Aptus Value Housing

Operator: Good day, and welcome to the September 2026 edition of the Bharat Connect conference. I welcome you all to the call of Aptus Value Housing Finance India Ltd. Today, from management, we have Mr. Amit Singh, Vice President Investor Relations. Before I hand over the call to Amit, I will explain the flow of the event. We will start with the opening remarks by management and then move to the Q&A round. Any participant who would like to ask a question can raise their hand or post it in the chat box. We will first take up questions from participants who have raised their hands and then move to the chat box. If time permits, I will take up questions from participants who were not able to join this call. Without delaying further, I will hand over the call to Mr. Amit.

Amit Singh – Vice President Investor Relations: Thank you, everyone, for joining. In case you are aware of the Aptus story, we can directly get into the Q&A. Alternatively, I can give you a brief overview, depending on the format suggested by Juhi.

Operator: I believe you have to give some opening remarks, as I cannot unmute each participant to check whether they know the format or not.

Amit Singh – Vice President Investor Relations: Sure. To give you a brief overview, Aptus is a self-employed-focused MSME organization. We have two companies within the group. The first is a housing finance company, where we offer two sets of products. One is a home loan, and the second is a quasi-home loan. We also have an NBFC license, under which we typically offer LAP. More or less, our customer segment is focused on self-employed customers, with almost 80% of our business coming from this segment.

We are largely present in Tier 2 peripheral locations and Tier 3 and Tier 4 cities in southern India, and we are also growing in the western part of India. In terms of our long-term guidance or commitment to our investors, we would continue to aim to be known as a company that delivers around 20% ROE and continues to grow at approximately 20% AUM growth for the foreseeable future. That is how we see Aptus. We are now happy to take any questions.

Operator: I would like to repeat that if any participant has a question, they can raise their hand or post it in the chat box. We will take our first question from Vaibhav Jain. Vaibhav, you are unmuted.

Vaibhav Jain: Hi, am I audible?

Amit Singh – Vice President Investor Relations: Yes, you are audible.

Operator: Yes.

Vaibhav Jain: Thank you for your time and for the opportunity. My first question is on the regulatory side. Currently, we are taking our funding at the affordable housing company and also deploying it in LAP. As a result, our spreads are high. If the regulator decides that these operations have to be separated, what kind of impact will it have on our spread and cost-to-income ratio? That is my first question.

Amit Singh – Vice President Investor Relations: Vaibhav, we have two separate companies. One is Aptus Value Housing Finance, which is the standalone housing finance company, and the other is a wholly owned subsidiary of the housing finance company, Aptus Finance. Both companies operate

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separately, with separate compliance and risk functions. There are also specific branches focused on the NBFC.

There is no overlap where the NBFC or the HFC is supporting the NBFC's growth. In fact, the NBFC has separate borrowings that it raises independently to support its operations, and the HFC does the same for its own operations. There is no overlap as such.

In terms of the incremental cost of borrowing, in the NBFC we raise funds to the tune of 8%, whereas in the NBFC it is slightly higher. Therefore, the two companies operate separately, in a completely different manner, and also have products that are different from each other, Vaibhav.

Vaibhav Jain: Got it. Thank you for the clarification. My second question is on the digitization of operations. How much are data sharing among different NBFCs and account aggregator services contributing to your overall business, and what is the situation on the ground in terms of the actual data sharing that takes place in the case of credit organizations such as TransUnion?

Amit Singh – Vice President Investor Relations: Vaibhav, data and technology, regardless of the channel through which they are used, will always be an enabler of growth rather than taking the entire share of our growth. For example, we are present in Tier 2, Tier 3, and Tier 4 cities, and our operations require most of our branch staff to be present at the customer's premises as well as at the customer's business premises to underwrite the product.

We use technology in almost all our operations. For example, from the time a file is sourced until the time the file is collected, everything is done through technology. However, it is a combination of both technology and physical processes that helps us grow the way we are growing.

In terms of data sharing, more or less everyone has to comply with it. We also do this at our end, and it is a regular practice across the industry. In terms of credit bureaus, since you asked, after the end of every quarter we also conduct a bureau scrub of our borrowers and their households to check the types of loans they may have taken. There is a proper arrangement with all the credit bureaus under which companies continue to share information with one another.

Vaibhav Jain: In your presentation, you mentioned that 90%, 93%, or 97% of certain operations are digitized. What would that number be now for new incremental businesses and new incremental processes?

Amit Singh – Vice President Investor Relations: We have our own LOS and LMS, and everything that is sourced is completely digital. There is no paperwork involved. For example, the LOS or LMS that we use, IVA, is also used by some larger entities, such as the Shriram Group. In that sense, it is fully digital. I am not sure whether you were referring to 95% or 97%, but the process is fully digital.

However, the nature of our business also requires us to be present at the customer's premises and business premises to underwrite or understand the business that the customer is conducting. It cannot operate as a templatized underwriting or sourcing model. This is where the difference will always lie between us and an institution that is probably a bank.

Vaibhav Jain: Understood. It can sometimes be an impediment to scale. Ten years ago, things were very different. On the cost of funds, we are seeing an increase in bond yields across the board,

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including in our country. What kind of impact will this have on spreads going forward? Will you be able to pass on or transmit those kinds of rate increases?

Amit Singh – Vice President Investor Relations: Vaibhav, there are two things. As I mentioned, the NBFC and HFC have separate borrowing structures, and they both borrow independently. Earlier, the NBFC would take some guarantee from the housing finance company, but that is now fully separated.

In terms of the cost of borrowing, we currently have approximately 13,648 crore of AUM. Every quarter, when we reach out to lenders, we have to undertake four borrowings—three for the HFC and one for the NBFC. The way we manage this is that at the end of every month, we maintain a high level of liquidity on our books. Therefore, when we discuss rates with lenders, we are able to negotiate more effectively.

Over the last 6-odd months, including very recently, we have been able to raise funds at the same rates at which we were raising them earlier. However, what we are now hearing is that there is less discussion on the possibility of rates moving downward, and it is unlikely that we will continue to obtain the same rates.

That being said, for us and for the broader market, everything depends on how things move on the repo rate front. If there is an increase there, the liabilities would probably reflect it, and the assets would also have to follow.

The factor that is different for us is that almost 80% of our products are fixed-rate products. Apart from HL, our other two products are completely fixed in nature. There would, of course, be some impact, but a fixed-rate product is always priced higher than a floating-rate product. Therefore, we will have a slight runway compared with other competitors.

Secondly, our spreads are also much higher than those of some of our competitors. Therefore, I would say that we are well placed. However, if there is a movement in interest rates, it will affect all of us.

Vaibhav Jain: Fair enough. Regarding the 20% ROE and 20% growth that you guided for, I want to understand this better. We are currently at a run rate of around 22-24%, and we also have a significant capital adequacy ratio. Where do you see leverage settling? If we grow above 20%, we will also have to increase our leverage. Where do you see the asset-to-equity ratio settling in the longer term?

Amit Singh – Vice President Investor Relations: Vaibhav, on the growth side, as I guided, we expect to deliver more than 20% growth. This year, we will achieve approximately 22-24% AUM growth, and for the foreseeable future, we expect to continue delivering more than 20% growth. I wanted to clarify that point.

Regarding the 20% ROE, given the kind of realizations we have, it is more or less possible for us to achieve that as well. In terms of leverage, you also have to understand that our internal accruals are very high. For example, last year we delivered approximately 943 crore of PAT, and in Q1 of this year itself, we delivered approximately 261 crore of PAT. Therefore, our internal accruals are very

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strong.

On the growth side, over the last few years, you would have seen that the growth of most HFCs, particularly affordable HFCs, has tapered somewhat for various reasons. That is the context in which I would like you to view this. More or less, at our end, if you look at what happened last year, we have guided for a slightly higher growth rate.

In fact, within the NBFC, there is also a thought process around adding a product. All these factors would eventually lead to an increase in leverage. That being said, it is very unlikely that leverage will increase very quickly in the near future. It will take its own time to unfold, Vaibhav.

On the NBFC side, we will continue to look for opportunities where we can add a new product.

Vaibhav Jain: What are the new product lines that you are planning, if you can share them?

Amit Singh – Vice President Investor Relations: The thought process is that if we have a product where the LTV is only 40%, and as I indicated earlier, after the end of every quarter we conduct a bureau check, we find that some customers have borrowed for a two-wheeler, gold, or similar purposes, largely to support their working capital requirements because most of them are in business or are self-employed.

The thought process is that, if we can use the same underwriting methodology and given that the LTVs are low, can we add to the lending or lend something more to the same customer? That is the current thought process. However, as we speak, it is still only a concept under discussion, and we are continuing to discuss and debate the product. You will have to allow us some time before we launch it through our branches.

Vaibhav Jain: I think that will take time because of the regulator, licensing, and everything else. I understand.

Amit Singh – Vice President Investor Relations: Not really. I do not think we would need a separate license because we already have an NBFC under which we can add products. We do not need a license to add a product.

Vaibhav Jain: Okay, that is all from my side. Thank you.

Operator: Thank you, Vaibhav. We will take our next question from Sandeep Agarwal.

Sandeep Agarwal: Hello.

Amit Singh – Vice President Investor Relations: Hi, Sandeep.

Sandeep Agarwal: Thank you. As per your growth plan for the current year, the target is in the 22-24% range, and the current AUM mix is 67% home loans and 33% other products.

Amit Singh – Vice President Investor Relations: I am sorry, your voice is not loud enough for me to understand. What I could understand is that you are saying the mix in the housing finance company is 67%, with the balance being NBFC.

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Sandeep Agarwal: Yes, 33%. What is your mid-term, two- to three-year target for the mix?

Operator: Thank you. Our next question is from Sandeep from India Grow.

Amit Singh – Vice President Investor Relations: Sure. What I understand is that you are asking about our target business mix. On the Aptus side, while we have a {? 30 separate NBFC or 20 separate NBFC ?} branches, at the company level and at the field level, the thought process is very simple: we do not want to complicate matters for the people on the ground.

That being said, we want to offer all the products that we have to customers. More or less, the business mix that you are seeing at the overall consolidated level is approximately 48% home loans, 29% NBFC, of which the majority is LAP, and the balance is quasi-home loans, insurance, and top-up loans.

More or less, we would want to maintain that mix. However, the NBFC, with its smaller composition, may grow slightly faster in some cases. Overall, we would try to maintain the current business mix. If you had seen our Q1 performance, the growth in the housing finance company had bounced back. I hope that this will continue in the coming quarters as well.

Sandeep – India Grow: Regarding capital adequacy, why are we so conservative in maintaining the ratio?

Operator: I am sorry to interrupt, Sandeep, but there are already many hands raised, so we are restricting questions to two. You can rejoin the queue for further questions.

Sandeep – India Grow: Okay, ma'am.

Operator: Yes, you may continue.

Sandeep – India Grow: This is the second question. Regarding capital adequacy, why do we seem so conservative in maintaining the ratio, and can we achieve higher growth if we...

Amit Singh – Vice President Investor Relations: Sandeep, I understand your question. Firstly, for a housing finance company of our size and with our ticket sizes, capital consumption is relatively low. For example, in an HFC or in home loans, the capital consumption for any home loan is only 35%. Therefore, the capital burn is lower.

Secondly, given the kind of realizations we have, our internal accrual system is also very strong. If your question is why we do not grow at 30-35% with the capital we have, you need to understand the nature of the business we are in.

We reach out to customers in Tier 2 peripheral locations and Tier 3 and Tier 4 cities. The documentation we underwrite and the cash flows we assess are irregular. In many cases, customers may never have filed an income tax return and may not have a GST registration either.

We have to sit with the customer, understand the cash flows, and then conduct our own quasi-analysis before deciding on the customer's risk. For these types of customers, it is definitely a time-consuming activity.

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For example, to underwrite one customer, my entire branch has to visit the customer's home and business premises. Therefore, it takes time for us to complete the process. Unlike some prime home loan businesses, where a templatized underwriting model works, that model does not work in this scenario, Sandeep.

That is why the growth numbers are what they are. If you ask whether we can grow at 35–40% with the same product, I would say no.

Operator: Thank you, Sandeep. We will take our next question from Aditya Khandelwal.

Amit Singh – Vice President Investor Relations: Hi, Aditya.

Aditya Khandelwal: Am I audible?

Amit Singh – Vice President Investor Relations: Yes, you are.

Aditya Khandelwal: Good morning. Firstly, on asset quality, could you help us understand how asset quality is behaving now? We had seen some stress building up in the LAP book. Could you comment on how asset quality is trending now?

Amit Singh – Vice President Investor Relations: In terms of asset quality, I think what happened last quarter was that we faced some challenges in our collection efficiencies in the NBFC segment. I can see two people speaking. Sorry, Aditya. What I was indicating is that last quarter we saw some impact on collection efficiency in the NBFC segment.

What we have seen in this quarter, at least till now, which is 29, is that collection efficiencies have improved across the overall product base. [crosstalk] {? Pranit to [unclear] ?}

Operator: Sandeep, can you unmute yourself? There is background noise. Vaibhav, can you mute yourself? Sorry, please mute yourself. I have disabled Vaibhav from speaking for now.

Amit Singh – Vice President Investor Relations: Aditya, what I was indicating is that in the NBFC we faced some challenges on the collection side, largely related to execution. As of 29, what I can indicate is that collection efficiencies are improving for us as we speak. I think this trend will continue going forward.

Aditya Khandelwal: Understood. So this was primarily a collection issue and not stress in the borrower's income levels? Would that be a fair assessment?

Amit Singh – Vice President Investor Relations: Aditya, the issue was more related to challenges faced by our own employees on the collection side than to anything else. We had to push our people to get things done, and that is what happened in July.

If you remember our August post-results conference call, we showed an improvement in collection efficiencies compared with the previous month. The expectation is that this trend should largely continue, Aditya.

Aditya Khandelwal: Understood. When you talk about 20% growth, could you break down how you view growth from existing markets, newer markets in existing states, and newer states such as

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Odisha and Maharashtra? If you guide for 20% growth, how do you divide the growth among these three categories?

Amit Singh – Vice President Investor Relations: The newer states are currently quite small. For example, in Maharashtra and Odisha, I have approximately 10-12 branches. This compares with more than 300 branches in the other southern states.

The way it works, Aditya, is that whenever I open a branch in a newer state, it takes at least 6-9 months, or 10 months, to reach a run rate of approximately 70-80 lakh rupees of disbursement per month per branch. In the older states, when I open a new branch, I can reach approximately 1 crore of disbursement within 8-9 months. That is how it works.

In terms of growth, Andhra Pradesh and Telangana are currently growth engines for us. Karnataka has been an important state for us for a long time, but the growth engine there has faced several issues, given the challenges within the state.

If you ask me about the growth engines for Aptus, I would say that, at present, we are much more confident about the new branch additions taking place in newer states. In addition, you will see Andhra Pradesh and Telangana outperforming some of the other southern states.

The idea is to add branches only in areas where we are seeing greater business accretion. For example, in Tamil Nadu, much of our branch addition is focused on de-risking existing branches rather than adding new branches for larger growth aspirations.

We will continue to operate in Tamil Nadu the way we have been operating. In Karnataka, given what is happening there, we will largely remain at current levels. The portfolio in Karnataka is approximately 1,000 crore.

For us, the growth engines will be Andhra Pradesh, Telangana, and definitely Maharashtra and Odisha in the coming years. In fact, we have added people and branches in Maharashtra. You will see a much larger number in Maharashtra in the coming years if we continue to grow there the way we are growing currently.

Aditya Khandelwal: Is there any particular reason—

Operator: I am sorry to interrupt, Aditya. You can rejoin the queue for further questions. We have to take up the next question.

Aditya Khandelwal: I had just one follow-up.

Amit Singh – Vice President Investor Relations: Yes.

Aditya Khandelwal: You were saying that Andhra Pradesh and Telangana are major growth engines. Andhra Pradesh is our largest state, and we are still seeing good opportunities to grow there. However, Tamil Nadu, which has a lower base than Andhra Pradesh, is growing slowly for us. What is the reason for that?

Amit Singh – Vice President Investor Relations: If you look at the competitive map of affordable housing finance companies, you will find that anyone willing to offer an affordable housing finance

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product would typically enter Maharashtra, Rajasthan, Telangana, or Tamil Nadu.

In that sense, Tamil Nadu is much more competitive than Andhra Pradesh or Telangana, and that is where the difference in growth arises. Secondly, we have been present in Tamil Nadu for a very long time, and our branches are located approximately 30 kilometres apart. Therefore, over the past few years, the slower growth has largely been due to increased competition in the state.

You rightly said that Andhra Pradesh is a much larger state. We also have an advantage there because when we entered Andhra Pradesh, people had indicated that it would probably not develop for us in the way Tamil Nadu had. However, we have somehow cracked the code there, and that is where the growth is coming from.

Our focus is to continue leveraging opportunities wherever they exist and to grow in a contiguous manner. That is how we have moved from Andhra Pradesh and Telangana into Maharashtra and Odisha. In the coming years, you will see Maharashtra and Odisha also performing in the way Andhra Pradesh and Telangana are performing currently.

Aditya Khandelwal: Thank you.

Amit Singh – Vice President Investor Relations: Thank you.

Operator: Thank you, Aditya. We will take our next question from Deepak Malhotra.

Amit Singh – Vice President Investor Relations: Hi, Deepak.

Deepak Malhotra: Hi, Amit. I have two questions. The first is on asset quality. It is more of a general question. I think asset quality is still quite good, but I want to understand whether we are seeing any stress building up because we operate in Tier 2, Tier 3, and Tier 4 towns. I am referring to the challenges we are witnessing in terms of the West Asia crisis, the monsoon, and so on. That is my first question.

Amit Singh – Vice President Investor Relations: Deepak, if you ask me about the challenges faced by this segment, I would say that the biggest challenge we currently face is employee attrition. It is not growth or asset quality.

Regarding the existing challenges, you may recall that in the Q1 conference call last year, we indicated that we were discontinuing loans below 7 lakh rupees. At that point, Deepak, we were seeing some challenges in the MFI space. We were also seeing some challenges in the micro-LAP segment. That was when we decided to move completely away from that segment.

We were seeing challenges among players offering loans below 3 lakh. Therefore, we said that we would completely move away from that segment. Now, when we originate a product, we offer only loans above 7 lakh rupees. This creates almost a 2x distance from that segment.

Secondly, in terms of challenges such as fuel-related challenges, US tariff-related challenges, or whatever is happening in West Asia, the customer segment we serve is largely engaged in essential services. While there are issues and challenges, most of these customers are self-employed. For example, a few months ago—

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Management: When there was an LPG issue, what eventually happened was that customers were able to source LPG through various means, and ultimately the price paid by the end customer increased. For example, in our Coimbatore branch, people were paying 80 rupees a day for their usual lunch, and the price increased to 110 rupees a day. Ultimately, the inflation risk was completely passed on to the end customer, and that is how people in the segment we serve survived, Deepak.

If you ask me whether there is any risk in the segment, I would say no. More or less, the issue relates to employee attrition, which has affected us and other competitors, rather than any specific risk on the ground, Deepak.

Deepak Malhotra: My second question is regarding the risk management you mentioned. So far, the company has exhibited spectacular growth in its AUM and disbursements, and that looks very strong. However, as you grow the asset book from, say, 14,000 crore to the next stage, as Mr. Anandan also referred to in the previous call, the growth challenges become different.

First, in the markets where you already operate, you already have a good market share that you want to increase. Second, you are moving into newer geographies and adding new products. What kind of competitive landscape are you witnessing? I do not see much balance-transfer activity in your case, so please correct me if I am wrong.

Affordable housing is no longer an unattractive segment. Because it is so attractive, everyone wants to enter it. My question is about the competitive landscape.

Management: You have pointed out correctly that the competitive landscape has increased over the last few years. As I mentioned while answering a previous question, people are now concentrating on five or six key states in the affordable housing space.

From an outsider's perspective, affordable housing looks very attractive because it involves a secured asset and can eventually generate approximately 5% ROA. That is why people tend to enter the segment and replicate the model of existing competitors. They want to enter Rajasthan, Maharashtra, or the southern states. That is what has happened over the last few years.

However, Deepak, when people try to replicate the model, the first thing they do is poach employees from a competitor. This may work in the short term because when an employee moves to another company, it is the same person who was trained for years and understands the business. That person has moved to a competitor and can initially do what he was doing here.

However, this is also a business of risk management. For example, when we lend, our average LTV is only 40%. A customer who comes to us for a home loan may have a plot with some signs of construction that he has undertaken himself. That is when we enter the picture and provide a loan.

We have seen cases where, if Aptus has given an 8 lakh rupee loan, competitors are willing to give approximately 15 lakh in loans. The easiest way people are trying to replicate the model is by offering a much higher loan amount.

The problem is that they will face risk-related challenges, and that is what we are also seeing. During the first 2 years, if the focus is primarily on growth, they will deliver what they intend to deliver. The real issue emerges when they begin collections.

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If you visit any southern geography, look at any business newspaper and you will find too many players that have run into difficulties and are conducting SARFAESI advertisements, with multiple types of properties being offered for sale. That is where the challenge lies.

You can replicate sales fairly easily, but systems, processes, and collections are very difficult to replicate.

Secondly, we have not grown very rapidly in every geography. Our thought process has always been to deepen our presence in one geography before entering a new geography. This has helped us understand the customer profile.

For example, in Tamil Nadu we have approximately 60 customer profiles, and similarly, we have identified customer profiles in the other states. We focus only on those customer profiles. We do not underwrite every type of customer.

When we underwrite a particular customer profile, we understand the level of profitability that the customer would generate. This understanding has developed over years of operations and would also be very difficult to replicate.

If you ask me whether competition has increased compared with a few years ago, I would definitely say yes. Competition has increased. However, from the perspective of this segment, the issue is more about people than anything else.

It is like having a mine but not having enough miners to work in the mine. That is where the challenge lies, Deepak.

Deepak Malhotra: If I am Aavas, I lend at a 55% LTV while you lend at 40%. If I am a bank, I have easy deposits available with me that I can deploy. I am a serious player and understand risk.

My question is more specific. I am not suggesting that you do not have strengths; you definitely have strengths. But when I give you these two examples, it becomes challenging, especially when you also have to manage employee attrition.

Management: Deepak, I will respond to both questions. Firstly, from the perspective of banks, a relationship manager at any bank will have at least 20 products to sell, on both the asset and liability sides.

The products I underwrite are mostly Gram Panchayat properties or properties located in Tier 2 peripheral areas and Tier 3 and Tier 4 locations. For a single 8–10 lakh rupee loan, a branch manager has to spend at least 2 days at the customer's premises and at the customer's business premises.

Secondly, this is not a templatized model. The branch manager has to understand the entire structure and then propose it to the credit team. Based on the applicable filters, the credit team has to underwrite it.

From the perspective of a branch manager or relationship manager, this is not a very lucrative business to push or devote time to. The manager would rather offer a gold loan or another product

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that comes directly to the branch. That is why banks have not been very aggressive, or at least have limited ability to win in this segment.

Regarding the name you mentioned, you also have to understand the kind of realizations we have. Our HL is priced at approximately 14%, and our non-HL is priced at approximately 17-20%. The competitor you mentioned typically has HL and non-HL pricing in the range of approximately 11.5-12% for HL, whereas our HL is priced at approximately 14%.

We focus on self-construction properties. Someone opening a branch in Tamil Nadu and attempting to replicate that success would first have to understand the local nuances. A state such as Tamil Nadu has underwriting standards that differ from those in Rajasthan. The documents are different, and the customer profiles are different.

Without understanding the customer profiles, it would be very difficult to replicate the model. While you can poach employees and conduct sales activities, collecting money for the next 15 years would be a challenge, Deepak.

The customer segments also differ significantly among housing finance companies. For example, one company may be sitting at a builder's doorstep and underwriting that product, while another may be focused on district headquarters. We are much deeper in the geography, Deepak, and that is how we achieve the realizations we are obtaining.

Deepak Malhotra: Thank you for that. I have one last question, if I can squeeze it in, regarding new product lines—

Operator: Deepak, you can rejoin the queue as we have other participants waiting.

Deepak Malhotra: Thank you.

Management: Yes.

Operator: We will take our next question from Hatim B.

Management: Sure.

Hatim B: Thank you for the opportunity. My first question is regarding the increase in credit cost over the last year, partly because of stress that is also visible in adjacent categories such as microfinance.

I want to understand whether the credit cost we have reported is a new base. As per my calculation, it was 60 basis points in Q1. Is there scope to return to the earlier levels, when we used to report credit costs of 30-40 basis points?

Management: There are two points. Firstly, there are two companies within the group. The first is the affordable housing finance company, where credit cost was approximately 24 basis points in the previous quarter. In the NBFC, credit cost was approximately 140-150 basis points. Therefore, the consolidated number came to approximately 64-65 basis points.

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For the type of products we have in the NBFC, with realizations of approximately 20 basis points, the market is also operating at a similar credit cost. You can consider the example of SBFC, where credit cost is in a similar range.

When we indicate 60 basis points, more or less the HFC credit cost will be in the range of 25-30 basis points, and the balance will come from the NBFC. Given the type of product and risk we have in the NBFC, we have priced the product effectively.

Therefore, we will definitely not return to a credit cost of 25-30 basis points for the company. However, for the year, we will definitely maintain a credit cost of 60 basis points.

Hatim B: In the NBFC, we only do LAP, correct?

Management: Yes, we only do LAP.

Hatim B: Is this cross-selling to our existing home loan customers?

Management: Not really, Hatim. There is an opportunity in that area, but as of now that is not the case. I do not think we have many such cases.

Hatim B: To understand the operations, are they completely different? Are there no direct synergies and no common operations between the two companies? Is that understanding correct?

Management: No. Let me explain. In our company, at least between the two companies, more or less the same set of people source the files, and the underwriting is largely similar because ultimately we are targeting the same customer profile, Hatim.

Hatim B: But you are saying that the customer is different, correct? I mean, the overlap is—

Management: There is an overlap in the sense that if a customer has fully repaid his home loan EMI, we would not have given him an LAP product. That type of instance would be very limited, perhaps no more than 4 or 5 cases.

What I am saying is that the field staff are accustomed to originating the same type of customer segment because everything we underwrite is largely focused on self-employed customers. Therefore, the customer segment is the same, but it is not the case that the same HL customer is subsequently given a loan against property.

To give you a better example, in HL we may underwrite someone who is approximately 40-42 years old and has a monthly income of approximately 50,000 rupees. By the time he commits to or completes the loan, he would be approximately 50 years old, and his income would also have increased over the last 7-8 years.

That is where the difference arises. On the LAP side, or on the NBFC side, the customer segment we focus on would again be self-employed customers with a monthly income of 45,000-50,000 rupees and an age of approximately 40-42 years.

Hatim B: My second question is regarding growth. One or 2 years ago, we were targeting growth of 30%, but from what I understand, the company has now moderated that to 20-22%. Is this the new

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trajectory? Is the growth trajectory being moderated because of the size we have reached?

Management: In terms of growth, Hatim, this is also the case with the majority of housing finance companies. More or less, everyone has seen a deterioration in their growth targets.

For example, someone who was growing at 35% is now growing at approximately 29%. For another company, 30% has become approximately 24-25%. Therefore, more or less, industry growth has come down, particularly given the intense competition in the market.

At our current base, we are much more comfortable growing at 20%. It is not that we cannot grow at 30%, but to do so we would have to underwrite something with which we are not very comfortable.

Given the risk filters we have, we are much more comfortable growing at 20% plus in the coming years.

Hatim B: Since our lending rate is fixed and our borrowing is floating, an increase in repo rates should ideally lead to compression in our margins or spreads. Is that correct?

Management: Hatim, you need to view this from the perspective of the complete cycle. When we originate a loan, for example, for a customer whose loan we originated 2 years ago, the rates at that point were lower. We were raising fixed-rate loans, and competitors were probably charging approximately 11.5-12%, while we were charging approximately 14.5% at that point.

Therefore, while you are correct that most fixed-rate assets are financed by floating-rate liabilities, over a complete cycle this offsets any impact arising from a higher interest rate regime.

Secondly, we do not offer only fixed-rate products. For example, in home loans we also offer floating-rate products. However, the customer segment is largely inclined to take a fixed-rate loan for a simple reason: customers want the interest rate risk to be borne by us.

These are also not very financially sophisticated customers. They do not actively manage interest rates in the way salaried customers might. What they want is clarity that, at the end of the month, they will have a simple, fixed monthly outgo. If there is any risk, they want the company to bear it, and that is reflected in the pricing.

Therefore, any fixed-rate product is priced significantly higher than the nearest competitor's floating-rate loan.

Operator: Thank you. Hatim, I am sorry to interrupt, but you can rejoin the queue for further questions. We will take our next question from Sahajpal Grewal. Sahajpal, you are unmuted.

Sahajpal Grewal: Am I audible?

Operator: Yes, you are audible.

Sahajpal Grewal: I wanted to understand the future trajectory, given that we have already guided for more than 20% growth. In terms of the new divisions that we have said we want to start, what is the future there? Also, in terms of geographical expansion, after we move through the southern market

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and Maharashtra, which is the next market we want to target?

Management: Sahaj, in terms of geographical expansion, we currently have Maharashtra and Odisha, where we have spent approximately 2–2.5 years.

The way we enter any new state is as follows. When we entered Maharashtra, we did not enter through the Mumbai–Pune–Nashik belt. We entered through Nanded, which is a neighboring district of Telangana, through Nizamabad in Telangana.

People from Nizamabad moved to Nanded, trained people there, and hired people locally. Once they had sufficient confidence, they allowed the branch to operate independently.

After Nanded was established, we opened branches in the same area. We opened branches in Parbhani, Latur, Hingoli, and Naigaon, which are also neighboring districts of the state.

This is how it works for us: once we are fully confident in a state, we will open several branches. That is what is happening currently in Maharashtra.

You will see us opening or entering a new state in the next 2–3 years, once we have become more confident in Maharashtra and have established branches near a neighboring state.

Over the next 2–3 years, you will see us entering either Madhya Pradesh or Chhattisgarh when we find a sufficient opportunity.

You also have to understand that, given the realizations we have on our products, we will have to continue entering uncharted territories. In fact, in Odisha, with the set of branches we have, we believe that we are the second-largest affordable lender after LIC Housing Finance.

Sahajpal Grewal: Understood. Thank you, and best of luck.

Management: Thank you.

Operator: Thank you. We will take our last question from Sidji Philip, who has been waiting in the queue for a long time. Sidji, please ask only one question, as we are very short of time and I have to take the next call slot at 11. Sidji, you are unmuted. Hi, Sidji. I think there is a network issue at his end. Sidji, you can rejoin the call.

We will take our next question from Neerav. Neerav, I am sorry to say that I am limiting you to one question because I have the next call slot at 11.

Neerav: No problem. Let me try to be quick. Thank you for taking my first check. One quick check: last year, FY26, and even in Q1 FY27, a very large portion of profit came from the sale of assets through sale of assets or securitization. Is this how we should expect the profit structure, in terms of the composition of revenue and profit, to look going forward, or was this a one-off?

Management: Neerav, I will explain the reason we undertake direct assignment. The line item you are seeing is due to the direct assignment we have undertaken.

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What happened over the last 1-2 years was that growth in the affordable housing product had declined. As a mandate from the National Housing Bank, given that we are an HFC, we have to maintain at least 60% of our assets as affordable housing assets.

Neerav, at any point in time, we have to maintain 60% of our assets as affordable housing finance or affordable housing assets. That is why we decided to sell some assets.

Operator: Sir, I am not doing anything. It may be a network issue at your end.

Management: Since growth in housing finance was not strong and we had to maintain 60% of our assets as affordable housing assets, we had to sell some of the non-housing loans in the housing finance company to maintain that percentage.

Although the regulatory requirement is 60%, we generally maintain a buffer of 6-7% above that because, at any point in time, the regulator may conduct an audit and determine that a particular asset does not qualify as a home loan.

Therefore, the thought process was to start selling some of the non-housing products in the housing finance company so that we could maintain the required percentage.

When you look at the number, it is actually very small for us. There are entities where direct assignment accounts for almost one-fourth of the portfolio. For us, the direct assignment pool is not even 7-8% of the portfolio.

However, since last year was the first year in which we started this activity, the accounting treatment results in a very high upfront income. This is also because we have a higher-yielding product, and its composition is higher.

If you consider it on a consequent basis for this year, I think the trend will largely be similar, with only a very minimal increase. For example, last year we completed approximately 700 crore of sell-offs and generated approximately 170 crore at the PBT level. I think the trend will remain around that number in the current year as well, Neerav.

Neerav: Understood. So broadly, is that how it will continue going forward as well?

Management: Yes.

Operator: I am sorry to interrupt, but we are very short of time and I have my next call slot at 11, so we will end the call. Would you like to make any closing remarks?

Management: The intent for us at Aptus is to continue growing at more than 20%, with approximately 20% ROE. In terms of risk filters, at no point will you see us loosen our risk filters in order to grow rapidly.

We would rather be known as a company that is strongly focused on credit, and that will remain our intent going forward. With that, I will end the call, Juhi.

Operator: Thank you. Thank you to all the participants. If any participant has further questions, they can contact the team at InCred Capital through the Q&A section. We are always available to

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address your queries and will forward them to management. It was a pleasure hosting this call, and we look forward to more such interactions and conversations. Thank you, everyone. Have a nice 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.

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