



**“Aavas Financiers Limited
Q4FY26 Earnings Conference Call”
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Management:

Mr. Manu Singh – Managing Director* and Chief Executive Officer

Mr. Ghanshyam Rawat – Chief Financial Officer

Mr. Ashutosh Atre – Chief Risk Officer

Mr. Rakesh Shinde – Head of Investor Relations

*Subject to RBI approval

*This document is a transcription of the conference call conducted on 05-May-2026.
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Moderator:

Ladies and gentlemen, good day, and welcome to the Aavas Financiers Limited FY26 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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 a touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rakesh Shinde, Head, Investor Relations of Aavas Financiers Limited. Thank you, and over to you, sir.

Rakesh Shinde:

Thank you, Yusuf. Good evening, everyone, and a warm welcome to all participants joining us today to discuss the financial and operating performance of Aavas Financiers Limited for Q4 and FY26, along with our outlook for the business. The results and the investor presentation have been uploaded to the Stock Exchanges and are also available on our website. I hope you have had a chance to review them.

We have also uploaded Excel fact sheet containing historical data on our website for your easy reference. Joining me today is the entire management team of Aavas. We will

begin this call with opening remarks from our CEO, Manu Singh; CFO, Ghanshyam Rawat; and CRO, Ashutosh Atre. This will be followed by a question-and-answer session. With that, let me now hand over the call to Manu. Over to you, Manu.

Manu Singh:

Good evening, everyone, and thank you so much, Rakesh. Before I delve into the quarterly results, let me tell you that it's an absolute privilege to address you first time as the CEO of Aavas. I'm grateful to the Board and to the entire Aavas family for their trust and confidence.

Myself, I bring over 25 years of experience in lending with track records of scaling lending businesses across both geographies and product suites. My experience spans across sourcing, credit, operations, collections and a deep exposure to operating in regulated environments with very strong focus on risk management, governance and execution discipline.

Over the years, Aavas has built a very high-quality franchise, defined by prudent growth, disciplined risk management and a strong commitment to the communities we serve. This is evident in our consistently pristine asset quality, strong governance standards, rigorous compliance and best-in-class underwriting capabilities, particularly in the assessed income segment.

As we step into the next phase of our growth journey, our priorities are very clear; to scale the franchise responsibly; enhance operating efficiency; and continue to deliver sustainable risk-adjusted returns. We will remain firmly anchored to a customer-first and credit-first philosophy and strengthen our core fundamentals in each market that we serve.

We see a significant opportunity ahead in deepening our presence, improving per person productivity, driving profitable growth, all of this without compromising on asset quality or our governance standards. Me and my team are very optimistic about the opportunities ahead and look forward to working closely, engaging actively with all of you as we build the next chapter of Aavas' journey with two very important focal points, sharper execution and long-term value creation.

Quickly coming to operations for Aavas for FY26. This is a year of landmarks and milestones. In the year, we saw a change of promoters, welcoming CVC Capital Partners, our balance sheet crossing Rs. 200 billion and our net worth crossing Rs. 50 billion marks. We have expanded our reach to the southern markets, and our lifetime disbursements have crossed Rs.400 billion mark, enabling 4 lakh customers to have their dream Aavas, which is homeownership.

Further, our credit rating outlook was upgraded to positive by ICRA and CARE both. All of these stand testament to the trust customers and stakeholders place on Aavas, and we know this fiduciary responsibility of continuing to deliver on the same quarter-on-quarter.

At a very macro level, FY26 has seen multiple structural enablers, including policy reforms, continued FDI liberalization and progress on trade agreements. The focus in Tier 2 and Tier 3 markets has also strengthened the ecosystem. Yes, the cumulative 125 basis repo cut by RBI has improved affordability, creating strong tailwinds for the segment, which is affordable housing.

From a business perspective, Q4 was encouraging. We disbursed Rs. 23.5 billion, 16% higher than same time last year and 36% growth Q-o-Q, which firmly reflects an improving operating rhythm of the business.

Our AUM at the end of FY26 stood at Rs. 234.5 billion, registering a Y-o-Y growth of 15%, while disbursements for the year grew 11% at Rs. 67.8 billion. More importantly, our credit-first approach continues to benefit us with best-in-class asset quality. Our 1+ DPD has shown sharp improvement across geographies, resulting in a lower GNPA, almost tracking close to historical low levels of 1%.

During the last quarter, we added 31 branches, bringing our total network to 435 branches across 15 states. This is a testament to us progressively and continually investing in our business. This expansion was largely concentrated in focused growth markets such as Tamil Nadu, Uttar Pradesh, Gujarat, aimed at deepening our presence, improving the reach and driving incremental disbursement momentum in areas which have high potential.

As we look ahead, our long-term strategic priorities remain firm and clear: to leverage our distribution network; to take advantage of years of developed local market knowledge, which our branches have; drive scale efficiently; optimize costs; enhance productivity; and start leveraging our digital platforms.

With that preamble, I now take you through our quarterly performance. Our net profit for Q4 grew by 18% to Rs. 1.82 billion, led by a robust 17% Y-o-Y growth in NII on account of healthy improvement in our NIMs. Our net worth continues to compound, steadily growing at 16% Y-o-Y. Our NIMs expanded by 44 bps sequentially to 8.45% during the quarter. NIMs improved by 29 bps overall in FY26. This was supported by improvement in spread, coupled with our continuous focus on risk-adjusted pricing suiting our customer segments.

Our asset quality remains pristine with 1+ DPD well below 4%, improving by 63 bps sequentially to 3.17% as of Mar-26, while GNPA improved by 14 bps Q-o-Q to 1.05%. Credit costs improved to 13 bps, driven by lower 1+ flow, and improved across buckets. We continue to maintain our guidance on keeping credit costs under check and below 25 bps on a sustainable basis.

Our ROA improved by 13 bps to 3.5% and ROE improved by 38 bps quarter-on-quarter to 14.67% in Q4. Together as a team, we remain focused on delivering quality, profitable growth, strong discipline, getting tech-led efficiencies into our business, while creating consistently long-term value for stakeholders.

With that, ladies and gentlemen, I would now hand over to our CFO, Mr. Ghanshyam Rawat, to discuss the financials in detail with you.

Ghanshyam Rawat: Thank you, Manu. Good evening, everyone, and a warm welcome to our earnings call. First, to provide update on the borrowing. The improvement in cost of funds continued to underscore the strength and resilience of Aavas' well-diversified liability franchise. In line with our strategy of innovation in liability sourcing, we proactively anticipated the potential softening of interest rates and strategically shifted a sizable portion of our borrowing to EBLR-linked instruments and various market rate benchmarks.

This forward-looking approach has continued to yield tangible benefits in FY26 as our liabilities are repriced faster than those of many peers, which led to contain overall borrowing cost. This position helps us well to maintain competitive cost of funds, while supporting sustainable long-term quality growth. During FY26, we also successfully secured commitment of ~Rs. 975 crores, USD 108 million, from a marquee multinational financial institution at a very competitive cost.

This represents the largest NCD placement in the company's history and underscores our position as one of the leading players in affordable finance. It also reflects a strong external confidence in our measured quality-led growth strategy and the long-term vision of servicing in affordable housing space. The proceeds from this financing will be deployed to support affordable housing loans to EWS and LIG categories, promote women ownership, scale green-certified housing and expand our MSME lending in underserved regions, further strengthening our development-focused lending franchise.

A well-diversified liability franchise linked to various benchmarks and competitive price; we were able to deliver 62 bps improvement in overall cost of funds for FY26. Our spread improved by 31 bps Y-o-Y to 5.20% in FY26. We continue to borrow judiciously, raising around Rs. 67.05 billion at a competitive rate of 7.61% for FY26. As on 31st March 2026, the outstanding borrowing stood at Rs. 204 billion. Our tenure borrowing continued to be longer than that of our total of assets, ensuring a positive ALM across all the buckets.

We have an optimum mix of various benchmarks of interest rates such as 40% borrowing linked to external benchmarks such as repo, T-Bill, MIBOR and 33% linked to up to 3-month MCLR, enabling faster repricing of nearly 73% of our borrowing in line with the interest rate movements. We have successfully accessed a cost-effective fund-raising avenue through the issuance of around Rs. 500 million of AAA-rated PTC first time in Aavas' history. Lender support remains strong as Aavas continues to evolve. We maintain access to diversified and cost-effective long-term funding.

Our relationship with the financial institutions remains robust, supporting our strategic funding goals. As of 31st March 2026, we maintained ample liquidity, including cash and cash equivalents and unavailed cash credit limits of Rs. 19 billion, documented unavailed sanctions of Rs. 9.75 billion.

Profitability and capital position: Net Total Income, NIM, in absolute terms, grew by 18% Y-o-Y in Q4FY26 and 18% in full year. Net interest margin, NIM, as a % of total assets expanded by 44 bps Q-o-Q to 8.45% in Q4FY26 and 29 bps in FY26. We remain well capitalized with a net worth of Rs. 50.5 billion with a capital to risk-weighted assets ratio of 44.6%, significantly above the regulatory requirement. Net profit for FY26 grew by 14% and net worth continued to grow at 16%.

Now, I would like to hand over the line to our CRO, Ashutosh Atre, to discuss the assets quality.

Ashutosh Atre:

Thank you, Ghanshyamji. Good evening, everyone. I am pleased to share the key portfolio risk parameters with you.

Asset quality and provisioning: Aavas is strongly positioned to continue delivering industry-leading asset quality. Our asset quality remains within the guided range with 1-day past due well below 4% at 3.17% in FY26 versus 3.38% in FY25. And Gross Stage 3 and Net Stage 3 improved to 1.05% and 0.68%, respectively. During the quarter, there was a reduction in absolute value of 1+ DPD and percentage, which improved by 63 bps and gross Stage 3 by 14 bps from December '25.

From a geographical perspective, asset quality in our vintage states continued to remain healthy. The average 1+ DPD and GNPA stood well below 4% and 1.25% of AUM. Similarly, in our emerging markets, we are observing healthy credit performance with 1+ DPD and GNPA levels remaining comfortably within 4% and 1% of AUM, respectively.

Our total ECL provisioning, including that for COVID-19 impact, as well as Resolution Framework 2.0, stood at Rs. 1.3 billion as of 31st of March 2026. Our disciplined underwriting standards, coupled with proactive risk management framework, have enabled us to stay ahead of emerging macroeconomic challenges.

We continue to follow a rigorous credit assessment process; stress tested across multiple economic scenarios and remain selectively calibrated in our exposure to high-risk segments. This approach has helped us preserve asset quality, which continues to rank among the best in the industry. With this, I open the floor for Q&A. Thank you.

Moderator: First question is from the line of Renish Bhuva from ICICI Securities.

Renish Bhuva: Congrats on a good set of numbers. Sir, just two questions. One on the medium-term strategy. I do understand you might have spent only 10-15 days, but if you can just broadly guide us, how do you think about the sector's medium-term growth and where does Aavas stand in terms of growth the outlook? And maybe what is your aspirational growth target for FY27 and FY28? That's my first question, sir.

Manu Singh: Thank you so much for that question. I'll take them separately. I'll take your second question first, which is long-term growth strategy. Our aspiration clearly is to consistently deliver 20%-plus AUM growth, largely to outperform industry. On your question of short- and medium-term growth, I think me and the team are very clearly focused on sharp execution of our already laid down strategies for growth.

When I mean sharp execution, I mean the following which is: getting the product and customer suite along with its pricing right; second, looking at the channel composition today in the sourcing funnel and tweaking that for optimization. Third, we've invested in geographical expansion, and other than Rajasthan, getting the high potential states like Maharashtra, Gujarat, UP, Southern states quickly climb up to their potential because they are now well staffed; last but not the least, managing leakages, leakages in funnel, which is what do you source as login, sanction, disbursement, and is it weekly disciplined into an order which follows a particular pattern of percentages. All in all, sharper execution, resulting in consistency of performance and getting both product, channel and geographies into their right slots.

Renish Bhuva: Got it. Now, just a follow-up on that. So where do you see ROE settling? I mean, execution obviously is also linked to yields, opex optimization, etc. From an exit 15% ROE, where do you see ROE also moving ahead?

Manu Singh: So, as I mentioned on your second question, which is long-term growth strategy or if the question still pertains to the fact of long-term indications, I think high teens is where our eyes are very clearly set on ROE.

Renish Bhuva: Okay. Got it. And sir, my second question is for Ghanshyam Sir. So, though we witnessed a Y-o-Y spread expansion, when we look at the sequential movement, it is down 15 basis points, largely due to PLR cut in March. But now, we also intend to further PLR cut of 10 basis points maybe in June? So where do you see ultimately spreads settling? Otherwise, ROA will again moderate in H1FY27.

Ghanshyam Rawat: Thank you for the question. As you see, on a full-year basis, we have come down 62 bps in overall cost of borrowing, and which is largely stabilizing at that level. And we reached a spread of 5.2%. As Manu mentioned, and along with all team, we talk about the right placement of product at the right price. So, that will help us going forward a slight

improvement in the yield placement of product and cost of borrowing stabilizes at this level. We're very confident to maintain the spreads 5%+.

Renish Bhuva: Okay. So, my observation is, with 15 bps PLR cut, yields are down 20 bps, which essentially means that the book yield is converging towards disbursement yield, which is lower as we have been highlighting. So just wanted to understand how your disbursement yields will move ahead, which will ultimately take care of your blended yields.

Manu Singh: Thank you so much for articulating that clearly. I think that is well established with us. And going back to my previous answer, I would like to repeat that there is enough headroom to place the product on risk-adjusted pricing. We are in the assessed income group. Every transaction is unique. And hence, I'm confident of the fact, along with my team, that the right placement of the right product will help bridge this gap.

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

Kunal Shah: So, a couple of questions on the growth side. You articulated aspiration to get towards 20%+. And we are seeing the network expansion. This quarter, again, larger part of the network expansion was in Gujarat, Tamil Nadu and UP, wherein we would have added like, say, 8 to 10-odd branches in each state.

So, would that be the strategy maybe in terms of expansion? And we have seen almost flat branches in Maharashtra, MP and Rajasthan, maybe 3 branches getting added as such. So, do we see that a larger part of the expansion would be coming to these states in terms of the branches and even in terms of the incremental growth? So that's firstly on geography.

And secondly, on the productivity side, maybe what are the initiatives we are taking incrementally just to ensure that productivity and maybe the disbursements per sales officer, that also inches up? So, if you can highlight in terms of what your near-term strategy would be in terms of inching productivity up?

Manu Singh: Thank you so much for those two specific questions. To answer your first question on geography. Yes, we are continuously focused on adding branches in states like UP, Gujarat, Tamil Nadu, where we find the perfect balance of potential as well as risk, which we are ready to underwrite. So that's a balance to look at. So, we will continue doing that.

On the second question of productivity, I'd like to answer that in a fork approach of two points. The first is, is RO enabled and understands what source, sources first time right, is assessed based on our risk adjustment assessment. And then, any flow-through, which is from login to sanction, sanction to disbursement, those handover gaps, at efficiency levels today, can be moved up 15%, 20% by concentrating on every branch productivity end-to-end and not purely looking at a bucket which is only either login or end result of disbursement.

Secondly, it is important for us to rebuild the muscle, which is when I mentioned in the previous question about channel management, where this sourcing coming from into the funnel is. And hence, in a branch network where there is 10-12 years of experience available for local market expertise, the muscle of direct business is a focus that all of us, together as management team, are going to continuously work upon, which reduces dependency or if I can say it, it kind of gives more control on consistency of what comes

in and hence, what goes out. So those two would be my specific answers to these questions.

Kunal Shah: So, in terms of indirect sourcing, would we want to take that proportion up? Or maybe still the focus will be more on direct sourcing, as you mentioned, like since we have the control out there?

Manu Singh: I'll answer that by saying and I'll give you an analogy on, say, for example, Rajasthan being our primary state. When we say that we are investing in other state does not mean I'm disinvesting in Rajasthan. And hence, similarly, when I look at and the team looks at channel management, it does not mean we degrow some channel. It's about rebuilding muscle into channels where we have direct control. So, it's largely about being very clear about focusing on direct and getting that muscle built up again. Indirect continues the way it continues. It's an important part of the ecosystem. We value that part of the ecosystem.

We just want to continue building our own strengths, which is direct sourcing through channels like CSC, develop our digital avenues, which is the website, our own app, which has a referral program. So, it's a step-by-step continual journey. But yes, I would pause the answer there for further questions.

Kunal Shah: Sure. And one last one with respect to yield. So, you also indicated in terms of risk-adjusted pricing to be optimized. So, have we started increasing yields in any of the product segments, any of the profile? How are we looking at it? And when would that journey start in terms of yield optimization? Has it been rolled out on, say, a pilot basis? And when do we see the full-fledged rollout of that happening?

Manu Singh: So, as we speak, there is no better way to start a good deed than today. So, it has already started in the financial year. As I mentioned, it's a progressive journey that we have the expertise of underwriting risk very well. You've seen in the last many years that the quality of the book is pristine. And hence, our ability to build that muscle on risk-adjusted pricing across 435 branches is a journey which is already on its way.

It's not something which has to be thought very differently. It's just about those boundary cases which need to be looked at, paused and focused to be got back to the core area that you serve. It's always the distraction of a business which becomes the attraction. And that is what me and my team are going to kind of -- we don't want to be distracted by attraction. We have core strengths. We must deepen them.

Moderator: Next question is from the line of Abhijit Tibrewal from Motilal Oswal.

Abhijit Tibrewal: Just one question and maybe just trying to paraphrase what some of my friends earlier in this call have asked. If you look at the last 2 years, we grew below 20%. So, if you could, first, articulate where was the problem? When our peers with large balance sheets were able to grow upwards of 20%, why were we not able to grow? Was it an execution problem? Was it a competition problem?

That is the first thing I wanted to understand. You have articulated product placement, geography, so if you could add some nuances around it in terms of channel, are we going to do more of DSA sourcing going forward? When you speak about geography, what are the plans to maybe add more states in Southern India? Could you just start with that?

Manu Singh: Sure. I'll take the two questions one by one. The first is about your question about the past. Every human being, including me, becomes wiser in hindsight. So, I would start

answering by saying at every point in time, my predecessors and the management team have done their best in those times. Times are different. Variables are different.

Looking progressively ahead on growth, my response would go back to the earlier two questions that we are focused on not only looking at sustainable growth, we are also investing continually in geographies like South, Gujarat, UP, where we see potential balanced with quality of the book. So, my answer very clearly remains, this is a vastly untapped market. Growth rates are there. We must make sure that we assess it right, price it right for our growth.

On your second question of sourcing, largely between direct and indirect sourcing, as I mentioned earlier, direct sourcing has always been the branch-driven model, and it has been our strength. We are attempting very quickly to rebuild. Don't forget cycling even if you pick it up after many years. So, it's a strength that we have, and we are just going to polish it and double down on it.

The second is, it's not about reducing channel partners. Channel partners are an important source of the ecosystem. We value them. We continue doing that. As I mentioned, if there ever have been, when I look in hindsight, if there are cases which are external to boundaries, cases which don't suit our NIM profile, we will try and make sure that we are not attracted by distraction. I hope I answered your question as I'm happy to have the question again.

Abhijit Tibrewal:

Yes. That answers my question. And just one last thing. You spoke about right product at the right price. And maybe earlier in the call, you also said that there will be an effort to improve the yields at which we operate. So just trying to understand, Aavas, for at least the whole of its listed history, has been a franchise which has been very strong on asset quality. Credit costs have remained benign. Are we now planning to move to a slightly different customer segment or a product segment, which would mean while the risk-adjusted yields go up, or the yields go up, commensurately the risks also go up? And at the same time, I mean, we might see credit cost also inching up.

Now, why I ask this is, in your press release, I remember reading that you continue to guide for less than 25 basis points in credit cost. Wherever we talk about a yield increase, there is a commensurate increase in risk as well. So just trying to understand that trade-off.

Manu Singh:

I'm very thankful to you for having picked this question. It gives me and my team a big opportunity to vehemently, assertively mention that increase in yield by no manner suggests increase of risk. I will repeat that, increase of yield by no standards equals mathematically to increase of risk. We take pride in the fact that our micro market knowledge is muscle exceptionally built over time. We continue to be very vigilant about it. We are not overconfident. But we are confident on the fact that our placement pricing, based on every individual case, has scope of improvement. And we have already started that in practice and are seeing some early results.

Having said that, this is a journey. Nothing changes overnight. Overnight always has problems of breakage or the engine jamming. It's a journey. But yes, answering the question once again, we are not going to get into more riskier segments. We continue to maintain our guidance on credit costs.

Moderator:

Next question is from the line of Gaurav Khandelwal from JPMorgan.

Gaurav Khandelwal:

I've got a couple of those. First one is a follow-up on the yield part. So, 20 bps decline in yields in fourth quarter, 15 bps on back of the PLR cut, but can I also understand the

competitive dynamics in that? Is it largely a function of the other part of the yields declining because of competition being too high?

That's one. And the other part to this question is, are you seeing some of the bigger HFCs now trying to enter some of the ticket sizes, ZIP codes that you operate in, primarily also because they are being pushed out from the prime mortgage side, so they're wanting to come into your ZIP code? Any thoughts around that, please?

Ghanshyam Rawat: I think Q4, the number which you are referring has an impact of reducing 15 bps PLR, which is effective on 1st of March. So, you can see a large impact, what you're referring to the number, is on account of that. And rest, obviously, this quarter is a good number, growth quarter where competition comes in this quarter. Everybody in competition wants to underwrite maximum business in that quarter.

So, we also fall into the same category. But if you see larger picture for the full year or coming year, we have deep market presence, and we don't see a competition which has, let's say, impact on yield placement. It's more largely as Manu said, we have to be conscious while underwriting the case to have a right placement of yield on that asset.

Gaurav Khandelwal: Got it. And my other question is on your opex, if I look at cost to assets or cost to AUM, in last 3 years, that had been declining, but FY26, it's moved up again Y-o-Y. Where do we see this settle? I understand you are still investing in some of the new states and there's some branch expansion. But where do, on steady state, where do we see this number settling? And could you highlight some of the use cases on tech-led efficiencies that you've been talking about?

Ghanshyam Rawat: Yes, we agree with you. Our opex efficiency, in two years, continuously, had shown an improvement. This year, we had higher opex than last year. It has two factors: We have invested in the branch expansion, which has led to higher manpower because we firmly believe that we must invest in the branch expansion, which will give us a better growth momentum than what we have done in the past. So, we have invested there. And those branches will start to give the results in the next full year.

And apart from that, the CVC came and brought a long-term retention plan of new ESOP and PSOP schemes basically, which has also given us some extra cost in the last full year basis.

Thirdly, what we thought of, growth for which we have invested, we have missed that growth during the year. That has also had an impact on us because denominators are not there where we thought of, invested in the branch expense and people investment.

We are hopeful and confident, along with the entire team, and Manu is also on Board now. So, we hope we will grow back in the next year, that will bring down our opex to AUM ratio. And we maintain that once we reach a double size of the balance sheet, it will be somewhere 2.75% opex to AUM ratio.

Moderator: Next question is from the line of Raghav Garg from AMBIT Capital.

Raghav Garg: I have a few questions. One, see, when I look at your number of loans disbursed data, right, that disbursement value divided by the disbursement ticket size, for full year and even for the last 3 quarters, which is cumulative of Q2, Q3, Q4 because I think you had some problems in Q1, the volumes have not exactly grown.

On a full year basis, the total number of loans disbursed are flat. And in home loans, in fact, you've declined on a Y-o-Y basis in terms of volume. What are you doing to improve

that? Because I see that your employee base has expanded, your branch network has expanded and still the volumes are down. I just want to get some sense of that.

Manu Singh: Thanks for that observation. It is very clear to us that this is an area of immediate attention for all of us. On which, as we laid down our FY27 plans, we've taken our numbers in April have been, for us, quite effective. There is also a slight change in the sense that realization of an instrument in the customers' banking account is now the order of the day.

Some of these have now settled down very well. And hence, we see that progressively, the investments having been made in both people, as well as branches, along with our technology efforts, as I mentioned in the call earlier, sharper execution focus should start sweating these assets out. And productivity per person, as well as revenue per person deployed on the field, is going to be a metric that we will track hawkishly ourselves against as we move quarter-to-quarter.

Raghav Garg: Understood. So, as you're saying that your volumes should increase and volumes, either per person or on a per branch basis should increase, ideally that should lead to better cost absorption, right, from a unit cost economics point of view.

Manu Singh: Yes.

Raghav Garg: So then, what are you guiding for in terms of opex to assets or opex to AUM, whichever way you want to guide for? Sorry, if I missed that guidance, but generally, what kind of levels do you see yourself achieving there, not just for FY27, but on a steady state basis? Can it go below 3%?

Manu Singh: I think on a 2-to-3-year platform, yes. We are shooting for something below 3%. However, as I mentioned, it's a journey. And this journey, both in terms of market, as well as either tailwinds or headwinds, will have some nuances quarter-to-quarter.

Raghav Garg: Understood. And how do you think about your ticket size strategy or ticket size segment? Because say, when I look at other mortgage loans, which are essentially all the non-home loans, there, the ticket size has increased quite substantially Q-o-Q and even on a Y-o-Y basis. So how are you feeling about your ticket size strategy going ahead?

Manu Singh: So, from a strategic perspective, I don't think we are changing our customer segment or geographical segment by anything, including, and I'm repeating, at the cost of our credit understanding and credit cost guidance. ATS, both tactically and strategically, ideally should be moving only from an inflation perspective. The productivity lever is to be applied to the number of customers coming in and growth there. The advantage of the ATS should just flow into the P&L. That's a consequence, not a strategy.

Raghav Garg: Understood. Very clear. Just one more thing. Why are your overall repayment rates higher even though your BT out rate has declined? Why is that happening?

Manu Singh: Sorry, I missed the question. Please, if you could repeat?

Raghav Garg: So, I'm asking when I look at your calculated repayment rate on an overall basis, it's about 20% versus 17.5% in Q4 of last year and 16.5% in Q3. Even though your BT out rate has declined, why have the repayment rates gone up?

Ghanshyam Rawat: This has 3 components. One important component which we keep monitoring month after month is balance transfer to, peer group, which is less than of our guidance. As a management team, we want to keep control at less than 6%. This year, also, we have

closed at 5.5% on a full year basis. No doubt, customers sometimes get extra money, and they pay back, there's part closures or, extra EMI they pay. Only largely on that account, we have slightly higher repayment during this year. Otherwise, balance transfer to BT, very much in control, which is less than 6%, very precise for this year, 5.5%.

Raghav Garg: Understood. So essentially, it's just customer prepayments.

Ghanshyam Rawat: Yes, because customers can get extra money. They want to pay more EMIs or part payments, which we accept.

Moderator: Next question is from the line of Shreepal Doshi from Equirus Securities.

Shreepal Doshi: My first question is on technology and digital platform that we have developed over the years. So, do you feel that there is further investment required on that front to make it more aligned with the industry requirement and to bring down debt and then also smoothen the overall functioning?

Ghanshyam Rawat: No. We have made a good investment in the sales force, as well as the life cycle management, Oracle FLEXCUBE. Then we have best-in-class Oracle ERP system with Fusion. All I think, most of the capitalization has been done. We do not see any further investment in the entire module.

Yes, one of the collections is one of the best we have seen in last so many years, 1-day past due, and as well as collection. But we want to have a more technology-driven collection, which will bring down our per unit cost down. So, we have some investment we'll make in the collection software, but which is not so material amount.

Yes, what we've invested, it will need some small investment every year like AI, GenAI, need to further sharpen our underwriting, acquisitions, collections and which will save us some other cost also basically, opex, which we've invested here some amount, that will save some other opex, manpower opex, manpower efficiency, bring the savings in that company.

Shreepal Doshi: So, nothing major as such on the tech and digital side. The majority of our opex will be towards branch expansion and network expansion broadly, right?

Ghanshyam Rawat: Yes.

Shreepal Doshi: Got it. The second question was pertaining to how you are seeing the ground trends in terms of business momentum, as well as bounce rates, delinquency in the early part of 1Q? And how are we sort of planning or positioning ourselves to face the unfolding situation because of the Middle East war and the impact of inflation going ahead for our customers broadly?

Ashutosh Atre: We are also keeping very close watch on what is happening on the quality or maybe market trends based on this Middle East war. But thankfully, as of now, we are not seeing any kind of trend either in bouncing or in our collections. In fact, bouncing in the month of April was less than the previous month. And this year, April is better than the previous year April.

So, at the same time, we are also keeping an eye on ground feedback that if some check is getting bounced and if it is from a profile where we've envisaged that it might have been affected because of this war or anything. And the reason, if it is linked with the macroeconomic challenges. But so far, we have not seen anything. Of course, we are

keeping an eye, very close watch because ultimately, all of us are going to get affected if the petrol prices have gone up by Rs. 10 or something. So, it is going to get affected. But as of now, thankfully, nothing has happened.

Shreepal Doshi: Sir, any profiles that we have filtered which we will, let's say, not do or maybe do more checks in certain profiles? Any customer profile that you have filtered, keeping in mind the current situation?

Ashutosh Atre: It is as your guess as mine. So, the immediate visibility comes to, travel, tours and hotels, restaurants, and maybe even anything that is related to energy-related things, will be directly affected. But one thing I can tell you is that we are not financing the profile we, which are directly affected like chemical factory or anything who is into energy.

Our clients are the Tier 2 kind of a person who is getting affected or will get affected. As of now, not. But yes, we have kept some 5-6 profiles, which are, as per our general guess, might get affected, and we are keeping track on their bouncing, 1+ or whatever. So, that is what we've been doing as of now.

Manu Singh: Just to add, it's a very diversified book over a period of time. And hence, that's the strength of the retail business. There's no concentration risk at all.

Moderator: Ladies and gentlemen, we will take this as the last question for the day. I now hand the conference over to the management for the closing comments.

Manu Singh: Thank you. Ladies and gentlemen, as we conclude today's earnings call, I would like to sincerely thank each one of you for your time, continued engagement and support. The progress we have made reflects the strong efforts by our team, the trust of our shareholders and the confidence our customers place in us. I must also thank our regulators, NHB, for always being with us, guiding us, strengthening us as we progress into the growth journey.

Looking ahead, we remain optimistic about the opportunities in front of us. With our focus on disciplined growth, prudent risk management and customer-first credit-led approach, we find ourselves well positioned to deliver sustainable growth and consistent long-term value for our shareholders.

Should you have any other questions or require additional information, please feel free to reach out to Rakesh Shinde, our Head of Investor Relationships. Thank you once again for your continued trust and partnership. Thank you and have a very good day ahead.