"Aptus Value Housing Finance India Limited
Q3 FY '25 Earnings Conference Call"
February 03, 2025

Management: **Mr. M. Anandan – Executive Chairman**
Mr. P. Balaji – Managing Director
Mr. C T Manoharan – ED & CBO
Mr. John Vijayan - CFO

Moderator: **Ms. Mona Khetan – Dolat Capital**

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY '25 Earnings Conference Call of Aptus Value Housing Finance India Limited, 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 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 from Dolat Capital Markets. Thank you, and over to you, ma'am.

Mona Khetan: Thank you, Alrik. Good morning, everyone, and welcome to the earnings call of Aptus Value Housing Finance to discuss its Q3 and 9 months FY '25 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, after which we can take up the Q&A. Thank you, and over to you, sir.

M Anandan: Thank you, Mona. Ladies and gentlemen, good morning to all of you. I'm Anandan, Executive Chairman of the company. I welcome you all to this call to discuss the company performance for the quarter 9 months ended December '24. I have with me Mr. P Balaji, MD, Mr. C.T. Manoharan, ED and CBO and Mr. John Vijayan, CFO.

At the outset, I am delighted to share that we have crossed the coveted milestone of Rs.10000 crores loan book and 1,50,000 plus customers. As we speak, our distribution network has reached 300.

At Aptus, we believe in strong growth without losing focus on the quality of loan book and good financial metrics. Very happy to record that Aptus had a very good 9 months of FY 25 supported by business growth, stable asset quality and continuous focus on higher productivity. Strong business model, good distribution network, deep penetration in served markets, customer centricity along with appropriate tech support and diversified product/income stream have enabled the company to achieve good business results.

Our net worth stands at over Rs. 4108 crores indicating robust capital adequacy. This coupled with good support from Banks, NHB, Mutual Funds & DFI on the borrowings side and with strong on ground demand for both Home Loans and Small Business Loans gives us confidence to pursue strong growth, scalability in the coming years with sustained profitability.

Further, to support the vision of reaching loan book of Rs.25000 crore AUM by FY 2028, we have been continuously strengthening the organization by way of investing in new branches, relevant technology and strengthening the company with adequate manpower across all functions more particularly in middle management.

I would now hand over the line to P. Balaji – Managing Director to discuss business focus, operating and financial parameters

P Balaji: Thank you, sir. Good morning, friends. As we have been explaining in the earlier calls, we will continue to focus on key strategies, namely;

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As we have been explaining in the earlier calls we will continue to focus on key strategies namely:

- Growing disbursements and loan book both in Housing Loan and Small Business Loans considering the large head room available in the low and middle income segment in tier 3 & 4 cities
- Expanding operations contiguously in the States of Odisha and Maharashtra and Increasing penetration in existing geographies by opening new branches.
- Strengthening analytics and digital adoption, about 21% of our business in Q3 FY 25 has come from customer referral app, construction eco system app and social media channel. Our focus shall be to increase the leads through these channels, in addition to the physical branch network.
- Continue to focus on productivity, collection efficiencies, opex and cost of funds.
- The new Mobile First lead management software has settled well and is bringing in good improvements in terms of streamlining our processes, service delivery, lesser bounce, improved collection productivity, better regulatory compliance and improving overall efficiency. We are continuously monitoring the functioning of this new system to bring in more improvements.

Major performance highlights are as follows:

- AUM grew by 27% YoY to Rs.10226 crores.
- Disbursements during the quarter increased by 21% YoY to Rs.930 crores;
- We have 298 branches as on date. Of this 10 branches are in the states of Maharashtra and Odisha and the balance 288 branches are in TN, AP, TG and Karnataka. Total branches added for the 9months at 36.
- Total live customers were at 152,000 customers (27% growth YoY)
- NPA was at 1.28%
- Asset quality
    - Collection efficiencies were at 99.32% and our 30 + DPD marginally improved to 6.21% as on 31 Dec 2024 as compared to 6.24% as on 30 Sep 2024.
    - NNPA - 0.96%
    - PCR maintained consistently at 1.03% as on 31 Dec 2024 We are carrying a total provision of around Rs.105 crores (including a management over lay of Rs.45 crores) and this when computed as a % of NPA works out to a coverage of 80%

- NIM was at 12.94%
- Opex to assets were at 2.61% despite investments in new branches, technology and HR.
- PAT was at Rs.544 crores (22% growth y-o-y)
- ROA was at 7.70% and ROE was at 18.54%, which is one of the best in the industry.

Funding:

- During the quarter we diversified our borrowings further by issuing NCDs aggregating Rs.325 crores to Mutual Funds.
- Of the total borrowing - 54% are from banks, 18% from NHB, 15% from NCDs issued to IFC, MFs and the balance in the form of securitization.
- Sufficient balance sheet liquidity of Rs.1008 crores including undrawn sanctions of Rs.570 crores from banks.

As you know, we have not done any Direct Assignment of loans and front ending of income on account of this. Just before I conclude, happy to share that we have received corporate agency license from IRDA during the quarter.

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

Moderator: Thank you sir. The first question is from the line of Rajiv Mehta from YES Securities. Please go ahead.

Rajiv Mehta: Congrats on a good stable quarter. My first question is an observation related to employee cost so -- which has been stable in the last 3, 4 quarters despite sizable AUM increase and addition of 36 branches. So why is this? And can you also share the employee count now versus 1 year back? And some color on attrition trends? And typically, what is the variable component in a monthly salary of a field officer?

P Balaji: First of all, if you look at the salary cost, that has been stable quarter-on-quarter because if you look at our disbursements, it was Rs. 935 crores last quarter and it is Rs. 930 crores.

So, because of that, the volume-related incentives did not increase. So that is one reason. And of course, the number of employees in the field, I think that's increased by 100 and in the collections, it has increased by 38 compared to the last quarter. And all these additions have happened during the tag end of the quarter and maybe to that extend the cost catching up will come in the fourth quarter. So this is broadly the reason why the salary costs were flat. And what is your next question, Rajiv?

Moderator: Rajiv, please go ahead. As there is no response, we will move to the next participant. The next participant is Palak from YES Securities.

Palak: So my question was more towards the borrowing front. So wanted to know that out of the total borrowings, how much of our borrowings is linked to 1-month MCLR, 3-month MCLR and EBLR?

P Balaji: See, if you look at the total borrowings, fixed is around 47% and 53% is variable. And of the 53% variable, 30% is linked to MCLR and 23% is linked to market related rates. So if you look at how much is moving to 1 year MCLR of this 30%, almost 15% to 16% is related to 1-year MCLR, 3-month is almost 6% and 6 months is the balance. So that is the breakup on the borrowings.

Palak: Okay. The rest 30% is linked to MCLR and 23% is linked to?

P Balaji: 23% is linked to the market rates, Repo rate or Treasury Bill i.e. the external benchmark rates.

Moderator: The next question is from the line of Amit Khetan from Laburnum Capital. Amit, please go ahead with your question and unmute yourself in case if you have muted yourself.

Amit Khetan: Yes. A couple of questions related to your branch network. So if I look at our existing states, right, the top 3 states of Tamil Nadu, Andhra and Telangana. We have some 250-odd branches right now. How do you see this -- for these 3 states, what's the potential over the next 3 to 5 years? And specifically for TN, has the market sort of saturated because we haven't really grown our branch network significantly over the last 3 to 4 years?

P Balaji: First I'll answer the Tamil Nadu branch network. Currently, the Tamil Nadu branch network is around 88 and if you look at it, every 50, 60 kilometres in Tamil Nadu, we have a branch. And we are proposing to add 6 or 7 more branches in this quarter and also in the next year. So to that extent, the growth in branch network might be limited in Tamil Nadu, but actually, there is no problem in the market.

The market has good potential to grow. So, with these branches, we are very confident of delivering the growth which we are promising. So that is the first thing in Tamil Nadu. And if you look at our strategy of growth, we will be opening around 35 to 40 branches every year. And in the next year, the branch network will be growing mostly in the Odisha and Maharashtra and Telangana and Karnataka.

Because if you look at Andhra Pradesh, almost 130 branches are there. And I think every 50-60 kilometres we are having a branch there. So again, the branch network might not increase much, but the loan book growth will come from the market that is available. So, this is broadly the plan on how the growth will be coming in the next 3, 4 years.

Amit Khetan: Understood. Understood. And second question again would be related to the newer states, right, which is Maharashtra, Odisha and Karnataka. What's been your experience been in terms of competition, opportunity, size and the customer behavior based on the growth that we have seen so far?

P Balaji: If you look at it, I think the branches opened in Maharashtra and Odisha have settled well. And we have clocked loan book as of now of Rs. 27 crores, which is a very good number because considering the time we have taken to open the branches and then expand, this is a very fast growth there.

And we are able to get good customers, and the repayment track is also behaving very well. So, we are very confident of growing more branches in these states and also the loan book growth there. And as regards to competition, in Odisha, there are not many players. Of course, in Maharashtra, there are players, but we are opening branches close to Telangana where there are not many players, but still, we need to see when we are opening branches in other places, we need to look at competition at that point in time.

Amit Khetan: Got it. And just a follow-up on that. Karnataka, 3 years back was about at a similar scale as Telangana, why has the scale up there been relatively slow relative to Andhra and Telangana?

P Balaji: No, if you look at Karnataka, the loan book growth is around 27%, which is good. So, it is basically that the growth in other states is slightly higher. That is where the composition of the AUM is still maintained at around 8%. But if you look at Karnataka, we are having good promise. We have opened more branches in this year. Next year also will be opening more branches. And there is good growth in the loan book and also the disbursement in that place.

Moderator: The next question is from the line of Yash from Citigroup.

Yash: Sir, first question was on the calculated write-offs may look slightly elevated during the quarter. So, any change in the policy? I believe our policy is more of write-offs in 24 months DPD?

P Balaji: You are talking about the credit cost, right? There is a slight increase there. See, I'll answer it in this way. If you look at the ECL provision slide, in this quarter, there is an increase in provision of almost Rs. 5.75 crores. But the debit in the P&L is around Rs. 12.5 crores, which is around Rs.13 crores. That is what it is mentioned. So, the difference is almost Rs. 6 crores that have got debited in the P&L.

That is basically because of technical write-off, which means we have this accounting policy of more than 24-month NPA, where we technically write it off in the book of accounts, but the recovery efforts will continue because the customer will be there, the property is also there. So, this percentage of debit needs to be studied with the bad debts recovery that is happening on the income side, which is around Rs. 5 crores.

So, if you look at the net credit cost as compared to the previous quarter, it was 0.38%, and now it has reduced to 0.32% so it is basically an improvement in the bad debts recovery as well. So that is the thing. And we have not seen any problems in the collections or in the bad debts recovery.

Yash: Okay. Okay. Got it, sir. That's very helpful. Sir, second is any expansion in our workforce. So, we seem to have added more on the collection side and the branch operations side or the overall operations side. And so -- is it in line with our focus areas or -- because the number slightly looks higher compared to our branch additions?

P Balaji: No, I'll tell you why this is getting added. See, one thing is we are guiding the market with 25% to 30% loan book growth in the next 2, 3 years. So, what happened is we need to prepare the organization for the next level. So, I've already started preparing the organization by employing more sales people and also on the collections so that even if the bounce rate are the same, the number of collection has to happen because of the growth. So, we need those collection officers in place.

So, we have already appointed them so that we can take care of the next year as well. So that is the reason why the numbers have gone up. And if you look at it, the productivity for sales officer is higher if you look at any other company. For a Rs. 10,226 crores loan book, the employee strength is 3,192.

Yash: Got it. So, sir, even our disbursement growth in the range of 25 to 30 should hold in the medium term?

P Balaji: Yes.

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

Rajiv Mehta: Okay Sir, just coming back to asset quality. And when you look at the collection efficiencies, they are still running 30, 40 basis points below normal level that we used to have. So, any particular issues for this slightly lower collection efficiency? Is it pertaining to the particular locations if you would want to pinpoint where the collection efficiency is slightly lower than optimal levels?

And a follow-up is whether, generally in Q4, we are able to pull back 30 plus and even the NPAs by a significant extent. So, can one expect that collection efficiencies and recoveries will improve and hence, that usual pullback will also play out in this Q4?

P Balaji: So first of all, let me explain about the collection efficiency. If you look at the September quarter and this quarter collection efficiency, it has inched up a bit. I think it was 99.25% last quarter, and it has become 99.35% now. That actually resulted in Stage 2 assets slightly improving. So that is one thing which has helped us. If you look at the quarter, it has slightly improved as compared to the previous quarter. But of course, we should also bear this in mind, this quarter was slightly seasonal in nature. In November, Tamil Nadu was affected by floods in some parts. And of course, there were spate of holidays in October.

Basically, both big festivals came in the same month. Usually, it comes in different months. So because of that, some impact was there, but I'm not seeing on-ground problem in terms of collections. So definitely, like what you told, in the fourth quarter, there will be good improvement both in the collection efficiency and also in the Stage 2 assets and of course, in the NPA.

Rajiv Mehta: Got it. Got it, sir. And on this Tamil Nadu, so now I think after 7, 8 quarters, you've added branches in Tamil Nadu this time, in this quarter. So then can one presume then with the issues related to team stability and we had some attrition issues there, are they all sorted out? And hence, you are confident of adding branches now? And can one also expect acceleration in growth in the state, sir?

P Balaji: See, actually, whatever corrective actions we have taken have started to bear fruits. And that is giving us confidence to open more branches. So that is why we opened 3 or 4 branches in the last quarter. And this quarter, we'll be opening 2 branches. And next year, we are opening around 6 branches.

So that is giving us a good confidence. And we will be back to the growth path in Tamil Nadu. As we have been saying, there is no problem in the market. It is basically our internal issue that has got sorted out, and our AUM has grown by 11% as compared to the 9 months of the previous year. So, we can see at least 15% growth in this quarter itself as compared to the previous year.

Rajiv Mehta: And just one last question, sir, on the write-off. So, I know that we have a certain write-off policy. And -- but the write-off quantum has gone up. So there was no deviation from policy, right? We have not taken any accelerated technical write-offs, right.

P Balaji: It is basically some of the assets reaching this 24 months NPA. And that is why it has gone up, but we need to look at it from the recovery part. So that is how it is.

Rajiv Mehta: But the recovery from write-offs are going well -- recoveries from written-off pool are going well?

P Balaji: Yes. If you look at the P&L account, bad debt recovered for the quarter is Rs. 5 crores as compared to Rs. 1 crore last quarter.

Rajiv Mehta: Okay, okay.

P Balaji: That's there in the presentation. It might not be there in the financials because it gets clubbed with other income. We have clearly told in the presentation as bad debt recovered; we have brought in a separate line there.

Rajiv Mehta: And can you quantify the written-off pool? The total written-off pool?

P Balaji: Written-off pool is around Rs. 20 crores as of now. That's also technical write-off.

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

Mona Khetan: So, a couple of questions from my side. Firstly, on the opex bit. So if you look at for 9 months, the opex ratio cost to assets has come down to almost 10 bps versus last year. So with productivity coming in, do we expect cost-to-income settling at lower levels? Or this could be just a temporary blip?

P Balaji: No. Our cost to assets is already at the lowest as compared to the other companies. So, we will be maintaining at these levels. And I think we have been guiding around 2.7%, and that will be the ratio that will be maintained. So, this quarter, because disbursements were flat, the salary cost didn't catch up. So, there can be increase in the salary cost in the next quarter. So, to that extent, there will be an increase, but still ours will be the best opex to asset ratio as compared to others.

Mona Khetan: Got it. And I understand some of the recovery from write-offs are going to other income. And therefore, the reported credit cost of provisions are a tad higher. So where is our credit cost likely to settle at from a guidance perspective going forward...

P Balaji: From the guidance perspective, we have been guiding 0.35% to 0.4% as credit cost, that will continue.

Mona Khetan: Okay. So from a full year perspective, while this quarter, we have a slightly higher credit cost, it would still be around 40 bps kind of number.

P Balaji: Yes.

Mona Khetan: Got it. And where is our 1 plus DPD for this quarter and previous quarter, if you could share?

P Balaji: Just slightly improved. Earlier, it was at around 8%. Now it has become 7.9%.

Mona Khetan: Got it. And just finally, on the distribution of insurance products, how much could it add to our other income on a monthly or quarterly basis as we move forward?

P Balaji: See, we have just received the corporate agency license now. We are still in talks with two or three insurance companies. So, we will communicate this once this gets finalized.

Moderator: The next question is from the line of Niharikaa from Anand Rathi.

Niharikaa: I have just two primary questions. What proportion of your book is linked to the PMAY Yojana if you could help us with that? And the second question would be what kind of behavior are you seeing in the sub Rs.10 lakh category of the book?

P Balaji: First of all, on PMAY 2.0, this needs to stabilize a bit because the software from the government is still not ready. We are in talks with NHB and then getting the software from the government stabilized and then only this can work fast. So, we are still assessing this. And then maybe next quarter, we'll be able to give a clear picture on how PMAY works for us.

And what was the second question, on the loan category of Rs.10 lakhs?

Niharikaa: Just what is the kind of behavior that you're seeing in that part of the portfolio in terms of collections? How has the asset quality been there?

P Balaji: If you look at our average ticket size, it is between Rs. R8.5 lakh to Rs. 9 lakhs across products. So, everything is less than Rs.10 lakhs, and we are seeing good behaviour in this category. If you look at our collection efficiencies, it is around 99.35% and our bounce ratios have also reduced. And there are no collection issues as we have been telling. And it has been behaving well. The portfolio has been behaving well.

Niharikaa: Okay. And sir, as a follow-up question, what is the kind of growth rate that we're expecting for FY '26 in terms of the overall book?

P Balaji: See, we have been guiding disbursement growth of around 25% to 27% and loan book growth of 30%, and we are very confident of maintaining that.

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

Kushan Parikh: My question is largely around the insurance license that we have gotten. Essentially, we'll be looking for both credit life as well as health insurance. And also around that, if you could just provide some statistics in terms of how much credit life penetration do we have amongst our customers and what is the potential there? And also from an overall insurance penetration amongst our customers. I mean just trying to understand the potential of this to accrue to the company.

P Balaji: See, we have received the corporate agency license now. But before that also, we had a tie-up with an insurance company for the credit life. And the coverage is around 75% to 80% because we are not making it compulsory for the customers. We have given the option to the customers to take the credit life cover. But we explain the benefits of the credit life cover because if something happens, the loan amount gets covered.

So based on that, the customer opts for this insurance and the conversion is around 80% there. And with the corporate agency coming in, we'll be giving more options to the customer on the credit life and also on the property insurance.

Kushan Parikh: Understood and will we be doing health insurance as well from a distribution perspective?

P Balaji: We don't intend to do any other product other than these two.

Moderator: The next question is from the line of Rajnikant Shah, an individual Investor.

Rajnikant Shah: I just wanted to ask a little medium-term question from a 3-year perspective, say, financial year '28. How much confident we are to achieve 7% plus ROA while we achieve Rs.25,000 crores AUM as guided in financial year '28. And if we are confident, what range of ROE can we expect?

P Balaji: No, if you look at it, see, if I'm going to reach a Rs. 25,000 crores loan book, obviously, the ROA cannot be at 7% because the leverage is going to come in because we have a capital adequacy ratio and a low leverage. With the result, we will not come into the market for any equity raise. So, the borrowings will be the sourcing thing for the purpose of growth that we are contemplating up to FY 2028.

So, what does that mean? The 7.7% ROE may fall down to 6% or 6.5% at that point in time. But the 18.54% ROE is likely to go beyond 22% at that point in time. So, this is the broad path with which we'll be growing. And I think we'll be going this way.

Moderator: The next question is from the line of Nidhesh Jain from Investec.

Nidhesh Jain: Two questions. First is on this quarter, we have seen a slightly better growth in the SBL segment. SBL has grown faster than our overall AUM growth. So do you expect this trend to continue? Or have you made any changes in the SBL business?

P Balaji: No. I would like to answer it from the product mix point of view. If you look at the December '24 product mix, HL is 61% and quasi home loan is 14% and small business loan is around 21%. This was 15% quasi-home loan in September and 20% in the small business loan.

So, there is not much difference in the mix. So, this mix will be continued. If you look at the housing loan composition, we are moving towards more housing loans. Earlier, it was 70%. That has become 72% now. So, this broadly will be the mix that will be maintained. So maybe in one quarter, small business loan might be high, but in second quarter, quasi will be high. But broadly, this mix of 61%, 14% and 21% will be maintained.

Nidhesh Jain: Second question is on the insurance side, sir. So as of now, what sort of commission that we were getting on these -- on the insurance policy that we are selling?

P Balaji: So, we'll talk about it later.

Nidhesh Jain: Okay. And last is on the AUM per branch. So, you have shared the AUM per branch for 3-year plus vintage branches. Can you share the same number for 5-year plus vintage branches? I want to understand as the branch vintage includes.

P Balaji: Yes five-year should be around Rs. 65 crores to Rs. 70 crores.

Moderator: Thank you. The next question is from the line of Rajiv Mehta from YES Securities.

Rajiv Mehta: I just need what is the incremental rate for home loans blended for Q3, what was it? And how do you see the incremental trend in funding cost going into 4Q and maybe Q1 of next year? And whether can we maintain spreads at the current level in the next 2 quarters?

P Balaji: If you look at it, the incremental rates on the housing loan, we have not changed any rates. So, the rates are between 14.5% to 15.5% on the home loans. So that is what it is getting maintained. So now you are talking about the cost of funds. The cost of funds for the housing finance company is ranging between 8.5% to 8.7%, which is the same as the last quarter. So, we are not seeing much increase.

But on the NBFC, we have seen a slight increase from 9% to, say, 9.1% or so. And this is likely to continue in the fourth quarter as well. But we don't know if the rate cuts are going to happen, then 23% of our borrowings will get repriced immediately. To that extent, there can be some good news on the spreads. But if the rate cut doesn't come, there can be a 0.1% decrease in the NIM because of the increase in the interest rates.

Moderator: The next question is from the line of Siraj Khan, an Individual Investor.

Siraj Khan: So, sir, first question is on the spread and the AUM and the yield. So, we are starting to grow in the states of Odisha and Maharashtra. Maharashtra being very highly penetrated and the competition is also there. So, my question is, can the yield come down because we'll be facing more competition? And as that book will start to grow, so will the yield come down and therefore, spreads?

P Balaji: No, I don't think that will happen because when we ventured into Telangana and Andhra Pradesh, at that time also, the competition was there, and we were able to get the yields of 14.5% to 15.5% on the HL and around 17% to 18% on the quasi home loan and also 21% on the small business loans.

So, we are not seeing that kind of pressure even in the branches which we have opened as of now. So I don't think that will happen. If it comes to that level, we might have to revisit at that point in time. But as of now, we are not seeing that kind of pressure.

Siraj Khan: And also, with respect to the branch expansion, so did not catch how many branches we'll be opening specifically in the state of Maharashtra?

P Balaji: Another 10 branches are being planned, both in the states of Maharashtra and Odisha in the next year.

Siraj Khan: Okay. And a related question is, actually, since we are having a lot of opportunities in the current states of AP, Telengana and AP has gone very fast since FY '21, the book has more than quadrapled. So is there still juice left in these states? Or will the new states perform at at the same levels, I want to understand that.

P Balaji: No. Actually, we have just scratched the tip of the iceberg in terms of the market size. So still the market opportunity is there in the states already we are operating in, plus the new states. So the growth for the next few years will come like this. First the business from the new branches in new states, business from the existing branches in the existing states, then increasing productivity of people at the branches, say, if people are logging in four files per month per sales officer, that can be increased to five.

Similarly, having optimum number of people at the branches. Suppose if the budgeted level of staff strength in a particular branch is five and they have only four, we'll be employing one more who will contribute to the growth.

So, all this and of course, one more thing is the increase in the ATS without having any problem on the instalment to income and the LTV. So, suppose if the current ATS is around Rs. 8.5 lakhs, if you increase it to Rs. 9.5 lakhs, then that growth will come from that as well. So, all this will contribute to this growth guidance of around 30% on the AUM for the next 3, 4 years.

Siraj Khan: Understood. And just one last clarification. You had said there was Rs. 20 crores write-off pool.

P Balaji: Yes.

Siraj Khan: And there was INR6 crores write off, I was just confused. So there was a Rs. 6 crores technical write-ups I was just not able to understand that now.

P Balaji: Rs. 20 crores is the total value of the write-off over the years. Rs. 6 crores is the write-off for the quarter. Yes.

Moderator: Next question is from the line of Jayesh Shah from OHM Portfolio Equi Research.

Jayesh Shah: Sir, I just had one question, given our spreads and the yields, how does the regulator look at it? Because there was some concern by the previous RBI governor that the rates are very high that are being charged by various NBFCs. Now of course, we have the new regulator, but how would you comment on this? Or have you seen any questions from the regulator on the overall yields?

P Balaji: Yes, let me explain this. See, if you look at the FY '24 year, the inspection by both NHB and RBI has got completed, and they have not raised any query on the interest rates that is being charged. So, we are getting an impression that what we are charging is not very high.

Then the second thing is we have also done an interfirm comparison of all the NBFCs and HFCs. We are in line or less than what other people are charging. So, to that extent, we are not seeing any inputs or comments from RBI on reducing the interest rates, which is being charged by us.

Moderator: The next question is from the line of Nischint Chawathe from Kotak Institutional Equities.

Nischint Chawathe: Essentially on your medium-term growth target. Just curious that when you're looking at such a larger book, will the product mix be similar? Are you going to have such larger proportion of fixed rate loans? And in that case, how would you sort of manage the liability side of the balance sheet? I think as what we can see is that as your balance sheet keeps on growing, the overall share of fixed rate borrowings does keep on coming down. So if you're going to have a similar ratio of fixed versus floating, probably you might have some kind of a mismatch a few years down the line.

P Balaji: That I would like to answer by way of the leverage. See, if you look at the leverage, which is very low, even if we have to grow to Rs. 25,000 crores, the leverage is going to be 3 or 4 times only.. So to that extent, the interest rate risk can be handled.

It is not that we don't want to give a variable rate of interest to our customers. It is basically the requirement of fixed rate is coming from our customer stating that they don't want any change in the EMI or in the tenure of the loans. So that is the reason why we are giving this fixed rate loans. But based on the leverage, I think we are better off managing this fixed rate of interest going forward.

Nischint Chawathe: Got it. So basically, it's the leverage that gives you comfort. And if there is any kind of a swing, you'll absorb it. But broadly, what we are trying to say is that the loan book composition and the step-down structure, I think those things will remain as they are.

P Balaji: Yes. Non-home loans, anyway, it is fixed by other players also. ...

Nischint Chawathe: Yes, yes. Got it. Got it. Got it. And is there any commentary on the growth trajectory that you're looking at in each of the companies from the regulator?

P Balaji: On a consolidated basis, this 30% will be there. And the product mix, which we explained earlier, that will also continue because in the NBFC, the loan book itself is only INR2,600 crores. So obviously, the growth, if I -- even if I grow by INR1,000 crores, the percentage will be high. So we cannot benchmark based on that rate, right? So it will be based on the mix and also the overall guidance of 30% AUM for the next 3, 4 years.

Nischint Chawathe: Just curious -- last one, just curious, do you really need a step-down subsidy now? I think you're managing the 60% ratio on a consol basis anyway, right? So would you want to continue with the...

P Balaji: Flexibility, right? It is not -- I mean, we were lucky enough to get the license from RBI on the NBFC. We would like to have this as -- we would like to continue with the NBFC, but this is also giving us product diversification and income stream diversification. So we would like to definitely continue with this with clear demarcation of products which gets booked in HFC and also which is getting booked in the NBFC.

And there are no common customers between the NBFC and the HFC. So there is actually no overlap. All the customers are unique. And going forward, we'll have a separate structure for NBFC with the business head and credit and branches also we'll be having a separate in itself.

Nischint Chawathe: But in an eventuality, if you have to collapse the structure, is there any part of the business that can be -- cannot be done in the HFC or anything of that sort?

P Balaji: See, basically we find that the market for the small business loans is also huge. And because of this 60% on the total asset criteria, it restricts our ability to do the small business loans in the HFC. By way of having an NBFC, we don't have that constraint. So, to that extent, the NBFC has been useful to us, and we'll be booking small business loans in that.

Nischint Chawathe: Got it. Just a clarification today, even on a consol basis, you are at 61%, right?

P Balaji: 61% is on the loan book

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

Kushan Parikh: Just a couple of data keeping questions. On the asset quality front, just wanted to understand what would be the end losses or LGD that you would have from the written-off pool essentially?

And secondly, another data keeping question that I wanted to understand was the BT out rate that we have. And if you could just give some color around the BT out part.

P Balaji: See, first of all, since our LTV is between 40% to 45%, the principal write-off is absolutely nil or maybe it will be very, very minimal. That is the first thing.

See, what will happen in a housing finance company if a customer is not there or if a property is not there, then we might be forced to write it off. But in our case, the customer and the property is there. And because of that, we are able to recover the money because these are the first time house owners. So, they are living in that house. So, the moral responsibility to pay back the loan is very high in these customers. So, we are able to get the money back. So ultimate loss to that extent will be very less, and that is what is the loss given default, okay?

This is similar in terms of SBL also because that is also a secured product secured by self-occupied residential property. So, the loss given default is almost nil for all the products which we are in.

Then the next question on the BT out, it is around 2.5%. See, our pre-closure is around 7.7% to 8% on the average loan book. Of that, almost 4% to 5% gets pre-closed out of own source of the customers. Normally, these kinds of customers, because of their business they get cash flows, bulk cash flows. And when they receive these bulk cash flows, what they do is to settle the housing loan first. So that is why the BT out is less, and it is around 2.5% for us.

Kushan Parikh: Got it. Just a couple of follow-up questions. So on the BT out one first, with the scenario of a rate cut, do you envisage the BT out rates to inch up for given we are a fixed rate borrower sorry, fixed rate lender.

And the second question is around the LGD. So I mean, I understand that on the principal side, given the low LTVs, the LGD would be little, but what will be the IRR on such loans?

P Balaji: See, we are not writing off any principal or interest. We will be waiving off some of the charges when these NPAs are getting settled, which normally we accrue on cash basis. So, the IRR will be the same as the contracted rate, except for the delay in the payment. So that is the only thing.

Kushan Parikh: I'm trying to understand that in a rate cut scenario where the floating rate peers would largely be cutting their lending rates, do we see this BT out rate increasing from the 2.5% going forward? Or how will we manage this?

P Balaji: We have been operating this company for the last 15 years, the rate cycles, both high and low has already been experienced by us. And this BT out rate is around 2.5% consistently right from the beginning. So, we are not seeing that kind of an increase. But because of the rate cut, if it is going to increase, if the BT out is going to increase, we'll have to do more business. So that's how we need to look at it.

Moderator: The next question is from the line of Siraj Khan, an individual investor.

Siraj Khan: So sir, my question was with respect to the yield difference, the HL business and the non-HL business, what is the difference between the yields of the two?

P Balaji: See, we have three products. One is the housing loan, where we charge between 14.5% to 15.5%. We have this quasi home loan, where we charge between 17% to 18%. We have the small business loans, where we charge between 20% to 21%.

Siraj Khan: Okay. And sir, the average ticket size of each of these segments?

P Balaji: The average ticket size is around Rs. 8.5 lakhs to Rs. 9 lakhs on both quasi home loan and the housing loan. This one is around Rs. 7.5 lakhs.

Siraj Khan: SBL?

P Balaji: SBL is around Rs.7.5 lakhs. It is 8.5 lakhs to 9 lakhs on the housing loans and the quasi home loans.

Siraj Khan: Understood.. Again, to come back on the geographical expansion. Sir, why are we not -- because we are so overcapitalized, why are we not going because we have now spent a good amount of time in Maharashtra, approximately closing on 3 years now. So why are we not increasing the number of branches at a faster rate in the states? And in Karnataka, Maharashtra, we have seen...

P Balaji: First of all, once again, let me explain. Maharashtra, we have been there only in the last 9 months. The first branch was opened sometime last March. So, we have been there only for the last 9, 10 months, okay? So, we are having great expectations from Maharashtra and the business is also doing well. We will be opening more branches, but it will be a slow and steady progress. It will not be like I'll open 100 branches in Maharashtra.

Siraj Khan: No, no, not 100, but like why are you not increasing.

P Balaji: First of all, it's only 9 months over. We have opened 10 branches, okay? So, it will be like that.

Siraj Khan: Yes and in Karnataka, despite the e-Khata issue, which I have also seen for other companies, do we face that issue in Karnataka also?

P Balaji: It is across companies, we have this e-Khata issue. But we are more in the peripherals, not in the city. So, to that extent, this issue is minimized. And of course, what we tell our customers is because of e-Khata, is there is a delay in the disbursements. Suppose if the disbursement turnaround time for us is, say, 7 days, in Karnataka, it will become 15 days.

So, what we are telling the customer is to plan well in advance to get the e-Khata, and then come to us for a loan and then we give the RTGS disbursement immediately. So that is how we are handling this. And we are seeing good results in the Karnataka disbursements.

Siraj Khan: Okay. And final statistical question. Sir, what is our log-in to sanction ratio and in percentage and in number of days and sanctioned to disbursement?

P Balaji: If 100 files get logged in, 85 gets sanctioned.

Siraj Khan: 85% gets sanctioned, 85% sanctioned to disbursement?

P Balaji: Sanctioned to disbursement will be around from 85%, 80%.

Siraj Khan: Of the 85%, 80% will get disbursed. Okay. And the days in number of days, so from log-in to the disbursement, the approximate number.

P Balaji: Login to sanction is around 1 to 2 days and sanction to disbursement takes around 7 to 8 days because the legal documents need to be vetted. So that takes a little bit of time to disburse.

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

M Anandan: Thank you, Mona and our friends for organizing this conference call. I would like 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 with us in case you have any further queries. Thank you.

Moderator: Thank you, ladies and gentlemen. On behalf of Dolat Capital Markets Private Limited, that concludes this conference. You may now disconnect your lines.