SAPNE AAPKE, SAATH HAMAARA

Ref. No. AAVAS/SEC/2025-26/2368

Date: February 12, 2026

To,	To,
The National Stock Exchange of India Limited **Exchange Plaza, C-1, Block G,** **Bandra Kurla Complex,** **Mumbai – 400051** **Scrip Symbol: AAVAS**	**BSE Limited** **Phiroze Jeejeebhoy Towers,** **Dalal Street,** **Mumbai – 400001** **Scrip Code: 541988**

Dear Sir/Madam,

Sub: Transcript of the Earnings Conference Call for the Quarter and Nine Months ended December 31, 2025

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and with respect to our letter dated January 20, 2026 bearing **Ref. No. AAVAS/SEC/2025-26/2252** please find enclosed the transcript of the Earnings Conference Call on the Financial and Operational performance of the Company for the Quarter and Nine Months ended December 31, 2025 held on Thursday, February 05, 2026.

The above information is also available on the website of the Company and can be accessed at https://www.aavas.in/investor-relations/investor-intimation.

We request you to take the same on your record.

Date and time of occurrence of event/information: February 05, 2026 and Earnings Conference Call commenced at 05:30 P.M. (IST).

Thanking You,

FOR AAVAS FINANCIERS LIMITED

SAURABH SHARMA Digitally signed by SAURABH SHARMA Date: 2026.02.12 11:39:34 +05'30'

SAURABH SHARMA
COMPANY SECRETARY AND COMPLIANCE OFFICER
(ACS-60350)

“Aavas Financiers Limited

Q3FY26 Earnings Conference Call”

February 05, 2026

Management: **Mr. Sachinder Bhinder** – 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

This document is a transcription of the conference call conducted on 05-February-2026. Click here to listen to the original audio

Moderator: Ladies and gentlemen, good day, and welcome to the Aavas Financiers Ltd 9M and Q3FY26 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on the date of this call.

These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in a listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing star, then zero on your touchtone phone. Please note, 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: Good evening, everyone. I extend a very warm welcome to all participants and thank you for joining us on today's Earnings Call to discuss the financial and operational performance of our company for 9M and Q3FY26, along with the business outlook going forward.

The results and the investor presentation have been uploaded to the stock exchanges and are also available on our company website. I hope you've had a chance to review them. We have also uploaded an 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 MD Sachinder Bhinder, CFO Ghanshyam Rawat and CRO Ashutosh Atre. This will be followed by a Q&A session. With that, let me now hand over the call to Sachinder. Over to you, Sachinder.

Sachinder Bhinder: Thank you, Rakesh. A good evening to all. I thank you for joining us on this earning call.

The recent macro developments have been very encouraging for the Indian economy. The Atmanirbhar Union Budget, followed by positive progress on the India–US trade arrangement, marks an important inflection point. These developments are expected to support external stability, improve systemic liquidity, ease interest rates, and create a more favorable environment for credit growth.

Q3 also saw several structural reforms, including GST rationalization, labor code implementation, progress on key trade agreements, and continued FDI liberalization. Together, these measures should strengthen household balance sheets, drive an urban consumption recovery.

The Union Budget 2026 reinforces the government's focus on capex-led growth, while continuing to support consumption and affordable housing. Alongside this, the High-Level Committee on Banking for Viksit Bharat clearly positions NBFCs and housing finance companies as key enablers of credit expansion. The emphasis on developing tier-2 and tier-3 city economic regions creates a strong structural tailwind for affordable housing.

Overall, we believe the macro environment is becoming increasingly supportive for housing finance, with improving affordability, stable funding conditions, and a strong runway for sustainable growth.

Moving to Aavas's performance, I am pleased to share that during Q3FY26 our Balance Sheet size crossed Rs. 20,000 Crs marking an important milestone in our growth journey.

During the quarter, we also successfully raised approximately Rs 975 crore (USD 108 million) from a marquee Multilateral Financial Institution at a 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 strong external confidence in our measured, quality-led growth strategy and long-term vision.

The proceeds from this financing will be deployed to support affordable housing loans for EWS and LIG households, promote women homeownership, scale green-certified housing, and expand MSME lending in underserved regions, further strengthening our development-focused lending franchise.

During the quarter, we rolled out a Branch Excellence Program to drive sustainable, quality-led growth across branches. Project Neev focuses on strengthening pre-login discipline and frontline effectiveness through better field management and coaching. Project Nipun institutionalizes post-login rigor by improving approval quality, documentation discipline, and turnaround times. Project Sampoorn drives a "first-time-right" culture to enhance login quality and reduce rework. Project Setu optimizes channel management through digital integration and more effective partner engagement. Project RISE strengthens employee engagement through structured rewards, recognition, and clear career pathways. Together, these initiatives are creating a stronger operating backbone for consistent and sustainable growth.

On to business front, after the transition to the new disbursement recognition framework in Q1, operations have now normalized, resulting in a 10% QoQ growth in disbursements during Q3. Our sanction-to-disbursement ratio, which was impacted in Q1, has recovered and now stands at >80%, demonstrating improved conversion efficiency. Traditionally Q4 is a strong quarter for us, and we expect this momentum to sustain.

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 lowering GNPA during the quarter.

Our AUM grew by 15% Y-o-Y to Rs. 222 billion. The broader macroeconomic backdrop remains supportive, and a conducive interest rate scenario continues to support affordability and demand momentum in our core segments.

During the quarter, we further benefited from a lower cost of funds following the 25-bps cut in the repo rate. In today's ALCO meeting, it was decided to pass on 15 bps of this benefit to our customers, effective 1st March. This revision will benefit around 70% of our customers who are on the floating-rate book, while maintaining an appropriate balance between customer benefit and margin sustainability.

Furthermore, government initiatives like the Interest Subsidy Scheme (ISS) under PMAY 2.0, coupled with a stable interest rate environment, continue to support homebuyer sentiment and affordability. We are pleased to report that over 2,800 Aavas customers have already benefited from these schemes, receiving subsidies amounting to more than Rs. 90 million.

As we look ahead, our long-term strategic priorities remain clear—to fully leverage our strong digital platforms, distribution network, further strengthen governance, drive scale efficiently, optimize costs, and enhance productivity across the organization.

With that preamble, I will now take you through our quarterly performance. Our AUM has now reached Rs 222 bn. During Q3 FY26, we disbursed loans worth Rs 17.2 bn, registering a 10% sequential growth, while maintaining our strong focus on quality origination and prudent underwriting. Our Net profit for Q3 FY26 grew by 16% YoY to Rs 1.70 bn led by robust 17% YoY growth in NII on account of healthy improvement in spread. Our Net Worth continues to compound steadily, growing at 16% YoY, with the strength of our capital position driven by consistently compounding internal accruals.

Our NIMs expanded by 27 bps year-on-year to 8.01% during the quarter. This improvement was supported by improvement in spread coupled with our continued focus on risk-adjusted pricing. Our Opex-to-Assets ratio saw an improvement of 7 bps sequentially to 3.44%, while the Cost-to-Income ratio continued to trend lower by 75 bps sequentially to 42.9%, reflecting improved efficiency gains.

Our asset quality remains pristine, with 1+ DPD well below 5%, improving by 19 bps sequentially to 3.80% as of December 2025, while GNPA improved by 5 bps QoQ to 1.19%. Credit costs stood anchored at 16 bps. driven by lower 1+ DPD flow and improvement in Stage 2 and Stage 3 buckets. We continue to maintain our guidance of keeping credit costs below 25 bps on a sustainable basis.

Our ROA improved by 6 bps YoY to 3.43% and ROE improving by 8 bps YoY to 14.29%.

We remain committed to delivering quality, profitable, and sustainable growth powered by tech-led efficiency and cost optimization. With our robust risk management framework, deep and diversified distribution network, and the strong execution capabilities of our experienced team, we are confident of achieving our strategic milestones and delivering long-term value to all stakeholders.

With that, Ladies and Gentlemen, I would now hand over to our CFO, Ghanshyam Rawat, to discuss the financials in detail.

Ghanshyam Rawat: Thank you, Sachinder. Good evening, everyone, and a warm welcome to our earnings call.

To provide update first on borrowings past, the improvement in the cost of funds continues 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 a potential softening in interest rates and strategically shifted a sizeable portion of our borrowings to EBLR-linked instruments and various market linked benchmarks. This forward-looking approach has continued to yield tangible benefits in Q3, as our liabilities are repricing faster than those of many peers. This positions us to maintain a competitive cost of funds while supporting sustainable quality growth.

Well diversified liability franchise linked with various benchmarks and competitively priced in Q3FY26, we were able to deliver an additional 16-bps improvement sequentially in our cost of funds and 56 bps improvement year-on-year.

In today's ALCO we decided to pass on the benefit of 15-bps to our customers with effect from 1st March 2026. Our spread improved by 40 bps year-on-year to 5.34% in Q3, while the calculated spread increased by 65 bps year-on-year.

We continued to borrow judiciously, raising around Rs. 46.4 bn at competitive rate at 7.66% for 9MFY26. Our average tenure of borrowings continues to be longer than that of our assets, ensuring a positive ALM across all-time buckets. As of 31st Dec 2025, total outstanding borrowings stood at Rs. 193 billion.

We have optimum mix of various benchmarks of interest rates such as 35% of borrowings linked to external benchmarks such as Repo, T-Bill, and MIBOR, and 34% linked to sub-3-month MCLR, enabling faster repricing of nearly 69% of our borrowings in line with interest rate movements.

Lender support remains strong as Aavas continues to evolve. We maintain access to diversified and cost-effective long-term funding. Our relationships with development financial institutions remain robust, supporting our strategic funding goals. As of 31st

Dec 2025, we maintained ample liquidity, including cash and cash equivalents and unavailed CC limits of Rs. 19.55 billion and documented unavailed sanctions of Rs. 24.54 billion.

Profitability and Capital Position, our Net Total Income (NIM) in absolute terms grew by 18% YoY in Q3 FY26. Net Interest Margin (NIM) as a percentage of total assets expanded by 27 bps YoY to 8.01% in Q3 FY26.

We remain well capitalized, with a net worth of Rs 48.6 billion and a Capital to Risk-Weighted Assets Ratio (CRAR) of 46.4%, significantly above regulatory requirements.

I would now hand over the line to our CRO, Ashutosh Atre, to discuss the asset quality.

Ashutosh Atre: Thank you, Ghanshyam Ji. Good evening, everyone. I am pleased to share the key portfolio risk parameters with you.

Asset Quality & 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 5% at 3.80% in Q3FY26 and Gross Stage 3 & Net Stage 3 under 1.25% stood at 1.19% and 0.79%, respectively. During the quarter, not only in terms of percentage, as mentioned by Sachinderji, our principal outstanding of 1+DPD and Stage 3 principal outstanding has also reduced in absolute value.

From a geographic perspective, asset quality in our vintage states continues 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. 1.27 bn as of 31st Dec 2025. Our disciplined underwriting standards, coupled with a 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 higher-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

Moderator: Our first question comes from the line of Kunal Shah from Citigroup.

Kunal Shah: So, the first question is on growth. When we look at maybe the first 9 months growth, it clearly suggests maybe the guidance which was given of closer to like 18-odd percent. That appears to be quite stretched, and it might settle at less than 15-odd percent. So maybe in terms of the indicators as to how do we plan to get towards 18% to 20-odd percent growth in the coming years?

And the related question is on the branches. Last time you indicated that you will add the 20, 25-odd branches, but we had seen some consolidation of branches in Rajasthan and Maharashtra. So maybe the addition of branches has also been not very high. So, what's happening on that front in terms of the franchise expansion?

Sachinder Bhinder: Thanks, Kunal. During H1, we undertook a significant transformation in our business and accounting processes with a calibrated tightening of credit in a relatively subdued macro and credit environment. As communicated earlier, our priority has been to protect portfolio quality and not to pursue just the headline growth. Accordingly, the final AUM growth outcome continues to be influenced by how the macro and credit environment has evolved even as we remain committed to our long-term growth aspiration.

Encouragingly, post Diwali, we started seeing a pickup in the business momentum, and we expect this trend to continue through Q4 FY26. Q4 last year was a strong quarter with disbursement crossing Rs. 20 bn, and we are confident of exceeding that level comfortably this year as well. On the AUM front, H1 created a meaningful drag on the overall growth run rate, which has led to AUM growth moderating to around 15%. Given this backdrop, our focus for the remainder of the year is to maintain the current growth trajectory while continuing to safeguard asset quality rather than pushing for aggressive growth.

The second question on the growth for the next year. Looking ahead, FY27 should be a year of strong recovery, with no transformation initiatives and incremental investments being made in branch expansion to drive growth. With a stable operating environment and a stronger platform in place, we are targeting around 25%+ growth in disbursements in FY27, while continuing to build a resilient, high-quality franchise.

We are planning to have around 25% plus of disbursement growth solving for an additional Rs. 2,000 crores disbursement in next year FY27. We are already ahead in terms of average monthly run rate which will generate additional Rs 500 crores business next year; branches opened in last 12 months will give ~Rs. 200 crores additional business, we are opening additional 50 branches next year which will give me ~Rs 100-150 crores business, digital channel like CSC will give me ~Rs.500 crores additional business, ~Rs.400 crores would be inflation and customer aspirational led ticket size growth and rest would be productivity enhancement, which would really improve the numbers as I speak.

Over and above, as I spoke about a lot of initiatives which we have taken, which have given green shoots in Q3 where customer visits related from the direct channels have improved by 30%.

And we are confident that productivity enhancement really will come through all of this. As management, we are confident with these measures which I really spoke about, contributing to a robust 25% plus growth in the coming year.

Kunal Shah: Sure. And with respect to branch expansion, it was quite slow during the quarter, and there was some rationalization as well?

Sachinder Bhinder: So, there were multiple branches which opened, and it was not about consolidation. So, as we speak, Kunal, we are at 410 branches as of 31st Jan 2026. And in addition to that, this quarter, we'll add another 20 to 25 branches in Q4.

Kunal Shah: Okay. So that trajectory, maybe that guidance continues in terms of adding 20-25 branches in the second half?

Sachinder Bhinder: Yes, and next year, we are going to add another around 50 branches. So, what we are doing is that we're going deeper into the regions where we are in Tier 2, Tier 3 towns by the RRO model. I think that deepens our market as far as concerned. We have stabilized a lot of RROs, and we find that there is good potential. We look at converting these into model branches. What we call model branches are like self-sustained branches at a lower infra cost, which really helps us to build. So, we continue our guidance and our trajectory of geographic expansion by going deeper and opening physical branches.

Moderator: Our next question comes from the line of Abhijit Tibrewal from Motilal Oswal.

Abhijit Tibrewal: Sachinder sir, again, just may be repeating what you've already said, right. But again, I think while we have managed to get some handle on the BT out and the portfolio attrition this quarter, which I'm sure was driven by all the actions that you would have taken. Because, from what we hear from other housing finance companies, the competitive intensity continues to still remain very high.

But I think disbursement momentum kind of still leaves a lot to be desired. What we usually know, right, 40:60 kind of a disbursement mix between 1H and 2H. Even if we were to do that, right, I think you'll still fall a little short of what maybe you would have targeted on disbursements for this year.

So, I mean, while you've already partly answered it in the previous question, but what were the growth headwinds this year? And what will change next year for us to start accelerating on growth, except for this addition of branches that you just explained?

Sachinder Bhinder: So, Abhijit, thanks for joining the call. See, if you place it into the 2 parts on the growth, as we said that because we had the transition to the accounting process of disbursement recognition, Q1 cover up actually delayed and lagged for our entire current financial year. So, I think that is one which was there.

Secondly, at a conscious call of some of the states which we had taken in Karnataka and other places, as we start seeing in Q2 and Q3, we started stepping up. And that's more so to really look at it from the perspective of the credit environment and the overall environment based on the e-Khatas stuff.

On the second question of how you really span out the growth for the next year. So, as we highlighted the projects, specifically, the digital channels, which really have started contributing to us, like CSC, eMitra incrementally would contribute ~Rs. 500 crores. Currently, we are ahead on monthly average run rate bringing additional ~Rs.500 crores business, and CSC and eMitra would contribute to an extent of another ~Rs. 500 crores next year. So, we are confident of digital channels.

We are confident of the branches which have opened in the last 12 months, really contributing, including the new branches, additional about Rs. 300 crores really coming across from there, plus an inflationary and aspirational growth bit of 6% growth coming across from the inflationary-led growth, plus the initiatives, whatever we spoke about on productivity enhancement.

And as I spoke that visit to customer ratios have improved by 30% is finally really helping us to improve productivity. So primarily, the input really is getting refined and crystallized, and we've seen those green shoots in Q3. So, we are confident that we'll be able to carry forward in Q4 and build that in the next financial year.

Abhijit Tibrewal: Got it, sir. Sir, then on the disbursements, again, if I look at the disbursement mix, very clearly. Until last year, the non-HL in the disbursements was typically used to be around that 35% ballpark. But now if I look at this year, the non-HL piece is consistently above 40% in the mix. So, I mean, how is the demand landscape today purely in individual home loans?

And the related question here also is that, recently at least some of the larger HFCs who reported, they have all been talking about kind of moving towards near prime and affordable. So do you think that until now, we very often used to say what if there was a competition from the banks. But now if the larger HFCs also start looking at the affordable side, is it going to kind of meaningfully increase the competitive intensity in the affordable housing sector?

Sacinder Bhinder: I think your first question on the HL, NHL part, I think it is more about the recognition that pushed the HL to drag little, as far as recognition was concerned. Because as you know, the home loan transactions are operated through a check disbursement mode and NHL are more by the RTGS mode.

So that differentially had a drag on HL. So, unlike the normal one, we've not seen any drop. It is just what I would say, movement which has moved quarter-on-quarter to the subsequent quarter. That's one. So, even with our PMAY 2.0, where we've disbursed more than 2,800-plus customers in the ISS scheme, it is also reflective of the strong home loan growth what we really see. So, the logins and those from the home loan really continue to build on, and we will continue to build in the markets where we operate on that franchise.

Secondly, on the competitive intensity, I think we stand out as far as our understanding of self-assessment based strong SENP direct model is concerned. And our inroads into Tier 2, Tier 3 markets, both from a perspective of understanding the customer and understanding the property and buying in both with the quality, which is there, I think, stands good at Aavas, which is there.

And as you highlighted, on BT out, we continue to be at 5.1% for Q3, which is 60 bps lower than the same period last year. So, I think we are confident with our kind of underwriting practice, our kind of customer segment, our deeper reach, which we continue to further build and expand, will also help us to thwart the normal competition what you are referring to.

And again, if you look at the average ticket size, Aavas continues to be in the average ticket size of Rs. 12.5 lakhs, whereas affordable for some of the peers you're talking about, the ticket size is more than double what typically we service on an average pie. So, I think from that, it is far away as far as reaching that customer segment, so to say.

Ghanshyam Rawat: Yes. Abhijit, what Sachinder ji said, I think apart from that, 2 things are very important to see, like in Aavas today, we have 60% self-employed customer, whereas all large HFCs, banks have 80% to 90% salaried customers. So, in the same market, in the same geography, even though we both are present, we have a different customer class, they target different customer class. We target Rs. 12 lakhs to average ticket size Rs. 13 lakhs, Rs. 14 lakhs, Rs. 15 lakhs, they target Rs. 25 lakhs and above ticket size customers in the same market. So, that make a huge difference.

Thirdly, I think as Aavas, we are very deep rooted in those markets. We today source customers from around 2,000-plus towns, where they are still in the large market, in the city or district headquarters, they remain up to that level. We go at a sub town level basically. So, I think that we continue to, in the same market, make a separate road for us. There are enough opportunities in the market. So even despite I think large HFC focuses on affordable housing.

Abhijit Tibrewal: Just one last question on the borrowing mix. If I look at the NHB refinance from its peak of 22%, 23% kind of decline to 20% then to maybe 16% same time last year and now 14% to 12%, rather 12% now. So, I'm just trying to understand, was it because NHB was not giving a sanction because of the ongoing CVC transaction, but now that the transaction has also been concluded, have you received any new sanctions from NHB? And what are the plans to draw them down?

Ghanshyam Rawat: Yes, Abhijit, you are right. Our contribution of NHB refinance and overall borrowing has fallen because as you appreciated that CVC transaction was in process, and it got now completed. Now we applied for our refinance limit, which is under consideration at their end. We are hopeful that in the coming quarters, we will hear something positive from their side.

Otherwise, I think the company has done a very fantastic work and even NHB borrowing was less than in what ratio it was there 1 year back. All banks, institutions, multi-lat institutions and our borrowing is almost shown a 56-basis point reduction, which is far better than peer group, far better than the peer group.

Even sequentially, our overall interest cost is lesser than the Q2, which shows the strength of liability franchise of Aavas. Now we are already AA rated, with a positive outlook. And so that it is also helping us to explore the new market of borrowing at a competitive price.

Moderator: Our next question comes from the line of Varun Palacharla from Kotak Securities.

Varun Palacharla: My question was regarding disbursements and how we see disbursement going up or what will be the drivers? So, in light of that, I would want to ask what is the login to sanction ratio for us? How has it trended over the last 2, 3 quarters when you have tightened the screen? And is there leeway over here that as the field staff get normalized in these new credit screens the ratio might increase?

The second question is with regard to the disbursement. I think you mentioned that the new channel partners currently contribute about 7%. So how much do DSAs or connectors contribute? Because those channels can scale up faster than the others, if you can give that?

Sachinder Bhinder: Yes. Thanks, Varun. I think as you rightly pointed out, the screens on the credit quality and we had called out. So, there has been a sequential improvement where we saw improvement in the credit environment and the credit quality. Hence, our sanction ratios also improved from around 30%-32% in Q1, trending at around 38%-40% in the last quarter.

I think that's the positive side for looking at the credit quality. And Aavas has always been looking at the risk-adjusted returns and really underwriting what we feel right at that period of time, which is suitably from a credit environment perspective. So, I think that's the positive trajectory which is there. The most important point is our sanction to disbursement ratios also improved sequentially from the earlier period of time. That also gives us confidence. That's number two.

Number three, on the channels, what you rightly elicited, the scaling up, why we are confident because as a couple of digital channels like CSC, eMitra and Mitra is the ones where we've actually put in efforts and those efforts have really shown traction in the current financial year. And as we enter Q4 and enter the new FY, it gives us confidence of an incremental scope of expanding at a faster pace, which I elicited that it is going to contribute an extra around ~Rs. 500 crores from those channels.

And the other part which we said that on a muted expansion of the branches, the last 12 months branch opening, and the new financial year branch opening further adding an impact of about ~ Rs. 300 crores, plus the retail inflationary-led and aspirational growth, which we have taken at a very conservative level of about 6%, further contributing to another ~ Rs. 300 crores for the next financial year.

Plus, the productivity improvement, as I spoke about in my call, about the various projects and the branch excellence which we have achieved. And therein also, we've seen the green shoots about improvement in the quality of login. The customer visit increasing by 30% is really improving the quality import also will continue to contribute to our expansion of the scalability in a right format.

Plus, earlier part, as I said, that we had a little muted geographical growth on certain parts of Karnataka, knowing the credit environment and the part of the Khata-related stuff, which had held on to our disbursement. So, we've seen that acceleration also happen in that pace. So that also will start contributing. Plus, we've opened Tamil Nadu in the last couple of quarters. I think that also slowly and steadily will start contributing to our numbers as we effectively go in the next financial year. So, we are pretty confident with all the measures rightly, we will be able to scale up in a more modular, sustainable and rightful, quality growth manner.

Varun Palacharla: I just had one more question on the incremental yield. So, after the PLR cut, what is the gap between the incremental yields and the book yields? Where will it trend towards?

Ghanshyam Rawat: I think incremental yield is already, even without 15 basis point reduction, it already got transmitted because by spread corrections which keep on happening when we source the customers. The new business will not have much impact. But by 15 basis point reduction, we will have almost 9-10 basis point overall impact on the book, because we have almost 30% fixed rate book. So, it will have a 9-10 basis point impact.

Yes, and I think, let's say, I further update you on that piece. Another, we see a few basis point cost of borrowing reduction in this quarter. So overall, we are comfortable, or we are confident our spread will remain around 5.25% for the year ending, a few basis points, 2-3 basis points here and there. But roughly, we are confident to have 5.25% spread by the year end.

Sachinder Bhinder: Yes. Currently, we are at 5.34% as we speak for the current quarter, Varun.

Moderator: Our next question comes from the line of Raghav Garg from Ambit Capital.

Raghav Garg: Yes, Sir. I just had 2 clarifications before I ask my questions. One, did you say that you are targeting 35% disbursal growth in FY27? Did I hear that correct?

Sachinder Bhinder: No it's 25%+. 25% +.

Raghav Garg: 35%, is it?

Sachinder Bhinder: 25%+.

Raghav Garg: Okay. 25%+. And then, new branch addition will be 50, right?

Sachinder Bhinder: Yes.

Raghav Garg: Okay. Sir, my question is without the PLR reduction that we've -- I mean, you haven't reduced your PLR so far. It's only effective March. Despite that, the yields have come down by about 16 basis points because of competition, and that continues to intensify. And effective March, you're taking a 15 bps PLR cut.

On the liability side, it seems that the cost of funds has likely bottomed out at 7.7%. So, for FY27, what is your expectation in terms of how much your spreads can normalize over? I think you just mentioned 5.2% or 5.25%. But are you confident that the spread decline from here will not be more than, say, 15-20 basis points given the kind of competition that we are seeing out there?

Sachinder Bhinder: See, Raghav, we've always guided that we'll remain in the range bound of 5%. And if you look at our trajectory, we hovered around and we came down to around 4.8% down and further jump back. I think looking at the overall environment, the cost of funds and rightfully passing on the reduction in the cost of borrowings to the customer is a fair and right thing for an institution to really do.

And that with continued softening, as what Ghanshyam ji highlighted about the softening of expected cost of borrowing, we'll be able to balance that on the entire portfolio. And even on the portfolio, we have 70% floating as far as the passing on the PLR reduction is concerned.

So we are pretty confident as we've guided. So we are well above the guided level of 5%. So, we are currently at 5.34% and we are confident of 5% plus, ranging between 5.20% to 5.25% in the coming quarters.

Raghav Garg: Understood. Second question is on your branch and workforce count that has been more or less same since last few quarters. I think you may have mentioned, or another participant may have mentioned that there has been some consolidation. So I actually wanted to ask that what is your plan for next year, but I think you've already answered that, around 50 branches.

Can you give some color on employee attrition? Because I noticed that, that workforce count has not been increasing as such. And your employee productivity has also been coming down. I'm guessing that's partly impacted because of the higher attrition that's there in the industry in general. So your thoughts on this will be very helpful.

Sachinder Bhinder: Raghav, as we speak, we are at 410 branches. So I think from a branch perspective, we continue to go and expand in more deeper in the geographies which we are, and we have an RRO model, which is a Resident Relationship Officer model, which is without the branch that is what we cover to. So, I think that is one we will further strengthen in the coming quarters.

And again, developing and building those model branches, as I spoke earlier, also will help us from a branch expansion perspective. Secondly, I think a lot of further parts on the Rise kind of program, which we've done, I think, which has resulted into holding on to our attrition rates at constant compared to the industry standards.

I think there are 2, 3 things which actually help us to have stability. And some of that doesn't really fortify initially in the coming immediate months on productivity. But as you proceed and the vintage of the RRO really is the first mile relationship officer starts, you start delivering and getting the productivity over a period of the next quarter.

So, from that perspective, we're confident of getting that productivity rise. Again, this is also backed up by how we've done scientifically and analytically right to get that and help that in the right perspective. So, I think from that perspective, we are very clear that this will also help us in building across in the current quarter as well as the next quarter.

This is as a part of the branch excellence program, which I spoke across, which is Project Rise, which strengthens the employee engagement to structure recognition and clear pathway. So there's a right mechanism put in place institutionally to help that to build in a stronger and enduring way.

Moderator: Our next question comes from the line of Shreepal Doshi from Equirus.

Shreepal Doshi: My question was on the asset quality front. So undoubtedly, we've done decent performance with trends improving. So incrementally, is that also likely to help us on seeing better business momentum as we can now relax some of the underwriting related norms in the coming quarters? Would we look at doing that in order to, let's say, revive business momentum and our disbursements?

Sachinder Bhinder: So Shreepal, we've always looked at risk-adjusted return, looking at the credit environment. And whenever we felt that it is conducive as per our standards, I think we accelerate. So having seen, it is not about that having achieved a particular goal, you really step up. You really look at the environment and then you really find that it is suitable, credit conducive and it gives us risk-adjusted returns in a format which Aavas as an institution has worked across over a period of so many years. We actually then try to look at the market and capture and accelerate our growth pedal.

So we continue to build that. And I think what you see now is our earlier credit cautious approach considering the environment, which is resulting in such numbers. We always focused on our input quality. Whenever there is a credit conducive environment from a perspective, both customer side and the property side, we've always pushed the pedal and accelerated the pedal as it comes and as the environment really helps us.

Shreepal Doshi: So, sir, in that case, are you feeling that you are in a position where you would want to accelerate the disbursement or business momentum for us?

Sachinder Bhinder: Yes. As I spoke, so we had a couple of states as we had called out earlier, which have seen a positive credit environment really playing out, typically states of Karnataka, both from a perspective of the credit behaviors and the microfin outlay and overhang, which was there, followed by the registration, which was actually now getting streamlined because of the Khata-related challenges which had posed. So I think as that really pushes out, we put acceleration on the right kind of credit growth.

Shreepal Doshi: But sir, apart from that also because Karnataka is just 4%. So I mean, are you seeing the similar trends in some of our key geographies, which is Rajasthan, Maharashtra, Gujarat, MP? So are you seeing this North Central belt also giving you signs of business momentum improving at customer levels?

Sachinder Bhinder: Yes. So, in our base rate, it is such a high base level, we continue to grow in Rajasthan at a compounded rate of ~20% or so. And with 111 branches, and at an AUM which is touching about Rs. 7,400 crores for us in Rajasthan, we, at that base, continue to grow with a supreme and pristine quality.

UP is one of the areas on the expansion spree for us in the coming years to really get into much deeper. We've had 5 years plus of an experience in there and touchwood the quality has been pristine from our risk metric perspective. And that's one area which will go deeper further to expand the Uttar Pradesh belt, so to say. So yes, Uttar Pradesh belt, the states -- the cohort of our states, which are a 10-year kind, which is Rajasthan, Gujarat, Maharashtra and MP really contributing to the ones.

The other cohort, which is the likes of Haryana, Delhi and specifically UP, where we have been only with about 39 branches in UP, that's one state which we want to really push the pedal and accelerate given that we have had experience of more than 5 years in that state.

And plus, as we said that, called out earlier, on the southern states, we are still having Tamil Nadu, Andhra Pradesh and Telangana, 3 states actually available to us for our growth opportunities. We just entered Tamil Nadu, but these 3 states, along with Karnataka, the southern states, the cohort of the old states, which are vintage states and the existing ones like the UP, where we like to expand, will really help us go much deeper and accelerate growth.

Shreepal Doshi: Got it, sir. Sir, the second question was while you highlighted that we'll have 25% disbursement growth as target for FY27, what would be the loan growth aspiration for FY27 in that case?

Sachinder Bhinder: So, I expect that we have a 25%+ growth on the disbursement. See, to put that in metrics in a very simplistic manner, we said that we are doing around ~Rs.1.4 crores per branch per month on an average basis. Just a bump up of Rs. 1.6 crores to Rs. 1.7 crores really help us to move the needle much faster, plus an additional as Rs. 25 lakhs to Rs. 30 lakhs of business per branch really moves that. And why I'm saying so is based on a lot of management initiatives, which have been taken like the branch excellence program, which really help us to granularly move the needle in all of this. And incrementally, that actually helps us to project that kind of forecast, that kind of growth in a very, very secular and a granular manner.

Shreepal Doshi: Got it and the loan book growth guidance for FY27?

Sachinder Bhinder: Yes, that would be in the range of 17% to 18%.

Ghanshyam Rawat: Which is almost around 300 basis points better than the FY26.

Moderator: Our next question comes from the line of Chintan Shah from ICICI Securities.

Chintan Shah: So yes, on the disbursements, again, we are guiding that it would be 25% run rate driven by the branch expansion and a couple of projects which we have implemented which is the kind of transformation projects and due to inflation. But so just on, asking in a different way, what could be the risk which could lead us to not achieve this? Do you envisage any risk? Or what could be the probable risk, which could lead to a miss on this number, if any, which you could think of right now?

Sachinder Bhinder: I think it is only about the macroeconomic stability that has to continue. There has not to be any of the typical headwinds which really should blow us out or any black swan event which is very difficult to underwrite or to predict. Other than that, on the basis of what we are currently doing and whatever we've seen in Q3 and what we've seen in Q4, I think that gives us confidence to really project and forecast with the granular and secular growth, Chintan.

Chintan Shah: Sure, sir. So, nothing related to the competition or assets, probably interest rates movement, probably that could be a deterrent to this growth, right?

Sachinder Bhinder: No, nothing of that sort that we envisage. See, if you look at a couple of things which you would try to really to highlight is the BT out. I think that's one indicator which you would really look at it. For Q3, we are at 5.1%, which is 60 bps lower than in the same period last year.

And again, from a ticket size perspective, if you look at it, whatever competition or what people are envisaging on the affordable housing finance companies as you we step up, I think the ticket size is very, very different range. That's point number two.

Point number three is, we are focused very much on self-assessment based, self-employed nonprofessionals as one of our key segments, which are around 15% new to credit. 92% of them remain to be new to mortgage, which is for the first dwelling house that they are taking and raising the finance, which is very different from underwriting something which has a different connotation from an affordable, which is in excess of Rs. 25 lakhs, as what people really classify.

So from our segment, we are very clear, that our reach Tier 2, Tier 3 towns, deep impact one, understanding of having underwritten more than 0.5 million customers at this period of time as we speak. That's one which we already underwritten.

Plus the kind of logins which we do every month, we have a proper data history of the customers, what we have sourced, what we have underwritten, how they have performed. I think there's a lot of data and science available to us to understand much more granularly, secularly, region-wise, customer segment-wise. I think that really helps us and stands out in the market actually.

Chintan Shah: Sure, sir. That is quite helpful. And just one last thing on the Tamil Nadu. Sir we have recently entered Tamil Nadu with around 10 branches. So, but given that this is a very highly competitive market, which is what we hear from peers as well, so how are we placing ourselves to gain market share? And any numbers you could throw on the disbursements or AUM targets for Tamil Nadu for FY27?

Sachinder Bhinder: So Chintan, if you look at Aavas's philosophy of doing credit right, and once we enter a new state, we give good enough time to understand the credit environment, the local environment and then really step up. And we've never chased market share, so really, so to say. And the market share chase is typically when you go out in the market and try to do BT in and stuff like that. I think we've never believed in that philosophy.

And even if you look at from a perspective of entry into Tamil Nadu, that is where we started Hosur, we were there in Karnataka, and we entered the piece which is nearing the Karnataka belt. So understanding of the market, doing the credit right and giving enough time for the market to mature to understand for the segments which we serve for.I think and then typically, we step up.

And as we've guided, we will continue to do that in the near-term period. And we are confident in the next year having opened 10 and another 7 branches, we are at 17 branches, that will additionally add about Rs. 75 crores to Rs. 100 crores next year to our kitty.

But as I again reiterate, we've never chased market share. I think when you start chasing market share, I think it's very important to get the foundation right in the new state which you do.

So, like, for example, the last state which we entered was Karnataka. So we're very cautious about what we underwrite, what we put the fundamentals in place and then really accelerate which is there. And to your point of competition, I think from a perspective of the market segments which we serve, we are very, very sure about the kind of potential which is available there as we are clear on SENP focus, unserved, underserved, plus the new to credit and new to mortgage.

So I think that gives us confidence getting into those markets and building that. And I think I look at from an opportunity perspective for Aavas, because if you look at, we have 3 states are actually available for us to really build on, which is Tamil Nadu, Andhra Pradesh and Telangana.

Moderator: Next question comes from the line of Rajiv Mehta from Yes Securities.

Rajiv Mehta: Congratulations on good performance on asset quality and spreads. I just have 2-3 things. First is for having a better productivity, any changes planned in incentivization for employees and channels? That's first question.

Second is on this 1+ DPD improvement, did the bounce improve? Or did we make a better effort on collections and hence, were you able to correct the same a larger volume of bounce? And third is on asset quality, generally, traditionally, we see a large pullback in buckets and sizable recoveries in Q4. It did not happen last year because it was a difficult income liquidity environment for customers. But this quarter, in Q4, can we revert back to that traditional movement in asset quality, which we generally see in Q4?

Sachinder Bhinder: I think you have three questions. I'll answer the second question. I think the input quality of credit underwriting is the ones which really define on risk-adjusted returns and doing the robust risk management practices has always helped Aavas right from day 1. And foundationally, our risk architecture really contributes towards sound sourcing, sound underwriting and sound risk management.

And coupled with state-of-art digital and analytical PAR collection mechanism and as we say that we have a robust one on predictive, prescriptive and descriptive analytics to really forecast the probability of the bounce much before the customer really bounces. So I think all of have been perfected. I think all of that really put together really helps us to deliver for what we are, what numbers you see on board. That's answer to your question number two.

Question one was on the employee productivity. As I spoke that the branch excellence programs under the part of where we focus on really helping the channel and helping the last mile frontline salesperson to know where to go, how to go and how to approach aided by a digital mechanism that's led by the pin code identification, the market identification and coupled with lot of CSC-led or eMitra-led kind of sourcing, which is also helping to really increase the one.

So, what is important there is how do you increase the throughput when your input increases by the visits, which I said. I'm again reiterating that we've seen 30% increase in the sales visits by the front line, which has resulted into the good quality really coming in and finance resulting into a good stable growth.

And again, we will really look at Gen AI, bot implementation in Q4, which will help in collection as an advanced stage from our analytics perspective, which will also help in the quality, which is there. And as we move on this, we will enhance digitally aided and to the frontline staff to increase their productivity in the right manner. So I think we are incentivizing the right kind of effort by digitally aiding them to perform and helping them to really source right, source well and source it in quality manner.

Rajiv Mehta: And the third question was on the traditional pullback that we see, which is very significant in Q4 asset quality. Would we see that kind of a pullback in this quarter as well?

Ghanshyam Rawat: By seeing the January number, I think we are at a good trajectory, have a pullback in 1+. I think after a quarter of our 1+, we start to see a good bounce back in the 90-plus in Stage 2. So, we are quite hopeful our number will be much better on the quality front, because across the state, we are seeing improvement.

Moderator: Our next question comes from the line of Sonal Gandhi from AM Securities.

Sonal Gandhi: So, when I look at AUM per branch for Gujarat, Madhya Pradesh and Uttar Pradesh, now these 3 states have been showing growth of less than 10%, probably MP being somewhere closer to 4%. Now if you look at the data, even the branches have not been really added over the last 7, 8 quarters in the states.

So anything that has happened in the states? Or are the attritions high, is the competitive intensity high? Or do you kind of tighten your credit features? This contributes almost 30% of your AUM, if you could talk about it?

Sachinder Bhinder: So, I think MP, we had called out earlier on certain part of which is there. I think the other, we really look at Aavas from an opportunity perspective, both from Gujarat and Uttar Pradesh. I think as we speak, we are focused on, Uttar Pradesh going really deeper into the geographies, and the districts of Uttar Pradesh, and that's what our plan is for the next financial year. So that will actually help us to really scale that operations in Uttar Pradesh.

And specifically on Gujarat, we are going quite deep because we've realized and recognized that we are there in the state for the last 10 years. And we've had a lot of implementation programs of going deeper by the RRO mechanism, which is resident representative offices, which we are looking at it, coupled by model branches.

I think that spread out for us in Gujarat will also contribute and help us to build the right mechanism and scale up rightfully in that state. So, this is what for the 3 states for Aavas which would be helpful in the coming quarters.

Sonal Gandhi: Sir, my second question was on opex-to-assets. So, we are planning to add 25 branches this quarter, probably 6-7 already added, 50 branches next year. So that's a big chunk. So how do we see our opex-to-assets moving?

And second related would be on ROE. So our ROEs are still at 14.3%. So on a stable basis, where do you see ROEs reaching in, say, next 2 to 3 years?

Ghanshyam Rawat: Yes, we appreciate your question. I think when we opened the branch, so I think 25 branches just make out to roughly 5% of your total branch strength. And all these branches, we are opening in the deep market, so per branch opening infra-cost is not that high. Generally, now these small branches have a manpower 4 plus 1. We are going deeper through RRO, as Sachinder ji mentioned, where it hardly adds any opex cost.

So in mix all these things, we are confident that our opex is more or less on downward trajectory. Yes, when CVC came, they announced ESOP plan for long-term management growth, management performance, so that the extra cost came in this Q3.

If you remove that one, you will find it is not much change in Q2 to Q3 or on a year-on-year basis. So excluding ESOP cost, we are at a similar level. Yes, with digital, all the infra tech, we are looking forward to next year to another 25-basis point opex saving in the next year. And with this 25%+ disbursement growth, 18% in AUM growth will give us a 25-basis point opex saving in the next year.

Sonal Gandhi: On the ROE part?

Ghanshyam Rawat: ROE, again, we are now close to 5% plus spread, which is now more or less sustainable despite 15 basis point reduction. Opex, as I mentioned, we are in that range. Credit cost, we are not seeing much change. We are confident that 20 basis point credit costs across, I think in the next couple of years, every year we don't see. So all these lead to sustainable better ROE. And ultimately, our growth is coming back. So that will increase our leverage.

So obviously, right now, we are almost 16% on net worth growing on annually without bringing new capital on the table because of all the Ind-AS adjustment on P&L basis, you find ROE around less than 15%. But at net worth growth level without taking any new capital, it is 16% around consistently. So we are in that trajectory of, let's say, net worth growth 16% to 18% in the next couple of years.

Moderator: Ladies and gentlemen, that was the last question for today. I would like to hand the conference over to the management for the closing comments. Thank you, and over to you, team.

Sachinder Bhinder: Ladies & Gentlemen, as we conclude today’s earnings call, I would like to extend my sincere gratitude to each of you for your time, engagement, and continued support. The progress we’ve made is a testament to the unwavering dedication of our team, the trust placed in us by our shareholders, and the enduring loyalty of our customers.

Looking ahead, we remain optimistic about the opportunities that lie before us. We are confident that our strategic initiatives, underpinned by prudent risk management and a customer-centric approach, will continue to deliver sustainable growth and long-term value for all our stakeholders. Should you have any further questions or require additional information, please feel free to reach out to Rakesh Shinde, our Head of Investor Relations.

Thank you once again, and we wish you all the absolute best in the days ahead. God Bless.

Ghanshyam Rawat: Thank you.

Moderator: Thank you so much, sir. Ladies and gentlemen, on behalf of Aavas Financiers Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you, team.