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Sub: Transcript of Investors' Audio Conference Call held on 27th May, 2024.

Sir/ Madam,

In terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith, transcript of Investors' Audio Conference Call of the management of HUDCO with Investors/ Analysts held on 27th May, 2024. The same shall also be available on the website of the Company i.e. www.hudco.org.in.

यह आपकी जानकारी के लिए है। This is for your kind information.

धन्यवाद

भवदीय

फॉर हाउसिंग एंड अर्बन डेवलपमेंट कॉर्पोरेशन लिमिटेड

विकास गोयल

कंपनी सेक्रेटरी एंड कंप्लायंस ऑफिसर

Encl: As above

Housing and Urban Development Corporation Ltd. (A Govt. of India Enterprise)

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“Housing and Urban Development Corporation Limited
Q4 FY24 Earnings Conference Call”

May 27, 2024



MANAGEMENT: **MR. SANJAY KULSHRESTHA – CHAIRMAN & MANAGING DIRECTOR – HOUSING AND URBAN DEVELOPMENT CORPORATION LIMITED**
MR. D. GUHAN – DIRECTOR FINANCE – HOUSING & URBAN DEVELOPMENT CORPORATION LIMITED

MODERATOR: **MR. SANKET CHHEDA – DAM CAPITAL ADVISORS LIMITED**

Moderator:

Ladies and gentlemen, good day and welcome to the HUDCO Q4 FY '24 Earnings Conference Call hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sanket Chheda from DAM Capital Advisors Limited. Thank you and over to you, sir.

Sanket Chheda:

Yes, hi. Very good afternoon to all of you. Today, we have with us the management team of HUDCO to discuss their Q4 results and the strategy forward. From the management, we have Mr. Sanjay Kulshrestha, who is a CMD and Mr. D. Guhan, who is a Director of Finance.

Without further ado, I'll hand the call over to Mr. Sanjay for his opening remarks. We'll follow that up with questions and answers. Over to you, sir.

Sanjay Kulshrestha:

Yes, good afternoon and thank you for arranging this call, Sanket. This is Sanjay Kulshrestha. I am Chairman and Managing Director. So, let me start with the starting notes. Our results are out on the 24th of this month and we had achieved a lot of milestones during the last financial year, starting from the sanctions, which is the financial commitment which has been extended by the company. They had been raised by around 235%.

Last year, it was around INR24,500 and we achieved more than INR82,000 crores. Similarly, in the disbursement also, the results are very remarkable. On a year-to-year basis, we had grown by 112%. During the last financial year, it was around 8,000 something crores and now we have touched 18,000 crores. On quarter-to-quarter basis also, we had achieved an enhancement of 155%. On the same lines and as a result, our loan book has raised from INR80,000 crores to INR92,000 crores, which is a spike of 15%.

If you see the borrowing side also, we had raised around 22,000 crores and for this incremental cost, we had been able to reduce our cost of fund from 7.46 to 7.1, so there is a saving of around 36 basis points. For this financial year also, we have a borrowing plan of around INR35,000 crores. Continuously, we are making all-out efforts to reduce the cost of funds so that the yields can be improved, the spreads can be improved and NIM can be improved.

If you see, our return on equity has been increased from around 11% to more than 12%, so we are working on the return on equity as well. We have a very judicious kind of mix, which has resulted in cutting down our cost of funds. We had raised through some money from the FCNR, we had gone for the first time in recent past to the Japanese market and we had borrowed around 100 million last year.

Initially, the issue was for the 100 million only, but as a result and recognition from the international market, we had been able to get around 200 million, so next trends will be coming within a day or two. This was also well taken by the international market. So now, for this financial year, we are planning to have around 1 billion external commercial borrowing, maybe

in the terms of loan or maybe in the terms of bonds, preferably from the Japanese market till the time dollars start softening up.

If you see our financial parameters, we have very, very strong financial parameters starting from the debt equity ratio to CRAR. We have a debt equity of around 4% and the CRAR stands at around 60%. So revenue from the operation, after doing everything, starting from the cutting down cost of funds, leveraging our business and resolving the stress assets, our revenue from operation has been raised by around more than 10%. So now it stands at Rs. 7,784 crore. So this is also a good sign, and we have a fairly good pipeline for future, since we had committed around INR82,000 crores. So we have a committed pipeline of around INR80,000 plus crores, which will be disbursed in two to three years of the time.

The profits are also good, which have increased from INR1,700 crores in FY 2023 to more than INR2,100 crores and we have registered a growth of around 24%. So on quarter-to-quarter basis also, our profits has increased by 35%. Apparently, we have worked in resolving our stress assets also and I'm happy to inform to the fraternity that our Gross NPA has reduced from 3.42% to 2.71% and our net NPA is one of the best in the industry.

Now it stands at 0.36%. So this year, we are taking as a task to resolve most of these assets and around INR1,400 crores are into the process of NCLT, and we are hopeful that most of these assets would get resolved. So other than the NPA, we have a strong focus on timely repayments and as a part of that, we had reduced our Stage 2 also. Earlier year, it was 6.26%. Now the collection efficiency has improved and now it stands at 4.4%.

Our NIMs are also stable in the range of 3.1% to 3.3%. Our spreads are also very, very stable in the range of around 1.7%, 1.8%. We had raised our dividend bar from 38.5% to 41.5%. Business pipeline is very, very strong looking at the infrastructural planning and growth of the country and the commitment from the state government, commitment from the central government, government of India. Lots of lots of programs are there, starting from AMRUT City, Smart City, Swachh Bharat Mission, Roads or Multimodal Corridor, or Industrial Corridor, New Town Planning, or Mobility Infrastructure, or Power or Energy.

So, all these things will provide a good opportunity for a company like HUDCO, which doesn't have any restriction to fund in any of the sectors, because these are all the sectors which are covered under the harmonized list. And our strategy for raising of the funds will be very similar that we had started last year. ECBs, multilateral loan, domestic financing, and government of India support.

We are requesting some support from the government of India to extend some viable kind of funding to the metro project or for Swachh Bharat Mission. We had also strengthened our internal cost control measures regarding the asset liability management, or the provisioning, or the deployment of high quality liquid assets. Then we are very hopeful that the ecosystem of the economy will be very, very strong.

And if I can quote the example, you can see that RBI has raised the dividends, then our forex reserves are also increasing, then the deficit is continuously decreasing, government has in the

budget given a figure of 5.1%, but it's expected that it will be much below than 5.1%. The inflation is very much in control, and because of the robust policies and the clear plan, infrastructure development presents a significant opportunity for the NBFCs like HUDCO.

And there is a supportive tailwind, and a concentrated effort from across the states, all the states, driven by a favorable macro-economic condition, are fostering growth and development opportunities. Thank you.

- Moderator:** Thank you. Sir, should we open the floor for questions?
- Sanjay Kulshrestha:** Sure.
- Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Shoumik Ganguly from Aditya Birla. Please go ahead.
- Shoumik Ganguly:** Hello.
- Moderator:** Yes, sir. We can hear you, sir. May I request that you use your handset, please?
- Shoumik Ganguly:** Yes. I'm using my handset. Am I audible?
- Sanjay Kulshrestha:** Yes, yes.
- Shoumik Ganguly:** Sir, what would be the sustainable growth next year, or for next year, coming years?
- Sanjay Kulshrestha:** So, I will be very direct in answering this question. For next financial year, starting from this financial year, we had set a target that our loan book should be around INR1.5 lakh crores. And according to that, we had planned the projects and the disbursement on a yearly basis. For this financial year, it will be in the range of INR32,000 crores to INR35,000 crores of the disbursement. And for next financial year, it will be around INR40,000 to INR45,000 crores. So, keeping the repayments in mind, repayments will be of the tune of around INR16,000 crores, that is INR8,000 crores per annum. So, we will be comfortably reaching the figures between INR145 to INR150 lakh crores of the loan.
- Shoumik Ganguly:** Okay, sir. So, my next question would be -- are there any capex plans for the coming years?
- Management:** See, we basically do the lending part of it. As already told by sir, during the financial year '24 ended, we have a sanction of INR82,000 crores. So, that will be translating into the disbursal. We directly don't take any capex. Basically, we do a lending for the state government entities who do the capex in the form of infrastructure and housing projects.
- Shoumik Ganguly:** Yes, sir. Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Arman from Blue Sky Capital. Please go ahead.
- Arman:** Yes. First of all, a good set of numbers, just for numbers, because in like last four years from FY'19 to FY'23, our loan assets grew just around INR8,000 crores. Just in Q4, we have added that much. So, first of all, kudos for that. Now, my question is for the borrowing part. First of

all, our share of borrowings from banks overall rose from 3% in FY'22 to now around 41% in FY'24.

And overall, we are seeing a peak of rate cycle. Maybe second half, we'll see a decline in the rate cycle. So, could you tell us the bifurcation between your borrowings, fixed borrowings and floating borrowings, also in loan assets, fixed loans and floating loans?

Management:

Yes. So, typically, the bank borrowings that we have -- they are actually linked to floating benchmarks. And there was a specified purpose to actually avail bank borrowings. I mean, as you've rightly said, we are expecting interest rate reversal going forward. And when that happens, all these floating rate benchmark loans will actually get repriced at a lower rate, which will further enable us to reduce our overall borrowing costs.

So, the bank borrowing component, which is approximately around INR25,000 crores to INR30,000 crores, that is the floating rate benchmark borrowings. Besides that, we have FCNR(B) loans, which are again linked to a floating benchmark. But since we've hedged those exposures, we aren't really exposed to any interest rate volatility on that particular front.

Then we also have an ECB, which is linked to a floating benchmark, but it is linked to TONA. And since the Japan economy is largely in negative zone, we don't expect any interest volatility on that front also. The balance all liability is a fixed rate liability. So does that clarify your question?

Arman:

Yes. And what about the loan part, the loan made like for urban infrastructure and for the housing, are they all fixed or what is the bifurcation over there?

Management:

As far as our loan book is concerned of INR92,000 crores, approximately you can say it's in the ratio of currently 80% in the fixed and 20% would be in the floating. But in the fixed also, we do a lending with one-year fixed and three-year fixed. So majority of our, out of that 80% fixed one, you can say almost 90% -- 80% to 90% of that 80% would be in the one-year fixed lending. So they will also be repriced with that at the end of the one year. So the market fluctuation is captured through that part of it.

Arman:

Okay. Thanks a lot. That's clarified. My second question is, if we see our differential between NIMs and spread, which has been regularly rising from FY'20 from 1.1% to nine months in FY'24, it rose to 1.56%. However, Q4 we have seen and thus we have seen in FY'24 a differential came down to 1.39%. So going forward, what differential we are seeing between NIMs and spread and what are the reasons behind that?

Sanjay Kulshrestha:

So your question is very pertinent. Actually, our spread will be in the range of 1.6% to 1.8%. And for NIM, we will be working between 3.3%, around 3.3%, 3.4%. And we had started getting that kind of returns from the borrower. And I'm very hopeful that these are the labels which we will be easily maintaining.

Arman:

Okay, so just to clarify once again, so by FY'26 ending, we are seeing our loan assets to reach around 1.45 lakh to 1.5 lakh and NIMs to be around 3.1 to 3.3 range. Is that understanding correct?

- Sanjay Kulshrestha:** NIM may be slightly improved by the time in two years, because now we are starting new kind of business pipelines also which includes the bankable projects. So till now we are funding mostly to the state governments, which is backed by state government guarantee and the budgetary allocation. So now onwards, we are expanding our business into the bankable project. So I think by two years if you are talking, then no. Surely our NIMs and spreads will be much better than present value.
- Arman:** Okay, thanks a lot. I'll get back into queue.
- Moderator:** Thank you. The next question is from the line of Ritika Dua from Bandhan. Please go ahead.
- Ritika Dua:** Yes, thank you. So maybe first, if I could just follow up on the last comment that you made. What do you exactly mean by bankable project? You were just referring to some of the previous question where you said that the spreads are actually going to improve in the next two years, because you're to start lending to certain bankable projects. So I was referring to, if you could explain what does that mean?
- Sanjay Kulshrestha:** Yes, actually there are -- since we are only restricting ourselves to the state governments and state government entities, the definition of the bankable project starts from the power side, where the cash flows are insured by the regulated framework. Then we are also working towards how that PPP models can be worked out and we can start funding towards that PPP model, maybe in case of road or maybe in case of say smart metering, where there is a regulated or assured kind of repayment, which will be available through NSAI or the distribution companies. Then we are also working with the transport corporations, which have good profits so that the cash flow will be responsible for our repayment. So basically, these are kind of bankable projects, which I was referring to.
- Ritika Dua:** Thank you, sir. And sir just to clarify, so you will still be lending to government entities only, it's just that you are broadening the ambit beyond urban infrastructure?
- Sanjay Kulshrestha:** I think your question for short term, yes, I agree that we will be restricting ourselves to the government companies and state governments. But maybe in the midterm planning, we are starting because now we are in a preparation mode to increase our capacity and the capability, the rules and the regulations. So I think that work is in progress. I cannot quote any timeline to start the private sector business.
- But wherein the assured cash flows are there, where the regulations are defined, definitely we are working that this kind of business model can be evolved within HUDCO. But timelines, I'm not promising any timeline. It will take some time.
- Ritika Dua:** Sure, sir. Sir, my second question is actually the sanctioned pipeline that you've shared in your presentation. If you could give some colour as to which sectors do they -- and are these sanctions being awarded to? And also maybe some more colour about the sizes of the projects that we are looking to sanction, so maybe if you would say that of this INR80,000-odd crores, if I'm not wrong, is the sanction number, maybe how many projects are there, which sectors are there, just trying to also understand the average size of the projects that we are looking to sanction, or are they already sanctioned?

Sanjay Kulshrestha:

Basically, I will tell you the three, four broad categories where we are extending our loans. One is the road sector. We are very, very clear that wherever the state government components are in the road sector we are funding, it may be ring roads, or it may be multi-modal corridors.

Then there are some industrial corridors also, industrial corridors or town planning, so all these things we are funding. We are also funding the affordable housing schemes of the states, because states are coming out with their own affordable housing schemes, so we are partnering with the states. We are also extending our debt to the Jal Jeevan Mission that is a counterpart funding. In some of the health projects also we have a very good amount of exposure and we have sanctioned these kind of loans.

And for future, as you were asking, that our main emphasis will be on the metro side since it is under our administrative ministry so we will be focusing on the metro projects then Jal Jeevan Mission projects, then upgradation of the highways in the state, then infrastructure schemes of the respective state government. We are also open to work with the power sector companies for generation plants or distribution infrastructure improvement.

Then we are also working with some of the states to construct their quarters or secretariats or buildings, multi-storied buildings and all these things. And I think pipeline is not a problem and we have already committed amount of around INR85,000 crores. So pipeline is not an issue and for this year also we have a very discreet pipelines with the identified projects, with the identified states and I am sure that we will be sanctioning within this financial year a good lot of pipelines.

Ritika Dua:

So second question is on the Maharatna status. So just one clarification that I wanted to seek. So obviously there is another [inaudible 22:38] NBFC which had put up a release saying that to achieve the Maharatna status they would be arriving at a particular loan book number by the end of FY30.

And if I am not wrong, sir, I probably have read some of your interviews or somewhere wherein even HUDCO also looks to achieve the Maharatna status. So my question here is, sir, that apart from the growth target, are there any other targets which also maybe the GOI looks to before awarding you the status?

Management:

For achieving the Maharatna status the criteria is our networth should be INR15,000 crores for last, I mean, consecutively for 3 years and Turnover should be INR 25,000 crore. So we are targeting an AUM of around INR5 lakh crores by another 5 years, sorry, INR3 lakh crores by another 5 years. So that we will be achieving at Maharatna status.

Ritika Dua:

So INR3 lakh crores in the next 5 years?

Sanjay Kulshrestha:

No, By 2030.

Ritika Dua:

Aren't there any criteria on profitability which are also shared that as to certain amount of ROA and ROE which also should be achieved, or which is a part to achieve this status or it's largely an AUM target is what I understood.

Sanjay Kulshrestha:

Yes, I would just like to supplement what Mr. Babu was telling. See, recently we had been conferred with the Navratna. This is one of the most prestigious status which is awarded by the Government of India recognizing the past records and the past numbers. So we had already achieved those numbers and on the basis of that Government of India has awarded us with the Navratna category and only 20 PSUs are there out of 256 operating PSUs that are in the category of the Navratna. So this is number one. The second part of your question is Maharatna.

So I think there is some way to go and a lot of things have to be done, but yes we had started planning for that, but it will take some time before the turnover of 25,000 crores, the net worth of more than INR 15,000 crore that we had already achieved and the INR 5000 crores profit per year is achieved.

So all these things has to be seen in that respect only. So we are not in a hurry to become Maharatna maybe it may take some 5 years, 7 years' time to become the Maharatna. So whenever we will be achieving those parameters, we will go to the government with a request to give us that status.

Ritika Dua:

Sure, sir. And sir, maybe just last two more questions if I am allowed. Sir, you just mentioned in your opening remarks that you are actually looking to even approach the central government to provide certain liability support. I hope I heard it correctly for certain big projects that you were mentioning, that you also look to seek the government support for certain liabilities. So does this then get clubbed under the EBR?

If that is what to be understood and whenever these projects are maybe they get a liability support from the central government, do they then necessarily come at a lower spread that means when you look to maybe raise this money from the government and then onlend to the respective entity, do they then necessarily come at a lower spread not come at a lower spread, sorry. I mean you have to necessarily lend at a lower spread?

Sanjay Kulshrestha:

I think when I was referring to the government of India support. So the background is that the company is owned by government of India 75% of the stakes in HUDCO is owned by the government of India. So it's a government of India company and this is one of the company or one of the NBFC wherein the Government of India is holding more than 51%. So because of the strategic reason government has not divested beyond this.

So second part is that what kind of help or assistance or the rebates we are trying to get from the government. Actually this is all mutual. We had requested to extend 54 EC support or facility to issue the capital gain bonds to HUDCO because HUDCO is in the housing category. So these proceeds are coming out of the housing sales. So this is one of the requests. So maybe government may consider, or government may invite us to revise our request, but the gist or the substance of the discussion is that a lot of capital expenditures are being planned. So at the rate of say 9% or 10% some of the infrastructure may not be viable or sustainable.

So, we are since working under the administrative ministry of housing and urban affairs which takes care of the AMRUT, smart city, Swachh Bharat Mission or metros so to be competitive, a cheaper kind of component is required. In some of the cases like in MNRE government has come

out with some viability gap funding or some subsidy in the interest rate like in CLSS government is extending some subsidies in the interest rate. So on these lines we are discussing with the government, and we have not sent any formal proposal as of now.

We are discussing that how HUDCO like company can work in tandem with the government and extend a very competitive or cheaper funding to like metro because metro funding is mostly coming from the JICA. But the metro plan of government of India is very, very upscale. So, all these things are being discussed. So, I am very hopeful that because of this strategic organization in the eye of government of India, we will find something so that these things will be taken forward.

Hrithika Dua:

Sure. Sir, one more last and then I'll come back in the queue for more. So, on this one INR20,000-odd crores disbursement which you had done I think under PMAY Yojana which came at a lower spread. What is the status of that outstanding today and just maybe as an investor how does one take a view that maybe in the future -- we would not be really doing any more projects which actually come at such a low spread.

Because currently obviously even in your presentation you had clearly given your spread actually with EBR is I think about 2.3 and without EVR is about 1.8. So, I'm obviously assuming that obviously that is because of that lower spread lending that we had done during COVID. So, the two questions are how much is the outstanding today.

And secondly is that how do we actually maybe make a view that in the future the spreads are not going to be impacted because we actually lending to schemes which actually come at much lower spread. Thank you sir. I'll come back in the queue.

Management:

No, the outstanding continues to be the same INR20,000 crores which we have raised as an EBR for Government of India for PMAY and that will be actually get liquidated in I think '2028-29 as one bullet payment. So, that will continue till it redeems in 2028-29 and you have seen the news articles that government has stopped this further EBR requirement concept I mean in PMAY or in any of the sector except for the NABARD agricultural sector.

So, we don't expect any more of those EBR to be coming into our books. So only the current year INR20,000 crores which is there still that will only be continuing at that lower spread of 40 basis points.

Hrithika Dua:

Thank you sir. I'll come back in the queue. I have no question.

Moderator:

Thank you. The next question is from the line of Nilesh Jethani from Bank of India Mutual Funds. Please go ahead.

Nilesh Jethani:

Hi good evening sir and thanks for the opportunity. My first question was on this infra loans what we have sanctioned of around INR82,000 crores in FY'24. Sorry I'm new to the company. So can you just help me understand what are the sector segment where the sanction is. I heard on the call that Metro is one of the segment where we have done a lot of activity. We want to understand the color or a mix of this INR82,000 crores sanction amount.

And going forward how one should look at this sanctions getting converted into actual disbursements. And what sectors it is expected to be.

Sanjay Kulshrestha: Right. So, starting from the road I had answered this question earlier also. So, I will repeat for your update. I think road projects we are funding including the expressway multimodal corridors or linking roads. Then we are also -- funded the transport sector, takes care of state highways, state roadways then social infrastructure of the affordable housing then some of the commercial infrastructure we had also funded. Then we had also funded power and energy side.

Then we had worked with work around the IT parks then the township development then Metro the secretariat buildings, water supply. So, all these things we had funded out of this INR80,000 crores.

Nilesh Jethani: Okay got it. And is it right to say whether metros and road would be the larger part of this INR82,000 crores or it is very well diversified across the eight nine larger sectors which you just mentioned.

Sanjay Kulshrestha: It is very well diversified. It is across the sector. So, across the state. It is very well diversified.

Nilesh Jethani: Got it. Got it. And just wanted to understand this –

Sanjay Kulshrestha: Slightly louder please –

Moderator: Use your handset sir. You're not audible, sir.

Nilesh Jethani: Okay. Just a second. I'm audible now.

Moderator: Yes sir. Please go ahead.

Nilesh Jethani: And the second question was on the conversion of the sanctions into actual disbursement. So, we have reached a very healthy disbursement number of around INR18,000 crores and we are talking about INR35,000 crores probably in FY'25 and going ahead. So, wanted to understand out of the INR82,000 crores which are the segments which you think are near term triggers which can be converted into disbursements?

And from a longer term perspective say from a three to five year perspective. Just wanted to understand our vote with regards to other banks or say other power finances where we are so confident of driving a higher share of disbursement into say something like power or a metro sector. So, can you also help me understand one two USPs or modes which HUDCO carries which will help us to garner that share going forward.

Sanjay Kulshrestha: Yes I think the most of the part will come from the road sector then the water sector then the affordable housing, then the power and energy side. And then balance will come from say IT parks or buildings or yes metro will also stand at around third or fourth in the number.

Nilesh Jethani: Okay and how to look at this number say 35,000 next year and going forward.

Moderator: Sir your audio has become low again sir.

Nilesh Jethani: Yes and how to look at this number going forward say 35,000 in FY'25 but on a longer term perspective say from FY'26-FY'27 how to look at this number?

Sanjay Kulshrestha: I think if you see 35,000 is very, very kind of pessimistic or very, very conservative type of figure looking at the pipeline and because most of the projects we are financing have a moratorium of starting from the six months to three years only. So 35,000 is very well achievable and we are trying that most of the part of this 35,000 will come in the quarter one and quarter two only. So that is the emphasis that we as a company is making so that the income can come in the current financial year and as per the guidance you are asking about 27-28.

So basically we want to initially work at the CAGR of 26%-27% and rest at around between 20% to 22%. So up to 2030 the way the infrastructure is being planned and the commitment of the state government in line with the policies of the government of India we are very hopeful that we will be achieving these kind of figures and by 2030 we want our loan book to be around INR3 lakh crores. So we will be working and planning our disbursement in line with that objective.

Nilesh Jethani: Got it sir. And one last question from my side would be on the recovery. So seven accounts in the NCLT so what can be the timeline for the recovery any perspective if you can add on the same?

Sanjay Kulshrestha: Our gross NPA has been reduced to 2.71% from 3.4% and our net NPA is one of the best in the industry it stands at 0.36. So going beyond these numbers you will appreciate it will take hard measures and committed effort and the support of the judiciary or legal framework from the NCLT side. Around INR1400 crores assets are under the NCLT system out of which around INR800 crores are in advanced phase of resolution.

So I will see this year as a year of resolutions and because this INR1400 crores may be resolved maybe part of this maybe 60% to 70 % part of this will be resolved during this financial year. Parallely we are working on the balance part of around INR800 crores also. So we had identified around INR250 crores of the project which can be resolved, and we are trying to work out that thing. But I am sure that within two years of the time we will be able to resolve all these.

Nilesh Jethani: Got it sir. That was very helpful and thank you so much.

Moderator: Thank you. The next question is from the line of Karan from PM Securities. Please go ahead.

Karan: Hi this is Karan. Evening Kulshrestha ji and Guhan ji It's been wonderful tracking HUDCO over the last few years and especially from the time that Kulshrestha ji has joined you know it's really good to see clear targets being set and the execution taking place in disbursements and in sanctions. So my question is you know since HUDCO is one of the unique entities where generally in NBFCs dilution is something that is an ongoing you know norm of the business.

But here since most of the lending is to the state government we have risk weights which are you know quite low, and it does not require us to I mean our capital adequacy requirement is also quite low. So for our understanding right now we stand at INR90,000 crores of loan book. Until what level of -- until what size do we not foresee any dilution if you could you know throw

some light on that given that currently in the near term we are planning state government lending only what would be a safe loan book number to assume until which we don't need any dilution?

Sanjay Kulshrestha: I think we will not be needing any dilution if you are talking about the capital infusion, right?

Karan: Yes.

Sanjay Kulshrestha: I think you can say otherwise that we should be more capitalized till now. So in other terms we should be able to extend more loans. So we are into a very healthy state with these kind of numbers and since you can see our debt equity is around 4 as per the regulation advice we can go up to 8, 9 comfortably.

Most of the entities are in the level of 7, 8. So I don't think any capital infusion will be required and business model is very, very robust and there is no new NPA from last six quarters -- six seven quarters we don't have any new NPA. So we are very, very diligent that there should not be any new NPA at the same time we are diligent there should not be any delay means we don't want any accounts to come into the Stage-2. In fact, we had reduced our Stage-2 amount from last year INR5000 crores to INR4000 crores.

So this is one of the most priority area that the company officers are working and since we are operating from 21 Regional offices across the country and we have a very good rapport with the state government and their functionalities so we are not only able to reach out to them for business but also to ensure that our repayments should come on time. So I don't think any capital infusion in near future maybe up to 2030 will be required in the company.

Karan: So sir if you see with this thought process so what it entails is that until the loan book grows two times two and a half times three times from here maybe since we don't require in any dilution our current ROEs which are at around 12% odd essentially with the same equity we would be generating 2x 3x 4x returns so ROEs could be 2x 3x in terms of percentage from what they are. So in that case HUDCO is a hidden gem for ROEs.

At the same time could we also assume that credit costs can be expected to stay as they are since you said that you know NPAs are very much under control and if they stay the same given the numbers that you are saying in terms of loan book one and a INR1.5 lakh crores or INR3 lakh crores in five years it turns out to be around INR5000 crores of PAT or INR10,000-odd thousand crores of PAT in five years that's the kind of ROE if that's something that we are you know foreseeing then I think the market needs to realize that there is something really big happening at HUDCO.

Sanjay Kulshrestha: I think there shall be an organic growth and the statements we made I hope you completely agree with that.

Karan: And sir one more thing in terms of the NIP the National Infrastructure Pipeline identifies HUDCO as one of the nodal agencies in the lending, in the borrowing plans of the government. So over there I just have gone through the NIP document, and it so seems that the numbers that they say are quite large I mean to the time about INR10 lakh-INR15 lakh crores is sort of addressable every year where HUDCO can be a potential lender. So the market being so big do

we assume that the number that you are saying since you also said that INR30,000 crores, INR35,000 crores is something on the pessimistic side.

So what is if you were to not bind your word would you say that the possibility is much higher than what you are saying and do you have some sort of blue-sky scenarios that you can that you would internally be trying to achieve beyond what you are already committing?

Sanjay Kulshrestha: I think going from INR18,000 crores to INR35,000 crores is it's a good achievement for the company because whenever you will go for the appraisal, due diligence, disbursements, monitoring so entire ecosystem has to be generalized so that there should not be any new NPA.

So we will be very cautious in terms of the monitoring of the accounts and also the concurrence of the regulations and the risk mitigation measure. So I think this is a good figure to achieve. We will not like to go beyond these kinds of numbers and inviting any risk kind of thing. So we are comfortable with this number.

Karan: Okay, all right. Thanks lot Kulshrestha ji, Guhan ji and the entire team. Great seeing progress. Thank you.

Moderator: Thank you. The next question is from the line of Ritika Dua from Bandhan. Please go ahead.

Ritika Dua: Yes, so thank you for the follow-up. Just two more questions. The sequential drop in capital adequacy is it largely because of the growth that we saw and so our risk weight to asset ratio hasn't changed, right? That's the first question.

D. Guhan: Yes, you're right. Ritika, I think it's now 57% capital adequacy.

Ritika Dua: Sure, sir. So because it came up from I think some upwards of 73 something to 57. So I just thought of checking, is it largely growth and our risk weights haven't really changed on a sequential?

Sanjay Kulshrestha: Yes, it is largely coming since we are not emphasizing on only government guarantee loans which have a weighted average of weightage of 20%. Now we are going towards the companies which have good cash flows and projects are backed by cash flows. Like I had talked about the transportation or power sector or some optic fiber, Bankable projects. So there the risk weightage is higher because of that our CRAR has changed to this number.

Ritika Dua: If I could, if you could just share maybe once we obviously do it on the government entities, I think it would be what percentage and now that you have done also looking to increase the share of bankable projects how does the RWA ratio changes? From what percent to what percent?

D. Guhan: It will be around 20% to 25%. It will be in the cash flow based lending. The rest would be on the government guaranteed based lending.

Ritika Dua: Sure, sir. And the last question from my end is your views on the project financing regulation which came from RBI. That's it. Thank you.

D. Guhan: Ritika, can you repeat your question?

- Ritika Dua:** Sir, I wanted to hear your views on the project financing the provisioning requirement norms which came from RBI, the draft regulation?
- Sanjay Kulshrestha:** Draft regulation, 5% draft regulation. Yes, I think very pertinent question, Ritika, you had asked, and I think with these provisioning guidelines or draft guidelines of RBI, I think HUDCO will be the beneficiary out of this thing. Because you see that in our loan book we have EBR and beneficiary led construction loans which are already, there is no moratorium in those kind of loans and government is servicing so it will not require any additional provisioning.
- So our in construction loan portfolio is in the range of around INR10,00 crores to INR12,000 crores only. Since our loan book has not extended from last three, four years and this is the only financial year where we had reached out to the disbursement like that. So the effective provisioning if I agree that it will be only 5% and RBI will not be revising on the basis of the feedback from the banks and the ministries.
- Then also 5% of the INR10,000 crores comes to around INR500 crores and for three years it is INR133 crores per year. So it will not be a big impact, rather the lenders who have a big portfolio, big loan assets, they will be forced to hike their interest rate because of the provisioning requirement, and we will emerge as a beneficiary, and we will be able to extend competitive rates to the utilities.
- So what I think the RBI measure which they had taken, I think it is in the best interest of the infrastructure lending companies because finally we have to see that whatever lending we are doing it should not be attracted with any kind of risk. So the provisioning is always good as a lender I can say. It may be 5% or 3% or whatever RBI suggests, we will be happy to do that kind of provisioning.
- Ritika Dua:** So, thank you for the patiently answer. I am done. Thank you.
- Moderator:** Thank you. Our next question is from the line of Arman from Blue Sky Capital, please go ahead.
- Arman:** Yes, just a clarification because I heard one of the interview of yours said that loan assets you are looking at by 2030 to reach at INR5 lakh crores. Is that the right? Because I heard before you said around INR3 lakh crores. So by FY'26 we are aiming to reach at INR1.5 lakh crores and by FY'2030 we are aiming for INR5 lakh crores. Is that the understanding correct, sir?
- Sanjay Kulshrestha:** INR3 lakh crores. Actually, the statement is this in current financial year plus next financial year. So by FY'26, we will be at the level of INR1.5 lakh crores and by 2030, INR3 lakh crores.
- Arman:** And my next question and that was last question, the bifurcation of our loan assets into other infrastructure and housing if we see then continuously other infrastructure as a share has been rising. So is there any difference in yield on loans in between the two or they are on the same path?
- Sanjay Kulshrestha:** Since the proportion of the housing or affordable housing is not so high, you may see our presentation, the percentage is very less. So even though it may be at the basic benchmark rate

of the HUDCO, it will not contribute in very large amount and spread and so most of the component is being extended towards the infrastructure.

Arman: Thank you. That's it from my side.

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

Dhaval: Hi, sir. Thanks for the opportunity and congrats on good performance. Apologies, I joined the call a little late. I just had two questions. One is, we've seen one of your peers, [Irida 51:47], give a roadmap to become Maharatna, by FY'30. Does HUDCO have any such, broad thought process of reaching from Navratna to Maharatna status and, broad thought timeline if you have, thought about it? So that's the first question.

And second is just a data keeping question. Could you give the breakup of loans in the affordable housing, including NIWAS category between social and other sub-segments, and similarly for urban infrastructure? That would be very useful. Thank you.

Sanjay Kulshrestha: Yes, I think you're going to kind of say Maharatna, it may take some time, because there are specific parameters which needs to be achieved by a company. So I'm not so optimistic that we will be getting Maharatna within two years or three years of the time. But yes, definitely, in five years of the time, we can see that how the performance will come because profit has to come every year, it is INR5000 crores, then the net worth is more than INR15,000 crores, then turnover is INR25,000 crores.

So these are all analytical kind of parameters, there is no subjectivity in these kind of things. And on the other side, I will also like to inform, we are still to absorb the category of Navratna, which is very prestigious achievement that as a company we had earned from the government of India. So I'm not in hurry to not to enjoy this moment.

So it will take some time. But yes, this is work in progress. And finally, the numbers will decide regarding the Maharatna. So I will not like to comment that when we will be ready for Maharatna. But whenever the numbers are there, then it will be applied to the government of India. Your second question is regarding the affordable housing, and which includes the HUDCO NIWAS, also.

So not so much of sanctions are coming out of that. And in FY'23, it was INR3400-odd crores and in FY'24, it is around INR3900 crores, which is basically coming out of the state programs for affordable housing or any counterpart funding under the PMAY, which is required by the states. So it is a loan to the state government for their own programs or to support counterpart funding on the central government.

Dhaval: Sorry, I was more referring to the breakup of what is the size of social housing and residential real estate. Last year, that number was around INR42,200 crores for social housing. What that number has reached now? So I was just trying to get some granularity on the housing book between social, residential and others.

Management: Dhavalji, within the affordable housing space, 95% is almost like social housing.

- Dhaval:** Okay, understood. Got it. And similarly, for urban infrastructure would be? So we had given water and roads and power and emerging sector last time. What would the numbers be?
- Management:** Predominantly, it is more of core infrastructure and social infrastructure. Within core, we will add water supply, sewerage, drainage, roads. And then slowly, the transport segment is also catching up.
- Dhaval:** Okay, so this year, the delta has come more in the water space?
- Management:** Road and water, road, water and transport sector.
- Dhaval:** Understood. Very useful. Great. Wish you all the very best and thank you.
- Moderator:** Thank you. Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to the management for closing comments.
- Sanjay Kulshrestha:** Yes. Thank you, Sanket, it was a good experience. And I hope that we will be able to come up to the requirement of the questions. And in case of any additional information, please come back to us. We'll be happy to share other information as well. And thank you for all your support that you are continuously providing, and it can be reflected in our pricing of the shares and the capitalization of the market.
- So we are a company which will take care of all the stakeholders. We had announced our returns as a dividend. Now it is around 41.5%. So we will continue to work towards improving the bottom-line from all the measures and the required returns to the investors.
- Moderator:** Thank you. On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.