"Aadhar Housing Finance Limited Q4 & FY'25 Analyst Conference Call"

May 06, 2025

MANAGEMENT:	**MR. DEO SHANKAR TRIPATHI - EXECUTIVE VICE CHAIRMAN** **MR. RISHI ANAND - MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER** **MR. RAJESH VISWANATHAN - CHIEF FINANCIAL OFFICER** **MR. SANJAY MOOLCHANDANI - HEAD (FINANCIAL PLANNING)**
MODERATORS:	**MR. AJIT KUMAR - JM FINANCIAL**

Moderator: Ladies and gentlemen, good day, and welcome to Aadhar Housing Finance Limited Q4 & FY'25 Analyst Conference Call hosted by JM Financial Institutional 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 * then 0 on the touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ajit Kumar from JM Financial. Thank you, and over to you, sir.

Ajit Kumar: Thanks, Rutuja. Good evening, everyone. On behalf of JM Financial, I welcome everyone to 4Q FY'25 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 & CEO; Mr. Rajesh Viswanathan – Chief Financial Officer; and Mr. Sanjay Moolchandani – Head, Financial Planning.

We will start with opening remarks, and then we will open the floor for Q&A. I'll now hand over the call to MD & CEO, sir, for his opening remarks. Over to you, sir.

Rishi Anand: Thank you so much, Ajit. A very good evening, ladies, and gentlemen. On behalf of Aadhar Housing Finance, I extend a very warm welcome to all of you.

This year has been a landmark in our journey defined by strong performance. We are proud to announce that our AUM has reached INR 25,531 crores, representing a remarkable year-on-year growth of 21%. This outstanding milestone not only reflects our continued momentum, but also reaffirms our leadership position in the Affordable Housing Finance sector. We have consistently delivered a strong performance in every quarter while maintaining our position in the Affordable Housing Finance industry. This sector has seen substantial growth this year with strong support from government and rise in demand for affordable housing. We believe affordable housing will continue to be the cornerstone of India's housing finance industry.

Moving on to Aadhar's performance for the Quarter and for the Financial Year ended 2025:

We clocked an AUM of INR 25,531 crores, crossing a key milestone of INR 25,000 crores, a significant growth of 21% YOY. We continue to maintain our position as India's leading low-income housing finance provider. Disbursements stood strong at INR 8,192 crores, a growth of 16% YOY.

Quarter 4 disbursement at INR 2,556 crores has shown a growth of 18% YOY and growth of 21% YOY in Quarter 4 PAT at INR 245 crores. While maintaining this growth momentum, we continue to focus on maintaining our book quality. Our portfolio continues to be entirely focused on retail secured loans with nil exposures to corporates and developers.

Our GNPA has declined by 3 bps to 1.05% on YOY basis, supported by a stable collection efficiency of 100% plus. Our average loan-to-value ratio is at 59%, majorly catering to the salaried segment constituting 56% of our portfolio with an average ticket size of INR 10 lakhs. Home loans make up a substantial majority of the AUM, accounting for 74%, while non-home loans is the remaining 26%.

Our deeper impact strategy has been instrumental in driving both meaningful outreach and operational efficiency. By focusing on high potential underserved regions, particularly smaller districts, and Talukas, we have been able to scale our presence effectively while maintaining a lean operational structure. This has translated in aligning our long-term objectives of sustainable growth and prudent resource allocation.

As highlighted in the last quarter, the strategy has not only strengthened our foothold in these target segments, but also laid a strong foundation for our future expansion.

On geographical front – our geographical footprint has shown substantial growth over the past year, now spanning to 21 states and covering 545 districts, supported by a robust network of more than 580 branches. In FY'25, we added 57 new branches, which has significantly enhanced our capacity to serve a wider customer base, which has now reached 2.99 lakh live customers. Another milestone we have achieved this quarter is our entry to the Northeast with its first branch in Guwahati, marking a pivotal step in our mission to provide homeownership accessible to the underserved communities. Our expansion to Guwahati aligns with NHB's vision of financial inclusion and Government's "Housing for All" mission.

Our portfolio remains well diversified with no single state accounting for more than 14% of our total AUM. This balanced exposure underscores our prudent risk management approach while supporting our strategic goal of sustainable and inclusive growth.

On technology front – we have led from start by leveraging our TCS-enabled core system to fully digitize our processes. We have implemented advanced data science solutions to streamline operations end-to-end. Over the past 4 years, we have focused on expanding data insights across teams, starting with basic reporting and evolving towards advanced analytical support for better decision-making.

With this strong foundation in place, we are now moving towards deeper insights through AI and machine learning, unlocking smarter, more transformative outcomes. This shift will further enhance data quality, governance, and compliance.

On the liability side, we continue to focus on our diversification strategy. And in the quarter 4, we have explored ECB as an option. Rajesh will be speaking a little more about it.

The Affordable Housing Finance sector has witnessed a strong growth momentum in the recent quarters attributed to urbanization and rising demand for housing loans, along with significant push given by the government. Union Budget 2025 provides a strong boost to the Affordable Housing Finance sector through measures that directly benefit institutions like us. Key initiatives such as reduced personal income tax rate, enhanced funding for Pradhan Mantri Awas Yojana, revival of the interest rate subsidy scheme, credit guarantee program and allocation to the SWAMIH fund are designed to increase home loan accessibility and affordability for low- and middle-income groups.

To conclude – I would like to emphasize that Aadhar Housing Finance stands well positioned to continue its growth journey backed by a strong operational foundation, expanding footprint and robust technology infrastructure. With supportive government policies, rising demand for affordable housing and our commitment to the financial inclusion, we are confident in sustaining our leadership in the sector. As we move forward, we remain focused on delivering value to our stakeholders while deepening our impact in underserved communities.

I would now like to hand over to our CFO, Rajesh Viswanathan, to take you through the financial performance of the quarter and the year.

Rajesh Viswanathan: Thank you, Rishi, and good evening, everyone.

I would like to take you through the Financial Performance of Q4 FY'25 and Full Year 2025:

As we exited FY'25, our AUM has grown by 21% on a YOY basis. And as Rishi said, we have crossed the mark of INR 25,000 crores, and we are the first low-income housing finance company to do so. Our overall borrowings as at 31st of March 2025 stood at INR 16,388 crores compared to INR 13,960 crores as at 31st March '24.

The borrowings has grown by 17% on a YOY basis. The borrowing mix as at 31st March '25 is 53% from banks. NHB share is 23%, NCD share is 21%. And as Rishi said, we have done our first ECB issuance and the ECB share is 3%.

The ECB that we did was for US $50 million. We did it in Quarter 4 FY'25 and this is a fully hedged transaction that we have carried out. This is carried out at a SOFR plus 156 bps and the full all-in hedged cost comes in around 8.1%.

Our incremental borrowings for FY'25 stood at INR 5,024 crores. We have around 43 borrowing relationships among national housing bank, banks, housing finance banks, mutual funds and DFIs. We have drawn INR 1,100 crores from NHB in FY'25, of which the affordable housing fund share is around 16%. The blended cost at which the INR 1,100 crores was borrowed was around 7.9%. The overall exit cost of funds at FY'25 stood at 8.2%.

In terms of fixed and floating nature, 79% of our borrowings is floating and 76% of our assets are floating. Undrawn sanctions as at 31st March 2025 is INR 891 crores.

Liquidity, as at the end of the year stood at INR 2,200 crores, which is about 10.7% of the loan book. The portfolio yield for the full year as we exited was about 13.9%.

In terms of spreads as we exited, we have exited at a spread of 5.7% is what we had also highlighted in our previous calls.

Our cost-to-income ratio for FY'25 stood at 36.4% as compared to 37.5% in FY'24. As we had mentioned in our earlier calls, we were looking at reducing our cost to income in the full year on 80 to 100 bps, and we have shown improvement of 104 bps. Further, as you would note, there is a movement in the overall OPEX in Quarter 4 as compared to Quarter 3. But as we have indicated in prior calls, what we have done is we have tried to spread OPEX to a great extent among Quarter 3 and Quarter 4 to ensure that there is no lumping up in Quarter 4. This was, as you would remember, had happened in last year Quarter 4.

Compared to that, in this year, the OPEX, which is basically the contest that we run from periods of November to March is spread over 2 quarters. GNPA as at 31st of March is 1.05%, and this is one of the best performances in terms of GNPA in the last 3 to 4 years that the company has demonstrated. There is an improvement of 3 bps of GNPA on an AUM basis.

The provision coverage ratio on Stage-3 currently stands at 34.5%. Capital adequacy ratio for FY'25 is 44.1% and Tier 1 and Tier 2 is 0.5%. For FY'25, the overall full year PAT came in at INR 912 crores compared to INR 750 crores in FY'24. Overall growth is 22%. PAT for Quarter 4 FY'25 stood at INR 245 crores versus INR 202 crores in Quarter 4 FY'24, which is a growth of 21% on a YOY basis. We are focusing on maintaining a healthy book and delivering consistent performance on a quarterly basis.

With that, we can open up for questions.

Moderator: Thank you very much. We would now like to open the question-and-answer session. The first question is from the line of Renish from ICICI. Please go ahead.

Renish: Hi sir. Congrats on a good set of numbers. Just 2 things. One on the asset yields. So typically, in a falling rate cycle, there are 2-3 moving parts. One of those is the BT-out rate then the PLR change and also the competitive pressure because generally the prime housing loans will get repriced lower and lower in line with the repo rate cut. So if we look at our yields in Q4 exit, how do you see yields are settling, let's say, over the next 2 to 3 quarters, considering all these 2-3 moving parts?

Rajesh Viswanathan: I think, Renish, if you look at our overall book yields, it has been quite consistent on a quarterly basis for the last 3 quarters. And as we had said, the full year yields are around 30 bps lower than the book yield. So in quarter 4 also, we have been quite good at managing to get incremental yields of around 13.5% to 13.55%, which is quite similar to what we had in Quarter 3. Yes, BT, as you correctly said, some of the prime housing finance companies obviously do a lot of aggressive BT-in Quarter 4. And the BT-out rate as we exited the year, we had a 6.5% BT-out, which was a drop from 6.9% in Quarter 4 of last financial year. So to that extent, some of the steps that we had taken on BT-out is something that has helped us to stem the BT-out to by about 50 bps on a quarter-on-quarter basis.

Renish: But I mean, let's say, in a scenario where there could be higher BT-out rates going ahead and in order to sustain 20% plus growth obviously we have to get into the price war. So in that scenario, I mean how comfortable or confident we are that we will be able to sustain this yield of 13.5.

Rishi Anand: So Renish, I can come in here. Rishi here. So Renish, as Rajesh said, we have taken multiple steps already with our central retention team in place, multiple other measures with respect to data analytics pooling in into the retention team. So all those measures have been taken and we can see initial results at 6.9% to closer to 7% falling to about 6.5%. Vision is to take it to a annualized number of 6%. What we have also interestingly done is and you are right, in the way you are looking at it, what we have done is to protect ourselves, we have now divided the country into something and that is effective this financial year. But I don't mind speaking about it right now into urban and emerging locations. So the top 15 cities which will contribute about 100 branches of ours is now urban which contributes to my topline and in emerging we have 3 categories of branches which is typically about 400 odd branches, so emerging A, B and C. And the strategy is for urban and emerging A,B, C for all 4 kinds of different location is completely different. When I say strategy I mean the ticket size, I mean the yield, I mean the BT-out strategy, the branch strategies, all the strategies for every branch category is different. Illustratively let us say emerging C location which will be typically a Tier 4, Tier 5 location. I have a maximum ticket size cap, I have a BT-out cap, I have incremental yields which will be much higher than what an urban and emerging will be given to me. So as we move ahead, I think this strategy of ours which is going to play a big role in defining how Aadhar is going to maintain its current levels of spreads or even BT-out for that matter.

Renish: Got it. Rishi sir, just a request, would you be able to share the yield difference, let us say between urban and emerging, A, B, C, I mean, there will be 40-50 basis points of rate difference between each location or how is it?

Rishi Anand: While this is, as I told you it is 1st April, but I will indicatively give you the differential in yields overall. You can just bear with me for a second.

Rajesh Viswanathan: Renish, we will come back to you. We will just pull it and we will come back to you in the call and we can take up the next questions, if you don't mind?

Renish: Okay, sir. So sir, second question, again from the asset quality. So obviously this quarter we have seen a very sharp recovery. But when we look at the Stage-2 assets, that has been steadily increasing with it stacking at 4% as on March '25 versus 3.8% December quarter and 3.6% last quarter last year. So is there any specific reason or this is just a quarterly movement here and there?

Rajesh Viswanathan: I think, honestly Renish, we should not read too much into Stage-2. Honestly, as a company we have been a company which shows a lower NPA and higher Stage-2 always. There is also one more thing which I would want to share because, included in Stage-2 is some of our assets which were one-time restructuring we had done at the time of COVID. So on this basis, what you call it, conservative basis, we provide a provision of 10% and we also show them at Stage-2 though they are Stage-1 assets. So the impact of that is anywhere between 0.6% and 0.7%. So of the total Stage-2 that you are seeing, 4% about 0.6% to 0.7% will pertain to assets which are actually Stage-1, but we show it under Stage-2 because we carry a Stage-2 provision as per RBI mandate of 10%. It is about 4 year since restructuring has happened on account of OTR. So probably somewhere in FY'26 we may take a view or a call of moving this back into Stage-1.

Renish: Got it. But all these accounts are regularly paying accounts?

Rajesh Viswanathan: Yes, this 0.6% to 0.7% which I have mentioned are actually Stage-1 in terms of actual DPD, but I classify it under Stage-2 for the purpose of reporting.

Rishi Anand: So Renish, if I can now, I have the data on the yield that you have required. If I can indicatively tell you, your urban location yield will be in the range of 12%. Your emerging A,B,C as I told you will be in the range of 14% to 16%. And that is how the combine 13.5%-13.6% yield is.

Rajesh Viswanathan: And as Rishi said, the reason of us going on emerging A, B and C is primarily to ensure that our next year yields also fall into the same range as we exited in the current financial year. So we would like to maintain yields at similar levels, may be minus 5 to 6 basis points, but otherwise we would like to maintain at similar levels.

Renish: Got it. This is actually very helpful, and this is what sort of we wanted to get a sense of yields. Thank you very much and best of luck.

Rishi Anand: Thank you, Renish.

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

Yash: Hi sir, Thanks for taking the question. Sir, on the borrowing side of the almost 79%-80% of the floating rate borrowings, can we get the split on like what's the benchmark they are linked to? And what could be the quantum of improvement, which we can see in sort of 1Q of FY'26?

Rajesh Viswanathan: So if you look at it on the total bank borrowings or even on the total borrowings, if you see, about 18% of them will be linked to short-term rates like repo or T bills. So for example, let's take the bank borrowing, out of the total bank borrowing, approximately 18% is linked to either repos or T bills, where obviously, the pass on will be almost immediate. We are, for example, out of the total borrowings, 1-year MCLR is 20% and 6-month MCLR would be 30% and 3 months will be a further 30%. So in that sense, it is widely distributed and only about 18% is where we get immediate benefit. The bigger benefit will obviously start coming in when the MCLR starts moving. And what we have seen is that 2 rate cuts have happened, and we have not seen much movement in the MCLR. So honestly, I do not see MCLR moving the needle so much at the end of 1Q. Maybe in this in Quarter 2 that we will see some movement in MCLR, which will happen as a pass back to us. Maybe MCLR headline of the banks may change. But by the time it gets passed on to us, depending on whether we come into a 3-, 6- or 12-month MCLR resets, probably we see it happening somewhere in Quarter 2. As far as the interest rate drops are concerned, I think a lot of public experts have spoken on that. And as and when the drop happens, approximately 18% benefit comes immediately to us. In terms of fixed and floating, as I said, approximately 74%, 75% of my assets are also floating. and we calculate RPLR on a continual basis. And as and when the RPLR needs to get passed on, as per the mandate of the ALCO and the Board, we will pass it on to the customers. So we don't see much of a benefit on any movement in interest rate because our borrowing floating and our asset floating are more or less on a matched basis.

Yash: Okay. So basically from 2Q onwards, you would see some meaningful drop in borrowings, but it might get offset with yields?

Rajesh Viswanathan: And yes, to be very honest, you may have a lag effect before we get a benefit and we may pass it on. But beyond that, I don't think neither we are building anything internally also on that.

Yash: Got it. And sir, second, on the asset quality more from the MFI exposure. I believe in the last call also, we have indicated around 9,000-10,000 customers with MFI overlap. And now with the Tamil Nadu thing coming in, so any risk to the customers there? I believe we have around 56 or 57 branches in there. So anything incremental from the states we could see given the MFI exposure?

Rishi Anand: Yes, you're right. Our numbers were about 9,000-odd customers, 9,096 customers who had MFI exposure. That number has dropped to about 7,077 customers now. So loans have been foreclosed. As regards to Tamil Nadu, I think it is too early to read what is going to happen. Yes, we have branches. As we speak today, things are perfectly okay. Our recovery efforts wherever applicable are completely online. The complete support from the government machinery like the DMs or the police wherever assistance required has been coming in even as close as today morning. So we don't see any issue happening as we move ahead.

Yash: Got it. That is it sir from my side. Thank you so much.

Rishi Anand: Thank you, Yash.

Moderator: Thank you. The next question is from the line of Sonal from Asian Market Securities. Please go ahead.

Sonal: Thanks for the opportunity, sir and congrats on the quarter. Just I had one question on the yields. So when we look at it as a percentage of average assets, it has come down to 12.8%. So there is some drop. But the reported numbers, they stand pretty much similar at 13.9%. So what kind of explains this difference?

Rajesh Viswanathan: I think to be very honest, I would want to see the number that you're quoting 12.8%, I wouldn't be able to. So if we can take that offline and you can probably share it with us, and we'll be more than happy to help you on that.

Sonal: Sure. Thank you.

Moderator: Thank you. The next question is from the line of Abhishek Kumar Jain from AlfAccurate. Please go ahead.

Abhishek Kumar Jain: Thanks for opportunity and congrats for strong set of numbers. Sir, in disbursement and AUM side what is your growth target for FY'26?

Rishi Anand: So Abhishek, in terms of growth targets or guidance we will maintain our AUM guidance of 20%-21%, disbursement growth of about 18%-19% and a PAT of about 20%-21%. And on the NPA front we believe that we should be around 1.10% to 1.15%.

Rajesh Viswanathan: That's right.

Abhishek Kumar Jain: And from where you are targeting this much of growth, basically on the emerging market or in your existing**?**

Rishi Anand: So our primary growth is going to come from emerging markets. As I explained during the previous caller, emerging is going to contribute higher composition of our growth.

Abhishek Kumar Jain: And what is the current urban versus rural mix of your loan?

Rishi Anand: We don't do rural, Abhishek, just to clarify. We do only urban. Urban and emerging split, I can tell you is about 55% current is from the urban locations and the balance is from the emerging locations. And we would look at maintaining 55% should eventually in a couple of years should go to about from emerging and 45% from urban, so it will reverse as we move ahead.

Abhishek Kumar Jain: And how is the demand situation, urban versus rural at this point of time in affordable housing?

Rishi Anand: So demand, whether it is urban or whether it is emerging, not rural again, it is more or less similar. It is all about how do we reach there, where is competition playing a larger role? For example, in urban locations, competitors will play a larger role. And the moment you move to emerging A, B, C kind of locations that I just explained, the competitive intensity goes down. Hence, the probability of higher conversion ratios applies in emerging locations.

Abhishek Kumar Jain: Okay, sir. Thank you. That is all from my side.

Rishi Anand: Most welcome.

Moderator: Thank you. The next question is from the line of Siraj Khan from Ascendant Capital. Please go ahead.

Siraj Khan: Thanks for the opportunity and good set of numbers. So sir, first question is with regards to the credit cost. Credit cost for Q4 was elevated. I mean, compared YoY. last year Q4, we had a recovery, negative number. This year, we have a positive number. So I wanted to know, are there any write-offs, elevated write-offs, technical write-offs of that sort?

Rajesh Viswanathan: No. This is not on account of write-off as it was asked by one of the analysts, this is primarily because of the movement of Stage-2, because Stage-2, if you look at it on a year-on-year basis would have moved by about 30 bps-40 bps. And second is basically your standard asset provision would have increased because the AUM increases significantly in Quarter 4. Last year, the Stage-2 improvement was fairly significant in Quarter 4 versus Quarter 3. That is why there was a reversal of provision in Quarter 4. This year, that much benefit didn't flow through in terms of Stage-2 improvement. And that is why we are seeing a small credit cost of about INR 5 crores, INR 6 crores going into the P&L

Siraj Khan: Okay. So in Q4, we will not have any write-offs basically?

Rajesh Viswanathan: There will be standard write-offs, which, for example, if you sell an asset, for example, if there's a haircut of 10% on an asset sale, that 10% write-offs will happen. We have not taken any additional provisional write-off or prudential write-off, which we take. Normally, we take prudential write-off once a year. We have not done anything of that sort in Quarter 4.

Siraj Khan: Okay. So I want that number. So what was the Q4 write-off and FY'25 write-off?

Rajesh Viswanathan: This would be approximately INR 8 crores to INR 9 crores in Quarter 4.

Siraj Khan: Full year?

Rajesh Viswanathan: INR 32 crores would be the full year.

Siraj Khan: Okay. That's for the asset quality. One more question, another I had was on the sourcing, specifically in the Southern region. So many of the peers that have seen that is there in the Southern market, they have seen that Tamil Nadu market has seen a little bit of a slowdown.

Karnataka is also facing some issues. Even Madhya Pradesh, there were some NBFCs showing that there is some tremors of very, very low level this thing, there is some asset quality issues. Are we seeing anything in these markets, Madhya Pradesh, or maybe Southern area? Anywhere in across of our states, we see some asset quality issues, maybe early signs in 30 DPD, 60 DPDs, anything of that sort?

Rishi Anand: So since you mentioned Siraj, certain states, Tamil Nadu, we are not seeing any issue as I see the numbers, Karnataka, no issue. Andhra Pradesh on a growth trajectory, Tamil Nadu on a growth trajectory. The states, and if you recall in the last quarter also, I mentioned the states, which historically have been a poor credit behavior, continue to be poor credit behavior, which is typically east of the country. You have Kerala. They continue to be bad. Madhya Pradesh, again, a growth trajectory, complete growth trajectory, no early indications from any of the states that you mentioned, neither in bouncing any negative indications nor in 1 plus nor in NPA.

Siraj Khan: Okay. And finally, on OPEX. So year-on-year cost to income has also come down. So what are the drivers that we will get this further lower? What is the target with respect to both cost to income and OPEX, OPEX to AUM?

Rajesh Viswanathan: I think when we reduce 120 bps of cost to income, I think I have said that we want to reduce about 150 bps in 2 years, to be very honest. And we have already done about 120 bps in year 1. I think to be very honest, next year, we will have around 30 to 50 bps sort of a drop in cost to income. The driver over here predominantly is that majority of our expansion has already happened. And the incremental expansions that we do over 50, 60 branches expansion that we do, about 60%, 65% of the branch expansion will happen in emerging B and C, which are smaller offices. and where the cost of OPEX of setting up these offices are predominantly lower and the remaining 30%, 35% will happen in the bigger offices. And the second thing is, obviously, since we have invested significantly 3, 4 years back in data analytics as well as in technology, the benefit of that is seen right across the company, whether it is sourcing, whether it is credit, the number of files that they can handle, technical in terms of turnaround time. So basically, the sheer productivity, not only of the sales guys, but also of the non-sales guys has stepped up. So that is the reason for the incremental Rs. 100 of business, the OPEX that I had to probably put in 3 years ago is not the same. Obviously, we are seeing benefits of productivity. And that is a driver that we constantly work on, whether it is frontline sales productivity or productivity right across all the business support functions.

Siraj Khan: Understood. Just a few statistics if you could provide what was the log into sanction and the sanction to disbursement ratio for the year and the files per officer.

Rishi Anand: Files per officer or volume per officer?

Siraj Khan: Yes.

Rishi Anand: The third number I will try and pick up. But login to sanction was 60% and sanction to disbursement was 62%.

Siraj Khan: Okay. And the corresponding last year number if that is readily available?

Rishi Anand: The previous year, it was the log-in to sanction was 61.8% in FY'24. In FY'25, it is 60, sanction to disbursement was 62.5 and in '25, it is 62. So more or less similar in terms of numbers.

Siraj Khan: And the volume per employee, the officer, file number, if possible?

Rishi Anand: For the sales, right?

Siraj Khan: Yes.

Rishi Anand: For the sales, it is 1.15 per sales officer. This is for the frontline sales.

Siraj Khan: Yes, understood. ROs you are speaking about, right?

Rishi Anand: Yes, that's right. You got it right.

Siraj Khan: Thank you.

Moderator: Thank you. The next question is from the line of Nidhesh Jain from Investec. Please go ahead.

Nidhesh: Thanks for the opportunity. On credit rating, how is the conversation with the credit rating agencies on possibility of credit rating upgrade? That is my first question. And then I have some data keeping questions.

Rishi Anand: Okay. So credit rating, as also informed, Nidhesh, earlier, we are already engaged with both the credit rating agencies. And I don't foresee that this rating upgrade should be prolonged for too long, while obviously, it is a decision that will be taken at their management level or the rating committee level. But we have had good rounds of meetings even as last as last 15 days. So that's the update.

Nidhesh: Sure. Because in terms of size and other financial metrics, we are doing quite well. And we have also reached gross INR 25,000 crores of size.

Rishi Anand: That's what both the rating agencies also tell us. So I will leave it up to their judgment.

Nidhesh: Second, if you can share incremental yields and incremental ticket size, loan size for Q4, incremental yields and incremental loan size?

Rishi Anand: Incremental yields has come in around 13.45% and the incremental ticket size on a blended basis is INR 13 lakhs. HL is about INR 15 lakhs and INR 9 lakhs is nonhome loan.

Nidhesh: And in terms of sourcing mix for the full year or for the quarter, if you can share the sourcing mix between in-house, DSA and connectors?

Rishi Anand: The split I will pull out, but broadly, if I can tell you, in-house, which was 54% last year, has grown to 59%. So almost 60% is now in-house. And the balance is external split between DSAs and connectors.

Rajesh Viswanathan: So of the 41%, your corporate DSA would be in the range of about 25%, the balance would be what we call connectors or retail DSA. A point that we wanted to mention over here is our Aadhaar Mitra program, which if you remember, we have been always talking about it for the last 3, 4 years. We have seen good traction in our Aadhaar Mitra offtake and the disbursement contribution by Aadhaar Mitra now is almost touching 30% for FY'25. To put it into perspective, in FY'22, it was about 22%. And FY'24, it was again about 22%. So there has been a significant movement both in the number of Aadhaar Mitras that we have and the contribution that Aadhaar Mitras are making to the overall disbursement mix. As you would know, Aadhaar Mitra is only a referral model where the case is actually closed by my internal sales team. And hence, these are all counted as internal businesses.

Nidhesh: Okay. So 59% internal includes Aadhaar Mitra?

Rishi Anand: Yes, Aadhaar Mitra is a referral program of providing leads to my internal channel. It is just a lead provider.

Nidhesh: Sure. And sir, last question is that if you look at 1.15 per sales officer, what are the steps we are taking to improve this? Because this productivity for an industry level also the productivity is broadly here only. But then, let's say, we want to build a INR 50,000 crore book, etc. this could become a bit of a constraint for reaching that particular scale because then we will require thousands of employees. So how are we thinking about improving this productivity?

Rishi Anand: See, the direct correlation of this 1.1 file per sales officer is linked to the attrition rate of the company and we've realized that and we understand the data, we understand the psyche of our front-end employees. We have launched multiple programs right from handholding to internal schemes of the growth trajectory, etc., just to ensure and we've seen early results, early positive results, at least in the last 3 quarters that we've been doing this, our attrition rates have dropped. The moment the attrition rates drop and if I were to look at numbers in the current quarter or the last month, for example, they have gone up, I'll not say substantially, but you can see a trajectory moving northwards. So it is directly correlated to attrition. We have started adjusting attrition, which will eventually lead to a higher file per RO.

Nidhesh: Sure, sir. Thank you, sir. That is it from my side.

Rishi Anand: Thank yo

Moderator: Thank you. The next question is from the line of Abhishek M from HSBC. Please go ahead.

Abhishek M: Thanks for taking my question. Can you give a sense of the balance transfer that you are seeing? So how much is getting BT-out right now? And has that increased or remained the same over the last, say, 1 year?

Rishi Anand: So Abhishek, our balance transfer out annualized for March is 6.49%, which has dropped from a previous year. Previous year, it was 6.93%. So from 6.93% it has dropped to 6.49%.

Abhishek M: This is on the number of files. So if you are holding 100 files, 6.9 are getting BT-out or 6.4 or is it from value?

Rishi Anand: This is AUM, value.

Abhishek M: Right. So see, as per my understanding, a lot of larger HFCs are trying to build an affordable housing book, and they are trying to approach customers who have been with you and your peers for 2, 3 years, good track record, and they are able to offer lower rates given their own lower cost of funds and OPEX and all that. So is that not increasing in instance and that is why your BT-out trade is coming down? Or is it some calculation thing that is contributing to this? I just wanted to understand how you're able to retain these many customers, when the competition from large peers is increasing?

Rishi Anand: Yes. So there are multiple things, Abhishek, that plays around when BT-out is spoken about. One is internally, we have taken multiple measures, right, from having a centralized retention team to data analytics contributing towards highlighting the consumer as red, green, and amber, etc. So there are multiple things from a data analytics perspective that has gone to the retention team. It's a centralized retention team operating out of Mumbai. So any customer across the 600 branches that process a branch for a BT-out is immediately redirected. We understand the reason of his BT-out, if it is yield, good customer, green tagged customer, we look at our own spreads and accordingly, maybe look at the customer, if he needs top up, based on our policy, we look at top up. That is one. Second is while you mentioned large housing finance companies, etc. everybody has a certain risk appetite, as we understand. There are certain large companies who are not very comfortable with a certain credit score. There are companies which are not comfortable with self-employed, no income proof underwriting. There are certain large housing finance companies not comfortable with the kind of properties my consumer buys. It is a mix of a lot of things, a generic statement that one large company can come and take away BT. No, it doesn't work like this. It is a combination of all these 3 things. Third, when we talk about larger companies looking at our consumers, this is primarily going to happen only or is happening, I would say, primarily in the emerging A and urban locations and that's why our shift in strategy emerging B, C. So that is going to balance out completely. And that is actually already, you can see the numbers panning out. For example, versus the last year, as I quoted, almost 7% of our BT-out has fallen to about 6.5% today.

Abhishek M: Yes. Thanks for that. That was very comprehensive. So another quick question on your sourcing mix. So you explained that almost 59%, 60% internal and the rest is through your channel partners. Even in an internal, you have this Aadhaar Mitras. Can you sort of pinpoint which is the fastest-growing channel? Is it Aadhaar Mitras and that's because you've added a lot of Aadhaar Mitras and that is helping the growth of 54% going to 59 entirely driven by that? Or there a reliance more on your internal teams as well.

Rishi Anand: Yes. my fastest growing 2 channels, Abhishek, are Aadhaar Mitra and my direct sourcing. Both of them combined are the fastest-growing channels for me today.

Abhishek M: Understood. Thank you so much for those two answers. Thank you and all the best.

Rishi Anand: Thank you, Abhishek**.**

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

Parth: Congratulations on a good quarter, sir. So just 2 basic questions. You mentioned that the share of emerging markets is going to improve going ahead to 55% from the current levels of 45%. And we also see good traction in the non-home loan segment. So do you see any incrementally improving impact on the yields with the growth in these 2 segments and geographies? And apart from that, since you will be growing in the emerging market segment, can we expect some improvement in the share of self-employed customers and EWS/LIG customers and this will be detrimental to the credit cost?

Rajesh Viswanathan: Yes. I think as we explained, overall, the strategy of moving into or splitting the business into urban and emerging 1, 2, 3 is to maintain the healthy yields that we currently have. So I think the idea is to maintain the yields that we currently have. To be very honest, we don't expect the yields to grow significantly from where we are currently. Maintenance of the yields itself is a fair achievement. Whatever benefit we get from emerging B and C is where the yields will be slightly more stronger. If the business of that starts growing significantly in year 1 and year 2, that is where you may see some traction. But for that, we also have urban locations where competition will be high. So it's a sort of a setup that we have. That's why I'm saying holding yields is a fair assumption. The second question that you had was on consumer profile. See, consumer profile, what is going to happen is as we move ahead in this strategy, our self-construction business will go up. Our self-led business will go up because the more you focus on emerging B and C locations that these are smaller district centers where more of self employed customers are available, which gives us an upside on managing. So, what are we trying to protect by doing broadly if I can give you a couple of points. One is we are trying to protect our ticket size, emerging locations, urban locations where the ticket size moves northward, cost of construction is high, cost of labor is high, so on and so forth. And the emerging locations, the cost of construction is comparatively lower. So I will be able to manage my ticket size. And as Rajesh explained, urban locations, you will have slight contraction on yields on spreads, whereas in emerging locations, that's where you will be able to manage. So a complete balance on ticket size and complete balance on spreads is what urban and emerging is going to give you.

Parth: Sure, sir. That is helpful. Sir, just another question was on the fact that since you will be looking in the emerging segment, do you see a rise in the EWS and LIG income group and will it have any impact on the credit cost side?

Rajesh Viswanathan: First, let me clarify to everybody on the call, including Parth you, that we are already in these locations. We are not going to these locations. What I have done is I have split my 600 branches that I'm available today into 2 categories. So I am not that I'm going to venture out into new locations. From a pure strategic and control perspective, ticket size perspective, yield perspective, I have just distributed not only the branches, but even my teams. I'm trying to put the best and the strongest team on the emerging side because urban locations are more or less on auto mode right now. So that's what I'm doing. So will my credit cost enhance because of this? No, it will not because this is a business that I've already been doing.

Parth: That is helpful. And just one last question. So your top states like Rajasthan, UP, Maharashtra and even Gujarat is now at 11%. So do you plan to change your threshold of maintaining per state AUM just 14% to EBITDA for higher threshold once you start seeing improved growth in the state?

Rajesh Viswanathan: No. We as management, we have strategically decided whether it is distribution whether it is incremental disbursement or whether it is AUM we will not breach the 14% mark, maybe 50 bps here and there 14-14.5 but that's the range we will be around.

Parth: Thank you. This is very helpful. Congratulations.

Rajesh Viswanathan: Yes, thanks.

Moderator: Thank you. Ladies and gentlemen, this will be the last question for today, which is from the line of Shreya Shivani from CLSA. Please go ahead.

Shreya Shivani: Thank you for the opportunity. Apologies, I joined in late, so I'm not sure if this has been discussed already. I wanted to understand how much liquidity are you holding on balance sheet right now in terms of 3 months, 6 months, what is it right now? What was it in FY'24? Where would we want to keep it? And if any benefit can come through from reducing this on our spreads, on our margins, etc.? So some commentary on that, please. Thank you.

Rajesh Viswanathan: So our overall liquidity that we had at the year-end stood at about INR 2,200 crores, which is approximately 10% of the loan book. And if you look at it at March end last year, it would have been on a similar line. So typically, what happens is in intervening quarters, this typically is in the range of about 8% to 9% and the end of the year, it becomes 10% because there are significant drawdowns which happen at the end of the quarter, which gets utilized in the start of the next quarter. Typically, what we would like to keep it is, we would like to keep this in the levels of about 8%. And to be very honest, we would like to measure that more as a percentage of borrowing mix. So we would like to keep somewhere about 8% to 9% of the borrowing mix. Obviously, this gets decided by the ALCO in terms of the liquidity in the market. If the liquidity becomes tight, we would like to keep it at a higher percentage. Otherwise, 8% to 9% is balance sheet liquidity. On top of that, we will always have undrawn lines. For example, on balance sheet liquidity was INR 2,200 crores, we also had undrawn lines of about INR 900 crores.

Shreya Shivani: Got it. So broadly, then you are pretty much in range and this will not really dramatically shift from where we are right now, right?

Rishi Anand: This may give you a release of about 1%, 2% to be very honest. Not significant.

Shreya Shivani: Got it. This is very useful. Thank you so much and all the best.

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

Rishi Anand: Thanks a lot. I thank all the participants for joining in. And I would like to apologize also for uploading the presentation a bit late. We had some problems at the site for upload. So we will ensure that next time at least we give you a slightly more bigger lead time for reading the presentation. I hope all the questions have got answered. If there are any unanswered questions, you can always reach out to the Investor Relations email ID, and we'll be happy to answer questions. Thanks a lot, and have a good day.

Rajesh Viswanathan: Thank you so much.

Moderator: Thank you. On behalf of JM Financial Institutional Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.