



“Bajaj Housing Finance Limited Q3 FY'26 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to Bajaj Housing Finance Limited Q3 FY'26 Earnings Conference Call hosted by IIFL Capital Services 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 this conference call, please signal an operator by pressing '**' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Viral Shah from IIFL Capital Services. Thank you and over to you, Mr. Shah.

Viral Shah: Thank you, Nirav. Good evening, everyone. This is Viral Shah from IIFL Capital. Welcome to the Q3 FY'26 Earnings Conference Call of Bajaj Housing Finance Limited. On behalf of IIFL Capital, I would like to thank the Management of Bajaj Housing Finance for giving us this opportunity to host the call.

From the management team today, we have Mr. Atul Jain – Managing Director; Mr. Gaurav Kalani – Chief Financial Officer and other Senior Members of the Management Team. We will have opening comments from the Management Team, post which we will open the floor for Q&A.

With that, I would like to transfer the call to Atul for his opening remarks. Over to you, sir.

Atul Jain: Thank you, Viral and IIFL team for hosting today's conference. Good evening to all the participants. Investor Deck for Q3 has been uploaded on our Company's website under the Investor Section and also on both the Stock Exchanges. I hope you had a chance to go through the same. Me and my colleagues are here to first take you past the important features of the deck and then subsequently to answer any questions you have on the deck. I will quickly cover important panels of the Investor Deck.

First, I will start with Panel #3. Overall, a good quarter for AUM and profitability. AUM stood at Rs. 1.33 lakh crore, growing 23% on a YOY basis due to continued good momentum in disbursements during the quarter, which were partially offset by higher attrition. PAT grew 21% with annualized ROA of 2.3% and ROE of 12.3%. Asset quality remained healthy during the quarter with GNPA at 27 bps, NNPA at 11 bps and annualized credit cost of 19 bps. Operating efficiency as well improved during the quarter, leading to OPEX to NTI at 19%. This 19% is

excluding one-time exception item against 19.8% in the same quarter last year. Company's geographical coverage stood at 221 branches across 178 locations. The Company also continues to have comfortable capital adequacy with CAR at 23.15% and PBC for the Company, which is a regulatory criteria, stood at 61.37% from a threshold of 60% as per regulation.

I will move to the next panel:

I have talked about overall AUM growth. Overall AUM addition was Rs. 6,664 crores in Q3 FY'26 compared to Rs. 5,745 crores in Q3 FY'25. AUM growth at product level was Home Loans grew 18%, LAP at 32%, LRD at 39% and developer financing by 18%. Portfolio composition continues to remain well diversified with Home Loan mix at 54.5%, LAP at 10.7%, LRD at sub 22% and DF at 11.6%. Disbursements during the quarter reflected good momentum with growth of 32% on YOY basis from Rs. 12,571 crores in Q3 FY'25 to Rs. 16,545 crores in the quarter gone by.

I am moving to the next panel, which is Panel #5:

Cost of funds improved by 50 bps on YOY basis from 7.9% in Q3 FY'25 to 7.3% in Q3 FY'26. On sequential basis, COF moderated by 5 bps due to policy rate transmission on existing borrowings and also impact of incremental borrowings at lower rates. Borrowing mix continued to remain well diversified with higher composition of money market instruments. Borrowing composition was 52% from money market, 39% from banks and 9% from NHB refinance. Gross spreads overall moderated by 12 bps sequentially from 1.9% in Q2 FY'26 to 1.8% in Q3. This was due to portfolio yield reduction of 17 bps, which got partially offset by 5 bps benefit in COF.

Now, spread for Q2 FY'26 had expanded to 1.9% from 1.8% in Q1 FY'26 and Q4 FY'25 and you will recollect during last quarter we had called out that the margins have expanded due to delayed transmission in part of the portfolio while the cost of funds benefit was up front. So, in that sense, Q3 became as a normalized at a spread of 1.8% which was in line with the previous two quarters before Q2. However, from a YOY basis, this was lower. Net interest margin held at 4% in Q3 FY'26 while remaining flat on sequential as well as on YOY basis. OPEX to NTI, which was covered in initial panel, improved to 19%. Exceptional item was of Rs. 13.1 crore due to one-time impact of gratuity provision pursuant to implementation of Labor Codes.

I will move to Panel #6. Healthy asset quality during the quarter with GNPA 27 bps in Q3 against 26 bps in Q2. NNPA improvement of 1 bps on sequential basis from 12 bps to 11 bps. Credit cost annualized was 19 bps during the quarter compared to 15 bps in Q3 FY'25. However, in Q3 FY'25, we had a one-time overlay release of Rs. 10 crores. Factoring that, the credit cost would have been 20 bps in last year. So, 19 bps versus 20 bps last year. Quarterly PAT has grown 21% from Rs. 548 crores to Rs. 665 crores. Annualized ROA stood at 2.3% against 2.4% last year same quarter. But in line with sequential 2.3% in the previous quarter and ROE at 12.3% compared to 11.5% in Q3 FY'25. Overall net worth of the Company was a bit tad below Rs. 22,000 crore at Rs. 21,838 crore as of 31st Dec '25.

I will now straight jump to Panel #19, which is both a quarterly snapshot as well as a 9-month YTD snapshot. Majority of the quarterly metrics have already been covered on the previous panel. NIM for Q3 FY'25 has grown by 19% to Rs. 963 crore while NTI has grown 24% on YOY basis. This is due to higher assignment income and fees and commission income. Both PBT and PAT has grown by 21%. On a 9-monthly basis, net total income has grown by 24%. Operating expenses increased by 20% and PPOP, which is pre-provision operating profit has grown by 24%. Overall, PAT has grown 20% for 9 months FY'26. OPEX to NTI, on a year-to-year basis up to YTD basis has moderated by 50 bps to 19.9% from 20.4% in 9 months FY'25. Credit cost was 18 bps in 9 months FY'26 against 8 bps in 9 months FY'25 because of an overlay release of Rs. 60 crores in 9 months of last year. Adjusted for that, it is largely flat. ROA was 2.3% and ROE was 12% in 9 months FY'26.

I will move to Panel #21. As discussed earlier, portfolio yield dropped by 17 bps on sequential basis from 9.3% to 9.1%. While cost of fund saw sequential benefit of 5 bps to 7.3%. Thereby, gross spread has contracted by 12 bps to 1.8%, but similar to Q1 and also Q4 of last year level. OPEX to NTI has dropped by 80 bps to 19.8%. NIM flat at 4% on YOY as well as sequential. Asset quality trend and portfolio metrics have already been discussed on previous panel.

I will move to next panel. Well diversified borrowing mix, this is enabled through borrowing relationship with 18 banks and highest possible credit rating of AAA/ stable. In terms of sequential movement in borrowing mix, Bank's borrowing mix has increased by 2.8% while NCD mix has moderated by 70 bps. CP mix has come down by 1.6% and NHB refinance by 40 bps.

Moving to Panel #25. Portfolio mix remains well diversified basis our guided range. On sequential movement, LRD and LAP share has increased by 40 bps each while moderation in Home Loan share by 60 bps and construction finance by 20 bps.

I will move to next panel. Now this is the panel we are introducing for the first time. This is an additional panel. This is giving an update on our SBU which we set up around 1.5 year back for Sambhav loans for near time and affordable to expand both customer segment for the Company as well as enhanced yields for the Company. Now currently this business on close to 18 months of an operation has reached a level of a monthly disbursal run rate of 325 to 350 odd crores. As a company we are targeting Rs. 600 crore plus monthly disbursement run rate in next 12 to 15 months through strategic investments being made in this SBU. Sambhav loan has two parts. What we call as Sambhav loans in SBU has two parts. One is Near Prime and second is Affordable. Under near prime business we target average ticket size of 40 lakhs to 60 lakhs having yield in corridor of 9% to 11% with focus on top 36 markets. For affordable we target average ticket size of 15 lakhs to 35 lakhs with yield ranging between 11% to 13% and operating in deeper geographies of top 36 markets that is the outskirts of the main cities as well as tier 4 and rural locations. In terms of geographical coverage, this business is now operating from 73 urban locations and 72 tier 4/rural locations. Under Sambhav loans, we offer loans for all transactions in home loan which is whether purchase, resale, self-construction and balance

transfer. We have also deploying dedicated teams for separate type of channels in this business, which is intermediary sourcing is B2C teams. At our developer counters we are deploying B2B teams, dedicated B2B teams as well as direct-to-consumer teams and the loan against property teams.

We will move to the Panel #31. Stage-1 assets are moderated by 3 bps on sequential basis to 99.36% in Q3 while stage 2 asset has correspondingly increased by 3 bps to 37 bps while both of them are at same levels as of last year. Now GNPA has inched up by 1 bps to 27 bps from 26 bps of last quarter, but NNPA has improved by 1 bps. Overall the asset quality remains same. Provisioning coverage ratio remains healthy at 58.76%.

I will now move to Panel #33 which is the last panel I would like to cover. Provisioning coverage ratio remained healthy and was higher than 50% across product lines. Home loan GNPA inched up by 2 bps on sequential basis to 34 bps. LAP GNPA improved by 7 bps to 52 bps while GNPA was flat as of Q3 FY'26. Overall NPA improvement by 1 bps including flat NPA in home loan while LAP NNPA has improved by 5 bps to 24 bps.

That's all from my side on quarter update. Happy to take questions now between me and the management team.

Over to you, Viral.

Moderator: Thank you very much. We will now begin with the question-and-answer session. First question is from Abhishek from HSBC. Please go ahead.

Abhishek: Hi Atul. Hi Gaurav. Thanks for taking my question. A few quick ones. One is Tier-1. Why has it declined so sharply? Even if I add back the profits it would be about 70-80 bps. The drop at about 3% QOQ is very sharp. Can you talk about that? Basically this quarter's Tier-1 drop, that's point number 1. Point #2, when you are giving this medium-term outlook on cost to income what is the time frame? Because even if I assume something like 3 years, the OPEX growth will work out to around 9% if the revenue growth is somewhere around 20%. So that looks quite low or is that possible given all the AI intervention etc. that you are doing? So that's question number 2. Question number 3 is if you can share the BT-in and BT-out in home loans for the quarter. That would be very useful. Thanks. I think those were my questions.

Atul Jain: Thanks, Abhishek. First part of the question, Tier-1 decline. That is in November there had been a consolidation of applicable guidelines by Reserve Bank of India when they came out with a consolidated circular. There has been a minor change which we are seeing in that guidelines as they consolidated the guidelines because there was an illustration given for under construction home loans and the developer loans. In the erstwhile guidelines which allows the provisioning for undisbursed tranches of home loans or undisbursed tranches of construction finance for provision of capital only up to the next stage of disbursal. Now while of a consolidation of the guidelines this example has been removed. Now on a conservative basis then we have provided

capital for the entire chunk of undisbursed loans in both home loans as well as the construction finance loans rather than only up to the next tranche available till we have a much more clarity. So that is where you have seen the sharper drop in the Tier-1 for provisioning of entire undisbursed tranches of home loan and construction finance loans in the current quarter. That is where the drop in the Tier-1 you are seeing. Cost to income ratio, time frame...

Abhishek:

Sorry, just to ask a clarification. When will this clarification come from the regulator because this mean that all the incremental disbursements that you do, even in that or the sanctions that you do, undisbursed part will start attract a capital charge, so how do you see a faster capital consumption?

Atul Jain:

This will be, but at the point of a time because this is only applicable on the under construction home loans, we have a reasonable size there. So as the volume grows the buildup of the undisbursed portions will be lower because the older portions keep on getting disbursed. But to the point what you are making, till the point of a time there is a regulatory clarity or the provision, we have to provide for that because the illustration was the basis for providing till the next tranche. But that illustration, with the illustration gone, you have to provide for as the guidelines stand as it is. We have to factor in as a conservative basis and factor in all the entire capital. But we will hope for the regulatory clarity or a question at an early date. But pending that we will continue to provide for entire capital on all new loans also being disbursed. The second part of the question was cost to income ratio. The time frame we take a 3 to 4 year for 14% to 15%. Now, this OPEX growth can be a bit higher because as we will continue to invest what we call in the Sambhav loans next 2 years-3 years we will continue to invest in our Sambhav loan unit much more. Even in fact we will accelerate our investment next year in the Sambhav loans to gain scale much more rapidly in the near prime and affordable space. Now if you look at a year-on-year it has dropped from 20.75% to 19%. Almost a drop of 1.75% over the last 4-5 quarters on a quarter-on-quarter basis at an absolute basis. When you see that this is despite the currently declining interest rate scenario which compresses the margin. So we remain very, our path that we have chalked out the 15%-16%, 14%-15% would be feasible to deliver in next 3-4 year time frame without any extra there. Just the path of growth and the path of movement what we are doing will be sufficient for us to reach that level. On a BT-in and BT-out I will request Gaurav to give you the details. So our BT-in for the last quarter was 16.5% of our total home loan acquisition. BT out on the portfolio is 16.9%. BT-out Gaurav is informing me it is close to 20%. BT-in is 16.5% of home loan acquisition for the last quarter.

Abhishek:

And compared to industry level BT would you have that number also?

Atul Jain:

At a normal basis in BT-in industry used to be 15% of the total home loan disbursal. So we are in line with that but however my own personal assessment is that has gone up in the last 2 quarters specifically because that is an impression or what you can say assessment we have. Basis that data whatever the published data previously will have on the composition of the home loan industry it used to be 15% used to be BT. But my own suspicion is last 2-3 quarters it is

much more elevated because of a rate cut pressure from public sector banks. It is my own assessment of the market.

Abhishek: Quick data point, Sambhav loan, what is the AUM?

Atul Jain: AUM is close to now 5,000 plus odd crores.

Abhishek: Both near prime and affordable put together.

Atul Jain: Yes.

Abhishek: Okay, got it. Thank you and I will come back in the queue for more. Thank you very much.

Moderator: Thank you. Next question is from the line of Shubhranshu Mishra from PhillipCapital. Please go ahead.

Shubhranshu Mishra: Hi Atul, hi Gaurav. Thanks for the opportunity. So just want to understand what is our prepayment rate which would include the BT-out plus there would be foreclosures, there would be people who want top ups and there would be people who would be fighting for rates. So if we can split this into these four broad categories. The second is how many people do we bank on a monthly basis as in the NACH hitting their bank accounts on a monthly basis. The third question is around liabilities. Today what of our borrowings are on floating and what do we think about the cost of funds going forward in the next year. Thanks.

Atul Jain: Hi Shubhranshu. On the prepayment rate, total cumulatively what I called out in the last question is 20%. Now this is a mix of a part payment being done by the customer, the natural attrition what happens and also the BT-out while largely you can take 60%-70% of it as a BT and balance be the natural attrition what the customer does or for 20% kind. So 14%-15% you can take as a BT and 4%-5% would be the natural attrition plus the part payment. On the banking numbers I will check and come back to you by the time because as I remember my mix is close to I think 300,000 odd customers would be there, but I will just validate that. On the fixed and the floating mix if you look at AUM we are at 60% floating and AR floating will be 52% because when we look at the liabilities we look at AUM because there is a balance sheet which is assigned out, so floating is 60% at AUM and around 52% on AR basis.

Shubhranshu Mishra: Just one clarification on this BT-out, so if there are 100 applications which say that, okay I want to transform my files, how many are we able to retain back?

Atul Jain: Roughly 40% of the applications eventually move out in 90 days period.

Shubhranshu Mishra: Okay and this versus the industry in the same ticket segment would be how much?

Atul Jain: There is no industry data which gets published on this basis on the ticket size and on attrition basis where retention or attrition basis, so I will not be able to comment on whether it is high or low, but given that we are in the prime segment, I suspect our attrition rates would be higher than the industry. Our banking numbers are 3.3 lakh, just now we confirmed. I said approximately 300,000, so its 3.3 lakh.

Shubhranshu Mishra: And what do we think of cost of funds in 2027?

Atul Jain: It is a very difficult question if you are asking today because Q4 is very difficult. Vijay is here from treasurer, Vijay?

25-30 bps of a downward revision we are looking at for a full year level is an assessment as of today but given the current whatever has happened in last 30-35 days in the market specifically in the money market side where the money market prices have gone up but we assume that till March from April things should get back to normal.

Shubhranshu Mishra: So you saying 25 bps of cost of funds will reduce despite the G-Sec yield hardening?

Atul Jain: I am saying that the G-Sec yield hardening is we are taking it as a till March phenomena because of the liquidity crunch in the market, from April we expect the market to be normalized because basis today if you look at the money market today, then we are not talking about any savings there but our reasonable estimate is the next year there should be 20-25 bps kind of there because there is a repricing of the existing borrowings also because there is a existing borrowings maturity which were done slightly at a higher rate which will get replaced. Even if the markets don't come back to a very low level, there is some gain which will come from the level what you are currently borrowing, because currently what we are borrowing the incremental borrowings are cheaper than the cost of funds at the book level what we have, even in the current scenario as well. So that's what will give us savings as we go forward.

Shubhranshu Mishra: Understood. Thank you so much. I will come back in the queue. Best of luck.

Moderator: Thank you. Next question is from Abhijit Tibrewal from Motilal Oswal. Please go ahead.

Abhijit Tibrewal: Good evening, sir. Just two questions. Thank you for taking the question. Firstly, if you could just comment a little bit on the competitive intensity, now why I ask this is, this quarter at least based on the commentaries that we have heard until now everyone is talking about a significantly elevated competitive intensity and primarily coming from banks, within banks, PSUs. Now I understand we have been talking about this competitive intensity for the last couple of quarters but just trying to understand, I mean has it got much more pronounced in the last maybe 2-3 months and within that I mean is the competition only pronounced in the prime and super prime segments or are you also starting to see this competitive intensity go up in the near prime and affordable segments? That is my first question. The second one is around the PLR changes that you have done. So if you could just help us understand that last quarter in the month of January

what PLR changes have we done and how are we thinking about any further PLR changes over the next two months of this quarter? And lastly, this quarter we have done slightly higher assignments. So how are we thinking about it? Is there an annual assignment volume that we work with or is it like more opportunistic based on you using it as a liability tool, so whenever opportunities arise you go ahead and do the assignment. Just those three questions.

Atul Jain:

Thanks, Abhijit. So Abhijit first on the competitive intensity we have called out during last quarter as well. We feel the competitive intensity is a feature not a novelty in the market. That is what I stated in Q1 and Q2 as well. So there will be the pressure on the prime side and the super prime because that is a major part of our business will always be high is what we work with a base case assumption. It remains as pronounced as it was and we believe it is likely to remain like that. So our plans factor in a high level of a competitive intensity continuing because there will be at a point of time there will be some banks who will be very aggressive at a point of time there will be other banks who will be very aggressive. Largely competitive intensity from the banks on the pricing side remains on the prime and super prime side. On the near prime or affordable side it is not the pricing intensity but the number of players presence and the number of players wanting to make more space there which is increasing but the pricing intensity is not seen as a competitive manifestation there. On the PLR change we have done a total--So there are various parts of our books. One is a book which is an external benchmark link where it is passed on in line with the benchmark which is close to 10%-12% of our book is linked to repo rate. There the book is passed on the repo rate benefits are passed on as per the external benchmark. On the non-repo rate linked book which is our salaried book in the prime side what we have passed on till now from a rate cut cycle from March is 60 bps. So January I am not clear. February onwards ever since the rate cut cycle in line with each rate cut like this last rate cut which had happened we had passed on in December. So January there is no further rate cut. So 60 bps of a pass through has happened. And we don't see as of now any further pass through in next 60 days whether downward or upward basis the market conditions as of now. That is of course subject to I am assuming there is no rate cut coming in the upcoming MPC.

Abhijit Tibrewal:

Right. So just one follow up based on this the first question the Tier-1 that you explained right why the decline. So I was just trying to understand if my understanding is right. Now what we have done is on the sanctioned amounts as well we have taken a capital charge and till better clarity comes. But the problem here is until now right as an industry we never used to provide on the sanctioned amounts right. While you said that over a course of time those sanctions will convert into disbursements. But until the time clarity emerges people will shy away from giving higher sanctions right. Because that eventually means that even without disbursing you are having to take a capital charge.

Atul Jain:

So this is not linked to that, Abhijit. This is not sanctioned amount. With sanctioned amount in any case you have to factor in some as a part of a credit conversion factor in your disbursal and that's only for a temporary period of 30-60 days which in any case keeps on going on a rotating basis. This is on an under construction home loan or under construction project finance you have disbursed one tranche because you have to disburse first tranche but that the money keeps on

going over a period of 24-36 months in tranches which are linked to the construction. So you have to sanction the full amount, you have to disburse the first tranche because that's how you will disburse the final money. So there is no escape from not sanctioning because you are disbursing then you are providing full.

- Abhijit Tibrewal:** Got it. This is useful. Thank you so much and I wish you and your team the very best.
- Moderator:** Thank you. Next question is from the line of Chirayu Maloo from Kotak Institutional Equities. Please go ahead.
- Chirayu Maloo:** Hi. Thanks for taking my question. Most of my questions are already been answered. I just have one from my end. So can you please share how your NIMs will trend going forward and what will be the impact on margins assuming that long term yields will remain elevated?
- Gaurav Kalani:** Hi, Chirayu. So for the current year we have already guided for NIMs movements and NTI movements etc. So for the year while we had said that we will be able to maintain the NII's in line with last year, NTI at an overall level we are looking at around 15 basis points to 20 basis points of drop there for the entire year. So that's what we had guided at the start of the year.
- Chirayu Maloo:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Viral Shah from IIFL Capital Services. Please go ahead.
- Viral Shah:** Thank you. Atul, I had two questions. One is do you have any say targets with regards to how big the near prime and affordable segment could be, say, maybe 3 years down the line? And secondly, even this 325-350 crores of monthly origination that we are doing in this business, can you let us know what percentage of this is say a fresh origination versus say a BT-in and who would be the typical competitors for us in the market?
- Atul Jain:** So Viral, the target for near prime and affordable can be as large as it is there. Because we are like we said that last year when we started this we said that as we go forward, as we get more confident on the credit performance of the portfolio, we will continue to expand our offerings here as well as our appetite here. So today what we are looking at is in next 1 or 2 years to take the business multiple from where it is there. 12 months where you have already said that next 12 months to 15 months we will be looking to nearly double the kind of a disbursement run rate. There on it is a business which is evolving. Space is large, reasonably large. We will continue to evolve. Next three years we will see ourselves having a significant amount of investments continuing in this business which is near prime and affordable for us to keep on growing. So 36 months from here it will be an investment phase. So you can assume that we will be looking to grow the business significantly aggressively over next 2 to 3 years. On what you ask for a BT mix in this, in this the BT is close to 27% odd to 30% odd in the acquisition what is there. Rest

is the purchase or resale or a plot plus construction P plus C which is an affordable, which is a typical there P plus C, builder or resale. BT-in is 27% odd to 30% odd.

Viral Shah: And Atul, the competitors if you can give some sense over here? From where we are getting this BT?

Atul Jain: The business will get BT from even it can get a BT from a bank as well. So there is no particular person which is targeted because it depends upon the customer need what is getting met. The customer can be looking for a top up which is which was a loan was earlier. Largely if you're if you're looking to see that are the BT-in customers coming more from affordable. No, that is not the case. It is a mix of affordable HFCs to even banks to a prime companies as well where a customer can be coming in. See the yield is between 9% to 11%. That's what we are calling, but the yield in some cases can be even. So yield is not that dramatically different for a customer to be only coming from a deep down the line from an affordable segment. It's a mix of the segment.

Viral Shah: Got it. Thank you.

Moderator: Thank you. Next question is from line of Raghav from Ambit Capital. Please go ahead.

Raghav: Hi. Good evening and thanks for the opportunity. I think you partly answered my question but I should go ahead. You mentioned that you'll be scaling up the affordable home loans where ticket sizes 15 lakhs to 35 lakhs. I think you're also saying that you're targeting some 600 crores of disbursements over the next 12 months to 18 months. My first question is what percentage of the 600 crore target will come from the 15 to 35 lakh segment?

Atul Jain: As of today from what we do it in near prime, if my numbers are correct, I think 35%-40% comes at an aggregate level between 15 lakhs to 35 lakhs. But I'll have to come back to you for the exact numbers because my assessment is close to 125-130 odd crores comes in that segment and balance comes from the higher than 35 which is a near time segment. 35% of 350-odd crore monthly number comes from affordable segment. Balance comes from the near prime segment.

Raghav: Okay. And then your sourcing strategy, so I think you partly answered that, that 27%-30% comes from BT-in which is where you're acquiring from the other affordable HFCs. Is your own sourcing team?

Atul Jain: Even for balance transfer you have to have your own sourcing team because customer will not walk in. But it's a mix of a strategy between balance transfer and the market facing. We have four types of sourcing teams what we are deploying or what we have deployed at a subscale. But finally there is an internal data team, data and digital processing team where the larger business composition is towards the balance transfer. There is a market intermediary focus team. There is a builder counter sourcing team because there is a fresh purchase also of a sub 40 lakhs-sub 45 lakh ticket sizes which is getting done. That is where it is sourcing. Then we have also deployed a dedicated LAP team for this segment as well. So there are four dedicated teams which

have been deployed to procure this business. BT is a mix of a business which comes in largely through the direct channel somewhat also through a market intermediary facing.

Raghav: Understood. And this 35% which is affordable, will this increase or should we assume that this will remain as it is at 35%-40% of the 600 crore disbursement that you are targeting?

Atul Jain: In the short run the percentage should remain the same. But as we go further forward from here the percentage should increase. I will say short run means next 6-12 months you should assume the percentage remaining the similar what we are talking about. But as we go forward from there the percentage would increase towards the affordable. Because that is where as per our plan for next 3 years that is what we are planning.

Raghav: Understood. And any guidance as to what percentage this can increase to from 35% maybe 50% or higher? Is that something that you are planning?

Atul Jain: We will evolve. Next 12 months, 15 months we have answered. We will evolve. It will depend upon how do we experience the customer. We are first time putting up this guidance or the update on the SBU which we settled around 18 months back. Because 18 months back we started. Because we at that time also said that as we gain experience, as we get more comfortable, we will be able to take much more clearer stance and inform. Today 18 months down the line we are much more confident. That is why we are taking a view for next 12-15 months and a bigger longer term view. But the mix will continue to evolve. This is the market opportunities as well as our experience as well as what we want to do. So I will desist from giving a guidance too far forward. That says next 12 months-15 months of a mix guidance is there. Rest we remain available to encash any opportunity available in the market, it is there. So we are not guided by a particular thing.

Raghav: Fair enough. My last question. Based on your assessment so far for the affordable housing finance segment, I am not sure if you have done these calculations. But what percentage of your targeted locations overlap with areas where affordable HFCs are already operating? Is that something that you would have done?

Atul Jain: Markets will be common only, Raghav. There is no differential in the market. The catchment areas of affordable housing will remain same for whether for any other HFC or for us. They are not going to differ significantly that for us. And differ only if we go to let us say multi-year down the line, we are going very very deep geo, then it is there. As of now for us next 2-3 years, we will remain largely wherever most of the companies are there.

Raghav: Maybe if you were to go district wise. Maybe there would be districts where you don't have as many number of affordable HFCs. And some districts where the market is either oversupplied or fairly well supplied. I was just trying to understand some flavor on that.

- Atul Jain:** You have to assume for next 1-2 years, it will be largely the markets where most of the players are available. Because that is how we have started where Top 36 markets outskirts are where all the companies are there, based on where the major part of this volume is coming in and that is likely to be there for next 1-2 years. Like I said, maybe by next year when we give a fresh flavor for 1-2 years down the line, we can give more flavor. But as of now you should assume it is the same market.
- Raghav:** Okay. That is a very clear answer. Thanks a lot.
- Moderator:** Thank you. Next question is from the line of Sucrit Patil from Eyesight Fintrade. Please go ahead.
- Sucrit Patil:** Good evening to the team. I have two questions. My first question to Mr. Jain is, as housing finance market remains competitive, how does the management think about balancing growth opportunities with underwriting disciplines across core products like home loans and LAP? What changes in borrower behavior or portfolio performance would prompt you to become more selective or adjust the growth priority? Any color on how you make these decisions internally? Just want to understand that. That is my first question. I will ask my second question after this. Thank you.
- Atul Jain:** Thanks, Sucrit. If I have understood your question, you are asking on how do we balance risk-return equation across products. That is the spirit behind the question what you are asking. See, we run an active management strategy, active risk management strategy. The products what we do are, now all products have their different roles. Within home loan as well, the prime has a different role and a near prime or a non-prime has a different role. Then affordable has a different role. It is matched by the opportunity, risk emanating from it, costs associated with it and the return. Now at a point of a time, as the management what we look at is, we are a low risk at a broad level. Our strategy construct is we are a low risk company, which is what is reflected in our risk performance over the years as well in the portfolio. So our anchor product remains always a low risk, which is a prime housing as well as a lease-rental discounting. There we always take, there we believe that kind of portfolio what we acquire is above pristine or at a pristine level portfolio, which helps us to maintain our overall risk performance of the company. At a point of a time, if a product is a risk challenge or a return challenge, I am bringing in a question of, you were asking a question from the risk challenge point of view. I am bringing in an aspect of even a return challenge. There can be a relative weight, which shifts from one product line to another product line. But there is no conversation, which will as a management will do, saying that a risk threshold breach is acceptable in a product. There is a risk threshold for each product construct. And each product has a particular role in the overall company construct as a percentage of the company AUM. So that overall at an aggregate level, we can deliver a lower risk and a reasonable return company what we stand for. It was a theoretical question and I think I have given a theoretical answer, but I hope you would have...

- Sucrit Patil:** It's a very good answer. My second question to Mr. Kalani is, along the similar lines only, beyond the reported asset quality and capital metrics, what are the key indicators you track internally, such as customer repayment patterns, portfolio assessment or funding behavior that help you assess credit risk and balance sheet health ahead of what shows up on the numbers. Just want to understand a view on this, how you handle this particular issue.
- Gaurav Kalani:** So predominantly we look at a few metrics internally like bounce rate, how are they moving, stage-wise asset movement, how is it happening, etc. And that's why we also published some of them in the presentation. If you look at the stage 2, which is the early indicator, the first indicator would be the bounce rate, second indicator would be stage 2, and then getting into the stage 3 side. So stage 2, if you look at, has pretty much remained in that 35 bps to 40 bps corridor. That gives us that comfort that overall across the couple of years, recency-wise also, we are pretty much okay on the asset quality side.
- Repayment rates, we have discussed already, Sucrit so, repayment rates over the last 1.5 years have remained high. This year specifically have remained elevated, not just for us at an industry level. Home loans overall, if you see, whatever results have come this quarter also, if you see 18% to 20% is the repayment rate across the industry, which you would see. For us also, it's there in that corridor, around 20% rate. We have been sensing it over the last three quarters and have already factored that in, while we gave our guidance in the Q1, along with the Q1 results.
- Sucrit Patil:** Thank you and best of luck for the next quarter.
- Atul Jain:** Thanks, Sucrit.
- Moderator:** Thank you. Next question is from Omkar Kamtekar from Ascendancy Capital. Please go ahead.
- Omkar Kamtekar:** Thank you for the opportunity. The disbursement growth of 32%, will it translate similarly on the AUM side?
- Atul Jain:** Both are different denominators, Omkar, because the balance sheet denominator is different and the disbursement denominator is different. Then there is a factor of attrition also which comes. So, it would not be the same, it would be different, whether the disbursement base is different and growth in AUM growth. That's why 32% disbursement growth; you are seeing 23% AUM growth. And going forward also, there may or may not be a correlation on both the numbers.
- Omkar Kamtekar:** Not growth, the split. So, 35% of the Rs. 350 crores is affordable. So, is that split also applicable on the AUM? So, how much of the AUM of the 5,000 crores?
- Atul Jain:** Between near prime and affordable, the disbursement would by and large translate into the same split in the AUM growth, because it's a newer portfolio.

Omkar Kamtekar: Understood. And because it's relatively new, so, I think you barely would have any specific data with respect to any credit cost in this particular book or asset quality movements. But overall, what you are seeing, say, 1-2 years down the line, because I think generally in this kind of a book, first delinquency is just coming after, 24 months or down that line. How do you see in that perspective? And how is the count of growth? The volume of growth in your prime, super prime, near prime, affordable, all these four verticals?

Atul Jain: So, Omkar, first question, what you asked on the delinquency metric. Yes, while the delinquency comes later, but the early indicators, which start becoming visible, which is a bounce rate metric, because we are the first round, what we would have booked will be 18 month or 18 MOB. So, we are seeing, we are reasonably confident on seeing the performance. That's what we had called out last year that we first see the early performance because we were new in this business. And basis that that we will take a decision to scale. Now, when we are giving an update in the current quarter, when we have taken a decision to scale it much more rapidly. We feel that that is an indicator thing that our early impact, early reading of all the early metrics is giving us a comfort to rapidly expand this portfolio. The second question I could not understand fully.

Omkar Kamtekar: So, what is the volume growth? So, approximate volume growth, because what I know, looking at some of the results in the space, some were cautious on the volume growth, some were optimistic on the volume growth in the specific segment. So, some of the affordable housing companies were saying they were good. Some of the near prime, they were saying that it's neutral. So, your view on the volume growth in each of the segments, the near prime, affordable, super prime, that way. How is that currently? And where do you see it moving in the, say, 12 months to 18 months? Because even the housing prices index that can be seen on the NHB side, these prices are moving up. So, how do you look at the volume growth in each of these segments?

Atul Jain: So, like we have called out near prime and affordable, we are looking to close to double the run rate in the next 12 months to 15 months. So, in both the segments and if the mix will remain 35-65 only between affordable and near prime, very clearly you can deduce from there, saying that we are highly optimistic of volume growth in near prime and affordable segments as we grow from 12 months to 15 months from here. That's based on because we are newer in this segment and we are in an investment mode phase. That's what gives us the confidence and this is because our size is comparatively lower in the market. As far as the prime segment or the super prime segment is concerned, to a certain extent it is linked to the market disbursement growth as well. But we have been growing our business there. We have kept on making more inroads in these segments over the last 1-1.5 years as we got new home loan leadership team on board, which is led by Jasminder for us for last 18 months. And we remain very confident of our continuing volume growth there as well, while the volume growth there in the prime and super prime segments will, to a certain extent, be linked with the market growth as well. Because there we are not a upstart, we are present in a reasonable level in the market, specifically in the top 6 markets. Their volume growth will be driven more by non-top 6 markets as well as in the top 6 markets, somewhat linked to the market growth. But net-net in all the 4 segments for the short

period, which is next 12 months to 18 months, we remain positively positive and optimistic on the volume growth in all the segments, whether prime, super prime, affordable or near prime.

Omkar Kamtekar: Just one data keeping question and on the ratios. So in this Sambhav housing SBU, you know, what are the sanction ratios or the disbursement ratios? So like if 100 cases come to you, how much would, how much would go to sanction and how much would go to disbursement? Like a waterfall for the, so far, whatever the 18 months that you have seen?

Atul Jain: But at a broad level, 55% to 60% would get sanctioned and out of that 70%-75% would get disbursed. But it will vary between various segments. Near prime can be very different, affordable can be very different. But at a broad level, 55%-60% would get sanctioned out of 100 cases, which are logged in the system and 70%-75% would get disbursed out of the whole case.

Omkar Kamtekar: The cycle size currently is low. So that was great. On the rate, yields, affordable you are saying is 11 to 13. I mean, is this on the lower end or do you think that you can push this higher? Because among the affordable HFCs that are listed, they are at the upper end of this scale that you are saying. And I mean, so do we think that we will be using our benefits and the cost and trying to gain market share by undercutting them? Or this is like a conscious, or this is just an indicative market?

Atul Jain: So, Omkar, the affordable is a very wide market. It starts from 9%-10%, goes up to 16%-17%. So when you see a blended rate of other district players, if you see a 13% rate, it will be a mix of a business starting from 10%, going up to 16%-17%. Now there are various segmentation within the affordable. Since we are new in affordable, we have started the business not very long back. We are right now towards the upper end of the affordable segment, which is a segment, in the segment we operate in, this is the rate what is operated by most of the companies. There is no price positioning to gain market share because the size of the market versus what we are doing is relatively, we are like in affordable, there is a formal segment which is at a better price range. We are more present in the formal segment rather than the informal segment. So segment-wise the price varies. In the same segment, we are more or less in line with all the other affordable players. But we don't operate in technically more down the line or a more different type of collateral assessment because we are yet learning the rope. So at this point of time, for the next 12 months-15 months, we will like to concentrate only on the upper end of the affordable segment. Maybe 12 months-15 months-18 months down the line, we will try to explore that.

Omkar Kamtekar: Fair enough, because I felt that the yield bracket was on the lower side. So maybe we were doing this consciously to scale the book or something.

Atul Jain: We have positioned ourselves towards the formal side rather than the informal side. That is why the acquisition would be.

Moderator: Thank you. Next question is from Kunal Shah from Citigroup. Please go ahead.

- Kunal Shah:** Hi. So most of the questions are answered. Just want to check a couple of things. Firstly, when you look at it in terms of the other income, so is it primarily from the assigned loans or is there something else, maybe 90-odd crores in Q3 and almost like Rs. 133 crores for the 9 months? So is this because the off-book AUM is also going up during the quarter?
- Atul Jain:** So 90 crores for the quarter is largely driven by the income of derecognized loans versus the Q3 FY'25, which was lower. But however, for 9-months comparison, it is almost the same levels of FY'25 to FY'26. Because there is a timing differential. Last year, I think Q1 and Q2 were heavier on the assignment. This year, Q3 was heavier on assignment. So on a year-on-year basis, the assignment income remains almost the same. But on a quarter-on-quarter basis, you are seeing a much more uptick in the current year.
- Kunal Shah:** So in terms of the guidance, what you had suggested that there would be pressure on margins because of the lower reliance on assignment during this particular fiscal, do we see because I think there is a large chunk which is gained during this quarter, so do we expect that to continue even in the 4th Quarter and the impact on margins may not be so high?
- Atul Jain:** There are two parts, Kunal, why we do the assignment. One is the ALM match, which is where the assignment is there. However, we had called out in the Q1 saying that ALM match, not driven by ALM match, but we like to do a lower assignment for the year to leverage the capital position more. However, we had also called out because if there is an opportunity to grow more in the non-home loan segment to maintain our PBC criteria, we will not cap the business in the non-home loan, but then assign out. So for Q3, we had to assign out or we followed the policy strategy of assigning non-home loans more because the home loan growth, as you are seeing from an AUM, was 18% driven by much more higher attrition, but at overall part, we are growing at 23%. Then we would have been in a problem in the PBC criteria, that's why we assigned more in the Q3. For Q4, depending upon the home loan growth versus the non-home loan growth opportunity, that will determine the assignment of strategy, whether we do less or more, will be more driven by a home loan AUM growth versus a non-home loan AUM growth factor.
- Kunal Shah:** Got it. And when we look at NTI for first 9 months compared to last year's first 9 months, my calculation suggests that it's down by hardly like 6 odd basis points and we are still guiding for maybe NIMs expected to moderate by 15 to 20 odd basis points. So what exactly is the number? So if you can just highlight 9 months NIM compared or maybe the NTI which you indicate in the guidance to FY'25 number, then 9 months FY'25 number.
- Gaurav Kalani:** So you are right Kunal, as of now we are trending in 4% corridor over the last 8 quarters, I mean 3.95 to 4% in that corridor. While we had guided for full year 15-20 basis points, looking at the first 2 quarters we had done lesser assignments considering how we see the attrition happening and accordingly we saw first 2 quarters at 24% growth. This quarter we did relatively higher assignment than what we had done in the initial 2 quarters. From here looking at full year, I believe 8-10 basis points of compression would still happen on the NTI level for the full year. I am talking of FY'25 versus FY'26.

- Kunal Shah:** Okay, so it would be 8-10 versus the guidance which was there of 15-20 which has been indicated.
- Gaurav Kalani:** Correct.
- Kunal Shah:** Okay, so we have not revised that actually in the assessment for FY'26.
- Gaurav Kalani:** We will have to see how attrition plays out and also the acquisition. The attrition pressure continues and accordingly as we see the disbursement growth happening and the AUM growth, accordingly we will plan for assignment in the 4th Quarter.
- Kunal Shah:** Got it. But I would say maybe home loans as a category would any ways be growing relatively slower compared to that of LRD, LAP and the other segments. So maybe the reliance on assignment will still continue to be high given this kind of scenario of active competition or maybe you are seeing anything in particular in terms of the sanctions, which is giving you the confidence that maybe still that assignment could continue to be low?
- Atul Jain:** So Kunal, we are hoping for that our home loan teams will disburse far more than what they are disbursing. So they will grow much faster. So that is what we are hoping for but we are ready for a plan B which is if our non-home loan businesses continue to grow at the pace.
- Kunal Shah:** Then we will assign. Okay, got it. That helps. Thank you.
- Moderator:** Thank you. Next question is from the line of Bobby Jay from Prunes Investments. Please go ahead.
- Bobby Jay:** Hello. On Slide #17, you have your medium term growth as 24% to 26% and your FY'26 is 21% to 23%. So what is going to change over the medium term, you think, given that the level of competitive intensity is expected to be high?
- Atul Jain:** Hi, Bobby. We had called out clearly when we gave a guidance for 21%-23% for the current year versus the medium-term growth guidance. The medium term growth guidance had two factors. One, at that point of a time, the basis of disbursements we were growing and the attrition which was there and our own strategy to keep on gaining market share in home loans. The medium term guidance stand because that's what we believe we can deliver in the long run or a medium run. That is also dependent upon that what we said that 12% to 14% kind of an industry growth. Now 21 to 23, we guided lower for the current year because after the rate cut cycle started and specifically towards nearer to June, we saw a significant uptick in the attrition pressure which was led by largely balanced transfer out to banks. Our assessment is as the interest rate cycle gets normalized, which we had earlier estimated to get normalized by December or January of this year because we were not factoring in another cut in November which came. As the interest rate cycle gets stabilized, the attrition pressure will go down and if we continue to maintain our disbursement growth which is subject to industry continue to grow

at 12% to 14% which is the only delta factor what we have in our assessment, we believe we can go back to the medium term guidance what we have given. So that's the mathematics behind the medium term to the current year.

Bobby Jay: The medium term is what, 10 years or 5 years?

Atul Jain: The medium term we take 3 to 4 years.

Bobby Jay: 3-4 years, okay. But you said that the competitive intensity was a feature of the industry, not really something that just happens for one year. So despite that, you think you can grow at this rate?

Atul Jain: Yes, so when I say the feature of the market, yes, competitive pressure in terms of pricing is a feature of the market but the attrition pressure with time when the rate stabilizes. See, one is acquisition which is a feature, acquisition pricing competitiveness which is a feature of the market which is what we factor in will always remain. However, the second factor which is in a declining interest rate scenario which the same factor multiplies by triggering much more attrition. As the interest rate stabilizes, the second factor of a much higher attrition goes off while the acquisition remains a feature. It's not a novelty, it remains a feature. So that's how as the interest rate stabilizes or maybe at a point of a time when they start going up, the attrition pressure comes down significantly while for acquisition pressure remains the same. So right now today we are experiencing both sides. Acquisition pressure in the front end because of a pricing being a feature not a novelty but along with the declining interest rate scenario, it is triggering a much higher attrition pressure on the book.

Bobby Jay: Okay, I understand and what percent of your loans did you disburse through a direct assignment this quarter?

Atul Jain: Direct assignment? We assign out after acquisition. We don't do any co-lending in that sense. We don't disburse in co-lending.

Bobby Jay: Not co-lending, but you directly sold the loans, right? Rather than wait for the loans to mature?

Atul Jain: Yes, so that is assignment is done post acquisition which is largely of a non-home loan total of 3,470 odd quarter loans got assigned out during the quarter.

Bobby Jay: So what percent is that approximately?

Atul Jain: For total balance sheet, this will be close to 2.5%. Total balance sheet is close to 2.5% of Rs. 1,33,000 crore, Rs. 3,500 crores would be 2.6% of the total balance sheet.

Bobby Jay: Okay, that's helpful. Alright, thank you very much.

Moderator: Thank you. Next question is from line of Shubhramshu Mishra from PhillipCapital. Please go ahead.

Shubhramshu Mishra: Hi, thanks for the opportunity again. Two questions. I think there have been a couple of promotions within Bajaj Housing. Can you please introduce the broader team of new business heads now? Second is, how does the Sambhav distribution team or the sourcing team look like? Like how many front end guys, how many credit guys, how many collection guys? If you can spell out that architecture? Great, thank you.

Atul Jain: Shubhramshu, there is no new change which has happened in the organization. The organization, the way it is structured, if you refer to our presentation, which is put up on the, as a part of Investor deck, the Company broadly operates in three verticals. One is the Prime vertical. Prime vertical is headed by Jasvinder. As I called out and he was introduced in earlier calls as well. He used to be with ICICI Mortgages for a long period of time. He leads our entire Prime vertical, whether Home Loan or LAP. The entire support structure, enabling structure of the Prime team works with him to deliver the outcome, what is the volume. His role is volume scale and low risk. That's what he is delivering for the Company. Near Prime and Affordable is the second vertical for the Company, which is what we started as SBU 18 months back. Mr. Pawan Bhansali, leads that vertical. He has been leading the vertical ever since we started setting up this vertical. Again, the enabling functions work with him to deliver this. Third vertical of the company is commercial, which is headed by Vipin Arora, who leads the commercial vertical, which incorporates both Vipin and Dushyant Poddar, who heads our Construction Finance Business, leads as an overall commercial vertical, Lease Rental Discounting and Construction Finance. There are three verticals of the Company at a business level, but there is no recent change in the Company. So I am not sure what you are referring for. If you are referring to LinkedIn, that is part of a normal career progression. After a time, there is somebody who gets upgraded or up there. But no role change or no material role change. We keep on organizing and reorganizing our business. Recently, we reorganized our direct business entirely under one umbrella. But there is no Org. design change, which has happened in the recent past, Shubhramshu. The second part of the question was on terms of a number of people differently in the front-end and in the back-end, I will request Pawan to answer. So collections as of today, because you asked for the DMS also in near-prime, collections, we run a horizontal structure, which is our DMS at a Company-level structure, barring commercial, because commercial runs at the relationship level. Other than that, for front-end?

Pawan Bhansali: For sales team, for Sambhav, we have around 600 odd employees are there.

Atul Jain: So almost close to 900 odd people.

Pawan Bhansali: So that is on front-end, direct including there is 900. And then followed by credit and operations team, which is again 150 odd people are there. And collection, as we said, right now it is horizontal.

Shubhranshu Mishra: Thank you so much.

Moderator: Thank you. Ladies and gentlemen, we will take one last question from the line of Omkar Kamtekar from Ascendancy Capital. Please go ahead.

Omkar Kamtekar: Thank you for the follow-up. Just one statistic. What was the individual housing loan percentage of the total portfolio?

Atul Jain: IHL as per definition of NHB was 50.71%, as of 31st of December.

Omkar Kamtekar: Thank you. That is it.

Moderator: Thank you very much and now I hand the conference over to Mr. Viral Shah for closing comments.

Viral Shah: Thank you, Atul, Gaurav and Bajaj housing team. Atul, do you want to make any closing comments?

Atul Jain: Viral, we only wish to extend our thanks to all the participants for listening to us on the call.

Viral Shah: Thank you.

Moderator: Thank you very much. On behalf of IIFL Capital Services Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.