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Date: February 11, 2025

To,	To,
BSE Limited Listing Dept. / Dept. of Corporate Services, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001. **Security Code: 544176** **Security ID : AADHARHFC**	**National Stock Exchange of India Limited** Listing Dept., Exchange Plaza, 5th Floor, Plot No. C/1, G. Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051 **Symbol: AADHARHFC**

Kind Attn.: Listing Corporate Relationship Department

Sub:- Transcript of the Earnings Conference Call for the Quarter ended December 31, 2024.

Dear Sir/Madam,

Pursuant to Regulation 30 read with Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and with reference to our prior intimation dated January 17, 2025 please find enclosed the transcript of the Earnings Conference Call on the Financial performance of the Company for the Quarter ended December 31, 2024 held on Thursday, February 06, 2025:

The above information is also available on the website of the Company and can be accessed at:

https://aadharhousing.com/disclosures-under-regulation-62-of-the-sebi-lodr-regulation-2015-pdf/schedule-of-analysts-or-institutional-investors-meet-and-presentations-made-by-the-listed-entity-to-analysts-or-institutional-investors

The above is for your information, records and dissemination please.

Thanking you.
For Aadhar Housing Finance Limited

HARSHADA SHASHANK PATHAK

Digitally signed by HARSHADA SHASHANK PATHAK
Date: 2025.02.11 19:05:06 +05'30'

Aadhar Housing Finance Ltd. Mumbai

Harshada Pathak
Company Secretary and Compliance Officer
Encl.: As above

CC:- Debenture Trustees-
1. Catalyst Trusteeship Limited
2. Beacon Trusteeship Limited

“Aadhar Housing Finance Limited

Q3 FY '25 Earnings Conference Call”

February 06, 2025

MANAGEMENT: **MR. DEO SHANKAR TRIPATHI – EXECUTIVE VICE-CHAIRMAN – AADHAR HOUSING FINANCE LIMITED**
MR. RISHI ANAND – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – AADHAR HOUSING FINANCE LIMITED
MR. RAJESH VISWANATHAN – CHIEF FINANCIAL OFFICER – AADHAR HOUSING FINANCE LIMITED
MR. SANJAY MOOLCHANDANI – HEAD FINANCIAL PLANNING – AADHAR HOUSING FINANCE LIMITED

MODERATOR: **MR. KAMAL MULCHANDANI – INVESTEC CAPITAL SERVICES**

Moderator: Ladies and gentlemen, good day, and welcome to the Aadhar Housing Finance Limited Q3 FY '25 Earnings Call hosted by Investec Capital Services. 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 this conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Kamal Mulchandani from Investec Capital Services. Thank you, and over to you, sir.

Kamal Mulchandani: Good evening, everyone. Welcome to the earnings conference call of Aadhar Housing Finance Limited. We have with us the senior management of Aadhar to discuss the financial performance.

Let me welcome Mr. Deo Shankar Tripathi, Executive Vice Chairman; Mr. Rishi Anand, MD and CEO; Mr. Rajesh Viswanathan, Chief Financial Officer; and Mr. Sanjay Mulchandani, Head, Financial Planning.

I would now like to hand over the call to Rishi sir for his opening comments, after which we will take the question-and-answer session. Thank you. Over to you, sir.

Rishi Anand: Thank you so much, Kamal. Very good evening, ladies and gentlemen. On behalf of Aadhar Housing Finance, I extend a very warm welcome to all of you to our Q3 FY '25 earnings call. We have successfully concluded the first 9 months of FY '25 with a strong growth momentum.

There has been consistent growth in our AUM, which is evident as we have reached a new level at this quarter of approximately INR24,000 crores AUM, which is 21% growth Y-o-Y. Our prudent and proactive strategies have ensured a sustainable and profitable growth. As a part of our branch expansion strategy, we have opened 12 branches in quarter 3 and a total of 34 branches in the 9-month period.

The company continues to invest and develop its digital strategy with significant investment in the information technology and data analytics. As you would be aware, we had set a robust integrated technology platform developed by TCS in the year 2021 October and this has proved to be scalable and at the same time, flexible to work with various fintech offerings through APIs.

We have, over the last couple of years moved from a paper-based company to a digital lending company. For example, 100% of our onboarding today happens paperless on mobility solution. We have provided mobility solutions to our underwriters, technical managers, collection executives and customers.

All these interventions have helped and will further help improve our efficiency and productivity. On the -- our data analytics team is at the forefront to ensure various analytic projects like customer risk categorization, scorecards, early warning triggers on collections, customer balance transfer early warning, new branch identification, etc., and is woven into company strategy and helps in overall risk mitigation and management.

Turning to this quarter's performance. We have achieved an AUM of INR23,976 crores, reflecting a 21% Y-o-Y growth. As a result, we retain our position as one of the India's leading low-income housing finance company. Disbursements stood strong at INR2,094 crores in quarter 3 FY '25, a significant growth of 20% on Y-o-Y basis. Despite exhibiting strong growth we have not compromised on the loan quality book.

We continue to have 100% focus on retail secured loans with no exposures to corporates or developers. Our GNPA witnessed a drop of 4 bps coming at 1.36% with a stable collection efficiency of 98% to 99%. Our average ticket size still stands at INR10 lakhs with an average loan-to-value ratio of 59%, with salaried customer segment contributing 56% of the portfolio.

At present, home loan represents a significant portion of our portfolio in comparison to other mortgage loans, contributing 74% and 26%, respectively. Our deeper impact strategy is working well for us and yielding positive results. It has enabled us to target niche markets in the Tier 4 cities and beyond catering to small talukas and districts.

On a 9-month basis, we have a total of 140-plus deeper impact branches across 545 districts and 21 states. In quarter 3 FY '25, we have added 12 branches which has helped us to serve more than 2.86 lakh live customer base across the country. None of the states is higher than 14% of AUM exposure.

We continue to focus on geographical expansion and strengthen our market presence. We have further strengthened our senior management with the induction of Head of HR, Mr. Vinod Nair, who comes with 20-plus years of experience in the leading financial services companies. Happy to share that Aadhar Housing Finance has been certified by Great Place to Work sixth time in a row.

Moving on to the outlook going forward. The improving macroeconomic landscape is driving the housing finance industry towards a projected growth of 16% to 17% over FY '25 and FY '26. A significant portion of this growth is expected to come from the affordable housing segment, which is estimated to achieve a robust 22% to 23% CAGR over the next 2 years.

The affordable housing finance sector has witnessed strong growth momentum in the recent quarters attributed to urbanization and rising demand for housing loans along with significant push given by the government. The recent budget announcements have been very positive for the affordable housing finance segment, like the income tax exemption up to an income of 12 lakh per annum is set to boost the purchasing power of LMI and EWS, driving increased demand for housing loans.

Additionally, the government's allocation of INR15,000 crores to the SWAMIH Fund 2.0, along with commitments to complete over 90,000 housing units will help resolve stalled projects, restore buyer confidence and create new lending opportunities.

Moreover, the budget allocation under PMAY will further enhance affordability initiatives, benefiting affordable housing finance companies that primarily serve the low and middle-income borrowers.

The mortgage guarantee scheme has also been notified by the central government, specifically targeting the EWS, LIG segment, which will enable companies like us to look at those customers who fall out during the normal course of business.

With these initiatives, we are optimistic that the sector will see a huge push and demand will increase significantly. We remain optimistic in the opportunities coming our way and are well poised to cater to the rising demand.

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

Rajesh Viswanathan: Thanks, Rishi. Good evening, everyone. I would like you -- like to take you all through the financial performance for this quarter and 9 months ended December 2024. In 9 months FY '25, our AUM has grown by 21%. Our overall borrowings as on 31st December 2024, stood at INR15,135 crores compared to INR13,128 crores as at 31st December '23. This has grown by 15%.

The borrowing mix at the end of 31st December 2024 is 51% from banks. The share of NHB is 25%, and NCDs make up for the balance 24%. Our incremental borrowing for quarter 3 FY '25 stood at INR1,178 crores, which has come in at a Cost of Funds (COF) of 8.28%. We have around 43 borrowing relationships working with us.

We have drawn INR378 crores from NHB this quarter, of which the affordable housing finance fund is around 20% to 22% of this borrowing, and this has come in at a blended rate of 7.8%. The cost of funds Q3 FY '25 stood at 8.1%. In terms of fixed and floating nature of the book, 79% of our borrowing is floating and 77% of our assets are floating.

The undrawn sanctions as at 31st December 2024 is INR1,100 crores. Liquidity for the quarter end stood at INR2,100 crores which is around 10.5% of the loan asset book. Portfolio yield for this quarter as we exited is 13.9%. In terms of spreads, the exit spreads, which is the exit yield minus exit COF has come in at 5.8%. These are the exit spreads. And as we have explained earlier in earlier calls, we expect to end the year in the range of around 5.7% to 5.75% levels.

Our cost to income for this quarter stood at 34.8% as compared to 35.4% in quarter 3 FY '24. This is an improvement of 60 bps. We have mentioned in our earlier calls that we aim to drop our cost to income for the current financial year by at least 100 bps, and we are well in course for that.

As Rishi has mentioned, our GNPA as at 31st December 2024 is 1.36% as compared to 1.4% in quarter 3 FY '24, improvement of 4 bps. Our provision coverage of Stage 3 stands currently at around 36%. Capital adequacy ratio for quarter 3 FY '25 stood at 45.5% for Tier 1 and 0.6% for Tier 2.

And last but not the least, for 9 months FY '25, the profit after tax has come in at INR667 crores compared to INR548 crores in 9 months FY '24, rendering a growth of 22% Y-on-Y. Quarter profits have come in at INR239 crores versus INR204 crores in quarter 3 FY '24. We retain our focus on maintaining a healthy book and delivering consistent performance every quarter.

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 Abhishek Jain from AlfAccurate Advisors Private Limited.

Abhishek Jain: Congrats for a strong set of numbers. Sir, the credit cost has increased in this quarter. So what is the outlook for the credit cost for the coming quarters and FY '26?

Rajesh Viswanathan: So from a credit cost perspective, if you look at our historical last 2 years also, quarter 4 is always a very strong quarter for the industry. I tell you the numbers, we were 1.4% NPA as at 31st March '23, and in March '24, the NPA had dropped to 1.08%. So always quarter 4 is a very strong quarter, not only for us but also for the entire industry. So we do expect a good improvement from the credit cost -- from the overall NPA number of 1.36%.

We believe that overall credit cost, as in terms of bps would be in the range of about 25 bps to 27 bps is what we expect as the credit cost to come in at. And as regards next financial year, though difficult to give, but generally, if you look at our overall credit costs, it will be in the range of that number about 25 to 27 bps.

Abhishek Jain: So how is the current outlook, especially on the delinquency side? Basically, we have seen that a lot of the stress (on the low-ticket items. So how is the current outlook in terms of the asset quality in the housing finance company?

Rishi Anand: So Abhishek, we are -- on a broad basis, we are very comfortable with the assets that we are holding. And if you are referring to the current market situation with discussions around MFI, etc. I would want to highlight two thigs here. One is that we are a 100% secured retail book. We have no exposures to personal loans, unsecured loans, that is one.

Second is if I were to -- and since we monitor this very, very closely, at least on a monthly basis, our total exposure to MFI individual loans stands at less than 9,000 customers over the 286,000 customers that we hold. And out of which, if I were to further give you a data split on how many are delinquent out of these 9,000 customers, to be precise, 8,780 customers, only 700 customers -- 707 customers are delinquent, not NPA, they are delinquent, they will be in various buckets.

So from an asset quality perspective, and the numbers that Rajesh just shared, we should be in the range of 1.1% kind of NPA numbers as of March. The asset quality looks good. The momentum, as I indicated in my initial speech, momentum of growth also looks very healthy.

Abhishek Jain: So what is the reason of the increase in the credit cost in this quarter, sir?

Rajesh Viswanathan: So basically, the one reason for the increase in the credit cost is the buckets of 30 to 60 and 60 to 90, which is basically are Stage 2. There is a slight movement in those buckets. And if you look at our Stage 3 also, if you look at it from quarter 2 end to quarter 3 end, it has moved up from, I think, 1.3% to 1.36%.

So that is the reason -- primary reason for increase in the credit cost in the current quarter, which is coming at around INR18 crores to INR19 crores. But we expect that this is more or less going to be evened out as we exit quarter 4.

Abhishek Jain: Okay. And my last question on the housing sector growth. You mentioned that there will be a 15% to 16% growth in housing industry in FY '26, and 20% to 22% growth in the affordable housing. So what is the overgrowth -- what growth you are targeting for your company?

Rishi Anand: See, Abhishek, we've guided -- while we can't be giving you too many guidance's, but earlier also in the previous call, we've guided that from a 2 years to 3 years perspective, from a disbursement perspective, we will grow at 18% to 20% YOY, which will mean our AUM growth of anywhere between 22% to 24%, and we will maintain that trajectory.

Abhishek Jain: 20% to 22% for FY '26?

Rishi Anand: That's right.

Moderator: We have the next question from the line of Nischint Chawathe from Kotak Institutional Equities.

Nischint Chawathe: Just a little bit on the fee income line. There seems to be some weakness. I believe fee income is up or almost flat for the last 9 months. How should we really think about this? What are the drivers? And how should we model this going forward?

Rajesh Viswanathan: So if you look at fee income, I think the best way of looking at it would be in the range of around 2% to 2.1% on a sustainable basis. This quarter, we had specifically taken some one-offs on processing fee and admin fee, which we ran some contests, as a result of which about INR7 crores to INR8 crores of fee income has come in lesser, which we do not expect to happen in quarter 4. These were more of contests and competitions run to do some acquisition to acquire businesses. But to look at it on an ongoing basis, I think it is better to look at it at a 2% to 2.1% levels.

Nischint Chawathe: And any increase because of any other avenues going forward?

Rajesh Viswanathan: As you would know, Nischint, we are -- we do have a fair amount of insurance cover, which is basically a credit shield insurance, which is for the protection of the customer as well as property insurance, which is, again, from a customer perspective, a very important cover. So apart from housing and the life insurance, I don't think we intend to add any other

Rishi Anand: No, no new revenues for now at least.

Rajesh Viswanathan: And in terms of fee income also on the processing fee and as far as the log-in fees are concerned, I think we are fairly about there. There may be some movements on the fee income line because in the fourth quarter, if we aggressively collect some check bounce charges, which are accounted on a cash basis, you may get some leg up on the check bounce charges in the quarter 4.

Nischint Chawathe: Got it. And just on the spread side, you kind of did allude to the fact that there could be a small reduction in the fourth quarter. Just curious, I mean, what is really happening? You see further increase in cost of funding? What is it that you're looking at?

Rajesh Viswanathan: So I think the main driver over there will be the yields, which will be driving it more than the cost. As we had explained in the previous calls, your book is sitting at yields in the range of about 13.9% to 14%, whereas incremental business would be done at a ratio of 40, 45 bps lower than that, which is true even now for a 9-month period.

So that is the reason where the yields will start dropping to a certain extent. However, we believe the spread movement downward will be sort of by 10 bps at the end of the quarter. So you will be probably looking at exit spreads in the range of about 5.7%, primarily driven by new acquisitions, which is happening in the field, which is happening about 40 to 45 bps lower than the book yields, right?

Nischint Chawathe: Got it. And your cost of funding from NHB is 7.8% or is the cost of funding under the subvention scheme at 7.8%?

Rajesh Viswanathan: No, this is a blended cost is 7.8%. The 25% came in at a figure of about 5.3% to 5.5% was at 25% and the balance came in at around 8.3% to 8.4%.

Nischint Chawathe: Balance you mean, non-NHB?

Rajesh Viswanathan: what NHB is now doing is, they are saying that out of the total allocation, anywhere between 20% to 25%, you can draw as AHF and the balance has to draw under the normal scheme. So 75% would have been drawn under the normal scheme, which has come in at about 8.3% to 8.4%. The 25%, which has come in under the AHF has come in at a rate of about 5.5%. Hence, the blend has come in at 7.8% incremental.

Nischint Chawathe: Got it. And your overall -- sorry, incremental cost of funds at the company level, you mentioned was around 8.2%.

Rajesh Viswanathan: That's right. For the quarter, it's about 8.28%.

Nischint Chawathe: Got it. So probably some part of the NHB fund is actually coming in at a higher rate than the incremental cost of funds for the company. That's what I think we are trying to...

Rajesh Viswanathan: That's right.

Nischint Chawathe: Sure. And just one last data point. Can you share the BT out ratio for the quarter?

Rishi Anand: So annualized, Nischint BT out was 6.3%. And I'm sure you remember, last time we spoke about various initiatives that we've taken to reduce the BT out, from a 6.7%, it's dropped to 6.3% and the efforts continue. At stable state, 5.5% is the number that we would be looking at.

Moderator: We have the next question from the line of Parth from Nomura.

Parth Desai: A great set of numbers. So sir, I'm seeing that the write-offs have been lower, which is a great thing to see. But there has been some inch up in the Stage 2 assets. So are you seeing some flows from the top buckets to the lower buckets incrementally coming going ahead?

And sir, one more question on the budget side. I understand that on PMAY allocation, there have been some disperse that the issue is not always on the supply -- demand side, a bit on the supply side too. So how do you see your growth panning out with the current budget calls on the PMAY scheme and the general round view?

Rishi Anand: Parth, you might have to repeat the PMAY question. Sorry, it was not so clear.

Parth Desai: Yes. So on the PMAY side, post the recent budget announcement and also on the on-ground checks, we see that the issue is not always on the demand side of the houses, but also on the supply side because it is not quite affordable for the builders to develop affordable houses. So how do you see things panning out on ground on the demand perspective in affordable housing segment?

Rishi Anand: So let me answer the PMAY question and on the credit cost, Rajesh will come in. See, PMAY traction -- if you remember, PMAY got launched a couple of months back, PMAY 2.0. The traction is still building up. We, as an organization have done roadshows across over 500 branches, where it was more of an education series to the customers.

Close to about 6,700 customers have shown interest in the subsidy scheme and for applications for newer applications, which means that there is quite a bit of traction. If you also would recall in the PMAY 1, we contributed close to about 88,000 customers of ours, which is 50% -- almost 50% of our customer base had received the PMAY subsidy.

So the traction looks nice. From a perspective of MoHUA, which is Ministry of Housing and Urban Affairs, the systems are up and running. We have just last week started the process of uploading consumers who are eligible after 1st of September. They have been uploaded -- started uploading process to the MoHUA website has started. And any time soon the disbursement tranche will start.

So obviously, PMAY will play its own role. Now you also had a point on the supply side. You would have heard the FM speaking about the SWAMIH scheme, which enables construction of stalled projects, further allocation of INR15,000 crores. These are typically targeting the affordable and LIG consumer segments.

Further in the PMAY scheme one of the vertical targets, construction of affordable housing. So there is little more than happening right now on the supply side as well.

So we are very -- we are quite bullish when it comes to the EWS LIG segment in terms of both supply side and the demand side as we move ahead in the year. Credit cost, Parth...

Rajesh Viswanathan: Yes, Parth. So you're right, there has been a slight slippage in Stage 2. We are seeing about 10, 12 bps slippage in December. However, as I explained on the -- to the first caller, we expect that this should sort of get evened out as we exit March '25. Hence, we are quite confident that as we end up here, our credit cost would typically come in the range of about 25 bps.

Just to give some numbers, if you look at our credit cost line item in quarter 4 of last financial year, if I'm not mistaken, it was very flat or it was a negative number. And if we are running for the NPA closure numbers, which we just discussed by Rishi, I think our credit cost line item in quarter 4 will be a very benign type of a line item.

So hence, we are quite confident that this is more of a sort of a seasonal type of impact. We typically see it in quarter 3, which is a festival season, where we see some slippages typically happening because of Diwali and Dasara, which typically gets evened out in quarter 4.

Parth Desai: Sure, sir. This provides a lot of comfort on the growth and both the credit quality aspects. And just one more question, sir, you mentioned that it is a good thing that BT outs have reduced from 6.7% to 6.3% you mentioned, right? So you also mentioned that there was a one-off on the fee income because of some schemes you ran?

So is this a BT out lower end because of all these schemes you ran, which help you lower the fraction of customers going out? And if so, and if you expect the BT out to further improve, do we expect you to spend a bit more on such schemes to retain the customers?

Rishi Anand: No. These schemes were basically on fresh acquisitions. BT out or customer retention is not a part of this reduction. We would love to keep the BT out in the range of about 5.75% as we exit the year. It is at 6.2%. We have seen that over all industry level BT out has increased

Quarter 4 is always a very busy quarter for BT out for the entire industry. We hope to sort of get it down to a sub-6% level. I would say -- I said that we would do a good job here. We have employed all our various channels. One, we have a specified retention team, which is working on BT outs headed by a very senior person. We also have data analytics working very closely with the retention team giving a clear indication of expected customers who may BT out.

And even if a customer BT outs, what is the sort of rate which can be offered to retain that customer. So in that sense, we do not give an irrational rate drop, even the rate drop is more of a risk-adjusted rate drop, which is sort of taken out by data analytics and as part of our digital initiative is given to that retention team to retain the customer.

So -- but having said that, BT out has always been an issue. We have to work around it as an industry and as a company. If we ended the year -- if we end the year at sub-6%, I think we would have done a fairly decent job there.

Parth Desai: That was helpful. And sir, the last question, I won't take too much time. Sir, I'm expecting the MPC meeting tomorrow and expectations of any potential rate cuts, how do you see your cost of funds panning out since, let's say, you mentioned 77% of your book is floating in nature?

Rajesh Viswanathan: We also, I think public news, everyone is expecting some sort of rate action. Hopefully, there will be some drop downward. But our own assessment is that by that time, it sort of comes from the banks to us would be a lag of at least 3 to 6 months. Then it depends on where my repricing or the readjustment of the rates takes place, on 6 months, 3 months, of 1-year MCLR.

For example, if you look at it today, 1 year MCLR is about 27% of our borrowing. 6-month MCLR is 36%. So basically, it will depend on which time it comes in and when is my repricing happening. It may take -- in our view, tomorrow's action may flow down in 3 to 6 months and our flow down to the customer may happen post that only.

So I think -- I don't see any immediate. But having said that, once we get the benefit and once it becomes a meaningful pass back to the customer, we are obliged and we will definitely pass it back to the customer.

Moderator: The next question is from the line of Chintan Shah from ICICI Securities.

Chintan Shah: Congratulations on good set of numbers. So sir, firstly, on the margin, just to again come on the margin front. So what was the disbursement yield for the quarter, if you could just give that number and as compared to the previous quarter also, please?

Rishi Anand So quarter 3 -- as the current quarter, disbursement yield, Chintan, was 13.6%. And for the year, YTD is 13.54%. You wanted the previous quarter also last year, right, which was 13.53%.

Rajesh Viswanathan: Quarter 2 sequential quarter was about 13. -- yes, quarter 2 was about 13.53%. We have improved by about 6 bps in quarter 3 and 9 months disbursement is 13.54%.

Chintan Shah: So basically, our overall portfolio yield is 13.9%, incrementally we are at 13.59%. So probably there is some chance of a slight decline in the yield. And the rate cut probably can we expect some further cut in the yield, sir?

Rishi Anand: No. So rate drop is on incremental business , whatever we are operating at, we might not want to reduce the incremental yields further. Rate cut will eventually impact the existing book. As Rajesh just explained in the previous discussion, we will eventually have to pass on to the existing customers.

Chintan Shah: Sure. So sir, when we say floating, 77% of our assets are floating, so could you just provide the breakup of which all benchmarks are they linked to?

Rishi Anand: So for example -- on the asset side?

Chintan Shah: Both on the asset as well as the liabilities will be helpful.

Rajesh Viswanathan: Liability basically is 1 year MCLR is about 30%, 6 months MCLR is about 36%, and 3 months MCLR is 17% and balance is a combination of others. These are basically our bank term loans, NCDs which we take from DFIs which will be again floating. For example, I think that is 80% floating what we take from. So inside the 24% NCDs, approximately half of that would be from DFIs and half of them would be floating.

And on the asset side, basically mostly our non-home loan book would be fixed. The incremental book that we do on non-home loans for the last 12 to 18 months, we have done more of fixed non-home loans. The other portion, which is fixed is because of NHB, when NHB gives us the AHF fund, we have to fix the customer at 350 basis points more than G-SEC rate.

So it is a combination of NHB and the NHL loans that we do. Having said that, we believe that for the foreseeable near future, we should be in the trend line of 75% to 78% fixed to floating, 75% floating and 25% fixed to 75% to 78% in the next 12 to 18 months.

Chintan Shah: Sure. Sir, I was trying to understand if there is a rate cut, so how would we have to pass on the rate cut to the customers? That I was trying to understand.

Rajesh Viswanathan: Yes. Typically, what happens is that as soon as I get a substantial rate benefit passed back to me -- and we have ALCO determined RPLR formula. We have to apply the RPLR formula. And if the RPLR formula throws that I have to pass on, say, 25 bps back to the customer, I am obliged to pass it on to the customer.

So this is a complete, very transparent ALCO mechanism, which is even checked by National Housing Bank in their inspection. So the gap between pass back to me and pass back to the customer maybe maximum of a quarter.

Chintan Shah: Sure. So basically, these are all linked to our internal benchmark and not to any external benchmark like the repo rate or the T bill, etc.?

Rishi Anand: No. All our assets are linked out to our own RPLR, the base of which is predominantly the incremental cost of funds.

Chintan Shah: Sure. So logically, we can say that largely, we are immune to the rate cut, only it could be a lead lag of a quarter or so, right?

Rajesh Viswanathan: One is a timing difference that it would be there. Obviously, the timing difference will not be from a profit strategy. It is more from making it good operational activity, and it's making it a significant portion of pass back to the customer. 5 bps pass back doesn't make sense, slightly 10, 12 bps makes sense.

Second thing is, as Rishi said, if the cost of funds -- incremental cost of funds drop, hopefully, my incremental yields will not drop that much. So you will make up some of the loss over there -- some of the yield loss over there.

Chintan Shah: That is very helpful. And just on the fee income part again. So we say, around INR7 crores, INR8 crores -- we had an impact of around INR7 crores, INR8 crores, which we had to foregone due to contest, that kind of discount to the customer on the processing fee. So is this kind of an annual phenomenon like every year would be offering like near to the festive season, Diwali time or how is it?

Rajesh Viswanathan: Yes. I think it depends on company to company in the industry. Some companies run it in the fourth quarter. We thought it opportune to run it in quarter 3. So we would -- we have run it majorly in quarter 3 and some very small residual impact you would see in quarter 4, but majority of that has gone into quarter 3.

But this is an annual thing. Somewhere or the other in the last year also, we ran it. Probably we ran it more into quarter 4 last year. But this time we ran it, we thought it was better to run it in quarter 3.

Chintan Shah: Sure, sir. And just lastly, on the branch expansion. So we have around 34 branches we brands opened in 9 months. And so what is the target of branch opening in next year as well, if you can just get a number on that, please?

Rishi Anand: Next year? Let me first complete the current year. We already had 34 branches, Chintan. And the way it looks, we should be closing the year at about 55 branches for the year, and we will look at similar numbers in the coming year.

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

Yash: Sir, just wanted to check on this collection efficiency being at 98%, 99% and just 10 to 12 bps slippage, which you saw in Stage 2 assets. So is there any specific geography, which is contributing to it? Or it's more broad-based and you see the recovery as well more broad-based?

Rishi Anand: I would say partially yes and partially no. It is broad-based, Yash. But certain geographies like, I would say, East, Kerala, etc., they have always been on the bottom of the pyramid when it comes to efficiencies. So they continue to be at the bottom of the pyramid. But broad-based -- the entire rest of the states that we are operating which is 19 - 21 states minus Kerala and East. So we'll be at about 19 states. They are, I would say, in the similar pattern.

You can always point out Rajasthan being the better one and even when you rate Rajasthan would top, Andhra Pradesh, Telangana would top in terms of being on the right side. But broad-based, I would say, you're right.

Rajesh Viswanathan: And the recovery also, as Rishi said, would be again broad-based. So we don't see any laggards to the slippages. We believe that the recovery also will be broad-based.

Yash: Got it. And sir, on the yields part again, sorry to harp on that, but could you share the differential between the home loan and non-home loan yields, if possible?

Rishi Anand: For the current quarter?

Yash: Yes. I mean just in general, and like does the non-home loan yields also like lag...

Rishi Anand: Yes. So let me give you a YTD number for the year. Home loan is at almost 12.36%. Non-home loan stands at 16.5%. And the weighted will be 13.55%.

Yash: Great. Got it. And these are the YTD numbers, right?

Rishi Anand: These are YTD 9 months, 9 months, right.

Yash: And even on the non-home loan side of the book, the disbursement yield would be, say, 40 to 50 bps lower?

Rishi Anand: No, non-home loan, I just told you, 16.5%.

Yash: I mean, the disbursement yield, like the incremental yields, even those would be like lower than the balance book or?

Rishi Anand: So what I gave you right now is incremental disbursement for the year. If I give you AUM, the AUM non-housing loan stands at 16.8%, and my incremental number that we gave you was 16.5%. So again, the 40 bps that you are seeing is more evident both in home loan as well as non-home loan differentials.

Yash: Got it, sir. And sir, on the spreads front, so 5.7% is what you're guiding, but on a more sustainable basis in absence of rate cuts, say, not factoring in anything, would that be the like more sustainable number? Or should see more compression in there?

Rishi Anand: I would say, Yash, as a more sustainable number or spread to be in the range of 5.6%, 5.7%, the current year exit as well as the next financial year.

Rajesh Viswanathan: See, on a sustainable basis, if you look 2, 3 years down the line, I think this will be trending. We have guided in the past also that this would be the 2, 3 year basis would be around 5.5%. Because on a growth engine method where we will be growing our book also and to grow our INR22,000 crores, INR25,000 crores book there will be sections where we will have to play the yield game.

But having said that, we will ensure that the drop in spreads is not very sudden, and the drop in spread is a much smoother one, as Rishi said 5.7% hopefully dropping by 10, 15 bps every year. Sustainable looks in the range of about 5.4% to 5.5% in the long run, which we want to retain as sustainable.

Yash: Got it. And sir, on the -- just last on the growth outlook, it continues to be around 25%, right?

Rishi Anand: Not 25%, Yash. We've guided always 22% to 24% AUM, which will effectively mean 18% to 20% disbursement growth.

Moderator: The next question is from the line of Sonal from Asian Market Securities.

Sonal Gandhi: Congrats on the quarter, sir. So I had two questions. So can you please give out details on the type of property finance, construction, plot plus construction, apartments, commercially venues you are doing? And the second question was on the details on the AUM mix in terms of tier of cities. So what will be the contribution coming from Tier 1, Tier 2 cities, Tier 3, Tier 4 and maybe more deeper cities?

Rishi Anand: Okay. Sonal, let me first give you the split between the type of loans that we do. So purchase of house and flat, that is ready built property is about 45%. Standalone construction, which is self-construction is about 25%. Plot plus construction, which is combo loans, purchase of plot and construction thereon is about 6%. And LAP is about 24%. So that is a mix of type of loans that we do.

In terms of tier, while I don't have the tier data available, as we speak, but I can give you indicative. So close to about 64% will come from Tier 1, that's how we classify our main branches. Tier 2 will be about 23%, 24%, and the balance will come from Tier 3 and below.

Sonal Gandhi: And sir, what is the employee count at the end of the quarter?

Rishi Anand: Employee count...

Rajesh Viswanathan: We'll just come back on that. Please give us a minute. The on-roll employee count is 4,450.

Sonal Gandhi: Okay. So sir, if I look quarter-on-quarter, there is not much increase in employee costs despite our disbursement being very strong. So just wanted to get some sense how should we look at employee benefit expenses? And what would be the proportion of fixed and variable for your employees?

Rajesh Viswanathan: See, to be very honest, if you look at it on a -- this is slightly broader answer I'm giving, if you look at overall employee cost, we should look at the growth of employee costs in the range of about 17% to 18% is what we would like to look at the employee cost going back. Fixed to variable depends, for example, for people who are not on incentives, who are on bonus, typically the variable would be in the range of about 20% to 25%.

And if you look at people who are on front line sales employees, this will be in the range of 50% to 55% of incentives, which they will be getting as compared to the fixed. Middle-level branch people will be again in the range of about 25% to 30% of their fixed CTC, they will be getting as variable. So middle-level management, senior management in head office, everyone will be in the range of about 20% to 30% variable. Front-line sales would be in the range of about 50% to 55% variable.

Rishi Anand: Yes, because the front line typically, Sonal, works on a concept of lower fixed and higher variable.

Moderator: The next question is from the line of Shreya Shivani from CLSA.

Shreya Shivani: I just have one question. You mentioned that usually in your third quarter, given that it's a festival quarter, you see some slippages that come in and they see balancing out by 4Q. Is there any way to quantify how much roll back do you see from 3Q to 4Q over the past so many years that -- is there a way to track that?

Rajesh Viswanathan: So on a broader basis, if you look at NPA, typically, last year, we were about 1.4%. We moved back to 1.08%. And on 1 plus, I think we exited the -- overall 1 plus, we exited at 5.45%. So we were at the end of last year -- sorry, in December, we would be around similar levels -- 6.3%, if I'm not mistaken, was our 1 plus.

And we ended the year at about 5.45%. So there was almost a 90 bps improvement in -- and this is quite common, both in the company and industry. So both on the 1 plus and a 90-plus level, 90 plus, you would see anywhere between around a 30 bps improvement and 1 plus, hopefully, we'll see a 90 bps to 100 bps improvement.

Shreya Shivani: Got it. That's very useful. And one question that I wanted to ask that while you're giving us -- or while you've given us the geographical mix in terms of peers, does that peering account for the location of the customer property or for your branch? Because your branch may cover -- may end up having customers outside of that geography, right?

Rishi Anand: Shreya, the way we have structured our branches, the geo limits from any branch is about 60 kilometres. So then we say the consumer and the property, it could be more or less, I would say, 95% match. There will be consumers who will be wanting to construct houses in their hometown, etc, that will hardly be about 4%, 5%.

Shreya Shivani: Correct. So mostly, there's a big overlap between your branches and customers because people taking loan from a particular branch and going 300 kilometres away and building...

Rishi Anand: No, that doesn't happen. If that happens, Shreya, then we would direct the customer to the closest branch office .

Moderator: The next question is from the line of Rudransh Kalra from MB Investments.

Rudransh Kalra: To be honest, Aadhar is generally seen as a high-growth company. I personally I'm not -- I was expecting some better numbers. Do you think in the coming quarters, the growth is going to be higher? And then the other question is what do you think going forward are going to be challenges and triggers -- positive triggers for your company?

Rishi Anand: So thank you for the compliment of us being a high-growth company, but that brings challenges on the table too because when you are on a higher base, the percentage growth might not jell with the kind of expectation the market would have. Having said that, I've already indicated, as I already indicated on the call twice, we would continue to grow our AUM at about 22%, 24%. So that's the growth number we are looking at.

And quarter-on-quarter, the numbers can move percent -- a couple of percentages here and there. But overall, on a yearly basis that these are the kind of AUM number growth that we are looking at. In terms of challenges, we actually don't foresee too many challenges coming in. From the budget, we had expectations. Pre budget, we got things like mortgage guarantee scheme coming in. PMAY is already there.

SWAMIH Fund got announced in the budget. So all this is going to boost both the supply side and the demand side. At the company level internally, the only challenge we see and which worries us a little bit is getting down the balance transfer out, which is an industry problem, not only a problem at Aadhar to get down this number from a 6.3% to 5.5%-5.7%, which is the comfort level. And we are aggressively working towards it. So that's the only challenge that I see. Otherwise, things are looking good and shining.

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

Rishi Anand: Thanks a lot for all of you for joining this analyst conference late in the evening at 6:30 pm. Thanks a lot, and I hope we have been in a position to answer most of the questions, and we look forward to hosting you all again at the end of the financial year. Thank you, and good night.

Rajesh Viswanathan: Good night, all of you. Thank you so much.

Moderator: Thank you. On behalf of Investec Capital Services, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.