain – Managing Director, Mr. Gaurav Kalani – CFO and they are joined by other Senior Members of the Management Team.

Thank you very much, Atul sir, for giving us the opportunity to host you.

I now invite "Mr. Atul Jain for his Opening Remarks," post which we will open the floor for "Q&A." With that, over to you, sir.

Atul Jain: Thank you, Anuj and BoFA team for hosting us. A very good evening to those who are in India joining this call and good morning depending upon the geography if someone is joining from the western hemisphere.

I have with me Gaurav – our CFO, Jasminder – our President, Home Loans, Vipin – EVP (CRE), Niraj – Risk Officer, Dushyant – our Construction Finance Head, and Pawan heading our Near Prime and Affordable SBU.

I will take 15-20 minutes to cover the important sections of the investor deck which is now uploaded on the website as well as on the stock exchange and later on leave the balance time for utilizing for question-answer session.

Quickly going to Panel #3 on the presentation, overall, good quarter across metrics, AUM, asset quality and profit. As of 31st March '25 AUM stood at 1,14,684 crores, growing 26%, while we have maintained asset quality with GNPA of 0.29% and NNPA at 0.11% respectively.

Q4 FY'25 PAT has grown by 54% and annualized ROA was steady at 2.4%.

OPEX trajectory continues to improve from 27.1% OPEX to NTI to 21.7% in Q4 FY25. This is for Q4 and overall yearly numbers also we will talk about as we go forward.

We are currently present across 174 locations through a network of 216 branches.

Annualized ROE for the quarter was 12.1%, while annualized credit cost was 0.12%. Capital adequacy has remained very strong, supported by capital raise during the year and CAR was tad below 28.25% and PBC ratio which is a critical metric from a HFC point of view, which is 60% and 50% requirement from the regulatory point of view; we were 63.28% which was well above the regulatory requirement of 60% as of 31st March '25.

I will move to Panel #4. I have spoken about the overall AUM growth on the previous panel.

In terms of the product level that growth was decent across products; Home Loans grew by 22%, LAP by 28%, LRD by 24% and Developer Finance by 49%.

The company in total added 6,370 crores of AUM during the quarter as against 5,442 crores in Q4 FY24.

Overall portfolio mix also remained well diversified with some movement between the products. HL stands at 56.2%, LAP at 10.7%, LRD at 19.1% and Developer Finance at 12.5%.

The Company disbursed 14,254 crores during the quarter as against 11,393 crores in Q4 FY24. Hence, overall disbursements grew by 25% on YoY basis for the quarter.

As we had updated in the last quarter regarding the launch of our SBU of Near Prime and Affordable Housing, the business is growing steadily and is in line with our expectations to meet the future goals of the business.

During the quarter, the company has also strengthened its management team to support future growth. We will continue to invest in the coming year in SBU which is for Near Prime and Affordable Housing and also non-top six markets to generate future growth for the company.

I am jumping to the next panel. Cost of funds remained flat sequentially at 7.9% for Q4 FY25. Our well-diversified borrowing mix has further improved with a mix of money market instruments at 49% followed by bank borrowing at 41% and NHB refinance at 10%.

OPEX to NTI, as called out earlier, improved from 27.1% in Q4 FY24 to 21.7% in Q4 FY25, and on a full year, it dropped from 24% in FY24 to 20.8% in FY25.

The company also continues to leverage technology for digitalizing various processes which is now reflecting from our increasing penetration of new initiatives like e-agreement, where we have crossed 93% penetration of our entire customer base whom we are onboarding new and online customer onboarding journey also crossed 80% penetration in the month of March.

Gross spread was marginally lower at 1.8% from 1.9% in Q3 FY25 owing to reduction in yield because of the market competitive pressure, while the net interest margin was flat on sequential basis at 4%.

Coming to Panel #6. Overall asset quality has remained healthy during the quarter, GNPA was in line with the previous quarter at 0.29%. NNPA improved on sequential basis from 0.13% to 0.11%. Credit cost stood at 0.12% in Q4 FY25. This improved from 0.18% in Q4 FY24.

Quarterly profit has grown by 54% from 381 crores to 587 crores. The company has reevaluated its income tax position on deductibility of certain expenditure. PBT grew by 48%, while PAT has grown by 54% because of a one-time tax re-evaluation by the company on deductibility of certain expenditure. Accordingly, the company has reversed 24.44 crores in tax expense from the previous years and reduced FY25 tax provision by close to 10 crores. Thus, there has been a total tax reduction of ~34 crores during the Q4 FY25. 10 crores out of it is pertaining to FY25 while 24 crores is pertaining to the previous year's expense.

Annualized ROA for the quarter was in line sequentially at 2.4% and it has improved by 40 bps against annualized ROA of 2% in Q4 FY24. Annualized ROE for the quarter was 12.1% against 12.7% in Q4 FY24 owing to the impact of capital raise during the year.

Absolute net worth of the company stood at 19,932 crores as of 31st March '25, tad below 20,000 crores.

I am moving to Panel #15 which is a medium-term guidance. There is no change in the medium term guidance on the key financial indicators what we had added from last quarter's investor presentation.

Quickly moving to Panel #17 which is the quarterly financial snapshot as well as the yearly financial snapshot. We have already discussed about quarterly financials. For full year FY25, net total income has grown by 23% and pre-provisioning operating profit grew by 28% year-on-year. Profit before tax was up 28% and PAT grew by 25%. Full year credit cost has been at 0.09% and ROA stood at 2.4% and ROE at 13.4%.

Moving to Panel #19. Portfolio yield has come down to 9.7% in Q4 FY25, witnessing a 10 bps reduction sequentially and 20 bps reduction on YoY basis, while COF was flat at 7.9% sequentially and 10 bps higher on YoY basis. Accordingly, gross spread reduced by 10 bps sequentially at 1.8% owing to portfolio yield reduction and 20 bps on YoY basis.

OPEX to NTI improved at 21.7% in Q4 FY25, while it has inched up on sequential basis due to investment in new business and management team strengthening as called out in earlier panel.

In terms of asset quality, GNPA was flat on the sequential basis and I've already covered credit cost, ROA and ROE on the previous panel.

I will move to Panel #20. Just a reiteration of our well-diversified borrowing relationships. We have borrowing relationship across 17 banks and NCD share has inched up by 2.3% sequentially.

Coming to Panel #23. Portfolio mix remains within our guided range with slight increment in LAP and developer financing on sequential basis. As of 31st March, HL stood at 56.2%, LAP at 10.7% and LRD at 19.1% with Construction Finance at 12.5%.

Moving to Panel #28. Stage-1 assets have improved by 5 bps to 99.39% as of March '25. Stage-2 assets have witnessed a reduction of 5 bps. So, there's an intra movement from stage-2 to stage-1 in that sense from 0.37% in Q3 FY25 to 0.32% in Q4 FY25, while provisioning coverage has improved from 55.4% in Q3 FY25 to 60.3% in Q4 FY25.

I am jumping to Panel #30 which is the product wise provisioning coverage. It remains healthy across products. Coming to product wise GNPA, there's a slight movement of 1 bps in home loan GNPA to 0.34%, LAP has improved by 11 bps to 0.65%, LRD continues to have nil GNPA and developer finance GNPA has reduced by 4 bps to 0.05%. NNPA is reduced across products because of increase in the provisioning coverage. Home loan NNPA has improved by 3 bps, LAP by 7 bps and DF has improved by 1 bps, delivering the overall NNPA at 0.11%.

That was all what I would have wanted to talk about on the important figures from the deck. Happy to take questions. Me and the management team is here to provide answers to the questions.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question comes from the line of Piran Engineer from CLSA. Please go ahead.

Piran Engineer: Yeah. Hi! Team. Congratulations on your results. Just a couple of questions. Firstly, have we cut our home loan rates after the 50-bps repo rate cut and is it only on incremental or also on the back book?

Atul Jain: Okay. Thanks. Yes, on the acquisition of course because we are in a competitive industry, we have to cut in line with what competition is. To the second question on the portfolio, yes the benefit has been passed on in the acquisition while there may be some differential. On the repo book, we have to pass on in line with the repo cut. On the Non-repo book, while there is a differential vs Repo book but there is a benefit which has been passed on.

Piran Engineer: No, I mean, could you quantify it -- is it 50 bps only?

Atul Jain: 50 bps is the repo. So, the repo book, it's a full 50 bps has been passed on, while on the non-repo book there is a differential; you can say in the range of 10 to 15 bps which has been passed on.

Piran Engineer: That don't figure with BT out because the banks would have anyway passed on 50 bps?

Atul Jain: The banks would pass on 50 bps over a period of the next three months. So, this 50 bps what we're talking about till now, which is effectively the February cut conversation we are doing, April cut conversation we'll take the view in the month beginning May. Even the bank repo pass does not happen immediately, it happens over a period of three months. The April cut pass on has not happened. In our case, the repo book is repriceable as and when, so that's why the repo cut entire 50 bps is passed on the Repo linked loans, while in case of internal FRR linked loans there is a decision which ALCO will take in the April end, there will be some incremental pass on which may happen.

Atul Jain: So, 15 bps is not the final.15 bps is representing February Repo cut number.

Piran Engineer: Okay and even on the incremental loans, it's fair to say that how much you've cut your PLR that much is the incremental yield cut at least for the non-repo linked loans.

Atul Jain: No, it can be higher as well or lower as well, because there is a spread adjustment also in incremental book which can happen, not on the past book. Past book there is no spread adjustment but in incremental book basis the market pricing, you cut your IRR, but there can be a plus and minus in the margin side also depending upon what is the market pricing at that point of time.

Piran Engineer: Understood, understood. This is very clear and also just a follow up on this would be, what percentage of your home loans are repo linked versus say PLR linked on book?

Atul Jain: Our Repo book is close to 13,000 odd crores which is repo linked out of 64,000-odd crores, 13,500 crores is repo linked book against 64,000-odd crores of home loan book.

Piran Engineer: Okay. Understood. Secondly, just for Gaurav, over the last one year, we've increased our NCD share from 35% to 45%. Just wanted to get the logic behind raising fixed rate instruments when we know rates are going to decline?

Atul Jain: The fundraising decision is taken at the point of a time which is a multiple factor of, let us say, what is the variable money you are able to raise at that point of time versus a fixed money, taking a call on saying that, what is the maximum downward trajectory on the variable money you will encounter versus what is the upfront benefit you are getting. So, it's a calibrated call always at that point of time what is beneficial for the company, we take an interest rate view. So, when you raise the fixed money, you take the interest rate view versus the variable money available at that point of time. Because we are a finance company, have to keep on borrowing at all points of a time. So, what is the variable money cost versus a fixed cost and in terms of an NCD as well we have raised last year as a variable interest rate NCD. So, there is a variability there. On the fixed NCDs also, to some extent we cover through our OIS hedging as well. So, there are various strategies which are available to manage your cost of funds flow through the cycle where we're cognizant of our book and we are cognizant in the interest rate downward cycle, there is a pass-through which happens.

Piran Engineer: Understood and in today's point of time fixed rate instrument versus a variable rate borrowing which would be a bank borrowing, what would be the difference in cost?

Atul Jain: After the second rate cut, we have not borrowed in the variable rate from the bank, but there will be a tenor differential let us say a three-year bond versus the bank line today differential would be close to 50 to 60 bps.

Piran Engineer: Okay. Okay. Got it. I will get back in the queue for more questions. Thank you so much and all the best.

Atul Jain: Thank you.

Moderator: Thank you. The next question comes from the line of Shubhranshu Mishra from PhillipCapital. Please go ahead.

Shubhranshu Mishra: Hi, Atul. Hi, Gaurav. Two questions. The first part is what is the total number of employees?

Atul Jain: I can't hear you clearly. Can you come closer to the mic and speak because we are not able to hear you clearly.

Shubhranshu Mishra: Like how many on-roll employees and how many contractual agents will be deployed and if we can split that asset class, right? Second is what percentage of our construction finance book would be still in morat? If you can give the split of what comes out in this year and what comes out in the next one- or two-years' time?

Atul Jain: Sorry, so if I've understood your questions right, the first question is how many are the regular employees of the company versus the off-roll contract employees. So, the absolute number is 1,977 are company on-roll employees and total manpower is 4,811 as of 31st March '25. So, you can say balance 2,900 are off-roll or contractual employees. That's first part, Second part. You are saying on the construction finance Morat book, is my understanding right, that's the question you asked, how much book is Morat?

Shubhranshu Mishra: Correct.

Atul Jain: See, I had explained last time. When we give construction finance, there is not a case where we don't have a sweep from the day one in terms of principal repayment as the sales happen. While first on a paper the Morat period is till the point of a time the project gets completed which is close to 36 months kind of a normal scenario which is the Morat, so largely in that sense if you look at from the contractual term it is larger part of the book will be Morat. However, the sweep on the sales collection starts from the day one. If I look at the past experience of last four years, there is no case which eventually comes out of the Morat, because before the three years because of the sales and the cash flows coming stronger, the entire loan gets repaid before the Morat period is over. So, we don't give any holiday on any collection as it starts. So, our construct is clear; we disburse on tranches. This is the movement of the stage in construction. We have a sales milestone, and a collection milestone linked to each stage of construction at each tranche and each amount of rupee collected from day one there is a sweep structure which comes as principal payment and interest has to be serviced by the developer on a monthly basis on the separate side. So, Morat is a technical question because I am assuming you are coming from the banking side because in the banks they follow different structure, public sector banks where they give a complete Morat upfront and then they collect the money later on. In our case the repayment starts from day one. Have I been clear?

Shubhranshu Mishra: Sure. The first question was around the collection employees. What are the total number of collection employees that if you can give the off-roll employees?

Atul Jain: So, in our case, we don't have much of off-roll employees because we are not a very heavy collection, heavy infrastructure company; 250-odd would be the number of collection employees.

Shubhranshu Mishra: Right. Sure. I will come back in the queue.

Moderator: Thank you. The next question comes from the line of Shashi Kumar from Trade Brains. Please go ahead.

Shashi Kumar: Good evening, sir. I have observed a strong absolute growth in both PAT and total income over the past few years. However, the year-on-year growth rates appear to be moderating recently, for instance, PAT growth declined from 77% in FY23 to 25% in FY25, while total income growth also slowed from 50% in FY23 to 26% in FY25. Could you please share your perspectives in this moderation in growth rates? Additionally, do you see this as a natural normalization following a high growth phase or there are specific challenges or a strategic shift impacting the pace of growing income?

Atul Jain: Shashi, I can request BoFA team to see the connectivity because we have guessed your questions, Shashi, you can correct and Gaurav will try to answer the question if the question is right. You are talking about growth moderating in the PAT from FY23 to now as a percentage, is that I heard you right?

Shashi Kumar: Yes sir.

Atul Jain: Gaurav, can you check on the FY23 growth percent because we are so far looking at FY24 versus FY25, just give us a minute to look at what number you are referring to?

Gaurav Kalani: PAT growth current year is 25%, last year was 38%. You're looking at NTI growth, right, which was 19% last year and 23% this year, right? Yes, so reason for movement from 19% to 38% last year versus '23 to '25 this year.

Shashi Kumar: PAT and total income over the past few years like last FY23 to FY25, PAT has declined from 77% to 28%, while total income also declined from 50% to 26%.

Atul Jain: For FY22 we were a three-year-old company. The base was very small. So, as the company will grow forward because if I look at from FY18 to total cumulatively it will look like the growth of a 90% or 80% because company started in '17-18. So, the initial period on a very small base, as the book grows, the income levels will grow in a very different level. There is no decline or no other than a normal sizing conversation because once you grow at a certain size, then the growth happens at a particular percentage, while the growth at a much smaller scale will be at a very different level in terms of income growth right there, because there when you are adding the book, the book increases the book by more than I think in FY22 or FY23 probably book grew by 40%-45% correct, in FY22 versus FY21, probably book growth was much higher. You have to take a base impact. In that sense in '18 to '19, the book would have grown more than 100%, the income would have been much more than that. It's a question of a relative sizing and the base lining, Shashi, there's no other impact.

Shashi Kumar: Okay and my follow up question is on like, in Maharashtra, there was recent hike in ready reckoner rates on the home loan average ticket size. Can we increase our growth disbursement guidance for FY'26?

Atul Jain: So, there is no impact of ready reckoner rates on the home loan growth, because ready reckoner rates are in terms of increase by the government, after three years, government has increased the ready reckoner by 6%-7%. In my individual assessment, I don't think it is going to result into any impact in demand for homes or versus home loan demand because if you are buying a house, it is not dependent upon the ready reckoner rate and ready reckoner rate in any case is the reflection of what is the pricing in the market which you are currently buying. So, to the best of my assessment, there is no impact flowing in the home loan growth from decision to increased ready reckoner rate.

Shashi Kumar: Okay. Thank you.

Atul Jain: Thanks.

Moderator: Thank you. The next question comes from the line of Viral Shah from IIFL Capital. Please go ahead.

Viral Shah: Hi Atul and Gaurav, thanks for the opportunity. I have a few questions. So, just one is first clarification, Atul you mentioned on that hedge book to kind of manage this fixed rate borrowing that you have done. So, can you quantify the extent of this hedging, is it material at all which can help us convert this fixed kind of liabilities into floating nature effectively?

Atul Jain: It is to some extent material. It is close to 2,300 crores if I have to give the absolute number.

Viral Shah: Okay. The way to look at it is 2,300 crores of your bonds would behave like a floating rate bond.

Atul Jain: Yes, that is the same way to look at it; 2,300 crores because there is a hedging taken in various forms. So, like if you have a 10-year NCD, you don't take a hedging against the 10 years because that is supposed to play out the interest rate cycle. It is largely a five-year bond what you hedge because that is where on the one end of the interest rate cycle you can enter at the same rate interest cycle and exit at the same. Two or a three year again you are able to take a very calibrated call at the time of a raising how it will play out during the tenor as you raise the money. So, you can take the calibrated call at that point of time what is the differential between the floating rate money versus the fixed rate money what you're getting into and take an interest rate view ahead of a two year or a three year? 10-

year in any case, there is no hedging instrument available and we don't take the view at a 10-year. So, there's a five year which falls in between where the hedging takes place. So, from that point of view, that is covered. Otherwise, two or three years when you raise the money at that point of time only you take the calibrated call on basis of saying that whether you are taking a fixed call versus a floating money what is available.

Viral Shah: Got it. So, basically on this 2,300 crores effectively, have we seen already 50 bps kind of a decline?

Atul Jain: More than that.

Viral Shah: Okay. So, we have already seen that on the borrowing front.

Atul Jain: Because OIS they run ahead in the market basis the future rate cut expectations as well.

Viral Shah: Got it. Makes sense, yes. Atul, the other question is basically on the credit cost, right? So, now we are still at 12 bps kind of a credit cost and with no more buffer provisions there and also some bit of I would say changing book mix like say within LAP, the share of self-employed is increasing, when do we see kind of, say, normalization on the credit cost front?

Atul Jain: There is another complexity to the credit cost, which is the factor of what assignment we do, because when we do an assignment, there is a stage 1 provisioning goes down. So, that's why when we guide for the credit cost, we say on a steady state basis, 20 to 25 bps of the credit cost is what we envisage. So, if I have to say that if we don't do any assignment and the book mix remains same. In terms of a medium term that is the 20-25 bps of the credit cost is the guidance what we give which is put as a part of our medium term guidance that because if we continue to let us say assign more, the credit cost looks lower because of a lower Stage-1 provisioning, but 20-25 bps is from a business modeling perspective of the credit cost, not more than that, less than that can be a factor of time or the decision to do assignment less or more.

Viral Shah: Got it. So, basically effectively this 20-25 is on assets, not on AUM?

Atul Jain: Yes. I will just correct your understanding. I think 12 bps is also an asset, not on AUM, which is the current cost because there is no credit cost on the AUM minus AR what is now my off book. But I am saying that because for a year if you do more assignment the credit cost for the year looks lower because you release the Stage 1 provisioning on the assets what you have assigned out. So, there are multiple mixes of our Standard Assets provisioning. That's where we are saying that if assuming we don't do any assignment out in a year and the kind of business we are pursuing 20-25 bps is the credit cost what we take in, in our business mathematics or business calculation and which is what we guide for. It is always on AR on book, it's never on an AUM; so the 0.12% is also on AR only. I just wanted to clarify.

Viral Shah: Got it. Atul, Atul, next is, if you can quantify the impact from, say, the removal of the exit penalties on the floating rate loans, which is say, LAP, of course the home loans, you don't have the exit penalties, but on the LAP front, the proposed circular from RBI, what could be the impact of that if at all that gets into implementation?

Atul Jain: It won't be very material for us at an absolute level because home loans, as you have already called out are already exempt from exit charges, commercial business is also as per the draft circular are exempt. So, the only impact would be loan against property. If I look at the last year entire foreclosures as collection in that business was less than 12 to 13-odd crores. So, if we have to take a zeroization, that is the kind of a number we are talking about, it's not a material number for us.

Viral Shah: And the second order impact, do you see BT outs increasing over there and maybe you will have to work more on the pricing front over there also?

Atul Jain: Let us see how it plays out with that because it's a guess work. Yes, exit barrier going down or not being there, it can result into a higher BT outs, but in that sense if you look at a home loan even today also the exit rates of LAP prepayment or the BT out rates of LAP are not very different. In fact, they are on a higher rate. So, LAP is slightly higher even with the exit clause or exit penalty as well. In home loan there is no exit clause or penalty. It depends on various factors. It is assumed to be much higher, but of course we have to generally talk intuitively, yes, we can say there can be a more BT out when there is no exit clause.

Viral Shah: Got it. Atul, if I may, one more question more from a quarter perspective, there's been a sharp increase in the OPEX on a QoQ basis? And also secondly the PBC number on a sequential basis seems to have increased by around 100 odd basis points despite, say, home loan growing slower, So, what can be the explanation for both of these things?

Atul Jain: First part we had already called out that we are investing deep, and we are going to invest deeper both in the management team and the new businesses, both SBU which we have set up and the top-6 plus markets team, we are investing. So, that sequentially it has moved up by close to 1%, it has not moved up dramatically in that sense. If I correct it, 20.9% has moved to 21.7% or 21.8% and generally March quarter is always heavier, we were talking about impact on the OPEX to NTI growing. One, it has grown by close to 1% in the current quarter versus the previous quarter, a marginal increase. But if you see previous years also Q4 is always the heaviest because generally, you tend to place all your orders and investments in Q4. That's a YoY comparison and a trend. Second, we have called out clearly saying that we are investing deep in our SBU as well as our non-top 6 market structure. So, that is where it has inched up to that extent on OPEX to NTI for the current quarter. PBC has moved up, Viral on account of two factors; while home loan growth has been lower than the overall growth, it's the assignment out during the quarter was largely non-home loan assets.

So, the PBC is calculated on the assets if there was a large assignment out of non-home loan assets, so that's where PBC you see an improvement by 1% on QoQ. Second, also on reduction of cash holdings, because for PBC computation even cash holdings are taken as a denominator. You see on a quarter-on-quarter as the exit quarter if there is a drop in the cash holding, that is also resulting into improvement in the PBC criteria.

Viral Shah: Got it, Atul.

Moderator: We take the next question from the line of Raghav Garg from Ambit Capital. Please go ahead.

Raghav Garg: Sir. Hi. Good evening and thanks for the opportunity. I just have two questions. One, I know there's been a fair bit of discussion on the liability side, but I still have one question. Can you please comment on the trajectory for cost of funds for FY26? What is your expectation in terms of how much can it decline because of the repo rate cut?

Atul Jain: So, Raghav, our estimate is assuming the two cuts which has happened, and one cut more happens. YoY I think we should see a drop; 34-35 bps roughly.

Raghav Garg: You're saying on a 75-basis points rate cut cumulatively, right?

Atul Jain: On a 75-bps rate cut cumulatively we should see 34-35 bps kind of a pass-through on a full year basis in FY26.

Raghav Garg: Understood. Thanks. The second question is I wanted to understand how are you looking at your market share in retail home loans at the developer counter? So, why I am asking this question is when I look at the home loan AUM as a multiple of say one year or two-year LAP, developer loan, right, then that multiple of that number has been continuously declining for the last several quarters. I don't know if it makes sense to you or not. Probably you can guide me better, but if you can just comment what is your retail home loan market share maybe based on sourcing at the developer counter?

Atul Jain: Raghav, our home loan market share in the market has been improving every quarter from last two years. If you look at the market disbursals versus what we disbursed we have been inching up in our market share. Now, the metric what you are seeing is to my mind I think that's not a factor. because we don't acquire home loan only at our developer counter where we have funded the project, but it is not the only part where we are acquiring the home loan business. Home loan business is acquired at multiple counters and the home loan AUM growth is also a factor of acquisition minus the retention and minus what has gone out. In terms of a competitive market, in the last year there has been a kind of a significant pressure on the book from a BT out perspective, because acquisition prices has run much lower than with pre- cost fund cut also or a pre-repo cut as well. So, the metric for the way you are looking at is not the rightful metric in that sense, our market share has moved up gradually on a quarter-on-quarter basis from last two years, three years on a acquisition basis at a total level.

Raghav Garg: Understood. So, what percentage of home loan sourcing that you do come from the developers that you have funded to?

Atul Jain: I will assume close to 15% to 20% kind of a number. I will come back with the exact number, but my ballpark figure will be 15% to 20% kind of a number.

Raghav Garg: Understood. That's enough. That's all from my side. All my other questions have been answered. Thanks.

Atul Jain: Thanks, Raghav.

Moderator: Thank you. The next question comes from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

Abhijit Tibrewal: Yes, good evening, everyone, and thank you for taking my question. So, first is the clarification on the previous question. When you said about the assumption of a 75-basis points repo rate cut, you foresee a 34-35 basis points pass-through. Are you talking about the pass-through to the customers if there is a 75-basis points rate cut?

Atul Jain: No. We are talking about pass-through in our cost of funds to the company. The pass-through to the customer would be higher; it will be 45 to 50 bps kind of a number which will get passed through. Of course, it will depend upon the competitive intensity in the market, the yield impact can be 40-50 bps on a 75-bps kind of a cut.

Abhijit Tibrewal: Got it. And I was just trying to understand, I mean, you shared earlier in this call that almost 20% of your home loan book is linked to repo rates and the remaining is linked to your internal PLR where you have already effected 15 basis points rate cut. Even when in this quarter our cost of borrowing is largely flat QoQ. So, just trying to understand that internal PLR book, right, more linked to how market forces are, how the competitive intensity is instead of how your cost of borrowings are going to evolve?

Atul Jain: It is both because one is the projected cost of funds trajectory as well Abhijit, because you have to pass on in the market as the rate cut expectations happen to protect rightfully the BT out kind of a portfolio because there can be a more BT out seekers if you don't pass through on your internal linked rate loans. On the Internal linked rate loans sometimes you run ahead on passing through basis your projected reduction in the cost of fund. Like our projected cost of fund reduction probably in this quarter would be close to 20 bps from what last quarter had been there. So, if you have to pass on a bit ahead of one or two months ahead of the time on the reset to protect the book from there, that's a temporary mismatch which happen.

Abhijit Tibrewal: Fair enough. Fair enough. And the other thing I was trying to understand in these last three months or so, I mean, has anything changed in terms of aggression from bank?

Atul Jain: If you're talking about public, I think the aggression has not changed even post March end. From a private sector bank, we saw a clear bit of aggression in the month of March. I think April in our assessment what we have seen in the market is we are yet to fully firm up the mind. I think public sector banks continue to be much more aggressive. Private sector banks are not that aggressive in the month of April, but in March, everyone was as aggressive as what we could have assumed.

Abhijit Tibrewal: Got it. So, essentially speaking, I mean March right, which is where we continue, we've always seen this competition from banks, but beyond that because of rate cuts you have not seen any additional aggression from banks either PSUs or private?

Atul Jain: After the first rate cut, I think PSUs were far more aggressive, after the second rate cut, the market is yet to find its feet or get settled in the pricing because pricing gets settled after 15-20 days of the rate cut, so it's yet to settle down the market. What I talked about the early indicators is our feelers in the market. We'll have to finally arrive at the conclusion in month of May, because February rate cut we saw the impact in the month of March, April rate cuts probably in month of May is where we will be able to appropriately rightfully answer saying that what we are seeing in the market.

Abhijit Tibrewal: Got it. That is useful. And the last question that I had was, I mean, in terms of assignments you explained how credit costs can vary when you do assignments because there's a general provision release. I was just trying to understand how are we thinking about assignments going forward because as you'll appreciate there is a component of upfronting of the assignment income that comes through. So, how are we thinking about assignments more structurally going forward?

Atul Jain: So, assignment is an integral part of a mortgage balance sheet because of an ALM match what we get because we are essentially lending for long term and our borrowings are not for that long term. For a mortgage company assignment at a particular portion of a 12 to 15% of our book normally we keep it and that's a long term strategy as well. You will continue to see the percentage of assigned out at that ratio. It is nothing to do with the upfronting of income. Yes, that's an Ind AS accounting which results into. So, in this last quarter in that sense there is a assignment income of 46 crores which is booked in because of the assignment. But if we exclude assignment income also, then also the income growth would be in line with Q4 FY24 in terms of non-interest income growth.

Abhijit Tibrewal: Got it. This is useful. Thank you so much and wish you and your team to do well.

Atul Jain: Thanks, Abhijit.

Moderator: Thank you. The next question comes from the line of Dhaval from DSP Mutual Fund. Please go ahead.

Dhaval: Hi, Atul, congratulations for the quarter. Just three questions. First was relating to spread. So, till now whatever we have discussed around pricing and cost of funds, is it safe to assume that next year we could see about 10 basis points of spread compression from where we end Q4, so any comment around that would be useful? The second question is relating to the target asset mix. So, if my understanding is right, directionally, we expect the developer book share to increase, we expect the deeper market share to increase and those yield will benefit outcomes. How much of that can play out in next year and sort of help you protect on the asset mix related benefit, any comments around that would be useful? And the last bit is the minimum public shareholding, just any color around that, how do you intend to sort of get to that 75%, will there be fresh equity, etc., in FY26 or we intend to use that in FY27, any comments around that would be useful? Yes, these are the three questions. Thank you.

Atul Jain: Thanks, Dhaval. On your first question, if we maintain as it is book mix, yes, you can see NIM compression of a 10 to 15 bps during the year because if we are saying 34-35 bps is what we expect, the differential in the cost going down and I said 45-50 bps on the yield impact which can be there if we take a 75 bps kind of a rate cut scenario. However, as you have only called out, there is a target type mix which is a play around for us available whether a developer finance book going up from 12.5% to 15% what we had called out in last year also which results in to compensating the increase of our non-top six markets which we have invested deep or increase of contribution from the SBU in terms of a near prime and there. We will target to cover a reasonable portion of that hit what we expect from the NIM. Of course, the pool cannot be covered because there is a larger book sitting there, but to the extent our intent would be to compensate or mitigate a larger part of the hit what is going to be there from the yield or a NIM compression in terms of a declining rate scenario. However, I would just like to call out, we had always called out earlier as well even when we were talking about the interest rate cut scenario was not there. Mortgage is a cyclical business. When the interest rates are up of course the margins expand for a point of time, then the liabilities catch up on the going interest rate scenario while the assets run a bit ahead of a liability. On a downward cycle, it will be a reverse way barring the change of the mix play what as I called out we will try to do. But through a cycle that is where it remains, and that's where our ROEs will remain within the guided range of the medium-term ROE range what we have given with the plus/minus whether interest rate increasing cycle or whether a decreasing rate cycle. Of course in that scenario we'll try to play it a bit different to overmanage so that there is a less of a disruption. So, 10-15 bps on a steady state, but we are confident that we should be able to mitigate a larger part of it through the asset mix change strategy what we are trying to execute. You asked on public shareholding. It's 2.5 years away, Dhaval, to meet a 25% requirement. Of course categorically, I can tell you there is no plan to raise new capital in FY26 because our leverage is 5.1 or 5.2 as of 31st March '25. As a mortgage company, it does not make sense for us to raise money anywhere less than 7.5 kind of a leverage. So, there is no conversation or a thought process around any public issue part. For meeting the guidelines there is a mix of whether it can be a secondary offering from Bajaj Finance shareholders. At the appropriate time, the board of Bajaj Finance will have to take the call to say that how do we need that. But there is no primary conversation which will happen for next at least 1.5-2 years. There's no primary requirement of the capital.

Dhaval: Understood. Atul, very useful. Thanks and all the best.

Moderator: Thank you. The next question comes from the line of Pranuj from JP Morgan. Please go ahead.

Pranuj: Thanks for the opportunity. So, my first question is on your incremental loan sourcing that you're doing. On what basis do you decide whether you have to link it to repo or your PLR, like is it purely based on competition, some customer cohort or on an incremental basis should we see this queue continuing to move towards higher repo linked loan?

Atul Jain: So, this is dependent upon market scenario and also our ability to sell to the customer. So, incrementally you should see more of a PLR because repo it's internal settings, we offer repo asset size only to the extent of a repo liabilities we have to not to carry a interest rate risk in the balance sheet. So, if I have to say if there was a 14,000 crores repo book on the assets side, there's a 16,000 crores book on the liability side for us to not have a mismatch in the interest rate risk side because we can't carry interest rate risk side, we are only a credit risk company which we have to take a credit risk because we are in a lending business, apart from that, we don't want to take an interest rate risk. So, the ability to grow repo book is linked to our ability to grow repo linked liabilities, rest has to be in the internal PLR.

Pranuj: Okay. So, the preference would be for PLR part. I am guessing because of higher competition, it could shift more towards repo also?

Atul Jain: It will be determined by the availability of our repo liabilities rather than the competition, because we will not want to create an interest rate risk in the balance sheet.

Pranuj: Okay, okay, understood. And the 15,000 crores repo linked liabilities will be all bank loans?

Atul Jain: Largely.

Pranuj: Okay. Thanks for that. The second question is on your affordable and near prime SBU unit. So, will the growth over here be purely organic or will you also try to BT out customers from some of the affordable housing companies?

Atul Jain: We are looking at organic growth here. The BT is in this business what we have started as an SBU will not be more than 10% to 12% of the mix. Even now what we are acquiring is 10%-12% of the mix only comes as a balance transfer because we want to look at an organic number and we want to build a purchase transaction mix because we are yet to learn the ropes of the trade in this business as we are going forward and we know from experience that balance transfer is slightly more riskier than the organic purchase which is the monetization versus the investment or a purchase of an asset. So, our focus will largely be on purchase assets here as we grow this business.

Pranuj: Okay. Understood. And what would be the yield as compared to your current on-book yield of 9.7% in the affordable and near prime segment?

Atul Jain: The yield you don't need to compare with the current book because in a home loan to home loan versus a prime home loan to a near prime and affordable book, the difference in yield will be close to 180 bps on acquisition.

Pranuj: Okay. Understood. That's very clear. Thank you. That's it from my side.

Moderator: Thank you. The next question comes from the line of Nischint Chawathe from Kotak Institutional Equities. Please go ahead.

Nischint Chawathe: Yes. Thanks for taking my question. You mentioned about approximately a 10 basis points kind of a hit this year because of the fall in the interest rates. I mean, I was just curious whether this is only for the home loan book or is it kind of doing a math for the entire book, and in that sense, what role can really be played by the change in business?

Atul Jain: You are talking about book stock as of today, so which includes the book stock. That is where we said that the part of it or larger part of it will try to mitigate through the asset mix change as we acquire during the year. Because we are taking the stock on the stock today when we are calling that out.

Nischint Chawathe: And this is not a home loan book, this is the entire book that we're talking?

Atul Jain: Yes, I am talking about stock.

Nischint Chawathe: Yes, I understand, the stock of not home loan, but the entire book?

Atul Jain: Sorry, entire company book stock.

Nischint Chawathe: And on the bank borrowing side of 34,000-odd crores, how much is linked to repo?

Atul Jain: MCLR is close to 23%-24%, balance is either repo or repo equivalent which can be a T-bill or a g-sec where the pass through is as close to repo.

Nischint Chawathe: Got it. And on the disbursement side, how much is linked to repo?

Atul Jain: On the disbursement side, repo in the last quarter would be quite low. I don't have the exact number there, but it would be quite low. Largely if you look at the repo book it would have remained stable versus last quarter to this quarter.

Nischint Chawathe: Got it. Thank you very much and all the best.

Moderator: Thank you. The next question comes from the line of Kayur Asher from PNB MetLife India Insurance. Please go ahead.

Kayur Asher: Yes. Thank you for the opportunity, sir. I am just trying to better understand how do you manage ALM risk in this business? So, just if you could give some flavor on what would be roughly the tenor of the loans that you extend across these product classes of home loans, LAP. And just against that, how are we placed on the borrowing side? Just because I am trying to understand from the deck, I see that close to 50% to 60% of your liabilities are up to 3 year tenor. So, just trying to better understand the ALM risk aspect.

Atul Jain: Asher, the loan tenor what we offer in the various products is different like for a home loan, let us say the tenor can be anything from 15 years to 30 years as well. However, I have to follow that the behavioralized maturity of the home loan is less than 7 to 8 years because the extension of tenor initially is a one conversation, but there is a behavioralized maturity of the book, which is 7 to 8 years, which is largely in line with what is in industry or what we see. And we are largely a prime home loan company, so we see the behaviorialized maturity at close to six to seven years only rather than even eight years scenario. And then the second part of the book which comes in terms of whether it's a developer finance, where we look at a behaviorialized maturity at less than 24 months today. So, there is various parts of the book. At the average behaviorialized maturity of the book is which tenor you extend, on the behavioralized maturity of the liabilities there is various mixes we play. I called out in the earlier answer saying that 12% to 15% of our assets we always do assignment out as a liability mix because that's the perfect match funding. Then it comes 10-year bond which is again a long term which covers more than what we look at for covering of a liability, then the bank loans or the NCDs which are largely between average maturity for three to five years. That is where it is managed. What we look at is our ALM, we don't factor in any kind of a rollover of the liability. That's what you are looking at a cumulative gap or there is a 10% is well lower than If I say that from the regulatory definition permissible because we don't even factor in rollovers available, for the other loans, there is a rollover, because in the mortgage business if I have to take a eight-year liabilities all eight-year liabilities are not available either in the bond market and no rate is advisable to fill the entire bucket through a 10 year bond market. So, the ALM is to be managed by the company actively, which is in like with all mortgage play if I have to say so.

Kayur Asher: Right. Understood. Thanks. This is helpful. Yes, thank you.

Moderator: Thank you. The next question comes from the line of Viral Shah from IIFL Capital. Please go ahead.

Viral Shah: Yes. Thanks for the opportunity for getting me again on the line. Just one last question, Atul, was I was noticing your BSE disclosure. So, there is some 4,000 crores of portfolio that has been bought this year unlike in the previous years. So, what exactly is this, if you can give some color from where we are acquiring this?

Atul Jain: Viral, this is a portfolio what we purchase, this is the assignment of the portfolio from various players which I can't name the players where we purchase the various portfolio as a technically opportunity available from a making a bit of a money. That's the portfolio, which is the purchase, pooling purchasing which is an assignment in, there's an assignment out what we do and there is an assignment in what we do. It's a pure opportunistic bit of a margin expansion strategy.

Viral Shah: Like what yields do this come in, any idea if you can share that?

Atul Jain: It is incremental, it is ROE accretive to the business.

Moderator: Thank you. The next question comes from the line of Shreepal Doshi from Equirus. Please go ahead.

Shreepal Doshi: Hi, sir. Thank you for giving me the opportunity. My question was on the developer finance portfolio. So, I was just checking with the number of projects that we have. So, there is a decline in the incremental projects that we are doing. So, is there some reading with respect to decline in the conversion rates with respect to enquiry to purchase ratio in the real estate sector that you see?

Atul Jain: Shreepal, no, we are not seeing any decline. While there is less launches which is happening in the last six to nine months, which is as per various reports available in the market, there is less launches which is happening, but at our state we have not seen kind of a decline. That absolute number if you're referring on a quarter-on-quarter growth in terms of a number of projects, on a value basis, we have done better, we have done a higher number, it can be that there is number of projects can be lower, but it's not structural in nature. I've not seen that number. At absolute number we have added last quarter 45 projects, this quarter 60 is added. So, I am not sure the number is coming in terms of a decline.

Shreepal Doshi: Number of projects like it is 758, right?

Atul Jain: 798.

Shreepal Doshi: Right, right, right. Are you seeing any trend there with respect to like the decline in the enquiry to conversion rate at a project that we financed?

Atul Jain: No, no, no. You are talking enquiry to conversion of the retail sales or you're talking about conversion of -

Shreepal Doshi: Yes. For the developers.

Atul Jain: While there is a slowdown in sales, that is what if you're referring to the market, the reports in terms of a slowdown of the sales, but you look at the inventory ratio it's the ever lowest in the country today because the launches have declined more than the sales ratio. So, net-net no impact in terms of an inventory because as the inventory is still going down only while the sales are slow, but there is no stock also available proportionately in that.

Shreepal Doshi: Got it. Yes, that was the only question I had. Thank you for answering.

Moderator: Thank you. The next question comes from the line of Raghav Garg from Ambit Capital. Please go ahead.

Raghav Garg: Thanks for the follow up opportunity. Just one question from my side. Needed some clarification to my earlier question. So, when you said 35 basis points reduction in funding cost, you meant that over the next one year, right, so 35 basis points lower on the exit for the run rate for '26. Is that understanding correct?

Atul Jain: No, I meant YoY cost. So, for the year, what was our cost of fund versus next year projected cost of fund. For the year-to-the year, I did not mean exit-to-exit quarter, I meant for the year.

Raghav Garg: Okay. Thank you. That's all.

Moderator: Thank you. Ladies and gentlemen, that concludes the question-and-answer session. I now hand the conference over to Mr. Anuj Singla for his closing comments.

Anuj Singla: Thank you very much Atul sir, any closing remarks from your end?

Atul Jain: Thank you very much, thanks everyone for giving us an opportunity to explain our position. Thank you.

Moderator: Thank you. On behalf of Bajaj Housing Finance Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.