Aptus Value Housing

Operator: Good morning, ladies and gentlemen. I am Danish, moderator for this conference call. Welcome to the earnings conference call of Aptus Value Housing Finance India Ltd. to discuss its results for the quarter ended June 30, 2026. This conference call may contain forward-looking statements based on the company's beliefs, assumptions, and expectations as of today. These statements are subject to risks and uncertainties, and actual results may differ materially. At this moment, all participants are in listen-only mode, and there will be a question-and-answer session. If you have a question, please press star followed by one on your telephone keypad. Please note that this conference is being recorded. We have with us today Mr. M. Anandan, Executive Chairman; Mr. P. Balaji, Managing Director; Mr. C.T. Manoharan, Executive Director and Chief Business Officer; and Mr. Sanjay Metpalli, Chief Financial Officer. I would now like to hand the conference over to Mr. Anandan for his opening remarks. Thank you, and over to you, sir.

M. Anandan - Executive Chairman: Thank you. Good morning, ladies and gentlemen. I am Anandan, Executive Chairman of the company. I warmly welcome you all to this earnings call. As you know, the Indian economy continues to exhibit strong underlying momentum and has created a supportive environment for credit growth, including affordable housing finance.

Aptus delivered a good start to the year, with assets under management growing by 21% year-on-year. Disbursements reached a good level during the quarter, and growth was broad-based across geographies and distribution channels, with continued demand from our targeted customer segment.

Profitability remained healthy during the quarter. Net total income increased, supported by business growth and improving operating leverage. Return on assets remained healthy, while return on equity was flat at over 20% ROE. Spreads remained largely stable. Our margins remained resilient during the quarter, despite rationalization of pricing in certain loan segments and prudent liability management, including a reduction in the cost of funds.

Asset quality remained broadly in line despite continued business growth. Provisions were broadly contained at 60 basis points during the quarter, reflecting the resilience of our underwriting framework and disciplined portfolio monitoring.

Looking ahead, we remain optimistic about the opportunities in the affordable housing finance sector. We are seeing good business momentum across our markets and are confident of delivering 22-24% AUM growth as guided, while maintaining our focus on operating efficiency.

With that, I would now like to hand over the call to Mr. P. Balaji, our Managing Director, to take you through the business focus and key operating and financial parameters. Thank you.

P. Balaji - Managing Director: Thank you, sir. Good morning to all. To begin with, I am happy to convey that we have started FY27 on a positive note. The strategic initiatives that we outlined during our last earnings call are progressing well and have contributed to the continued improvement in our business momentum. We remain focused on balancing growth with profitability while maintaining our credit discipline.

Overall, the quarter reinforces our belief that the affordable housing segment in which we operate remains structurally robust and continues to offer a significant growth opportunity. As outlined during our last earnings call, we continue to make steady progress on the strategic initiatives aimed at accelerating our growth momentum.

First is branch expansion. We continued to expand our distribution network and, during the quarter, opened 33 branches, taking our total branch network to 322.

Next is strengthening customer acquisition. We continue to diversify our sourcing channels through the expansion of our connector network and an increased focus on digital marketing initiatives. The connector channel contributed 8% of our disbursements during the quarter, and we continue to see encouraging traction from this sourcing channel.

The next one is increasing the average ticket size. Our continued focus on increasing the average ticket size, supported partly by an improved and calibrated customer selection strategy, is helping us onboard higher-quality customers while maintaining healthy business momentum.

The next one is customer quality and pricing. Our calibrated reduction in lending rates on select loan ticket sizes, together with our strategy of increasing the average ticket size, continues to support customer acquisition while helping us onboard higher-quality customers. Going forward, we remain focused on the disciplined execution of these initiatives.

During the quarter, what was guided last year was achieved in terms of growth. Q1 disbursements grew 36% year-on-year, giving us confidence in achieving the FY27 AUM growth guidance of 22-24%. Just to give an update, July 2026 disbursements were also good and improved by 25% compared to July 2025 disbursements.

Regarding branch expansion, we added 33 branches during the quarter against the full-year target of 60-70 branches. Yield moderation remained in line with expectations and was fully offset by a lower cost of borrowing, resulting in a stable spread. Operating expenses to AUM remained at 2.7%, within the guided range of 2.6-2.8%. Credit cost stood at around 0.6%, in line with the guided range of 0.5% plus or minus 10 basis points for FY27. In terms of profitability, ROE remained above 20%, consistent with our profitability guidance.

Based on the progress made during Q1 FY27, we remain confident of delivering our FY27 guidance across growth, spread, operating cost, credit cost, and profitability.

Our growth is anchored on the following strategic pillars: a diversified mix, geographic expansion, productivity, and digital excellence. One more thing that is equally important is product expansion. We are also evaluating opportunities to broaden our lending portfolio beyond home loans and SME loans through the introduction of a new lending product. Together, these pillars continue to strengthen our franchise and position us well to deliver sustainable growth while maintaining our profitability and asset quality.

Now moving on to performance. AUM grew by 21% year-on-year to 13,648 crores. Disbursements grew by 36% year-on-year to 1,053 crores. The branch network stood at 322 branches.

Coming to asset quality, collection efficiency stood at 98.52%, primarily impacted to an extent by seasonality and some moderation in collection within the NBFC portfolio. Consequently, our 30-plus DPD stood at 6.87% as against 6.21% in Q4 FY26. Encouragingly, collection performance improved in July, with 30-plus DPD declining by nearly 20 basis points. We expect this positive trajectory to continue as our collection initiatives gain further traction.

GNPA stood at 1.7% as against 1.52% in Q4 FY26, while net NPA stood at 1.29% as against 1.15%. Credit cost for the quarter remained within our guided range of around 0.6%. Credit cost for the housing finance company came in at {? 0.24% ?}, while the NBFC reported around 1.42%.

Aptus is one company with two businesses and two benchmarks. Our housing finance business should be compared with HFC peers, and our NBFC business should be compared with SFC peers. Each has a distinct operating model and risk profile. Therefore, comparable asset quality should always be assessed in the context of the portfolio mix.

Now coming to profitability. During the quarter, net interest income grew by 19% year-on-year to 441 crores. We maintained our spread between 8% and 9%, supported by a declining cost of funds to 8%. Our operating expenses as a percentage of AUM remained at 2.7%. Profit grew by 19% year-on-year to 251 crores, translating to an ROA of 7.8% and ROE of 20.4%, which is among the highest in the industry.

Coming to funding, during Q1 we raised approximately 876 crores on a consolidated basis, primarily through a mix of term loans, securitization, and direct assignment. Our liability profile continues to remain well diversified, with 52% from banks, NHB at 14%, securitization at 18%, and the balance through NBFC funding.

We continue to maintain a strong liquidity position, with total liquidity of 1,593 crores as of June 26, including 1,257 crores of unavailed bank sanctions, providing us with ample headroom to support growth.

With these remarks, I open the floor for the question-and-answer session.

Operator: Thank you so much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on your telephone keypad and wait for their turn to ask a question. If you would like to withdraw your request, you may press star and one again. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Our first question comes from the line of Nishint Chavathe from Kotak Bank. Please go ahead.

Nishint Chavathe – Kotak Bank: Hi, thanks for taking my question. I wanted a little bit of guidance on the way things are playing out. One point is that disbursement growth is pretty intense at around 36%. There have been challenges throughout the last 4-5 quarters. What are the drivers, and what is the thought process and comfort level in terms of how this plays out over maybe the next 2-3 quarters? If you have some color on July and so on, that would be helpful.

I think there is also a question on the asset quality front. I know you mentioned that 30-plus DPD was down by around 20 basis points, but what exactly are the drivers, and how do we expect the year to end? Those are my 2 questions. Thank you.

P. Balaji – Managing Director: First, on growth, as we explained earlier, growth will come from the expansion of new branches in new states and the expansion of new branches in the existing states. In addition, the increasing average ticket size, which is around 11 lakhs compared to last year, will also provide momentum to growth.

The next factor is the connector channel that we have developed. It has gained traction. As I told you, 8% of disbursements during the first quarter came through the connector channel, and this will be augmented in the second, third, and fourth quarters as well.

The other factor is that we have calibrated and optimized the lending rate on certain housing loan ticket sizes. That is also likely to provide momentum to growth. That is what has actually happened. If you look at our July 2025 disbursements compared with July 2026 disbursements, July 2026 disbursements were 25% higher than July 2025 disbursements.

All these factors are likely to result in good growth, and that is what we are projecting in terms of growth. With this kind of disbursement growth, AUM growth will also catch up. That is what gives us confidence that we will be able to achieve the guided range of 22–24% AUM growth.

Coming to asset quality, as I told you, credit cost in the HFC was at {? 0.24% ?}. This is in line with any other housing finance company, and the quality of the book is behaving very well there.

If you look at the NBFC, there was a small hitch in terms of collection during the fag end of June 2026. That resulted in collection efficiency dropping to 98.5% and 30-plus DPD increasing to 6.87%. However, we have already taken corrective steps in terms of NBFC collections, and we are very happy to say that in July 2026, Stage 2 reduced by almost 15–20 basis points. This will continue.

Going forward, the credit cost range of 0.5% plus or minus 10 basis points will be maintained, and this will continue for the next 3 quarters.

Nishint Chavathe – Kotak Bank: Are there any specific factors that you would want to highlight regarding the weakness in collections or what happened in the NBFC in the first quarter?

P. Balaji – Managing Director: It is purely seasonal.

Nishint Chavathe – Kotak Bank: So, are you suggesting that this is more of a month-end or seasonal trend, and that is how we should read it rather than saying that there is some other issue?

Management: Absolutely. Yes, absolutely.

Nishint Chavathe – Kotak Bank: Okay, understood. Thank you very much, and all the best.

Management: Thank you. Thank you.

Operator: Thank you. The next question comes from the line of Umang Shah with Kotak Mutual Fund. Please go ahead.

Umang Shah – Kotak Mutual Fund: Hello, am I audible?

Management: Yes, yes, Umang.

Umang Shah – Kotak Mutual Fund: Good morning, and thanks for taking my question. My question is also related to asset quality. We understand that Q1 is a seasonally weak quarter, but our headline ratios in terms of 30-plus and 90-plus DPD are also higher year-on-year. Is there anything unusual here that has led to this?

My second question is regarding collection efficiency. While overall collection efficiency has dropped to 98.5%, could you split out how much collection efficiency has declined in the NBFC business?

Management: If you look at collection efficiency in the housing finance company, it is around 99.5%, while this one is around 97.5%. That is the difference, resulting in consolidated collection efficiency of around 98.5%.

Regarding the increase in NPA, we have not seen that kind of unusual movement in this quarter or on a year-on-year basis. In fact, this is what we had also guided. NPA was 1.49% as of June 2025, and that has become 1.76%. However, this will definitely be brought down with the efforts that are being made. This is broadly on account of the increase in NBFC NPA.

Umang Shah – Kotak Mutual Fund: Is this specific to any particular region, customer cohort, or anything of that nature?

Management: No, no.

Umang Shah – Kotak Mutual Fund: Understood. I have one suggestion. I appreciate that during the call you are emphasizing the HFC and NBFC businesses and would like us to compare both businesses separately. However, if you could also start providing data points for both businesses separately, it would help us as investors and analysts compare them in a more meaningful way.

Management: Umang, we have already decided and discussed that from September 2026 onwards, you will get the data for both companies in the investor presentation.

Umang Shah – Kotak Mutual Fund: Understood. Thank you very much, and I wish you all the best.

Management: Thank you.

Operator: Thank you. The next question comes from the line of Amit Khetan with Yes Securities. Please go ahead.

Ravi – Yes Securities: Hello?

Management: Yes, Amit.

Ravi – Yes Securities: Can you hear me?

Management: Yes, yes, Amit.

Ravi – Yes Securities: Hi, this is Ravi here. Sorry. To clarify this point on asset quality, you said that toward the end of June, some NBFC customers could not pay and could not honor their commitments. In July, they not only cleared the June dues but also honored their July commitments. So now we have rolled back their bucket, right?

On an ongoing basis, collection efficiency, which was 97.5% in the NBFC, should now return to a normal level of perhaps 98.5% or 99%. Is that how we should look at June and July?

Management: Yes, definitely, definitely.

Ravi – Yes Securities: Understood. So incrementally, we will not see significant bucket movement from the NBFC portfolio in July and August.

Management: Yes.

Ravi – Yes Securities: On growth, you mentioned in your initial remarks that July disbursements were higher by 25% year-on-year. However, from last July you also stopped doing loans below 7 lakh. On an adjusted, like-for-like basis, how should we look at the disbursement runway going forward?

Q1 growth of 35% was also partly because of a lower base last year. July growth was 25%, but we still have a lower base. When the base normalizes, how should we look at disbursement growth?

Management: This quarter, there will be a minimum 25-30% increase over the corresponding quarter of last year on a year-on-year basis. In fact, lending below 7 lakh is also coming down.

Ravi – Yes Securities: Is disbursement also now taking place in the NBFC? On the NBFC side, you have not calibrated disbursements, right? Since everything has returned to normal?

Management: Yes, yes. That is what we said. There is no problem with the quality of the customer. It was just one small glitch that occurred toward the end of June. Therefore, there is no reason for us to have reduced business in the NBFC.

Ravi – Yes Securities: On the funding side, I have 2 questions. The NHB proportion of funding is at its lowest in many quarters, and I do not see any NHB sanction in the pipeline. What is the reason?

Second, regarding the unavailed bank sanctions shown in the liquidity slide, what would be the cost of these sanctions when you draw them?

Management: First, let me talk about NHB. We have also applied to NHB for a 500 crore refinance facility. However, the indication from NHB is that the cost of funds they would provide would be around 8.2-8.3%.

In the housing finance company, we are able to raise money from banks, through securitization, or through NCDs at 7.8-7.9%. Therefore, it is more prudent to borrow from these sources rather than from NHB.

If NHB is able to offer a competitive rate of interest, we will borrow from NHB. Otherwise, we will borrow from other sources. That is the position regarding NHB borrowing.

The other point is the 1,257 crores of sanctions. In the case of HFC, the sanction rate is around 7.9-8.1%. In the case of NBFC, it is around 8.1-8.25%.

Ravi – Yes Securities: Understood, sir. Thank you very much, Mr. Shukla.

Management: Thank you.

Operator: Thank you. The next question comes from the line of Amit Khetan from Laburnum Capital. Please go ahead.

Amit Khetan – Laburnum Capital: Hi, sir. Thank you for taking my question. I have a couple of questions. First, you have talked about entering new lending segments. There are merits to being a company focused on a single segment, and the addressable market for affordable housing and LAP is quite large. What is the rationale for entering these new segments, and which products are under consideration?

Management: This new product segment is in the formative stage. We are in the process of discussing which products we want to enter. We will be able to provide more color in the next conference call because this is currently a thought process within the company. We will discuss it internally and then provide more details in the next conference call.

Amit Khetan – Laburnum Capital: Understood. Can you explain the rationale for entering new segments? The growth opportunity in the single segment is quite large, so why do this now?

Management: As we look at our next stage of growth, from 15,000 to 25,000 crores or from 25,000 crores to upwards of 50,000 crores or more in size, we feel there is a strong need not only to strengthen our physical, online, and associate distribution, but also to diversify our product range.

We see opportunities particularly in the NBFC business. The HFC will continue to be largely focused on HFC and LAP, and after meeting the basic requirement of HFC, the gap available in non-HFC products within the HFC company is limited.

In the NBFC, we currently offer SME loans and, to some extent, LAP. There is a large scope to consider add-on products, particularly for our existing customers. We currently have over 200,000 customers availing unsecured, LAP, security-based, or non-security-based financial products from other vendors.

We have a very good experience with these 200,000 customers, and we see an opportunity to introduce appropriate products in our NBFC and expand. To support our growth apart from distribution, we are looking very closely at product expansion as well. In the process, we want to augment our product offerings.

Amit Khetan – Laburnum Capital: Understood. Does that mean we will go slower on geographic expansion and go much deeper into our existing geographies with more products?

Management: No. As I mentioned, distribution will continue to cover geographic expansion. Direct sourcing through our branches and field staff will continue, online sourcing will continue, and business associates will continue. That is largely distribution in one form or another—physical, online, offline, and through our own staff.

Apart from that, another way to help the company scale up further is product expansion. As I mentioned, there could be an opportunity in our NBFC company to augment products in the NBFC business, particularly by leveraging our existing customer base, which is also growing by almost 20% per year. Our customer base itself is growing, and we should be able to leverage it through new products as well.

Amit Khetan – Laburnum Capital: Understood. My second question is on asset quality. Could you give some color on how asset quality varies by ticket size? You have some book below 7 lakh, some between 7 lakh and 10 lakh, and some above 10 lakh. Is there a difference in credit behavior, and how are NPAs across the different ticket sizes?

Management: We have not seen that kind of differential behavior in terms of ticket sizes, except for bounce rates. As we have already communicated, the bounce rate for loans below 7 lakh is 2–3% higher compared to loans above 7 lakh. Other than that, we are not seeing any difference in asset quality when looking at ticket sizes.

Amit Khetan – Laburnum Capital: Understood. Lastly, operating expenses have increased significantly while we added 33 branches this quarter. Is that because these branches were added toward the end of the quarter?

Management: To a certain extent, yes. Of these 33 branches, 10–11 branches, or 10–12 branches, were opened before May 31, and the balance were opened in June. The rent and all those costs will be reflected in the second quarter.

However, we have a track record. Even last year, we added around 30 branches, and that did not really result in any significant increase in operating expenses. In fact, this year we are planning around 60–65 branches—60 branches.

Amit Khetan – Laburnum Capital: Understood. Thank you.

Management: We have 137 branches overall. We added about 33 in the first quarter and plan to add another 20–25 in the second quarter. The balance will be added subsequently. Some of the branches are being added in new states such as Maharashtra and Odisha.

Despite this, given our focus on operating costs, we are not only investing in branches but are also enhancing our investments in IT. However, we remain very conscious of our operating costs, both as a percentage of AUM and as a percentage of net income.

In that respect, we have a very clear advantage over the competition today, which we will continue to maintain despite these investments in infrastructure, branches, and IT.

Amit Khetan – Laburnum Capital: Understood. As a quick follow-up, can you give some color on how attrition in the industry is evolving? Has it improved, or does it continue to remain the same?

Management: At the senior level, there is absolutely no attrition. At the middle-management level, it is only around 5–10%. At the branch-manager level, it is around 10–15%. At the field level, it is around

40-45%.

Earlier, field-level attrition was around 50-60%; it has come down to 45%, but it is still high. We have introduced various incentive schemes and insurance schemes for each employee, along with other such measures, to retain people.

However, when people come and open branches in the same state where we operate, the first thing they do is poach our people. That is a challenge we have to contend with. That is why we are also launching the alternate channel so that there is less dependence on {? DSAs ?}.

Amit Khetan - Laburnum Capital: Understood. Thank you, and all the best.

Management: Thank you.

Operator: The next question comes from the line of Renesh Patel from ICICI Securities. Please go ahead.

Renesh Patel - ICICI Securities: Thank you for the opportunity. I have one question on strategy. At the same time last year, we had {? the 007 ?} LAP product. Now, as we think about our other product expansion strategy, we naturally have to calibrate growth in some existing products to meet NHB criteria.

How should one think about the AUM mix shaping up in the near term? Is there any impact on NIM or ROA when we start expanding the product lines?

Management: If you look at the product mix, currently in the housing finance company, 67% is housing loans and the balance is non-housing loans, either in the form of quasi-home loans, top-up loans, or insurance loans and individual loans.

This is likely to continue because we still have to maintain the principal business criteria. At this level of product mix, we are comfortably meeting the principal business criteria. Therefore, the mix will remain the same. If any other business is undertaken, it will be done in the NBFC company.

Renesh Patel - ICICI Securities: Just one point—

Management: This is not likely to impact ROA. Yes.

Renesh Patel - ICICI Securities: The point is that within the current 67% mix, when we start adding new products, the new product lines will naturally grow at a faster pace because of their low base. Therefore, some existing product lines in the NBFC should see lower growth on a blended basis; otherwise, we could miss the NHB criteria.

Strategically, which product do you think will grow more slowly in the near term, or will the slower growth be offset by the new product lines?

Management: I think we need to be very clear here. The mix I was discussing was for the housing finance company, and that mix will continue. Any new product will be introduced in the NBFC company.

Therefore, while the consolidated mix might change, the mix in the housing finance company will remain the same. There will not be any impact on the principal business criteria, ROA, or ROE.

Renesh Patel – ICICI Securities: So, even if we proceed with product expansion, there will broadly be no impact on profitability?

Management: Yes, yes.

Renesh Patel – ICICI Securities: Understood. One last clarification on the 30-plus DPD movement. Given that we exited the challenging ticket size a year and a half ago, and incremental growth should have been toward a better customer pool, logically the early bucket should show year-on-year improvement, right?

Sequentially, I can understand the seasonality. However, if we exited the challenging segment last year and 12-month LAP should perform better than the vintage book, why is 30-plus DPD not declining year-on-year?

Management: That is correct, Renesh. What you are saying is very logical. However, this is not because of deterioration in the asset quality of the customers. It was only a temporary glitch toward the fag end of June 24, when some commitments were not delivered. Those commitments were fulfilled in July.

Whatever commitments were not fulfilled as of June 30 have been honored in July.

Renesh Patel – ICICI Securities: Understood. So perhaps we will see that in the days format?

Management: Yes, as a result, there has been an improvement in July. This improvement will continue in August and September as well.

Renesh Patel – ICICI Securities: Understood, sir. Thank you, and all the best.

Management: Thank you, Renesh.

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

Raghav Garg – Ambit Capital: Thank you for the opportunity. I have a few questions. First, your tax rate has been lower for the last 2 quarters, at around 20% compared with the previous trend of around 23%. Why is that, and going forward, what should be the normalized run rate for the effective tax rate?

Management: I did not get your question correctly, Raghav. The voice was not clear.

Raghav Garg – Ambit Capital: Are you able to hear me now?

Management: Yes, it is better.

Raghav Garg – Ambit Capital: I was saying that your effective tax rate has been 20% for the last 2 quarters, Q4 and Q1, compared with 23% before that. Why is that, and going forward, what should be the normalized run rate for the effective tax rate?

Management: The tax rate is lower because of the benefits we are receiving from the aggressive write-off policy that we are following. That is the tax benefit we have taken, and that is what has resulted in this. This will continue.

Our current cost is largely on account of write-offs rather than provisions. Write-offs, as you know, are eligible for this {? bad debt ?} tax allowance.

Raghav Garg – Ambit Capital: Understood. So you are saying this will continue?

Management: Yes.

Raghav Garg – Ambit Capital: Understood. For July, you said disbursements were up 25%. What was the year-on-year growth in volume terms for the month, in terms of the number of loans?

Management: These are very specific questions. I will answer them when we meet, as I do not want to disclose this now.

Raghav Garg – Ambit Capital: Sure.

Management: Broadly, our growth in the number of loans and customers will be around the same.

Raghav Garg – Ambit Capital: Approximately how much?

Management: It will broadly be the same. We will discuss the specific figure in our meeting.

Raghav Garg – Ambit Capital: Sure. My last question is on assignment income. The run rate in absolute value terms seems to be stabilizing. If I look at it as a percentage of off-book AUM, the margin is normalizing lower.

Where should this margin settle on a steady-state basis? When I look at other housing finance companies, assignment income as a percentage of off-book assets usually comes to around 11-12%. Yours is currently at 23% and has been coming down from as high as 40%. Should it settle closer to the 12-15% range or perhaps lower, assuming that you probably have a higher-yield book or a higher-yield product than others? I wanted some clarity on the margin.

Management: It should come down to around 12-15%. It should come down to around 12-15%.

Raghav Garg – Ambit Capital: Understood. Thanks a lot. That was all from my side.

Operator: Thank you. The next question comes from the line of Suprit Di Patil from ISec Trendtrig Private Limited. Please go ahead.

Suprit Di Patil – ISec Trendtrig Private Limited: Good morning to the team. I have 2 questions. My first question is for Mr. Manoharji. Beyond the regular outlook, what are the top 2-3 execution priorities you are focusing on in the next few quarters? Alongside that, what do you see as the biggest risk in terms of shifts in borrower demand, interest-rate movements, or competitive pressure? How are you preparing to manage these risks while strengthening your position in affordable housing finance? That is my first question. I will ask my second question after this. Thank you.

Management: We did not understand the first question clearly. Could you please repeat it? Sorry about that.

Suprit Di Patil – ISec Trendtrig Private Limited: I am asking about a concrete plan of action that you may be implementing, such as expanding the branch network, strengthening digital lending, or diversifying borrowing sources in the affordable segment. I also want to understand the risks you see in borrower demand, interest-rate cycles, or competitive pressure.

I want to understand both how you plan to grow and how you are prepared to handle challenges that could slow down growth prospects. Thank you.

Management: First of all, competition will be there, and we cannot rule it out. Branch expansion will take place. As I just said, we have guided for 60–70 branches in this financial year, of which 33 have probably been opened. Another 20–23 will be opened in this quarter, and the rest will be opened in Q3.

We do not have any challenges regarding branch expansion. Growth will come from the branches we are opening. New case officers will join those branches, and to that extent, the number of case officers will increase and business will also increase. We do not see any challenges to growth from the new branches. That will proceed as planned.

Regarding risks, we are not seeing that kind of risk because we always believe that there is a good opportunity for growth in the affordable housing segment and in the NBFC business in which we operate. There are opportunities in new geographies as well as in existing geographies.

Of course, competition exists, but the market is still available and we believe we can continue to grow. To achieve sustainable growth, as explained by the Chairman, we are also entering new products. This is the approach we are taking.

Growth is definitely not an issue, considering that we are guiding for 22–24% growth. I hope I have answered your question regarding risks.

Regarding competition, as Manoharji also said, there are companies opening branches in the states where we operate. When people tell us that branches are being opened, we also say that business opportunities are available in the existing states. However, we are also entering states where competition is not very intense.

For example, in Odisha and Maharashtra, the locations where we have opened branches do not have very intense competition. This is how progress will take place. Of course, we will follow a contiguous branch expansion strategy and go deeper into a particular state.

Suprit Di Patil – ISec Trendtrig Private Limited: Thank you. May I ask my second question?

Management: Yes, please.

Suprit Di Patil – ISec Trendtrig Private Limited: My second question is for Mr. Mittal. Along similar lines, while the business guidance has just been discussed, I want to understand from a financial point of view what key risks or challenges you anticipate in the coming quarters and what specific measures have been taken to manage margins, liquidity, and balance-sheet strength, particularly borrowing costs, asset quality, and regulatory compliance. Thank you.

Mittal: First, coming to margins, we have reduced the rate of interest income slightly, and we are protecting that through effective borrowing. We expect the gross spread to remain at 9%. Since our leverage is also stabilizing, we expect NIMs to be around 12.5–13%. Therefore, NIM is protected from that perspective.

In terms of operating cost, we are very frugal. We have consistently delivered 2.7%, and despite increasing the number of branches, the way we manage operating costs means there might be a 2.7–2.8% range. We are managing our operating costs very strongly, and we are very confident about that.

Management: Regarding credit cost, that is one challenging aspect on which we are definitely working. Balaji sir also emphasized that collections are one of the key areas we are trying to manage. We expect credit cost to remain in the range of 50–60 paise. These are the aspects of the financials we are expecting.

Regarding liquidity, we have been maintaining sufficient liquidity for 2–3 months. Since our leverage is very low, we are able to negotiate with banks and bring them to the pricing and interest rates we want.

We are not in a hurry, and we are not highly leveraged. That is the most important aspect of our balance sheet. We can wait and bring lenders in at our terms and at our rates, rather than asking for or offering the rates that banks are asking for.

Management: I would like to add to what Sanjay said. You were also asking about general stress that could arise in the second or third quarter.

If you look at our total borrowings, 66% is variable and 34% is fixed. Of the 66% that is variable, 25% is linked to the repo rate and 21% is linked to MCLR. Therefore, if there is an increase in the repo rate, there can be some impact. However, we are also comfortable because the impact is likely to be limited to 0.1–0.2%. That will not have a major impact on maintaining NIMs or spreads. Thank you, and best wishes.

Operator: Thank you. Our next question comes from the line of Ankit Shah from White Equity Investment Advisory. Please go ahead.

Ankit Shah – White Equity Investment Advisory: Thank you for taking my question. Our quasi-home loan and LAP book has been growing faster than home loans over the last year or so. Have we optimized lending rates more in that segment, or what is the reason for this higher growth rate?

Management: Are you referring to housing loans? LAP? Yes, we have optimized rates on certain ticket sizes, and that too only in the HFC and only for incremental housing loans.

Ankit Shah – White Equity Investment Advisory: The question was that our LAP is growing faster than housing loans. What is the reason for that?

Management: If you look at it, last year our HFC loan book grew by 18% and our NBFC loan book grew by 29%. In this quarter, the HFC loan book grew by 20% and the NBFC loan book grew by 24%.

We would like to concentrate more on housing finance and grow that book. We will also concentrate on the NBFC by introducing new products and focusing on the existing products.

Ankit Shah – White Equity Investment Advisory: My question was specifically about the parent company. Within the parent company, between home loans and quasi-home loans or LAP, LAP has been growing faster than the home loan product. I am asking for the reason for this difference, not about the NBFC.

Management: That is correct, but quasi-home loans have a lower base. Therefore, the base effect will always be present. Previously, it was about 35 crores, and now it has reached 100 crores.

Ankit Shah – White Equity Investment Advisory: My second question is a simple book question. In the past, we provided the state-wise advances split in the investor presentation in absolute numbers. This time, we have changed it to a percentage basis. Because of this, the Odisha and Maharashtra numbers are looking a little unusual. Can you provide the absolute split of advances?

Management: I can ask Amit to contact you and provide the exact state-wise loan-book numbers. Based on the percentage, our loan book in Maharashtra was {? 162 crores ?}. Yes, exactly, 162 crores in Maharashtra, and now we have reached about 160 crores, which is approximately 1.2% of the book.

Ankit Shah – White Equity Investment Advisory: This is helpful, sir. My last question is about the difference between AUM and advances. That difference has declined by 115 crores in this quarter. What is the reason for this?

Management: What? The difference between what?

Ankit Shah – White Equity Investment Advisory: The difference between AUM and the advances book. It used to be 1,175 crores. AUM stands at, basically, {? 1,364 ?} versus {? 1,251 ?}. It is almost {? 957 ?} crores since then. It is basically the assignment that we have done.

Management: Yes, if we do an assignment—

Ankit Shah – White Equity Investment Advisory: Yes.

Management: Because we do direct assignments, those assets are added to assets under management but are taken out of balance-sheet assets.

The balance-sheet assets are also reduced by the ECL provision and by processing fees that are yet to be recognized under the Ind AS logic. These are the reasons for the difference.

Ankit Shah – White Equity Investment Advisory: Understood. Thank you for taking my question.

Operator: Thank you. Our next question comes from the line of Rajiv Mehta from Yes Securities. Please go ahead.

Rajiv Mehta – Yes Securities: Thank you for allowing my follow-up. I have 2 questions. First, on credit cost, your guidance is 50-60 basis points for the full year. I want to understand this from 2 perspectives.

First, regarding write-offs, you said that we have started doing aggressive write-offs. Is this an acceleration of the policy, and will this remain an ongoing write-off policy?

Second, when we look at Stage 1 provisions, you have drawn down from that provision. It is now 24 basis points, whereas it was 40 basis points 6-7 quarters ago. How should we look at your credit-cost guidance in view of how the write-off policy will operate and how Stage 1 provision coverage will be maintained going forward?

Management: First of all, credit cost at 0.6% will be maintained for the year. Regarding the reduction in Stage 1 provision, the repayment behavior of customers in the Stage 1 category has been very good according to the ECL model. That is why the percentage coverage has reduced from, say, 0.3% to 0.24%.

At the same time, we saw some deterioration or an increase in Stage 2 assets, so we increased the provision coverage there. That is the entire logic.

Rajiv Mehta – Yes Securities: Regarding write-offs, have you switched to a write-off policy?

Management: No, that policy will continue. Anything more than 500 days will get {? [unclear] ?}.

Rajiv Mehta – Yes Securities: 530 DPD, right?

Rajiv Mehta – Yes Securities: Understood. Regarding connectors, you said they contributed 8% of disbursements. What is the current number of connectors, what could that number increase to, and what could their proportion of disbursements be next year?

Management: We currently have around 1,000 connectors across 333 branches, or an average of 3-4 connectors per branch.

Rajiv Mehta – Yes Securities: Thank you.

Operator: Thank you. Our next question comes from the line of Shibi Gupta from Tamas Asset Management. Please go ahead.

Shibi Gupta – Tamas Asset Management: Thank you for taking my question. I am sorry if this has already been answered. Could you provide a breakdown of the slippages that have occurred?

Management: What slippages? Where? I am not able to understand your question.

Shibi Gupta – Tamas Asset Management: Any slippages that have occurred in this quarter, and could you provide a breakdown?

Management: As we have said, Stage 2 increased from 6.21% in March to 6.87%. GNPA also increased from 1.52% to 1.74%. These are the main slippages that have taken place during the quarter on an overall basis.

I will also provide the numbers to you by email. The numbers will be provided to you through our investor-relations contact, Ramesh, who will be able to share them.

Shibi Gupta – Tamas Asset Management: Okay, sir. Thank you.

Operator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for the closing remarks. Thank you, and over to you, team.

Anandhan: Thank you, everyone, for attending this call. I would like to express my sincere gratitude to all analysts and investor friends for taking the time to listen to us today. Please feel free to contact us if you have any further queries. Thank you.

Operator: Thank you so much, Mr. Anandhan. Ladies and gentlemen, thank you for being a part of the conference call. If you need any further information or clarification, please email amit.singh@aavas.in. Ladies and gentlemen, this concludes the conference for today. Thank you for using Chorus Call conferencing services. You may now disconnect your lines. Thank you, and have a pleasant day.

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.