“Aptus Value Housing Finance India Limited
Q1 FY'26 Earnings Conference Call”
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Management:

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

Moderator:

MS. Mona Khetan – Dolat Capital Markets Private Limited

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Moderator: Ladies and gentlemen, good day, and welcome to the Aptus Value Housing Finance India Limited Q1 FY '26 Earnings Conference Call hosted by Dolat Capital Markets Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touch-tone phone. Please note that this conference is being recorded.

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

Mona Khetan: Thank you, Nidhi. Good morning, everyone. On behalf of Dolat Capital, I welcome you all to the Earnings Conference Call of Aptus Value Housing Finance to discuss its Q1 FY '26 performance. We have with us the senior management from Aptus to share industry and business updates.

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

M. Anandan: Thank you, Mona. Good morning, ladies and gentlemen. I'm Anandan, Executive Chairman of the company. I welcome you all to this earnings call to discuss our performance for the quarter ended June '25. I'm joined today by Mr. P. Balaji – Managing Director; C. T. Manoharan – Chief Business Officer; Sanjay Mittal – Chief Financial Officer; and Amit Singh – Vice President, Investor relations.

We're pleased to share that Q1 FY '26 brought a stable quarter for us, marked by continued focus on maintaining consistent growth.

We are happy to share that our long-term credit rating was upgraded to CARE AA from AA-, a recognition of our financial strength, growth, prudent risk management and consistent overall performance. We continue to enjoy broad-based support from all financial institutions, including banks, NHB, Mutual Funds, DFIs and Insurance companies as well.

During the quarter, we delivered more than 20% ROE, a milestone, which reaffirms the strength and resilience of our operating model. Our robust and sustainable ROAs are supported by a well-diversified product mix and the consumer base with varied income profile, providing stability across market cycles.

Aligned with our vision of scaling our AUM to ₹25,000 crores by FY 28-29. We are steadily investing in branch expansion, digital capabilities and strengthening the talent pool, particularly in the middle management level to build capacity for long-term sustainable growth.

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

P. Balaji: Thank you, sir. Good morning to all.

As explained in the earlier calls, we will continue to focus on key strategies, namely:

1) **Diversified product and customer mix, ensuring stability:** We will continue to grow across housing and small business loans, catering to vary customer base across various income levels, especially in Tier 3 and 4 cities. This diversification supports resilience across market cycles.
2) **Expansion in the states of Maharashtra and Odisha**: This is gaining traction. With strong base in southern markets and an early success in Maharashtra and Odisha, we are expanding operations contiguously and deepening penetration in existing geographies through new branches. In Maharashtra and Odisha, our loan book has crossed ₹67 crores. The initial experience in these states have been good. And going forward, more accelerated growth will be pursued in the ensuing quarters.
3) **Digital-led customer acquisition and efficiency gains**: About 21% of our Q1 FY'26 business originated through referral app, construction ecosystem app and social media, thus complementing our vast branch network. The mobile first lead management platform, which we launched in April'24 is streamlining operations, enhancing compliance and boosting collection productivity.
4) **Continued focus on productivity and cost efficiency**: Maintaining sharp focus on operational productivity, collections, opex and cost of funds, supported by data-driven decision-making and continuous system improvements.

Now coming to the major performance highlights for the quarter,

- On the business growth and scale, AUM grew by 24% year-on-year to ₹11,267 crores.
- Disbursements for the quarter stood at ₹775 crores, up 15% year-on-year, but down 27%. The recent progress I will explain shortly.
- Our live customer base has crossed 1.65 lakhs, reflecting 20% year-on-year growth.
- Branch network stood at 301 branches as of 30th June '25.

Now coming to the to the asset quality,

- Asset quality scenario was slightly impacted by seasonality, leading to 19 basis points rise in our GNPAs to 1.49%.
- Net NPA was at 1.12%. Provision coverage on the NPA was at 25%.

Now coming to the to the profitability and efficiency,

- The net income margin was at 13.4%.
- Opex to assets was at 2.7% despite ongoing investments.
- The credit cost was sequentially up by 8 basis points to 38 basis points but remained under our 45 to 50 basis points guidance.
- PAT for Q1 FY '26 was at ₹219 crores, marking 28% year-on-year growth.
- ROA was at 7.9% and ROE was at 20.1%, which is unmatched in the segment.

On the disbursement side,

We experienced a dip in our business activity, largely on account of seasonality. April and May are typically lean months for construction activity due to combination of various factors like summer heat, payment of school fees and vacations. This naturally leads to a slower on-site progress, which in turn affects disbursements, especially for construction linked products.

While these were the challenges in April and May, June and July were normal months, reflecting the resumption of construction activity and stabilization of internal process. is the normalization in the months of June and July, we are confident of growing steadily in the coming months and to be further supported by steady demand environment.

Notwithstanding the above, we delivered a healthy 24% year-on-year growth in AUM. Now coming to the funding side. In Q1, we raised ₹250 crores through NCDs placed with mutual funds, thereby diversifying our funding. Current borrowing mix are 52% from banks, 14% from NHB, 21% from NCDs, basically issued to insurance companies, mutual funds and the remaining through securitization.

In order to continue the diversification of liabilities, we did direct assignment transaction of ₹135 crores in Q1, helping us manage AUM and strengthen our PBC. We maintained a strong balance sheet liquidity of ₹1,542 crores, including ₹1,015 crores of undrawn bank sanctions.

Reflecting the growing scale and self-reliance of our NBFC since March 2024, all fresh borrowings have been raised without support from HFC guarantees. Guarantees on existing loans starting with a leading private sector bank have also been removed with similar steps underway across other lenders.

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

Moderator: The first question is from the line of Kunal Shah from Citigroup.

Kunal Shah: So firstly, on the growth side, you indicated the specific reasons for a slower growth in Q1. But if we look at the overall disbursements, monthly disbursement trends, where are we currently and how should we expect to end FY '26? And you indicated that it will be a steady growth here on. Normally, we used to guide for 25% to 30-odd percent kind of a growth.

We have come down below 25% now. So where should it ideally settle? Would it be at the lower end of the guidance or maybe even like, say, less than the guidance is what we are expecting looking at the overall operating conditions? Or at any point in time, we would again aim for 28% to 30-odd percent growth as well in the near or over the medium term? Yes.

P. Balaji: Kunal, it is like this. If you look at the first quarter disbursement, which is slightly subdued. But if you look at my June and July disbursement, it has come back to normalcy. And in fact, if you look at the last year's disbursements, the average monthly disbursement was around ₹300 crores.

But in June and July, the average monthly disbursement is almost at ₹350 crores, that is giving us good confidence of foreseeing a very strong growth on disbursements. That is the first thing.

And going by this, I mean, if you look at it, normally, the second, third and fourth quarter are more stronger quarters than the first two quarters. But with more branches coming in, more improvement in productivity, in terms of number of files logged in and increasing the ATS and also the more contribution from Odisha and Maharashtra, definitely, we will be able to clock a disbursement growth of around 22% for the year.

And if you want the guidance on the loan book, normally, if the disbursement growth is around 20% to 22%, there will be a 6% more on the AUM growth. So that is what we are targeting, which is around 28%, 29%. So that is what is likely to happen for this year.

Kunal Shah: Okay. Great. That helps. And secondly, if you can just highlight in terms of the collection efficiency seasonally being lower and even maybe 30 DPD as well as GS3 inching up more like Q1 phenomena. But any particular trends which you are seeing between the business loans, LAP and home loans or maybe the increase is similar across all three categories. So because there are like a lot many players highlighting stress on the MSME side, on the self-employed side. So are we seeing any abnormal increase in the other segments ex of home loan?

P. Balaji: No, actually, as far as Aptus is concerned, we are not seeing that kind of what our competitors are indicating. We are not seeing that kind of pressure on the collections. It is basically because the quality of our customers is we have 4 notches above maybe an MFI or a small ticket loan providers. And also, if you look at it, and the LTV for our loans are only 40%, which means the equity of the customer in the property in which they live is much more.

So it is aiding us in the collection efficiency. It is basically April and May, there was a shortfall in collections. That's why our quarterly collection efficiency was at 99.12% as against last quarter of 101%. So -- but in the month of June and July, the collection efficiencies have come back to normalcy.

And going forward, we'll be seeing more improvement in that. Over and above that, we have also got the SARFAESI benefit, wherein repossession might be difficult, but at least it makes people come to the negotiation table for getting a settlement in place and getting the NPA settle. So all these things will help in improving the collection efficiencies and also the NPAs.

Moderator: The next question is from the line of Rajiv Mehta from Yes Securities.

Rajiv Mehta: Congrats on resilient performance. Sir, again, just continuing on collections. Can you share some data on collections of June and July or maybe just to understand that whether are we normalizing or have we normalized already in June, July in terms of our collection efficiency? Or maybe you can share the bounce rates, have they come back to normal levels?

P. Balaji: Rajiv, you know that we cannot share the numbers as of July. All I can say is July collection efficiency, in fact, June collection efficiencies itself has come back to normalcy. So in June, the collection efficiency was almost at 99.5%, 99.7%. So that is one thing which gives us confidence that our collection efficiencies are improving. And that's the guidance we can give as of now.

And definitely, we are on the job of improving the collection efficiencies and reducing the NPAs. And over and above that, we are also strengthening the collections team in the sense, we are also identifying state in-charges for each of the states, who will drive the collection officers that will bring in more productivity in terms of the performance of these collection officers.

Rajiv Mehta: Okay. Okay. And sir, how would this recent rating upgrade and plus the repo and MCLR cuts manifest in our overall cost of funds in the coming quarters? And what would we do with that benefit? Would we, at some point in time and when would we evaluate cutting lending rate? Or would we kind of retain the benefit of the spreads and for how many quarters?

P. Balaji: If you look at the total borrowings, 56% of our borrowings are variable rate and 44% is fix rates. And again out of this 56%, 30% is linked to MCLR and 26% is linked to the external benchmark rate. So if you look at the 26% of the borrowing, which is linked to external benchmark, we have already got a 0.25% reduction, which translates I think that's where is from 8.68%, the borrowing cost has come down to 8.62%.

So the balance 0.75% repo rate cut, which has to be passed down to us, but that will come in the second quarter, which means on a total, it will be 0.2% reduction in the borrowing cost. Over and above that, this MCLR linked to borrowings, if we have a lag of 3 to 6 months. So with the results, by the year-end, we should get at least 0.4% to 0.45% reduction in the borrowing cost on the existing borrowings. Yes, that is one. Next thing is if you look at the incremental borrowings, earlier, in the housing finance company, we used to borrow between 8.6% to 8.7%. Now it has come down to 8.05% to 8.1%.

Again, if you look at the NBFC borrowings, which was earlier at around 9% to 9.25%, that has come to around 8.5% now. So the incremental borrowings, there is a good reduction in the borrowing cost. And of course, the rating upgrade will help us. Of course, we are also pursuing the ICRA for another rating upgrade, I mean, the rating upgrade from them as well.

And also, if that will open up, I would use some raising money from insurance companies and mutual funds. And also, we are also in the process of diversifying the borrowings and also it is all long-term borrowings. Basically, we are borrowing between 5 to 7 years and the diversification is from the borrowings from insurance companies, mutual funds.

And of course, we are also doing a bit of direct assignment. So all this is going to reduce our borrowing costs. And in terms of passing on the interest rate, if you look -- yes, so if you look at it on the total book, 80% is fixed. So as of now, we are not contemplating any passing on of benefits, but maybe variable rate we might consider. So that's the stand as of now.

Moderator: The next question is from the line of Renish from ICICI.

Renish: Congrats on a good set of numbers. Again, just hopping on this spread thing. So just correct me, you said that our exit cost of borrowing will be 40, 45 basis points lower than the current level of 8.62%. Is that correct.

P. Balaji: Yes.

Renish: Okay. So then this entire 40, 45 basis point of spread expansion and ultimately, it will go into your ROE. But we will not think of parking on anything to customer on the fixed rate side, I mean?

P. Balaji: As of now, we have not -- Renish, it is -- I mean we have still not got the full benefit of the cost of funds reduction. We just got 0.6%. So we need to think through. I mean, first let the reduction come in, then we will have to think through on what we need to be passed on the asset side. Yes. As of now, fixed contracts, we might not even consider passing on the benefits.

Renish: Got it. The reason for asking this is I'm just looking from a steady-state ROE perspective. So we are already more than 20% ROE now and with this spread benefit coming in, where do you see ROE settling in medium term? I mean, are we aspire to deliver 22% ROE sort of remain at 20% and then incrementally we'll invest...

P. Balaji: Our objective is to cross 22% as fast as possible. So that's what -- let's see what we need to do about that.

Renish: Got it. Got it. Okay. And sir, just lastly, on this AUM mix side. So if you look at last 3, 4 quarters trend, the insurance and top-up loans has been growing a little fast, obviously, on a small base. But when we look at in absolute terms, it is now ₹650 crores versus ₹360 crores in Q1 FY '25 last year. So just wanted to understand sort of what is the underlying thing driving this growth on the insurance and top-up loan? And if you can just briefly tell us the underwriting metrics for the top-up loans.

P. Balaji: I'll tell you. See if you look at the percentage of insurance loans on the top-up loan, it has ranged between 2% to 3% of the total AUM. So insurance loans, as you all know, it is basically given for the purpose of covering the credit life of the credit insurance, which is around 3% to 4% of the sanctioned amount, which we paid as premium to the insurance company for the entire tenure of the loan.

So it is a situation like since it is 4% of the sanction amount, the customers might not be able to bear it. And because of that, we are giving that as a loan. And obviously, that is getting recorded as a non-housing loan. So that is the characteristic of the insurance loan. If you look at the top-up loan, we have a clear set of guidelines on what constitutes top-up loan. For example, a person will be eligible for a top-up loan only if he has not bounced for the last 12 months.

And of course, at the time of giving a top-up loan, we do a credit bureau analysis again, the credit at the branch goes and visits the customer to find out the repayment ability. And all those things are taken into consideration and before the top-up loan is sanctioned. So it is not that we are just wanting to increase the top-up loan. It is basically the customer has to satisfy the whole lot of conditions before he becomes eligible for the top-up loan.

Renish: And sir, when we say a 12-month bounce, so basically, even if a customer is in 1 plus DPD will not give him a top-up loan, is it?

P. Balaji: Yes, it should not have bounced for the last 12 months, yes.

Renish: Okay. And what is the minimum vintage AOC should be on our platform?

P. Balaji: It will become eligible after 1 year.

Moderator: The next question is from the line of Shailesh Kanani from Centrum Broking.

Shailesh Kanani: Congratulations, sir, for a great set of numbers considering the macro environment. Sir, two questions from my side. One is on asset quality. We have been hearing from a lot of lenders about specific geographies like Andhra, Tamil Nadu. If you can throw some color in terms of any pockets or any region specific where we are seeing any pain points. We also highlighted that we have strengthened the collection team.

If you can highlight something on that front. And second, Anandan sir talked about adding talent. If you can throw some color, some more depth into how we are seeing the kind of growth we are posting, so how we are trying to build up the management team.

P. Balaji: If you look at the -- I mean, we are first -- we are not seeing -- experiencing any kind of problems in any kind of area specifically. So that is one thing which I want to communicate here. So we are not finding or experiencing that kind of an issue in any of the areas. It's basically April and May being a lag, I mean, lean month, the collections got impacted. Otherwise, there is no other thing.

And the next question, I mean, collections in order to prepare the organization for the next level, we are strengthening the collections team. While the collection offers, we have got around 600 people on ground, there should be somebody who closely monitors them. So sitting in head office, the state cannot be monitoring all of them.

So that is the reason why we have brought in the middle management in the state in charge category so that they can closely monitor the performance of these collection offers. So that is one thing.

Now if you look at the entire talent pool, we have got this management committee who is having the heads of departments of various departments. But below that, we wanted to strengthen the organization to take the organization to the next level. That's why we have identified states heads across.

I mean every -- this state head -- the responsibility of the state head is to run that state like a CEO of that place. So you will have to be in charge of both collections, growth, quality and also disbursements. So that is one thing is the responsibility of the state.

And if you look at the credits, there also we have identified state heads who will be responsible for each and every state. And under them, there are 4 5 or 6 people who will be processing these files and sanctioning the files. Similarly, we have identified in legal, technical and collections as well, not only the department heads, but also state heads and also state in-charges.

So that is on the strengthening of the organization. And in terms of support, whether it is finance, operations, compliance, assurance functions, there also, we are strengthening the middle management so that the company can perform well, IT also, including technology as well.

Shailesh Kanani: That is very helpful. So the collection team is business as usual as we are growing, that is the addition what we are doing, right? Is that a fair understanding?

P. Balaji: Yes.

Shailesh Kanani: Okay. Sir, one question to Anandan, sir. Anandan, sir, how satisfied are you with the current performance given the macro? And are any concerns near term, medium term, long term in the business model, if you can highlight anything because our book is quite seasoned. We have seen multiple cycles -- any comments on that, if you can give? And that's all from my side.

M. Anandan: Let's look at that in 2 ways. One is if you look at the opportunity and the market size in terms of underserved, unserved market, particularly in Tier 3, Tier 4 cities. So at a broader level, we have got a long way to go and there's a long runway for growth from the demand side. And we don't see, not only we but others also seeing any major issue in terms of the demand from the customers, particularly for the affordable housing finance segment. To serve is -- to come from the demand, I would say, demand continues to be robust.

And we believe that will continue to be for quite some time as the development takes place in the Tier 3 and Tier 4 more development takes place. But coming to the other part in terms of the challenges for this demand, growth to materialize, there are two aspects, critical aspects which are emerging is really one of the major challenges for us but others also is that our ability to retain the manpower and grow them quality-wise and without compromising on the productivity.

So that is where the attrition levels comes into play, particularly at the field officer level, so in other words, one particular field level, whether it is in sales and collection that will be a challenge that Aptus is highly focused in terms of our attrition level is really low at the senior level and middle management level.

But our attrition level continues to be slightly higher at the field level from our own standards, putting the sales function level. That's what we are working to retain that part of the growth has to come from the improvement in productivity, as also mentioned in terms of the number of files or quality of collection that we do.

So that, I would say, is one challenge that we have to face. Secondly is the emerging competition because as you know, the affordable housing finance segment started attracting attention of more players, whether from the banks or from the stand-alone HFCs or from the emerging small finance banks, given their own focus to shift more towards security-based product than the unsecured one like microfinance.

So the competition will emerge. This is where Aptus is trying to really play a very important role in terms of our product, geographical growth and continuous growth and then try to have the advantage, try to be a leadership in the local market and try to be very.Our IT also comes into play.

We want to keep provide the best, best after sales service, turnaround time and other time during the loan period also resolve if there is any customer support issues. So competition is something which also going forward will be new segment. But that much depends on companies like us which focuses only in this segment, largely single product focus on loan segment.

We hope we will be able to do much better than others who are multiproduct on the liability side, on the asset side, on the assey side, like a typical bank for them type of customers. So that's all we wanted to. But these two, we see as a challenge going forward.

Moderator: The next question is from the line of Kushan Parikh from Morgan Stanley.

Kushan Parikh: I just have one question and two data keeping questions. So the first one is essentially on the assignment. So over the past two quarters, we've started doing direct assignment. So just wanted to understand, I mean, how we are looking at this piece going forward? And what should we expect from a steady-state basis in terms of the pace of direct assignment going forward because quarter-on-quarter that has nearly doubled in 1Q.

So just wanted to understand on that the income from the assignment. And secondly, a couple of data keeping questions. If you could just repeat the incremental borrowing cost that you are seeing at the NBFC and HFC level. Sorry, I missed that number.

And second -- thirdly, the reconciliation on the operating cost between the NBFC subsidiary and the consol level because at the NBFC subsidiary over the last two quarters, we have seen higher operating costs. However, at the consolidated level, that remains pretty much in line with the historical trend. So just wanted to understand if there is some reapportionment to the NBFC. That's it from my side.

P. Balaji: Thanks, Kushan. First on the direct assignment, we have decided on the direct assignment as a revised funding strategy in the sense that one thing is diversification of funding. The other one is it is meeting the ALM criteria. And third one is it will improve our principal business criteria. So if you look at our direct assignment, it is only the non-housing loans that gets done as a direct assignment that gets sold to the investors.

And if you look at our policy, it will be around 10% to 15% of our disbursements will be done as direct assignment, which will come to around 2% to 3% or 4% of our loan book. So that is the strategy with this the DA will be continued over the quarters. What was your next question?

On the incremental cost of funds. real cost of funds, if you look at the HFC earlier before the repo rate cut, we were getting loans at around 8.6% to 8.7%. Currently, we are raising funds at 8.05% to 8.1%. And if you look at the NBFC earlier before the repo rate cut, it was around 9% to 9.25%. Now we are raising funds at 8.5% to 8.6%. So that is our incremental cost of funds. What is the next question?

Kushan Parikh: Yes. The next was on the opex between the NBFC and the consolidated level. But just before that, one follow-up on the incremental borrowing cost. The reduction in the incremental borrowing cost is purely due to the repo rate cut. So we are yet to see any benefit from the rating upgrade. Is that fair understanding and that will also come in going forward.

P. Balaji: The rating upgrade came very recently. We are also proceeding with ICRA. So that the benefit of the rate cut -- sorry, rating upgrade will have to accrue in this quarter. We are also negotiating hard with the banks on that.

M. Anandan: Just to add a point on this, we have seen given the macro situation in terms of liquidity and lower retail credit growth by the banking system, realization in certain quarters in some banks offering at a very, very competitive rate. In fact, last week, we did a loan of almost about INR300 crores from 1 bank and the rate for HL company, at of 8.05%. And it is a long-term loan. And so it is now starting 8 and maybe going forward, slightly sort as eight as well as far as concerned.

Kushan Parikh: That's helpful. Just lastly, on the operating cost...

P. Balaji: Yes. The operating cost, basically, we have a clear apportionment policy. Basically, it is based on the AUM that case apportion. And there is a slight more increase in the AUM in the NBFC and than the HFC. That's why the costs are getting more absorbed there. Regarding the nitty gritties, I can share the computations maybe later with you, then we can talk on that.

Moderator: The next question is from the line of Amit J from Jawade Partners.

Amit J.: I have a fairly basic question. This is regarding the asset quality. On Slide number 34, so we have mentioned gross NPA and 30-plus DPD rates. I was trying to correlate these two and trying to make sense of it. So let me just say broad numbers. So 30-plus DPD as in Q1 FY '26 is 6.45%, so let's say, 6.5%.

And gross NPA is 1.4 that is 1.5%. So to my understanding, 30-plus DPD is like people who have not paid the due amounts in the 30 days and gross NPA is like people who are not paid beyond 90 days. So is this understanding correct that out of this 6.5% which have not paid within 30 days, they will pay up, 5% of those will pay up in the next 60 days, and that's how our gross NPA is around, say, 1.5%. So is that understanding correct, sir?

P. Balaji: Yes. In the sense, see, 30 plus is 6.45% and NPA is 1.49%, which means the balance 5%, they pay before it becomes an NPA. And also under the RBI rule, once an NPA, unless all the overdues are cleared, then the NPA doesn't get cleared. So what happens is either they pay either 1 EMI to not flow into that greater than 90 days or maybe 2 EMI to stay in the 30 to 60 bucket.

Amit J.: Okay. Okay. And one follow-up on that is that when our 30-plus DPD is pretty high, 6.45 still our collection efficiency is 99% plus. So how -- I'm not able to relate that, sir?

P. Balaji: Basically, if you look at the collection efficiency computation, it is how it is completed, that month collection against that month due billing, which includes the OD collections also in the current collections. So that's how this 99.12% is arrived at.

M. Anandan: Also, just to add that actually, the challenge here is really in terms of while the customers are paying the 1 EMI, our ability to make them to pay more than 1 EMI becomes somewhat difficult. So there is a flow of 1 EMI from the customer. But the moment they cross that 1 EMI, become 2 EMIs, then let's say, which comes into a category of 30, 60, then what happens, it will continue to be a category of 30, 60 because they are not able to pay more than 1 EMI.

It does not mean it moves into the NPA, but we continue to be in the 30, 60 or some of them even 30 to 60, 90 also. So our challenge for us is really -- I agree with your observation that for us, the challenge is really to reduce that collection between 30 to actually less than 90. That will happen only if we are able to collect more than 1 EMI. And that's what we...

Amit J.: Understood, sir. One last question. Sir, you have given some visibility in very near term, this financial year and next. I just wanted to have your aspiration in the let's say, next 3, 4, 5 years and beyond. Maybe Chairman sir, MD sir, you can make some comments. How do you want Aptus to look like in the next 5 years or so? Maybe if you can just throw some aspiration what you may have in your minds.

P. Balaji: Fine. See, if you look at the market opportunity for either the affordable housing or the small business loans in which we are in is very huge, and it is promising a huge runway for growth. But considering the fact that these are more kind of at least the perception wise, more risky customers, the credit underwriting has to be very, very strong. So to that effect, Aptus will be a credit-driven company rather than a very high-level growth-driven company.

So that is why if you look at our original guidance, even in our Chairman's remarks, that we have guided a INR25,000 crore AUM getting reached by FY '28 or '29. So obviously, for us, the quality of book comes first rather than the growth.

So -- but at the same time, it is not that we'll not be pursuing a good growth, but this is what is the growth guidance. So maybe by FY '28 or '29, 3 years down the line or 4 years down the line, we'll be reaching this ₹25,000 crores, but impeccably good results, good performance numbers, good operating numbers.

Amit J.: Right, sir. The average ticket size will also have to increase, right, even if we just take inflation into account, that average ticket size should go on increasing. Am I right? Or you also have a vision to include larger ticket sizes or you want to stick with the current inflation adjusted?

P. Balaji: Definitely, we want to increase the average ticket size in line with the inflation, but not to the extent of going up to maybe ₹16 lakhs, ₹20 lakhs kind of an average ticket size. So this is the sweet spot we are in.

So we will be increasing the average ticket size. In fact, that is one of the growth levers that is coming in for us. So we will be increasing the average ticket size, say, ₹50,000 to ₹1 lakh every year. So that is going to contribute to our growth of at least 10% to 11%.

Moderator: The next question is from the line of Manik Bansal from Master Capital Services Limited.

Manik Bansal: Congratulations on good set of numbers. So our ROA has improved from 7.7% to 7.9% and there is this gain on sale of financial instrument as well. So how much of it is this increase of 20 bps attributable to, say, improvement in the cost of borrowings and attributable to this gain on financial instruments?

P. Balaji: You are not clear on your question, Manish. I was not able to hear you properly.

Manik Bansal: So I just had a basic question. The ROA has improved from 7.7% to 7.9% Q-on-Q, right?

P. Balaji: Correct.

Manik Bansal: And that is attributable to, say, there is a gain on sale of financial instrument as well. So how much of this improvement in ROE is attributable to that gain on sale of financial instruments? And how much is due to that improvement in cost of borrowings?

P. Balaji: This is explained in the ROE of our investor presentation -- so basically, it is explained in the ROE, where the revenue from operations, which was earlier at 17.8%, it is at almost the same levels at 17.7%. If you look at the gain on derecognition of financial instruments that is around 1.1%. The other income has remained stable at 0.4%.

And if you look at the interest cost on the AUM, earlier in the last Q1 FY '25, it was at 5.4%, it has increased to 5.8%, resulting in NIM from 12.8%, it has become 13.4%. opex has remained constant at 2.7% in both quarters. Of course, credit cost has gone up from 0.2% to 0.4%. And the after-tax impact of all this has increased from 7.7% to 7.9%.

Moderator: The participant has got disconnected. The next question is from the line of Aman Vishwakarma from PhillipCapital.

Aman Vishwakarma: Congrats on a good set of numbers in the Q1. I just had one question for the management and which is on the competitive intensity in Odisha and Maharashtra. So as of FY '25 closing, we were at ₹54 crores of AUM there. And in Q1, we are at ₹67 crores, right? So I just wanted to understand, is there a reason why we have kept the disbursement rates at the lower end, considering we have also done ₹700 crores of disbursement in the entire quarter. So just sense or some color on what's happening on the ground in Odisha and Maharashtra would be helpful.

P. Balaji: If you look at our expansion strategy, it is always a contiguous expansion strategy. And when we venture into new states, we don't want to grow very aggressively. We would like to understand the market, understand the people, understand the culture of the people. Even if I have to spend 1, 2 years on that, I will want to invest in that. And then once I get good confidence, then I will grow fast in these states.

So that is what has happened. If you look at it, of course, the loan book is at ₹67 crores. But the thing is we have got now good confidence in these two states with the cluster managers more promising with the people in our company also more promising to perform.

We will be opening more branches and also recruiting more people. And considering the low book size, the competition is not a big problem there. So we just have to grow our book. That will be concentrated from the second quarter onwards.

Aman Vishwakarma: Okay. And sir, just one follow-up question here. Could you just give us a sense on what the collection efficiency has been in these two states? And is it any different than what we are experiencing in Andhra or the other states?

P. Balaji: No, it is not typically different across states. It is almost -- it can be 0.1%, 0.2% here or there, but it is almost the same.

Moderator: The next question is from the line of Mona Khetan from Dolat Capital.

Mona Khetan: So two questions, two, three questions from my side. Firstly, you've always maintained the BT-Out rate of about 2.5x of own money coming in, right? So I'm guessing the number is similar, correct?

P. Balaji: What was the question?

Mona Khetan: The BT balance transfers, yes. So the question is, is there any geography specific in terms bias in terms of it coming from Tier 1 cities or -- and also where does it go? So both whom does it go to in terms of which financier and also where in terms of Tier 1, Tier 2, where does these transfers typically go to? Yes.

P. Balaji: As you rightly said, it is still at between 2% to 2.5% only. And I mean, we have not seen any specific locations where the balance transfers are happening slightly on a higher note as compared to other places. So it is almost even across states. So that is not the thing. But if you look at the loans that are getting taken over, it will be either a small finance bank or NBFC.

Those are the companies who are taking over. Maybe they are giving a higher loan at a lesser interest rate. That is what is the thing which we are observing. But considering the fact that it is just 2.5%, and this has remained stable over the last 10, 15 years. So we are not too much concerned about that.

Mona Khetan: Sure. Got it. But even in terms of the -- so I'm not referring to state-wide bias, but in terms of Tier 1 versus Tier 3, Tier 4 cities, is there any bias that it happens more in Tier 1 locations on that?

P. Balaji: If you look at -- I mean, we are not primarily in Tier 1. Even in Tier 1, it is basically outskirts. So we are not seeing that kind of an impact in either of these places.

M. Anandan: Just to add to what Mr. Balaji said, basically, we are not really seeing any profile like geography-wise or the customer end use wise or service they're in customer income source wise or geography-wise or in terms of loan size, lower loans versus higher loans wise, we are not really seeing any pattern of this preclosures of 2% to 2.5%. So as of now, we don't really see any specific workable concentration that way.

P. Balaji: That's one aspect. Currently other aspect in terms of the takeover loans also goes to largely not to the bigger banks it is the small finance banks or the larger -- some of the largest HFCs. So that -- the big banks are not in that picture, yes.

Mona Khetan: Got it. Got it. That's helpful. Secondly, I just want to touch a bit on the recovery. So if I have to look at your history of the last 12 years, if you could just throw some light on how many loans have gone through? And what is the history on recoveries we've had around that? That will be helpful, yes.

P. Balaji: Actually, if you look at SARFAESI, anything beyond 90 days, we initiate SARFAESI action for our housing finance company customers. So that is a normal process which our legal recovery team takes care. And we initiate the process. And as you know, it is a time-bound process.

I think the minimum to get -- minimum time to get an order is 6 months. But of course, on ground, it doesn't take 6 months. It takes more than that. But only thing is, I think within 1 or 2 months, we can issue a symbolic version notice. And using that symbolic version notice, we talk to the customers for coming to the negotiation table.

And based on that, we might give some waivers on the charges or the overdue charges or preclosure charges, while we might not give waivers on the principal or the interest. And based on that, the settlements happen. So basically speaking, recoveries will not be that great. But using SARFAESI, the recoveries -- using negotiation with the customers are much more. So that's the scenario.

Mona Khetan: Got it. And also, if I have to look at your portfolio between -- so I'm just trying to understand when it comes to the small ticket segment, what has been your experience between salaried and self-employed? In this segment, which is in the ₹7 lakh kind of ticket size or₹8 lakhs to ₹9 lakh kind of ticket size, has your experience been better on the self-employed side versus salaried or any differentiation you see or there's none in your particular portfolio? Any color will be very helpful.

P. Balaji: If you look at our self-employed customers proportion, it is almost 78% of our total customers and 22% is salaried. Again, this 22% salary is what -- I mean, if you look at that family income, 1 person will be earning a salary by getting maybe a cash salary or maybe working in a small establishment.

The other person will be doing the business. It's basically the income of these two combined and then that gets classified as salaried. So basically speaking, we are not seeing that kind of a variation in terms of repayment, whether it is on a self-employed or a salaried kind of a thing.

Mona Khetan: Okay. Okay. So no differentiation in your portfolio Okay. So just two data keeping questions. What was the quantum of assignment during the quarter? And what is the 1 plus DPD as on June?

P. Balaji: Quantum of assignment was INR135 crores during the quarter. 1 plus DPD is 8.5%.

Moderator: The next question is from the line of Dixit Shah from Ascendancy Capital.

Dixit Shah: Congratulations on a good set of numbers. So first question was on data keeping point. What was our individual housing loan proportion as on June?

P. Balaji: Not clear. Your voice is not clear.

Dixit Shah: What was our percentage of the AUM and individual housing loans?

P. Balaji: Housing loan is 61% on a consolidated basis.

Dixit Shah: Individual housing loan on a consolidated basis?

P. Balaji: It is 61%.

Dixit Shah: Okay. And on the side the HFC site?

P. Balaji: 72%.

Dixit Shah: Okay. Okay. Sir, one data keeping question also I wanted to know just a clarification. The BT rate, what was said was 2% to 2.5%. Was that right?

P. Balaji: Yes.

Dixit Shah: Okay. Now with respect to the growth on Maharashtra and Odisha, what will be our branch additions that we are planning in the say, current year and in the next 2, 3 years? And what would be the proportion of the AUM that we want to look at it, say, maybe 2 years down the line, 3 years down the line?

P. Balaji: So if you look at the current network of branches in these 2 states, it is around 10. In this year, we'll be opening 10 more. That is 5 each in Odisha and Maharashtra. And going forward, another 10 or 15 will get opened maybe next year. So that is the growth path we have got for these 2 states because the experience has been good as of now. So we'll be more aggressive in these states.

As regards to the AUM percentage is concerned, it might not be very material because it is still in the growing phase. So it depends on how much that is coming in over the thing. However, the productivity and the ATS parameters, everything will be monitored very closely in these things so that the disbursements and the AUM are maximized to the maximum possible extent.

Dixit Shah: Understood. Sir, also, can you please share...

Moderator: Sorry to interrupt. I request you to come back for the follow-up question. The next question is from the line of Jainis Chheda from Kemfin Family Office.

Jainis Chheda: Sir, in terms of continuing with the previous question in terms of BT transfer, what is the reason that you see that our BT transfer will not go up going forward?

P. Balaji: No, if you look at it, see, if you look at our pre-closures, it is around 7% to 7.2% on the opening loan book. Of that, 2.5% is the BT out. So the balance, what -- if you look at -- this is where our kind of customers, we need to look at the kind of customers whom we are serving. See, these are the customers who run businesses. They are not in the salaried segment.

So whenever they get the cash surplus out of their business, they use that. So when they get that cash surplus from the business, first thing they do is to settle the loan. And so that's why if you look at our total -- out of the total preclosures, almost 60%, 70% is coming out of the own source of these customers.

So the balance only gets transferred to the other customers. So these are the customers who doesn't go -- I mean, every year -- and also another thing is that is where our sourcing strategy, which is coming in. So if you look at -- if the customer is sourced by a DSA or a connector, what he does is every year, he shifts the customer from one company to the other company.

Whereas in our case, it is being sourced by our own internal people. So these are the 2 things which is helping us control the BT out. While we encourage own source customers because actually, they are good customers. We might also consider another loan for them. So that is what is giving us confidence that this 2.5% will not go up.

M. Anandan: Also 10 years...

Jainis Chheda: Sorry, I missed the last part.

P. Balaji: No. Also for the last 10 years, it has been -- has remained the same at 2.5% despite various business cycles.

Jainis Chheda: Understood. And secondly, in terms of...

Moderator: Sorry to interrupt. But I request you to come back for the follow-up question.

Jainis Chheda: Just one question, please.

P. Balaji: Yes. In terms of, as we mentioned that...

Moderator: We request you to come back for the follow-up question. The next question is from the line of Kushan Parikh from Morgan Stanley.

Kushan Parikh: So just one question. So we have seen across the quarters that growth in Tamil Nadu has been improving steadily. If you could just share some updates on how that geography is performing? And where do you see the steady-state loan growth for this state?

P. Balaji: If you look at it, I think this has been a topic of discussion for the last 3, 4 quarters. But actually, we have been very concentrated, we are working on this to improve on there. If you look at our loan book growth earlier, it was around 8%, 9% that has been brought up to 15% as of now.

And going forward also, I mean, still one or two clusters needs to be corrected there. But definitely, we can pursue a stronger growth in Tamil Nadu. We can look at least from 15% at least 18% to 20% in the coming quarters.

Moderator: Ladies and gentlemen, we'll take this as the last question for today. I would now like to hand the conference over to the management for closing comments.

M. Anandan: Thank you, Mona, for organizing conference call. I would like to say my sincere gratitude to all analysts and investor funds for taking time out to listen to us today. Please feel free to touch with us in case you have any further queries. Thank you.

P. Balaji: Thank you.

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