



“Aadhar Housing Finance Limited Q2 FY '26 Earnings Conference Call”

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MODERATOR: **MR. NIDHESH JAIN – INVESTEC CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to Aadhar Housing Finance Limited Q2 FY '26 Earnings Conference 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 ‘*’, then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nidhesh Jain from Investec Capital. Thank you and over to you, sir.

Nidhesh Jain: Thank you. Good evening, everyone. Welcome to Q2 FY '26 Earnings Conference Call of Aadhar Housing Finance Limited hosted by Investec Capital.

We will start the call with the Management commentary followed by a Q&A session. To discuss the financial performance of Aadhar Housing Finance Limited and to address your queries, we have with us Mr. Deo Shankar Tripathi - Executive Vice Chairman; Mr. Rishi Anand - MD and CEO; Mr. Rajesh Vishwanathan – CFO; and Mr. Sanjay Moolchandani – Head, Financial Planning.

I would now like to hand over the call to Mr. Rishi Anand for his opening comments. Over to you, sir.

Rishi Anand: Thank you very much, Nidhesh, and a very good evening, everyone. On behalf of Aadhar Housing Finance, I would like to welcome all of you to the Q2 H1 FY '26 Earnings Conference Call. We would like to wish all of you a belated Happy Diwali and a prosperous New Year.

We are pleased to share that the first half of FY '26 has been marked by strong performance and continued progress on our strategic priorities. H1 FY '26 reflects another period of disciplined execution, operational efficiency and customer-focused growth. Our performance speaks for itself with the numbers showing the commitment of our teams and the strength of our business model. This milestone reinforces our leadership in the low income housing finance segment, which continues to play a pivotal role in India's inclusive growth story.

This quarter has witnessed positive developments in the economy with low income housing sector poised for further expansion, supported by favorable policy reforms and continued government focus. The recent rationalization of GST rates under the GST 2.0 framework is expected to lower housing costs and provide a significant boost to the affordable housing segment, particularly in the EWS/LIG categories. We expect these measures to drive sustained growth in the sector in the coming quarters.

Now, coming to Aadhar's performance for the said period:

During the half year, our AUM touched Rs. 27,554 crores as on 30th September, which is a 21% growth on a Y-o-Y basis. This is another significant milestone for the company. Disbursement stood at Rs. 4,089 crores, which is 16% Y-o-Y increase, reflecting consistent lending momentum. Asset quality remains well-contained, with gross NPAs at 1.42%, collection efficiency above 99% and more importantly, Stage-II assets improving by approx 20 bps on a Y-o-Y H1 FY '26 basis, driven by robust risk management and disciplined underwriting. Our portfolio continues to be entirely retail and secured, with home loans forming 73% of the AUM and loan against property remaining at 27%. The average ticket size of Rs. 10.5 lakhs and average loan-to-value ratio of 60% reflect prudence and stability of our portfolio. The salaried segment contributes 55% of the book, aligning with our focus on borrowers with steady income profiles. Balance transfer out for H1 FY '26 stood at 5.4%, which is an improvement of 50 bps as compared to H1 FY '25. This is an outcome of our centralized retention team and data science team efforts. We continue to expand our presence in high-potential underserved markets through a measured and efficient approach.

During the quarter, we added 20 new branches, taking the total to 611 branches across 22 states and 549 districts, serving over 3.15 lakh live customers. Our portfolio remains well diversified, with no single state accounting for more than 15% of our AUM, demonstrating the strength of our distribution reach and risk containment framework. Digital transformation remains integral to our operating model. The TCS-Enabled Core System has streamlined processes across the loan lifecycle, improving turnaround time and enhancing customer experience. We continue to strengthen our data and analytics framework, leveraging AI and machine learning for sharper insights, improved governance and scalable operations. These capabilities continue to enhance efficiency and prepare us for the next phase of growth.

As mentioned earlier, we are very positive on the recent GST 2.0 reforms and are expected to significantly accelerate growth in the low and middle-income housing segment. The reduction in GST on inputs such as cement, marble, granite and bricks is lowering the cost of construction for developers, improving project viability and supporting price affordability for homebuyers with lower EMIs. Moreover, low-income and affordable housing projects under the government schemes such as PMAY 2.0 and Agnicart 2025 stand to benefit the most with reduced construction costs, enabling faster execution and delivery in rural and semi-urban areas.

Beyond cost optimization, the reforms are also expected to strengthen credit quality and financial inclusion by improving loan affordability and spurring incremental demand within formal housing finance channels. The affordable housing finance segment in the country is poised for significant growth in the coming quarters, and we continue to support the government in fulfilling the mission of housing for all. Looking ahead, Aadhar Housing Finance is well positioned to sustain its growth trajectory, supported by strong fundamentals and expanding distribution networks and technology-led operating efficiency.

With continued policy support and a favorable macro environment, we remain confident of strengthening our market leadership, creating long-term value and deepening financial inclusion. We remain steadfast in our mission to enable home ownership for low income families. Backed by a strong balance sheet, enhanced credit profile and structural tailwinds, Aadhar is well placed to capture emerging opportunities and continue to drive inclusive and sustainable growth. We have a positive outlook for the next 2 quarters, and we are confident of meeting our growth guidance given for this financial year.

With this, I now hand over to Rajesh, our CFO, to discuss the financial performance in detail. Over to you, Rajesh.

Rajesh Viswanathan:

Thanks, Rishi. Good evening, everyone. I would like to take you all through the financial performance for H1 FY '26 and Quarter 2 FY '26.

In Q2 FY '26, our overall AUM has grown by 21% on a Y-o-Y basis. Our overall borrowings as on 30th September 2025 stood at Rs. 17,600 crores compared to Rs. 14,600 crores same time last year, which is a growth of 21% on a Y-on-Y basis. The borrowing mix at the end of 30th September is 50% from banks, NHB share is 21%, NCD is 22% and ECB and others make up the balance of 7%.

Our incremental borrowings for Quarter 2 FY '26 was around Rs. 1,800 crores, which came in at slightly lower than 8%. We have around 44 borrowing relationships. The exit cost of funds as at 30th September stood at 7.9%. In terms of fixed and floating nature of our book, 73% of our borrowing is floating and 75% of our assets are floating. So there is a great degree of matching in these. Undrawn sanctions as at 30th September 2025 is Rs. 2,381 crores, which includes Rs. 1,250 crores from National Housing Bank.

We have not drawn down anything from NHB in Quarter 2 of the current financial year. Liquidity for FY '26 stood at Rs. 2,270 which is around 10% of the loan book. Portfolio yield exit is 13.8% as at Quarter 2 FY '26. Hence, the exit spread stood at 5.9% as compared to 5.8% as at Q1. So there has been a growth of 10 bps on a sequential basis in terms of spread. Our cost to income for H1 FY '26 stood at 36.1% as compared to 36.4% in H1 FY '25, which is an improvement of 30 bps on a Y-on-Y basis.

As we had earlier conveyed, we would like to drop our cost of income by around 40 bps for the entire financial year and we are well on track for that. GNPA as at 30th September is 1.4% as compared to 1.3% Q2 FY '25. And NNPA is 1% versus 0.9%. The Stage-III provision coverage ratio currently stands at 34.3%. One more important metric which we would like to share is that our Stage-II on a sequential basis has dropped by Approx 20 bps. The capital adequacy ratio for Quarter 2 FY '26 stood at 44.3% for Tier-1 and 0.5% for Tier-2.

H1 FY '26, we delivered an overall PAT of Rs. 504 crores compared to Rs. 428 crores in H1 FY '25, which is a growth of 18%. And on a quarter basis, in Quarter 2 FY '26, our PAT was Rs.

266 crores versus Rs. 228 crores Quarter 2 FY '25, again a growth of about 17%. As conveyed by Rishi, we are focusing on maintaining a very healthy book and delivering consistent performance on a quarterly basis. With that, we can open up for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Renish from ICICI. Please proceed.

Renish: Hello, am I audible?

Rishi Anand: Yes.

Renish: Yes. Hi, congrats on a good set of numbers and thanks for the opportunity. Sir, my first question is on asset quality. So when we look at the key asset quality metrics, as I just Look Credit cost, Stage-II asset, etc., improves sequentially, but when we look at the other, mortgage players have witnessed marginal deterioration on sequential basis. So I just wanted to understand what is this driving better asset quality performance than the industry? And also, if you can share your exposure in, let us say, some of the stress market like Tirupur, Coimbatore, Surat? And also, if you can share 1 plus DPD movement sequentially would be helpful, sir?

Rajesh Viswanathan: So there are 3 questions in one, Renish, but I will try to answer the first and second by Rishi. I think, to be very honest, the benefit of more stable credit cost and credit behavior must be because the way we are spread out right through India. If you look at us one of our main strategy is not more than 15% in any major market or major state and probably that is helping us quite well. So even if there are other stress states with some of the other peer players may be seeing stress on, probably for us, it is a percentage of that stress. So to that extent, we have not seen any specific new spurts in any state, which is out of the ordinary. And as the first trigger, as all of us will know is the bounce rate. We have not seen any inordinate movement in bounce rate. And as I have explained, the Stage-II has also dropped by 10 bps. So to that extent, there is a slight degree of comfort that we are probably going in the right direction. And in terms of other micro markets, I think I will ask Rishi to just take that one on Tirupur and Ludhiana and other locations.

Rishi Anand: So Renish, thanks for coming on the call. See, the way we look at our business, while I will give you those numbers, the sequential numbers that you asked for, but the way we look at our business is when it comes to specifically tariffs, is there any particular city, etc., which gets impacted, no because, for example, textile, pharma, gems, they are spread across India. But since you have asked a specific question regarding some specific call outs of cities that have happened in various calls, for example, Tirupur, Surat, Coimbatore, all put together close to about 1.6%-1.7% of our AUM, so not a very large exposure. But even in these markets, our sequential 1 plus has dipped. For example, Tirupur, from a 9.2%, it has dropped to about 7.1 sequential quarter-on-quarter. Surat has dropped from 8.8% to about 8%. Coimbatore has dropped from a 9.2-9.3 to 8.2-8.3. So in all the 3 markets which the market has been talking about, we have seen a drop in 1 plus. So our worries, obviously, the worries around these specific cities is not prevalent in Aadhar.

- Rajesh Viswanathan:** And I just correct it, our Stage-II improvement is actually 20 bps. It is not 10 bps, it is 20 bps.
- Renish:** Got it. And overall, 1 plus DPD, how it has moved sequentially?
- Rajesh Viswanathan:** One plus sequentially was 7.18, it is 7.17.
- Renish:** So it is flat basically?
- Rajesh Viswanathan:** That is right.
- Renish:** And my second question on the disbursement. So the first half looks better at 16% Y-o-Y. But when we look at the sequential disbursement, it is actually muted at 4%. So can you throw some light on this disbursement being lower in Q2? And are we still confident about delivering 18%-20% growth in FY '26?
- Rishi Anand:** So Renish, it might not be okay to take an isolated view on this particular quarter. And I will give you the reason why. This particular quarter on a quarter-on-quarter basis will definitely give you a distorted view. If you recall, last year, in Q1 of last financial year, there was a regulatory circular which had come with respect to interest recognition, which was supposed to move from a disbursement to cheque handover. And because of which, there was a substantial business which got carried forward to Quarter 2 of last year. Hence, if you observe, in quarter 1 of this financial year, our disbursement growth was 32% on a quarter 1 Y-o-Y basis. Hence and because of the bulge in Q2, you look at the numbers at 4%. The better way of definitely looking at it is the overall YTD H1, which is a 16% growth, which you rightly mentioned. As regards H2, we are very confident of market dynamics. We are looking at market very closely. We are looking at our login parameters very closely. And we are very confident of the guidance numbers that we had given. Another important aspect of our business is the way H1 versus H2 is tagged. Generally, it is 40-60. This year, already 42% has been delivered of whatever we planned, and the balance should be coming in with a lot of comfort.
- Renish:** Got it. And just last thing, would you like to share October disbursement number?
- Rishi Anand:** October disbursement number has been in line with our estimates. In fact, on the budget numbers, we are right on track on 100% achievement.
- Renish:** Got it. This is very helpful, sir. Thank you and best of luck.
- Rishi Anand:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Sonal Gandhi from AMSEC. Please proceed.
- Sonal Gandhi:** Thanks for the opportunity and congrats on the quarter, Aadhar team. So just going ahead with the question which was asked earlier on the disbursement, so disbursements, if you look at home

loan segment particularly, there has been some degrowth over there. So if you could just throw some light if anything that we are doing in terms of tightening the credit policies or if there is any other change that has happened in the system because of which the disbursements are down?

Rishi Anand:

I would not give any particular reason of why disbursement on home loan, it is actually flattish. Primary reason is extended monsoons. When there are extended monsoons and good chunk of our AUM incremental portfolio happens to be self-construction. For example, the entire Uttarakhand belt, in fact, the entire North belt saw a heavy impact on login when it comes to self-construction. And to add to it, we had slightly issued a caution to our underwriting teams with respect to whatever was going around with the tariff situation across gems and jewellery, pharma to some extent and primarily textile. I think both of them have contributed a little bit on the login side. But having said that everything is now behind us and coming quarters look very positive.

Sonal Gandhi:

Sure. And sir, anything on the PLR hike? How do you plan? What is the guidance with spreads now? Earlier, we were thinking that it might go down a bit, but it is clearly improving. So how do we see spreads moving in Q3, Q4 or maybe 2H of this year?

Rajesh Viswanathan:

See, we believe that there may be a further 10 bps sort of improvement in our overall cost of funds as we exit the current financial year. Having said that, you are right, we have not passed on anything on the RPLR bid. The 10 bps drop will be majorly benefited by the MCLR pass-on which will happen to us from the banks, which we believe should happen somewhere from December to February, March. And probably that is a period where we will probably take it to the ALCO. And if at any point of time, we will calculate and then pass it on to the customer. Our current spread, as you have correctly said, is actually coming at 5.9%. And the way we look at it is that probably we may end up around 5.8% as we exit the year. This is after the pass-on, we should be around 5.8%.

Sonal Gandhi:

Sure. And sir, just one clarification, in the opening remarks, you said that 40 bps reduction in cost of borrowing. So we are talking about exit quarter, right, and we should be closer to about 7.8, 7.7?

Rajesh Viswanathan:

This is all exit. When I am saying that when we are exiting the year, we will be exiting in the range of 7.75 to 7.80.

Sonal Gandhi:

Got it. Thank you so much.

Rishi Anand:

Thank you, Sonal.

Moderator:

Thank you. The next question is from the line of Kunal Shah from Citigroup. Please proceed.

Kunal Shah:

Yes. Hi, Rishi and Rajesh. Thanks for taking the question. So firstly, with respect to recoveries, overall, I think ECL provisions are still up like Rs. 20 odd crores, but in P&L, it is like almost

Rs. 13 odd crores. So has there been any recovery during the quarter and what is the nature of that?

Rajesh Viswanathan: So we recovered somewhere in the range of about Rs. 6-Rs. 8 crores from our old project finance portfolio mainly. If you remember, our project finance portfolio were written off. So there were some old recoveries to the range of about Rs. 8 crores that we had in the current quarter.

Kunal Shah: That is almost Rs. 8 crores?

Rajesh Viswanathan: That is right.

Kunal Shah: And this would have been entirely written off. So this would have been 100% provided or only a part of that is?

Rajesh Viswanathan: No. It was 100% written-off assets. So technically, it is a P&L pass-through. So it becomes a P&L benefit.

Kunal Shah: And is there a more pool to be recovered or this is more kind of a one-off?

Rajesh Viswanathan: So we have a Rs. 25 crores pool which is left on project finance, which we believe will come over after this recovery, which probably will take another 2-3 years, depending on how these stack up because these are really long tail sort of recoveries. So whatever comes, so for example, this recovery of Rs. 7-Rs. 8 crores has come in after a long time, I think, the first thing after about 7-8 quarters. So in that sense, it is a good thing to come. We have Rs. 25 crores, we are not sure how much we will recover from that, but it is a good positive to keep with us.

Rishi Anand: And to add to it, this Rs. 25 crores that we are talking about is 100% written off.

Rajesh Viswanathan: Right. Any benefit will directly come into the P&L.

Kunal Shah: Sure. Got it. And secondly, in terms of the OPEX, which is up like, say, almost 34% year-on-year and quarter-on-quarter. So any one-off element in that?

Rishi Anand: No one-offs on OPEX.

Kunal Shah: Overhead cost, yes.

Rajesh Viswanathan: Yes, the OPEX is typically the typical management expenses that we generally have, as well as the stride, because we have set up approximately 20 branches in the current financial year. The impact of setting up those 20 branches are there. And if you look at OPEX, Quarter 2 FY '26 was in the range of Rs. 201 crores. We were Rs. 173 crores last year, same time, and Rs. 187 crores in the quarter 1. So from 187 on a sequential basis, we have grown to 201, which is

typically 16% is a Y-on-Y growth, Q2 versus Q2. In a sequential quarter, we have grown from 187 to 201, which is a quite organic growth. There is nothing special on that.

Kunal Shah: Sure.

Rajesh Viswanathan: Just one point. As we alluded our cost to income that we look at very closely, that is where we would like to see that statistics. And we would like to see, we have seen it happen, and probably year end also, we will see a 40-50 bps that we will be able to target.

Kunal Shah: Sure. And lastly, if you can comment with respect to your entire strategy on the urban and emerging, how it is panning out, maybe Q1 was the full quarter, but how things have been. And over a period when we look at it in terms of the proportion of the branches, how much do we think like, say, A, B, C branches would respectively, maybe what proportion would those numbers be, say, over the medium term?

Rishi Anand: So Kunal, with respect to our strategy, I would say the current quarter in question was the first full quarter because we implemented towards mid of April in quarter 1. So we obviously did not get the first quarter in full. Whatever we had planned and the timeline that we had planned and the momentum we had planned, we are completely on track. If you recall, we mentioned at some stage that today 45% of the business comes from the emerging markets and eventually we want to get into a 50-50 model. Are we on track? I would say we are on track. The emerging C branches obviously need little more efforts for them to establish because it is a small setup. It is one or two manpower kind of branches. Broadly, if I were to break down urban and emerging today, urban is about 137 branches, emerging A, B, C and total will be about 475 branches. Out of which 400 branches will be in the B and C categories. Broadly, if I were to indicate, are we on track in terms of our commitments and guidance, we are completely on track. I don't see anything disturbing that 50-50 balance figure that we had indicated.

Kunal Shah: Got it. Thanks and all the best.

Rishi Anand: Thank you, Kunal.

Moderator: Thank you. The next question is from the line of Shweta from Elara. Please proceed.

Shweta: Thank you, sir, for the opportunity. A couple of questions. While you alluded to the fact that bulkier disbursements in Q1 led to slightly slower momentum in Q2, but then if we were to maintain 18%-20% full year target, then the ask rate for the second half is going to be pretty much higher, right, as high as 23%-24% kind of growth. So are we on track to achieve that kind of robustness and disbursements every quarter, like in second half?

Rishi Anand: Shweta, hi. Thank you for the question. Yes, as I indicated already, the way to look at it is 42% typically, 40-60 is what H1 to H2 happens across the industry. So for us, we have already delivered 42% against what we plan to do this year and the balance should be coming in Second

half we are on track, if I want to answer that question? Yes, we are completely on track, the way October has panned out and the way we look at our current month. We are completely on track and you are right. If we were to look at our guidance numbers, we will have to look in terms of growth. We will have to look at 20% -22% kind of growth in the coming quarters and we are completely on track.

- Rajesh Viswanathan:** And Shweta, just to add, if you look at historically the performance of Aadhar over the last 3-4 financial years, typically you will see this ratio of 42%-43% in H1 and then quarter 3 and quarter 4 actually moving in that direction of 57%. So I think that is why the full marketing team, the sales team, as well as the business teams are quite well guided plus, we believe that our entire strategy of emerging, which Rishi just spoke on, will get more activated plus GST, good harvest, good rains, the festival season behind us, PMAY, all these tailwinds will really help to really push demand and disbursements in the second half of the year, not only for us, but also for the entire industry.
- Shweta:** Understood, sir. Sir, second question is, was there movement from Stage-II to Stage-III because Stage-III climbed 13-14 bps sequential basis?
- Rajesh Viswanathan:** This would typically be the movement, Shweta, from Stage-II to Stage-III. If you look at our NPA at Stage-III itself, it has gone up from 1.34% to 1.42%. So 1.34% to 1.42% of the 8 bps movement has gone from Stage-II to Stage-III typically.
- Shweta:** And sir, what has been the bounce rate for this particular quarter and for TDPD?
- Rajesh Viswanathan:** So the bounce rate is quite static.
- Rishi Anand:** It is static for the last 6 quarters in the range of early 20% and that is where we have been for the last 6 quarters. What was the second question?
- Rajesh Viswanathan:** The 30-plus is in the range of about 4.6%. The 30-plus sequential quarter FY '26 quarter 1 was about 4.65%. So there is a movement of 5 bps positive over there.
- Shweta:** Perfect, sir. Thank you so much and all the best.
- Rishi Anand:** Thank you, Shweta.
- Moderator:** Thank you. The next question is from the line of Shubhranshu Mishra from Phillip Capital. Please proceed.
- Shubhranshu Mishra:** Hi, Rishi. Hi, Rajesh. Good evening. So I just want to understand the yield that we get on the retail loans versus other mortgage loans. Essentially, what I am trying to get at is the contribution to the profit from home loans versus the other mortgage loans?

- Rishi Anand:** Hi, Shubhranshu. Yields home to non-home, home gives us close to about 12.15% and non-home gives 15.75%.
- Shubhranshu Mishra:** So ballpark non-home would be contributing roughly around 35%-40% to the profit pool?
- Rajesh Viswanathan:** Yes, that is a way of looking at it. Because in terms of contribution, it will be about 26%-27% of our AUM. But obviously, it comes in at a higher ROA. So that is a way of looking at it. Obviously, the NPAs are slightly higher in NHL compared to HL., The difference in yield directly. be an ROA enhancer.
- Shubhranshu Mishra:** Understood. And the second part is about BT out and BT in as well. What would be the net number for the quarter? And how many people do we deploy as a team to have this kind of attrition?
- Rishi Anand:** Shubhranshu, our BT out percentage for the said quarter has dropped to 5.4% annualized. So there is definitely an improvement of about 50 bps. BT in, as I have been indicating every time on the call, we are a company which does not entertain too much of BT in because of obvious reasons.. It is close to about 0.91% which is only reference cases from our existing customers. In terms of central retention team that we have employed, there are 16 people, more of telecallers and people who engage with the consumers and one team leader. So about 16 people who help us retain the consumer. Apart from this, obviously the data analytics team, they help us churning out a lot of data with respect to consumers, which is a separate team. They have other deliverables as well, but they contribute towards retention.
- Shubhranshu Mishra:** And what percentage of this attrition is actually rested? So I present 100,000 a month, what actually gets retained?
- Rajesh Viswanathan:** Close to about, if I can put that number, 27%-30% will get retained.
- Shubhranshu Mishra:** Understood. And any guidance for FY '26 for the remainder part of 26 and of course, 27 for disbursement?
- Rajesh Viswanathan:** On BT out?
- Shubhranshu Mishra:** Sorry, AUM and disbursement?
- Rajesh Viswanathan:** On AUM, we have always kept a guidance of 20%-22% and profit again about 18%-20%.
- Shubhranshu Mishra:** Disbursement?
- Rajesh Viswanathan:** The disbursement will be, if you look at the reverse calculation, it will be again approximately 18%.

- Shubhranshu Mishra:** Thank you so much. Have a great and clean quarters.
- Rishi Anand:** Thank you so much, Shubhranshu.
- Moderator:** Thank you. The next question is from the line of Rajiv Mehta from YES Securities. Please proceed.
- Rajiv Mehta:** Hi, good evening. Thank you and congrats on steady and solid performance. So a few of my questions are already answered, but again, just coming back to asset quality and Stage-II performance, which has been pretty stable, which also implies that your early bucket collections have slightly improved. And when I in fact look at the flow rates, it seems that your flow rates or your collection performance in the early bucket in this H1 is actually better than last H1. So my question is, if the bounce rates are stable, then has the resolution improved in the early buckets? And if it has improved, then what has driven it? Is it your collection effort, intervention, or is it something like at the customer end, the leverage has gone down and is able to kind of make the payment immediately?
- Rishi Anand:** I think I will not be able to pinpoint something very specific, Rajiv. It is a matter of continued focus on collection. Our teams, for example, we have separate teams for separate buckets. The focus continues across various buckets. I think multiple things all across the support from the legal system. We have in-house legal team right from Section 138, Section 24 filing to in extended buckets filing of SARFAESI, memos, DM orders. So I think it is a contribution of entire team effort. I will not be able to pick out any single item and say that this has contributed to additional efforts. We have a total close to about 1,500 people on the collection team, on the front end who lies in with customers across various buckets. I think it is a team effort across various buckets, Rajiv.
- Rajiv Mehta:** And just one last thing, when you look at the asset quality movement at the whole company level, and is it reflective of the movement in LAP as well, because LAP is a much smaller as portfolio than home loan. So within LAP, has the asset quality or the DPD movement been similar to the whole company?
- Rajesh Viswanathan:** I think yes. If you look at it, it is only at 10 bps movement on difference in the asset quality when it comes to LAP. Otherwise, it is quite similar. For example, home loan moved from 1.1% to 1.2% on a sequential basis and LAP moved from 1.9% to 2%.
- Rajiv Mehta:** Sure. Thank you so much and best of luck.
- Rishi Anand:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Rishabh, an Individual Investor. Please proceed.
- Rishabh:** Hi, sir. I am audible? Thank you for the opportunity.

- Rishi Anand:** Hi, Rishabh. You are audible.
- Rishabh:** Thank you. So I have one small question. It is about the leverage on the book. So where do we intend to increase the leverage going ahead so that our overall ROE can reach up to 18% levels?
- Rajesh Viswanathan:** Basically, currently our lever is around 2.5-2.6, and honestly, if you remember in the past, we have been saying that the rating agencies generally are comfortable in a range of about 4.5 for a AA rated company. We are today a AA+ rated company, at least in one rating agency and hopefully on the way for the others also. Typically, we would lie somewhere between a AA rated and a AAA rated in terms of leverage, which the rating agency would be comfortable. So we have some headroom on that. Having said that, I think getting even to a 3.5-4x is going to be some way out of where we currently are. So it will take some time. We believe that first we should hit the 3x lever and then probably take it up from there. So it will be a slow process, steady process. We do not intend to push lever too much to be very honest. Internal accruals are fairly strong for us. So we have to take that also obviously into account when we look at our overall borrowings and as it is, we believe that we maintain sufficient liquidity also. So keeping all these elements in play, I think the movement is going to be fairly slow towards 3x first and then we take it up from there.
- Rishabh:** Sure. So that answers the question. Sir secondly, if you can again recall on the collection efficiency, I think I missed at the beginning of the call?
- Rajesh Viswanathan:** Our collection efficiency stands at 98.96%.
- Rishabh:** So that is it from my side. Thank you and all the best to the management.
- Moderator:** Thank you. The next question is from the line of Siraj Khan. Please proceed.
- Siraj Khan:** Hi, thank you for giving me the opportunity. Sir, I wanted to understand with respect to our branch addition strategy, how many branches will we be trying to close at the end of FY '26 and any specific states that we are looking to target?
- Rishi Anand:** In terms of branch, Siraj, as we have always indicated, we will keep adding 50-55 branches, out of which 15 will come in the urban category, which means the top 15 metro locations of the country and the balance 35 will come in the emerging category. Are we looking at any specific state? No, it depends on each state, the Zonal Head or the Business Head, looking at the potential of various locations, the data of which is sent to the data analytics team, which looks at the data very differently from a market potential perspective, delinquency perspective. That is how we boil down to locations. But if I were to give you, these will be typically top 10 states of the country for now, and which is Phase-I. So it can be likes of Maharashtra, Tamil Nadu, Andhra Pradesh, Telangana, Rajasthan, Gujarat, Delhi NCR and so on and so forth.

- Siraj Khan:** Understood. And with respect to a couple of questions on competition and your view on the Southern piece, so in Southern India, specifically Karnataka, there are a few locations where one of the participants earlier had said that there was some stress, although we have not seen that much in our book, but any specific ticket size wise or category wise, there has been early warning signs, although we might not see any stress, but any warning signs, maybe in the South or in general, any warning sign specific, say, less than 5 lakh or less than 7.5 lakh ticket size, are you seeing any stress?
- Rishi Anand:** Siraj, I would not want to pick out any specific consumer type or state type. Yes, you are referring to Karnataka. Karnataka was not consumer issues. They were more government related issues with respect to e-Khata policies, which have been sorted already. For us, if I were to talk about stress, it is typically the states that I have been talking about in all my calls, which is typically East, in location like East and Kerala, where, and that is also not because of anything else, but because of the lack of legal support system. And our strategy of any state not contributing greater than 15% of our AUM actually plays out very well. So I will not pick up any state and say that my portfolio is under stress or a particular consumer segment or a known type is under stress. And because of East and Kerala, obviously our incremental numbers of our focus is much lower in these states. But since we are available there, we continue to do flattish business.
- Siraj Khan:** And the competition bit, like for example, some of our listed peers and even unlisted peers have been very aggressive with respect to pricing, one of the larger listed players, although not in the same segment, but they had said that, they will try to undercut price it in a way that they will try to get good customer using their cost of funds advantage. So color on that with respect to the competition in general?
- Rishi Anand:** Yes. Siraj, our view has been, and to all my 8,000 employees in the field, the view has been very clear that we are not in the race of undercutting and a war of rate. We have our own identified customer segment. We will play on technology. We will play on speed. We will play on TAT and we play on efficiency. End of the day, consumer is more interested in how fast can you provide me the funds rather than looking at rate. This is a very different kind of customer segment. You are talking about larger players trying to undercut. I think it is only a matter of, we have all seen, we have been in the industry for 30 years. We have seen players come and go in various segments. I don't think too many people are doing undercutting, but undercutting is a mechanism of creating your own space. But since we have a pre-identified space across cities, I don't think there is any cause of worry.
- Siraj Khan:** So competition is as is and you are not seeing any much of an issue that it will cause?
- Rishi Anand:** No, not really. I can relate to which companies you are referring to. As I told you, our emerging ABC is going to play a very important role and big role in the entire play area that we have been talking about.

- Siraj Khan:** And just finally, with respect to the credit rating updates that we have had, in the AA plus and the long-term outlooks improving, we have already seen a bit of an improvement in the cost of borrowing. How much more, purely because of the maybe, although it is difficult to quantify, but how much more of an improvement can we see because of the credit rating of 10-15 bps? Because I think now you would be also having access to maybe insurance money, which is longer tenor and that way?
- Rajesh Viswanathan:** Yes, I think you are right. In fact, we have not seen maximum benefit of the rating upgrade in our incremental cost of funds as of yet. You are right. It will appear more in the debt capital market transactions that we do on NCDs. We are eagerly waiting for more rating agencies to take upgrade us because that will give us leeway to view for insurance as well as pension funds. It will not necessarily mean that it will come at lower cost, but it will come at longer duration, which we are also interested in. But you are right, the entire game will be on the 25%-30% incremental NCD business that we do. There you will be seeing benefits between a AA and a AA plus company of anywhere between 20-25 bps is something that you can see in a market, but that is an incremental and that is technically not played out till now. Probably will play out in the full way in more in next financial year rather than the current part of the financial year.
- Siraj Khan:** So what is the timeline when you expect these everybody, say ICRA and everyone to come up and?
- Rajesh Viswanathan:** We can't speak for the rating agencies. The only thing is that they have sort of taken the outlook from stable to positive, which we see is one step towards an ultimate goal for us.
- Siraj Khan:** Understood. Thank you.
- Moderator:** Thank you. Due to time constraints, that was the last question. I now hand the conference over to the management for the closing comments. Over to you, sir.
- Rajesh Viswanathan:** Hi, thanks to everyone to come in and attend this call late on a Friday evening. Hope we have been able to answer all your questions. If there are any unanswered questions, please do feel free to get in touch with our Investor Relations team, and we will be more than happy to answer your questions. Thank you and hope to have a good call in quarter 3. Thank you very much and good night.
- Rishi Anand:** Good night, everyone.
- Moderator:** Thank you. On behalf of Aadhar Housing Finance Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.