"Aptus Value Housing Finance India Limited Earnings Conference Call"

August 01, 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 morning, ladies and gentlemen. I'm Danish, moderator for this Conference Call. Welcome to the Earnings Conference Call of Aptus Value Housing Finance India Limited to discuss its results for the quarter ended June 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 and then we will conduct a question-and-answer session. At this 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 conference over to Mr. Anandan for his opening remarks. Thank you, and over to you, sir.

M. Anandan: Yes. Thank you. Good morning, ladies and gentlemen. I am Anandan, Executive Chairman of the Company. I warmly welcome you all to this earnings call. As you know, the Indian economy continues to exhibit strong underlying momentum and created a supportive environment for credit growth, including for affordable housing finance.

Aptus delivered a good start for the year with assets under management growing by 21% Y-o-Y. Disbursements reached a good level during the quarter, and the growth was broad-based across geographies and distribution channels with continued demand from our targeted customer segment.

Profitability remained healthy during the quarter. Net total income increased, supported by business growth, improving operating leverage. Return on assets remained healthy, while return on equity stood at little over 20%, ROE. Spreads remain largely stable. Our margins remained resilient during the quarter despite rationalization of pricing of certain lending segments and prudent liability management, including reduction in cost of funds.

Asset quality remained broadly in line despite continued business growth. Credit cost broadly contained at 60 basis points during the quarter, reflecting resilience of our underwriting framework and disciplined portfolio monitoring. Looking ahead, we remain optimistic about the opportunities for the affordable housing and finance sector. We are seeing good business momentum across our markets and are confident of delivering 22% to 24% AUM growth as guidance, while maintaining our focus on operating efficiency.

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

P. Balaji: Thank you, sir. Good morning to all. To begin with, I am happy to convey that we have started FY27 on a positive note. The strategic initiatives that we outlined during our last earnings call are progressing well and have contributed to the continued improvement in our business momentum. We remain focused on balancing growth with profitability while maintaining our credit discipline.

Overall, the quarter reinforces our belief that the affordable housing segment we operate in remains structurally robust and continues to offer a significant growth opportunity. As outlined during our last earnings call, we continue to make steady progress on the strategic initiatives aimed at accelerating our growth momentum. First, branch expansion. We continue to expand our distribution network. And during the quarter, we opened 33 branches, taking our total branch network to 372.

Next is strengthening customer acquisition. We continue to diversify our sourcing channel through the expansion of our connector network and increased focus on digital marketing initiatives. The connector channel contributed 8% of our disbursement during the quarter, and we continue to see encouraging traction from this sourcing channel.

The next one is the increasing average ticket size. Our continued focus on increasing the average ticket size supported partly by inflation and calibrated customer selection strategy is helping us on-board higher quality customers while maintaining healthy business momentum. 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 on-board higher quality customers.

Going forward, we remain focused on the disciplined execution of these initiatives. During the quarter, the last year, whatever was guided has been achieved.

In terms of growth, Q1 disbursements grew 36% year-on-year, providing confidence in achieving the FY27 AUM growth guidance of 22% to 24%. Just to give you a perspective, July, '26 disbursement also was good and it has improved by 25% as compared to July '25 disbursements. Branch expansion, we have added 33 branches during the quarter against the full year target of 60 to 70 branches.

Yield moderation remained in line with expectations and was fully offset by a lower cost of borrowing resulting in stable spreads. Operating expenses to AUM remained at 2.7% within the guided range of 2.6% to 2.8%. Credit cost stood at around 0.6%, in line with the guided range of 0.5% plus or minus 10 basis points for FY27.

ROE remained above 20%, consistent with our profitability guidance. Based on the progress made during Q1 FY27, we remain confident of delivering our FY27 guidance across growth, spreads, operating cost, credit cost and profitability. Our growth is anchored on the following strategic pillars. One is diversified mix, geographic expansion, productivity, digital excellence.

One more thing which is slightly important is product expansion. We are also evaluating opportunities to broaden our lending portfolio beyond home loans and SME loans through the introduction of new lending product. Together, these pillars continue to strengthen our franchise and position us well to deliver sustainable growth while maintaining our profitability and asset quality.

Now moving on to performance. AUM grew by 21% year-on-year to INR13,648 crores. Disbursements grew 36% year-on-year to INR1,053 crores. Branch network stood at 372 branches. Now coming to asset quality. The collection efficiency stood at 98.52%, primarily impacted to an extent by seasonality and some moderation in collections within the NBFC portfolio.

Consequently, our 30 plus DPD stood at 6.87% as against 6.21% in Q4 FY26. Encouragingly, collection performance has improved in July with the 30 plus DPD declining by nearly 20 basis points. We expect this positive trajectory to continue as our collection initiatives gained further traction.

The GNPA stood at 1.7% as against 1.52% in Q4 FY26, while net NPA stood at 1.29% as against 1.15%. The credit cost for the quarter remained within our guided range of around 0.6%. The credit cost for housing finance company came in at 0.2%, while the NBFC reported around 1.4%.

Aptus is one company with two businesses and two benchmarks. Our housing finance business should be compared with HFC peers and our NBFC business should be compared with the HFC peers. Each has a distinct operating model and risk profile. Therefore, consolidated asset quality should always be assessed in the context of the portfolio mix.

Now coming to the profitability. During the quarter, net income margin grew by 19% year-on-year to INR441 crores. We maintained our spread sequentially to 9%, driven by decline in cost of funds to 8%. Our opex as a percentage of AUM remained at 2.7%. Profit grew 19% year-on-year to INR261 crores, translating to an ROA of 7.8% and ROE of 20.4%, which is among the highest in the industry.

Coming to the funding. During Q1, we raised approximately INR876 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 60% from banks, NCDs at 14%, securitization at 18% and the balance through NHB funding. We continue to maintain a strong liquidity position with total liquidity of INR1,933 crores as of June '26, including INR1,257 crores of un-availed bank sanctions, providing us ample headroom to support growth. Now with these remarks, I open the floor for the question-and-answer session.

Moderator: Thank you so much sir. Ladies and gentlemen, we will now begin with the question-and-answer session. Our first question comes from the line of Nischint Chawathe from Kotak Bank. Please go ahead.

Nischint Chawathe: Hi, thanks for taking my question. Just a little bit of a guidance on the way this year is playing out. One is that the disbursement growth is pretty impressive at around 36%. There have been challenges throughout the last four, five quarters. So one is, A, what are the drivers? And what is the thought process comfort in terms of how this plays out over maybe the next two, three quarters, if you have some colour on July, etcetera?

And I think even on the asset quality front, if you could give some colour. I know you mentioned that 30 DPD was down around 20 basis points. But A, what exactly are the drivers? And how do we expect the year to really end? I think those are my two questions. Thank you.

P. Balaji: First is on the growth, like what we have explained earlier, first, the growth will come from expansion of new branches in new states and expansion of new branches in the existing states, plus the increase in average ticket size by at least INR1 lakh as compared to the last year. That will provide momentum for the growth.

Next thing is the connected channel, which we have developed. That has actually gained traction. But as I told you, during the first quarter, 8% of the disbursements was through connector channel, and this will be augmented in the second, third and fourth quarter as well. And the other one is that we have also calibrated, we have also optimized the lending rates on certain housing loan ticket sizes. That is also likely to provide momentum for the growth.

And that's what has actually happened in the sense if you look at our July '26 disbursements, it is 25% more than the disbursement as of July '25. So, all these things are likely to result in good growth and that's what we are pursuing. That is on the growth. Obviously, with this kind of disbursement growth, the AUM growth also will catch up. And that's what is giving us confidence that we'll be able to achieve the guided range of 22% to 24% AUM growth.

Now coming to the asset quality. As I told you, the credit cost in the HFC was at 0.24%. This is in line with any other housing finance company and the quality of the book is behaving very well there. And if you look at the NBFC, there was a small hitch in terms of collections during the fag end of June 2026. And that is what has resulted in the collection efficiency dropping down to 98.5% and 30+DPD going up to 6.87%.

But we have already taken corrective steps in terms of the NBFC collections. And we're very happy to tell that in July 2026, the Stage 2 has almost reduced by 15 to 20 basis points. So, this will continue. And going forward, this range -- the credit cost range of 0.5 plus or minus 10 basis points will be maintained, and this will be there for the next 3 quarters.

Nischint Chawathe: And any specific factors that you want to call out because of weakness in collections or what happened really in the first quarter in the NBFC?

P. Balaji: Repeat your question, sorry, Nischint.

Nischint Chawathe: Yes. So, any specific factors that you may want to call out, which were the reasons for weaker collections in the NBFC in the first quarter?

P. Balaji: So actually, first of all, let's be very clear. There is no problem with the quality of the customers whom we have funded in the NBFC. It's basically that, some commitment which was there at the end of the June, but we were not able to meet it, that was a thing. And I think if you look at the credit cost of 1.4%, that compares with the NBFC of any other -- with other NBFCs in the same line of business.

So actually, there is no problem with the quality of the customers. Only thing is some commitment which was there at the end of the June, but we were not able to meet it. And that is where there is a slight deterioration in the portfolio quality, but that is getting corrected in the month of July '26, and we will come back from this quarter.

M. Anandan: Again, just to add, the data company-wise, the parent company in HL business, pursuing HL business, the quality of portfolio, overdues, NPA data, credit cost compares favourably with all other comparable housing companies. Equally, our NBFC data also is comparing well with other NBFCs of similar size or comparable NBFCs.

But on a combined basis, on a consolidated basis of HL and NBFC, the combined data got increased by 20 basis points primarily on account of collection issues. While, it compares well with other NBFC business, but still on a combined basis, our data wise, it is higher. That's what we are going to work strongly to reduce it further.

Nischint Chawathe: Probably this is kind of more of a month end or a seasonal trend is what you are suggesting. I think that's how I would look at it rather than saying that...

M. Anandan: Absolutely, yes.

Moderator: Next question comes from the line of Umang Shah with Kotak Mutual Fund.

Umang Shah: Sir, my question is also related to the asset quality point. Now we do understand that Q1 is a seasonally weak quarter, but our headline ratios in terms of 30-plus, 90-plus are also higher on a Y-o-Y basis. So, is there anything lumpy out here, which has led to this? And the second question is that if you could -- while the blended collection efficiency has dropped to 98.5%, I mean, if you could just split it out as to how much collection efficiency has dropped in the NBFC business?

P. Balaji: Yes. See if you look at the collection efficiency in the housing finance company, it is around 99.5% and this one is around 97.5%. That's the difference. So, adding up to this on a consolidated basis, it is around 98.52%. But regarding the increase in the NPA actually, we are not seeing that kind of lumpiness in this quarter or year-on-year basis.

In fact, this is what we have also guided in the sense 1.49% was the NPA as of June 2025, that has become 1.7%. But this will definitely be brought down with the kind of effort that is being done. And this is broadly on account of the NBFC NPA getting increased.

Umang Shah: Sure. So, this is not specific to any particular region or any particular cohort of customers or anything like that?

P. Balaji: No, no.

Umang Shah: Okay. Understood. And sir, just one suggestion. I mean, I do appreciate that, I mean, on the call, you are trying to emphasize a lot more about the HFC and the NBFC business where you would want us to sort of compare both the businesses separately. But just a suggestion, I mean, if we could also start giving data points for both the businesses separately, I mean, it would help us as investors and analysts to kind of compare it in a more meaningful way.

P. Balaji: Umang, we have already decided. We have already discussed, from September 2026 onwards, you will get data for both the companies in the investor presentation.

Moderator: Our next question comes from the line of Rajiv Mehta with Yes Securities.

Rajiv: So just to clear this point on asset quality, you said that towards the end of June, some of the NBFC customers couldn't pay and couldn't honour their commitment. But in July, they have not only cleared the June dues and they've also honoured their July commitment as well. So now they are back to the levels, they have kind of rolled back their bucket, right? So, on an ongoing basis, your collection efficiency, which was, say, 97.5% in NBFC, now should be coming back to normal of what, 98.5%, 99%, I mean, in June, July.

P. Balaji: Yes. Definitely, definitely.

Rajiv Mehta: Got it. So incrementally, you will not see flow forward from the NBFC portfolio in July and August?

P. Balaji: Yes.

Rajiv Mehta: Okay. And from a growth point of view, and again, you said that July disbursements were higher 25% Y-o-Y in your initial remarks. But I think from last July, you also stopped doing this below INR7 lakh loans also. I mean, you stopped doing below INR7 lakh ticket sizes from last July. So, on an adjusted basis, I mean, see, on a like-for-like basis, then how should we look at your disbursement run rate going ahead?

I mean, 35% in 1Q was also because of a lower base last year. But July is 25%, but you still have a lower base. But when the base normalizes, how should we look at your disbursement growth?

P. Balaji: This quarter, minimum 25% to 30% increase over the last quarter, year-on-year basis will be happening this quarter.

M. Anandan: Impact of less than INR7 lakh is coming.

P. Balaji: Yes, impact of less than INR7 lakh is also coming down.

Rajiv Mehta: And the disbursement is also now happening on NBFC. I mean, on the NBFC side, you have not kind of calibrated on disbursement, right? Because everything has come back to normal.

P. Balaji: See, that's what we told. Actually, there is no problem with the quality of the customers. It is just one small hitch that has happened during the fag end of June. So, there is no way that we are reducing the business in the NBFC.

Rajiv Mehta: And sir, one thing on the funding side, two things. I mean, NHB proportion in the funding is at its lowest in many, many quarters. And I don't see any NHB sanction in the pipeline also. So, what is the reason? And second is the unavailed sanctions from banks as we see in the liquidity slide, what will be the cost of these sanctions when you draw?

P. Balaji: Yes. First of all, let me talk about this NHB. See, what is happening, we have also applied to NHB for a INR500 crores refinance facility. The effective cost of funds from NHB, after applying the applicable concessions, would be around 7.9%. So that is on the NHB borrowing.

Next thing is this INR1,257 crores of sanctions, which is there, in the case of HFC, the sanction rate is around 7.9% to 8.1%. In the case of NBFC, it is around 8.1% to 8.25%.

Next thing is this INR1,257 crores of sanctions, which is there, in the case of HFC, the sanction rate is around 7.9% to 8.1%. In the case of NBFC, it is around 8.1% to 8.25%.

Moderator: Our next question comes from the line of Amit Khetan from Laburnum Capital.

Amit Khetan: So, a couple of questions. First, you've talked about getting into new lending segments. Now there are merits to being a company focused on a single segment and the addressable market for affordable housing and LAP is pretty large. So, what is the rationale for getting into these new segments and which products are under consideration?

P. Balaji: See, this new product segment is in a formative stage. We are in the process of discussing on which products we want to get into. We'll be able to give more colour in the next quarter con-call because this is the thought process which is there in the company. So, we'll discuss it internally and then give you more colour maybe in the second quarter.

Amit Khetan: Got it. But can you explain, what is the rationale for getting into new segments, because our growth opportunity in the single segment is pretty huge, right? So why now?

M. Anandan: Just to add we are looking for our next stage of growth, let's say, from 15,000 to 25,000 or from 25,000 to upwards of 50,000 over a period of time, we felt there is a strong need apart from strengthening our distribution, online associates, etcetera. There is a need to diversify the product range also.

So, this will be the opportunity, particularly in the NBFC business because in the HL, we will continue to be largely in HL and after meeting the basic requirement of HL, the gap available in non-HL in HL company is limited. But the NBFC-wise today, we are offering to the SME and to some extent to LAP.

Now there is a large scope for -- to look at the add-on products, particularly even to our existing customers, we have today over 200,000 customers availing the unsecured or security-based or non-security-based products, financial products from other vendors.

And we have a very good experience with this 200,000 customers, and we see an opportunity for us to introduce appropriate products in our NBFC to expand. So that to support our growth apart from the distribution, we are looking at very closely the products also. The income stream we want to augment.

Amit Khetan: Understood. But does that mean that we'll go slow in geographic expansion and much deeper into our existing geographies with more products?

M. Anandan: No. As I mentioned, the distribution will cover it and our geographical expansion will continue. And our direct sourcing through our branches, through our field staff will continue, online will continue. Business associates will continue. But that's in terms of largely, as you know, it is around distribution in some form or the other, physical, online, offline with your own staff., but then apart from that, the other way in terms of helping the company to scale up further is really the product expansion.

And that's where we are looking at an opportunity could be there in our NBFC company to look at augmenting the products in the NBFC business, particularly to leverage our existing customer base, which is also growing at about almost about 20% per year, the customer base itself is growing. So that we should be able to leverage our new products as well.

Amit Khetan: Understood. My second question is on asset quality. If you could give some colour in terms of ticket sizes, how the asset quality varies, say, between you have some book on sub INR7 lakhs and maybe INR7 lakhs to INR10 lakhs and INR10 lakhs plus. Is there a difference in the credit behaviour? And how are the NPAs between the different ticket sizes.

P. Balaji: We are not seeing that kind of a differential behaviour in terms of ticket sizes, except for the bounce rates. I mean, as we already communicated. In less than INR7 lakhs, the bounce rates were 2% to 3% more as compared to the greater than INR7 lakhs. So, other than that, we are not seeing the kind of difference in the asset quality when you look at the ticket sizes.

Amit Khetan: Got it. Lastly, our opex hasn't gone up a lot, while we've added 33 branches this quarter. Is that because these branches were added towards the end of the quarter?

P. Balaji: Yes. To a certain extent, yes. Of the 33 branches, 10 to 12 branches were opened before May 31, and the balance was opened in the month of June. That the rent and all those costs will get reflected in the second quarter.

M. Anandan: But we have a track record. Even last year, we have added about 39 branches, and that has not really resulted in our opex going up in any significant way. In fact, current year, we are planning around what, 60 to 70 branches. We have already added 33 in the first quarter, plan to add 25 in the second quarter as well and the balance will get added subsequently. And some of the branches get started in the newer states like Maharashtra and Odisha.

But despite this, given our consciousness in terms of operating cost. In fact, not only the investment in the branch network, we're also enhancing our investments in the IT. But despite that, we are very conscious of our cost of operations, both as a percentage of AUM as well as a percentage of the income. So that way, we have a very clear advantage in the competition today that we will continue to maintain despite these investments in the infra in branches and IT.

Amit Khetan: Got it. Lastly, if I can just ask you, can you give some colour on how the attrition in the industry is evolving? Has it improved? Or does it continue to remain the same?

Anandan: If you look at the attrition, at the senior level, absolutely, there is nothing. In the case of middle management also, it is only maybe 5%, 6%. And in the case of a branch manager, it is around 10% to 15%. But at the field level, it is around 40% to 45%. Earlier it was around 50% to 60%, it has come down to 45%, but still this is high, we are, we have introduced retention incentive, insurance schemes for these employees and all those kind of things to retain people.

But still if people come and open branches in the states where we are operating, the first thing they do is to poach our field offices. But that's a challenge which we need to reckon with. But that is why we are also launching the alternate channels so that there is less dependence on people as well.

Amit Khetan: Understood, understood. Thank you and all the best.

Moderator: Thank you. Our next question comes from the line of Renish Patel from ICICI Securities. Please go ahead.

Renish Patel: Yes. Hi sir, thanks for the opportunity. Sir, just one question on the strategy side. So last year, same time you sort of exited the below INR7 lakhs product. And now when we are thinking for our product expansion strategy, naturally, we have to calibrate growth in some of the existing products to meet NHB criteria. So how one should think about the AUM mix shaping up in near term? And is there any impact on NIM/ROA at all sort of when you start expanding new product lines?

P. Balaji: If you look at the product mix, currently in the housing finance company, 67% is housing loan and the balance is the non-housing loans, either in the form of Quasi home loans or top-up or insurance loan. So, this is likely to continue because we'll not, I mean, we still have to maintain this principal business criteria.

At this level of product mix, we are comfortably meeting the principal business criteria. So, the mix will remain the same. So, if at all any other business will be done, it will be done in the NBFC. So, this is not likely to, one second, this is not likely to impact the ROE. Unless the leverage, no unless the borrowings increase and the leverage increases.

Renish Patel: Got it. Got it. Sir, my point is in this 33% mix which we have currently, when we start adding new products, right, to maintain this mix, naturally, the new product lines will grow at a faster pace because of low base. And hence, some of the existing product lines in NBFC should see lower growth, right, at blended basis. Otherwise, we'll miss NHB criteria.

So strategically, let us say, which products do you think will go slow in near term or maybe will offset by new product lines?

P. Balaji: I think we need to be clear here. See, the mix which I was talking was on the housing finance company. So that mix will continue. So, any new products that will be done will be done in the NBFC.

P. Balaji: NBFC company, okay? So, while the consolidated mix might change, but on the housing finance company, this will be the mix. So, there will not be any impact on the principal business criteria or on the ROA or on the ROE.

Renish Patel: Okay. Okay. So, nutshell, even if we go for this product expansion, broadly, there will be no impact on the profitability?

P. Balaji: Yes. Yes.

Renish Patel: Okay.

P. Balaji: In fact, it can be more. In fact, it can be more.

Renish Patel: Okay. Got it, sir. And just last clarification on again, this 30+ DPD movement, right? So given we sort of exited that ticket size a year back, and I'm sure incremental growth would have been towards better customer pool. So logically, at least the early bucket should have Y-o-Y improvement, right?

Sequentially, I can understand there is seasonality. But if we are exiting the, let us say, the challenging segment last year and 12-months MOB, I'm sure should perform better than a vintage book. So, in that sense, why 30+ is not coming down on Y-o-Y basis?

P. Balaji: Correct, Renish, what you're asking is very logical. But the thing is, this is not because of the deterioration in the asset quality of the customers or this thing, it is just that it was a temporary hit during the fag end of June '26, where some commitments was not delivered. And that has happened in July. That's what I'm saying. Whatever commitment didn't happen as on 30th June, that has got honoured in the month of July.

Renish Patel: Got it. So, it's just a days mismatch maybe?

P. Balaji: With the result, there is improvement in July. Okay?

Renish Patel: Got it, got it.

P. Balaji: So, this improvement will continue in the month of August and September as well.

Renish Patel: Yes. Got it sir. Okay. Okay. Got it sir. Sir, thank you and best of luck sir.

P. Balaji: Yes, thanks Renish.

Moderator: Thank you. Our next question comes from the line of Raghav Garg from Ambit Capital. Please go ahead.

Raghav Garg: Hi, sir. Thanks for the opportunity. I have a few questions. One, your tax rate has been lower for the last two quarters, around 20% versus, I think if you look at the previous trend, that is around 23%. So why is that? And then going ahead, what should be the normalized run rate on the effective tax rate?

Raghav Garg: Okay. I'm saying that your effective tax rate has been 20% for the last two quarters, Q4 and Q1 versus 23% before that. So why is that? And then going ahead, what should be the normalized run rate on the effective tax rate?

P. Balaji: The tax rate is basically because of the benefit we are getting because of the aggressive write-off policies which we are following, and that's the tax benefit we are getting. So that's what has resulted in this, and this will continue.

Anandan: The credit cost is largely on account of write-off rather than provision. So, write-offs as you know is eligible for the tax allowance.

Raghav Garg: Understood. So, you're saying this will continue, is it?

P. Balaji: Yes.

Raghav Garg: Understood. For July, you said that your disbursements are up 25%. What is the Y-o-Y growth in volume terms for the month, like in terms of number of loans?

P. Balaji: These are very specific questions. I will answer when we meet up. I don't want to discuss in the call.

Raghav Garg: Sure.

P. Balaji: Broadly, our growth in number of customers will be around the same.

Raghav Garg: Sorry, how much?

P. Balaji: No, it will broadly be the same. Specific we'll discuss when we meet.

Raghav Garg: Sure. Last question, the assignment income. That run rate in absolute value terms that run rate seems to be stabilizing or if I look at that as a percentage of the off-book AUM, the margin is normalizing lower. Where should this margin settle on a steady-state basis? Because when I look at other housing finance companies, the assignment income as a percentage of assets -- of book assets seems to be somewhere around 11% to 12% yours is currently at 23%, and it's been coming down from as high as 40%.

Should it say settle somewhere closer to 12%, 15% mark or maybe lower, assuming that you probably have a higher yield book versus other higher yield products. I just wanted to get some sense on the margin.

P. Balaji: It should come down to around 12% to 15%. It should come down to around 12% to 15%.

Raghav Garg: Understood. Thanks a lot. That was all from my side.

Moderator: Our next question comes from the line of Sucrit D Patil from Eyesight Fintrade Private Limited.

Sucrit D. Patil: I have two questions. The first question to Mr. Manoharanji. Beyond the regular outlook, what are the top 2 to 3 execution priorities you are focusing on in the next few quarters? And alongside that, what do you see as the biggest risk in borrower demand shifts, interest rate movement or competitive pressure? And how are you preparing to manage them while strengthening Aptus position in affordable housing finance? That's my first question. I'll have my second question after this.

C.T. Manoharan: Once again, we didn't understand the question. Can you please repeat it? Sorry about it.

Sucrit D. Patil: Yes. I'm asking about concrete plan of action that you may be implementing like expanding branch network, strengthening digital lending or diversifying borrowing segments. And also, the risk you see in borrower demand, interest rate cycle or competition. I just want to understand both on how you plan to grow and how you are preparing to handle challenges that could slow down the growth process?

C.T. Manoharan: First of all, the competition that will be there that we cannot rule out. So, branch expansion will be happening as guided. We have guided about 60 to 70 branches in this financial year, of which already 33 has been opened. And another 20 or 23 will happen in this quarter and the rest will happen in Q3. So, branch expansion, we do not have any challenges.

And the growth will come whatever branches we are opening, obviously, new sales officers will be joining there. So, to that extent, number of sales officers will go up. And to that extent, business will also go up. So, we don't find any challenges in the growth from the new branches. So that will go as per plan.

P. Balaji: No, regarding the risks we are seeing for the growth, we are not seeing that kind of a risk because we always believe that there is good opportunity for growth in the affordable housing segment and also in the NBFC where we are operating.

C.T. Manoharan: In the new geographies.

P. Balaji: In the new geographies, also in the existing geographies. Of course, competition is there, but still the market is there, and we still believe that we can still grow. And to have the sustainable growth, as explained by Chairman, we are also getting into the new products. So, this is what it is, so definitely, growth is not an issue considering the fact that we are guiding 22% to 24%.

And also, the competition, again, as Manohar told, there are people, there are companies who are opening branches in the states where we are operating.

But we are also getting into states where the competition is not very intense, for example, Odisha. And also in Maharashtra, there are the locations where we have opened branches, the competition is not very intense. So, this is how the progress will happen. And of course, we'll be following this contiguous branch expansion strategy and going deep into a particular state.

Sucrit D. Patil: Can I ask my second question?

P. Balaji: Yes, please.

Sucrit D. Patil: The second question is to Mr. Mittal. Again, along the similar lines, while the business guidance is just now mentioned, I want to understand from a financial point of view, what key risk or challenges you anticipate in the coming quarters? And what specific measures have been taken to manage margin, liquidity and balance sheet strength, especially in areas like borrowing costs, asset quality and regulatory compliance.

Sanjay Mittal: So first, coming on the margin front. So, as we have a little bit reduced the rate of interest income, so that we are protecting by effective borrowing. So, we expect the gross spread to remain at 9% and that since our leverage is also being stable around, so we expect the NIM to be around 13%13%. So, our NIMs are protected from that perspective.

In terms of operating costs, we are very frugal. So, we have consistently delivered 2.7% Opex. And in spite of increasing branch, the way we manage the operating cost, I think there might be a 2.7% to 2.8% range, but we are very strongly managing our operating costs and that we are very confident on managing that.

Regarding the credit cost, that is one little aspect where we are working on. Definitely, Balaji sir also emphasis that collections is one of the key things which we are trying to manage. And we expect credit cost to also range in between 0.5%-0.6%. So, these are the things or aspects in the financials, which we are. In terms of liquidity, what we have been doing is we have been keeping enough liquidity for 2, 3 months.

And since our leverage is very low, so we are able to negotiate with the bank and bring them to our price what we want and what rate of interest we want. We are not in a hurry. We are not leverage. That is the most important aspect of our balance sheet. So, we can wait and bring the lenders at our terms and at our rates rather than asking our offering rate what banks are asking.

P. Balaji: Just to add to what Sanjay said, you were also asking about the risk that can come in the second quarter or third quarter. The only thing which I'm seeing is if there is an increase in interest rates, I mean, if you look at our total borrowings, 66% is variable and 34% is fixed. Of this 66%, 35% is linked to repo rate and 31% is linked to MCLR. So basically, if there is an increase in the repo rate, there can be some impact, but we have also considered it. It is just that the impact is likely to be 0.06%. So that also will not be a major impact in terms of maintaining the NIMs of the spread.

Moderator: Our next question comes from the line of Ankit Shah from White Equity Investment Advisors.

Ankit Shah: Thank you for taking my question. Sir, our quasi-home loan, LAP, has been growing faster than the home loans over the last year or so. So, have we optimized lending rates more in that segment? Or what is the reason for this higher growth rate?

P. Balaji: You're talking of the housing loans?

Ankit Shah: Yes.

M. Anandan: Optimized rates.

P. Balaji: Yes, we have optimized certain ticket prices and that too in HL only and back to only the incremental housing loans.

Ankit Shah: Yes. So, the question was our LAP is growing faster than housing loans. So, what would be the reason for that?

P. Balaji: No, if you look at it, last year, our HFC loan book grew by 18% and NBFC loan book grew by 29%, okay? Now in this quarter, HFC loan book has grown by 20% and NBFC loan book has grown by 24%. So, we'd like to concentrate more on the housing finance and grow that book and also concentrate on the NBFC by introducing new products and also the existing products.

Ankit Shah: Sir, my question was on the parent company side only. Within the parent company between the home loans and the quasi-home loans or LAP. So, LAP has been growing faster than the home loan product. So, I'm asking for the reason for this difference, not the NBFC?

P. Balaji: No, correct. But that quasi home loans has a lower base. So that base effect will always be there, right?

Ankit Shah: Okay. My second question is a simple bookkeeping question. So, we've, in the past, been giving the advances split in the IP in absolute numbers. This time, we have changed it to percentages. So, because of this, Odisha and Maharashtra numbers are looking a little off. Can you give the absolute split of the advances?

P. Balaji: I can -- I mean, I cannot promise to contact you and give you the exact numbers on the state-wise loan book. Actually, if you just watch out the percentages it will come.

M. Anandan: What is the loan book in Maharashtra and Odisha? INR162 crores. Specifically, Maharashtra and Odisha is about the INR160 crores which is about 1.2%.

Ankit Shah: Okay. This is helpful, sir. Sir, my last question is difference between the AUM and the advances have dropped by INR115 crores in this quarter. What would be the reason for this?

P. Balaji: What? Difference between?

Ankit Shah: The difference between AUM and the advances book?

M. Anandan: That used to be INR1,175 crores.

P. Balaji: Is basically INR13,648 minus INR12,691 crores. It's almost INR957 crores. Basically the assignment which we have done.

Ankit Shah: Yes. So, if we do if you do assignment...

P. Balaji: One second, let me clearly tell you. If you do a direct assignment that gets added in the assets under management, but it gets out of the balance sheet assets first. Next thing is the balance sheet asset also gets reduced by the ECL provision and also the processing fees that is yet to be recognized. So those are the causes for the difference.

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

Rajiv Mehta: Sir, just 2 questions. First, on credit cost, your guidance of 50, 60 basis points for the whole year. I just want to understand from 2 perspectives. One is this write-off; you said that you have started doing aggressive write-offs. So, is this an acceleration of policy? And would this remain an ongoing policy of write-off?

And second is when you look at Stage 1 provision also, I mean, you've drawn down from that provision of Stage 1. And now it is 24 basis points. It used to be 40 basis points 6, 7 quarters back. So how should we look at your credit cost guidance in view of how the write-off policy? And how the Stage 1 provision coverage will be maintained going ahead?

P. Balaji: What is happening? First of all, the credit cost at 0.6% will be maintained for the year. And regarding the Stage 1 provision, which has got reduced, basically, the behaviour of the customers in terms of repayment in the Stage 1 category has been very good as per the ECL model. And that's why this percentage coverage has got reduced from, say, 0.3% and whereas we saw some deterioration or some increase in the Stage 2 assets, we increased the provision coverage there. That's the whole logic.

Rajiv Mehta: And on the write-off, is there -- I mean, have you switched to a policy of...

P. Balaji: This policy will continue. Of anything more than 500 days will get write-off.

Rajiv Mehta: 530 DPD, right?

P. Balaji: Yes.

Rajiv Mehta: Got it. And just on connectors, you said 8% contribution in disbursement. So, 2 things. What is the number of connector right now? And what can the number go to and also their proportion in disbursement, maybe say next year?

Management: Actually, we have got right now across 333 branches, we have around 1,000 connectors, average 3 to 4 connectors per branch.

Moderator: Our next question comes from the line of Shubhi Gupta from Trinetra Asset Managers.

Shubhi Gupta: I'm sorry if this has already been answered. Sir, if you could just give me the breakdown of the slippages that have occurred?

P. Balaji: What is the slippage? I'm not able to understand your question.

Shubhi Gupta: Sir, any slippage that has happened in this quarter? And if you could give me any breakdown for this?

P. Balaji: Slippages, that's what we have told. Stage 2 from 6.21% in March has gone up to 6.87%. And NPA has also gone up from 1.5% to 1.7%. Amit will give the numbers to you.

Shubhi Gupta: Sorry, sir?

Management: So, the numbers will be given to you. You may contact our Investor Relations, Mr. Amit, he will be able to give them.

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

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

Moderator: Thank you so much, Mr. Anandan. Ladies and gentlemen, thank you for being a part of the conference call. If you need any further information or clarification, please e-mail at 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.