Home First Finance

Operator: Q2 FY27 earnings conference call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star and then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sunil Angara, Head of Treasury and Investor Relations of Home First Finance Company India Limited. Thank you, and over to you, sir.

Sunil Angara – Head Treasury and Investor Relations: Thank you, Iqra. Good evening, everyone, and welcome to Home First Finance Company's earnings conference call for the quarter ended September 30, 2026. Our investor presentation, press release, and historical Excel fact sheet are available on our website. The presentation and press release are also available on the stock exchanges. We hope you have had the chance to go through them. Joining us today are Mr. Manoj Viswanathan, MD and CEO; Mr. Ajay Khetan, Deputy CEO and CBO; and Ms. Rinku Somani, CFO. I now invite Manoj to take you through our performance and outlook. Over to you, sir.

Manoj Viswanathan – MD & CEO: Thank you, Sunil. Good evening, everyone. Before we begin, I would like to welcome Ms. Rinku Somani, our new CFO, to Home First, and we look forward to her contributions to the company's continuing growth and success.

With that, let me turn to our performance for the quarter. Home First's second-quarter performance reflects our focus on growing the franchise while strengthening earnings capacity. AUM increased by 27% year-on-year, while profit after tax grew by 29.1%. This growth was accompanied by stable early delinquency indicators, an improvement in gross Stage 3, and lower operating cost ratios.

At the end of September 2026, AUM stood at 18,010 crores, up 27% year-on-year and 6.3% sequentially. Quarterly disbursement reached 1,705 crores, an increase of 32.2% year-on-year and 4.7% sequentially. This expansion in the business translated to profit after tax of 170 crores, a growth of 29.1% year-on-year and 6.5% sequentially, supported by a 31.9% growth in net interest income and improved operating efficiency. Return on assets remained healthy at 4.2%, while return on equity improved by 40 basis points to 14.9%.

The relationship between growth, portfolio quality, and profitability is central to how we assess our performance. I will take you through each one of these, along with the investments and funding capacity supporting the next phase of growth.

We continue to build distribution capacity during the quarter, adding six branches and taking our network to 181 branches and 379 touchpoints. As the network expands, our focus remains on combining customer reach with branch productivity and disciplined execution. Individual housing loans accounted for 84% of the portfolio, while origination yield, excluding co-lending, was 13%.

Our key markets of Maharashtra, Gujarat, and Madhya Pradesh continue to deliver strong growth compared to the previous year's first half, while maintaining healthy portfolio quality. Uttar Pradesh, Rajasthan, NCR, and Karnataka recorded strong year-on-year growth. Tamil Nadu, which was marginally down on a year-on-year basis in H1, returned to growth with a 12% increase in Q2, reflecting early signs of a strengthened team. Overall, disbursement grew 32% year-on-year in H1 and 5% quarter-on-quarter in Q2. Overall, the network remains well-positioned to drive profitable

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growth while maintaining a strong focus on portfolio quality.

Portfolio growth continued to be accompanied by stable asset quality. Both early delinquency indicators were unchanged sequentially, with 1-day past due at 4.7% and 30+ at 3.2%. Stage 3 improved by 10 basis points sequentially to 1.7%. Credit cost for the quarter was 40 basis points. Stage 3 provision coverage was 23.6% at the end of September. We also continued to hold management overlays above ECL requirements. Including these overlays, total provision coverage for Stage 3 was 46.4% as of September 2026.

As the portfolio scales, preserving underwriting standards and collection discipline remains a priority. The combination of stable early delinquencies, lower gross Stage 3, and contained credit costs provides an economic context for this quarter's growth.

On technology and productivity, technology remains a key differentiator for Home First. It is lifting productivity, sharpening underwriting, and supporting scalable growth. Our digital-first foundation and structured data have prepared us well to apply AI across the lending life cycle.

Four in-house-developed capabilities are live today. Q Records records and analyzes 95% of customer calls. Clarify prepares a single case summary for underwriters on 100% of the loan files. BankLens turns a bank statement into a cash-flow view in about a minute, and DocHQ reads all documents that form the basis for underwriting and other operational activities. Together, they are shortening turnaround times and lowering document-handling costs, while every credit decision stays with our underwriters. Over the next 18 months, we will move from these point solutions to one shared data and execution platform, and extend AI into sourcing, collections, and servicing cases.

Let me now take you through the financial performance for the quarter. With respect to income yields and margin, total income for the quarter stood at 567 crores, registering growth of 18.4% year-on-year and 5% sequentially. Both portfolio yields excluding co-lending and disbursement yield stood at 13%, reflecting consistency in pricing discipline and quality customer acquisition.

On the liabilities side, our cost of borrowing remained at about 7.8%, while the incremental borrowing cost remained at 7.5%. Consequently, our spread excluding co-lending remained healthy at 5.2%, while net interest margin remained at 6%.

Moving to operating efficiency and profitability, our cost-to-income ratio improved to 30.8% compared to 32.7% in the preceding quarter, reflecting continued improvement in operating productivity as we scale our business. Operating cost to assets stood at 2.6% compared to 2.8% in the previous quarter. Pre-provision operating profit grew by 26.1% year-on-year to 238 crores, reflecting the operating leverage of our business model as the portfolio scales. PAT increased to 170 crores, registering growth of 29.1% year-on-year and 6.5% sequentially. ROA stood at 4.2% and ROE improved to 14.9%. Overall, we continue to focus on improving operating efficiency while investing in the capabilities required to support our next phase of growth.

Moving to provisions and asset quality, credit cost remained contained at 40 basis points. Provision coverage on Stage 3 assets stood at 23.6%. In addition to provisions required under the ECL framework, we continued to maintain management overlays. Including these overlays, our total

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provision coverage for Stage 3 stood at 46.4% as of September 2026, providing an additional cushion against potential risk.

Coming to the funding profile, our diversified funding base continues to support our growth. As of September 2026, private and public sector banks accounted for 58% of our funding, while NHB contributed 14%. Assignment and co-lending accounted for 20%, with the balance coming from NCDs, ECBs, and the NHB scheme.

During this quarter, we executed direct assignment transactions of 281 crores. Co-lending disbursements stood at 1.28 crores during the quarter, taking the co-lending portfolio to 593 crores, or 3.3% of AUM. Along with partners, we are strengthening the infrastructure and operational capabilities to unlock the full potential of the co-lending channel, enabling wider customer reach, capital-efficient growth, and enhanced operating productivity.

Coming to capital adequacy, our capital position provides capacity to support the business as it expands. Capital to risk-weighted assets was 39.8%, with Tier 1 capital at 39.4%, compared to 42.6% and 42.2% at the end of June. Net worth stood at 4,065 crores, and book value per share was 446 as of September. Our capital position continues to provide a strong foundation for pursuing our growth plans.

We certified a further 100 homes in our Green Homes initiative during the quarter, taking the cumulative number of certified homes to 650. Home First also received the ESG and Financial Inclusion Award in the NBFC category at ASSOCHAM's 21st Annual Summit and Awards for Banking and Financial Sector Companies.

Looking ahead, our focus is on converting the capacity we are building into sustained portfolio growth and earnings. This means maintaining underwriting and collection discipline as we expand, managing margins through asset pricing and funding decisions, and improving productivity while continuing to invest in the franchise.

As we progress on our growth journey, our priorities remain clear: delivering consistent, profitable, and risk-calibrated growth while strengthening our franchise and creating sustainable long-term value for our stakeholders.

Lastly, I would like to reiterate what I stated during our January 2026 earnings call: I remain fully committed to Home First and its long-term future. My current term as CEO extends until July 2028, and I intend to remain available for reappointment beyond that, subject to the requisite approvals. My priority continues to be execution on our strategic objectives and creating sustainable long-term value for our shareholders. With that, we will be happy to take your questions.

Operator: Thank you very much, sir. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and 1 on their touch-tone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Jaideep from ICICI Securities Limited. Please go ahead.

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Jaideep – ICICI Securities: Hi, sir. Congratulations on a good set of numbers. Just two things. First, on our Madhya Pradesh and Gujarat exposure, many lenders have highlighted that some districts in Madhya Pradesh and Gujarat have been affected by drought. I wanted to understand our exposure in these drought-declared areas, and also how you see disbursement and asset quality developing, particularly in these areas.

Manoj Viswanathan – MD & CEO: Asset quality in Gujarat and Madhya Pradesh has been fairly consistent and very good compared to our national numbers. As far as the drought-related issue is concerned, our business is largely serving customers in the manufacturing and service-related segments. Our customers do not have too much of an overhang, involvement, or dependence on the agricultural sector. Therefore, things such as drought or monsoon do not have much of an impact on the repayment track of our customers. That is what we have seen over the last several years. We do not see any significant impact of the drought on our customer segments.

Jaideep – ICICI Securities: I understand the quality aspect, but on the disbursement front, would you want to tighten the credit filter for some time in those areas? In that case, do you see any impact on the disbursement trajectory going into the second half?

Manoj Viswanathan – MD & CEO: On credit filters, it is ultimately an individualized approach. Each customer goes through the filters, and we take a customized call on each customer. Obviously, if we find any customer who has, let us say, involvement in the agricultural sector or any dependence on it, then we will take an appropriate call. As of now, we are not seeing anything of that sort.

Jaideep – ICICI Securities: One last clarification: while calculating FOIR, do we consider agricultural income for any customer, or do we simply give no weightage to agricultural income?

Manoj Viswanathan – MD & CEO: That would be very rare because we do not get customers from that segment. Mostly, our customers are people who have left their villages or small towns and gone to larger cities for employment. We do not find such customers.

Jaideep – ICICI Securities: And second, talking about the spread, since we are now entering a rising-rate cycle and we have already seen peer players raising their PLR, is it fair to assume that spreads have bottomed out and that we will see an upward trajectory from here?

Manoj Viswanathan – MD & CEO: We are running a fully floating-rate book, and we are committed to maintaining a 5% to 5.20% spread, which is what we have always articulated. If the borrowing cost goes up, we will eventually pass it on to the customer. Ultimately, we have to maintain that 5% to 5.20% spread.

Jaideep – ICICI Securities: We are confident of maintaining a 5.2% spread. Do you foresee any upside risk to that spread? Historically, we have also operated at a 5.5% spread. I wanted to understand whether a rising-rate cycle could give us an opportunity to pass on a higher rate to the customer. In that case, do you feel there is upside risk to our spread in a rising-rate cycle?

Manoj Viswanathan – MD & CEO: No. At 5.5% or higher, there was only a short phase after COVID when we were getting that kind of spread because of a sharp decrease in borrowing costs during that period. After that, and even while we were enjoying those spreads, we always used to articulate

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that this was not sustainable and that we would be closer to 5% to 5.25%. That is what we continue to maintain: that we will be able to maintain this [trails off]

Jaideep – ICICI Securities: This is very helpful. Thank you, and best of luck.

Manoj Viswanathan – MD & CEO: Thank you.

Operator: Thank you. The next question is from the line of Shreepal Doshi from Equirus Securities. Please go ahead.

Shreepal Doshi – Equirus Securities: Hi, sir. Congratulations on a good set of numbers. My question was on the PLR increase. We have not taken any hike as yet, while systemic rates have gone up. When do you plan to take that, and with respect to margins also, there was some marginal decline this quarter. Overall, where do you see margins stabilizing for the full year?

Manoj Viswanathan – MD & CEO: Again, our commitment is to maintain 5% to 5.25% margin spreads on each loan. Right now, we have not taken any PLR increase because our borrowing cost has also not moved up after the repo rate change. As and when the borrowing cost transmission happens, we will take up the rate. The new RBI draft guidelines have been issued on how the rates need to be set and when we can reprice customers. Broadly, we will follow that framework.

The spirit of the guideline is that when the borrowing cost moves up, we should be able to transmit it to the customers. That is how we will proceed.

Shreepal Doshi – Equirus Securities: Even with the 25-basis-point increase by the RBI right now, and if there is another 25-basis-point increase in December, what cost-of-funds increase should we expect for the full year? Could you provide some colour on that?

Manoj Viswanathan – MD & CEO: Generally, we have about 20% to 30% direct exposure to externally benchmark-linked rates. Whenever there is a policy-rate change, we immediately get a transmission of, probably, 25 basis points eventually translating into about 10 basis points of borrowing-cost movement for us. The cumulative 50-basis-point change you are talking about will eventually lead to perhaps 20 basis points of transmission over a 3- to 6-month period. As and when that happens, we will reprice the customers.

Shreepal Doshi – Equirus Securities: My second question was on the insurance distribution fee-related draft circular. It contributes to our P&L in a meaningful way. How do you see that impacting us, and what levers do we have?

Manoj Viswanathan – MD & CEO: The final impact on our PAT or ROA is about 35 basis points. We have to make up the 35 basis points. We are hopeful that out of those 35 basis points, about 10 basis points will eventually come back because we have the concession from the insurance authorities. Eventually, we will have to make up about 20 basis points.

We have multiple levers to make up the 20 basis points. As you know, we have a low share of loan against property in our books. That is one lever at our disposal through which we can increase the share of LAP. We can increase the share of assignment to get some additional income. The balance can be made up through a slight change in pricing or a slight change in the fee. It should not be

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difficult to make up 20 basis points; that is how we are looking at it.

Shreepal Doshi – Equirus Securities: Thank you so much for answering my questions, and good luck for the future.

Operator: Thank you. The next question is from the line of Rajiv Mehta from YES Securities. Please go ahead.

Rajiv Mehta – YES Securities: Good evening. Congratulations on the good numbers. My first question is on the growth and the execution rhythm that we are now demonstrating. Are we confident that we will maintain this execution rhythm in the coming quarters? We do not seem to be seeing any demand or asset quality issues at this point in time.

Manoj Viswanathan – MD & CEO: I think there was a set of issues that we were going through last year, and all of those were addressed. Over the last 3 quarters, we have been experiencing very good momentum and very good stability in the teams across the various regions. We are looking to capitalize on that and continue this momentum. We do not see any risk in the numbers that we are discussing.

Rajiv Mehta – YES Securities: Consequently, regarding this ROE improvement trajectory that we have also been delivering, approximately 20 to 30 basis points every quarter, given that credit cost should remain stable in your assessment of asset quality, will the ROE improvement also come through consistently every quarter?

Manoj Viswanathan – MD & CEO: ROE improvement of—

Rajiv Mehta – YES Securities: 20 to 30 basis points per quarter? Or is there a target for exit ROE for next year's fourth quarter, say FY28 exit ROE? Are we looking at a 16% to 16.5% kind of number?

Manoj Viswanathan – MD & CEO: This quarter, we had a 40-basis-point improvement in the ROE numbers, but broadly, the ROE that we are targeting is that we were targeting an exit ROE of 15% this year, in Q4. Looking at the current numbers, it appears that there should be an improvement on that. Next year, in March, which is FY28, we are looking to exit at 16% ROE. Looking at the current momentum, it appears that we can probably exceed those numbers, but our target is a 15% exit ROE for this year and a 16% exit ROE for next year.

Rajiv Mehta – YES Securities: When I look at your portfolio yields, they have been stable at 13%, despite the fact that the mix in the book is shifting more toward loans above 25 lakh. This means that from an origination point of view, you have done more business in the relatively higher-ticket-size segment, but your origination yield has not declined. Are we able to get good yields even in the relatively higher-ticket segment because of the assessed income profile of the customer, and hence there is no dilution in the incremental yield?

Manoj Viswanathan – MD & CEO: Yes, you are absolutely right. This is what we have also been trying to convey for some time. The borrower profile remains the same, and borrowers' incomes have increased over time. Because their challenges in getting a loan remain the same, we are also able to get good yields from that segment. The compression in yield in the 25 lakh-plus segment compared to the below-25-lakh segment is very marginal. It is not insignificant.

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Rajiv Mehta – YES Securities: Why did our book yield fall by 10 basis points this quarter? The incremental yield is still at 13%, and the book yield was 13% in the previous quarter, but we still saw a drop of 10 basis points. If I were to consider that along with your BT also remaining low at 4% to 4.5%, did we reprice some of the loans to control the BT number?

Manoj Viswanathan – MD & CEO: No, it is not like that. There was a phase when rates were expected to go down, so we also passed on that rate to our new customers. Some of that is impacting the book now. It is just a quarter-on-quarter fluctuation, nothing more to read into it.

Rajiv Mehta – YES Securities: Got it. Thank you. That's it from [cut off]

Operator: Thank you. The next question is from the line of Chintan Shah from Citigroup. Please go ahead.

Chintan Shah – Citigroup: Hi, sir. This is Kunal over here. I have a couple of questions. Firstly, on LAP, when we look at it overall in terms of the proportion and the growth, it has been lagging overall AUM growth, now at approximately 22% and closer to 15% of AUM. How should we view it going forward? In terms of the stance on LAP, are we now comfortable with the environment and ready to start growing, or will we keep it measured at approximately 15% of AUM?

Manoj Viswanathan – MD & CEO: Our broad guardrails, as agreed by the company, are that 80% will be housing and the remaining 20% can be allocated to other products. LAP will remain within that 20%. As of now, it is growing at a slightly slower pace, but the broad guardrails are 80% and 20%. We will remain within that.

Chintan Shah – Citigroup: The only reason I ask is that asset quality is also broadly stabilizing. This time, we saw 1+ DPD and overall GS3 being managed quite well. Would that give you much more confidence in resuming growth in LAP, or will growth still be driven by home loans?

Manoj Viswanathan – MD & CEO: We want to remain strongly committed to home-loan growth, which is reflected in the stronger growth in home loans. We do keep LAP as an advantage or headroom that we have. We can increase it by another 5%. An increase of 5% in LAP can give us perhaps a spread increase of 6 to 7 basis points. That is something we are keeping as an advantage that we can [cut off]

Chintan Shah – Citigroup: Especially in a rising-interest-rate environment, that could help support margins. Would now be the time to use that headroom, or would we still want to wait and see?

Manoj Viswanathan – MD & CEO: We are still not seeing any pressure. We are able to originate housing at very good rates, so there is no need to use the headroom in LAP. We can keep it for a later date.

Chintan Shah – Citigroup: Secondly, on opex, there was a decent decline in the opex ratios this time, both cost-to-income and cost-to-assets. Is there any one-off in this, or did Q1 have a higher base, while we also saw some optimization in general? Is there further scope to optimize opex as we pick up growth? We are at approximately 27% now, and if it sustains or improves from current levels, should we see further levers on opex, or will it continue at a similar level?

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Manoj Viswanathan – MD & CEO: On opex again, our commitment is to reduce it by 10 basis points every year. We would like to bring opex to assets down by 10 basis points year-on-year. That is what we are working toward. This year, we are on track for that number, but we will continue to work on it.

Chintan Shah – Citigroup: One last data point: regarding the increase in the bounce rate in October, is there anything to read into this? Is it more because we are entering the festive period, when we generally see some deferment leading to higher bounce rates in October compared to September, and should it stabilize as we move toward December?

Manoj Viswanathan – MD & CEO: The bounce-rate figure is also a function of which day the 4th of the month falls on. If it is a Saturday or Sunday, the bounce rate is slightly higher. If you see last October, the bounce rate was actually higher than this October. In that sense, we are not anxious about that number. It definitely seems to be better than last year's number.

Chintan Shah – Citigroup: Got it. Perfect. Thanks, and all the best.

Operator: Thank you. Ladies and gentlemen, to ensure that management is able to address questions from all participants in the conference, please limit your questions to two per participant. Should you have a follow-up question, please rejoin the queue. We will take our next question from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

Abhijit Tibrewal – Motilal Oswal: Good evening, and thank you for taking my question. Manoj, I am trying to understand the momentum, which has been really good over the last couple of quarters, especially in terms of originations. Growth has been tracking slightly higher than what we had perhaps targeted at the beginning of the year. Would you like to comment on the changes we have made in the team? Are those things now moving in the right direction?

If I look at our AUM mix based on the geographical mix, except perhaps Tamil Nadu, where loan growth and AUM growth continue to lag, all other states have started doing very well. Could you comment on that first?

Manoj Viswanathan – MD & CEO: It is a reflection of the stability in the teams that we have in most of the states. Whatever we had put in place over the last 12 to 18 months is bearing fruit. We have stronger teams in each of these states, and that is leading to good growth.

Even in Tamil Nadu, we had mentioned that the teams are now in place and that over the next 2 quarters we should start seeing a reversal of the trend and growth coming back. There are some early signals, and in Q3 and Q4 it should become further strengthened. It is a reflection of overall stability in the team and slightly lower attrition that we are currently experiencing, along with all of these factors.

Abhijit Tibrewal – Motilal Oswal: Is there anything specific in Tamil Nadu where you are working on the team and expect things to improve, or are there other reasons in Tamil Nadu that are not allowing us to grow in line with the other states?

Manoj Viswanathan – MD & CEO: In Tamil Nadu, the teams are now in place. Last year, there were a couple of regions where there was no leadership, but this leadership has been put in place. Across

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the state, we now have a fairly stable team that is working toward improving and undertaking originations.

Abhijit Tibrewal – Motilal Oswal: Lastly, Manoj, toward the end of your opening remarks, you again clarified that your tenure [cut off]

Abhijit Tibrewal – Motilal Oswal: is until 2028 and that you will be available for reappointment. I am trying to understand this because it keeps coming back to us time and again, although I remember that you had clarified it earlier and clarified it again today. Are there conversations about you taking up a role that is more strategic in nature at the board level, with someone else taking up a more operationally intensive role? Are such conversations taking place, or is what we keep hearing something we can safely ignore?

Management: There is no such conversation going on. For several years, the execution between myself and Ajay has been handled by us. There has been absolutely no change in our method of working. There is no such conversation going on anywhere.

Abhijit Tibrewal – Motilal Oswal: This is useful. Thanks so much, and I wish you and your team the very best.

Operator: Thank you. The next question is from the line of Jignesh Jain from Investec. Please go ahead.

Jignesh Jain – Investec: Thanks for the opportunity, sir. My first question is on the branch-addition plan for this year and next year. What are our plans to add branches this year and next year?

Management: We normally add branches at a run rate of about 20 to 25 branches a year, so broadly at the same pace. At the moment, we have added about 10 this year. Approximately 10 to 15 will be added in the next 2 quarters.

Jignesh Jain – Investec: Next year, we also plan to scale up Uttar Pradesh as a state, right? Are those plans on track?

Management: Yes, the plans are on track. In Uttar Pradesh, we are again strengthening the team. We are on track to take Uttar Pradesh to the next level in terms of growth.

Jignesh Jain – Investec: Lastly, what is the count of active connectors for the quarter?

Management: It is about 4,400.

Jignesh Jain – Investec: 4,400?

Management: Yes, about 4,400.

Jignesh Jain – Investec: Thank you. That's it from my side.

Operator: Thank you. The next question is from the line of Adyot Pal from MSA Capital Partners. Please go ahead.

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Adyot Pal – MSA Capital Partners: Am I audible?

Management: Yes.

Adyot Pal – MSA Capital Partners: Thank you very much for the opportunity. Great set of results, and congratulations to the team. I wanted to elaborate on what Abhijit asked a few questions ago. When I look at growth excluding the South, all our geographies are growing above 25% year-on-year. When I look at the southern markets, including Tamil Nadu, Andhra Pradesh, and Telangana, all of them, other than Karnataka, are growing in the mid-teens, while Tamil Nadu is growing at single digits, which you have already addressed.

Is there any specific geography-related issue in the southern market today? Is it because of higher competition or an internal credit call?

Management: No, it is not that. Southern markets are slightly different in the sense that they are largely self-construction-driven markets, so the dynamics are a little different. Having said that, there is no other characteristic that is significantly different there and would lead to lower growth. There is nothing of that sort.

Since it is a self-construction market, it takes a little more time to gain momentum because construction is done in stages and disbursement happens in stages. You cannot turn it around quickly. Even once the turnaround starts, it takes a couple of quarters to begin giving the benefit. In other markets, it is faster because if there are more apartment-driven loans, the sale is quick and disbursement is also quick. That is one of the basic differences; otherwise, there is nothing else.

Adyot Pal – MSA Capital Partners: If all these geographies had also grown, the growth you reported would have been much larger. If Tamil Nadu starts growing and the other 2 geographies, Andhra Pradesh and Telangana, also start growing, can we say that we can post better growth in the upcoming quarters?

Management: If everything goes well, obviously growth will become better. But that is the nature of a diverse country in which we are operating across multiple states. There is always drought in some places and rain in some places. Those things keep happening. There are phases when everything goes well everywhere and growth is excellent, as we are experiencing now. But there are always some ups and downs. That is why, broadly at the portfolio level, we are saying that 25% growth is something we are comfortable with.

Adyot Pal – MSA Capital Partners: Understood. Wishing you and the team all the very best. Thank you very much for taking all my questions.

Operator: Thank you. The next question is from the line of Paresh Choudhary from Valent Advisors PMS. Please go ahead.

Paresh Choudhary – Valent Advisors PMS: As you mentioned previously in the call, growth has been fairly broad-based. I wanted some colour on the fact that we have closed a couple of branches in Rajasthan and also exited a district. Could you provide some colour on that?

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Management: These kinds of changes keep happening. There are places where, due to slow growth or because we did not meet our expectations in terms of the pace of growth, certain branches do not pick up, so we end up closing them. This is business as usual for us. Every year, there are 1 or 2 branches where we believe they are not meeting our expectations, so we close them.

Paresh Choudhary – Valent Advisors PMS: Secondly, on the PCR coverage of Stage 3, there has been a slight uptick. How should I read into it?

Management: When we keep updating our numbers for the probability of default and expected credit loss for various cohorts, there is movement from quarter to quarter. This is simply a reflection of that.

Paresh Choudhary – Valent Advisors PMS: If you could provide the breakup of apartments as a percentage of AUM, which you previously used to provide, that would be helpful.

Management: Apartments, including row houses that are also developer-led, would be around 30% of our portfolio. It is a combination of apartments and row houses.

Paresh Choudhary – Valent Advisors PMS: And self-construction and only plots?

Management: Self-construction would also be 30%.

Paresh Choudhary – Valent Advisors PMS: And only plots?

Management: Only plots are very small, perhaps 1% or 2%.

Paresh Choudhary – Valent Advisors PMS: Could you help me with one more number, DPD 90?

Management: Sorry?

Paresh Choudhary – Valent Advisors PMS: DPD 90.

Management: As in?

Paresh Choudhary – Valent Advisors PMS: Stage 3, 90 as a percentage of AUM.

Management: That is 1.7%. Stage 3, correct? Stage 3 GNPA. GNPA is 1.7%. That is the reported number in the investor presentation.

Paresh Choudhary – Valent Advisors PMS: That's it from my side. Thank you.

Operator: Thank you. The next question is from the line of Sonal Gandhi from Asian Market Securities. Please go ahead.

Sonal Gandhi – Asian Market Securities: Thank you for taking my question. I have 2 questions. One is on the co-lending transactions. If I look at the number of transactions you have done for the quarter, it is just 1.8 crores versus 46 crores last quarter. We were expecting this number to pick up. What exactly is happening on the co-lending side, and how do we see this number moving ahead?

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Second, I am not sure because my line was a bit patchy previously, so this may already have been covered. If I look at your employee cost, it is down about 7% on a quarter-on-quarter basis. When I look at disbursements, they are up 5% on a quarter-on-quarter basis. How do we see the sustainability of this cost-to-income or opex-to-assets number? Your disbursements are growing, but your employee cost is coming down, especially given that attrition has been so high in the past. What number should we look at in the second half of this year, and why is employee cost so low this quarter?

Management: To address the co-lending issue first, co-lending transactions were quite low this quarter. In the last call, we had also stated that we were working through a set of new guidelines issued by the RBI, and we were working with our partners to implement them. That took us more time than anticipated, and hence the transactions did not go through this quarter. We are now almost at the stage where these issues are being addressed. We should definitely see an uptick in co-lending numbers in Q3.

As far as employee cost is concerned, generally during Q2 and Q3 there is a lull in terms of new joiners or new employees joining. That is why you are seeing those numbers. There is a large batch of employees who join in Q1, and then the cost goes up somewhat. After that, it stabilizes for a couple of quarters. Then again, in Q4 and Q1, the next batch joins. That is the cycle because we hire from campuses, so we follow a campus-hiring cycle. That is the reason for those fluctuations.

On the cost side, as I mentioned, this year we are looking to deliver 2.6% opex-to-assets. Broadly, we are committed to a 10-basis-point reduction on a year-on-year basis.

Sonal Gandhi – Asian Market Securities: Thank you.

Operator: Thank you. The next question is from the line of Gaurav Purohit from Systematix Group. Please go ahead.

Gaurav Purohit – Systematix Group: Thank you for taking my question. My first question is on top-up contribution. Of the approximately 1,700 crores of disbursement in Q2, how much is coming from top-ups? If you can share how this contribution has trended over the last 3 or 4 quarters, that would be very helpful.

My second question is a data-keeping question. If you can share with us the average ticket size of disbursement in Q2.

The third is a more strategic question. BT outflows have declined materially over the last 2 quarters. Do you see this as a structural trend, and do you think it is sustainable around the 4% mark? Customer persuasion must be a significant factor in bringing this down materially. What has changed in the last 2 quarters that has enabled us to manage this at approximately this level, while in the past it had been slightly elevated?

Management: Top-up numbers are broadly in the range of 2% to 3% of our disbursements. That is broadly the range of top-ups.

As far as balance transfers are concerned, we have been saying for the last 2 quarters that we have put in place a set of measures and initiatives to reduce this outflow, and some of those measures

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are yielding benefits. Having said that, the reduction is very marginal. We used to be at about 5% to 6%, and we have brought it down to about 4.5%. We do not want to read too much into it at this point. Broadly, we want to convey that balance transfers will be in the 4% to 6% range. I missed your second question, which was on disbursements—

Gaurav Purohit – Systematix Group: The average ticket size of disbursement in Q2.

Management: The average ticket size of new origination is around 15 to 16 lakh. That trend will continue. We have always conveyed that over a period of time, there will gradually be an uptick in ticket sizes because customers' aspirations and expectations are for slightly larger properties and larger ticket sizes. That number will keep increasing over time, but more gradually.

Gaurav Purohit – Systematix Group: Just one follow-up on the BT outflow. Is top-up the main reason that customers are staying back, or are you offering them lower rates, or is it both? Which is the more crucial factor here?

Management: There are multiple factors. Primarily, it is a 4-step process. First, we engage with the customer, speak to the customer, and understand why they want to leave. Sometimes customers do not understand the cost of transferring the loan. Spending time explaining this to the customer itself saves us some balance transfers.

The next step is pitching a top-up or asking the customer whether they require a top-up. Then comes the step of offering a rate break. It is a 3- to 4-step process that we have put in place and that is yielding results. It is not just one initiative that is helping; it is multiple things that we have put in place.

Gaurav Purohit – Systematix Group: Okay.

Gaurav Purohit – Systematix Group: Fair enough, sir. Thank you for taking my questions.

Operator: Thank you. The next question is from the line of Aditya Miglani from {? Bowhead Capital ?}. Please go ahead.

Aditya Miglani – {? Bowhead Capital ?}: Hi, Manoj, sir. Congratulations on a great set of results. Given the one repo-rate hike that has already happened, would we consider absorbing it in our spread because we were still at the higher end of the 5% to 5.25% range and not take a PLR increase? Or would we take a PLR increase only if we see another 25-basis-point repo-rate hike?

Manoj Viswanathan – MD & CEO: PLR increase, right?

Aditya Miglani – {? Bowhead Capital ?}: PLR increase, yes, PLR hike.

Manoj Viswanathan – MD & CEO: We will broadly follow the new RBI draft guidelines that RBI has issued. The final rate to the customer has to be benchmarked to the borrowing cost, and there can be some additions to the borrowing cost. Broadly, we will follow that.

If we follow those guidelines, there has to be a significant change in the borrowing cost for us to be able to transmit it to the customer. If there is only perhaps a 2-3-basis-point or 5-basis-point change, it is not logistically feasible for us to reprice the customer because it creates a lot of

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disruption for the customer as well as for us to reprice the customer by just 4 or 5 basis points.

When there is perhaps a 10- to 15-basis-point movement in our borrowing cost, at that point we will take a decision to change the PLR and transmit it to the customer.

Aditya Miglani – {? Bowhead Capital ?}: Just to understand, the one repo-rate hike so far does not fully warrant a PLR increase as of now, in your view, correct?

Manoj Viswanathan – MD & CEO: Correct. The PLR increase will ultimately be a function of the movement in our borrowing cost. As you can see, between last quarter and this quarter there has been no movement in the borrowing cost; it is flat. Movement in the borrowing cost is what will warrant a change in the PLR.

Aditya Miglani – {? Bowhead Capital ?}: Okay, sure. Thank you.

Operator: Thank you. The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi – Naredi Investments: Thank you very much for giving me the opportunity. I would like to ask which event you are waiting for now: AUM to cross 20,000 crores, profit to rise to 650 to 700 crores, net NPA to come down below 1%, or what is in the mind of our senior staff for reaching any of these targets?

Manoj Viswanathan – MD & CEO: The targets we have at the senior level include an AUM target. As we have mentioned, 25% AUM growth is what we are targeting. We are targeting 20,000 crores by March 2027. That is one of the targets we have.

As far as profitability is concerned, as we mentioned, we want to exit this year at 15% ROE. That is another target. As far as delinquency or portfolio-quality targets are concerned, we want to maintain gross NPA at the 1.7% level and credit cost at around 40 basis points. These are broadly the targets we are carrying.

Ravi Naredi – Naredi Investments: How do you hedge ECB borrowing, and what is the cost of hedging?

Management: We use derivatives to hedge our positions when we borrow from the ECB markets. A cross-currency swap is something we use to hedge our position. The cost fluctuates from time to time, broadly between 3% and 3.5% currently.

Ravi Naredi – Naredi Investments: Thank you.

Operator: Thank you. The next question is from the line of Vivek Singh from {? Ray Securities ?}. Please go ahead.

Vivek Singh – {? Ray Securities ?}: My question is on the asset-quality trend. In the past 3 or 4 quarters, despite the macro challenges, the asset-quality trend has remained quite strong. In fact, it has improved marginally over the last 4 quarters. I wanted to get your sense of what has changed on the ground. Has there been any change in the collection effort or in the borrower profile? Also, can you provide some sense of whether the improvement is largely due to lower slippages or an

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improvement in the roll-back gross rate?

Manoj Viswanathan – MD & CEO: The reason for the improvement may simply be the period of prolonged stability without any major macro issues. Of course, there has been an increase in oil prices, but it has not been fully transmitted, at least in the Indian market. Stability always leads to some improvement in asset quality.

As far as the second question is concerned, the improvement is largely due to slower incremental flows. New customers are entering delinquency at a slower pace, and new slippages are also occurring at a slower pace. That is contributing to lower delinquency.

Vivek Singh – {? Ray Securities ?}: There is also a concern that many delinquent customers are resorting to other forms of credit, such as gold loans and personal loans, to become current and pay their dues. Have you conducted any scrutiny of the portfolio to see whether, after an account has been cured, the customer has resorted to any such credit facility to pay the dues?

Manoj Viswanathan – MD & CEO: We conduct periodic portfolio scrubs. At least over the last 3 years, we have not seen any significant change in the ratio of customers taking other products. There is a certain ratio of customers who take gold loans, personal loans, and so on, and that appears to be static. There has been no significant change in it.

We also know what that ratio is when customers take loans from us. That also does not subsequently change very much. This discussion about customers borrowing from one source to pay off another could mostly relate to a different cohort of customers. Customers who are mostly dependent on personal loans may not be directly related to home-loan customers.

Vivek Singh – {? Ray Securities ?}: In terms of your Stage 3 provision, it has been hovering around 23% for the last 3 quarters despite some macro challenges and rising inflation. When was the last time the ECL assumptions were recalibrated?

Manoj Viswanathan – MD & CEO: We are now recalibrating ECL assumptions every quarter.

Vivek Singh – {? Ray Securities ?}: Got it. That's it from my side. Thank you for taking the question.

Operator: Thank you. The next question is from the line of Varun Dubey from Share India. Please go ahead.

Varun Dubey – Share India: [inaudible]

Operator: I am sorry to interrupt, Varun. We are not able to hear you. Can you use handset mode, please?

Varun Dubey – Share India: Hello?

Operator: Yes, this is better. Please proceed.

Varun Dubey – Share India: Good evening, sir, and thank you for taking my question. I wanted to understand the rejection rate, or the lead-to-disbursement rate, this quarter versus the previous quarter. Has there been any increase in the rejection rate? I also wanted to understand whether you

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will be slowing down disbursements, especially in drought-prone areas.

Manoj Viswanathan – MD & CEO: The rejection rate broadly stays within the same band. We have not seen any fluctuation in recent times. As I mentioned earlier, we do not have much exposure to drought-prone customers. Our customer base largely consists of people who depend on their livelihoods in the services or manufacturing sectors and who live in larger cities. We do not have exposure to customers who have vulnerability to situations such as drought or monsoons.

Varun Dubey – Share India: Last quarter, you delivered 25% AUM growth, and this quarter it was 27%. However, you are still saying that your target for March 2027 is 25% AUM growth. Are you being too conservative, or was the 27% in this quarter a one-off? How should we view it?

Manoj Viswanathan – MD & CEO: We are working toward a 25% growth target, which typically means that we have to reach 20,000 crores by March 2027. There are sometimes tailwinds that take us there faster. This quarter, as you can see, we grew a little faster. We have always conveyed that there can be a 1% or 2% upside if there are tailwinds. Broadly, we are working toward the 25% number.

Varun Dubey – Share India: Thank you, sir, and once again, congratulations on a good set of numbers.

Manoj Viswanathan – MD & CEO: Thank you, sir.

Operator: Thank you. The next question is from the line of Vivek Singh from {? Ray Securities ?}. Vivek, your line is unmuted. You may go ahead with the question.

Vivek Singh – {? Ray Securities ?}: Hello. Am I audible now?

Operator: Yes, you are audible.

Vivek Singh – {? Ray Securities ?}: A data-keeping question: what will be the share of repair and renovation in the overall portfolio?

Manoj Viswanathan – MD & CEO: Please say it again. Share of?

Vivek Singh – {? Ray Securities ?}: Repair and renovation.

Management: Repair and renovation.

Manoj Viswanathan – MD & CEO: Repair and renovation is around 1% of our AUM.

Vivek Singh – {? Ray Securities ?}: Okay, sir.

Operator: Thank you. The next question is from the line of Aditya Pal from {? MSA Capital Partners ?}. Please go ahead.

Aditya Pal – {? MSA Capital Partners ?}: Thank you, sir, for giving me the opportunity again. Manoj, I wanted to understand the disbursement growth over the last 8 quarters. It has been a story of somewhat two halves, and we are sounding optimistic now.

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If we were to state qualitatively what was wrong earlier and what is happening now, what has changed that has brought back the growth momentum? On the ground also, you are seeing strong momentum. There is negative news surrounding us, including a consumption slowdown, the El Niño impact, and a rise in oil prices. I wanted your view on what you are hearing from the ground.

Manoj Viswanathan – MD & CEO: What we are hearing from the ground is positive at this point in time. The first half of the year is generally slightly slower in this industry, and there is an uptick in Q3 and Q4 in housing. Since the first half itself has been strong, we are expecting that momentum to continue and to have a very good rest of the year. What we are hearing from the ground is good. Demand is good across the board.

As you mentioned, it is a story of two halves. We have conveyed that prior to approximately 3 quarters ago, there were some external issues, such as tariffs, which impacted some of our markets. Tariffs were a key factor. A lot of employers in our key markets, such as Gujarat and Tamil Nadu, were negatively impacted by the tariffs. As a result, there was an employment slowdown and production was somewhat slower.

That changed around last October. That is one thing that changed. Internally, as we have mentioned earlier, we had leadership challenges in some of our markets, and those were addressed 2 quarters ago. After both of these things changed on the ground, positivity returned, and it is also being supported by good demand on the ground.

Aditya Pal – {? MSA Capital Partners ?}: My next question is on the internal side. When we talk about AI, we saw our opex-to-assets ratio coming down this quarter as well. Going forward, you have already said that the productivity benefit will be 10 basis points. Do you see that our AI efforts have potential to further improve our opex-to-assets ratio?

Manoj Viswanathan – MD & CEO: We are working toward a certain number, which is a 10-basis-point reduction year-on-year. However, if AI delivers on its promise and we are able to leverage it better, then there can be some upside to that number.

Aditya Pal – {? MSA Capital Partners ?}: What I am seeing is that you are among the few people deploying AI at an institutional level and doing it well. I wanted to understand from you if there was [cut off]

Aditya Pal – {? MSA Capital Partners ?}: [inaudible] and you have answered all my questions. Again, I wish you all the very best. Thank you.

Management: Thank you. Thank you very much.

Operator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Manoj Viswanathan for his closing remarks. Over to you, sir.

Manoj Viswanathan – MD & CEO: Thank you, everyone, for joining us today and for your continued interest in Home First. We hope we have addressed your questions. For any further queries, please reach out to Neelanjana or write to us at investor.relations@homefirstindia.com. Thank you, and I wish you all a happy and safe Diwali.

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Operator: Thank you very much, sir. On behalf of Home First Finance Company India Limited, that concludes this conference. Thank you all for joining us today, and you may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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