Aptus Value Housing Finance India Limited

Q3/9M FY26 Conference Call

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Management:	Mr. M. Anandan – Executive Chairman Mr. Balaji P. – Managing Director Mr. Manoharan C.T. – Executive Director and Chief Business Officer Mr. Sanjay Mittal – Chief Financial Officer Mr. Amit Singh – Vice President, Investor Relations

Moderator: Good morning, ladies and gentlemen. I'm Swapnali, moderator of this conference. Welcome to the earnings conference call of Aptus Value Housing Finance India Limited to discuss its results for the quarter and 9 months ended December 31, 2025.

This conference call may contain forward-looking statements based on the company's beliefs, assumptions and expectations as of today. These statements are subject to risks and uncertainties, and actual results may differ materially. At this moment, all participants are in the listen-only mode. Later, we will conduct a question-and-answer session. At that time, if you have a question, please press star followed by one on your telephone keypad. Please note that this conference is being recorded.

We have with us today, Mr. M. Anandan, Executive Chairman; Mr. P. Balaji, Managing Director; Mr. C.T. Manoharan, Executive Director and Chief Business Officer; Mr. Sanjay Mittal, Chief Financial Officer; and Mr. Amit Singh from Investor Relations.

I would now like to hand over the call to Mr. M. Anandan for his opening remarks. Thank you, and over to you, sir.

M. Anandan: Thank you. Good morning, ladies and gentlemen. I am Anandan, Executive Chairman of the company. I warmly welcome you all to this earnings call. Happy to share that the sustained growth momentum is broadly ensured by us in Q3 as well, aided by stable business growth and prudent portfolio management.

Looking ahead, we expect to deliver sustained AUM growth, driven by new branch additions, channel augmentation, higher ATS, calibrated pricing on incremental home loans without compromising on NIMs.

Our financials remained healthy with ROE sustained above 20% level, as you know, one of the highest in the industry. This performance is underpinned by diversified product portfolio and a broad customer base across income segments, which together provide balance and resilience across market cycles.

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

P Balaji: Thank you, sir. Good morning to all. To begin with, our assets under management has grown by 21% to INR12,330 crores from INR10,226 crores as of 31st December '25. Disbursement for 9 months FY '26 has grown to INR2,768 crores, recording a growth of 9% year-on-year. Q3 FY '26 disbursements were at INR1,030 crores as against INR930 crores in Q3 FY '25, leading to a growth of 11%. This is despite a conscious pullback in loans below INR7 lakhs.

As we have been reiterating, growth remains our key focus area. And to accelerate growth momentum, we are executing a set of targeted high-impact initiatives. So firstly, branch expansion. In FY '26, we have planned 40 branch openings, most of which are already operational. For the next financial year, we plan to accelerate expansion to 60 to 70 branches.

Expansion will be focused on new states and key high-growth markets, while maximizing productivity from the existing workforce.

Increasing the average ticket size: as we have been guiding earlier, we will be increasing the average ticket size on account of the following: first, to bring in better quality customers and also to support increase in construction costs.

Third thing is optimizing lending rates in the housing loan segment. As part of optimizing the interest rates on home loans, we have reduced the interest rate by 50 to 75 basis points on incremental home loan disbursements, leveraging the benefits from lower borrowing costs. As the rate reduction is only for the housing loan and not for any other products, coupled with t`he fact that it is only for the incremental customers, the impact on the spreads and NIMs is likely to be minimal. On the consolidated loan book, the impact of this rate reduction on our yields is less than 10 basis points.

Looking ahead, we expect to deliver sustainable AUM growth of 22% to 24%, driven by the above initiatives. Now, our growth is anchored on four strategic pillars.

First thing is diversified products and customer mix, serving self-employed customers through a wide suite of housing and business loan products with a deeper presence in Tier 3 and Tier 4 towns, ensuring portfolio stability and steady demand.

Expanding beyond southern markets: building on our strong southern presence, we are now scaling thoughtfully in Maharashtra and Odisha, while continuing to strengthen high-growth pockets in existing states.

Productivity: leveraging data-driven insights and system-led process to drive higher output, better service and cost efficiency, creating a truly scalable growth engine.

Digital and process excellence: technology underpins our growth with targeted improvements in sourcing, onboarding, collections, credit and enhancing control, execution speed and accuracy.

Now, coming to the major performance highlights. Regarding the business growth and scale, AUM has grown by 21% year-on-year to INR12,330 crores. Disbursements in Q3 FY '26 grew 11% to INR1,030 crores. Disbursement in 9 months grew 9% to INR2,768 crores. Branch network stood at 335 branches as on 31st December '25, adding 35 branches in 9 months.

Asset quality: asset quality remained largely stable with the gross NPA at 1.56% and net NPA at 1.18%. 30-plus DPD saw a slight uptick to 6.48% due to seasonal volatility in collections because of the festive periods. There is also a slight uptick in the NPA of SME loans, which will be focused and controlled in Q4. The credit cost for the 9 months FY '26 remains at 50 basis points, within our guided range.

Profitability: during the quarter, net income margin grew by 26% year-on-year to INR406 crores. Our spreads improved to 8.9%, driven by decline in cost of funds to 8.3%. The provisions related to the implementation of the New Labour Code has been considered in the financials. The impact of the same is INR3.85 crores, and it is INR3 crores net of tax.

Our opex as a percentage of AUM remained stable at 2.7% for the quarter. Profit grew 26% year-on-year to INR239 crores, translating to an ROE and -- ROA and ROE of 7.9% and 20.2%, respectively, which is one of the highest in the industry. The profit for the 9 months rose 26% to INR685 crores.

Now, coming to the funding. During Q3, we raised approximately INR902 crores on a consolidated basis, primarily through a mix of NCDs, term loans and securitization. Our liability profile continues to remain well diversified with 59% of the borrowings from banks, 11% from NHB, 17% through NCDs, including insurance companies and mutual funds, and the balance through securitization.

As part of the ongoing focus on liability diversification and prudent ALM management, we also executed a direct assignment transaction of around INR165 crores during the quarter, which supported our principal business criteria and further strengthened our balance sheet flexibility.

We continue to maintain a strong liquidity position with a total liquidity of INR1,877 crores as of December, including INR1,387 crores of undrawn bank sanctions, providing us ample headroom to support growth.

Now, with these remarks, I open the floor to the question-and-answer session. Thank you.

Moderator: We have the first question from the line of Kunal Shah from Citigroup.

Kunal Shah: Sir, firstly, maybe if you can quantify in terms of what has been the impact of discontinuing the smaller-ticket loans maybe for -- in the 9-month disbursements, as well as 3Q disbursement? And what is the quantum of that loan as a proportion of AUM currently?

P Balaji: So if you look at it -- if your look at the disbursements of this less than INR7 lakhs in the first nine months of the FY'25, it was around INR432 crores. And in the first quarter of this year, we had done INR148 crores. After that, we took a decision to stop this less than INR7 lakhs, so which means there is a difference of INR283 crores, which needs to be built or added to the disbursements, which we have done now. So, that is the difference, and that is the number on the disbursements basically.

Kunal Shah: Okay. So, on a year-on-year basis, that number would be INR148 crores?

P Balaji: Yes. For Q3, it is INR149 crores for Q3 FY'25, yes.

Kunal Shah: INR149 crores. Okay. And on AUM, what is the proportion which will eventually run down over a period? So what is the proportion of the AUM at this point in time in exact number on...?

P Balaji: It will be around 10%, 11%, I think. Yes, 10%, 11%.

Kunal Shah: Okay. So currently, that's almost like 10% to 11-odd percent. And this will keep on running down?

P Balaji: Yes, yes.

Munuswamy Anandan: Actually, to add to what Mr. Balaji said, it was less than INR7 lakhs, was about 17.5% of our lending in the beginning, April '24, which progressively moved down in June, to about 16%. And then, in August and September, it has moved down to about 9.2%.

And the impact of this discontinued of less than 7 lakhs, it comes to very little less than about 5% of disbursement projected in the fourth quarter. So in other words, progressively, in the overall disbursement, the percentage of discontinued portfolio, starting with 17%, now it's come down to almost 6%, 7% only. And as a percentage of loan book, as Mr. Balaji said, it's around 10%.

Kunal Shah: Got it. Sir, disbursement, the impact will be there in Q4 and Q1, and then the base will be set from 2Q onwards?

P Balaji: Yes. In Q4 also, there was around INR163 crores of disbursement, which will not be there in Q4 of this year. But that will be offset by the growth initiatives which we have taken.

Kunal Shah: Sure. And lastly, on opex to assets, given that you would accelerate the branch expansion now, so do we see opex to assets rising from the current level of 2.7-odd percent? Or maybe the productivity gains could actually offset that? Because we have seen a huge addition in the employee base. Collection team has been strengthened. We have added sales officers as well.

P Balaji: See, this 2.7% of the assets, and there has been a slight increase in the expenses is, we have also doubled our expenses in IT. And also, the 40 branches which we have opened is also -- there is a cost associated with that. And because of that also -- even with this, we have been maintaining 2.7%. And also, this Labor Code is also there to the extent of INR3.85 crores. There was a debit in the P&L.

But going forward, what will happen is, as you rightly said, we will be opening 60, 70 branches. But still, if you look at our cost of opening branches or running a branch, it is the bare minimum, so in the sense that the basic facilities are provided and we are concentrating more on the productivity of the people. So because of that, we were -- we believe that this 2.7% may slightly go up to 2.8%, but it might not be substantially very high.

Moderator: We will take the next question from the line of Varun Palacharla from Kotak Securities.

Varun Palacharla: With regard to the state-wise AUM growth figures, so if you look at Andhra Pradesh, we see a sharp decline in growth. Is this largely because of the cut in lower-ticket sizes? Or is anything else that you're finding riskier in the state that's reflected?

P Balaji: If you look at Andhra Pradesh, there is a growth of 23%, and -- so basically, because it is less than INR7 lakhs loans got impacted there more, and because of that, there is a growth slightly coming down there. But going forward, people have been informed about our strategy at the ground level in the state of Andhra Pradesh. And in fact, we have seen good amount of ATS increase in the month of December because of this. And this will continue to go in the -- continue in the fourth quarter and in the coming years in Andhra Pradesh.

Munuswamy Anandan: Just to add. In FY '26 year-to-date versus the previous year, in Andhra Pradesh, the portfolio has grown by 23%. Apart from the impact of the less than INR7 lakhs. But the base in Andhra Pradesh also is the highest in terms of the base figure. In fact, FY '25 March itself, it is about INR4,600 crores loan book. So, that is really one of the -- the high base also is there in Andhra Pradesh.

In fact, in Telangana also, increase is about 25%, where the base is slightly lower compared to Andhra Pradesh. So in other words, but going forward, I think with the impact of the less than INR7 lakhs getting minimized, we should get back to a normal growth in Andhra Pradesh as well.

Varun Palacharla: Okay. So my second question is with regard to product mix change and the impact on yield. So if you look at the mix, I think, the share of LAP and small business loans has increased, and home loans has kind of declined on overall book. That should have ideally aided the yields, offsetting the lending rate cut, whatever we have done on incremental loans. So if you can give a walk as to how much is the impact on yields due to these 2 factors there?

P Balaji: Varun, I think you are talking about the pie chart, which was there in the presentation, correct?

Varun Palacharla: Yes.

P Balaji: See, basically, in the earlier presentations, what we did was, we gave the consolidated numbers also based on the end use of loans, correct? Now, we -- there was some confusion in the numbers, as pointed out by quite a few analysts, which said that since it was based on the end use of loans, the numbers didn't get added up. So we had to remove that consolidated pie chart and just give the housing finance and NBFC. The mix has not changed because of that, okay? So because of that, there is no impact on that yield and all.

So what we need to do now is, if you have to compare this pie chart with the previous Board presentation, just take housing finance AUM and NBFC and add it and see, that will be the number. Because at that time, for consolidated pie chart, we classified the loans based on end use. This means, even if I give a LAP loan, if the money has been used up for construction, then I would have classified it as home loan in the consolidated pie chart.

Varun Palacharla: Yes, sir, I got that. I was just comparing on the stand-alone basis. Stand-alone quasi-home loans is about 20%. It's now 24%. And even the share of NBFC in overall AUM was 26% last year. It's now 29%. So in both these aspects, the…

P Balaji: Your voice is breaking, Varun.

Varun Palacharla: I was just saying that quasi-home loan mix in the stand-alone piece itself was 20% in 3Q FY '25. It's now 24%.

P Balaji: No, no. In stand-alone thing, it was 69% and 23% or something in the housing in the earlier slide as well. So there is no change in the mix actually. Varun, we can discuss this separately because -- yes, I will have it clarified with you slightly later, yes, because actually, there is no change. I'll explain to you, okay?

Moderator: We have the next question from Shailesh Kanani from Centrum Broking.

Shailesh Kanani: Sir, a couple of questions from my side. So we have seen the business momentum picking up in both Odisha and Maharashtra. Could you please help us understand how these states are expected to contribute in terms of quantification in terms of future growth, how critical these states are?

And you have alluded to AP and Telangana in your earlier replies. I wanted to know about Tamil Nadu being our core state is still reporting muted performance. Any colour you can give it on that?

P Balaji: So first, let me address this question on Odisha and Maharashtra. See, we have taken some 2 years from FY '24, we started the branches. And in 2 years, we have been studying the market. We are now confident of growing the book there. So with that in mind, we have opened more branches in this quarter, so I think 8 branches in Orissa, 9 branches in Maharashtra. Earlier, it was only 5 each. So we'll be opening more branches as well in the coming years. And we'll end the year with 10 branches in Odisha and Maharashtra.

Now, if you look at the loan book, in FY '25, it is INR54 crores. It has gone up to INR109 crores. And in the 9 months, it is INR37 crores to INR109 crores. And definitely, the book is behaving very well. And also, we have also identified people who are contributing to this business growth. And the branches which we have started are also performing very well. So going forward, we will open more branches in these states and -- as we have got confidence now.

And this will -- I mean, over -- but still, these are still new states. There's just INR109 crores on the INR12,000 crores. So definitely, it will not be a huge number that will be contributing to the growth. But definitely, the growth momentum in these 2 states will pick up. That is the first thing on Odisha and Maharashtra. Next thing is on the Tamil Nadu. See, earlier, it was around 10%, 11% of growth. It has got sustained at 15% growth now. Going forward, it might go up to 18%.

That's what we are looking at. As we have been telling, there are 1 or 2 clusters which needs to be corrected. And once we have done that, we are confident of getting back to around 17% to 18% growth in Tamil Nadu. But okay, you can say Tamil Nadu is a core state, but actually, the contribution from Andhra Pradesh and Telangana -- Andhra Pradesh and Telangana have also started contributing, and they are doing good. And also, there are many players in Tamil Nadu. So that is also restricting our growth. But definitely, 18% growth is a possibility there.

Shailesh Kanani: Fair enough. One more thing which we have mentioned in our PPT, addition of connectors. So can you just throw some light on that? What is the rationale of that and how we are going to proceed? Is it for new states, the strategy, or the core states?

P Balaji: No. Actually, this is a new concept which we are evolving. See, first I mean, we have thought about it. And then, this will be an additional channel to the existing channel. Our core business generation will be from the branches and from our own sales officers. This, we are trying in 1 or 2 states. If this becomes successful, then it will be launched on a full-fledged basis.

Shailesh Kanani: So this pilot is in which region in specific or anything if you can throw some light?

P Balaji: Not clear. What was the question?

Shailesh Kanani: The pilot, the connector business model what we are trying, piloting, right, is it specific to any region, a new geography or across? That is what I wanted to understand?

P Balaji: No. Actually, we are trying this in Tamil Nadu and Andhra Pradesh. I mean, it is in a very nascent stage. We have just launched it in Jan. So over and above, I mean, we need to see how this performs, and then we'll be rolling out to other states.

Shailesh Kanani: Fair enough. Sir, just one clarification. In your opening remarks, you mentioned that asset quality has some deterioration due to seasonality and holidays. So there are no other regions as such, or you would like to highlight anything on the asset quality front?

P Balaji: See, actually speaking, asset quality front, our housing loan portfolio has been behaving very well. In the third quarter, there is a slight uptick in the NPA and also a slight drop in the collection efficiency in the MSME portfolio. So anyway, our MIS is so strong that these kind of signals come very fast, and we have already started acting on it. And in Q4, we are confident of controlling that. So that's -- other than that, I'm not seeing any issues in the asset quality.

Moderator: We have the next question of Ansh Mehta from Value Partners.

Ansh Mehta: Now that we've discontinued loans under the INR7 lakh segment, can you give us your comments on credit costs going forward? So right now, we are at about 50 bps. Where do you expect that going forward to FY '27?

P Balaji: Your voice was not clear, but I think your question was on the future guidance on the credit cost, right? See, actually, yes, we have been guiding a credit cost of 0.5%, and we reiterate that, that will be maintained. I mean, this is despite the aggressive write-off policy which we are following, and this will be maintained. So going forward also, you can factor in 0.5% credit cost in all the models which you're developing.

Ansh Mehta: Sure. And in terms of our expansion to newer states, Maharashtra and Odisha, of course, we are sourcing most customers through our in-house metric, but is that true for newer branches as well? How do we go about sourcing new customers?

P Balaji: No, your voice was not very clear. We're not able to hear you properly.

Ansh Mehta: Sorry. I meant, when we are entering newer markets such as Maharashtra and Odisha with newer branches, how do we look at our sourcing profile when we are entering new states?

P Balaji: No, no. See, the sourcing profile has been common. But if you look at our processes, it will not be different if we are entering into a new state. It will be the same, where the sales officers will be sourcing the profiles. And of course, we have also got a digital marketing team at the head office, where if the leads are coming from either the customer app or the construction ecosystem app, they get those leads.

They do an initial check on whether the customers are prima faciely eligible for the loans, which meets our credit norms. And that gets passed on to our branches for taking it forward. So this sourcing will continue. Whether it is a new state or whether it is an old state, this process is going to be there in all the branches. And that's what we are doing in Odisha and Maharashtra as well.

Moderator: We have the next question from the line of Rajiv Mehta from YES Securities.

Rajiv Mehta: Congrats on steady performance. Sir, this MSME asset quality issue, which you said that we brought under control in Q4, so have you already seen improvement in bounce rates in January and February? Or are we seeing similar bounces, but you're trying to collect it earlier and resolve it earlier now?

P Balaji: There was a slight increase in the bounce rate as well in the Q3, and that has not come down. But we will have this additional efforts for collecting these monies in the MSME segment because again, if you look at it, the product is the same. Again, it is secured by the self-occupied residential property. The LTV is 35%, 40%. The instalment-to-income ratio is currently maintained at 50%.

So those kinds of cushions are already available. So it is just that maybe we need to push hard our collection guys to get this done, and that is being done. I mean, we have already started observing this in December itself. We are pushing this. And January, February, March definitely will be a better number for us.

Rajiv Mehta: Okay. And sir, this whole loan classification angle, I mean, now if you add up the AUM of HFC and NBFC and then you look at the loan classification of home loan, I think it's about 48%, 49% pure home loan. And that piece is growing at 2%, 3% on a Q-on-Q basis. So when you give us a long-term growth path of 20% to 24%, then at the current proportion of home loan, we would require the home loan piece to grow at a much faster pace, right, from here on?

P Balaji: Yes. Yes. That is why we have also done price optimization. I mean, I was talking about this optimization for the incremental home loans...

Rajiv Mehta: Incremental, yes.

P Balaji: For the incremental customers. So this is likely to bring in more volumes in terms of housing loans. And also, what we were talking about this connector channel, where we are trying out, that also is likely to bring in more housing loans at a much higher ticket size and better-quality customers. So all this is going to aid us in getting that growth.

Rajiv Mehta: And just one clarification, sir. When you say that we are moving towards higher-ticket segment to build a better quality customer base, so we are largely into self-construction home loan, right? So when we talk about migrating ticket size, does it mean that we will target customers having a larger plot size or building larger value of homes? Or does it simply mean that...

P Balaji: It is not that we will go beyond INR15 lakhs or INR18 lakhs. See, what I'm meaning by increase in ATS, maybe if I have done INR8 lakhs or INR9 lakhs ATS last year, I will do INR10 lakhs or INR10.5 lakhs. That's the first thing.

And also, the cost of construction is also going up. So we need to fund the customers for that as well, right? So, that is what is bringing in this higher ATS. And in the process, we are also getting better quality customers. Beyond INR15 lakhs and above, I don't think we are in that segment.

Rajiv Mehta: Okay. So we have not opened up the upper end of the range. Okay. Yes.

P Balaji: No, no, no.

Moderator: We have the next question from the line of Amit Khetan from Laburnum Capital.

Amit Khetan: Can you talk a little bit about the competitive landscape? If we look at our different products, that is home loans, LAP, MSME loans, right, where do you see the most competitive intensity and across which geographies? And related to that, what are the steps we are taking to stay competitive in this space in the marketplace beyond the -- you talked about the recalibrated pricing in the home loans. And who are the key competitors?

P Balaji: Let me explain this. See, if you look at it, first of all, let us understand, the market opportunity is huge. That is the first thing. Then, okay, there are competitions emanating from various players in certain geographies. Basically, in Tamil Nadu, we are seeing a heightened competition. But in other states, we are not seeing that kind of a competition. So, that is one thing.

And there are players like Aavas, they have opened some 9 branches in Tamil Nadu, but they are still to establish their presence. So there are quite a few players who are operating in the Tamil Nadu, which we believe is because the portfolio quality is good. So the competition is there in Tamil Nadu. But in other states, we are not seeing that kind of acute competition.

And in the case of SME, there are many players, but they are into different products. So we have got a product which is between INR5 lakhs and INR15 lakhs, and we are charging between 17% to 20%, and we are giving the loans from 7 years to 10 years. So this product, not many are there. So we have ample scope for growth there as well.

So, that is basically the competition landscape, which we are seeing as of now. And of course, in Odisha and Maharashtra, where we are operating, there are not many players that are available.

Munuswamy Anandan: Just to add to that point apart from the competition from the existing NBFCs, including HFCs, the newer players like small finance banks are aggressive lending by the PSU banks and the MSME segment also is becoming an additional source of competition.

But our own experience, more than the competition from the demand perspective, we see particularly the competition is more disturbing in human resources. We are seeing at a closer quarters' competition in terms of our HR resources at the branch level from the existing and the new NBFCs, housing companies'.

So in other words, field level, customer-facing jobs and maybe the attrition there, actually, it's more of a competition rather than any demand-oriented competition at this point in time.

Amit Khetan: Understood. And just a follow-up to that. We are not recalibrating our pricing in MSME and LAP. So is it a fair assumption that competition is more in the housing segment?

P Balaji: That's what I told. I mean, the competition is more in the housing segment, and that is why we are calibrating the interest rates on the housing loans for the incremental customers, which will aid growth in the housing loans.

Moderator: We have the next question from the line of Avnish Tiwari from Vaikarya Change LLP.

Avnish Tiwari: Can you articulate this less than INR7 lakh segment? What are the asset quality markers there, either 30-plus DPD or slippages rate in Q3 versus Q2? If it is overlapping with the MFI and that's where you are seeing some stress? MFI companies are reporting improvement in their asset quality markers. So how is your experience in this pool, less than INR7 lakh pool?

P Balaji: If you remember, right from the first quarter of this financial year, we have been talking about moving away from this less than INR7 lakhs ticket, I mean, increasing the average ticket size and moving away from the segment less than INR7 lakhs. And we have also been telling that it is not because of asset quality we are moving away. It was that, we were seeing some stress in the MFI and also the small LAP segment.

Because of that, we took a decision proactively to get into this segment, and which is actually aiding us to get better quality customers. So it is not the stress levels. If you look at the NPA levels of less than INR7 lakhs or more than INR7 lakhs, it is not different. It is basically the decision -- I mean, at that point in time, there were some stress in the MFI and also in the small LAP segment, which made us take this decision.

And still, we believe though MFIs are reporting better numbers, but their numbers have not come back to normalcy. So, as of now, we are still of the belief that the asset quality there has to improve, if I have to reconsider that. So as of now, we'll still stick to the decision point, which made us to get away from this less than INR7 lakhs. So going forward also, we would like to stick to this.

Avnish Tiwari: Okay. Great. This MSME, where you are seeing some degree of delinquencies going up, do you know on the ground, what's the feedback? What exactly factors you are observing? Is there any segment of customers or geographies which are giving you this?

P Balaji: So basically, if you look at some of the SME loans, while the end use is monitored at the time of giving the loans, most of the things -- I mean, many a time, the amount gets spent on consumption, maybe for health or a marriage or something like that.

But while we have checks in place to check whether the money given has been used up for the purpose of the loan which we have given, but still there will be some segment where the the money has been used up for consumption, which is creating this stress. But actually, if you look at it, the business models are intact.

If you look at our customers' business model, the cash flows are there. It is basically a temporary blip that has happened and which has led to this slight increase in the NPAs and also drop in collection efficiencies. And also, considering the cushion we have on the LTV and also in the installment-income ratio, so we are confident that we'll be able to collect this back.

Avnish Tiwari: Okay. Lastly, is there a divergence between low-ticket-size MSME loan versus high-ticket-size where you are experiencing this? Or this is not necessarily divergent by that?

P Balaji: That's what I told you. If it is not that less than INR7 lakhs, greater than INR7 lakhs, where we are seeing this kind of an issue. It's not that.

Moderator: We have the next question from the line of Chintan Shah from ICICI Securities.

Chintan Shah: So just one question. I think, on -- I'm not sure if this is repetitive. But on the stand-alone P&L, if I look at the impairment number, so that has inched up from around INR4.6 crores to around INR13.8 crores on a sequential basis. Whereas on the consolidated basis, the rise has not been that sharp. So I just wanted to understand how should we read this?

P Balaji: Chintan, how to see this is as follows, if you look at the last quarter, we reported a policy change of write-off greater than 500 days, correct? So if you look at that decision, the impact on NBFC was more there because most of the assets went into that 500 days bracket in the NBFC. In the housing finance company, there were some assets which were at the brink between 400 to 450 days in the last quarter, that has come to this 500 days now.

So because of that, this cost has gone up. So going forward, we are not expecting this -- it's basically a lead lag kind of a thing because of 2 companies being there. And at different points in time, the assets are getting into that 500 days thing. So because of that, this cost difference is there. But going forward, we are not expecting that to happen.

Chintan Shah: Overall credit cost?

P Balaji: Overall credit cost will be at 0.5%.

Moderator: Thank you. We have the next question from the line of Rohit Maheshwari from Tata. Please go ahead.

Rohit Maheshwari: Good morning, sir. So my question is on longer-term view, you have an aspiration, by FY '29, your AUM size will be close to INR250 billion. So considering that, because the disbursement growth for the last three, four quarters has been very subdued type as compared to the earlier times. So to reach that, you would require a higher growth plus you are also 10% of your book will run down maybe in next 15, 18 months, which is below the INR7 lakh. So when -- by when we can see a pickup in disbursement?

P Balaji: So basically, if you look at, see that is the reason we have also given a slightly lower growth, if you look at our guidance, which is between 22% to 24%. And it is because of this; we have moved away from the less than INR7 lakhs. That has slightly moderated the disbursement growth in this year.

And going forward also, this is likely to have that impact. But, of course, this year, only that impact will be there. And we are also charting out various initiatives to bring back the growth that is going to be there like, for example, improving the ATS sales price. Like, for example, I was talking about the branch expansion, increase in ATS, reduction in the home loan rates for the housing loan.

So these are some of the high-impact initiatives which we are targeting to bring back the growth. But having said that, having guided at 22% to 24%, that -- achieving this INR25,000 crores AUM by FY '29 might get delayed by one quarter or two quarters. So other than that, we are not seeing that kind of a thing. But considering the current operating environment, this is the correct growth, I think, which is good for the company. So this is what is the plan we have.

Rohit Maheshwari: Thank you, sir. I am done.

Moderator: Thank you. We have the next question from the line of Balkrushna Vaghasia from Axanoun Investment Management. Please go ahead.

Balkrushna Vaghasia: Thank you for the opportunity. So I have two questions. First is regarding the competitive intensity in the market. So whenever we hear from small finance bank and microfinance players, from last 1 year, they are venturing into affordable housing finance. Most, they find it very lucrative. And all of them are venturing into those things, so I mean, particularly the affordable housing finance segment. So how do you see that competitive intensity in last 1 year plus how do you see in a coming 1 or 2 years? What is your view?

P Balaji: Actually, this was actually explained by Mr. Anandan also. See, if you look at it, we are not seeing competition more from the business angle, but more from the HR angle, in the sense people get into these new companies. Because of that, we are seeing an issue rather than because of the market size or the market opportunity. That's the answer which I can give on the competition intensity.

Balkrushna Vaghasia: And my second question is since going public, we have consistently grown our revenue and profits and all the stuff. Also we have -- I mean, financially, we are very good and you have started issuing dividend also. But all those efforts still are not resulting into shareholders' return even after 4 or 5 years of IPO. So are you planning to take any actions or -- which can help to generate the shareholder return because the only guy who is not paid after the IPO is shareholder, I think. Rest of the stakeholders are paid their dues. So do you have any action plan for that?

P Balaji: Actually speaking, if you look at the management's perspective, I will deliver exceptional results in the operating side. I mean, operationally, we will be very, very efficient and we will be able to deliver these numbers in the future as well. But if you look at the market, I don't think I have any hold on that.

I mean, if you look at my stock Aptus stock, I think 17 analysts have covered and there is 14 analysts who have recommended buy. This is basically reflecting the strong fundamentals we have, strong prospects we have and the efficiency to execute things. All this is there. I can only communicate like this to you all. And also most of the time, I'm also meeting the investors. So I'm also communicating the same thing to them.

Balkrushna Vaghasia: Okay. And like can you increase the dividends, or you can issue buyback or anything kind of -- are the Board willing to do that or is there any discussion?

P Balaji: In India, buyback in NBFC, it's not possible. That is one reason we have also started giving dividends.

Balkrushna Vaghasia: Okay. Thank you.

Moderator: Thank you. We have the next question from the line of Mayank Mistry from Antique Stock Broking. Please go ahead.

Mayank Mistry: Hi, sir. Thanks for the opportunity. Sir, my question is largely on the spread. So we have decreased our cost of funds have from 8.7% to 8.3% over the last four quarters. I would like to know what is the incremental benefit that we are expecting in terms of CoB, since we got a rating upgrade in Q1 and given that some of the MCLR is also about to get through maybe. So any guidance on that front? That's one.

And secondly, given that we are decreasing our lower-ticket-size loans as well, so from there what is the incremental yield decline that we can expect? I mean, of course, for me higher ticket and maybe for the better customers, you must be taking a hit on the yields, right? So net-net, what would be the impact on the spreads?

P Balaji: First of all, I'll answer your query on the cost of funds. If you look at my total borrowings, 61% is variable and 39% is fixed. And of that 61%, 25% is linked to MCLR and 35%, 32% is linked to EBLR, basically repo rate of the treasury bill. So in that 31% of that borrowing, there is another 0.25% repo rate cut, which will come in as savings.

So from the 0.3%, 0.4% savings in interest cost that has been achieved till date, another 0.1% to 0.15% savings will come. Of course, if you look at our incremental cost of funds, which we are borrowing between 8.5% to 8.6% in housing finance company, that we are borrowing at between 7.85% to 7.95% now.

And in the case of the NBFC, earlier we were borrowing between 9% to 9.25% it is around 8% to 8.25% now. So this is likely to bring in a good amount of efficiency in terms of cost of borrowings. And in the case of yields, like what I have communicated earlier, it is only on the housing loans and also on the incremental customers, where we have reduced the rates by 0.5% to 0.75%. If you look at the impact of the total -- on the total loan book, the impact is likely to be less than 10 basis points.

Mayank Mistry: Okay, sir. Got it. Thanks.

Moderator: Thank you. We have the next question from the line of Manik Bansal from Master Capital Services Limited. Please go ahead.

Manik Bansal: So with the quarterly disbursement running at 8% of AUM and -- but the reported AUM growth is 4.8% quarter-on-quarter. So this implies a sequential 3.8% quarterly runoff. So can management quantify the split of this?

P Balaji: What was the question? I didn't understand?

Manik Bansal: With the quarterly disbursement running at 7% to 8% of AUM, but the reported AUM growth is 4.8% sequentially this quarter. This implies a differential of 3.2% that is attributable to prepayments, repayments and BT out. So can you quantify that split between those segments?

P Balaji: If you look at the rundown, it is around 15.9%. And of that 6% or 7% will be because of the preclosures. And of that, the balance transfer is only 2.5% to 3%. And the balance 10% is on the rundown from the principal because of the repayments from the customers.

Manik Bansal: Okay. And last question. Strategically, like, what level of disbursement to AUM ratio is required to achieve the target of INR25,000 crores by FY '27?

P Balaji: Anyway, we have completed this and then only we have given this number. So, that is product mix. There is a detailed calculation that has been made. And based on that only, we're guiding.

Manik Bansal: Okay. Thank you.

Moderator: We have the next question from the line of Daksh Choudhary from Ratnatrayi Investment Management LLP.

Daksh Choudhary: Sir, could you please guide us on what percent of housing loan AUM is linked to PMAY?

P Balaji: See, actually, PMAY, it's not very high because PMAY, we are more in the rural areas rather than the urban areas. The government is pushing more on the PMAY urban and semi-urban. Because of that, most of our customers don't become eligible. Because PMAY rural is not a great success, actually, government also has been pushing on the PMAY urban only. So our kind of customers don't qualify so much for the PMAY.

Daksh Choudhary: Okay. Okay, sir. But no definite number can be given?

P Balaji: No definite numbers. It's very, very minimum.

Moderator: We have the next question from the line of Satyam Kumar from AAA Holding Trust.

Satyam Kumar: So I have just a couple of questions for Mr. Balaji. First is like, I have been following your guidances since last 3, 4 quarters. So what I observed, there has been multiple times a bit of chop and change. Like earlier, you guided in -- I think that in Q4, about 28%, 30% AUM growth, then 25%. Right now, around 23%, 24%.

On top of that, you said that the targeted INR25,000 crores AUM can be delayed by 1 or 2 more quarters. So are you sure about this growth? Because what happens, time and again, this guidance has changed. So it just brings a sentimental hit on sort of the table. So are you -- how confident you are?

P Balaji: See, first of all, when we give a guidance, it is depending on the market conditions present at that point in time. So the market conditions also change as and when we progress. And there are certain decisions to be taken for this purpose, which is good for the organization at some point in time when this kind of developments happen, for example, stress in the MFI portfolio, stress in the small-ticket LAP, INR7 lakhs. So that is why we took these decisions. And because of that, there is a moderation in the disbursements.

So, I mean, the guidance will be given at that point in time when the markets look really good. And after that, if some events are happening, I need to prune down the whole thing because for me, maintaining the quality of book is much more important than maintaining a guided range of 28% or 25%.

So definitely, this confidence, this INR25,000 crores by FY'29 maybe with a lag of 1 or 2 quarters is possible, subject to the fact that things will improve in the MFI segment, small ticket LAP and the overall environment. So, I don't think I can be sure at any point in time saying this is what it is, correct? So the decision for the guidance is based on the market sentiment and market conditions at that point in time.

Satyam Kumar: Just to follow up on this, so do you still see volatility in this overall industry? Or like things are more or less settling right now? So would you like to comment on the overall macro environment with regards to affordable housing?

Munuswamy Anandan: Just to add, you are aware that the -- by and large, the financial services business as a whole depends and linked to the volatility in the overall economic activity. That is, the overall economic activity, the volatility, because of internal, within the country or external environment, if the macro-level volatility is there in the overall economic system.

Obviously, it will have an impact on the financial services as well, which we have been seeing in the results published by various financial services companies in the last 1 week, 2 weeks kind of thing. But within that -- the challenge is really for each one of us to manage the impact of this volatility as minimum as possible.

That's where Aptus is able to manage this volatility, still maintain a consistent growth in our top line revenue, overall revenue, in our margin and in our ROE. And just growth alone -- a percentage of growth and disbursements alone -- we agree -- absolutely, we agree with you that whatever we guide, we should strive and get it, and we should continue to do that. But then, there will be -- these temporary situations will be there, as you are aware.

But that is why Aptus is taking a lot of steps, as Mr. Balaji has rightly listed out. We are taking various steps that will really increase our resilience even better and increase our disbursements and the loan book growth also better, while at the same time, maintaining our quality of loan book and quality and also the level of margins that we are doing. So in other words, for us, while the risk also is as important, managing the risk of the portfolio is as critical as the growth rate percentage by itself.

Satyam Kumar: And just one last question, my second question is like you have recently received a credit rating upgrade. So are you also looking to refinance your existing high-cost loan or a fixed loan, increase more portion of variable loans in your -- sorry, variable portion of your borrowings in the total borrowing mix? So how it is? Like are you refinancing your borrowings?

P Balaji: No. This is an ongoing exercise which our treasury team always does there. Suppose if it is a fixed rate loan or a variable rate loan contracted at a higher rate of, say, 9% or 9.25% in case of an NBFC, we always negotiate with the bank, call them, because they also have to give us additional funding.

And because of that and considering the relationship, we always negotiate hard with them to reduce the interest rate, for which we are successful in the sense that there are 3 or 4 loans, even SBI rate, which was around 9.25%, that has got reduced to 8.4%. And there is also a new facility that has been given by them at 7.95%. So overall, it's an ongoing process by our treasury team, where these kind of negotiations keep on happening and the rates are getting reduced.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference back to the management for the closing comments.

Munuswamy Anandan: Thank you for everyone for attending the conference call. I would like to pay my sincere gratitude to all analysts and investor friends who have taken time out to listen to us today. Please feel free to contact us if you have any further queries. Thank you.

Moderator: Thank you very much. Thank you all for being a part of the conference call. If you need further information or clarification, please e-mail investorrelations@aptusindia.com. Ladies and gentlemen, this concludes your conference for today. Thank you for using Chorus Call conferencing services. You may now disconnect your lines. Thank you, and have a pleasant day, everyone.