Aptus Value Housing Finance India Limited

Second Quarter and Half Year Ended September 30, 2026

November 04, 2026

Management: 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

Moderator: Good evening, ladies and gentlemen. I'm Iqra Ansari, moderator for this conference. Welcome to the Earnings Conference Call of Aptus Value Housing Finance India Limited to discuss its results for Second Quarter and Half Year Ended September 30, 2026. This conference call may contain forward-looking statements based on the company's beliefs, assumptions and expectations as of today. These statements are subject to risks and uncertainties, and actual results may differ materially.

At this moment, all participants are in 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.

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

M. Anandan: Thank you. Good evening, ladies and gentlemen. I am Anandan, Executive Chairman of the company. I warmly welcome you all to this earnings call. Aptus continued to deliver healthy growth during the quarter, with continued demand from our target customer segment, leading to assets under management growing by 20% year-on-year.

Disbursements remained healthy, supported by new branches across existing and newer states. Aptus maintained healthy profitability during the quarter, with the total net income growing by 19% year-on-year. Return on assets, return on equity stood at 7.7% and 20.1% among the best in the industry.

On the asset quality front, we remain focused on maintaining portfolio quality through disciplined underwriting and continued strengthening of our operating framework, including collections. Looking ahead, the long-term growth prospects for affordable housing finance remains encouraging.

With sustained demand across our markets and continued expansion of our distribution network, we remain focused on delivering consistent growth, operating efficiency and healthy profitability. Our priorities for the remainder of FY27 remain focused on sustaining growth momentum, maintaining portfolio quality and prudent risk management.

As we continue to scale, our emphasis remains on translating business growth into sustainable earnings, healthy returns and long-term value creation for our shareholders. Thank you. And I will now hand over to Mr. Balaji to take you through the quarterly performance in greater detail. Thank you.

P. Balaji: Thank you, sir. Good evening to all. Before discussing our quarterly performance, I would like to highlight an important aspect of our business. Aptus operates as a diversified lending franchise through two distinct entities. One is the housing finance company, primarily focused on affordable housing finance, and an NBFC catering to the financing needs of small businesses.

As indicated in our previous earnings call, starting this quarter, we have commenced separate disclosures of key business and financial parameters for our housing finance company and NBFC businesses. This will provide investors with greater visibility into the performance, growth drivers, asset quality and profitability of each business, while also enabling a better understanding of Aptus as a diversified lending franchise.

I am happy to share that we continued to deliver healthy growth during Q2 FY27, with our overall AUM crossing INR14,000 crores. The strategic initiatives outlined during our earlier earnings calls are progressing well, and we remain focused on balancing growth with profitability while maintaining our credit discipline.

Our affordable housing finance company continues to perform well, delivering healthy growth and profitability, with AUM crossing INR10,000 crores. The segment remains structurally robust and continues to offer significant long-term growth opportunities. Our NBFC is also gaining significant scale, with AUM crossing approximately INR4,000 crores.

As the business grows, we are focused on strengthening its underwriting and operating framework, embedding greater process discipline in terms of collections and risk management. We continue to advance the strategic initiatives outlined in our last earnings call to strengthen the growth momentum. The first thing is the branch expansion.

We continue to expand our distribution network through new branches in both our newer geographies of Maharashtra and Odisha, as well as deeper penetration in existing markets. During H1 FY27, we added nearly 60 branches, taking our total branch network to around 400. Importantly, branches opened in recent months have already started contributing to business growth, with their contribution increasing as they mature.

Then the next one is the strengthening customer acquisition. We continue to diversify our sourcing channels through our direct sourcing network, expanding connector network, and digital marketing initiatives.

The connector channel contributed nearly 12% of our incremental business during the quarter, and we continue to see encouraging traction across our sourcing channels. The next one is the increasing average ticket size. Our continued focus on increasing the average ticket size, supported by inflation and a calibrated customer selection strategy, is enabling us to onboard higher-quality customers while sustaining healthy business momentum. This further strengthens our portfolio quality and supports sustainable long-term growth.

Now, the next one is the customer quality and pricing. Our calibrated reduction in lending rates on select loan ticket sizes, together with our strategy of increasing the average ticket size, continues to support customer acquisition while helping us onboard higher-quality customers. Additionally, we are further strengthening our underwriting and collection infrastructure within the NBFC business to enhance portfolio quality.

Going forward, we remain focused on disciplined execution of these initiatives while addressing the recent challenges in the collections and asset quality, particularly within the NBFC business. Together with our strategic pillars of diversified customer mix with varied income streams,

calibrated geographic expansion, productivity and digital excellence, we believe these initiatives position us well to deliver sustainable growth while maintaining profitability and credit discipline.

Our execution on various strategic initiatives during H1 FY27 continues to support our full-year outlook with healthy performance across most operating and financial parameters.

Growth: H1 disbursement grew 27% year-on-year to INR2,206 crores. The disbursements in Q2 grew 20% year-on-year to INR1,153 crores. While business momentum remains healthy, factoring in recent weather-related interruptions and tightening of NBFC underwriting, AUM growth is likely to moderate a bit in Q3. However, we are confident of achieving the momentum back in Q4 FY27. Branch expansion, we have already added 60 branches in H1 FY27, keeping us on track to achieve our full year target of around 70 branches.

Spreads: Spreads moderated marginally by 10 basis points on a sequential basis during the quarter.

Opex: Operating expense remained at 2.8% within our guided range of 2.6% to 2.8%.

Credit Cost: Credit costs in our HFC business remain well controlled. In the NBFC business, while credit costs are elevated but remain broadly comparable to industry levels, our focus is on bringing them down further through disciplined underwriting, process improvements and strengthening of our collection infrastructure as the business reaches a meaningful scale. Factoring in the elevated overdues in the NBFC, we have revised our consolidated FY27 credit cost guidance by around 5 to 10 basis points.

RoE: ROE remained above 20%, consistent with our profitability guidance, which remains unchanged.

Overall, we remain focused on delivering healthy growth and industry-leading profitability while further strengthening our operating framework, particularly within the NBFC business. While we have recalibrated our growth outlook and credit cost expectations, our guidance on operating efficiency and profitability remains unchanged. Now, moving on to performance.

As regards the business growth and scale, AUM grew by 20% year-on-year to INR14,177 crores. The half-year growth in disbursements was at 27%, and disbursements in Q2 grew 20% year-on-year. Branch network stood at 397 branches, adding 58 branches in the first half.

Asset Quality: Asset quality, the collection efficiency stood at 98.35% versus 98.52%, primarily impacted to an extent by some moderation in collections within the NBFC. Consequently, our 30 plus DPD stood at 7.08% as against 6.87%. We remain confident of improved collections and the gradual normalization of asset quality metrics to earlier levels by the end of FY27. GNPA for the HFC business stood at 1.48%, while the NBFC business reported a GNPA of 2.17%. On a consolidated basis, GNPA stood at 1.68% compared to 1.7% in Q1 FY27.

Credit Cost: The credit cost for HFC came in at 25 basis points, while the NBFC reported around 169 basis points for the first half of the year. The credit cost for the consolidated entity came in at 67 basis points for the first half of the year.

Profitability and efficiency: During the quarter, net income margin grew by 19% year-on-year to INR463 crores. Our spreads moderated marginally to 8.9%. Our opex as a percentage of AUM was at 2.8%. Profit grew 18% year-on-year to INR267 crores, translating to an ROA and ROE of 7.7% and 20.1% respectively.

The profit growth for the half year came in at 19% year-on-year to INR528 crores, translating to an ROA and ROE of 7.7% and 20.1%, which is among the highest in the industry.

Funding: During Q2, we raised approximately INR950 crores on a consolidated basis, primarily through a mix of term loans, securitization and direct assignment. Our liability profile continues to remain well diversified, with 64% from banks, NCDs at 11%, securitization and DA at 18% and the balance through NHB. We continue to maintain a strong liquidity position with total liquidity of INR1,759 crores as of September '26, including INR1,028 crores of unavailed bank sanctions, providing us ample headroom to support growth.

Dividend: The board has approved an interim dividend of INR2 per share.

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

Moderator: Thank you, sir. Ladies and gentlemen. We will now begin the question-and-answer session. The first question is from the line of Renish from ICICI Securities.

Renish: Congratulations on a good set of numbers. Sir, just 2 things. One on the growth side, right? When we look at the disbursement for first half and when we, by calculating the disbursement run rate to arrive at 22% AUM growth, I think the ask rate is roughly INR2,800 crores plus for the second half. And now, given the way macro is currently, how confident we are that we will be delivering 22% growth in FY27?

P. Balaji: See, normally, Renish, the second half of the year is, for any NBFC or an HFC, is better than the first half. That is the first thing. Next thing is, the 60 branches which we have added, that has contributed only partly. So that has to contribute for the full half year in the next, I mean, third quarter and the fourth quarter. So these are 2 things which is actually helping us, give us confidence to achieve this.

But having said that, in October, considering the asset quality in the NBFC, we are also strengthening the underwriting process. So there can be a slight drop in Q3 disbursements, but we are confident of achieving and catching up the deficit in the Q4 and still achieve this 22% growth.

Renish: Got it. Just to relate to that, I mean, the way this noise is around the drought, etc., and maybe high inflation as well. So considering these things also, do you feel there could be a scenario wherein we would be forced to tighten credit filters maybe in second half and that can impact the disbursement or how you are internally assessing the prevailing macro challenges?

P. Balaji: See, the drought impact is in select places in some of the places in Maharashtra, but actually we are not seeing that kind of an impact in terms of ramping up our business in Maharashtra. So actually speaking, on the ground information says, we might not get impacted because of drought in terms of building up the volumes.

Renish: Got it. Got it. Okay. And sir, just last thing on the ARC sale, right? So we have sold roughly INR89 crores, INR90 crores worth of assets to ARC. Just wanted to understand, first of all, whether these are the standard pool or it was in 1-90 DPD? Also related to that, again, what explains this sequential increase in 30 plus DPD despite the ARC sale?

P. Balaji: No, actually, ARC sale is a combination of 1 to 90, I mean, 0 to 30, 30 to 60 and 60 to 90 assets. Also, some NPAs were also sold. So that is one thing. But if you look at the logic behind this ARC, these are all slightly low-value loans. And mostly, we would like to have all the paying customers in our book.

These are slightly intentional defaulters. And also, if you look at the value, it is around INR5.5 lakh per loan. So that is what is the thing which we have sold it. And if you look at the recovery, considering the LTV comfort we have, I think we have registered a loss of just INR90 lakh on that.

P. Balaji: On INR90 crores book which we have sold, it is just a INR90 lakh loss which has been booked there. So this calculation. Of the selection of assets for selling to ARC will be decided every quarter based on this, because there is no point in following up with these customers for INR7 lakh and less, INR5 lakh, INR6 lakh and less. And it is better for us to concentrate on recovery of more than INR10 lakh. That's where we are also strengthening the department in terms of collections and also the legal recovery.

Renish: Got it. And sir, what explains the sequential increase in 30 plus DPD?

P. Balaji: If you look at it, if you look at our investor presentation, the 30 plus DPD are, again, you need to break it into housing finance and the NBFC. So housing finance, there is not much increase in the 30 plus DPD, whereas in the NBFC, there is a slight increase or there is a good increase.

So that's where we are having elevated overdues there, and that's where we are also strengthening the collection mechanism and the legal recovery to bring it down. In fact, that's what in my opening speech also, I told for the NBFC, it will take at least 1 or 2 quarters to streamline this and bring this in under control.

Renish: Okay, okay. And stress is by and large in below INR7 lakh ticket size?

P. Balaji: Yes.

Moderator: Thank you. Next question is from the line of Rishi Mody from Mody Advisory.

Rishi Mody: Just a quick question on this collections piece. You increased the team size on collections and legal recovery by 25% over the 2 years. Now, I know we are new to the NBFC business. We are still finalizing our processes and everything, but the collection efficiency should ideally not slip.

So I am just trying to understand, is the effect of this hiring still to come in, and we will have a catch-up in H2 on collections or the collections will still slip before we finalize our credit underwriting policies and everything in place?

P. Balaji: Rishi, this is an ongoing process. If you look at the collections, our business has also increased. So in order to support collections on the field, the collection officers will be recruited to support those collections. That doesn't mean that collection efficiencies will drop.

Basically, some problem encountered in the NBFC book where we are strengthening the underwriting process and also the collection team strengthening and also the legal recovery. So just because we are adding collections people, it doesn't denote there is a problem in the collections or it will lead to drop in the collection efficiencies.

Sanjay Mittal: The number of customers also going up.

P. Balaji: Yes.

Rishi Mody: All right. Second question from my end was, I was just calculating your BT-out plus prepayment rate. That's kind of inched up in this quarter. Is this accelerated competition in the affordable housing finance space or something else leading to this?

P. Balaji: No, it is actually the competition. If you look at, there is a slight increase in the pre-closure rate, and we will try to maximize it by doing more volumes.

Rishi Mody: And this competition is coming from, say, lower cost of funds competitors like, say, Bajaj Housing kind of guys or people like Aadhar who have similar borrowing costs?

P. Balaji: It's coming more from the small finance banks. It's coming more from small finance.

Rishi Mody: From small finance banks. Okay. Got it. Third question I just had was, I was seeing your presentation, there's been some change in the format on the sourcing mix. So your customer referral plus Bandhu App drops from 19% of contribution to 11%. Just wanted to know if this is some technical change or if there's something that led to this drop-off?

P. Balaji: Some of the Bandhu Partners have got converted into connectors. So that's why there is a shift.

Rishi Mody: Okay. Got it. And finally, just given, right now we are growing our book at 20% and our ROE is at 20%. The book seems well self-funded at this point. So any prospect of accelerating dividend payouts or bringing down our capitalization rate?

P. Balaji: Dividend payout. No, we don't have any plans to accelerate the dividend payout.

Moderator: Next question is from the line of Divyesh Trivedi from Omega Portfolio Advisors.

Divyesh Trivedi: So again, my question on the asset quality. Why have our asset quality metrics like 30 plus DPD and collection efficiency have not improved? Our credit cost has also increased to 70 bps, which was higher by around 20 bps from last year Q2. And it's again higher than our guided range also,

which is 0.5%, plus-minus 10 bps. And what is driving this stress actually? And when do you expect to improve this stress?

P. Balaji: Actually, as I told you, if you look at the asset quality, you split it between the housing finance company and the NBFC. If you look at the asset quality in terms of the housing finance company, the NPA was 1.53% in September '25. That has come down to 1.48%. And similarly, if you look at the Stage 2 also, it is more or less the same. So actually, there is no problem in the asset quality in terms of the housing finance company.

But actually, as I had told in the opening remarks, the NBFC asset quality, if you look at the NPA, September '25, it was 1.59%, and September '26, it is 2.17%. In fact, in June, it was 2.49%, and it has been brought down to 2.17%. Now in the case of Stage 2 in the NBFC, it has become 6.88%. This is what we are trying to control. This is what is the reason why the collection efficiencies have dropped.

And this is the one which I have been telling where we are collecting by way of strengthening the collections and also the legal recovery processes and also underwriting. We are also strengthening the underwriting norms in terms of the NBFC.

And also, if you look at the performance, if you look at the credit cost of the housing finance company and also the NBFC, it compares with the industry. I mean, if you look at the peers, it's the same. If you look at the credit cost of housing finance company, it is around 0.23% and it is 1.6%, 1.7% in terms of the NBFC. But we are not satisfied with that. We will try to bring that down.

Divyesh Trivedi: Okay. And because of the stress, our growth, we have kind of moderated our growth in the Q2 and we are planning to moderate in Q3 also, right? AUM growth?

P. Balaji: See, in the NBFC, there will be a slight moderation, but we are confident of catching up in the Q4.

Divyesh Trivedi: So overall, we are confident of achieving 22% growth for the whole year?

P. Balaji: Yes.

Divyesh Trivedi: And the next one is on the margin side. Like now with the RBI raising the repo rate, so how does that affect our margins over the coming quarters?

Sanjay Mittal: This is Sanjay Mittal. See, if you look at our borrowings, first I will speak about the borrowings. So one-third of our borrowing is repo linked, so that would translate into an 8 basis point increase in the borrowing cost. MCLR linked book will have another 4, 5 basis point impact. From an overall book perspective, if our AUM is around INR14,000 crores, INR5,500 crores is funded by equity and INR8,500 crores left out is borrowing.

So if you reduce the fixed cost borrowing, what is left is INR5,000 crores. My floating rate lending is around 20%, which is around INR2,000 crores. So in this INR5,000 crores floating rate loan, I have the ability of passing on the interest rate to my floating rate customers.

So ultimately, I am left out with INR3,500 crores of borrowing, which is not hedged with the rising rate of interest. So on INR3,500 crores, if you divide INR14,000 crores, it comes to 25%. So our 25 basis points will have an impact of around 7, 8 basis points on my spreads, on an overall basis. But that spreads, we are trying to protect by way of higher volumes, and that will be taken care of based on that.

Moderator: Next question is from the line of Dhruv Sitlani from Leo Capital.

Dhruv Sitlani: Congratulations on a good set of numbers. So my first question is, what portion of our NBFC customer would have a microfinance loan either in their own name or in the name of a family member? And what portion of these have defaulted on any other loan, be it a gold loan or any other form of loan?

P. Balaji: If you look at the microfinance exposure, I mean, if you look at our average ticket size of our NBFC loan, it is around INR8 lakh. So this is totally far away from the microfinance or the small ticket LAP customers. So if at all, if there is an overlap, there can be 3% or 5% overlap. That's all. Over and above that, we don't have a thing on the overlap of microfinance loans. So that will not have an impact on the thing.

Sanjay Mittal: And it's secured.

P. Balaji: And it's secured against the residential property and with an LTV of around 45%, 50%.

Dhruv Sitlani: Okay. Sir, my next question is related to competition. So are we seeing any kind of competition from larger NBFC at our ticket sizes in housing loan and business loan? And is it affecting our disbursement growth or putting any kind of pressure on yields?

P. Balaji: No, actually, if you look at the competition, I mean, 5 years back, how many companies are there? Now there are so many companies actually in the affordable housing space. But the market opportunity is so huge that this competition is not impacting much in terms of the volumes. But what is impacting is they take people from us. So that is what is impacting the business which we are doing.

But nevertheless, that's why we have also announced the introduction of the alternate channels by way of connectors and customer app and that kind of alternate channels, which is contributing to the higher business. If you look at connector channel business last quarter, the contribution was 8%. This has become 12% in this quarter. So definitely, we are well-equipped to face the competition by these methods.

Moderator: Next question is from the line of Ishank Gupta from Choice Institutional Equities.

Ishank Gupta: My question is regarding the average ticket size on quasi home loans. So our average ticket size on quasi home loans has decreased from INR10.1 lakh, to INR9.4 lakh. So we are targeting to improve it year-on-year. And moreover, our average LTV has increased to 45%. So are we driving the increase in average ticket size driven by increasing LTV?

P. Balaji: No. First of all, if you look at the funding philosophy of Aptus, we take LTV as a backup. First of all, we determine the income to installment ratio. That is, how much an EMI the customer can afford. That is what is the first criteria which we look for when I am evaluating a credit profile.

So LTV is a backup. It doesn't matter if it's -- from 40%, if it is going to 45%. That is not the main important thing, because it has increased because the customer whom we have funded, they are able to pay that kind of EMI.

Ishank Gupta: Moreover, my second question is regarding the increase in DPD. So we said that it was mainly attributable to our NBFC book. So any particular geography that is witnessing or driving the increase in delinquencies?

P. Balaji: It is to a certain extent Karnataka, there is an impact, where we are actually strengthening the underwriting norms and thing. But other states, it is not very variant. It is only the Karnataka there is a slight increase as compared to the other states in terms of delinquency in the NBFC.

Ishank Gupta: And with our share of NBFC book at 29% and approx 80% of our book at fixed rate, and here you have decreased by 10 bps. So what was the reason for this?

P. Balaji: What's the concentration?

Sanjay Mittal: I could not follow. Can you please repeat?

Ishank Gupta: Yes. So our yields have declined by 10 bps sequentially, and most of our lending is at fixed rate. So what was the reason for decline in yields?

P. Balaji: It is in the NBFC, what we have done, we have calibrated certain interest rates on the new loans. To that extent, there will be some reduction in the yields. That is what would have contributed to this 10-basis point decrease.

Moderator: Next question is from the line of Mayank Mistry from Antique Stock Broking Limited.

Mayank Mistry: Sir, I was just looking at a sequential trend of your growth, and this is the first time where your Q2 sequential growth has actually slowed down compared to Q1. So just wanted to understand, there are few players who have highlighted that maybe drought situation could impact the self-construction projects and maybe impact the demand.

So are we seeing something like that already? That's my first question. And sir, second, on the insurance impact, sir, we have 0.4%, of your total assets, right now contributing from the insurance income.

So sir, have you thought of any backup plan in order to compensate for this 0.4% somewhere? Maybe this is on a gross level, net may be a lower impact. So if you can throw some color on that front as well. Yes, that's my two questions.

P. Balaji: As I told you earlier, the drought, actually, we are not seeing that kind of impact, as I told you earlier, the drought, we have not seen that kind of an impact on the ground because of the drought and on the volumes which we are doing.

So definitely, that is not the reason. In terms of the insurance income, we still have to await for the final guidelines from the IRDAI. Based on that only, we will be able to decide on what is the kind of impact and what is the corrective action which we will be doing.

Sanjay Mittal: Insurance, there are 2 things. One is the loan amount. Loan given for covering the insurance premium, there is not going to be any change even in regulation. The revised regulation they are talking about reducing the commission. So the loan component of 4% given for covering the insurance premium, there is not going to be any change in that.

But then the commission, that the financial intermediaries, including banks and NBFCs, for getting the commission on the insurance, that is what is going to be revised. But how much of it is going to be revised and that aspect, we will really want to wait for the final guidelines. On that basis, we will respond.

Mayank Mistry: Okay, sir. Got it. And sir, just to clarify, earlier, sir already explained on the margin trajectory. Basically, one-third of your book is repo linked. I didn't get it clearly what was the MCLR linked portion. Earlier, you used to show this in our PPT, the fixed to floating liabilities. So you can just...

Sanjay Mittal: Yes. The borrowing mix is around 31% is fixed rate borrowings. Balance 69% is around 34%, 35% is repo linked and 34% is MCLR linked. So what is your question now?

Mayank Mistry: No, sir. I was just trying to understand the margin trajectory. Basically, are we seeing the margins to remain largely stable even despite of interest rate hike.

Sanjay Mittal: No, I will explain you again. So our AUM is around INR14,000 crores. If we remove the equity part and left out with INR8,500 crores, that is exactly my borrowings. So around INR8,500 crores of borrowings, if I remove the fixed rate borrowing, which is around INR3,000 crores, I am left out with INR5,500 crores.

Now out of this INR5,500 crores borrowing, if I look at my lending side, 20% is floating rate loan. So if I take INR2,500 crores, from INR2,000 crores of the fixed rate lending there, I have the ability to pass on the rate, increase whatever I can. So INR5,500 crores minus INR2,000 crores is INR3,500 crores.

So this INR3,500 crores of my book is exposed to interest rate rising risk. Now if you divide this with my INR14,000 crores of AUM, it comes to around 25%. So what we are saying is that 25 basis points will have an impact of around 25% of rates, my NIM contraction.

P. Balaji: It will be around 0.08%.

Moderator: Next question is from the line of Sanket Chedda from DAM Capital.

Sanket: So sir, I just wanted to know on our NHB borrowings. The current year share is about 7%, but it has been consistently coming down since last 3 years. Before 3 years, we used to have 26%, 27% share of NHB borrowing. So what was the reason behind that?

And do we think this share will continue to come down or maybe move up in the coming times? Because NHB refinancing, I suppose, would be the least costly source of revenue for you. So just wanted some...

P. Balaji: Definitely, NHB borrowings will come in handy for us. We are in the process of applying to NHB for additional loan. So hopefully, we will get it sanctioned, and then we'll draw refinance from the NHB.

Sanket Chheda: But why has it come down consistently since last 3 years?

P. Balaji: First of all, it was never 25%. It was 14%, 15% was the maximum at any point of time. Currently, it is around 7%, 8%. So we have...

Sanjay Mittal: On a consolidated basis, on HFC basis, it is slightly higher.

P. Balaji: Okay, okay. So on a consolidated basis...

Sanket Chheda: In Q2 '25, it was 19%. In Q2 '24, it was 26%.

P. Balaji: Okay. So see, we have recently applied again for the refinancing, and we are in continuous documentation. Like, whatever queries are being asked, we are diverting. So hopefully, we will get one loan in future.

Moderator: Next question is from the line of Raghav Garg from Ambit Capital.

Raghav Garg: I wanted to ask, in the INR89 crores ARC sale, what is the proportion of loans that were already NPA in your books? I heard you say it's a mix of regular loans and NPA. So I just wanted to ask, what was the NPA amount out of this INR89 crores?

P. Balaji: The specific details of ARC sale, I will send it. I will ask Amit to send it to you in a separate mail.

Raghav Garg: Okay, sure. I have another question on the provisioning policy. See, when I look at the PCR on the ARC loans for this quarter, it's around 25%. And these are about 7 to 8-year-old loans. Over last 7 to 8 years, your Stage 2 and 3 have also gone up and write-offs have also gone up, and because of the aging factor, you would anyway have to increase provision.

So the question is that, why is it that the PCR is only 25% here? Because when I look at your ARC sales in last few quarters, there the provisioning has been somewhere around 50%, 60%. So just wanted to understand, how should one read this provisioning on ARC?

P. Balaji: This provision is based on the ECL model that has been developed. This can be even a 30 to 60 day bucket loan, where there is an intentional default from the customer. So there, the provision might not be that high. So all put together, it is at around 25%. So that's how we need to read that number.

Raghav Garg: So these accounts would have probably gone into the NPA bucket very recently, and hence, the provisioning cover is low. Is that correct?

P. Balaji: No, it is not. As I told you, Amit will give the breakup of how much is the NPA, how much is the other loans. But it is not that everything will be NPA, you cannot link this with the NPA provision of 25%. That's what I'm saying.

Moderator: Next question is from the line of Ankur Shah from Quasar Capital.

Ankur Shah: Sir, I believe last quarter, the management had spoken about some deviation in credit cost being temporary and an expected recovery in this quarter. However, this quarter also, now I think for 3 to 4 quarters, the credit quality has been deteriorating. So your detailed thoughts on this would be very helpful. And secondly, like, if I just try to think about Aptus, are we going wrong somewhere? Because if you are trying to push on growth, we are not getting the credit quality right.

And if you are trying to save on credit quality, you are not getting the growth right. So is the competition too harsh? Is it too high for us to get things right or do we want to guide structurally slightly higher credit costs than what it used to be for Aptus?

P. Balaji: Actually, see, first of all, I want to record this statement. We are not going wrong anywhere. So that's the first thing. Then, I think last time we promised that we will give the numbers separately for both the companies, and that's what we have given now.

So if you look at the housing finance company, the book quality is intact and the credit cost is just 0.23%, and this is comparable with any company in the affordable housing space. Again, if you look at the NBFC, the credit cost is around 1.69%, and this is again comparable with any NBFC who is in this business. So these are the things.

So first of all, I don't think we are going wrong anywhere. Yes, it is a fact that we told that the collection efficiency is there improving in the month of July, last quarter. But what happened is -- that's what has happened in the case of housing finance company. So in the case of NBFC, there were slippages, and that's what is getting reflected. If you look at the Stage 2, it is around 6.88% and the NPA is around 2.17%.

M. Anandan: Actually, just to add, of the loan book of INR14,000 crores, something about INR10,000 crores in the HFC housing business, where the growth is there and the credit quality also is improved and comparable with comparable companies. So that's what Balaji has explained, that as far as this housing loan is concerned, our growth is ensured and the credit quality also sort of enhanced and improved.

But then, as far as the NBFC business is concerned, yes, there also the growth has not come down drastically, it has not come down. Growth is maintained, but then we need to improve the credit quality in terms of outstanding overdues or NPAs. That, you are right, what we have promised in the first quarter, we are not fully able to realize.

As has been pointed out earlier, there is some reduction in the Stage 2, but then there is an increase in Stage 2. That's what we are really working on the NBFC side. Though, again, if you look at the entire data of NBFC with other NBFC companies, it is comparable. I can name 10 names which are comparable. Some of it just built on some 10 years also to be exact.

Ankur Shah: Definitely, sir.

M. Anandan: Let me complete. And we are really focusing on that NBFC and we will work on that hardly to bring it down. And in terms of guidance in the credit cost, I think in my opening speech, I have told another increase of 5 to 10 basis points will be there in the credit cost.

Ankur Shah: Yes, sir. So I agree that the comparable companies are at a higher credit cost if we take the NBFC business. But I am just pointing out towards the guidance which the management has been consistently maintaining. And like, at the NBFC level specifically, 70 bps credit cost spike up is quite a surprise, to be very honest.

So from the guidance to the reality, it is something where I see a big deviation versus -- so that is why the question that do we see the need to structurally revise the credit cost so that we can model a higher credit cost in our models rather than staying at 50 bps plus minus 10.

M. Anandan: Actually, your observation is right., now we have started tracking the underwriting itself. Let's say, in the last 30 months, we have tracked the quality of performance for FY25, FY26 and the first 6 months of the current year. And we see significant improvement is happening in the performance of the portfolio of the NBFC business also.

But then the loans that were done prior to April '24, it is taking a little more time than what we had anticipated in terms of resolution and recovery. That is why we have strengthened not only our collection team, but we have strengthened our legal recovery team as well, and we will continue to work on that.

Ankur Shah: Okay. And sir, next question is on the new business, which again, you all had highlighted in the last call. So any thoughts and concrete plans where you can disclose the line of businesses which you would like to enter?

P. Balaji: We are still evaluating. We are not able to come to a conclusion, though we indicated that we wanted to launch a new product. This quarter, we will be coming up with some information on that.

Ankur Shah: And sir, just to know, will it be an asset-backed business or unsecured business?

P. Balaji: It will be asset-backed. We will never get into this unsecured loans. We need to be an asset-backed business.

Moderator: Next question is from Chintan Shah from Citigroup.

Chintan Shah: So just harping again on the AUM growth number, like we have delivered 20%, and given that H2 is a seasonally strong half for us. But sir, I think you already mentioned that we could see some dip in disbursements in Q3 due to some tightening in NBFC underwriting process. So that dip would be on a sequential basis, do you mean that?

And so then how are we placed and what gives us the confidence that despite that, we will be able to get to that 22% AUM growth guidance, which will be inferring almost INR2,800 crores disbursement versus 22% in first half, yes? So that's the question?

P. Balaji: Basically, that's what I communicated earlier. The 60 branches which we have opened, that is going to contribute to the additional business in the next 2 quarters fully. So that is going to contribute to the business. Of course, this NBFC strengthening of underwriting that is one thing which will contribute to the slight drop, but there are also new channels that is picking up. Basically, the connectors, the customer app, the Bandhu Partners, and the social media, those -- ATS.

So those are things which is giving us this confidence. Plus, we are pursuing this ATS increase of at least 1 lakh over the last year's ATS. So that also is going to contribute to the growth, and that is what is giving us this confidence.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question for today. I would now like to hand the conference back to management for closing comments.

P. Balaji: Yes. Thank you everyone for attending the conference call. It is nice to pay my sincere gratitude to all the analysts and investor friends who have taken time to listen to us today. Please feel free to contact us with any further queries. Thank you.

Moderator: Thank you all for being a part of the conference call. If you need any further information and clarification, please email amit.singh@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.