"Aptus Value Housing Finance India Limited Q2 and H1 FY '26 Earnings Conference Call"

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Management:

Mr. M. Anandan – Executive Chairman
Mr. C.T. Manoharan – Executive Director and Chief Business Officer
Mr. Sanjay Mittal – Chief Financial Officer
Mr. Amit Singh – Investor Relations

Moderator:

Ms. Mona Khetan

The audio recording of this transcript can be accessed at the following link: www.aptusindia.com/investors-presentation/

Moderator: Ladies and gentlemen, good day, and welcome to Aptus Value Housing Finance India Limited Q2 and H1 FY '26 Earnings Conference Call hosted by Dolat Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone.

I now hand the conference over to Mona Khetan from Dolat Capital. Thank you, and over to you, ma'am.

Mona Khetan: Thank you, Danesh. Good morning, everyone, and welcome to the earnings conference call of Aptus Value Housing Finance India Limited to discuss its Q2 and H1 FY '26 performance. We have with us the senior management from Aptus to share industry and business updates.

I would now like to hand over to Mr. Anandan for his opening comments, post which we can open the floor for Q&A. Over to you, sir.

M. Anandan: Thank you, Mona. Good morning, ladies and gentlemen. I am Anandan, Executive Chairman of the company. I warmly welcome you all to the earnings call to discuss our performance for the quarter and half year ended September '25, Q2 FY '26.

Before we begin, I hope all of you had a wonderful Diwali, wishing you continued happiness, health and prosperity in the year ahead.

And before I start the detailed presentation, just one small update. Mr. Balaji could not join the call today due to certain medical emergency in his family. He has conveyed his apologies and look forward to interacting with you in the next few days.

I am today joined by Mr. C.T. Manohar, ED, our Chief Business Officer, Sanjay Mittal, our CFO and Amit Singh from Investor Relations. And during the year, as you know, we broadened our shareholder base and further diversified institutional shareholding, enhancing the market liquidity and participation from long-term investors.

With a vision to reach INR25,000 crores AUM in the medium term, we aim to build on the current momentum and sustain a 25% plus growth driven by our expanding footprint and consistent execution.

As we have consistently shared in our earlier interactions, our strategy continues to revolve around 4 key pillars, and I'm pleased to note that we have seen good progress across each initiative.

The following are the key pillars that we've been sort of discussing in the recent times. One in terms of expansion of the -- expansion beyond southern markets. As you know, we are steadily expanding our presence in Maharashtra and Odisha, where our early experience has been encouraging.

Both states have witnessed healthy traction in disbursements and customer acquisition, supported by contiguous branch expansion model. As of 31st October '25, the total branch count in these two states stood at 15, including 4 new branches added during the month.

Second initiative is our digital enablement and process efficiency. Our new loan origination system, what we call ZIVA has gradually stabilized across the branches. It is already enabling stronger process control, improved data accuracy and better monitoring. In parallel, we are witnessing noticeable process improvements across legal, credit, sales, collection, contributing to smoother execution and enhanced efficiency.

The other key initiative that we are working on is diverse products and customer base. Our balanced growth across housing and small business loans continue to support portfolio stability and earning consistency. As you know, we cater to a diverse base of self-employed customers across Tier 3 and 4 towns, which helps sustain steady demand and credit quality across market cycles.

And the other major initiative of the focus on productivity and operational excellence, we remain focused on enhancing the productivity and operational efficiency. Data-driven insights and systems-led improvements are enabling teams to deliver high output, improved service quality and cost efficiencies, strengthening the foundation for scalable growth.

With that, I would now like to move on to the key operating and financial parameters.

Business and growth:

- Our disbursements in Q2 '26 grew 24% Q-on-Q to INR963 crores.
- Our disbursements in H1 on a Y-on-Y basis grew by about 8%.
- The disbursement growth of 3% Q-o-Q in Q2 FY '26, was largely influenced by our calibrated conscious increase in the minimum login ticket size of over INR7 lakhs per proposal along with some temporary weather-related disruptions.
- The AUM growth, however, is at 22% Y-o- Y and 4% Q-o-Q.

Profitability and efficiency:

- During the quarter, the total income grew by about 27% Y-o-Y to INR554 crores.
- The NIM rose to INR389 crores, a growth of 27%.
- Our Opex as a percentage of average AUM remained stable at 2.7% for the quarter. The opex as a percentage of average AUM and cost-to-income ratio on both the parameters, we are one of the best in the industry.
- Our operating profit growth came in at about 27% Y-o-Y to about INR312 crores.
- The credit cost has increased to 50 basis points in H1, mainly due to certain accounting policy change, but we have now decided to go for 100% technical write-off of outstanding beyond 500 days. Earlier, we were partly following a practice of 100% write-off beyond 2 years. That 2 years has now been reduced to 500 days.
- Profit has grown about 24% to about INR227 crores translating to an ROA and ROE of 7.9% and 20%, which I'm sure all of you must have noticed is one of the best in the industry.

- We are able to consistently improve our financial metrics, the ROE quarter-on-quarter.
- The profit, hence, for H1 FY '26 rose 26% to about INR446 crores.

Asset Quality

- On the asset quality side, our GNPA has gone up slightly by about 6 basis points to about 1.55% and our net NPA is at 1.17%.
- We have strengthened our collections at the state level as well as at the HO level, whereby a lot more closer follow-up of collections is being pursued with an intent to reduce the GNPA further down.

Funding

- On the funding side, the cost of borrowing improved to about 8.42% from 8.62%, about 20 basis points less on Q-on-Q basis. In fact, our latest borrowing, which was done was around about 7.9%.
- The borrowing mix comprises of about 56% from bank, 13% on a consolidated basis and about 20% for the HFC alone is from NHB, about 18.7% NCD and the balance is through securitization.
- As part of our ongoing focus on liability diversification, we have executed a direct assignment transaction of about INR170 crores during the quarter and about INR300 crores for the half year.
- We maintained a strong liquidity of about INR1,700 crores, including about INR1,100 crores of undrawn bank sanctions.

Now with these remarks, I open the floor for Q&A session.

Moderator: First question comes from the line of Rajiv Mehta from Yes Securities.

Rajiv Mehta: Congrats on good collections performance. Sir, first is on disbursement and collections. Can you tell us how the disbursement and collections performed in September and October? Just wanted to check what is the latest monthly business run rate since we have been adding distribution? And also, what is the latest collection trend?

Because in Q2, it seems that your early-stage collections were better. So just wanted to understand what was the exact trend in September and how October is playing both in terms of disbursement and collection?

M. Anandan: Actually, as you must have noticed that our disbursements in Q2 grew about 24% over Q1 by. This increased trend was there, despite the fact in this period, we have taken a call to not to log in any loan of a size lower than INR7 lakhs with a specific purpose to keeping in mind that we would want to maintain clear distance from a micro finance kind of business.

And also going forward, we would want to really keep moving our profile and quality of the customers better. So we have taken a call not to really log in anything below INR7 lakhs. Actually from 1st of July, we stopped taking in any proposals of less than INR7 lakhs.

But despite this issue, we have seen a good growth in disbursements in the second quarter that we are able to see that in the month of October as well, which gives us the confidence to be able to maintain reasonably good Q-on-Q growth in the third quarter onwards.

As far as the collections are concerned, as I briefly mentioned we have really strengthened our organization. We have taken a few steps, where up to 12 EMIs, it will be the responsibility of the branch team, branch manager and the sales officer who generated the proposal to be totally in charge of the first 12 months collection.

And after 12 months, it moves on to the collections team. And within the collection teams up to 180 days, anything outstanding between 90 to 180 days, moves into the collection team.

And after 180 days, in addition to the collection, there is an independent legal recovery team. And for this, we have clearly identified the job responsibility at the branch level, at the cluster level, state level. And we have strengthened our middle management staff at the state level very strongly.

And this we have really started seeing very positive impact on our collections improvement. And that should really help us going forward, that should help us really improving collection, not only improving collections, but even reducing our NPA.

Rajiv Mehta: Okay. Sir, this below INR7 lakh ticket size portfolio, which you stopped logging from July 1, what is the current proportion of this portfolio in the current overall AUM? And have you seen worsening of asset quality trend in that particular segment and portfolio and which is why you stopped logging that in?

Because overall asset quality is fine, seems to be fine, but you're saying that below INR7 lakh portfolio is something that you will not focus on incrementally. So I just wanted to understand what is the underlying asset quality trend in that particular portfolio? And what is the proportion in the overall AUM?

M. Anandan: I just want to highlight this decision has been taken not really based on the portfolio performance or in terms of lower collections or higher NPA, no. Our NPA percentage or the collection efficiency is reasonably good in that. So it is not really taken for so much on the consideration of a higher -- or difficult collections or higher NPA, no.

But it is really taken with a very clear purpose of moving to a better quality, better profile customers where, in fact, we have now started very actively, very closely in our PD, in our credit bureau data analysis, in the account aggregated data analysis with the purpose of clearly improving the profile of our customers itself.

In fact, we have done the data scrubbing. On that basis, we have done the data scrubbing for the entire portfolio, including INR7 lakhs, including around less than INR7 lakhs. And that is satisfactory. So in other words, I just want to differentiate between the two.

Clearly, we would want to be -- move away because what happens is that now when you propose earlier, you used to log in proposals like INR5 lakh, INR6 lakh which, to some extent, started coming closer to the micro finance type of customer profile. So our intent is to move on to INR7 lakhs plus more with an objective of improving the profile of our customers going forward rather than exact -- any particular issue in terms of delinquency or NPA.

Moderator: Our next question comes from the line of Renish from ICICI Bank.

Renish: Just two things from my side. One on the credit cost front, right? So in last quarter, we always used to maintain...

M. Anandan: Your voice is not clear.

Renish: Is it better now, sir? Hello?

Amit Singh: Renish, can you speak a bit closer to the mic?

Renish: Give me a minute. Is it better now?

Amit Singh: Yes, slightly better.

Renish: Okay. So just two things. So one on the credit cost front, right? So in last quarter, we used to guide the credit cost between 30 to 40 basis points. Now what has changed...

Amit Singh: Sorry, it's not very clear. Do you want to try again and maybe we'll take the next question.

Moderator: Our next question comes from the line of Kunal Shah from Citigroup.

Kunal Shah: So firstly, on growth side, so now eventually, we have seen AUM growth being at almost 22-odd percent. And the asking run rate for what you have been guiding in terms of more than 25%, it really calls for maybe the uptick on the disbursement side on an average to, say, when you look at it, like almost like 30%, 40% higher than where we are in Q2.

So firstly, maybe what is leading to that maybe the overall repayment run rate has been quite volatile over the past couple of quarters. It has gone up again in this quarter. And how will we push towards the disbursements to get to more than 25% AUM growth run rate, yes?

M. Anandan: Actually, Kunal, we are very confident of pursuing this 25%+ run rate AUM. In fact, despite the fact our disbursements are lower in the first half for a couple of reasons, as I've explained in terms of the cutoff in our loan proposal size of the loan, INR7 lakhs and above and also certain weather-related issues in certain pockets, and certain clusters that we operate.

To some extent, the new ZIVA software that we have introduced has taken a bit of time to settle down, which has now completely come on board. This gives us confidence and on top of it, this year, we are planning to add 40 branches of that 20 branches have been added largely in the second quarter.

So with all these actions in terms of our i) new branches that have come to being, ii) our completely settled down our new ZIVA software. And iii) in terms of the impact of this, initial impact of the sales staff at the branch level to get adjusted proportions of only INR7 lakhs and above, that got settled down already. From July 1 it got now settled down.

And we are seeing the greater fully acceptance level coming in from October, this month onwards. So this makes us believe that we can definitely look for, in fact, our experience in the month of October validates some of these assumptions and gives us confidence that we will be able to move, very comfortably, move towards 20-plus growth, of course, despite the challenges around.

Kunal Shah: Sure. And volatility in repayment rates over past -- maybe this quarter, it was higher. So have we seen a slightly higher BT outs?

M. Anandan: On the BT outs. Basically, actually, no, not really because our BT continues to be around 7% kind of thing, 7%, 7.5%. Of that, as we've said earlier, around 5% is really the customer pay money out of their own source, either of a redemption out of local chits or really the money that they've saved from the businesses, or other kind of things.

In fact, we have also checked this data. After 6 months, when they went back to the credit bureau and checked whether these customers have taken loan from anyone else and they have not taken. Almost 99% of them, they have not taken the loan.

So in other words, that seems to be money generally coming from the customer own source themselves. So that means only about around 2.5% is really the actual BT going to either the banks. Banks, particularly smaller banks or some of the slightly higher level housing companies, mainly based on the -- in terms of maybe slightly better interest rates and things like that. But there is no major change or behavioral change apart from this, on this 2.5%.

Kunal Shah: Yes. So when you look at it earlier, you used to say 2%, 2.5% through the cycle. This quarter, it was 7%, 7.5%. But when you do the analysis, maybe people have -- maybe most of them have not taken the loans from others. So it's more like a prepayment, which has happened.

M. Anandan: No. Again, I'm saying the 7.5% of that 5% came from their own source. It has not gone to any other financial, including the bank. So what is the loan transfer, is only 2.5%. This number is annualized. It's not for the quarter.

Kunal Shah: Yes, yes, yes. Sure. Got it. And...

M. Anandan: Kunal, we do a detailed analysis of the 7.5% in terms of what money came from the own sources and what is the extent of loan transfer to other banks or the housing companies. Entire 6 months, we also checked the credit bureau.

Kunal Shah: Yes, yes. Got it. And lastly, this write-offs of INR13-odd crores. So you mentioned like it's the change in the policy, which has already provided because when you look at it, it's like really hitting the P&L. So not able to get the context in terms of like was that provisioning also done because this INR13-odd crores number seems to be on the higher side and credit cost is also high. And how should we look at it?

Maybe is the -- are we largely done with the write-offs or this could be an ongoing process and credit cost can continue to be relatively on the higher side? Because you mentioned like you have moved from 2 years to maybe 500-odd days. So to that extent, maybe can this continue for next few quarters?

M. Anandan: No, no. Actually, our -- you're right, our credit cost has moved up from 20 basis points to 50 basis points. If you look at our ROE tree, which is there in the investor presentation, for the half year, our credit cost has moved from 0.2 to 0.5. So there is an increase in the credit cost to that extent.

Now this increase of 30 basis points is mainly arising out of a conscious call, a specific decision taken by the company. Earlier we are going for what we call the technical write-off, meaning any outstanding beyond 2 years, we used to -- we are writing off 100%. Instead of 2 years, now we have reduced it to 500 days. So in other words, any outstanding beyond 500 days, it will be written off 100%. So that has made a contribution...

Kunal Shah: No, the question is, yes, I understand that. The only question was on the provisioning side, it is still having the impact on P&L. So were these not entirely provided loans?

M. Anandan: No, it is not. On the provision side, as in the ECL sheet we have given, there is -- on the provision side, depending upon our Stage 1, Stage 2 NPA accounts, whatever, for example, in Stage 3, whatever 25% provision that we've been providing consistently we are providing and Stage 2 also the provision data is given.

And on top of the provisions, we continue to carry our management outlay of around INR48 crores to INR50 crores. That's what the number is given. So it is not -- but credit cost comprising of both the provisioning element and the write-off element. What comes in the debit of the P&L account, credit costs comprising of provision as well as the normal provision as well as the write-off, both.

Sanjay Mittal: To add to this, 500 days generally, we have provided 25%. Now we are stepping it up to 100%.

M. Anandan: Also, for technology, let me also add one more point. In our product mix, particularly the non-home loan slightly as a percentage going up. And also, our pricing per se provides for. We have consciously provided 0.5% as the credit cost in our pricing of the products.

Only thing in the past, we were only actually getting a charge of 25 to 30 basis points. But then to be on the conservative side, we said we will take it up to 50. And that is one of the reasons why we have consciously gone for this decision of writing-off beyond 500 days rather than waiting for 2 years.

Moderator: Our next question comes from the line of Nidhesh Jain from Investec.

Nidhesh Jain: Sir, our company is doing quite well on asset quality and profitability. But on growth, disbursement growth numbers are weaker than, I think, what it should be. So in that context, sir, if you can share some data that what percentage of your disbursements in the past has been coming from below INR7 lakh loan so that we can adjust and we can see that what is the impact of this change in our disbursements.

And if you can give some data on how is the disbursement run rate in October, which also can give us confidence that we should be able to show improvement in growth in coming quarters?

M. Anandan: Actually, I'll go by, as far as the growth is concerned, disbursement is concerned, let's look at this way. Q1 of FY '25 and Q1 of FY '26 if you see, there is a good growth. There's a growth of about 14% Q1 of '25 and Q1 of '26. When you come to, let's say, Q2 of '25 and Q2 of '26, the growth is only about 3%.

Now when you come to the half year of '25, half year of '26, the growth in disbursement is about 8%. If you see the growth in '26 Q2 over Q1, it is around 24%. So in other words, our Q2 '26 has grown by 24% over Q1 of '26.

Not only that, we are seeing that improvement continuing in the month of October. I won't be able to give you the specific numbers of October, but we are very confident for a very good growth rate, reasonably good growth in the third quarter after looking at the October numbers. And there will be a good Q-on-Q growth in Q3 over Q2 of '26.

But again, , let me tell you, this is despite the fact, effective July' 26, we have taken the call not to take the proposals of less than INR7 lakhs. Earlier, prior to that, whether, let's say, in the current year first quarter or the numbers in the previous year FY '25 includes our disbursements where we are taking the proposal even of the size of INR5 lakhs, INR6 lakhs, INR7 lakhs business. So to answer shortly -- yes.

Nidhesh Jain: So what is the percentage of such disbursals in the previous quarters, if you can quantify that?

M. Anandan: I don't have the number. I can quantify it, and we can share it offline. But the point is that, as I mentioned, this call is being taken primarily by looking at, we want to be clearly away from the micro-finance kind of profile of customers. We all know that micro finance loan size is around INR3 lakhs kind of thing.

But we would want to be very clearly away from it, in fact, when we have done the scrubbing of our all our existing customer data, given what we have done in the past of less than INR7 lakhs, our repayment profile wise, it is normal as the other profile, other customers, INR7 lakh plus. But that's why that we have taken this conscious call of not pursuing that because going forward, we will want to work on improving our customer profiles and loan profiles better.

Nidhesh Jain: Sure, sir. And second question, sir, is on credit costs. If you can quantify the impact of one-off write-off policy change in this quarter?

M. Anandan: No, it's not one-off. This is a policy call, the accounting policy call we have taken. So going forward, we will be charging off anything about 1 year after 500 days, we'll be charging off, yes.

Nidhesh Jain: But sir, in this quarter, the impact would be much higher because suddenly, the loans which were in the bracket of 500 to 2 years on that, we have taken an accelerated charge. That flow-through will not be at the same quantum from the next quarter, right? So...

M. Anandan: Yes, fair enough. Yes, it is true. But we'll follow a consistent accounting policy.

Nidhesh Jain: Sure. So from next quarter onwards, then we should again expect the credit cost to come down because there is a slightly higher credit cost because this is the first time we have charged a pool of loans. But from next quarter, do you expect credit cost to come down from Q2? Or this is now the new run rate?

M. Anandan: So I would not want to really give a specific comment on that. But you are saying, logically speaking, it should come down, yes.

Moderator: Our next question comes from the line of Shweta Daptardar from Elara Capital.

Shweta Daptardar: Sir, a couple of questions. So you clearly mentioned that we are one of the best in opex to assets and operational efficiency. Also, we'll be relying more on productivity going forward. So could you just throw some light on branch productivity aspects wherein if you can just put out a number on loan files per officer and how that has been improving.

Of course, you have dealt with tech initiatives, but more so on the human capital or physical aspects part which can contribute to productivity, which will help us maintain this kind of strong opex to assets number?

M. Anandan: Actually, our opex as a percentage of AUM, which is a 2.7% is not there just for this year or this quarter. It's been there like that last almost 10 years, okay? So in other words, there is very consistently despite the fact while the ratio remains at around 2.7%, but our investments in branches, our investment in IT has been going up, and to support the growth in business and manage our risk better.

But despite that, we are able to maintain our opex as a percentage of AUM or our cost-to-income ratio broadly in this region, mainly through the consistent improvement in productivity, not only at the field level by the sales officers, but even other levels. It is there even in the customer-facing jobs, as you know, it includes sales, it includes collections, it includes the credit, legal and also the HO staff.

So in other words, we look for quite definitely, the file productivity of the sales officer is tracked on a month -- on a day-by-day basis or a weekly basis, monthly basis. Equally, we are also able to bring in productivity in all of our support functions and the HO functions also. Similarly, every aspect of our operating costs also, our costs are really monitored and tracked for improvement -- getting better output or better results for the money that we spend.

So in other words, productivity in that way is all pervasive. And as a culture, we've been normally following maybe slightly proven way of working culture that we follow that helps us.

And coming on the sales productivity, current, our logging productivity is around 3 to 3.1 file per sales staff at the branch level, there are some branches which are doing higher, some sales managers are doing higher. Some branches, they are doing lower and this is average what is given. But we are working in that area of improving that from the current level.

Shweta Daptardar: Okay, sir. Sir, the second question is on ticket size. Sir, because you mentioned you have done data scrubbing and also you evaluated and have decided to move and shift towards slightly higher ticket size.

So going forward, have you put a threshold kind of thing wherein your average ticket size will be retained or will revolve around those levels, say, INR9 lakhs or INR8.5 lakhs, INR9 lakhs, which has been the case for now over 2 years. So any thresholds on ticket size beyond which you would not like to exceed and maintain your core focus?

M. Anandan: No. Actually, it is like this. Today, my average login ticket size is about INR10 lakhs, and our average sanction disbursement size is about INR9 lakhs and as you know, being affordable housing finance, we normally keep it less than INR30 lakhs. But the range that we operate is really now about from, let's say, INR7 lakhs to around largely INR15 lakhs range.

But then if there are a good customer profile, we will go, but not beyond INR30 lakhs. So in other words, we have really taken a conscious call because given the market that we address in terms of Tier 2, Tier 3, Tier 4 cities and given the profile of the customers largely self-employed, we have taken this call that would not look at loans generally beyond that, as you know, there is nothing like legally.

Our RBI NHB guidelines doesn't prohibit us to do even much higher value. But the company has taken a call that we don't want to do any loan beyond, let's say, INR30 lakhs. But then less than INR30 lakhs also, we have chosen. By and large, we'll be confident, very happy between INR10 lakhs to INR20 lakhs.

Looking to INR10 lakhs, now we are at INR7 lakh. Progressively, our plan is really increase it by INR1 lakh average ticket size per year. So if it is INR10 lakh login today, we may look at INR11 lakhs next year and maybe INR12 lakhs year after. That's the way we go. And this also reflects partly the inflation that takes place in the construction cost. So it is not really taking a higher risk in that sense.

Moderator: Our next question comes from the line of Shailesh L. Kanani from Centrum Broking.

Shailesh L. Kanani: Sir, my first question was with respect to our stopping of disbursement below INR7 lakh ticket size. Now I appreciate the fact that we are doing it to stay away from MFI customers. But in the past, our commentary has been that there is not much overlap with MFI customers.

And to be honest, our asset quality has been better vis-a-vis peers, right? So why this move when the disbursements are kind of a little bit lagging than our earlier assumptions. So if you can just elaborate something on that front, sir?

M. Anandan: So as I mentioned, this decision to log in only INR7 lakhs plus transaction is actually, it is, in our view, it is the right decision for the company going forward. Yes, it has met with a short-term impact of our disbursements growth slightly got impacted in the, let's say, second quarter, or maybe second half as well.

But then that is very temporary according to us. In fact, now we started seeing our entire team down the line has accepted that. And in October everybody now got adjusted to, started working, okay, here after going forward, this company is going to do only INR7 lakhs or more.

Now the point in the INR7 lakhs, the objective of this decision is really long term. The objective is progressively, we want to move towards a better category, better quality credit-wise customers. And they will have more credit bureau data and also they will have better account aggregator data.

And also because for things like, for example, even PD from a manual discussion of PD, now we are planning to go for an audio, video PD, which means that the customer should be able to communicate, talk and things like that. And so the decision of the company is to keep moving towards better quality customers. But at the same time, these quality customers located in Tier 3, Tier 4 are largely self- employed.

Shailesh L. Kanani: So basically, there is no early signs of stress in the book. Is that a right assumption?

M. Anandan: No, no, it's not. Actually, we have done the customer scrubbing of all our 1,70,000-odd customers, scheduled customers, 55% of our customers, they don't have any additional loan other than Aptus. 20% of the customers, they have one more loan in addition to the Aptus loan. Then our customers where overlap with the MFI customers is around 1.5%.

When we look at our portfolio in terms of the loan size-wise also, there is no significant difference. We have not seen even on our day-to-day operations, collections, plus NPA and all, we don't see any significant difference in less than INR7 lakhs. But despite that, I think I've repeated several times on this, credit delinquency is not the reason at least for us.

We are wanting to move to a better category, better class of customers. And also looking at the transaction size because we are also realizing that this is a home loan of 15 years, the effective tenure of 10 to 11 years. We don't want to get into INR5 lakhs, INR6 lakhs, where your EMI will be less, your collection cost will be more, and it will keep growing.

Shailesh L. Kanani: That's very helpful. Sir, just a related question. As you mentioned in the earlier question as well, as we move towards a little higher ATS and then we are not doing anything less than INR7 lakhs, does it impact our blended yields in any case going ahead, 1 year, 2 years down the line?

M. Anandan: No, actually, as I mentioned, we are not significantly increasing our ATS. Our intent is really, as I told you, last year, our logging was average INR9 lakhs. This year, our average logging is INR10 lakhs. Next year, we are planning for INR11 lakhs. Hereafter, INR12 lakhs.

So this is really a normal increase, some of it normal increase, partly on account of inflation also. So in other words, there is no significant -- our ATS is not going to move up from INR10 lakhs to INR15 lakhs to INR20 lakhs to INR25 lakhs. No. We are not working like that.

Shailesh L. Kanani: So that part I understood. I just was wondering, as we stop below INR7 lakhs, does it impact the blended yield in case we are getting higher yields in that category? So I was just trying to understand that.

M. Anandan: No, no. Absolutely no, thanks for asking the question. But no, we charge the same rate for all the rest. It's not really based on the loan size, yes.

Shailesh L. Kanani: Yes, yes. Okay. And sir, last question from my side. If you can share the disbursement figure, an absolute figure for month of September, if not for October, but the quarter gone by, if you can share that number.

M. Anandan: I don't want to get into this monthly, weekly at least. Yes.

Moderator: Our next question comes from the line of Sameer Bhise from Dymon Asia.

Sameer Bhise: First of all, congratulations, sir, for a stable set of numbers in a difficult environment, especially given what's happening with respect to the weather changes, etcetera. I had a quick question on the medium-term goal of INR25,000 crores of balance sheet in terms of loan assets.

Just wanted to get your sense on how confident is one, to reach this number given the current macro setup? Or would you require a meaningful pickup in macro to kind of reach there? Or given with current setup, current productivity numbers, current branch addition plans, we remain confident of hitting that over the medium term? That's one.

And secondly, as the prior participant, Nidhesh, asked on the credit cost impact due to policy change. One is obviously the flow part. And secondly, it's the stock part on the current set of assets. Is it fair to assume that the impact on this quarter was mainly due to the stock impact on the policy change and flow impact incrementally should be lower? That's it. That's all from my side.

M. Anandan: So I'll answer the second part first. Yes. The credit cost in the current period increase is largely on account of this accounting policy change, okay? We are confident of maintaining our collections, improving our collections, and working on our NPA to reduce it further. But I won't be able to specifically say because if it is 50 basis points, suppose it becomes 52 basis points or 55 basis points, other 5 basis points variation.

I don't want that question to be asked. Because saying that you said 50 basis points, now it has gone to 55. It can be 50, it can be 45. It can be lower also. But the point is that, as I mentioned again, we are working, look at our NIM, look at our ROA, look at our ROE.

So my credit cost goes up by 5 basis points, my pricing also provides for it. So let's not get too much on this. But let me tell you that it won't be substantially different. And maybe there could be some on the reduction only, I mean, on the lower side only.

But it may not contribute to a very significant reduction because we have decided to adopt policy in future as well. So let's not look at it as a onetime one, and it is not going to happen next year. And because of that, our credit cost will come down, let's say, from 50 to 30, no. I won't be able to commit to that.

Sameer Bhise: Sure. And secondly, on growth, sir. Yes.

M. Anandan: See, on the growth, again, I think we have discussed again, we are looking at this INR25,000 crores AUM in the medium term as our immediate goal. And we are really strengthening the organization in every aspect, whether at the field level, at the cluster level, at the HO level and in every function, be it in sales, marketing and every other function.

Not only that the emerging compliance requirements, also we are investing in our functions, whether internal audit, risk management or compliance functions. So the entire organization is geared up, and we have raised, done substantial investment to be mentally prepared, organization is prepared for this INR25,000 crores in the medium term.

And in fact, again, based on our estimated year-end AUM, if you really talk out, we clearly grow at a rate of about 25% CAGR in the next 3 years, we will cross even INR25,000 crores. It will come to around INR26,000 crores also. Okay. But having said that, we are very confident of achieving this goal, but there could be a variation in terms of one quarter maybe earlier, one quarter may be late. That's about it.

Moderator: Our next question comes from the line of Kushan Parikh from Morgan Stanley.

Kushan Parikh: Just a couple of questions. One is I just wanted to check on the incremental yields. I mean, given that we are getting a benefit on the borrowing cost side, have we taken or are we looking to take any PLR cuts on our incremental yields? Also wanted to understand on the growth side, this quarter, I mean, we laid out that the BT outs have not really changed from the long-term trends.

However, I mean, when we just look at on a quarter-on-quarter basis, the runoff in the portfolio has increased from INR373-odd crores to INR463 crores. I mean is this -- I mean, is the INR463 crore-odd number the normal run rate that we should take going forward as well in terms of the runoff from the portfolio? These are my 2 questions.

M. Anandan: See, actually our AUM growth largely depends on our disbursements. And we don't see any concern at least as of now, or we have not seen this concern in the last 16 years, we have not seen this kind of concern, BT concern in the last 5 years, 10 years or in the current year or the foreseeable future. Because our BT rundown is really, seems to be in a reasonable range. And we are not seeing any excessive flow or variation in that.

So our challenge in our loan book growth, AUM growth is more in terms of our ability to enhance the disbursements rather than get excessively worried about the BT. Having said that, we very closely monitor BT, and we get into the recent logic in terms of why did this BT happen and where the funding came from, and why is it because of additional loans somebody offered?

Is it because lower rates somebody has offered? We do an exhaustive analysis for every BT. But at least at this point in time and in the immediate future, we don't see the BT as a major issue for us. What we see major challenge for us is really how do we really attain our growth, how do we really work on increasing the disbursements, including to improvement, normal, smaller improvements in our ATS.

Kushan Parikh: Understood, sir. And on the incremental yields.

M. Anandan: Our incremental yield. Okay. Actually, we do not see any pressure issue, compulsion, regulatory advisory issues on our lending rates. So whether it isby and large, we do about 15.5% for the home loan. We do for LAP around 17.5%. We do around 21% for the SME. And we don't see much of an issue there.

And as you have seen that we are able to maintain a consistently higher than industry level realization, of course, partly helped by our product mix coming through our subsidiary company, the SME business, where our lending rate is 21% as opposed to the home loan of 15.5%. But having said that, actually, in Q2, we did make some slight optimization that earlier we were charging in the home loan.

For the home extension and renovation, we were charging 17.5%. That we have aligned and they are classified in home loan given by NHB. So we have aligned that also into a home loan rate of 15.5%. But the shares of the extension, those is only smaller. It's about 3%, 4%, 5%, 6%. So that way it doesn't impact our yield, but then it's optically, we are able to present ourselves better on the field.

Same way in terms of SME, it was earlier 22%. We have optimized it 21%. But that, again, optically, it goes well with the regulators and things like that. It's again, it's a minor tweaking that we have done. This has not affected our yield. In fact, our yield for the quarter, for the half year is good, very good. In fact, much higher. You must have noticed much higher than any of our competitors.

Kushan Parikh: No, fair enough. So I mean, just one last more longer-term question. I mean we've had two big changes in terms of moving from INR7 lakh ticket size and also the new write-off policy that we have. Given that, that is not going to impact yield or credit cost in a very significant way, is it fair to assume that we still are aiming to maintain or improve our 20% ROE target?

M. Anandan: We are very confident of not maintaining, improving the 20% ROE. We are very confident.

Moderator: The next question comes from the line of Gaurav Singhal from WFM Asia.

Gaurav Singhal: I think most of the questions have been answered, but maybe one more. So like in this direct assignment income, we have a pretty big jump in this quarter and also we started it recently. So maybe can you share our philosophy on direct assignment? I'm guessing it also helps with the principal business criteria, but what's the philosophy on quantum issue?

M. Anandan: See, basically, on the direct assignment, which we have started, while most of the companies, listed companies, in particular, in the housing finance space and the NBFC space, they are doing a direct assignment for several years now, at least 5, 6 years, if you can recall.

But we are really consciously a bit conservative on that. But then looking at in a broader sense in terms of going forward, from our AUM point of view, from the additional and new source of funding and also from the point of view of the principal business criteria as applicable to Housing finance companies, we thought it is our interest to look at the direct assignment as well.

And so going forward, we will have part of our portfolio being offered under the direct assignment. But having said that, in the current quarter, we have done direct assignment of about INR190 crores. And in the first quarter, we have done about INR130 crores.

Cumulative, we have done about INR320 crores of direct assignment, which on our loan book of INR11,767 crores comes to about 3%, okay? So going forward, we may look at -- while we have the Board authorization to go direct assignment up to 10% of the loan book, we may look at around 6% to 7%, not beyond that.

Moderator: Ladies and gentlemen, due to time constraint, that was the last question for today. I now hand the conference over to the management for the closing comments. Thank you, and over to you, sir.

M. Anandan: Thank you. Thank you, Mona, for organizing this conference call. I would like to pay my sincere gratitude to all the analysts and investor friends who have taken time out to listen to us today. Please feel free to contact us in case you have any further queries. And Mr. Balaji and Amit will be there to be in touch with you. Thank you.

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