informal employment in India. *(Source: CRISIL Report)* However, CRISIL believes that rising urbanization, growing disposal income, favorable demographics and government measures will lead to higher mortgage penetration going forward. We intend to focus on growing our share of the low income housing segment mortgage market in India and continuing to focus on the salaried and self-employed categories from the economically weaker and low-to-middle income group segment of the Indian economy. We believe our objective of financial inclusion for these categories of customers coupled with our digitally enabled customer centric approach will allow us to continue to grow our customer base and our loan portfolio. We also grow our customer base by entering into co-lending arrangements with other banks, see "*– Our Strategy – Optimize our borrowing costs and reduce operating expenses further*" on page 161 for further details. In addition, we may also explore selective opportunistic acquisitions of low income housing segment loan portfolios from banks and financial institutions as means of inorganic growth.

***Continue to invest in and roll out digital and technology enabled solutions across our business to improve customer experience and improve cost efficiency***

In October 2021, we implemented an enterprise-wide technology upgrade of our systems and processes. These investments are aimed at modernizing our technology backbone and digitizing operating processes. For further information, see "*– Information Technology*" on page 173. We believe that these initiatives will assist in streamlining of existing processes and the introduction of enhanced features.

Further, we aim to make the process of buying a house for our customers seamless by building a digitally-driven and enabled HFC focused on the low income housing segment. The key components of this are the simplification of processes, growing our reach, efficient and comprehensive risk management combined with a superior customer experience.

Our credit underwriting, risk management and fraud detection teams utilize technology to process loan applications, analyze credit risks, identify fraud and utilize an objective cognitive rule-based policy to make credit decisions. These technology-enabled initiatives allow us to increase our customer penetration by enabling third parties to source customers while keeping credit appraisals in-house.

Operationally, digitization benefits us through improved underwriting processes, increased productivity, cost reduction and improved collections through data-driven early warning systems. These measures are intended to improve our customers' experience while transacting with us. At the back-end, we have automated various processes and rolled out of a lending management system with different technologies. In FY2020, we appointed Tata Consultancy Services Limited ("**TCS**") to implement their Lending and Securitization Platform across our systems and launched a Digital Transformation program which provides a more integrated digital platform for various stages of a loan cycle onboarding, loan origination, accounting and reporting. These technologies will further enable our shift to an analytics-based approach across our business. These technological systems and enhancements will also help us further improve our systems, processes and controls. Our technology initiatives coupled with our physical branch and location expansion will allow us to continue to expand and grow our business, while improving our cost efficiency. See "*– Information Technology*" on page 173.

***Optimize our borrowing costs and reduce operating expenses further***

Our cost of borrowing declined from FY2021 to FY2022 and thereafter increased at a slower pace in the nine months ended December 31, 2023 as compared to the increase in the India repo rate during the same period, which we believe is due to our proactive and flexible fundraising strategy. The following table sets forth details of our average cost of borrowings for the periods indicated:

| | For the | | | | |
|---|---|---|---|---|---|
| | **FY 2021** | **FY 2022** | **FY 2023** | **Nine months ended December 31, 2022** | **Nine months ended December 31, 2023** |
| Average cost of borrowings (1) | 8.2% | 7.2% | 7.0% | 7.0%* | 7.6%* |

*(1) Average cost of borrowing:- Represents finance cost for the relevant year or period as a percentage of Average Borrowings in such year or period. Average Borrowings is the simple average of our Total Borrowings outstanding as of the last day of the relevant year or period and our Total Borrowings outstanding as of the last day of the previous year or period.*

**These financial data have been presented on an annualized basis in the following manner: reported figure multiplied by number of days in a FY divided by number of days in a year. The calculation does not take into account seasonality factors or any other factors which could impact period-on-period variations and may not reflect our actual performance for FY2023 and FY2024. The presentation of annualized financial data has limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our operating results. Annualized financial data are not standard measures under the Ind AS and should not be considered in isolation or construed as alternatives to net income/loss, cash flow or any other measure of financial performance or as indicators of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. Annualized financial data presented herein may not be comparable to similarly titled measures presented by other companies.*

We intend to continue to diversify our funding sources, identify new sources and pools of capital and implement robust asset liability management policies with the aim of further optimizing our borrowing costs and help sustain our NIM. In line with our strategy, we have increased the share of NHB refinancing in our Total Borrowings and have also availed international sources of funding in the past to reduce our overall cost of borrowings and diversify the funding mix. We intend to continue