"Aadhar Housing Finance Limited Q4 FY '24 Earnings Conference Call"

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MODERATOR:	**MR. AJIT KUMAR – NOMURA**

Moderator: Ladies and gentlemen, good day and welcome to Aadhar Housing Finance Limited 4Q-FY24 Results Earnings Group Call. 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 Mr. Ajit Kumar from Nomura. Thank you and over to you, Mr. Kumar.

Ajit Kumar: Thanks, Sagar. Good evening, everyone. On behalf of Nomura, I welcome everyone to 4Q-FY24 Earnings Conference Call of Aadhar Housing Finance Limited.

From the management team, we have with us today Mr. Deo Shankar Tripathi, Executive Vice-Chairman, Mr. Rishi Anand, MD and CEO, Mr. Rajesh Viswanathan, Chief Financial Officer and Mr. Sanjay Moolchandani, Head Financial Planning. We will start with opening remarks and then open the floor for Q&A. I will now hand over the call to MD and CEO, sir, for his opening remarks. Over to you, sir.

Rishi Anand: Thank you so much, Ajit. Very good evening, ladies and gentlemen. On behalf of Aadhar Housing Finance, I extend a very warm welcome to all of you. Thank you for joining us on the first post-listing call. With all your good wishes, the company got listed on 15th May 2024 on NSE and BSE. Before I take you all through the performance of FY24, I would like to thank all of you for supporting us in the IPO and making it a grand success. I wish to share some subscription details with you.

QIB portion was subscribed 76.3 times. HNI 2 to 10 lakhs was subscribed 14.5 times. HNI greater than 10 lakhs was subscribed 19.1 times and retail 2.60 times. Overall subscription was 26.8 times. The total size of the IPO was INR3,000 crores of which primary was INR1,000 crores and INR2,000 crores was OFS by the selling shareholder. This infusion of INR1,000 crores of equity will allow us to meet our future capital requirements and general corporate purposes.

Since this is our first call post-listing, I would like to share a brief overview of Aadhar Housing Finance, its journey so far and the growth strategies going ahead. This will be followed by the operational and financial performance for the quarter and FY24, post which we will open the floor for Q&As. Aadhar Housing Finance was born in the year 2010 in a JV with IFC, International Finance Corporation, with a very specific purpose to cater to the housing needs of the EWS and LIG segment, which is economically weaker section and lower income group.

Given this social fabric, we for the first five years started and operated our business only in the low income states of the country. We commenced our operations from Uttar Pradesh, followed by Bihar, Jharkhand, Odisha, West Bengal and Chhattisgarh. In early 2015, we started to expand to other larger states of the country.

In the year 2017-18, post merger with a South based affordable housing company within the group, we became a pan India player, now spreading our footprints to 20 states and union territories. So that was in 2017-18. And we continue to grow from there.

The company is being run by professional management, backed by marquee Private Equity Investor Blackstone. We are led by diverse board with an extensive experience in the banking and finance sector. We are a retail focused housing finance company focused on low income housing segment mainly serving the EWS and LIG segment as I indicated. 71% of our AUM happens to be in this segment. The average ticket size of our loan stands at 1 million, which is 10 lakhs, with an average loan to value ratio at 58.5% as of March 31st. As of date, we are proud to help 2,66,000 plus customers in making their dream come true.

We offer a range of mortgage related products, including loans for residential property purchase, self construction on a pre owned land, home improvements, extension loans and micro loan against property. As on 31st March 2024, we have an extensive network of 523 branches. Our branches and sales offices are spread across 20 states and United Territories operating in approximately 11,000 plus PIN codes in the country, out of the total 18,000 PIN codes in the state that we operate.

We today cover approximately 534 out of the 806 districts in the country. Our branch and sales office network is widely diversified with no state accounting for more than 14% of our gross AUM. We believe that our diversified reach is well positioned to meet the specific needs of our target customers across geographies and in the urban and semi-urban areas.

On the product composition, 75% of the book is home loans and 25% is micro loan against property, with an average ticket size on the AUM of 10 lakhs. Home loan incremental ticket size stands today at 12.9 lakhs and loan against property, which I referred to as micro loan against property, stood at 8.2 lakhs.

We have a robust and comprehensive systems and processes for underwriting, collection and monitoring the asset quality. These systems and processes are technology enabled across our front office and back office, digitizing the entire lifecycle of the loan from origination to closure. On underwriting, we follow a hybrid model, which is a mix of RPU (Regional Processing Unit) -based central underwriting for salaried customers and branch-based underwriting for self-employed customers, which need a better cash flow assessment. Further, given the importance of recovery and collection, especially in the segment that we operate in, it is imperative that we follow a complete hands-on approach and hence, the entire collection mechanism is in-house for all the buckets.

We don't outsource any collection activity. Collection for us is more like an education series where we try to educate the customer on the importance of not being delinquent and how it affects his bureau scores. In FY'22, we migrated to an integrated digital IT infrastructure developed by TCS with a view to reducing costs, carrying on real-time analysis of customer data, improving our control and governance while increasing customer reach and distribution capability.

Alongside the IT enhancement, we have also invested in data science as a separate function, which enables us to understand consumer behavior better and also provides us -- and also helps us develop models for better efficiencies. This framework helps us to mitigate risks, grow our business, perform market research and strengthen the integration of data and analytics within our operations. Our data science team is pivotal in driving the innovative and delivering impact insights for our organization.

We have a very strong, experienced and dedicated management team, with our mid and senior management having an average of 25 years of experience in the financial services industry and over five years tenure, average tenure, within the company. A balanced mix of CXOs and HODs help us steer the company in day-to-day matters. Further, to maintain high standards of governance, we have highly respected Board comprising of independent directors who are qualified and experienced personnel with extensive knowledge and understanding of the BFSI industry.

Mr. O. P. Bhatt, former SBI Chairman, is our Non-Executive Chairman. Mrs. Sharmila Karve, former Risk and Quality Assurance Head of PwC, is our Audit Chairperson. Mrs. Nivedita Haran, IAS Kerala cadre, served in various positions in the Government of Kerala and Government of India, is our third Independent Director. Apart from this, we have three nominee directors from Blackstone. Mr. Amit Dixit, who is Head of Asia Blackstone; Mr. Mukesh Mehta, Senior Managing Director, Blackstone; and Mr. Prateek Roongta, Managing Director, Blackstone.

We have made social objectives one of the core objectives of our business model. We operate a financially inclusive customer-centric lending business and believe that our business model contributes significantly to the economic uplift of our target consumers, which is the EWS/LIG segment.

In addition to our customer-facing social objectives, we also have implemented social objectives in aspects of our business. Our presence in the urban and semi-urban locations across India provides a source of employment in these locations. On the environment front, the organization is promoting green housing in partnership with IFC to promote the end-user education and funding of construction of green housing.

Finally, coming to the financial results, we are pleased to report a good financial year closing, with our AUM crossing the threshold of INR20,000 crores and closing at INR21,120 crores, recording a growth of 23% Y-o-Y, driven by a disbursement growth of 20% on a year-on-year basis. My colleague Rajesh Viswanathan will talk a little more in detail about the financial metrics and numbers, but before I hand over to him, I would want to sum up that Aadhar continues to focus in its core segment that is EWS/LIG. It will continue to go deeper into state expanding of our network.

It will continue to invest in technology and data science. It will continue to be hungry for innovative ideas, which will help enhance efficiency and growth with sustained profits and better asset quality. We firmly believe in the phrase that "Ghar Banega Toh Desh Banega", and we will continue our journey with this sentiment.

Rajesh, over to you.

Rajesh Viswanathan: Thanks, Rishi. Good afternoon to all the friends on the call. Just a disclaimer, right upfront this is our first investor call and I am sure the entire investor community will excuse us if there are any gaps in the investor presentation, and we will only work towards improving the quality of the presentation to what we have currently. As they say, apologies for mistakes, if any.

I start with borrowings. Our overall borrowings as at 31st March 2024 is INR13,960 crores, a tad lower than INR14,000 crores as compared to INR12,153 crores last financial year-end. We have a very diversified source of borrowings with more than 38 borrowing relationships. Our borrowings mix is currently 55% of our borrowing comes from banks. NHB, which is an important component of our entire borrowing mix, is at 25% and NCDs make up the balance 20%.

In FY'24, we have borrowed INR5,560 crores, which has come at 8.04%, of which NHB borrowing was INR1,405 crores. In quarter 4, we have borrowed INR1,970 crores at a rate of 8.36%, of which NHB borrowings was only INR300 crores. Our cost of funds in FY'24 was 7.6% and our COF on quarter 4 was 7.7%. We continue to have zero borrowing exposure currently to short-term instruments like CPs and are constantly looking at increasing the sources of borrowings as well as looking for slightly higher tenor loans.

In terms of financial highlights, Rishi touched upon AUM and disbursements. I would touch upon other aspects, like cost to income. We have seen an improvement to 37.5% as compared to 38.1% last year, which is a 60 bps drop in cost to income. In terms of spreads, our spreads for the year was 6.2% as compared to 5.8% in the previous financial year, which is a 40 bps increase. This was also aided by an RPLR increase of about 75 bps, which we took in April 23 last year.

Now, considering the way the interest rate movements are happening, and considering the overall stability that we need to maintain in our spreads, the board yesterday, through the recommendation of the ALCO, has agreed to increase the RPLR rates by 25 bps, which will take effect from 16th June 2024.

In terms of profit after tax, our profit after tax came in at INR750 crores on a consolidated basis, which was INR565 crores before exceptional items in the last year, which is a 33% growth. Without the exceptional items, the growth was 750 crs as compared to 545 crs, which is a 38% growth.

Our net worth before the equity raise is at INR4450 crores versus INR3698 crores as at last year. We have raised primary of INR1000 crores, which will obviously go to improve the net worth. In terms of our debt to equity, the debt to equity stands at 3.14 times compared to 3.29 times last year. Very important part of the entire discussion is the GNPA. Happy to say that the GNPA has dropped to 1.08% as compared to 1.16% as the end of last year, which is an improvement of 8 bps.

More importantly is the way the GNPA has moved from December to March. In December, it was 1.40% and now it has improved to 1.08%. This has resulted in a release of credit cost in our P&L. More so, we have kept aside a management overlay of INR45 crores in our overall provisions that we have carried to take care of any exigencies. Our idea is to not release this in a hurry and this provision we expect to carry for a period of time. Stage 3 provision coverage ratio currently stands at March end at 41%.This was 37% in December ‘23 and at a previous year end was 34%. The other important aspect which I would like to initiate is that in terms of expenses, in quarter four of the current financial year, which is quite common to every quarter for of the financial year, we have typically sales, collection and other employee-driven incentives and contests taking place, which results in an additional INR12 crores to INR13 crores of expenses which gets booked in quarter four of the financial year, which happened even last year and even a year before that.

This typically does not flow forward into the next financial year and typically is a quarter four phenomenon. So I just wanted to bring out that point in terms of why is cost higher or why is opex higher in quarter four. So this is overall that we had -- we believe that the results that we have presented is fairly in line with the expectation that we internally as management have. It's a very stable growth that we have presented both on disbursements in terms of AUM, in terms of profitability.

And as management we strongly believe that we should have a very stable and a consistent delivery rather than having it in lumps and more importantly having grown to a book size of about INR21,000 crores, the healthy NPA numbers that we have disclosed is I think a very, very healthy sign especially on the robustness of our entire portfolio. With that, I think we can open up for questions. over to you.

Moderator: Thank you very much. We will now begin the question and answer session. Our first question is from the line of Sushil Choksey from Indus Equity Advisors. Please go ahead.

Sushil Choksey: Congratulations to team Aadhar for a successful listing and presenting this result on a very stable note. Sir, my first question is I heard your media interview and the opening remarks now on the presentation. Can you give some guidance on AUM growth? What is our strategy for growth on a PAN-India basis including states where we are? And some guidance on your borrowing cost and ROE, ROA and spread loan spread?

Rishi Anand: Thank you, Mr. Choksey Thank you so much for your appreciation and thank you for watching the media interactions. As I had indicated in the media interaction also that over the last couple of years the organization has on the incremental disbursement grown at a rate of 20%. On AUM we have grown at about 22%, 23% and PAT at about close to about 30%. And given the matrices on the demand side I don't see any reason why we should not be growing at similar percentages in the current year as well. So that's the indication that I can give you.

Similar ranges 20% of AUM growth is not looking difficult at all especially when on the demand side we look at data point from RBI throwing out a number of INR10 crores unit shortfall on households out of which INR9.5 crores shortfall happens to be in the EWS/LIG segment which is our prime segment and prime area.

And if I were to simply convert by simple math, convert this shortfall into housing loan requirement it is 35 trillion. So there is more than sufficient demand. It is all about reaching out to the right customer. With respect to what we are going to do, what is our plan about one and a half years back we ventured out.

As I indicated in my opening statement we are already in 20 states. So obviously in all possible states we are there and about one and a half years back, we embarked on a journey of going deeper into states with our deeper impact strategy. The strategy definitely continues as we speak and as we go ahead anywhere between 70 to 75 branches a year-on-year basis is what we should be looking at in smaller towns and districts under the deeper impact strategy. And that is where the primary growth numbers are going to be coming in from.

In terms of ROA, ROE a similar trend ROE definitely because of the primary raise would look a little downsided from the current levels. Current levels are at about 18.4 and the way we look at it should drop to about 17.2, 17.3, but in a couple of years we should be back to the current numbers and ROAs will be in the range of about 4% plus.

Sushil Choksey: And what is our strategy forward in business only through direct booking of housing loans or we'll be doing assignments, co-lending and are we going to borrow more from NHB because the borrowing cost is much lower from NHB compared to banks any views on that?

Rajesh Viswanathan: Sir in terms of assignment we do use assignment as a diversification process. And if you look at assignment what we have done in the year we have done about close to about INR1,200 course of assignment. So we do anywhere between 8% to 9% of our opening book as assignment. I think we will continue to do that. On terms of co-lending, I think overall co-lending book that we have is in the range of around INR600 crores. I think in co-lending still we and the industry itself are at large finding its feet.

We have a tie up with one public sector bank and we are in the course of tying up with a private sector bank. Our intention is to go a slightly slower on co-lending till the time the business model becomes more robust for the entire industry, but yes assignment is something that we will continue doing in a similar levels as we go ahead.

Sushil Choksey: Thank you for answering all my questions. I'll come back and do if there is anything further. All the best.

Rajesh Viswanathan: Thank you Mr. Choksey.

Moderator: Thank you. Our next question is from the line of Gao Zhixuan from Schonfeld. Please go ahead.

Gao Zhixuan: A couple of questions. Firstly it's on the spread. How should we think about if I don't buy...

Moderator: Sorry to interrupt. Your line is not clear.

Gao Zhixuan: Yes So in terms of spreads from the yield and the cost of borrowing, how should we think about FY24?

Rajesh Viswanathan: I think on an overall basis the spreads that we had in quarter 4 should ideally move into the next financial year to a broad extent. There will be some sale impact of increasing rates on the cost side which will come in -- which will be passed on by banks. It will be a very minimal thing which will come in probably in quarter 1 and quarter 2 of this financial year. To take care of this that is a reason that the ALCO and the board have gone ahead with the 25 bps increase in our RPLR rates to customers.

And the more important thing is that when we have the RPLR rates which is passed on to customers in our case almost 80% or I think 79% of our book is floating. So in that sense whatever we pass on to 80% of the customers get passed on this increased rate with effects on 16 June. So I think that will be a very important component as we look going ahead. And I think beyond the end of quarter 2 of this financial yearI don't think there will be any increase in rates. It will be probably quite a long plateau in rates till the time international rates start coming down and probably the Indian markets also follow and as since our book is floating, obviously, when there is a drop in rates and when we are a recipient of those rate drops we will have to pass on the rate drop to the customer as well.

So the way of looking at spreads is that probably currently we would be around the 6% spread mark as we end as we ended the financial year. I think we should be broadly in the range of about 5.8%, 5.9% spreads as we look at it going forward because of this increase hopefully the 25 bps increase in the rate should take care of some of the spread compressions.

Gao Zhixuan: Got it. And on cost to income, how should we think about it FY '25?

Rajesh Viswanathan: Cost to income is basically what the cost to income that we have now currently generated is basically 37.5%. The last time it was about 38.1%. So if you look at it, we have dropped approximately 60 basis points. Aspirationally, I mean, honestly, since it's the first call, we are not really giving very, very clear guidance. But honestly, as management, we would love to drop this by 50-60 basis points as we go into the next financial year. And that's what we are tracking.

Gao Zhixuan: Well, listen, lastly, on the price increase, do you think that will affect our demand? Or how much are we about to go for competitive pricing now after the 25 basis points increase?

Rajesh Viswanathan: So in terms of price increase, if you look at most of the competition, I think we are more or less in line with the increase in rates that the competition has also done. With this increase, we would have increased about 150 basis points. We did 50, then we did a 75, then we are doing a 25.

Most of the competition would be anywhere between a range of about 125 to I think there are some competitors who would probably be at 200 basis points also. So it depends really upon the way they drive, each one drives their own business and spreads. We believe that with this 25 basis points, I think we would be comfortable with the spreads that we internally want to deliver.

In terms of does this impact the customer, in the last two times, as I explained, whenever we have done the increase in the rates, we have not seen a big impact on the customer. Because wherever possible, we try to minimize the impact of the customer by increasing the tenor of the customer's loan so that the EMI remains the same. And then also we try to increase the EMI in terms of Indian rupees in the range of about 500 to 1000 so that it reduces the impact on the customer's pocket in terms of paying the EMI.

Past also, whenever we had the rate increase, we did not see any spurt in any pseudo KPIs like for example, was there an impact on customers going delinquent or any of those sort. We did not see any instances when we did the 75 basis points or the 50 basis points. So we are quite strong. So one, we are strong internally. And secondly, I think we will be aligned with the competition also in terms of the pricing.

Moderator: Thank you. The next question is from the line of Adarsh from Enam. Please go ahead.

Adarsh: Hello. Hi. Thank you for taking my question. A couple of questions for this quarter. If you look at the disbursement mortgages number, seems a flat quarter. So if you can explain that, anything specific there on the business front side. And second was sequentially again, there was about a 30 bps drop in the yield that you've reported 14 to 13.7-odd. The mix hasn't really changed. So what led to that yield drop? Thanks.

Rajesh Viswanathan: So basically, one question was on the growth of driven by non-home loans. That was your question, right? The flat quarter?

Adarsh: So asking that your disbursement, Y-o-Y seems flat. So why was that? And yeah, the second question was for the yield?

Rajesh Viswanathan: So Y-o-Y, if you look at it, quarter four is always the highest quarter to be very honest. And in that sense, we deliver almost equal. It's always a tough quarter to do also because the numbers are delivered, which are very, very high. So if you look at it, it was about 20 billion. And here it was about 22 billion. In terms of home, yes, it was flat at about 15.

But if this is a decimal, it was 14.2. And this was about 15.1 or something. In terms of decimals, it is that way. But there was a slight growth, about 6%-7%. But if you look at it on an overall basis, I think the growth in both home loans and non-home loans in the terms of disbursements has been quite granular. In terms of spreads, I think this spread which actually goes into the presentation is a realized spread because this is the way we have reported in the DRHP. These are realized spreads.

These are accounting yields and realized yields. This is basically the income which gets recorded in the P&L divided by the average assets. And there are other elements which also For example, there is a 91 days versus a 90 days which happens in the current financial year. There are some true ups which may be happening at the end of the quarter. There are some loan waivers of about INR4 crores to INR5 crores that we would have given in the quarter.

So in that sense, if you look at the yield of 13.7, I think that takes all that. But if you look at the spreads which are more or less in the range of 6%, I think the way of looking at it is when we get into next year, I think with the spreads that we will take forward into next year would be more in the range of about 5.9% to 6%. And that is what will be the starting point of spreads as we move into the next financial year.

And in terms of non-home loans and home loans, I think the company is very clear in terms of home loan to non-home loan mix. We currently would be in the range of 75-25 – AUM is about 75-25. And the way we want to look at it is probably at a book level also. We would want to keep NHL in the range of 75-25. On an AUM basis, probably we may be 1%-2% lower in the sense that on an AUM basis, our home may be 73 and our non-home may be 27. But we will try and assign more of non-home loans so that on a book level, the home to non-home remains at a 75-25 ratio.

And anyhow, we have this minimum criteria of 60% of home loans as a qualifying factor for a housing finance company and we don't want to be anywhere near that. We are comfortably on top of that. So in that sense, internally, we are looking at keeping it at 75-25, a 0.5%, 1% here or there is okay. But we will try to assign more and more of non-home loans as we did. That's the way of looking at it. I don't think we should read too much into home loan and non-home loan portion in a quarter 4 versus quarter 4. We will maintain that 75-25 bit.

Moderator: Thank you. The next question is from the line of Nischint Chawathe from Kotak Institutional Equities. Please go ahead.

Nischint Chawathe: In terms of more medium term spreads, now if I look at FY '21 to '24, your spreads have gone up by almost 120 basis points from 5 to 6.2. So for this business, 75-25 kind of a business mix of mortgages and non-mortgages, what kind of a spread guidance would you want to give or what kind of a spread you would want to maintain? And the rate hike that we have done now, is it in anticipation of further increase in cost of borrowings?

Rajesh Viswanathan: I think the second one is slightly easier. The rate hike happened to a certain extent in quarter 4 already and to a certain extent will happen in quarter 1. Very small portion is expected in quarter 2. So 25 bps takes care of all the remnants of any rate hike which gets passed to us. Now in terms of guidance, I think we said that we are not very happy honestly putting our neck out on guidance.

But if you look at it in the past, Nischint, our spreads, if you look at it in the last three years post-COVID were in the range of about 5.6 to 5.8. Last two years has been quite good around 6%, 6.2%. I think with this increase in rate, if we manage to do 5.8, 5.9 in the current financial year and dropping by about 10 to 15 basis points in the next financial year, I think around 5.7, 5.8 as we look at two years down the line.

I think it's a fair thing that we should be looking at. So if you look at management perspective, I think immediately we would look at about 5.8, 5.9 and then dropping down to 5.7, 5.8. 10 bps drop, I think we should be able to take care.

Nischint Chawathe: What is the incremental cost of borrowing versus the weighted average cost of 7.7? 8.36?

Rajesh Viswanathan: So the incremental cost of borrowings that we currently have for the full financial year was about 8.02%. And quarter 4, which we had was around 8.36%. But the point to note over here is when we did quarter 4 borrowings, the NHB portion of that was only about INR300 crores of an overall borrowing of about INR2000 crores.

Nischint Chawathe: Like around 8.45 or thereabouts or 8.4, 8.45.

Rajesh Viswanathan: So I don't think the cost of borrowings will move up that significantly as from now to quarter one and quarter two, probably will be in the same range in terms of incremental cost of borrowings will be probably in the range of about 8.3% to 8.4%. I don't think we expect the incremental cost of borrowings to increase that much.

Nischint Chawathe: No, probably you're saying that there may be some catch up on the balance sheet in that?

Rajesh Viswanathan: That's was one of the primary reason that we did the 25 bps pass on.

Nischint Chawathe: And any kickers on the fee income side or insurance or, any of the other line items?

Rajesh Viswanathan: , I think on a fee basis, I think we do a fairly decent job in terms of both fees in terms of processing fee, I think we are one of the most aggressive in the industry. And in terms of attachment of life insurance and general insurance on a voluntary basis. I think we are we are fairly there.

I think, this is mainly done for the protection of the customer in terms of his loss of life or loss of property. And we try to do some health also because the typical type of customer that we have is from the low income group. And any loss of life really impacts the customer's family, in terms of having to pay the mortgage, as well as to take care after the loss of the life of a loved one.

So we try to educate the customer of the benefit of taking a life insurance loan. And similarly, I think that less thought to process is a property loan because property insurance because typically, God forbid any natural damages cost to the property, he loses the property. So we also encourage the customer to take a property loan and be given the benefits of that. But these are purely voluntary.

Rishi Anand : And if I can add here, the property loan is by regulation also it is required to be done by the customer, whether he takes it from the tie ups that we have, or he takes it from anywhere else and assigns it. So property insurance or property insurance is kind of mandatory. But when it comes to life insurance, it is purely voluntary. If he is willing to, we would definitely go ahead and educate the customer. If he is willing to take, he takes. And then we've in the past seen a lot of benefits going out to customers in case of eventuality of any debts.

Rajesh Viswanathan: So I think we are fairly there in terms of fee income, whether it is processing fee, whether it is other fee. And as we have also explained during our various investor message, which we have made to most of you, we also maintain liquidity buffer of anywhere between 6% to 8%. And this 6% to 8% also earns us some investment income.

Currently, it must be earning some 7.1% in the investment income. These are primarily, this also includes LCR that we have need to carry, which gets invested in the Gsecs. Apart from that, we invest in bank FDs as well as in overnight liquid funds. So this generates, this is approximately INR1,500 crores, which we are carrying in the balance sheet as a liquidity buffer.

And at the end, this is a cash-and-cash equivalence on balance sheet, which we have, which gives us anywhere like 7.1% return. Apart from this, at any point of time, we'll add about INR400 crores to INR500 crores of undrawn lines, which would include NHB and includes non-NHB also.

So I think in terms of, if you add all these income, the fee income, the insurance cross-sell income, and the investment income that we yield, I think we do a good job by moving from spreads to NIMs.

Nischint Chawathe: How much was the BT out and BT in for the year and the quarter?

Rajesh Viswanathan: So the BT out for the full year was about 6.9%. It was a tad higher for the quarter. The quarter came in at around about 7.2%, 7.3%. Just to give a feel, 6.6% was the BT out in FY23. From 6.6%, we have moved up to 6.9%. And just to give a feel of post-COVID, I think post-COVID was around 5% to 5.5%.

We have taken various steps to look at BT out. While we do understand that BT out is a natural phenomenon, which does happen in our industry. But what we have also done is we have used a retention team, which we centrally keep to take care of BT requests. We have also used analytics.

As Rishi had said, we have interspersed analytics in our entire BT out process by which our customer being inquired by a third-party financial institution, we get an immediate trigger. And we call up the customer trying to find out the comfort that he has with us as an institution. And based on that, if the customer has any agree on a rate or a loan increase amount that is taken care of. We are seeing some initial successes on this.

Our internal endeavor is to reduce this BT out figure a bit. I will be difficult to give out a number on this, but hopefully if we can shave off anywhere like 50 bps on the 6.9%, I think we would have done a fantastic job. Where does the BT out go to? The BT out generally does not go to peers. It goes to one notch higher HFCs and NBFCs.

Rishi Anand: If I can add to that, Nischint, while we have quoted a number of BT out of 6.9% annualized, given the industry trends and what we understand from market intelligence, we are far better from most of the peer groups. That is one. The second part of the question was BT in. As an organization, we do not promote the concept of BT in, and our teams are clearly advised not to do BT in because it defeats the social objective of why we exist, because there are no new housing created. Having said that, if there are any reference cases, we definitely take them in, and our BT in portion is below sub 1% today.

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

Nidhesh: Thank you for the opportunity. Sir, yield in Q4 has declined 30 basis points Q-on-Q. So what is the reason for that?

Rajesh Viswanathan: We just covered that, Nidhesh. This is a combination of 2-3 things. This is a realized yield which comes from the P&L.

This is a combination of a period which is basically one day lower. This is a combination of INR4-INR5 crores of waiver of interest which happens, and this also takes care of some direct assignment interest income which gets booked over there. So it is a combination of 3 or 4 things in terms of this. A better way of looking at this is to look at the spreads at 6%. The exit spreads will also be in the range of 5.95-6. I think the better way of looking at this is to look at a spread basis and go ahead. That will be a better metric to build it out.

Nidhesh: What will be the incremental yields that we are seeing now?

Rajesh Viswanathan: So in terms of incremental yield, if you look at home loans, our incremental yield is around 12.4%, 12.5%. In terms of non-home, it will range between 16.7%-17%. At a company level, the incremental yield will range in the range of about 13.65%-13.75%.

Nidhesh: And so as the incremental cost of fund is slightly higher, so the cost of fund will continue to increase up in coming quarters, right?

Rajesh Viswanathan: As I said, Nidhesh, it is possibly the last of the cost of fund increase we will probably see. We will see some impact coming in the quarter 1, and I think a tail impact will happen in quarter 2 which will be very, very minimal. But the 25 bps increase that we will take effective in the RPLR from 16 June, I think will take care of most of these problems.

Nidhesh: Sure. And also, can you share the incremental ticket size and the incremental sourcing mix for Q4?

Rajesh Viswanathan: Just a sec. I will just pull it out. Overall, ATS's average ticket size disbursement is 11.7 Lakhs. It is in the range of about INR13.7 lakhs to INR13.9 lakhs on home loans, and non-home loans continues to be very low and the range of about INR8.3-INR8.5 lakhs. Overall, it will be in the range of INR11.6-INR11.8 lakhs.

Nidhesh: And the incremental sourcing mix also?

Rajesh Viswanathan: Yes. So, in terms of the overall incremental sourcing mix from our corporateDSAs, it will be in the range of about 32-33%will be from corporate DSAs. And from our in house Aadhar Mitras, we will have. 20% So, from corporate DSAs, it would be in the range of about 32%

Rishi Anand : Aadhar Mitra will be about 20% and the direct sales will be about 40%, 45%.

Nidhesh: Okay. And what are the plans to add branches in FY '25?

Rishi Anand : So, as I indicated already, we are looking at approximately 75 branches coming in year-on-year, out of which 50 branches will be in the deeper impact strategy, which are sales offices, the small 100, 150 square foot kind of setups, and about 20, 25 branches will be the large branches across the existing cities.

Nidhesh: Okay. So, that's it from my side. Thank you.

Rajesh Viswanathan: Thank you, Nidhesh. This is just a small correction. The corporate DSA amount is actually in the range of about 25%-26%.

Nidhesh: Sure, sir.

Moderator: Thank you. The next question is from the line of Chinmay Nema from Prescient Capital. Please go ahead.

Chinmay Nema: Hi, sir. Thank you for taking my question. Just wanted to double click on the self-employed segment. Could you talk about your typical customer profile in this segment? And what kind of income verification and checks and balances go for this segment? And also, how does the asset quality differ between the salaried and the self-employed?

Rishi Anand: Thank you, Chinmay, for the question. Now, I will take your question. It's in 3 parts, one by one. Self-employed customer, to give you a flavor of who my customer is, my customer can be anybody from a small grocery store guy, from an Ola driver to a Pan shop guy, to a very small MSME, SME industry running a proprietorship industry or a partnership industry. So, this is my typical self-employed customer. What do I do in terms of underwriting?

In terms of underwriting, as I indicated in my opening statement, salaried customers are tracked separately. They are underwritten centrally in the hybrid model. The self-employed customer is underwritten at the branch model. Why in the branch model? That's where your question gets answered. When we meet this customer, we actually they are typically no income proof kind of customers.

We have to go in and understand their cash flows better. So, we typically spend a lot of time with the customer at his workplace, understand the footfalls, understand the kind of goods and services that he's offering, what are the typical margins in that. So, once we understand his cash flow, we go and establish, go and visit his residence and try and establish his standard of living in context of the cash flow assessment, do multiple market reference checks, do online, wherever possible, online checks in terms of ITRs, in terms of KYC, etcetera.

So, these are the checks we do. Apart from this, mandatory 2 visits to the property in question, whether it's a loan against property, which would be typically existing property. If it is a home loan, typically it will be a new property. So, we will definitely visit the property at least twice. I missed the third part of the question.

Chinmay Nema: The last part was, do you see any difference in the asset quality of salaried and self-employed segment or if you could quantify it?

Rishi Anand: Okay. In terms of GNPAs, there is a 90 – 100 bps higher NPAs that you see on the self-employed segment, which gets countered by the fact that we get about approximately 3.5% higher risk-adjusted yields.

Chinmay Nema: Got it. Thank you.

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

Rajesh Viswanathan: Thank you and thank you all for the questions. I hope we have been able to answer most of the questions to the best of our efforts. If there are any pending queries, you may write into Investor Relations ID, which has been given in the presentation, and we will try to answer the questions or any further clarifications that we have. As I conclude, I would say that it has been a fairly good, robust year for us. It has been a very important year and the first quarter has been very good in terms of us getting listed. The delivery on the full financial year has been very good, as has been consistently that we follow in the last 2-3 years.

Post quarter end, the IPO also has been a very good event that all of us in the company and our shareholders were looking forward to. As Rishi said at the outset, with the help of the support of all the investors and all our retail shareholders and all our corporate shareholders, I hope we will take this journey further and hopefully take the company to the heights that you guys are expecting. Thanks a lot for joining us and till we meet again next quarter, thank you very much.

Thank you so much, everyone.

Moderator: Thank you. On behalf of Nomura and Aadhar Housing, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.