Aavas FINANCIERS LTD
SAPNE AAPKE, SAATH HAMAARA

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To, **The National Stock Exchange of India Limited** **The Listing Department** **Exchange Plaza,** **Bandra Kurla Complex,** **Mumbai – 400051** **Scrip Symbol: AAVAS**	**To,** **BSE Limited** **Dept. of Corporate Services** **Phiroze Jeejeebhoy Towers,** **Dalal Street, Fort,** **Mumbai – 400001** **Scrip Code: 541988**

Dear Sir/Madam,

Sub: Earning Conference Call Transcript

Please find attached the Transcript in respect to the Earning Conference Call held on Friday, August 02, 2019 at 04:00 PM (IST) for the Quarter ended on June 30, 2019.

The transcript of the conference call can also be accessed at the website of the company at www.aavas.in

We request you to take the same on your record.

Thanking You,

For Aavas Financiers Limited

AAVAS FINANCIERS LIMITED

Sharad Pathak
Company Secretary & Compliance Officer
(FCS-9587)

Enclosed: As Above

"Aavas Financiers Limited Q1 FY2020 Earnings Conference Call"

August 02, 2019

MANAGEMENT: **MR. SUSHIL KUMAR AGARWAL – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER**

MR. GHANSHYAM RAWAT – CHIEF FINANCIAL OFFICER

MR. S. RAM NARESH – CHIEF BUSINESS OFFICER

MR. ASHUTOSH ATRE – CHIEF RISK OFFICER

MR. HIMANSHU AGRAWAL – INVESTOR RELATIONS

Moderator: Good day, ladies and gentlemen and a very welcome to the Aavas Financiers Limited Q1 FY2020 Earnings Conference Call. This conference may contain certain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on 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. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sushil Kumar Agarwal, Chief Executive Officer of Aavas Financiers Limited. Thank you, and over to you, Sir!

Sushil Kumar Agarwal: Good afternoon everybody. Thank you for participating on the earning call to discuss the performance of our company for Q1 FY2020.

With me I have team members, Mr. Ghanshyam Rawat – CFO, Mr. S. Ram Naresh – Chief Business Officer, Mr. Ashutosh Atre – Chief Risk Officer, Mr. Himanshu Agrawal, Investor Relations and other senior members of the management team and Strategic Growth Advisor, our Investor Relations Advisor.

The results and the presentation are available on the Stock Exchanges as well as on our Company's website and I hope everybody has had a chance to look at it.

I am happy to inform you that the Company is consistent in delivery of its operating metrics even in this challenging environment with AUM growth of 46%, disbursement growth of 23% and PAT growth of 50% on year-on-year basis.

The capital markets in general and the housing finance sector in particular is passing through a very turbulent phase, but we believe that the long-term opportunity in the housing sector is immense. Given the shortage of housing in the country and the continued focus of the government on this sector, the demand for home loan will remain robust in the years to come.

The prolonged liquidity crisis and subsequent risk averseness has reiterated the importance of having adequate liquidity buffer, diversified borrowing profile as well as being well capitalized. As you all know at Aavas we continue to have a positive ALM across buckets, relationship with a diversified set of lenders and a strong capital base, which has helped us in navigating the rough waters and being consistent in the performance.

As you are aware there have been a few regulatory changes in the housing finance industry with regards to regulatory powers, capital adequacy & leverage norms, and disbursement linkage to the construction state of the housing unit. I take this opportunity to inform you that the company complies with all these regulatory norms and changes. We have adequate systems in place to monitor the progress of construction cases and we fund them in several tranches. Further, the company has not participated in any subvention scheme of developers.

Now for the financial metrics I will hand over the line to Ghanshyam Ji. Thank you.

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

The Company has access to diversified and cost-effective long-term financing with 35 lenders. 89% of the borrowings are from long-term term loans, assignments and NHB refinancing. Only 11% of our borrowings are from debt capital market, majority being from multilateral institutions like International Finance Corporation and CDC.

Our long-term credit rating continued to be AA- from CARE and A+ with positive outlook from ICRA. Our short-term credit rating continued to be A1+ from CARE and ICRA. Further in the quarter India Ratings assigned A1+ rating for short-term debt, but we have continued to maintain zero exposure to commercial paper as a prudent borrowing practice. In this quarter, Company has borrowed an incremental amount of Rs.2,741 million at 9.04% for 157 months.

As on June 2019, our average cost of borrowing stood at 8.79% on the outstanding amount of Rs.49,606 million with an average maturity of 143 months. In this year from April 1 till today we have got a fresh sanction of Rs.10,000 million from various lenders, banks, institutions, IFC at an average rate of 9%.

The company has been operating at healthy and consistent spread of 5% over the years. We feel that with a better and higher utilization of manpower, increased business from newer branches and continue usage of technology and data analytics, we will continue on a consistent growth path for the coming years.

Coming to financial parameters, I-GAAP to Ind-As reconciliation has been explained in detail for profit, ECL provisions and net worth on slide number 31, 32 and 33.

Key parameters as on June 30, 2019 total number of live accounts stood at 84000+ and total number of branches were 211. Assets under management grew 46% year-on-year to Rs.63,623 million as on June 30, 2019. Product wise breakup, home loans 75%, other mortgage loan 25%, there is no change in our product combination. Occupation wise breakup, salaried 35.1% and self-employed 64.9% is also same as what we had a year back.

Disbursements increased by 23% year-on-year to Rs.6,710 million for this quarter. Spread was maintained above 5% at 5.06% as on June 30, 2019. Average borrowing cost of 8.79% against the average portfolio yield of 13.85%.

Borrowings; access to diversified and cost-effective long-term borrowing; strong relationship with multilateral institutions like IFC and CDC; 43% we borrowed from term loans, 28% from securitization assignment, 18% from NHB and 11% from debt capital markets. No exposure to commercial paper, despite having the highest short-term rating of A1+.

Asset quality; one-day past due stood at 4.25% and gross NPA stood at 0.58% as on 30 June 2019. We endeavor to maintain one-day past due below 5% and gross NPA below 1%. Product wise GNPA home loan 0.67%, other mortgage loans 0.32%.

Profitability; PAT registered a 50% year-on-year growth to Rs. 453 million for this quarter. ROA was 3.17% and ROE was 9.74% for this quarter. We endeavor to maintain ROA of 2.5% and above. We expect to improve the returns going ahead with operating leverage playing out as we grow our business consistently. As on June 30, 2019 we are well capitalized at Rs.18,832 million. Our book value per share stood at Rs.241.1. With this, we will open the floor for Q&A.

Moderator: Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Saptarshi Chatterjee from Centrum Broking. Please go ahead.

Saptarshi Chatterjee: Thank you Sir. Thanks for the opportunity. My first question is on the NIMs side, so we have seen increase in the yields, but for the last two quarters, we are seeing reduction in NIMs. What is the reason for that and what is our outlook for NIMs for this year?

Ghanshyam Rawat: Thank you for your question. If you see the NIMs from Q4 to Q1 sequentially, in Q4 we have done higher assignment versus Q1 of this year that is why if you see in that quarter we have around Rs.25 Crores income on account of assignment vs. this quarter around Rs.7 Crores income. If we make apple-to-apple comparison, then NIMs for the Q4 stand at 8.52% and for Q1FY20 we are at 8.10%. Also, our book is growing, so there is a marginal impact on account of leverage getting increased. Q4 to Q1 obviously business is also less, so fee income also has some impact on the overall NIMs. Otherwise if you compare Q1 to Q1 this year there is hardly any impact apart from leverage and because of assignment which is not under our control. It depends upon the market opportunity.

Saptarshi Chatterjee: Sir, what percentage of our advances are kind of a floating rate?

Sushil Kumar Agarwal: Almost 56% advances are on floating rate. We have given the exact data on slide #23. So, of our total assets of Rs.6,362 Crores, Rs.3,536 Crores is floating rate and Rs.2,826 Crores is fixed rate.

Saptarshi Chatterjee: Thank you. Thirdly, on the NPA side, we have seen some marginal uptick on the GNPA this quarter. So, are you seeing any kind of early signs? That is one. Secondly, out of the one-DPD which we have around 4% then from next few days, how do we increase the efficiency in the collection process? So, some colour on that?

Sushil Kumar Agarwal: First, since most of our business is in independent house construction and we have quarter-on-quarter wide differences because if you see last year Q1 versus this year Q1, so last year Q1 was

0.64% and this year Q1 is 0.58%, so it is relatively better than last year's number on the NPA side. And since we have a very diversified book, so 2-3-basis points here and there, but we always say that we endeavor to keep it less than 1%. On the one day past due side also, last year Q1 number is 4.9% and this year Q1 number is 4.25%. So that has also improved and we always endeavor to keep it less than 5%. So, this is the way as a company we want to continue our efforts on this side.

Saptarshi Chatterjee: But you are not seeing any kind of a concern or early warning signs anywhere?

Sushil Kumar Agarwal: Whatever we have learnt is that in retail businesses whatever will be our one-day past due numbers, normally 10% to 15% of it becomes NPA, so our one-day past due numbers are still in the range less than 5% and overall for last 30 months underwriting we have one-day past due number around 2.5%, so both the numbers are not showing any concerns in this side. We are hopeful that we will be able to maintain the asset quality intact in the coming quarters also.

Saptarshi Chatterjee: Thank you so much.

Moderator: Thank you. The next question is from the line of Karthik Chellappa from Buena Vista Fund Management. Please go ahead.

Karthik Chellappa: Thank you very much for the opportunity. Congrats on a good quarter. My first question is the first quarter disbursement growth rate of 23% looks a bit on the light side compared to let us say our year end kind of target for this year of somewhere close to 25% to 30%. So, is this more a reflection of let us say a caution in some of your markets where you are going slow or do you think this will actually pickup pace in the quarters to come?

Sushil Kumar Agarwal: Normally our business how it works, if you see last seven to eight years history whenever you have 25% to30% growth target for the next year, so 40% of the business happens in the first half and 60% business happens in the second half. If you see that way, we are right on our path of this year's number which we have projected. In fact, Q1 budget versus actual is on the positive side so we have met our budget which we have decided and board approved. So, for this year number yes, we are confident that we are very much in line and there is no change even seeing the past numbers, how our business moves quarter-on-quarter in a year.

Karthik Chellappa: Thank you Sushil Ji. Secondly, if I were to just do a very rough calculation of your opening AUM and then adding disbursements for the quarter less the closing AUM to arrive at some kind of let us say a proxy number for repayment or closure I find that this quarter the absolute amount was actually lower than the repayment amount in the first quarter of last year. What would explain that?

Sushil Kumar Agarwal: Karthik there is a general slowdown in the industry and most of our peer group has slowed the disbursement. So first the repayment requests for the BT out has reduced. Second at company level we are putting significant efforts on retention of the customers and our data analytics has helped us in a very good way over a period of the last 18 months. So this is not the phenomenon of this year, but from 2018 our BT out rate which was 0.8% per month, which got reduced last year to 0.5% per month. And in the current circumstances it has further come down to 0.3% per month. So, with the help of analytics, the effort which we are putting over a period of last 18 months with a clear cut emphasis of the organization, with a dedicated team for retention and the current market circumstances when all peers are slow on disbursement; all these have helped on this aspect.

Karthik Chellappa: My last question is in previous presentations, we used to give out the average ticket size for home loan, mortgage loan, separately, both for AUM and disbursement. This quarter I do not seem to find it. Are we going to continue to disclose this going forward?

Sushil Kumar Agarwal: We have given the average ticket size, is it not?

Karthik Chellappa: Overall, but I am asking for the home loan and mortgage loan separately?

Sushil Kumar Agarwal: So, home loan it is 8.99 lakhs, non-home loan it is 7.16 lakhs, and overall it is 8.46 lakhs.

Karthik Chellappa: Can I just get one more data point, Sushil Ji? The disbursement figure that you have given of 6,710Mn can you split it between home loan and other mortgage loan, what will it be?

Sushil Kumar Agarwal: Karthik, can we come back to you on this number maybe in some time. It will be roughly around 70:30, which we always keep in mind and overall portfolio is 75:25.

Karthik Chellappa: Disbursements, I will just take it as 70:30, right?

Sushil Kumar Agarwal: Yes.

Karthik Chellappa: Thank you Sushil Ji and team. Wish you all the very best for the remaining quarters. Thank you very much.

Moderator: Thank you. The next question is from the line of Nischint Chawathe from Kotak Securities. Please go ahead.

Nischint Chawathe: Just one question, how much did you borrow during the quarter and from which all sources?

Ghanshyam Rawat: During this quarter, we borrowed Rs.274 Crores as a draw down. I think, we mentioned it in slide number 23. Overall our sanction is much more than that but as I mentioned earlier, Rs.274 Crores we borrowed from banks, which has an average tenure of 157 months at 9.04%. It has 175 Crores as term loan & 100 Crores as assignment.

Nischint Chawathe: 9.4% you said?

Ghanshyam Rawat: 9.04% and overall if you want more data point on that, in this year, from 1st April 2019 till date we have got Rs.1000 Crores of fresh sanctions, at an average rate of 9% from banks, institutions, IFC. We are pleased to share one more data point here that first time, we have got sanction from one of the largest life insurance company of India.

Nischint Chawathe: And apart from bank borrowing, I think we did some loans sell down of 99-odd Crores?

Ghanshyam Rawat: Yes.

Nischint Chawathe: This was like at what rate?

Ghanshyam Rawat: It was a similar rate. I just mentioned 9.04%, it is the same price range.

Nischint Chawathe: Any other borrowings?

Ghanshyam Rawat: I mentioned that Rs.99 Crores we borrowed from the assignment and then remaining 175 Crores we borrowed from term loans.

Nischint Chawathe: Got it.

Sushil Kumar Agarwal: We have got new sanctions of around Rs.1000 Crores. So according to business plan, we continue to draw down these numbers.

Nischint Chawathe: Liability side you remain extremely strong?

Ghanshyam Rawat: As we mentioned Rs.1000 Crores we got fresh sanctions. Already we mentioned the entire liquidity position, how much liquidity we are carrying, around Rs.625 Crores is cash in hand and another Rs.854 Crores is undrawn sanctioned limit as on June 30. And we do not have any ALM gaps. The collection from assets is much higher than what is our repayment obligation. So, June 30, itself we were having almost Rs.2000 crores fund to do normal business, after meeting all our debt repayment obligations.

Nischint Chawathe: Do you have any plans to kind of raise lending rates or you are fine at these levels?

Sushil Kumar Agarwal: Nischint, as a company we have told and given guidance also. We endeavor to keep our spreads around 5%, but again that is also not the business thesis. Our business thesis is 2.5% ROA, you gross it up by tax, and then you have credit cost and then opex. That should be your lending rate minus borrowing rate and eventually we are able to maintain that from last 28 quarters and if there will be a decrease in spreads, we will compensate it by lowering the operational cost and you can see that we have already got around 40-50 basis points opex reduction in Q1 itself this year. So, yes, we are comfortable. We want to be consistent. We do not want to change things.

Ghanshyam Rawat: Yes, apart from what Sushil Ji said, if you see my incremental borrowing, Rs.1000 Crores we got a fresh sanction at 9%, which is just 20-basis point higher than from our overall average cost of borrowing. Our new business yield is also coming at slightly better level, if you see Q4 to Q1 my rate on fresh incremental lending got increased by 25-basis points. So, to some extend we are able to pass on to our customers, and we do have buffer through the opex leverage and all other things, you have seen and our opex to AUM also came down.

Nischint Chawathe: Thank you very much and all the best.

Moderator: Thank you. The next question is from the line of Tanuj Mehta from Dalal & Broacha. Please go ahead.

Tanuj Mehta: Thank you for the opportunity Sir. About our opex to income ratio, what is the reason for it is declining?

Sushil Kumar Agarwal: Tanuj, as a normal business process, we have invested in manpower, technology, analytics and processes. Second is with the increase in business we are getting operating leverages and that will continue. Also, in the HFC business your new disbursements to AUM ratio also plays a critical role in this so, by virtue of design and our investments, we continue to improve on our operational efficiencies in the near term also.

Tanuj Mehta: What about the expansion strategy? Do you have any branch additions and additional plans?

Sushil Kumar Agarwal: As a company, we open 40 to 50 branches annually and normally that happens in Q2 and Q3. So, this year also we will have around 40 branches, new opening.

Tanuj Mehta: So, how much time it takes to breakeven one branch?

Sushil Kumar Agarwal: Tanuj, it depends on the town, the category of the branch and the business model associated to it. But normally our branches breakeven in six months to 12 months time depending on the town and the category of the branch.

Tanuj Mehta: What is the average tenure for our loans, housing and non-housing?

Sushil Kumar Agarwal: Tanuj, our average tenure of the loan is around 14 years and normal behavior wise, our average tenure of the asset is around 7.5 years.

Tanuj Mehta: About stress, do you see any stress in our home loan portfolio, I mean housing portfolio?

Sushil Kumar Agarwal: Tanuj, I have replied on the previous question that stress indicator we measure our portfolio on one-day past due basis and our one-day past due number is still less than 5%. And we also check additional data point that whatever we have done in the last 30 months, how that portfolio is behaving. On that side also our one-day past due is less than 2.5%. So at least for the near term we are not seeing any stress on our asset quality and we endeavor to keep it consistent with GNPA less than 1%.

Tanuj Mehta: About economic slowdown, do you see any impact of economic slowdown in your overall growth?

Sushil Kumar Agarwal: Tanuj, at Aavas we are having a moderate budget for this year and we have completed our Q1 numbers and our Q1 achievement is better than the budget. So, at least at this point of time, or for at least next three quarters, we are not seeing any impact on our growth number, which we have projected.

Tanuj Mehta: Thank you Sir.

Moderator: Thank you. The next question is from the line of Saurabh Dhole from Trivantage Capital. Please go ahead.

Saurabh Dhole: Good evening. Thanks for taking my questions. Sir, couple of questions, firstly on slide #22 where you gave the segment GNPAs. I am a little curious here with respect to the home loan GNPA and the other mortgage loan GNPA because typically what we see for a lot of lenders, the other mortgage NPAs are far higher than the typical home loan NPAs, so I am just curious to know what is it that you do differently here?

Sushil Kumar Agarwal: The basic difference is that our business model, we are having in-house sourcing and then we have very robust risk processes on the four verticals, underwriting risk side, legal risk side, technical risk side, and operational risk side, so we have 400 underwriters of which 150 are chartered accountants. We have almost 100 civil engineers in-house and we use 250 external engineering firms for us. We have 120 lawyers in-house and 200 external law firms for the security creation processes and we have a very strong operational risk framework. Also. the segment which we cater, so our housing loan is for the end users and average ticket size is 9 lakhs and 95% of the people live in that house which we have funded for them. On the non-home loan side, our average ticket size is around Rs.7.5 lakhs and that too for the end use of business and other requirements backed by a residential mortgage. Average LTV on this side is around 50% and on POS basis I think it will be further 2-3% down. So, I think the difference is in the sourcing model, the risk model and the asset segmentation, in which we are. Most of the other players, their non-housing portfolio has much higher ticket size than us so this is what I can say how we differentiate our business model in the segment.

Saurabh Dhole: So, the other mortgage loan book this is typically mortgaged by self-occupied residential properties?

Sushil Kumar Agarwal: Yes.

Saurabh Dhole: Sir, just one more question on your current stock of gross NPAs can you give us a breakup between salaried, and self-employed?

Sushil Kumar Agarwal: Goss NPAs on salaried portfolio is 0.39%, self-employed portfolio is 0.84% and overall it comes to 0.67% in the housing loan segment.

Saurabh Dhole: Can I also have the absolute numbers?

Sushil Kumar Agarwal: Salaried Rs. 5.7 Crores and self-employed Rs. 20.3 Crores in the housing loan segment.

Saurabh Dhole: Just one last question, what is the current number of employees who are working for your company and what was it last year?

Sushil Kumar Agarwal: Last year June 2018 we were around 1900-2000 employees and this year June end we have around 2300-2400 employees.

Saurabh Dhole: Thank you so much.

Moderator: Thank you. The next question is from the line of Abhijit Tibrewal from ICICI Securities. Please go ahead.

Abhijit Tibrewal: Thanks for the question. Congratulations Sushil Ji and Ghanshyam Ji for a very good quarter. I just wanted to gather your thoughts around the competitive intensity now given that we know the largest housing finance company in our country has also become very active in the affordable housing space. Just wanted to gather some thoughts on the competitive intensity now.

Sushil Kumar Agarwal: Abhijit, as you know, we are working in nine states and we have 211 branches and we are catering to almost 1500 towns in this category. We have almost 1500 employees which are at the ground level; because our sourcing is done in-house. So, on the ground, yes inflow has increased on the lead side for us though competition from the peers has reduced. Yes, SBI & HDFC are getting into those markets, but still they are catering more to the formal income segment and as you know at Aavas we mostly cater to informal income segment. So that is one point. Second since we as a company maintain that we want to continue our growth trajectory in a consistent manner, so despite the increase in the lead inflow we are still doing the moderate numbers and we have increased our filtering levels at the ground level to be cautious on that side in the market, but yes for smaller peers the competition has reduced and senior peers are doing more of the formal segment, so in this kind of situation we are not feeling a hit.

Abhijit Tibrewal: Thank you. So, if my understanding is right because they are taking more to the formal segment vis-à-vis us, we are catering to an informal segment we are not feeling any pressure on our yield?

Sushil Kumar Agarwal: We are in fact getting more and more lead flow in our system and we are getting further more ability to pick and choose, but at the management level, we want to be consistent in our journey so we have increased our filtering levels, so we will be consistent in our business and disbursement numbers.

Abhijit Tibrewal: Thank you so much. All the very best.

Moderator: Thank you. The next question is from the line of Aditya Jain from Citi Group. Please go ahead.

Aditya Jain: Good evening Sir. I just wanted to ask on the cost side, so just 13% cost growth year-on-year in the quarter, one was there any one-off either in the base or in this quarter or is this a very normal growth? Then what would be the outlook for full year cost growth?

Sushil Kumar Agarwal: Which slide are you referring?

Aditya Jain: Cost growth on the P&L in terms of slide #29?

Sushil Kumar Agarwal: Slide #29, non-interest expenses. So from Rs.44 Crores to Rs.49 Crores, Rs.5 Crores increase. So, Aditya, as we always say that the significant investment in the management team, technology, and all those things we have done in the past, so that is getting reflected. Also, most of the costs impact comes when we add new branches and as a policy, normally, we do that in Q2 and Q3. So, Q1 only one branch has got increased. So, our opex level is consistent for Q1. On a percentage basis, as we have already informed you all, year-on-year we will have around 40-50 basis points opex improvement that is reflecting here because of higher growth or higher base in the book, new disbursement to opening AUM ratio. And on year-on-year basis also I think if AUM growth will be in trajectory as Q1, our income growth will be in the same ratio of 30-35% and opex growth will be less than 8% to 10% of income growth. So, we will have that positive jaws in our balance sheet for this year.

Aditya Jain: So just to understand when you say opex growth less than 8% to 10% of income growth you mean if income growth is 30% then opex could be 20% to 22%?

Sushil Kumar Agarwal: Yes.

Aditya Jain: Thank you.

Moderator: Thank you. The next question is from the line of Yuvraj Choudhary from Anand Rathi. Please go ahead. Sir by the time Yuvraj joins back the queue again we will move to the next question from the line of Subhranshu Mishra from Bank of Baroda. Please go ahead.

Subhranshu Mishra: Good evening Sushil Ji and good evening Ghanshyam Ji. Just wanted to understand your target market segment because your yields are at around 13%-14% range bound so I am assuming most of these are from bottom of the pyramid, underserved category. What I want to understand is that once you on-board the customer, what are the measures that you take so that there is no customer attrition and there is very minimal prepayment because these customers once they are on-boarded that they can go move on to the banking channel, say 24 months, 36 months down the line in the product life cycle, so if I could understand that with respect to your salaried customers as well as self-employed customer it will be very helpful Sir?

Sushil Kumar Agarwal: Mr. Subhranshu in the earning call initially also, we had explained that at Aavas we have taken dedicated efforts to reduce our attrition, maintain high retention, so we have done three exercises on that side. First, we have a dedicated team which works on the customer retention, second our data analytics has identified segment in a better way and their journey with us and outside us quarter-on-quarter on the basis of this they give us identified data. Where the customer has significantly improved its credit worthiness or there is score on our scorecard based on that we productively talk to customers if we can work with him for the requirement which they do need. Third, is the market wise also intelligence, we cover through our branches, data analytics so we divided the markets into where population is more than 10 lakhs and where population is less than 10 lakhs. So, markets where population is more than 10 lakhs there customer comes for rate reduction to us because they are mature market and after our funding with maybe two, three years of repayment history, the customers can be given a loan by top 4 guys or banks. There we take help of our treasury. In the smaller markets, customer comes to us for a more loan requirement not for the prices. There also our data analytics scorecard gives us a preapproved kind of offers so if any customer comes to the branch, our branch service executive can talk to the customer, understand his requirements and can cater over the counter. All these put together has helped us retaining this customer, understanding their requirements, understanding their behaviors, so data analytics has helped us in a great stance. For 2018 our BT out was 0.8% per month, which has reduced to now 0.3% per month over a period of last six months.

Subhranshu Mishra: Sir in terms of your asset quality, what are the PD and LGD assumptions that you take. Is it different from one state to the other, if that can be given some more flavor, it will be very helpful Sir?

Sushil Kumar Agarwal: Subhranshu, this calculation is done by auditors and they have their own statistical model and analytics model, in which they consider behavior, ticket wise, profile wise, segment wise, geography wise behavior of the customer and based on all these parameters they come for some conclusion and this exercise we do every six months and I think that has not changed over a period of last one year.

Subhranshu Mishra: What are your PD and LGD assumptions right now Sir at least for the top three states such as Rajasthan, Maharashtra and Gujarat?

Sushil Kumar Agarwal: Subhranshu I won’t be able to answer right now because that is a wider exercise done on wider set of documents and not specific to any states is readily available. If you want, we can come back to you on this may be after some time.

Subhranshu Mishra: Sure Sir and just one last data point question Sir. What is your risk premium that the banks charge you as on date and what was it in September 2018 Sir?

Sushil Kumar Agarwal: Subhranshu, we have a very varied set of lenders. We have 35 lenders and they are from different segments from public sector to private sector to multilaterals to insurance to mutual funds and any specific risk premium of specific contract note I will not be able to tell you.

Subhranshu Mishra: No Sir a ballpark number. I am not asking very specific because 43% of your funding is term loans and these are from banks so they would be charging an average risk premium above the MCLR way back and they would be also charging some kind of risk premium, so I am just trying to understand has not decreased/increased or remained the same?

Ghanshyam Rawat: You know current market situation and dynamics is there. There is risk averseness over there but as I mentioned earlier also, in these four months we have got fresh sanctions of Rs.1000 Crores from the banks and other institutions, overall costing of that Rs.1000 Crores coming at 9%. If you compare with the same period of the last year, it was somewhere around 8.70-8.80% so marginal increase of 20-25bps is there on fresh borrowing. You can calculate MCLR, it depends on bank-to-bank, there is no hard and fast rule nowadays in the market.

Subhranshu Mishra: Thank you Sushil Ji and thank you Ghanshyam Ji.

Moderator: Thank you. The next question is from the line of Yuvraj Choudhary from Anand Rathi. Please go ahead.

Yuvraj Choudhary: Thanks for the opportunity. I have one question. On the side 31, the I-GAAP to Ind-As reconciliation, there is an item incremental income on the assigned income, it is minus 61 million. Sir can you throw some light and how this figure negative and what are the calculation involved?

Sushil Kumar Agarwal: Yuvraj, when you do Ind-As accounting, there is a set of assignment which you have done in the past so for them in the current quarter there will be unwinding of income and for the fresh assignment you do upfronting of income. Say our outstanding book as of 31 March 2019 was around Rs. 1,100 Crores of assignment and in the current quarter we have done only Rs.100 Crores new assignments, so unwinding will come from this Rs.1100 Crores and upfronting will be done for Rs. 100 Crores, so that is where these changes happens, but only thing that I want to tell you is that while we have been doing assignments for the last three-four years, most of the peers have just started after the liquidity crisis, so the impact of unwinding is not as high for us as might be for the other peers.

Yuvraj Choudhary: Thanks a lot. Best of luck.

Moderator: Thank you. The next question is from the line of Karthik Chellappa from Buena Vista Fund Management. Please go ahead.

Karthik Chellappa: Thank you very much for the opportunity again. Sir, just two data points for this quarter can I get the total disbursement in number of cases for home loans and other mortgage loan separately?

Sushil Kumar Agarwal: We will get back to you or we will publish this number after this call for everybody's purpose.

Karthik Chellappa: Another one is the loan yield for this quarter which is around 13.85 can you give me what that number would be for home loan and in mortgage loan again separately?

Sushil Kumar Agarwal: Home loan it is 13.3% and non-home loan it is 15.5%, average is around 13.85%.

Karthik Chellappa: Thank you very much.

Moderator: Thank you. That was the last question. I now hand the conference over to Mr. Sushil Kumar Agarwal for closing comments.

Sushil Kumar Agarwal: Thank you all for attending the call and listening patiently. To summarize at Aavas we aim to be one of the key enablers in broadening and deepening of credit facilities to unserved and underserved customers in semi-urban and rural area. Our deep understanding of this segment and our in-house execution model will enable us to fulfill the aspiration of our customers as well as expectation of our various stakeholders. We feel we are on the right track to build an organization that will evolve from being just another housing finance company into an institution of respect. Thank you so much for your time. For any further information or clarification, we request you to get in touch with Himanshu Agrawal in our Investor Relations team or SGA, our Investor Relations Advisor, they would be happy to help you. Thank you very much and hope to get your continued support.

Moderator: Thank you ladies and gentlemen. On behalf of Aavas Financiers Limited that concludes this conference for today. Thank you for joining us and you may now disconnect your lines.