GHAR BANEGA, TOH DESH BANEGA.

"Aadhar Housing Finance Limited Q2 FY '25 Earnings Conference Call"

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MODERATOR: **MR. NISCHINT – KOTAK SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Aadhar Housing Q2 FY '25 Earnings Conference Call hosted by Kotak Securities 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.

I now hand the conference over to Mr. Nischint from Kotak Securities. Thank you and over to you, sir.

Nischint: Good evening. Welcome to the earnings conference call of Aadhaar Housing Finance Limited. We have with us the senior management of Aadhaar to discuss the financial performance. Let me welcome 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.

I would now like to hand over the call to Rishi for his opening comments. After which, we will take the Q&As.

Rishi Anand: Thank you so much, Nischint. And a very good evening, ladies and gentlemen. On behalf of Aadhaar Housing Finance, I extend a very warm welcome to all of you to our Q2 FY25 earnings call. We have successfully achieved yet another quarter of steady performance with sustainable AUM growth. Strategic investments in technology and data analytics have enhanced our operational efficiencies and our deeper impact strategy has further driven the growth.

Moving on to this quarter's performance, we have successfully crossed yet another milestone of an AUM of INR22,000 crores, closing the quarter at INR22,817 crores with a significant growth of 21% Y-o-Y. We continue to uphold our position as a leading low-income housing finance company in the nation. We continue to maintain 100% secure retail portfolio with no exposures to corporates or developers.

Our average ticket size stands at INR10 lakhs with an average loan-to-value ratio at 59%, catering to the salaried customer segment at 56% of our portfolio. Retail home loan continues to dominate the book at 74%. Disbursement for this quarter stood at INR2,036 crores, an increase of 18% on Y-o-Y basis. We have successfully maintained the quality of the book at a GNPA drop of 6 bps at 1.29% with a healthy collection efficiency at 99%.

The spread for the quarter stood healthy at 5.9%. Our deeper impact strategy is working well for us, enabling us to reach the niche markets in Tier 4 cities and beyond to small talukas and small district headquarters. We have focused on expanding our distribution network in the first half of the year and have reached a total of 545 branches spread across 540-plus districts in 21 states.

This quarter, in question, we have added 9 branches, taking the total to 22 new branches in the current financial year. This has helped us to serve more than 277,000 live customers across the country. In H2, we will continue with this growth strategy on distribution. Wish to highlight yet another important update with respect to the Board of Directors at Aadhaar.

We have further strengthened our corporate governance and strategy insights with the induction of Dr. Punita Kumar Sinha as an Independent Director to the Board, with effect from 7th August 2024. Dr. Sinha comes with a rich experience of over 30 years in investment banking and financial markets. The Indian housing finance industry has experienced significant growth over the past decade, with the mortgage to GDP penetration increasing from below 8% to nearly 12%.

The sector has grown over 14% in the last five years, and similar growth is expected over the next three years. Government initiatives like the interest subsidy scheme, which is Pradhan Mantri Awas Yojana, large-scale housing construction, GST reduction, and stamp duty rationalization are fueling the demand to India's housing sector.

Additionally, rapid urbanization and rising disposable income are key factors to contributing to sector growth. The opportunity in India's housing finance market is huge, and we remain committed to drive this growth along with maintaining our financial stability. Our strategic focus remains in expanding our statewide presence, leveraging technology and data-driven insights.

Along with ensuring long-term profitability coupled with superior asset quality, we will continue to focus on innovation, enabling us to grow and enhance our operational efficiency. Inspired by the principle of "Ghar Banega Toh Desh Banega", we will persist in our mission to serve the underserved section of the society.

I would like to hand over to our CFO Rajesh Viswanathan to take you through our detailed financial performance for this quarter. Rajesh, over to you.

Rajesh Viswanathan: Thank you, Rishi. Good evening, everyone. I would like to take you all through the financial performance for both H1 as well as Q2. In H1 FY25, as Rishi has just said, our AUM has grown well, grown by 21%. Our overall borrowings as on 30th September 24 stood at INR14,600 crores compared to INR12,750 crores as of 30th September '23. We have further diversified our sources of borrowing.

We have 40 borrowing relationships. The borrowing mix as at the end of 30th September is 50% from banks, 25% from NHB, and NCDs make up the balance 25%. Our incremental borrowing for Q2 stood at INR1,100 crores. In Q2, we have drawn down a second tranche of Asian Development Bank amounting to INR250 crores. A point to note over here is that during this quarter, we do not have any borrowings on the lower interest rate scheme from NHB during this quarter. Even on the entire financial year, the percentage of borrowings from NHB on the lower interest rate subsidized scheme is very, very minimal.

Liquidity for the quarter stood at INR2,273 crores. It is around 12% of the loan book. We aspire to keep anywhere between 8% to 10% of the loan book as a liquidity buffer. In terms of fixed and floating nature of the book, 77% of our borrowing is floating and 79% of our assets are floating. So, there is a clear match between the fixed and floating book. Portfolio yield for this quarter as we exited is 14% in Q2 FY24.

In terms of spreads, it stood at 5.9%. Our cost-to-income ratio for this quarter stood at 36.2% and for the whole six-month period was 36.4%. This was compared to 37.5% in FY24. As we have alluded in the last two calls, we aspire to drop our cost-to-income ratio from the FY24 level by at least 80 bps to 100 bps in the current financial year. And the first two quarters, we are sort of getting there in terms of achievement in terms of our cost-to-income reduction.

We have managed to maintain good standard of asset quality with GNPA on AUM coming at 1.29% compared to 1.35% same time last year. The net NPA stood at 0.9% in Q2 FY25 versus 0.92% in Q2 FY24. As at September end, the stage 3 provision stands at 35% and as we have mentioned in our previous calls, our provision will be in the range of about 35% to 37%.

Capital adequacy ratio for Q2 FY25 at the end of Q2 stood at 45.9% for Tier 1 and 0.7% for Tier 2. In terms of overall growth, our total income stood at INR764 crores for this quarter as compared to INR629 crores in the corresponding quarter last year, which is a growth of 22%. For H1 level, our total income stood at INR1477 crores versus INR1222 crores, which is a growth of 21%. PAT came in at INR228 crores versus INR197 crores in Q2, a growth of 15% on Y-o-Y basis. For half year FY25, the PAT stood at INR428 crores compared to INR344 crores last year H1, translating to a growth of 24%.

In terms of disbursement, and this was a matter which we discussed last time because of the RBS circular, I am happy to state that the disbursements in Q2 have evened out and Q2 disbursements have come in at a strong INR2,036 crores versus INR1,725 crores in Q2 FY24, which is a growth of around 18% to 19%. Full year growth is 12%. If we adjust for the circular, the growth will be in excess of 20%. So, this is all that we had to say in our opening remarks. And with this, we open up for any questions that we may have.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Rinesh from ICICI. Please go ahead.

Rinesh: Congrats on a good set of numbers. So just two things from my side, one on the yield side. So, if I recollect, in June, we hiked our rate by 25 basis points. And in this quarter also, if you look at the disbursement breakup, incrementally, the disbursement in lab book is higher. And despite that, our yields are flat. So, what is the reason, yield remaining flattish, despite the rate hike and high disbursement in lab?

Rajesh Viswanathan: Yes, as we had explained last time, the increase in the rates, which was about 25 bps we did in the middle of the first quarter would obviously impact the book. The incremental rate of lending, the marginal rate of lending, obviously would not move directly proportional to that. We are lending in quarter one and quarter two at rates which are almost 10 bps to 15 bps higher than what we achieved in quarter four of last year.

Having said that, if you look at our spreads, exit spreads, I think we have exited in the range of what 5.9% to 5.95%. And as we have always guided, as we will end the current financial year, probably we will be ending in the range of somewhere between 5.8% to 5.85% spreads as we exit the year. What you're saying is right, when we do marginal rate of lending, this is also impacted because of various factors, including the mix of our product, including the competition on the ground and other things. Rishi, you want to add?.

Rishi Anand: No, that's perfect, I think that concludes it.

Rinesh: So, my question is actually why have we not been able to pass on this rate hike to the customer. Is this the competition which is impacting the gains or how should one look at it?

Rajesh Viswanathan: So, rate hike pass on to the customer, obviously we did for every customer who was there in the book on the floating basis in mid-June. But on the incremental basis, obviously the pass on would happen over a period of time. And for example, I assume theoretically we increased the rate by 25 bps on the RPLR basis. I think on a marginal basis, you may not see an increase of say 25 bps, you may see an increase of anywhere between 10 bps to 15 bps is a way it generally plays out.

Rinesh: Actually, if you look at the gains, I mean, sequentially it is flat at 14%. Now, even if we assume, let's say given almost more than 75% of the book is floating and 25 bps of rate hike in second half of June, so ideally this quarter should have the full quarter benefit. So, even if it is not 25 bps, ideally anywhere between 5 bps to 10 bps improvement should happen on the yield side, but maybe because of competition or I don't know.

Rajesh Viswanathan: You are right on an incremental basis if you look at it. The 13.9% from March, if you look at the yields, the yields have moved up to 14%. If you look at pure yields, it has moved from 13.9% to 14%. These are the exit yields. But on the COF side is where the COF has moved up by 10 bps, if I'm not mistaken, and that is why the spreads have come down. But if you look at yields and generators more, and plus you are right, incremental yields, which typically is INR3,000 crores, INR4,000 crores of business, which would have got done during the year, would definitely have come at a rate which is at least about 40 bps lower than the 14%.

Rinesh: Okay. Got it. And my second question is on the BT out rate. How has it been trending, sir, let's say over the last couple of quarters?

Rishi Anand: So, Rinesh, BT out, if I were to compare versus on a Y-o-Y basis, we were in 24, 6.5%. And as we speak for the quarter, we are 5.8%. So that is a substantial improvement on this, on an annualized basis. So, there is a substantial improvement. And there are a lot of efforts that the organization is putting towards it.

Rinesh: Got it. And we don't foresee any risk of higher BT out because of the rate hike, right?

Rishi Anand: No, we don't. We don't. You know, after rate hike, these are these are numbers that I'm quoting to you. So, 5.8%. So that is a substantial drop of about 7 bps, which is a comfortable position to be in.

Rinesh: Got it. That's it from my side, sir. Thank you and best of luck.

Moderator: Thank you. Our next question is from the line of Satish Kumar from Mirae Asset Capital. Please go ahead.

Satish Kumar: Thanks for the opportunity, sir. My first question is related to cost of borrowing, which rose to 8.1% or 40 bps year on year. So, any view that it will reach near peak or may increase further from this level in coming quarters? And the second question is the share of economic weak section, which now declined below 70% of the AUM. Any specific cap there you plan to share in the mix in going forward? Thank you.

Rajesh Viswanathan: I think on the cost of funds we have - we are 8.1%. There may be some pass throughs which may happen through some of the MCLR increases which some of the public sector banks are still doing. Probably as we exit the year we would be in the range of anywhere between 8.2% to 8.25%. So basically, that is sort of cost of funds that we should be really looking at. And that is one of the primary reason that we are seeing as we enter year, our exit spreads would be in the range of about 5.8% to 5.85%. In terms of economically weaker section…

Rishi Anand: Satish on EWS FY24, our numbers were 71% EWS which has dropped to about 69% marginal drop. The income levels are rising. So, the definition of EWS is annual income, annual household income up to INR3 lakhs. So while these levels were fixed way back in 2015 by the central government, there is obviously a request of revising these limits. Having said that the income levels have slightly risen because of which there is this marginal dip of about 2%, but we still remain focused on EWS LIG as an organization.

Satish Kumar: Okay, that's all for my side.

Rishi Anand: Thank you, Satish.

Moderator: Thank you. Our next question is from the line of Shubhranshu Mishra from PhillipCapital. Please go ahead.

Shubhranshu Mishra: Hi, thanks for this opportunity. I just want to understand the number of home loans that we on board on a monthly basis. Second is when we are talking on this growth and disbursement, can we decompose this of 18% and do what is coming out of...

Moderator: Sorry to interrupt you, Shubhranshu, if you can switch to handset mode, your voice is not clear.

Rishi Anand: Yes, I could not figure out the question, Shubhranshu, sorry.

Shubhranshu Mishra: Hi, is it better?

Moderator: Yes, Shubhranshu, please go ahead.

Shubhranshu Mishra: So, I wanted to understand the number of home loans that we onboard on a monthly basis. What would be the logins versus the number of files that were dispersed? Second is, so when we are talking about this 18% disbursement growth, how do we decompose this into what is coming out of the maturity of branches, what is coming out of geographic expansion and what is just about business as usual and what would be a forecast of disbursement growth and AUM growth for the next 2 years to 3 years? These are my first couple of questions.

Rajesh Viswanathan: I think on login we do anywhere between 16,500 to 17,500 files a particular month. And if you look at it, approximately anywhere between 27%, 28% of this would be non-home loans. The balance would be home loans. In terms of sanction to login, the range will be in the range of about 60% to 65% is our sanction to login. And typically, login to disbursement would range between 42% to 45%. So that is the flow from login to sanction to disbursals.

Rishi Anand: The second question, Shubhranshu, was on where on the maturity of branches versus new branches, where is the growth coming from? So, every year, the way it works is the current branches that you launch in a particular quarter, or a particular year will become productive and mature only in the following year. So current year, the enhanced efficiency comes from maturity of the existing branches. Sorry, I missed your third question.

Rajesh Viswanathan: The third question was 18% growth; how should we typically look at it? So, we still are guiding for 18% to 20% disbursement?

Rishi Anand: Yes, our guidance remains on 18% to 20% growth for the year. Are we in line? Yes, we are in line because the way our budget span out and we are right on the plan the way it was budgeted, which will culminate to about 22% to 24% AUM growth.

Shubhranshu Mishra: Understood. And if I can just squeeze in one last question, what would be the proportion of Cat A, B, C company, salaried employees coming into our login, home loan login?

Rishi Anand: Okay, so I don't think I would have that data right away. But primarily, if I can give you an indication who are my customers, you would have a range of customers right from army jawans to police constables to teachers in government schools. So that is one range of customers, second range of and you're referring to salaried. So second range of salaried customers will be customers working for private limited companies, partnership firms, proprietorship firms. So, we have - but right now I indicatively if I can tell you 45% of my customers are our formal customers. So, these are customers which form in the formal category.

Shubhranshu Mishra: Understood. This is very helpful. I'll come back in the queue. Best of luck for ensuring quarters.

Rishi Anand: Sure. Thank you Shubhranshu.

Moderator: Thank you. Our next question is from line of Arjun Vikas from Alpha Wave Global. Please go ahead.

Arjun Vikas: Hi, first of all, congratulations on a great set of numbers. I just wanted to understand a few things to the extent possible. So, when we think about Tier 1, Tier 2 and versus Tier 3, Tier 4 markets, how is the sourcing different? So, for example, how much, you know, proportion comes from Aadhaar Mitra versus Direct versus others. Similarly, we'd love to understand BT in and BT outs to the extent possible between these two sets of markets and the login or the sanction disbursals ratios across these two set of markets like how does it differ between Tier 1, Tier 2, and Tier 3 and Tier 4?

Rishi Anand: Okay, first, let me give you the company level numbers Arjun. One is you asked about what comes from Aadhaar Mitra. So Aadhaar Mitra is typically anywhere between 20% to 25%, depending on the month you're talking about. So on a quarterly basis, since you're referring to Q2 FY25, 24.4% business came from Aadhaar Mitra. So that is the split on Aadhaar Mitra. Your second question was on Tier 1, Tier 2, the business and the split of the branches and then the business?

Arjun Vikas: No, I meant when we compare Tier 1, Tier 2 markets versus Tier 3, Tier 4 markets, is the sourcing mix different? Are we getting that when you say 24.4% on an overall level, is that different in Tier 1, Tier 2 versus Tier 3, Tier 4?

Rishi Anand: From an Aadhaar Mitra perspective your Tier 1, Tier 2 will contribute more business from Aadhaar Mitra because these are larger locations where you have more Aadhaar Mitra. Smaller locations when we talk about very, very small locations which are Tier 3, Tier 4, the number of Aadhaar Mitras will be low, hence the contribution will be low.

Arjun Vikas: Understood. Would it be possible to quantify like when you say low, like is it like significantly low?

Rishi Anand: Arjun, I'll have to get back on that or somebody will get back on that because I don't have that split right away.

Arjun Vikas: No worries. And similarly, on does the login to disbursal ratio, the sanctioned disbursals which talked about 40%, 45%, does that vary significantly between these two types of markets?

Rishi Anand: No, so fortunately, that does not vary. It will vary a couple of percentages here and there, depending on the kind of business that is sourced in a particular month. But when we say 42% to 45% that is standard all across the kind of cities that you're talking about, whether it is Tier 1 or Tier 4.

Management: I think you had a question BT in.

Arjun Vikas: BT in and BT out both?

Management: As a strategy I think last time also we spoke about it. As a strategy, we don't promote too much of BT in. BT in, in terms of percentage will be less than 2% annualized of my business. We don't promote too much of BT in unless it's a reference from an existing customer. BT out, we've already indicated on the call, it's about 5.8% annualized.

Arjun Vikas: Sorry, I just wanted to say again, is there a trend between or a difference between Tier 1, Tier 2 and Tier 3, Tier 4 on these numbers or are they broadly similar?

Rishi Anand: Yes, so Tier 1, Tier 2 we'll see a lot more percentage in terms of the split between Tier 1, Tier 2, BT out will be higher in Tier 1, Tier 2 versus which is higher, versus Tier 3, Tier 4. One is the quantum of book is small there. Competition plays a little more, I would say, aggressive strands in metros and Tier 1, Tier 2 locations.

Arjun Vikas: Understood. And sir could you help us guide towards growth how much will come from Tier 3, Tier 4 locations going forward versus Tier 1, Tier 2?

Rishi Anand: So, Arjun, when we say 18% to 20% disbursement growth and about 21% to 23% AUM growth, we are talking about all mature branches. In our case, Tier 1, Tier 2, Tier 3 or Tier 4, our branches are all mature. They've been around for greater than 12 months. So, I would say in terms of percentage contribution, it is going to be on a standalone basis, each branch will contribute similar percentages. And that's what we drive, we drive holistic approach rather than a metro location contributing more growth versus a smaller location not contributing growth. We drive that's how we run the company. We drive more holistic growth. Our new initiative, which I spoke about in my opening speech of deeper impact, they will contribute 5% to 8% of the business. It's a new initiative, so it will take a little more time to get matured.

Arjun Vikas: Understood. Thank you.

Moderator: Thank you. Our next question is from Lion of Sonal from Asian Market Securities. Please go ahead.

Sonal: Yes, thanks for the opportunity. Am I audible?

Rishi Anand: Yes, please.

Sonal: Yes. So, a couple of questions. First one is on free income. So, if I look at fee income as percentage of disbursement that has come down slightly this quarter. So, previous three quarters we've been in the range of 2.4% to 2.9%. This quarter, we've been around 2.1%. So how should we kind of model this number and any sense that you can give that this number would be going down or will it remain at 2.1%?

Rajesh Viswanathan: I think Sonal the way to look at it is that this may be some quarterly movements. It's not significant. I think to be conservatively you should model it around 2.2% to 2.4%.

Sonal: Around 2.4%. Okay.

Rajesh Viswanathan: That's right.

Sonal: So, there was a question earlier on disbursement yield. So you said that disbursement yields are basically 30 basis points to 40 basis points lower than on book yield. I'm not sure if I heard it correct, but if you could just tell me what is the disbursement yield at the moment and what is our on-book yield for home loans as well as non-home loan portfolio?

Rajesh Viswanathan: I think our book yields are about 14%. And as I said disbursement yields will be about 40 bps lower. And typically, we make about 350 basis points higher on non-home loan versus home loan. Typically, they earn us about 350 basis points higher. So that's basically the split which we will have on incremental disbursements also. So as I said, 40 bps lower in terms of overall yield and in terms of mixed non-home loans which today constitute approximately 25%, 26% of AUM will give me 350 basis points higher and in terms of incremental disbursements also, they are in the same range of about 27%, 28% and they give us 350 basis points higher.

Sonal: Okay. And sir what is our branch addition plan for the year? So far, we've added about 22 branches. So how do we see for the entire year?

Rishi Anand: Sonal, as indicated last time also we are looking at anywhere between 70 to 75 new branch network. In H1, we've already added 22 branches into our latest 545 number. And we will currently as we speak, we want to stick to our plan of 70 to 75 new branches.

Sonal: Okay. So just going back on the previous question on the yields, we've taken a 25 bps PLR hike. So what I understand is basically incremental rates are 40 basis points lower. We're expecting cost of funds will move from 8% to about 8.2% by the end of the year. So that's like a hike of 20 basis points. So how should we look at spreads? We've been guiding at 5.8%, but broadly the Math says it could trend a little lower than that. So, if you could just help me to understand those numbers?

Rajesh Viswanathan: Sure. I think 5.8% is something that we will strive to achieve. There are two, three reasons, two, three levers that we believe that we will have. One is that on an incremental borrowing basis, the entire NHB lower rate scheme has not come in. So basically, we expect that to come in hopefully by third quarter or fourth quarter. So, we will get some benefit from our incremental borrowings which will happen over there.

And typically, what we generally see that quarter 3 onwards or rather quarter 3 and a bit of quarter 4 is where the yields do increase a bit in terms of incremental yields. So, we are also looking at how we can increase the incremental yields from quarter 3, at least. Quarter 4 generally there is a lot of competition in the market in terms of various contests, which get launched and there is always pressures on yields in quarter 4.

So, we will try and maximize our yield during this period of say October to January is what we are internally planning.

Sonal: Okay. And any change in the mix?

Rajesh Viswanathan: In terms of HL, NHL, no we still believe that we should be as we end the year in terms of book composition we would be 75-25. In AUM composition, it could be slightly higher when you look at AUM of non-home loans. What we end up doing is we try to direct assign a significant portion of our direct assignment will come from non-home loans. So, on a book basis, we will strive to maintain 75-25.

And in terms of overall self-employed and salaried book, I think we try to as we have already always said that every year we will try to move around 1.5% of AUM every year from salaried to self-employed. Because in self-employed again we have a 300 bps to 400 bps incremental rate that we are able to get from the consumer. And even risk adjusted for NPS, these are good spreads to strive. So, on an overall basis, no change HL, NHL.

On self-employed and salaried as we have guided earlier, we will try to move 1.5% every year. This is a lever which we use very, very carefully.

Sonal: Sure. That answers. All the best sir.

Moderator: Thank you. Our next question is from Rajiv Mehta from Yes Securities. Please go ahead.

Rajiv Mehta: Hi, good evening. Congrats on good numbers. So my question first was on marginal rate of loans and you said that there's been an improvement of 10 basis points, 15 basis points from Q4 levels in the first half of the current year. So, this has been driven by any push-up in terms of rates from our side or is it purely a factor of mix, incremental lending mix moving towards mortgage loans and self-employed home loans?

Rajesh Viswanathan: No, major change in mix, Rajiv. As I said quarter 4 to a certain extent, is impacted because of various competitive elements in the market. Two things which played out is because we anyhow took a 25 bps increase in rates in June. I think the sales team was also guided internally to look at maximizing rates.

So a mixture of both, some unwinding of competitive schemes as well as the general strive to push through some rates, rate hikes which you took on the entire book on the incremental bit is what gave us the 10 bps to 12 bps of incremental hike over quarter 4 of last year, but no change in mix or no change in strategy on that.

Rajiv Mehta: And given the current competitive intensity which you see across markets, what is the thought process about how quickly we would want to pass on any cost of fund benefits to the customer through PLR, RPLR reduction? Would we keep some lag in passing it on whenever the cost of fund reduces, or would it be pretty immediate?

Rajesh Viswanathan: I think, Rajiv, rate increase or decrease is as per guidance by Board and ALCO, and I'll quote denominated RPLR policy. When the markets do correct in terms of rate decrease, first of all, the banks need to pass it on to us. So MCLR has to unwind for the bank. We have to then find out whether we fit into a bucket of a 6-month MCLR or a 1-year MCLR. So that gets passed on to me.

When we see definitive action happening and when we see our rates do drop, actually on the books and when it becomes a meaningful percentage to the consumer in the range of say broadly 0.15% onwards is something that we will look. In terms of lag, the lag will definitely be very short from the MCLR pass on to us to what we passed on to the consumer.

It will be an operational lag, but it can't happen that tomorrow RBI drops rates, and we pass it on to the customer because it should reflect in my COF. Once it reflects in my COF, there will be hardly maximum of a quarter by which I have to pass it on. That carry is more of an operational carry and that carry is not a profit and strategy carry.

Rajiv Mehta: No, understood. And just a clarification, the portfolio yield which you report in the presentation is that the contractual yield?

Rajesh Viswanathan: It's a contractual day and yield.

Rajiv Mehta: A day and yield and which is why that partly explains that we did not see much of an increase in Q2 over Q1 despite the PLR hike we did in June because it was already captured in the June end yield number?

Rajesh Viswanathan: That's exactly right. The June end yield number, though we did it on June 17th, what we reported captured the yield, whereas if you took out the realized yield which would have happened in the P&L.

Rajiv Mehta: Yes, there's an increase.

Rajesh Viswanathan: It will actually reflect over here.

Rajiv Mehta: Got it. And just lastly on NHB sanction and pipeline, whatever we have, some visibility, what is the quantum and how much of it do we expect to come through under the low-cost scheme?

Rajesh Viswanathan: To be honest, we have applied to NHB. Our current sanctions, we exhausted in Q2. We have applied to NHB. NHB would come in with a sanction hopefully in quarter 3. And as a strategy, we draw it systematically over four quarters. Just to give a reference number, last year we had a INR1,000 crores sanction which came in, which was drawn down over a four quarter period.

Rajiv Mehta: Clear. Thank you and best of luck.

Rishi Anand: Thank you so much, Rajiv.

Moderator: Thank you. Our next question is from the line of Rudraksh Kalra from MB Investments. Please go ahead.

Rudraksh Kalra: Yes. My question to you is the housing finance, although the segment has been growing rapidly with competition has also been growing. So, my question is, how is Aadhaar going to navigate it and what is its broader strategy? Are you guys going to be aggressive or are you going to be moderate or are you going to be conservative in your approach? Thank you. That's my question.

Rishi Anand: Thank you, Rudraksh, for your question. You spoke about competition I think I would want to start with saying that we are the only low-income housing finance player available across 21 states. So, I think our biggest strength is our distribution. We have about 545 branches spread across the length and breadth of the country. When you talk about competition, competition is more regional for us.

So we go to South, we face some competition, come to Central India, some competition, Western some competition. So, we don't have a Pan-India competition. Are we going to be very aggressive in our approach? I would say no. We would be moderate. We will not be very conservative also, but we want to play very moderate. We would choose the risks that we want to choose. So, no aggressive play at all in the field.

Our branches and our people are over in terms of vintage, they are over 7 years plus in terms of branch manager and above. So, we have a very vintage team who understand the consumer, who understand the risk and who understand what is deliverable to the company. So yes, our distribution is going to play a very important role. Will competition keep coming?

Obviously, competition will keep coming, but our forward-looking strategy of deeper impact is where we are going to play a big role. In deeper impact, we've already in the last financial year, we've touched five states. As we speak in the current financial year, we've already initiated launch of deeper impact locations in three more states.

So that's where we are heading to. So, it's going to be a perfect balance between Tier 1, Tier 2, Tier 3, Tier 4 and deeper impact locations for us.

Rudraksh Kalra: Just a follow-up question. So, when the RBI starts cutting rates, if it cuts too aggressively or if it cuts slowly, does that - will that have any sort of impact?

Rajesh Viswanathan: So 80% of our book are floating, 78% liability being floating. Whatever, as we explained just now, whatever aggressive or non-conservative pass-on to us happens, we will pass it back to the consumer. The 80% consumers will benefit from it as soon as I get benefit. So, this is the advantage of running a floating book and a well-matched floating book.

Rudraksh Kalra: Thank you so much.

Rajesh Viswanathan: Thank you, Rudraksh.

Moderator: Our next question is from the line of Jagdish Sharma, who's an Individual Investor. Please go ahead.

Jagdish Sharma: Hi there. Congratulations for the results. I have two questions. The first question is, in recent interviews, you have told your bottom line may grow at 30% to 35% in the coming years. Will that guidance still be on, sir? Will you say the guidance is still on?

Rajesh Viswanathan: So, I think, to be honest, I think there may be some miscommunication here. We have guided two, three things. One is that we have guided disbursements will grow in the range of 18% to 20%. Our AUM growth will be in the range of about 22% to 24%. And profit, typically, if you look at the profit growth of the previous year, it will generally be in the treadmill of about if you look at the math, it will generally be in the threshold of about 23% to 27%. So that is the way it was. I'm not sure we ever mentioned 35%.

Jagdish Sharma: Okay, So the profit will be in the range of 23% to 27%, okay.

Rajesh Viswanathan: Sir, you can do the math yourself.

Jagdish Sharma: Yes, understood. So the second is one of the peers of yours...

Moderator: Sorry to interrupt Mr. Jagdish, I request you to join the question queue for any follow-up questions. Our next question is from the line of Faraz Motani from Paragon Partners. Please go ahead.

Faraz Motani: Yes, I have two questions. First one being, what would be a weighted average tenor on the borrowings? And the second question would be, what would be the productivity for sales employees in terms of files at the disbursement level?

Rajesh Viswanathan: In terms of borrowing tenor, it would be broadly in the range of 6 to 6.5 years. To put it into perspective, our behavioral tenors of our home loans in the range of 8 to 9 years and the behavioral tenor of our non-home loans is in the range of about 4 to 5 years. So typically, if you do a mix of both of that and compare it to our borrowings tenor, it is more or less in line with that. The other thing was on the number of files.

Rishi Anand: Yes, the productivity of the direct sales team, which is right at the front end, is 3 logins per month and about 1.25 to 1.29 disbursement units per month.

Management: Got it. And this would be at a blended level across all the sales employees? 1.2 at a unit.

Rishi Anand: Every level would have a different productivity matrix for us. DST, right at the front end, is the one who matters the most and these are the numbers I have indicated. As you move ahead, the supervisory layers productivity numbers will depend on how many DSTs he has. So, it is a different mechanism.

Faraz Motani: Sir, what I am trying to understand is on a steady state basis, so when a sales employee matures being in a system for 9 to 12 months, what would be the files disbursed by him or logins done by him on a per month basis at the file level?

Rishi Anand: Very interesting question. So, when I told you 1.25 files disbursement, it is for all the people put together. But if the way you want to break it, if a person below 6 months, above 6 months, the productivity actually becomes almost double. So, it is 2 plus, 2.2 to be precise when he moves 6 months plus.

Faraz Motani: Got it, sir. Thank you.

Rishi Anand: Welcome.

Moderator: Thank you. Ladies and gentlemen, that was our last question for today. I now hand the conference over to Mr. Nischint for closing comments.

Nischint: Thank you very much for joining us today. We thank the management for giving us an opportunity to host the call.

Rajesh Viswanathan: Thank you, Nischint so much. Thank you so much and regards to all of you for joining in so late. Thank you very much.

Management: Thank you. Have a good day.

Nischint: On behalf of Kotak Securities, that concludes this conference. Thank you for joining us and you may now disconnect your line.