Aadhar Housing Fin.

Operator: Ladies and gentlemen, good day and welcome to Aadhar Housing Finance Ltd. Q1 FY27 earnings conference call hosted by DAM Capital. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand over the conference to Mr. Sanket Chheda from DAM Capital. Thank you, and over to you, sir.

Sanket Chheda – DAM Capital: A very good evening to all of you. We have with us the management team of Aadhar Housing Finance Ltd. to discuss the Q1 results. From the management side, we have Mr. Rishi Anand, who is the MD; Mr. {? Rajesh Lunaxtar ?}, who is the CFO; and Mr. Sanjay {? Mundrangani ?}, who is the Head of FP&A and Investor Relations. We also have Deo Shankar Tripathi, who is the Executive Vice Chairman. Without further ado, I will hand over the call to Rishi for his opening remarks. We will follow that up with a question-and-answer session. Over to you, sir.

Rishi Anand – MD: Thank you so much, Sanket, and a very good evening to all of you. Thank you for joining us today to discuss Aadhar Housing Finance Ltd.'s performance for the first quarter of FY27. We started the new financial year on a steady note, continuing the momentum we had built through FY26. As you would recall, we had closed the last year after crossing a very important milestone of 30,000 crores in AUM. Q1 FY27 has been all about carrying that execution reserve forward, with disciplined growth, calibrated risk, and continued investment in productivity across our branch network.

Our AUM as of June 30, 2026, stood at INR 31,364 crores, a growth of 18% year-over-year. For Q1 FY27, disbursement of 2,036 crores was reported on a cheque-clearance basis. Disbursement on cheque handovers stood at 2,359 crores, which represents like-to-like growth of 19% year-over-year.

Effective April 1, we took the step of transitioning our loan accounting to a cheque-clearance-basis model of disbursement recognition, which is a forward-looking approach and a significant milestone in our commitment to governance, transparency, and putting the customer at the forefront. Just to reiterate, if we compare disbursement on a cheque-handover basis, disbursement in Q1 FY27 was 2,359 crores, which represents growth of 19% year-over-year. This transition required not only systemic changes but also alignment of the entire operating model.

Having taken this step, as we move ahead, we remain firm on our medium-term guidance of 20% AUM growth, 20% profit growth, and 17-18% disbursement growth for the full year. For the next three quarters, we are targeting disbursement growth of upwards of 20%.

Our portfolio continues to remain fully secured and retail in nature, with a balance mix of home loans at 73% and non-home loans at 27%. We continue to maintain well-diversified books, with an average ticket size of 11 lakhs and a 60% loan-to-value ratio, which remains within our comfort levels. The salaried segment continues to account for 55% of our AUM. Balance transfers out during the quarter in question stood at 5%, which is one of the lowest BT-out rates in the last 8-10 quarters and improved by 20 bps compared to Q1 FY26. This was supported by focused retention efforts

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and data-driven customer engagement.

On the operating environment, demand for low-income housing finance continues to remain healthy and structurally supported. It continues to be largely end-user-based and driven by first-time homebuyers, particularly in the emerging markets where we have deliberately built a strong franchise. This gives us comfort that the growth is not speculative in nature.

Our approach, as always, has been to protect the spread rather than chase yields. We are doing this by tilting the mix towards emerging branches, remaining disciplined on low-yield properties, and continuing to drive productivity per branch and per employee so that operating leverage does the work that pricing cannot. Even after a 15 bps reduction in our RPLR effective February 2026, our spreads held at 5.8% as of June 2026.

On asset quality, our portfolio continues to perform well. Collection efficiency remains strong at 99%. Gross NPA stood at 1.31%, an improvement of 3 bps on a year-over-year basis. Stage 2 came in at 3.3%, continuing to show an improvement of 40 bps on a year-over-year basis. As we have said before, the first line of defence for us is always the bounce rate, and this remained stable throughout the quarter.

We remain watchful of two external factors that the broader industry has also flagged: the ongoing geopolitical uncertainty around the West Asia situation and its resulting impact on segments such as fuel-dependent trade and travel, and the monsoon outlook, given its bearing on rural and semi-urban cash flows. Our exposure to NRI-linked customer segments continues to be minimal, and our underwriting teams are tracking lead indicators closely at the branch level, as they always do, rather than implementing any broad-based tightening.

On distribution, as of June 2026, our network stood at 628 branches across 22 states, covering more than 550 districts, in line with our calibrated, need-based expansion approach. We continue to see most of our new branches, particularly the smaller deep-impact ones, reach productivity levels within our expected 9-15-month window. That discipline remains central to how we manage our cost-to-income ratio. Our geographical diversification remains strong, with no single state contributing disproportionately to our AUM. Our approach of combining branch expansion with productivity improvement at existing branches continues to support our sustainable growth.

Let me briefly touch upon our AI initiatives. We are institutionalizing AI as Aadhar Housing Finance Ltd.'s operating backbone. We have a six-layer AI architecture embedded across origination, underwriting, surveillance, collection, and retention, with every engine tied to a tracked outcome such as NPA, turnaround time, cost-to-income, retention, and yield. Further, we are building five proprietary, reusable platforms spanning document intelligence, voice intelligence, decisioning intelligence, the enterprise assist layer, and management intelligence. We believe these platforms will compound into a genuine competitive advantage over a period of time.

Overall, Q1 FY27 has been a quarter of steady, disciplined execution. We remain confident of delivering our medium-term guidance of 20% AUM growth, sustained profitability, and industry-leading asset quality while staying alert to the environment around us. Aadhar Housing Finance Ltd. remains committed to its mission of enabling home ownership for low-income families while delivering consistent and sustainable returns for stakeholders. With this, I would now hand

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over to Rajesh, our CFO, to take you through the financial performance in detail. Rajesh, over to you.

Rajesh Lunaxtar – CFO: Thank you, Rishi. Good evening, everyone. I would like to take you through the financial performance for Q1 FY27. In Q1 FY27, our AUM grew by 18% on a year-over-year basis. Our overall borrowings as of June 30, 2026, stood at 20,000 crores, compared to 16,876 crores a year earlier. Borrowings grew by 19%. The borrowing mix as of June 30, 2026, was 49% from banks, 24% from NHB, 17% from NCDs, 7% from ECBs, and 3% from others.

Our incremental borrowings for Q1 FY27 were 2,238 crores, which came in at 7.3%. In Q1, fresh NHB borrowings were 746 crores at 6.9%, which included an AHF borrowing of 149 crores at 4.3%. The exit cost of funds as of June 30, 2026, stood at 7.7% versus 8% a year earlier. In terms of the fixed and floating nature of our book, 70% of our borrowings and 73% of our assets are on a floating basis. Undrawn sanctions as of June 30, 2026, were 991 crores. Liquidity as we entered Q1 FY27 stood at 2,371 crores. Portfolio yield at exit was 13.5% in Q1 FY27; hence, the exit spread stood at 5.8% as of June 30, 2026.

Our cost-to-income ratio for Q1 FY27 stood at 36.3%. Total expenses included 14 crores related to fresh ESOPs granted in January 2026. Therefore, there was a P&L charge of about 14 crores in Q1 FY27, which was not present in Q1 FY26. GNPA as of June 30, 2026, was 1.31%, compared to 1.34% in Q1 FY26. As of June 30, 2026, our Stage 3 provision coverage ratio stood at 34%. The capital adequacy ratio for Q1 FY27 stood at 42.9% for Tier 1 and 0.5% for Tier 2.

Our Q1 FY27 PAT stood at 282 crores, compared to 237 crores in Q1 FY26, resulting in growth of 19%. Q1 FY27 ROA and ROE were 4% and 14.7%, respectively. The number of employees as of June 30 was 5,671 employees. With this, we open the session for questions.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove your name from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Renish from ICICI. Please proceed.

Renish – ICICI: Thank you for the opportunity, and congratulations on a steady set of numbers despite a challenging quarter. My first question is on asset yield. I wanted to understand how we are managing asset yields so well that, despite the impact of a 15 bps repo-rate cut and stiff competition, we have been able to sustain yields sequentially. What are we doing differently that is helping us sustain yields during such a tough environment? Is it driven by changes in pricing policy, a change in the AUM mix, a different customer segment, or perhaps a different ticket size? I wanted to understand how we are able to manage yields even in such a tough environment.

Management: Thank you, Renish. Perhaps, on a lighter note, one correction: it was not a challenging quarter. I think the quarter was good, while we took a conscious call to recognize disbursements on cheque realization. It was a well-informed call, and I would say it was slightly delayed because of the systemic changes that we wanted to implement. Therefore, it was not a challenging quarter. Yes, the Middle East issue and other factors have been ongoing, but I was—

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Renish – ICICI: Sir, I was referring to that only.

Management: Yes. There are two or three things to it, and I referred to them in my opening speech as well. As an organization, first, we are not overexposed. Rather, I would not say that we are substantially exposed to NRI loans because of the segment that we deal with. Second, the pockets where there are certain challenges and where NRI exposure is large are states in which our exposure is very low. We follow the thumb rule that no state should contribute more than 15% to AUM, disbursement, incremental disbursement, and distribution. We have been following that for the last 5–7 years, and, in hindsight, if I look at the strategy that we adopted about 5 years ago, it is playing out very well.

Our second strategy, relating to urban and emerging locations, is helping us maintain yields. If you recall, a couple of quarters ago, on the same call, we discussed the urban-emerging strategy and how this would eventually start balancing not only our yields but also our ticket size. While we see ticket sizes increasing substantially for many players in the market, our ticket size has only moved from 10.4 to 11 lakhs because the emerging strategy has started to play out. Similarly, even on yields, which was your question, while urban locations see somewhat more competition, the emerging locations help us manage our yields. Therefore, our distribution is large enough, and our presence in Tier 3 and Tier 4 locations is substantial. The urban-emerging strategy is playing out for us.

Renish – ICICI: Is this related to the contribution from high-yielding states increasing, while the contribution from mature markets remains static?

Management: No, I would not say that, because our contribution from all the major states has been stable. In fact, if you look at this particular quarter, I can give you an example: our contribution from Delhi has increased very slightly, and Delhi is a state with a lower yield. In spite of that, we have been able to maintain the yield. Therefore, there has been no substantial change in the contribution from any particular state, Renish.

Renish – ICICI: Great, sir. My second question is more on the medium-term strategy. We keep hearing from various industry participants about increasing competition in this space and its corresponding impact on yields. If one assumes that, given the strong historical performance of the space, it will continue to attract many new entrants, which might lead to aggressive loan pricing, how are we positioned from Aadhar Housing Finance Ltd.'s perspective to sustain 20% growth in the medium term and, more importantly, remain within our spread guidance range of 5.5%?

Management: Renish, even as we speak today, in the June quarter, we ended with a book yield and book spread of 5.8%. We have always guided the market that, at any given point in time, we will be a company with a spread of 5.5% or higher. This again brings me back to our urban-emerging strategy. Today, out of approximately 628 branches, around 300 to 350 branches are in emerging locations. Emerging locations provide substantially higher yields compared to urban locations.

When you talk about new entrants, we will have to look at the segment in which they are entering. As we read the industry, they are primarily entering the affordable segment. We are one level below that, in the low-income segment. Will there be an overlap between what others do and what we do? Yes, there will definitely be a 5–7% overlap. However, if our emerging strategy continues to play out well, and we are seeing early green shoots indicating that it is playing out very well, we are very

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confident that we will always be a company with a spread upwards of 5.5%. That has been maintained over a period of time.

Renish – ICICI: Understood, sir. Just one last point on disbursements. What is the July disbursement number? I wanted to get a sense of how we are placed to compensate for, or offset, the impact that we had to take in Q1 because of this recognition-policy change.

Management: Renish, as I told you in the opening statement, on a like-to-like basis, which means cheque handover to cheque handover, our growth is 19%. Since we moved to cheque realization, the growth numbers are obviously slightly lower. By strategy, the disbursements that have not reached cheque realization move into Q2. Therefore, Q2 numbers should be close to 25% or upwards of 23-24%, and there is no reason for me to disbelieve that. As I look at July, we are already at the last day of the month, and we should be reaching a number very close to 900 crores.

Renish – ICICI: I think Q2 itself will compensate for the shortfall that we saw in Q1.

Management: I will not say the entire amount, and I will not term it a loss. However, the entire business that gets carried forward generally happens over a couple of quarters. Q2 will substantially cover the shortfall of Q1.

Renish – ICICI: Quarter one. Great, sir. Thank you, and best of luck.

Management: Thank you so much, Renish.

Operator: Thank you. The next question is from the line of Kunal Shah from City Group. Please proceed.

Kunal Shah – City Group: Thank you for taking the question. Firstly, with respect to cheque realization, was the impact only on disbursements, or was there also an impact on interest income? There was a circular that was issued, so was there any impact in terms of interest-income recognition or in any of the line items in this particular quarter? Yields are quite high, so it does not appear to be the case, but I wanted to clarify.

Management: Not a major impact, Kunal. We have also started recognizing interest only when the cheque gets cleared. To that extent, there will be a 2-3-day impact. It will not be material.

Kunal Shah – City Group: So there was hardly a 2-3-day impact on interest income.

Management: Correct.

Kunal Shah – City Group: Secondly, in terms of employee costs, if I do not look at it year-over-year but sequentially, ESOP costs were present last time as well and continue this quarter. What could have been the reason for the sequential increase? Last time also, overall employee costs were higher because of the incentives and volume-linked incentives that would have been paid. We have not seen any improvement on the employee-cost front. Apart from that, what led to the higher employee cost? Secondly, on overheads, it appears that these have been managed very well. They are hardly up by approximately 5% year-over-year and are also down by more than 25% quarter-over-quarter. Was this more of a structural change, or was there also a one-off, with

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employee costs being offset by overhead costs?

Management: On operating costs, typically, in the fourth quarter, certain contests, competition expenses, and other costs get built in. Therefore, that is more of a Q4 event and typically does not apply in Q1. Having said that, if we manage to achieve 10-11% growth in non-employee costs for the full year, I think we would have done a very good job.

The sequential increase in employee costs is mainly because of the annual increment, which is typically in the range of approximately 10-12% and would have come in during Q1 of the current year. Other than that, there is no chunky item sitting in the Q1 FY27 cost.

The reason for the 27% increase in employee costs on a year-over-year basis in Q1 FY27 versus Q1 FY26 is predominantly the quarterly ESOP cost of 14-15 crores, which was not present last year. If you adjust for that, I think the growth in employee costs would be approximately 14-15%, which is more or less in line with the 11% increment that we would have given.

Kunal Shah - City Group: In terms of the rise from Stage 2 to Stage 3, would we still say that it is seasonal and that we will be able to bring it back down through the fiscal year? As you indicated that bounce rates have been stable, was collection efficiency strong enough for us to bring it back down? Will the 40 bps of credit cost eventually come down, with full-year credit costs settling at a much lower level?

Management: If you look at it historically, Kunal, and for all of you who track us, this is more of a seasonal quarter. For the last 2-3 years, it has been a phenomenon that first-quarter credit costs remain between 40 and 45 bps. As we end the year, credit costs come down and settle at approximately 23-24 bps. We are fairly confident. If you look at last year, headline NPA was 1.34%, and we ended the year at 1.08-1.1%. I think we are quite confident of holding the 1.1% level as we end the year, and that would mean credit costs settling anywhere between 23 and 25 bps.

Kunal Shah - City Group: The reason I asked is that a couple of players have shown a very limited increase. They have been able to manage it quite well despite the seasonality. That is the reason for the question.

Management: In our case, we normally see credit costs going up anywhere between 30 and 35 bps in Q1 because of seasonality. In our case, they have now gone up by 25 bps, or 22 bps, rather. We are quite confident of bringing them back to the 1.1% level as we end the fiscal year, with a credit-cost charge of about 23-25 bps on the P&L.

What gives us more confidence is that, on a year-over-year basis, there has been a 3 bps reduction in NPA and a 40 bps reduction in Stage 2. That gives us more comfort regarding where we will end the year.

Kunal Shah - City Group: Sure, I understand. Thank you. That answers all my questions.

Management: Thank you, Kunal.

Operator: Thank you. The next question is from the line of Shreya from Nomura. Please proceed.

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Shreya – Nomura: Thank you for the opportunity. My question is on the liquidity of 2,371 crores that you mentioned. In terms of how many months' worth of liquidity you are holding, what would that be? What was it in June, and where did you keep it in March? Was there an implied build-up of liquidity? Also, could you provide some colour on how you expect the cost of funds to move through the remaining three quarters? That is my only question.

Management: An important point on liquidity is that if you take our liquidity and compare it with our overall borrowings, our overall borrowings are 20,000 crores. If you look at 2,371 crores over 20,000 crores, the percentage is higher than 10%. However, throughout the quarter, we try to maintain liquidity of anywhere between 7% and 8%. This typically goes up towards the end of the quarter because there are drawdowns at the end of the quarter. To that extent, you will see higher liquidity at the end of the quarter. Throughout the quarter, we try to maintain liquidity of 7–8% of borrowings as a liquidity buffer.

Coming back to the cost of funds, the first quarter saw very limited movement in the cost of funds. However, based on the public information available in the market, there is a general view that interest rates may go up. We have not seen that happening for us until July. Having said that, one good thing about our company is that 75% of our assets can be repriced. Therefore, if we experience any pressure from our existing borrowings being repriced by banks on the floating-rate book, we will also be able, as per our RPLR model and after taking the necessary approvals from our ALCO and Board, to pass it on to our customers if the need arises.

We believe that we do not see that happening in the current quarter or perhaps even in the next quarter. That is how we are currently assessing the situation. However, things may change. As we read the situation currently, we do not see any imminent impact in the current quarter and probably even in the next quarter.

Shreya – Nomura: Right. And, sir, what would be your view on whether, if these interest-cost-of-funds rates remain very volatile, you would want to protect your customers and not pass on the volatility? What would be your view on that?

Rishi Anand – MD: Typically, in a volatile scenario, a bank will also not adjust its MCLR proactively. For example, banks will also want to wait and see whether it is a permanent or temporary impact. If they feel there is some permanence to the impact, they will obviously adjust the MCLR.

Incremental cost of funds does keep changing, especially in the capital markets. That is where we are very specific: wherever there is an opportunity, we raise funds in the capital markets; otherwise, we step away from the capital markets. Having said that, as I said, we do not generally pass volatility on to customers. We also wait for it to become permanent, and it should hit our balance sheet. Once the higher interest rates hit our numbers, only then will we pass them on to customers, because we have a very robust RPLR model. The impact has to pass the stress test of the RPLR model before we can start passing it on to customers. We generally do not pass on any 1-month or 2-month impact that we see in the model. We wait it out and only then pass it on to the customer.

Shreya – Nomura: I have one follow-up question. You shared your strategy of expanding into emerging markets, particularly markets away from Tier 1 and Tier 2 markets. Are you facing any demand-side challenges in those segments? I am not referring to competition, but are there any

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demand-side challenges in the non-emerging Tier 1 and Tier 2 cities in your portfolio, such as a lower number of files coming to the branches?

Rishi Anand – MD: Are you talking about Tier 1 and Tier 2 cities, or are you talking specifically about emerging locations?

Shreya – Nomura: Non-emerging locations in your portfolio, the Tier 1 and Tier 2 locations.

Rishi Anand – MD: Urban locations are growing at a faster pace, and that is why I said we will have to balance this with emerging locations also starting to grow at a faster pace. Urban demand has been slightly higher than what we had expected, at least over the last two quarters, at a faster pace.

Shreya – Nomura: So there are no demand-side issues that you are seeing?

Rishi Anand – MD: No, not at all. We are not seeing any such issues.

Shreya – Nomura: All right. Thank you. This is useful. Thank you so much.

Management: Thank you, Shreya.

Operator: Thank you. The next question is from the line of Nitesh from Investec. Please proceed.

Nitesh – Investec: Thank you for the opportunity. My first question is on disbursement recognition. In Q1 FY26 also, we made some changes with respect to disbursement recognition when there was an RBI circular at that point in time. Can you help me understand what the difference was then and what the difference is this time that impacted our disbursement?

Management: Nitesh, you are referring to the RBI circular that we implemented in Q1 of the last financial year. To explain the process, the four major steps in the journey are sanction, disbursement, cheque handover, and realization. Earlier, we used to recognize disbursement as soon as it was disbursed in the system, and we would start recognizing interest at that point.

With respect to the RBI circular, we moved to what was called cheque handover, with the cheque being handed over to the consumer. That happened in Q1 FY26. Now, from cheque handover to realization, we realized that there was a gap of anywhere between 5 and 7 days. We have eliminated this gap of 5-7 days and moved to real-time realization. When the cheque gets realized into either the seller's account or the customer's account, as the case may be, we start recognizing interest from that point onward.

That is the change that has happened this quarter.

Nitesh – Investec: Understood. How do you see OpEx-to-AUM trending over the next 1, 2, and 3 years for us?

Management: From an expense and cost-to-income perspective, we believe that we still have the ability to reduce cost-to-income by approximately 30-40 bps on a yearly basis. On a cost-to-AUM basis, that would work out to about 6-7 bps every year. If some of the AI projects that we are taking up, which Rishi explained, start to improve productivity and provide overall cost benefits, we could see some additional cost benefits in terms of cost-to-assets.

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As of now, we are maintaining a cost-to-AUM range of about 6-7 bps on a yearly basis and cost-to-income improvement of around 30-40 bps. If you look at it, over the last 2 years, we would have reduced cost-to-income by about 150 bps. When I refer to cost-to-income here, I am including the ESOP cost, which is approximately 15 crores per quarter, in the cost-to-income calculation. If you exclude that, I think our cost-to-income ratio would be in the range of 33-34%.

Nitesh – Investec: Perfect. My last question is just for two data points. Can you share 1+ DPD as of the end of June 2026, and what was the BT-out rate for Q1 FY27?

Management: 1+ DPD was 7%, and the BT-out rate was 5%. It was an improvement of approximately 20-25 bps over the same period last year.

Nitesh – Investec: Thank you, sir. That is all from my side.

Operator: Thank you. Before we take the next question, ladies and gentlemen, if you wish to ask a question, please press star and one on your touchtone telephone. Thank you. The next question is from the line of Sonal Gandhi from Asian Market Securities. Please proceed.

Sonal Gandhi – Asian Market Securities: Thank you for taking my question. My first question is on the NHB drawdown. My understanding is that you have completed approximately 740-750 crores of drawdown, probably at a lower rate. If we exclude that, what would be the cost of funds for the quarter?

Management: The overall blended cost relates to 750 crores at approximately 6.9%. Included in that is AHF of 149 crores at 4.3%. The remaining 500 or 600 crores would have come in at—

Sonal Gandhi – Asian Market Securities: My question was regarding excluding the NHB borrowing.

Management: Excluding NHB borrowings, I think it would be in the range of about 7.4-7.45%.

Sonal Gandhi – Asian Market Securities: Last quarter, was this 7.3% or 7%? I am not sure if you could help me with the last-quarter number.

Management: I do not have the last-quarter number exactly at the moment. I will try to pull it up during the call and give it to you.

Sonal Gandhi – Asian Market Securities: No problem, sir. My second question is on incremental yields. I think those have gone up. If you could give us an RPLR rate factor, or anything apart from what is helping you in urban locations, how should we see incremental yields moving from here?

Management: Incremental yields, as you would have seen, have remained flat, and I do not see any reason why incremental yields should drop at any stage. Again, I will come back to the same point: if we are able to calibrate our urban-emerging strategy properly in the medium term, and I see no reason why we should not be able to do that, then I do not see any negative movement in incremental yields. This means that our spreads, which we have always maintained at upwards of 5.5%, will be maintained and secured.

For example, illustratively, urban locations today give me yields of anywhere between 11.5% and 12%, whereas emerging locations give me yields of anywhere between 14% and 14.8%. If, through this

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calibration, I reach a 50-50 mix in the medium term, with 50% of the business coming from urban locations and 50% coming from emerging locations, I will be able to control incremental yield.

Sonal Gandhi – Asian Market Securities: Understood, sir. My next question is on disbursements. If I look at disbursements in non-home loans, I think they have grown by almost 70%, whereas home loans have also grown. Is there anything apart from the recognition of disbursements that is affecting this growth?

Rishi Anand – MD: No. The slight reduction in non-home loans during the quarter and over the last 2 quarters was part of the design, given the situation around the West Asia crisis. By philosophy, non-housing loans are slightly riskier, so it was a conscious decision that we took. There is no specific reason why non-home-loan growth should not return in the coming quarters once the West Asia issue is resolved.

Sonal Gandhi – Asian Market Securities: Do we expect growth in non-home loans to accelerate, probably in Q2?

Rishi Anand – MD: I will not say that it will accelerate, but we will return to normalcy, incrementally doing a 70-30 type of incremental disbursement mix between home and non-home loans. Currently, the mix stands at approximately 76-24. Historically, we have followed a 70-30 mix, so this differential is on account of certain restrictions in certain markets that we have adopted internally.

Sonal Gandhi – Asian Market Securities: Should this start normalizing from Q2, or will it happen later in this financial year?

Rishi Anand – MD: Ideally, if you ask for my view, I should wait for the current quarter to see how the crisis stabilizes. From a Q3 perspective, it should be back to normalcy.

Sonal Gandhi – Asian Market Securities: Understood. My other question is on AUM per branch. In Madhya Pradesh, there seems to be a 2% year-over-year decline, and Telangana is also growing at 5-6%. I think the other states, including Maharashtra, are doing quite well. Are you seeing any challenges in Madhya Pradesh and Telangana? Is it product-specific, or is it related to the industry?

Management: Unfortunately, I do not readily have the data, but I do not see any issue. If there were a larger issue, it would have been highlighted. I do not see any issue with the decline in AUM per branch. There may be certain branches where we have put restrictions, and certain states where we have put restrictions because they were more export-oriented. You may see a slight decline there, and this would be on account of those branches contributing at the overall level.

Sonal Gandhi – Asian Market Securities: Understood, sir. For the medium-term guidance, I believe FY27 is going to be quite good. For FY27 and beyond, should we expect a similar level of AUM growth of 20% and PAT growth of 20%?

Management: As I indicated in my opening statement, for the current financial year, we will stand by 20% growth in AUM, 20% growth in PAT, and 17-18% growth in disbursements. From an incremental disbursement perspective, in the coming quarters, the next three quarters will see disbursement growth upwards of or close to 20%.

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Sonal Gandhi – Asian Market Securities: Those answers covered my questions. Thank you so much.

Management: Thank you, Sonal.

Operator: Thank you. The next question is from the line of Akhil from Hornbill Capital. Please proceed.

Akhil – Hornbill Capital: Hi, Rishi, and congratulations on another set of steady numbers. If I look at your branches over the last 2 quarters, we opened only 5 branches in the last quarter and only 2 branches in this quarter. Firstly, why was that? Secondly, are we still on track for our guidance of opening 40–50 branches per year?

Rishi Anand – MD: Hi, Akhil. Yes, we are completely on track. There were two reasons. In Q4, we generally avoid opening new branches because it completely disturbs the apple cart. We generally open them between Q2 and Q3 because that gives them some time to stabilize. Having said that, we did not exactly wait, but we could have opened 5–7 branches in Q1, which we restricted to 2. As we look at the current quarter and the upcoming quarter, which is Q3, we stand by our guidance of 45–50 branches.

Akhil – Hornbill Capital: So we will make up for the shortfall in the first quarter?

Rishi Anand – MD: There was no shortfall. We could have opened 5 branches, but when you open branches, there are a lot of intricacies relating to signing agreements and identification. Towards the end of June, we received a couple of proposals that moved to July. That is all.

Akhil – Hornbill Capital: Understood. If I take your disbursement number of 2,360 crores for the quarter, your repayment rate seems to have increased to around 21%. Did we see higher repayments this quarter? What happened?

Management: When you take the 2,360 crores of disbursements, you should also add the 350 crores to AUM. Once you do that, our overall repayment rate would be about 16–16.5%.

Akhil – Hornbill Capital: Understood. Lastly, regarding the accounting change we made this quarter, is that an industry practice, or are we the first company in the industry to do it?

Management: First, there is no change in the accounting. It relates to when we start recognizing interest. We have moved from cheque handover and disbursement, which were the old terminologies, to realization. As we understand it, most companies have already moved, or are in the process of moving, to cheque realization. In the true spirit of the RBI circular, this was warranted. We took a little more time because of the systemic changes that needed to be made. However, as I understand it, most companies have already moved to cheque realization.

Akhil – Hornbill Capital: Understood. Thank you so much, Rajesh and Rishi, and best of luck.

Management: Thank you, Akhil.

Operator: Thank you. The next question is from the line of Karan Gupta from Karvy Capital. Please proceed.

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Karan Gupta – Karvy Capital: Thank you for the opportunity. I have one quick question on the capital structure. I know this has come up before, but I wanted to understand management's current thoughts on the level of capital adequacy that we are maintaining. Are there any thoughts of returning some capital to shareholders, since it is significantly bringing down our ROE?

Management: There is currently no plan to return capital to shareholders. We believe we will require capital for growth. That was the intention behind raising 1,000 crores of primary capital in the IPO, so that we would be secured for our growth plans for at least the next 3–4 years. As of now, there is no reason or thought of returning it to shareholders.

Our capital adequacy is 42–43%. If you look at most of the peer set, most of the peer-group companies engaged in affordable finance are at similar levels. One element that we have to understand here is the overall risk weight of the balance sheet. The overall risk weight of the balance sheet is approximately 45%, and that is what helps us. In case there are any changes in risk weights in the future—not that anything is currently on the anvil—this could further increase our capital adequacy.

Further, as a risk-management practice, we also set aside capital for operational risk. We have internally calculated and set aside approximately 6–7% of capital for operational risk in accordance with best-practice ICAAP methodology. These buffers are therefore welcome. However, as of now, we have no plans to return capital.

Karan Gupta – Karvy Capital: In this case, where do you expect ROEs to be perhaps 2 years down the line? What spread do you expect to achieve to increase ROEs subsequently?

Management: If you look at spreads, as Rishi has just indicated, we believe that over a 2–3-year period, we will end up in the range of approximately 5.5%. There is no appetite to go below that.

In terms of ROAs, our annual ROA typically comes in anywhere between 4.3% and 4.4%, and we believe that 4.3% is a good, stable-state ROA to target. Going by that methodology, if you look at full-year ROE a couple of years down the line, we would be reaching approximately 17% ROE. That is the plan we are working on.

Karan Gupta – Karvy Capital: Thank you.

Operator: Thank you. The next question is from the line of Parth from DAM Capital. Please proceed.

Parth – DAM Capital: Thank you for the opportunity. I wanted to understand how our BT-out rates have been so well controlled at 5% and have been improving for quite some time. What initiatives or policies have you implemented? Some colour on that would be helpful.

Management: Thank you, Parth. You are right. If I compare Q1 FY27 with Q1 FY26, we have improved our BT-out rate by about 40 bps. We closed the quarter at approximately 5%. I cannot single out one thing that has impacted our retention efforts. It is a combination of many factors, ranging from our customer-service teams at various critical branches to our central retention team, which has approximately 20 members.

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Every consumer who wants to move to a different company has to go through the retention team. The retention team is fully equipped with a range of data-analytics inputs, including the segregation of customers into red, amber, and green categories. We assess which customers can receive top-ups, why the consumer is leaving, and whether it is only because of the rate. Multiple factors come into play.

These teams have been fully supported by giving them delegation regarding the yields they can reduce for a consumer who is planning to leave. That also depends on the MOB spent with us, bounce rates, and other factors. There are therefore multiple elements involved, Parth. It has taken us some time; we did not suddenly reach 5%. These efforts and initiatives started approximately 2 years ago, and it has taken a great deal of effort to reach the 5% mark. The benefit therefore goes to all the teams involved.

Parth – DAM Capital: Understood, sir. That was my only question. Thank you.

Management: Thank you, Parth.

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

Management: Thank you all for joining us this late on a Friday evening. Thank you to Sanket and the DAM Capital team for hosting the call. As we end the quarter, we are reiterating our near-term guidance of 20% AUM growth, disbursement growth in excess of 20% for the next three quarters, and 20% profit growth. I am sure that, as the year unfolds and as we have more discussions, we will be able to deliver on that. Thank you very much, and we look forward to the Q2 call. Have a good night. Thank you, and good evening, everyone.

Operator: Thank you. On behalf of DAM Capital, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

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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