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“Aadhar Housing Finance Limited
Q4 FY26 Earnings Conference Call”

May 05, 2026



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MODERATOR: **MR. AJIT KUMAR – JM FINANCIAL INSTITUTIONAL SECURITIES LIMITED.**

Moderator: Ladies and gentlemen, good day and welcome to Aadhar Housing Finance Limited Q4 FY26 Earnings 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 star then zero on your touchtone phone. I now hand the conference over to Mr. Ajit Kumar from JM Financial Institutional Securities Limited. Thank you and over to you.

Ajit Kumar: Thank you Rutuja. Good evening, everyone. Apologies for the slight delay. Welcome to 4Q FY '26 Earnings call of Aadhar Housing Limited. On behalf of JM Financial, I would like to thank Aadhar management for giving us the opportunity to host this call. Today, we have with us the entire top management team of Aadhar represented by Mr. Deo Shankar Tripathi, Executive Vice Chairman; Mr. Rishi Anand, MD and CEO; Mr. Rajesh Viswanathan CFO and Mr. Sanjay Moolchandani, Head of Financial Planning.

I'll now hand over the call to Rishi sir for his opening remarks and then we can open the floor for Q&A. Over to you, sir.

Rishi Anand: Thank you so much, Ajit, and a very good evening to all of you. First of all, apologies for this slight delay. Technology sometimes plays its own role, but there we are. Thank you for joining us today to discuss Aadhar Housing Finance performance for the fourth quarter and full year ending March 31, 2026. We are pleased to close the financial year on a very strong note with consistent execution across growth, asset quality and profitability metrics.

I am happy to share that during the year, we have achieved a critical milestone with our asset under management crossing INR30,000 crores. This reflects the strength of our business model and our continued focus on Affordable Housing segment. In addition, we have delivered our highest ever disbursement of INR3,087 crores in a single quarter in Q4 FY '26, driven by steady demand and improved execution across our branch network.

The operating environment during the quarter remained very, very supportive for the housing finance sector as a whole. We saw healthy demand momentum across markets. Importantly, demand in our segment continues to remain largely end user driven with significant share coming from first-time homebuyers, particularly across emerging markets. This provides stability to growth and limits speculative activity in the segment.

At the same time, competitive intensity remains elevated in certain segments, particularly in the urban segment, where banks continue to be active. However, in the low-income segment where we operate, demand trends remain very steady with well-supported structural drivers. Overall, the combination of supportive policy measures, stable demand and healthy asset quality trends provide a constructive backdrop for Affordable Housing Finance segment.

Now coming to Aadhar's performance for the quarter and full year. As of 31st March 2026, our AUM stood at INR30,571 crores, crossing the INR30,000 crores milestone which I just mentioned, registering a 20% Y-o-Y growth. Disbursements for FY '26 stood at INR9,556

crores, a 17% Y-o-Y increase, reflecting steady lending momentum across our core markets and a PAT of INR1,096 crores, a 20% Y-o-Y growth.

On all the 3 critical parameters, we have stood by our guidance and commitment to the market. As we go ahead, we would continue with similar guidance of 20% AUM, 20% profit and 17% to 18% disbursement growth. Disbursements during the quarter 4 was highest in the company's history with INR3,087 crores, which was 20% Y-o-Y increase, supported by strong on-the-ground execution and consistent sourcing through branch network.

Our portfolio continues to remain fully secured and retail in nature with a balance between home loans, which is 73% and non-housing loan, which is loan against property at 27%. We continue to maintain a well-diversified book with an average ticket size of INR10.9 lakhs and a 60% loan-to-value ratio, which is well within comfort levels. The salaried segment continues to be at 55% share of the AUM.

Balance transfer outflows during the financial year FY '26 improved by 60 bps as compared to FY '25, supported by focused rate retention efforts and data-driven customer engagement. Asset quality remains pristine with gross NPA standing at 1.08%, a sequential improvement of 30 bps versus quarter 3 FY26. Collection efficiency continues to remain strong, above 99.8%, reflecting consistent on-the-ground execution.

Importantly, early bucket delinquency remains stable and Stage 2 assets continue to show improvement by 30 bps compared to last quarter. 1 plus DPD also reflects improvement of 78 bps on a sequential basis. Our underwriting discipline, combined with strong field-level collections and analytics-led monitoring continues to support overall portfolio quality. We continue to expand our distribution footprint in a calibrated manner.

We have added 5 new branches in quarter 4 and 46 branches in the full year, in line with our strategy, taking our total network to-date to -- as of March 31 to 626 branches across 22 states, covering over 550-plus districts. We are beginning to see encouraging traction in our urban markets, along with continued support -- sorry, continued strong performance in the emerging markets.

This gives us confidence in our approach of building a balanced presence across geographies. Our deep local presence and branch-led sourcing model continue to be key strengths, enabling us to understand customer profiles better and drive consistent growth. Our geographical diversification remains strong with no single state contributing disproportionately to the AUM.

We continue to maintain less than 15% exposure in any state on all 3 critical parameters, that is AUM, disbursement and distribution. Our approach of combining branch expansion with productivity improvement of existing branches continues to support sustainable growth. Technology continues to be a key enabler in our growth.

During the year, we are increasingly leveraging AI and analytics across sourcing, underwriting, collections, which is helping us improve turnaround time, strengthening risk assessment and enhance collection efficiencies. We have also started incorporating AI-led tools in select part of our loan life cycle.

And while this is still evolving, we are seeing early benefits in terms of productivity and decision-making. Looking ahead, we remain confident about the operating environment. The Affordable Housing segment continues to benefit from structural drivers, including favourable demographics, increasing formalization and continued policy support such as PMAY.

We believe demand in our segment will continue to remain stable and end user driven, supported by first-time homebuyers and increased penetration in underserved markets. While we remain mindful of competitive intensity in certain segments and in the evolving markets, our current portfolio trends and operating metrics give us confidence in our growth trajectory.

With a strong balance sheet, stable asset quality, diversified distribution network and continued focus on execution, we remain well-positioned to sustain our performance and deliver on our medium-term guidance. Aadhar remains committed to its mission of enabling homeownership for low-income families while delivering consistent and sustainable returns to all the stakeholders.

With that, I would now hand over to Rajesh, our CFO, to take you through the financial performance in detail. Rajesh, over to you.

Rajesh Viswanathan:

Thanks, Rishi. Good evening, everyone. I would like to take you all through the financial performance for quarter 4 FY '26 and full year FY '26. In quarter 4 FY '26, our AUM has grown by 20% on a Y-on-Y basis. Our overall borrowings on 31st March 2026 stood at INR18,744 crores compared to INR16,322 crores as at the previous year-end, which is a growth of 15%. The borrowing mix at the end of 31st March '26 is 51% from banks.

NHB share is 22%, NCD share is 19%, ECB share is 5% and others is 4%. Our incremental borrowing for quarter 4 FY '26 stood at INR2,430 crores coming at 7.6%. And for the full year, it was INR6,396 crores, which came in at 7.8%. Currently, we have 42 strong and diversified borrowing relationships. In quarter 4, fresh NHB borrowings were INR705 crores, which came in at 6.9%.

Of this, the Affordable Housing finance fund was INR141 crores, which came in at a rate of 4.3%. Full year FY '26, NHB borrowings were INR1,304 crores, which came in at 7.2%, of which the Affordable Housing finance fund was INR261 crores, which came in at 4.7%. As a strategy to diversify the funding mix, during quarter 4 FY '26, we have upheld term loan of INR500 crores from domestic DFI NABFID, which is National Bank of Financing Infrastructure and Development.

The exit cost of funds on 31st March 2026 stood at 7.71%. In terms of fixed and floating nature of our book, 76% of our borrowings and 73% of our assets are on floating basis. Undrawn sanctions as at 31st March '26 is INR1,687 crores, of which we have INR246 crores undrawn from NHB. Liquidity at the end of quarter 4 FY '26 stood at INR1,425 crores.

The exit spread stood -- at the end of 31st March '26 was 5.82% as compared to 5.7% at the previous year-end. Our cost-to-income ratio for FY '26 came in at 35.9% as compared to 36.4% in FY '25, an improvement of approximately 55 bps. This is in line with our guidance of dropping cost-to-income ratio by about 50 bps in the current financial year.

GNPA has seen a marked improvement, which is also a seasonality impact in quarter 4. GNPA came in at 1.08% as compared to 1.05% in quarter 4 FY '25. Capital adequacy ratio for quarter 4 FY '26 stood at 42% for Tier 1 and 0.5% for Tier 2. Finally, the PAT came in at INR1,108 crores without the impact of the new Labour Law Code.

This is compared to INR912 crores in FY '25, rendering a Y-on-Y growth of 22%. Quarter 4 PAT came in at INR311 crores as compared to INR245 crores in quarter 4 FY '25, a growth of 27%. FY '26 ROA and ROE, again, without the impact of the new Labour Law code is 4.4% and ROE is 15.9%.

For quarter 4, the ROA and ROE is 4.8% and 17.1%. This is compared to 4.4% and 15.9% in quarter 4 FY '25. Now the impact of the Labour Law code, which we have already taken in quarter 3 FY '26 is INR16 crores, which as per the ICAI guidelines is shown as an exceptional item.

Also included in the manpower cost for quarter 4 FY '26 is an amount of INR13.5 crores, both in quarter 4 FY '26 and full year FY '26, which is the impact of fresh ESOPs that we have granted to employees in the quarter 4 of the current financial year. The impact of this is in the quarter 4 and full year is INR13.5 crores.

Number of employees as at 31st March '26, on-roll was 5,400 and off-roll was 3,900 as compared to 4,600 on-roll last year and off-roll was 4,300 in March '25. We are focusing on maintaining a healthy book and delivering consistent performance on a quarter and yearly 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.

Renish: Yes. Hi, sir congrats on a good set of numbers. Just two things, sir. One, on this impact of West Asia war. So I mean do you foresee or do you see any impact on ground let say in month of March-April. And if yes, are we intending to calibrate disbursement in near-term just as a precautionary measure?

Rishi Anand: Hi, Renish. Thank you for your question. West Asia war or the current geopolitical issues, the first line of defense, and I always make this statement for us, the first line of defense is always if there was something to be going wrong, it would be the bounce rate increase or decrease in the bounce rate. Fortunately, the last -- the current month, 3 cycles of bounce rates have not seen any trend whatsoever.

Our bounce rates have been stable for the last 6 quarters. So from that perspective, we are, I would say, safe as we speak. That is one. Second is from a ground-up perspective, all our 2,000 people in the collections have been given heads up to be very careful and closely in connect with the customers.

That is point number two. Point number three is most of our customers actually deal in essential commodities. And if I can go back and relate to various situations that we have all seen, for example, the COVID situation, et cetera, the essential commodities was people dealing in

essential commodities got hardly impacted because that's what the cycle of essential commodities continues.

That is number three. And lastly, our belief and the way we look at the West Asia crisis is the first people who will get impacted are companies which would be highly exposed to NRI communities. Fortunately, in our case, we hardly have any exposure to NRI consumers. I hope that helps, Renish.

Renish: Yes. I think most of these indicators are actually showing no sign of stress at least as of now.

Rishi Anand: That's right.

Renish: And sir, my second question is on this growth, right? So I'm not too much keen on upheave you about FY27. Just from a 3 to 5 perspective, I mean, can you share just your thoughts on the broader industry-wise data points in a sense less than INR25 lakh ticket size, the total disbursement market and our market share. And how that market shares have been trending towards the last 2 to 3 years. So just to get some idea about how we are positioned and whether had this INR30,000 crores AUM and 20% plus growth are sustainable or not?

Rishi Anand: Right. Okay. So Renish, a few data points, total outstanding of the entire housing portfolio across various financial institutions would be close to about INR37 trillion. If I break that structure down into low-income housing, that's where we belong. So low-income housing basically would be average ticket size of the book at the book level below INR15 lakhs.

That's where we belong. And if I were to further -- which approximately housing finance companies in the total pool holds about 20% market share. And if I come to low-income housing finance companies and look at our share in that peer group, we have been trending around 16%, 17%. If I look at the current numbers, we are at about 18% market share.

And these are ballpark numbers. How do I look at our numbers and how do we look at our growth strategy as we go ahead? We've been delivering constantly, we've been delivering an AUM growth of upward of close to about 20%, 22%. And I have just in my opening statement, clearly mentioned that we will look at similar numbers from a short-term to medium-term perspective.

And as an organization, on a lighter note, we work on something called milestones when we opened this year, and I remember interacting with you as well that we had a milestone number of INR30,000 crores. We fortunately crossed that number with all the efforts of the entire Aadhar team. If I look at the trajectory of numbers that I've guided 20% growth, if I look at 3 years from now, the next milestone, obviously in 3 years should be INR50,000.

That is one perspective number two. The third point is there is -- and I've been making this statement and the more I travel and go out to state levels, etc, I get little more pulse about it that there is a little too much that is happening at the ground level right now, right from state level government authorities to central level.

And then recently, I was in the state of Odisha last week itself, and I happened to catch up with the -- or I was fortunate to meet up with the additional Chief Secretary, Housing Development, Finance Secretary, Odisha. And you could clearly see how the BLC projects under PMAY and AHP projects, which is Affordable Housing projects are shaping up 25,000 plus units up for grab.

And similar is the situation across multiple states. You talk about Tamil Nadu, you talk about Karnataka, you talk about MP, you talk about Gujarat. Every state government is sitting on almost ready structured houses, BLC advances being given already. So there is too much that is happening at the ground level, and I don't foresee any reason why demand should be under question. It can be unless unforeseen situations like COVID, etc, happen, which obviously touch wood -- we are not looking at those situations. But steady state, INR50,000 crores 3 years from now.

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

Kunal Shah: So three questions. Firstly, with respect to the left growth, both in terms of disbursements, I think maybe it is lagging a bit on the home loan side. Would it be more kind of a seasonal phenomena, any particular reason like last 2, 3 quarters, in fact, the overall nonretail home loan part, maybe non-home loan part that is growing relatively slower.

So if you can address that and how should we look at it in terms of the overall AUM growth? Second is on the fee income side or maybe on the noninterest income side, both the assignment income is quite high. So was it like equally larger proportion of assignments done during the quarter or it was more in terms of the spreads, which have led to this assignment?

And even other income seems to be slightly higher. Is there any one-off out there? Yes. So that's the second question. And thirdly, on ESOP cost. So this is just Q4 cost, which is there. This is not going to accrue even in FY '27. This is like a onetime cost which we have taken, and it is over. There will be no impact getting into FY27 too?

Rishi Anand: Okay. So I'll take the first question first. LAP growth -- and you're right, when you read at the data that LAP growth has been slightly slow, I would say this was deliberate and it was kind of completely planned. And this plan or deliberation started when the tariff issue happened, and we cautioned our teams to be very careful and go -- I will not say go slow, it might be the wrong choice of words, but be very careful.

We don't want to do something in haste, which will go out and look at our delinquency numbers. So we kind of cautioned them. Right now also, I would say, given the current situation of West Asia, and I spoke about it a while back, I don't want to again hast things. We are today at the book level at the AUM level, we are 73-27.

We have a lever of about 3%, and we would want to play at the right time. We did incrementally about 26% loan against property in Q4 FY26, and we want to maybe take it to about 27%,28% in the current quarter, and we'll wait out, as I said. So there is -- I wouldn't say there is anything which is growth or degrowth in loan against property. It was purely our management call to wait and watch. And we still maintained 23% at AUM level. But do we have a room of increasing it?

Yes, we have a room of increasing it, but we'll wait for the right time. On your next question, Rajesh will comment.

- Kunal Shah:** No differences in the delinquency or bounce rate trends between LAP and home loans?
- Rishi Anand:** Fortunately, no. But when it comes to Stage 3, we all know that there is a differential of about 0.75%. The loan against property is always 0.75% to 1% in our current book, it will be 0.7% higher NPA, but risk-adjusted spread will be about 3.35%. So obviously, that sets off completely.
- Rajesh Viswanathan:** In case of DA income, you're right. The total fresh DA that we did for the whole year was in the range of about INR1,725 crores, similar to last full year. And the upfront income, which seems higher is on account of better spreads that we have got. Spreads are better in the range of about 80 bps to 85 bps. So that's a benefit that we got.
- Quarter 4 DA looks slightly higher because some of the deals which ideally we would have liked to consume in quarter 3 got pushed to quarter 4. So to that extent, it looks slightly higher. But otherwise, if you look at it, this would be broadly divided by 4 in our case, the impact -- and the way we look at DA income is that the net impact of DA in FY '25.
- When I say net impact of DA, it is the upfront income that we book on fresh assignment and the unwinding of the existing book. If you look at it for FY '25 and FY '26 is exactly the same figure. So the overall impact on P&L is actually positive to that extent in the current financial year.
- So -- and the other -- the way we look at DA is probably you will see in overall DA compared to the INR1,725 crores that we did in the current year, probably next year, we would be trying to grow that in the range of anywhere between 10% to 15% in terms of overall DA. In terms of other income, you are right, there were some 2 one timers to the extent of about INR6 crores to INR7 crores.
- One was an IT refund of about INR2.5 crores that we have taken back to the P&L. And the second was some old write-backs that we had, which we had not done for a long time, and that is about to the extent of about INR3.5 crores. So put together, it is the extent -- in the range of about INR6 crores to INR7 crores that we had as a onetime, which is sitting in the fee income.
- Kunal Shah:** Sorry, IT refund was?
- Rajesh Viswanathan:** It was at INR2.5 crores. Okay.
- Kunal Shah:** And total was INR7-odd crores?
- Rajesh Viswanathan:** That's right.
- Moderator:** The next question is from the line of Shreya Shivani from Nomura.
- Shreya Shivani:** Congratulations on a good set of numbers. I have one question for you on the yields. So can you help me understand, you've taken a PLR reduction from February '26. The interest rate

environment seems very -- I mean, it's very volatile depending versus what you would have -- how you would have thought in February 2026?

So how are we thinking about the yields for the year of FY '27? Also, as you spoke about the LAP book, can you just clarify how much does that -- if you increase your LAP mix for example, how much of that -- how much boost does that give to our yield? So just the commentary on yield basis the interest rate environment we are in right now? And what would we do with that PLR cut we have taken in Feb '26?

Rajesh Viswanathan:

Shivani, Rajesh here. I will chip in and then probably Rishi will top it up. The February rate pass on that we did of 15 bps was the impact that we had received over the financial year that we passed on as per our RPLR formula that we had. And as is guided by the ALCO and our Board, we had to pass it on, and there was no questions on that pass on. Yes, things have changed significantly when we look at February and when we look at now.

Our view is that the interest rate cycle has stagnated and to a certain extent, will be stagnant for at least two, three quarters. And we -- post that, if inflation doesn't come under control, then there will be some interest rate surprises on the other side. But as we look at it, at least from the next 2, 3 quarters, I think to a certain extent, there will be status quo.

Now coming to the other important thing, the way we like to look at it instead of yields is basically spreads. As we look at it, our exit cost was about 7.7% and our exit spreads were 5.82%. We have always guided that our spreads year-on-year will probably see some contraction to the extent of about 8 bps to 10 bps.

This is predominantly because our incremental business that we do in terms of yields is lower than the book yield that we are carrying. Our book yield is, if I'm not mistaken, about 13.52% - - and if you look at our incremental yield, the incremental yield will be in the range of about 13%. So yes, the other question which you asked was will there be a kicker that you will receive by doing more of LAP.

So for example, the benefit that we get by doing more NHL versus HL is almost to the extent of 400 bps. So if my incremental disbursements was theoretically 25% LAP and if I swing 5% towards NHL, I would obviously get a benefit of 400 bps on that particular portfolio that I disbursed. And to that extent of that, we think that we have one lever that is available for us to ensure that the spread doesn't contract in a very fast manner.

Rishi Anand:

I can add to that, Shreya. Rajesh spoke about spreads and another data point at the company level is 74% of our asset side is floating in nature and similar 76% of our liabilities is floating in nature. So while we are talking about the current scenario, etc, and if at all, there is a substantial increase in our cost, we being a majority floating book, it's going to be passed on to the consumer, of course, subject to ALCO and Board approvals, etc. So at any stage, we will try and -- we will definitely protect our spreads.

Shreya Shivani:

Just one clarification we needed. The part you mentioned about 8 bps to 10 bps year-on-year reduction in spreads is if the mix between LAP and home loan stays where it is. If you do anything about the LAP that -- does that reduction still play out for you?

Rajesh Viswanathan: So when we talk about 8 bps to 10 bps reduction, we are -- the data that we work on is about 25%, 26% LAP. But yes, you are right. We have -- we still have room of about 3%, 4% of enhancing LAP, and that can be a play area. But I also -- if you remember my opening statement, I said -- in fact, to the first question and Renish, I said that on LAP, we are wanting to look at it very carefully. We are not in a hurry. So I'm sure in the current quarter, I'm not going to be taking substantial jump on LAP. We will wait out. But yes, we have a room. So if push comes to shove, that's the play area.

Moderator: The next question is from the line of Arun Antony from JM Financial.

Arun Antony: First of all, congratulations on a good set of numbers and crossing the milestone of INR30,000 crores. Just a couple of questions from my side. First of all, I just wanted to know what has led to the increase in 1 plus DPD by approximately 80 bps? And then another question would be on the disbursement growth.

So disbursement growth has been quite robust in this quarter, approximately 30% Q-o-Q. So is there any specific states or state which has led to this strong momentum? And then one last question is that the incremental cost of borrowings have also gone up by approximately 10 bps. Is there any reason which -- why it has gone up during this quarter? That's all from my side?

Rishi Anand: Great. One correction, a clarification. You mentioned 1 plus increasing by 80 bps. Actually, it has reduced by 80 bps. So I just wanted to clarify that. I will not -- I can't be singling out any one effort on a reduction of 80 bps of 1 plus. I think it is a continuous effort. All our foot soldiers in collection side, about 1,800 of them on a daily basis track that.

As an organization, I would say about 18 months back is when we started driving down 1 plus as a deliverable number from purely focusing on NPA to also coming back to 1 plus because 1 plus gives you that bulge of 61-90 bucket and we wanted to avoid that at any given point in time. So I think it is a combination of concentrated efforts, multiple efforts right from our basics of call center, calling to the customer, banking cycles, field efforts.

It's a combination of multiple things, which has reduced the 1 plus by 80 bps. Your second part of the question was 30% overall growth for the quarter on a sequential basis. Has any particular state given me a huge jump on disbursement? I would say if I can -- I don't want to single out any state, but I will still give you some names which are standing out.

Maharashtra standing out for us, Madhya Pradesh standing out for us. Tamil Nadu did surprisingly well, Delhi, Karnataka, Uttarakhand. So these are a few top line numbers, I thought I'll mention. But these states have given the required numbers. The third part was on cost, Rajesh.

Rajesh Viswanathan: In terms of cost, the cost for quarter 3, as you rightly said, was 7.45% and quarter 4 was 7.54%. This is predominantly because we had kept bank borrowings to the extent possible. We had deferred the drawdowns of that. Some of the drawdowns or incremental higher drawdowns happened in quarter 4 vis-a-vis quarter 3, and that is precisely the reason the 10 bps is playing out.

Anyhow, we are saying that our exit cost, which is 7.7% and we believe that for a significant point of time, there is not going to be a significant downward movement on this cost considering the interest rate scenario that we just talked about. If we are able to maintain 7.7% cost throughout the entire next year, I'll be very, very happy to be very honest.

As we said, we will have to wait and watch for the interest rate movements. Rishi says we -- anyhow, we are floating -- specifically floating book. If we see any incremental interest rate movements, which is very significant we have an ability to pass it on to our borrowers based on our internal ALCO and Board approvals. And we will then wait and watch and do it. But we personally believe that there is going to be a stagnancy in interest rates at least for the next 2 to 3 quarters.

Moderator: The next question is from the line of Prithviraj Patil from Investec.

Prithviraj Patil: So I just -- I was looking at the opex to AUM, and it has increased sequentially. So I just wanted to know like the branch count has grown by only around 4 branches. So what has led to this growth? Have we added on new employees here?

Rishi Anand: I think opex to AUM, it is always a quarter 4 phenomenon because we run various competition and contests in quarter 4 for our employees. And if you look at -- I'm just flipping it to cost to AUM or even the cost-to-income ratio, if you look to the cost-to-income ratio, if you look at quarter 4 last year and quarter 4 of current year.

There has been an improvement in cost-to-income ratio from quarter 4 to quarter 4, but sequentially, between quarter 3 and quarter 4, there will always be a growth because there are some onetimers which typically get booked into quarter 4, which is predominantly related to contest and competitions that we roll out for our sales employees in the field.

Rajesh Viswanathan: Y-o-Y reduction 50 bps.

Rishi Anand: Yes. On a Y-o-Y basis, if you look at cost-to-income ratio, there has been a reduction in cost-to-income ratio from about 37.9% to 37.1%. And even if you take the full year, it has reduced from 36.4% to about 35.9%.

Prithviraj Patil: Sure. And what is the employee count as of March '26?

Rajesh Viswanathan: The off-roll -- on-roll count is 5,430, off-roll count is 3,965.

Moderator: The next question is from the line of Shreya Chatterjee from Ageless Capital Finance.

Shreya Chatterjee: Congrats on a good set of numbers. So my first question is a bit -- if you could give a bit more granularity on the 20% AUM growth that you are guiding for on the basis of the states which you see the higher number of growth or which you think will grow faster? And also on the ticket size, meaning your average ticket size is INR1.1 per million, INR11 lakhs around. But in the EWS and LIG space, like are you seeing a higher amount of growth in the INR2 lakh to INR5 lakh space or higher than INR5 lakhs, if you could give some color to that?

Rishi Anand:

One is you wanted -- the first part of your question was 20% AUM growth, which are the states that are going to contribute. So broadly, all of the states are going to be contributing substantially where we are present. But as in the previous question, I had highlighted, if I can call out a few states, Uttar Pradesh will be contributing the largest chunk for us, followed by -- and it is not in any order.

So I'm just naming a few states, Maharashtra, Madhya Pradesh, Tamil Nadu, Delhi NCR, Karnataka, Haryana, Uttarakhand, Rajasthan, these are the top 8 or 10 states which contribute the largest chunk for our business, followed by the other states. And on a lighter note, we see some potential now in West Bengal, too, as we look at the political change. That is one.

Second is you spoke about INR11 lakh of ticket size, EWS, LIG, below INR5 lakhs, hardly any traction. And even if I talk about our AUM numbers below INR5 lakhs, it will be close to about 3%, not much. The real traction is actually between INR5 lakhs to, I would say, INR25 lakhs. And that's where we are able to -- we have our concentrated efforts across urban and emerging, we are able to maintain that INR11 lakh kind of average ticket. Incrementally, our average ticket size will be about INR12.5 lakhs.

Shreya Chatterjee:

Got it. And sir, my second question is on this opex to AUM ratio or the cost-to-income ratio. So where do you see it going forward? And like what will contribute to it? Like what is your branch productivity right now? And how many branches are above that average branch productivity and how many branches are related to -- just elaborate a bit more to that?

Rajesh Viswanathan:

So the way we look at cost-to-income is and if you look at it consistently over the last 2 financial years, we have dropped almost to the extent of about 150 bps, 160 bps. We're looking at another 50 bps probably in the next financial year. What will be driving this is a combination of productivity, some of the projects that we have taken up on sales productivity, which will come from our AI-driven models that we will be able to deliver on productivity.

In terms of how productive are our branches. Typically, the branch that we set up in a 9- to 12-month period, if it's a small branch, they become profitable or productive, if I can use the word. And the slightly bigger urban branches, they take anywhere between 12 to 15 months to become productive.

So going by that scenario, I think majority of the branches that we have set up to quarter 1 of last financial year have in that sense becoming -- become productive, I would say. And the way we look at contribution of the branches is how fast they can achieve this 9 months and 12 months for a smaller branch and for a bigger branch, 12 to 15 months. And I dare say that majority of the branches do turn productive within this period of time.

Rishi Anand:

I can comment there quickly, Shreya, I think Rajesh explained it very nicely. But just as a point, when we talk about branches at Aadhar, we follow a very differentiated structure as against anybody else in the market. We follow something called -- we have 4 categories of branches, starting from a very small 50, 60 square foot office called ultra micro moving to a micro branch, small branch and then main branch. So that's the category Rajesh spoke about 9 months to 18 months. Every branch will have a different trajectory of becoming breakeven or profitable.

Shreya Chatterjee: That was really helpful. Just my last part of the question is on the cost of funds, do you see any meaningful improvement in FY '27 or will it continue?

Rajesh Viswanathan: As I said, considering the overall macro, I would be very happy if I'm able to maintain the exit rates of the current year. To be very honest, we don't think that anyone is expecting a drop in the cost of funds from here or a drop in interest rates from here. And the pass on for us also has come through majorly.

So I think there will be, to a great extent, next 2, 3 quarters, at least we see a status quo right through our cost of funds. And if we are able to pull the lever on the LAP business that we do and some of the emerging market business that we do, we believe that we will be able to take the yields a bit higher. And technically, our spreads, spreads will get protected. That is basically the strategy we are trying to play out.

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

Nischint Chawathe: If you could give some color in terms of how your incremental ticket sizes have moved over the last 4 quarters. I mean you mentioned a number of INR12.5 lakhs in this quarter, but how would this be like a year back?

Rishi Anand: Just a minute, Nischint. They're just pulling it. Just a minute.

Rajesh Viswanathan: So the movement has been in the range of -- so INR10.5 lakh as I told you, is INR10.8 lakh is on the book. I will do a club of home loan and nonhome loan. So INR13.6 lakh was in quarter 3 FY '26, INR12.6 lakh is the last quarter, slight drop. Prior to that was INR13.8 lakh, INR14 lakh. It's been in the range of, I would say, INR12.5 lakh to INR13.5 lakh, Nischint.

Rishi Anand: And Nischint, the point to note over here is our LAP contribution has dropped slightly in quarter 4. We have done only about 24%, 25% of our disbursements in LAP. Typically, we do about 28%, 29%. If we did more LAP, probably that ticket size would have come in slightly more lower.

Nischint Chawathe: Got it. Got it. So you're actually going down the ticket size. You're not going up the ticket size, right? I mean is that?

Rajesh Viswanathan: No, I will not say we're going down the ticket size, I mean, that is where our emerging and urban strategy plays out. When we focus more on emerging locations, and I have called it out in the previous call as well, emerging ticket sizes will be much lower. Today, my emerging C ticket size will be in the range of about INR8.5 lakhs, INR8.6 lakhs.

Emerging B will be again INR10 lakhs. Emerging A will be INR12 lakhs. So that's what plays out. So if the team start and urban will be typically INR17 lakhs, INR18 lakhs, depending on which city we are talking about. But if the strategy that we want to drive of urban emerging is right, the ticket size should be under control.

The intent is to maintain the book level ticket size even in the shorter term in the range of INR10 lakh to INR11 lakh, INR11.5 lakhs. So that's the aim. Some quarters it will go up, some quarters

it will come down. If emerging performs in 1 quarter, emerging performs over the targets, your ticket size suddenly will jump a little bit, that's how it works.

Nischint Chawathe: So basically, you are -- emerging essentially, you mean deep impact branches, right?

Rajesh Viswanathan: Sorry?

Rishi Anand: Basically deep impact, yes.

Rajesh Viswanathan: Smaller -- deeper impact branches, right.

Nischint Chawathe: Yes. So you are comfortable to go down the ticket sizes is what we are seeing, but probably the deep impact strategy doesn't change, but maybe in terms of focusing on LAP, that's something which you probably kind of be a little bit more careful at this stage. Is that a fair way to read it?

Rajesh Viswanathan: No, I will not say we are comfortable by ticket size going down. We are very, very comfortable by sustaining the ticket size. And we know with cost of construction, etc, going up, there will be a slight increase in the ticket size, which we are fine with. Today at a book level, 10.9 lakh moving to 11.5 lakh eventually doesn't bother me too much.

Nischint Chawathe: And, sir, the reason I'm asking all of this is your disbursement growth in the retail side or essentially in the core portfolio is almost 26% on the home loans is almost 26% this quarter, which is obviously a phenomenally good number. So just curious as to what is it that has driven this? And how should one think about it? I mean it's something which I guess is way ahead of probably your peers?

Rajesh Viswanathan: I would say 2 things, Nischint. One is just as a slight correction, we just do retail. So not on retail side, we just do retail. We don't do any.

Nischint Chawathe: Sorry, I was meaning home loans, sorry.

Rajesh Viswanathan: Yes, yes, yes. So in home loans, yes, this quarter has been -- there has been a 26% growth on home loans. I think it is also to -- also go to the various government initiatives like PMAY. We are the largest player in PMAY play today, close to about INR50 crores of our subsidies have gone to the consumers about 15,000, 16,000 customers.

So that obviously has started playing out. And I will come back to my emerging word again, a lot of trust and focus from the senior management on emerging is giving a little push on more home loans. And that is also evident that is point number two. Point number three is I called out saying that for the last 3 quarters since the tariff issue happened post that, we've been very careful on non-home loans.

The non-home loans, you see a slight dip in the way the quarter-on-quarter non-home loans has moved. But the teams still have to do business. They still want to meet their budgets and incentive structures. So home loans started coming in, which is good news. Higher the home loan, the better it is. But -- and with a clarification that we will want to maintain at about 70-30 in the medium term.

- Nischint Chawathe:** And just finally, so this also means that there could be some small lever to your margin or basically yields if the emerging kind of loan book goes up?
- Rajesh Viswanathan:** Sorry, Nischint, you'll have to repeat that, please?
- Nischint Chawathe:** No, no. So this also means that there could be some small lever to yields if your emerging book goes up?
- Rajesh Viswanathan:** Yes, absolutely. The 2 levers that we have got to yields is obviously pushing more business in emerging B & C and LAP. And the second lever is actually, as Rishi said, LAP, if we can take the disbursements rates in a calibrated manner back to 28% to 30%, that is a good. And third is our overall strategy where we always tell that.
- Always have guided that self-employed business will -- as a percentage of the AUM will move towards self-employed from -- overall book will move towards self-employed by 1%, 1.5% every year. And the more emerging B & C that we do, the more self-employed business that we will underwrite. So I think this all works out to a slightly higher yield generating strategy.
- Moderator:** The next question is from the line of Rakesh Kumar from Valentis Advisors.
- Rakesh Kumar:** So first question is with regards to the funding sources. So just wanted to know that in the last 1 year or so, like in this declining interest rate scenario, so what portion of nonbanking funds would have got repriced and to what extent?
- Rajesh Viswanathan:** A significant portion of our floating funds are only banking funds and NHB funds. And NHB also approximately 50% of our NHB is fixed and 50% is floating. So that NHB floating portion will always get repriced. It would have got repriced in the range of about 50 bps, 60 bps, if I'm not mistaken, NHB. And in the terms of banking funds, I think banking funds, I'll just get the number to you. The banking funds would have got -- in terms of bps, it would have got repriced by in the range of about 50 bps.
- Rakesh Kumar:** And the nonbank -- so like from Q4 FY '25 to Q4 FY '26, we have a drop of approximately 80 bps of interest rate, the borrowing cost number. The interest rate number for us, the diversified funding number that has fallen from 8.4% to 7.6%?
- Rajesh Viswanathan:** That's right. That's the -- that is the incremental cost of fund has fallen from 8.4% to 7.6%. And the benefit which has been passed on to the banks to us is about anywhere in the range of 70 bps to 75 bps. It was not 50 bps, it is 70 bps to 75 bps.
- Rakesh Kumar:** So if I take like 75 bps and so basically 30 -- so out of this 80 bps, 35 bps benefit has come from bank. That is what you are saying?
- Rajesh Viswanathan:** Yes. The other way of looking at it is my exit cost of funds in last year was 8.14% and the exit cost of funds in the current year is about 7.72%. So that is the benefit of the entire book that has actually come through to us, and we have passed on 15 bps to the customers also.

- Rakesh Kumar:** No. So passing on to customer is just like -- so this is the secondary thing. So what I'm just trying to understand is that nonbanking resources that we have, what portion of that can get further repriced and to what extent? So that is what I wanted to arrive at.
- Rajesh Viswanathan:** See, our NCDs is about 22% is our NCD. So NCDs typically are 3-year, 4-year NCDs, which typically don't get repriced. These are all -- these are NCDs are broadly fixed type of instruments. Now it comes to banks, banks are 51%, which gets repriced, which are all floating rate.
- NHB, as I said, 22% is NHB, NHB 50% is floating, 50% is fixed. Now NCDs will also include a small portion, which will also get fixed. So typically, out of our NCDs, 32% is floating and 68% is fixed. So we have 22% of our overall portfolio -- borrowings is NCDs. Of the NCDs, 32% is floating and 68% is fixed.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments.
- Rishi Anand:** Thank you all for coming in quite late for this call. And I hope that we have been able to answer and manage to answer all your questions as per your expectations. If there are any pending questions, you can always reach out to Sanjay Moolchandani, our Head of FP&A, and we'll be happy to answer these questions. Thanks, and happy to meet again in quarter 1 of the next financial year. Thank you very much.
- Rajesh Viswanathan:** Thank you so much.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of JM Financial Institutional Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.