SAPNE AAPKE, SAATH HAMAARA

**Ref. No. AAVAS/SEC/2019-20/283**

**Date: November 02, 2019**

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

Dear Sir/Madam,

**Sub: Earning Conference Call Transcript**

In reference to letter No. AAVAS/SEC/2019-20/233 dated September 30, 2019, please find attached the Transcript in respect to the Earning Conference Call on the Financial and Operational Performance of the Company for the quarter and half year ended September 30, 2019 held on Saturday, October 26, 2019 at 10:00 AM (IST) .

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**

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

AAVAS FINANCIERS LIMITED JAIPUR

***Enclosed: As Above***

# "AAVAS Financiers Limited
# Q2 & H1 FY2020 Earnings Conference Call"

## October 26, 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 welcome to the AAVAS Financiers Limited Q2 & H1 FY2020 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 the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Sushil Agarwal, CEO of AAVAS Financiers Limited. Thank you and over to you Sir!

**Sushil Agarwal:** Good morning everybody and happy Diwali. Thank you for participating on the earning call to discuss the performance of our company for Q2 and H1 FY2020. With me I have my team members Mr. Ghanshyam Rawat - CFO, Mr. Ram Naresh - Chief Business Officer, Mr. Ashutosh Atre - Chief Risk Officer, Himanshu Agrawal - Investor Relations, other senior members of the management team and SGA, our investor relationship advisors.

The results and presentations are available on the stock exchange as well as our company website and I hope everyone 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 with AUM growth of 42%, disbursement growth of 21% and PAT growth of 85% on year-on-year basis. In our continuous effort to diversify our borrowing profile, we have availed a term loan amounting to Rs.100 Crores from SBI Life Insurance. Further IFC has renewed their faith in our business model and invested Rs.345 Crores through NCDs issued by the company. These borrowings are in addition to other normal borrowings which we source from nationalized banks, private sector banks.

The government and regulator are making continuous efforts to improve the liquidity concern prevalent in the market. NHB has announced that it will provide additional liquidity support of Rs. 0.3 trillion to HFCs for easing the flow of funds in the housing sector. Apart from this, another important step taken by RBI is to double the limit of bank lending to NBFCs & HFCs for on-lending to housing from 10 lakhs to 20 lakhs per borrower for classification as priority sector housing. This will have a very big impact on the affordable housing sector and it will positively impact the company also. Further with our robust system & well-defined processes, we are confident of scaling up our business operations with consistent growth through distribution and acquisition of new customers and while maintaining our asset quality (GNPA less than 1% and one day past due number less than 5%) & consistent ROA profile of 2.5% and above. I would now hand over the line to Ghanshyamji - CFO to discuss the various business parameters and financial parameters for H1 FY2020 of the company.

**Ghanshyam Rawat:** Thank you Sushilji. Good morning everyone and a very warm welcome to this earning call. In this quarter, the company borrowed an incremental amount at Rs. 9,529 million at 8.67% for 116 months. As of September-2019, our average cost of borrowing stood at 8.75% on an outstanding amount of Rs. 56,861 million with an average maturity of 139 months. Our long-term credit rating continues to be AA- from CARE and A+ with positive outlook from ICRA. Despite the highest short-term rating of A1+, we have continued to maintain zero exposure in commercial papers as a prudent borrowing and ALM practice. The company has been operating at a healthy and consistent spread over the years. We feel that with better and higher utilization of manpower, increased businesses from newer branches and continuous usage of technology & data analytics, we will continue the consistent growth path in the coming years.

Coming to financial performance, I-GAAP to IND-AS reconciliation has been explained in detail for PAT and Net Worth on slide number 33 and 35 of the presentation. Major key parameters: as on September 30, 2019 total number of live accounts stood at 90000+ and total number of branches were 216. Assets under management grew 42% year-on-year to Rs.67,530 million as on September 30, 2019. Product wise breakup: home loans 74.6%, other mortgage loans 25.4% similar to what we have seen in earlier years. Occupation-wise breakup: salaried 35.2% and self-employed 64.8% is also similar to what we have seen in the earlier years. Disbursement increased by 21% year-on-year to Rs.13,151 million for H1FY2020. Spreads are maintained above 5% at 5.03% as on September 30, 2019. Average borrowing cost of 8.75% against an average portfolio yield of 13.78%. Borrowings: access to diversified and cost-effective long-term financing, strong relationship with multilateral institutions, 41.5% borrowed from long-term loans, 27.7% borrowed from securitization, 15.2% from NHB & 15.6% from debt capital market instruments. In debt capital market we are majorly relying on long-term resources from multilateral institutions.

Asset quality: one day past due stood at 3.92%, gross NPA stood at 0.62%, net NPA stood at 0.49% as on September 30, 2019. We endeavor to maintain one day past due below 5% and gross NPA below 1%. Product wise GNPA: home loan 0.66%, other mortgage loans 0.47%. Profitability: PAT registered 85% year-on-year growth to Rs.1,214 million for H1 FY2020. ROA 4.03% and ROE was 12.78% for H1 FY2020. We endeavor to maintain ROA 2.5% and above. As on September 30, 2019 we are well capitalized at Rs.19,620 million. Our book value per share stood at Rs.251. Now I will open the floor for Q&A session.

**Moderator:** Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. We have a first question from the line of Karthik Chellappa from Buena Vista Fund Management. Please go ahead.

**Karthik C:** Yes. Thank you for the opportunity. Good morning Sir. Congrats on good set of results and wish you and the team at AAVAS a very happy Diwali. Two questions from my side. The first one is on the other mortgage loan segment, so if I notice in the last two quarters the GNPA on that segment has started to inch up a bit, it was 0.32% last quarter, this quarter it is 0.47% although it is still well within the range but on a year-on-year basis it seems to have picked up substantially and I also noticed in our product wise disbursement that in the other mortgage loan segment the disbursement growth rate has also slowed down meaningfully, so can you take us through what exactly you are seeing in the segment both as far as asset quality is concerned as well as the disbursement growth rate is concerned?

**Sushil Agarwal:** Good morning Karthik. Sushil Agarwal this side. Other mortgage loan segment, we are in the same segment of sub Rs.10 lakh ticket size. This business started two years back and we aspire to maintain NPA less than 1% and this segment will be average 25% of the total book. Normally Q1 and Q2 this segment grows a little bit more than our normal home loan business, as in main self-construction business because of rains and monsoon the growth is limited. So, this segment grows a little bit more for the first half of the financial year and then in Q3, Q4 we have more queue of home loan business. But overall as a company we will maintain 75%:25% ratio.

**Karthik C:** And in the last one year, is there anything that you have noticed either on the asset quality side or on the outlook side for you to see some slowdown in the segment on disbursements and some spike in NPA, I am just trying to see whether in the last six or nine months anything has changed in the segment?

**Sushil Agarwal:** Last six to nine months even last one year there is no change as far as our business and the demand is concerned. Demand has even further increased but because of our filtration level, our business numbers are same. But disbursement to login ratio has further reduced because we wanted to maintain our consistency on the loan book growth side. Asset quality wise, as you see our one plus number is best ever in last eight years as of September 30 because one day past due number normally has never come down below 4% as on Q2. Normally in monsoon season we see it remains between 4% to 5%, but this time that number is also favoring so there is no issue on the asset quality side. We have collection efficiency ratio more than 98% and still able to maintain and next two quarters is always better for us because this time rains are very good, festival season is also working very well, so we hopefully will keep our matrix intact that one day past due should be less than 5% and 90 days past due should be less than 1%. Demand and growth side at least no issues which we are feeling at the ground level.

**Karthik C:** Got it. Sir my second question is if I were to look in the last nine months basically the last three quarters, we have added about six odd branches from 210 to 216, is there any reason why we have gone very, very slow on our branch additions?

**Sushil Agarwal:** Karthik, normally as a practice, we open our branches in second half of the year, so this year again we will open around 40 branches and first half we have opened six branches but branches in process were around 30 so I think by Q3 you will see all the numbers. So normally in the second half we open our branches; first half we do not open our branches and if there is any change in this policy, we will upfront tell the investors.

**Karthik C:** Okay, which means at least from an opex timing point of view, the second half may see some increase in opex simply because we have bunched up most of the branch openings in 3Q and 4Q, would that be a fair way to look at it?

**Sushil Agarwal:** I will not be able to comment on opex because in H2 our business efficiency also increases, so it might be same also, it might be few basis points here and there.

**Karthik C:** Okay. Got it. Sir just two more data points, can I get the headcounts for this quarter, the total headcount?

**Sushil Agarwal:** Karthik we will give you maybe in the end of the call.

**Karthik C:** Okay not a problem and in the press release and you also pointed out in your opening remark on the Rs.100 Crores from SBI Life Insurance, it is supposedly an eight-year loan, can you give us some sense on what is the interest rate and what is the nature of the loan, is it floating, quasi floating or so.

**Ghanshyam R:** This loan is a floating loan linked with SBI benchmark, SBI MCLR rate, its a long-term loan. We do not disclose any ticket wise rate of interest and all these things.

**Sushil Agarwal:** Overall Karthik 8.67% is the average incremental borrowing cost for this quarter for us.

**Ghanshyam R:** SBI Life borrowing rate is a more competitive than what we are borrowing at from the banking sector.

**Karthik C:** Got it. That will be all. Thank you very much Sir and wish you and your team a happy Diwali once again. Thank you.

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

**Nischint C:** Good morning and happy Diwali to all of you. Just one question, I think you alluded to it already, but on the funding side, you have seen the share of NCD going up significantly it is because of the particular SBI loan that you would have done or you have more instrument this quarter?

**Ghanshyam Rawat:** The major increase is coming on account of Rs.345 Crores single NCD instrument placed with International Finance Corporation, a long-term lender to Indian market, this is the second investment they have done in the company.

**Sushil Agarwal:** That is the only NCD instrument we have given this quarter.

**Ghanshyam Rawat:** Other than this we have not issued any NCD instrument in this quarter.

**Nischint C:** Sure and how much total quantum if you mobilize and what was the broad funding from each of the sources. I do not want the instrument specific risks, but broadly how much you borrow from bank, what rate, how much of securitization approximately what rate, if you could just give a broad breakup I think that would be helpful?

**Ghanshyam Rawat:** As I mentioned in my opening remarks, in this quarter we have borrowed around Rs.950 Crores at 8.67% with average maturity of around 10 years. Further detail as I mentioned from IFC Rs.345 Crores has been raised and Rs.258 Crores from assignment and Rs.350 Crores as term loans from the bank.

**Nischint C:** And IFC amount is?

**Sushil Agarwal:** Rs.345 Crores.

**Nischint C:** Just one thing on the securitization, is this under the government partial scheme or is it through government bank?

**Ghanshyam Rawat:** No. We have not used any government supportive scheme, we already have very strong relationship with the existing lenders. We have drawn all this assignment transaction as a normal transaction, as done earlier.

**Nischint C:** Okay. Sure. So basically this is something that you have been doing in normal course of business but since there was some kind of rise I thought I could just check on that particular aspect. Okay great. Thank you very much and wish you all a happy Diwali.

**Moderator:** Thank you. Next question is from the line of Kunal Shah from Edelweiss. Please go ahead.

**Prakhar Agarwal:** Hi Sir. This is Prakhar from Edelweiss. Couple of questions sorry I have joined the call late so in fact this may be repeated, first when I look at your gross NPA, Gross Stage 3 assets are by and large steady, but when I look at your non-mortgage book while there is a very small base but there is some rise into it, anything to read into it, any particular red flag that you have seen on non-mortgage side or probably it will correct over a period of time?

**Sushil Agarwal:** Prakhar there is no sign or issues on that side. Our non-mortgage book is sub Rs.10 lakh very granular and because we have started this only two years back, so some vintage effects will come, but we ensure that it will be in line of our guidelines of less than 1%.

**Prakhar Agarwal:** When I look at non-mortgage side, we have started these couple of years back so within these two years did we tighten our credit scheme in the environment that we are in or probably we are maintaining what we started with?

**Sushil Agarwal:** We are maintaining what we started with because as I have told you our disbursement to login ratio is already 30%, ticket size is less than Rs.10 lakh and average tenure is around 10 years, but we have a very good spreads on this which is around 7-8%, which we will try to maintain it. LTV is less than 50% on this entire book and we only fund against self-occupied residences so that is our strength and this portfolio is working fine.

**Prakhar Agarwal:** Sure. And Sir second on growth so while good steady growth momentum that we have been clocking in. This quarter we have seen disbursement being tagged below what we have earlier seen, anything to read into it or how do we see this?

**Sushil Agarwal:** Sir if you will see last year number also Q2 was a little bit less than Q1 because I have told you we are into single unit self-construction and ready to move in property. So during this monsoon season normal construction activities slow down in our segment, but normally we do 40% in first half and 60% business in second half and that is a tradition since last four to five years. So as per normal business practice there is nothing unusual.

**Prakhar Agarwal:** Sure and Sir one last data keeping point what was the margin for the quarter, I believe in the presentation we have given for the half year what is for the quarter margins?

**Ghanshyam Rawat:** I think there is not much difference, if you see our June end spread is 5.06%, and September is 5.03%, so we are maintaining our spread, there is not much change whether you look on quarterly or annual basis it is the same.

**Prakhar Agarwal:** Thank you so much Sir and happy Diwali to you guys.

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

**Abhijit Tibrewal:** Hi Sushil Sir, hi Ghanshyam Sir and the rest of the team happy Diwali to all of you. I just wanted your thoughts around the competitive landscape now and something that could lead to further pressure on your yields in the second half of the financial year?

**Sushil Agarwal:** Abhijit, the market in which we are operating, we normally serve Tier-2 to Tier-6 and average ticket size less than Rs. 10 lakhs. Mostly we fund single unit houses and our main book is self-construction, so nothing has changed on that side on a competitive landscape, some of the players are a little bit less aggressive so that has increased our logins but we are maintaining our growth rate numbers at the same level so disbursement to login ratio has reduced a little bit. As we told you in our journey, we will try to maintain 5% spread and in the next one or two years if there is some loss on that side, we will cover that by reducing the opex number. So that kind of leverage is there in our balance sheet. We have invested heavily in technology, business process, analytics and that is helping us improving our efficiency quarter-on-quarter basis. So, on overall basis we will maintain 2.5% plus ROA on a continuous basis.

**Abhijit Tibrewal:** Right Sir. Sir the reason I was asking this question is a lot of the bigger HFCs recently have started feeling that they are not able to compete in the prime salaried segment, though I agree our ticket size and their ticket size are very different, but increasingly we are seeing that even the larger HFCs have started kind of doing that EWS & LIG segment more and more, because of that are we foreseeing that there will be some competitive pressure in the times to come?

**Sushil Agarwal:** Abhijit they are majorly catering to the builder led supply, they are not catering to individual loans, and another thing they are again focusing more on top 50, top 100 cities and like we have 216 branches and we cover around 1300 plus towns so that kind of reach, it will take time but yes for us we are ready as an organization and we are aware of this risk also, but we are also confident that the kind of distribution & reach we have and we are sourcing 8000 to 9000 new home loan application per month that is sufficient for our next two to three years growth.

**Abhijit Tibrewal:** Okay Sir and just one last question so after the corporate tax rate cuts, are we now looking at about the 21% to 22% kind of effective tax rate?

**Ghanshaym Rawat:** Yes. You are very much right, now, our effective tax rate has come down between the range of 21% to 22%.

**Abhijit Tibrewal:** Alright Sir. Thank you so much and all the very best.

**Moderator:** Thank you. We will take the next question from the line of Shreepal Doshi from Equirus Securities. Please go ahead.

**Shreepal Doshi:** Hello Sir. Good morning. Sir I just have a few questions that is with respect to, we have already launched Aavas Mitra as a lead generation source. Sir currently how much percentage of the leads would be coming from that platform?

**Sushil Agarwal:** We have various schemes and sources in alternate channel. As organization we intend to make it around 15% in the next two to three years and we are on the right path on that side.

**Shreepal Doshi:** Okay so we aspire to make that platform generate 15% of the total?

**Sushil Agarwal:** Yes and we are on the right track.

**Shreepal Doshi:** And Sir have we come up with any like incentives sort of structure for this particular platform?

**Sushil Agarwal**: See, right now it is in the pilot stage and we are evaluating different kind of promotional schemes and other things so once we will be making it live in the next six to 12 months then we will see what kind of incentive this sector is looking on and what is our acceptable practices, based on that we will decide.

**Shreepal Doshi:** Okay and Sir what was our incremental yields for the quarter like in the home loan and that category?

**Sushil Agarwal:** Which category?

**Shreepal Doshi:** Home loans and other mortgages category, incremental yields for the quarter?

**Sushil Agarwal:** Housing loan is around 12.6% and our non-home loan rates are around 15.3%.

**Shreepal Doshi:** The disbursement to login ratio has come down, now that is also because we said that the other players are growing at a stable rate, so what we were of the understanding that we broadly get 10000 applications and then we do a disbursement of 30% so that number has now changed to?

**Sushil Agarwal:** More or less it is same, the flow has increased I have told you.

**Shreepal Doshi:** Okay and so 10000 would have gone up 11000 or 12000 applications?

**Sushil Agarwal:** Yes, but disbursement numbers are same.

**Shreepal Doshi:** Okay Sir. Thank you Sir. Happy Diwali to the whole team Sir.

**Moderator:** Thank you. Next question is from the line of Sunesh Khanna from IIFL Asset Management. Please go ahead.

**Sunesh Khanna:** Two questions. Firstly, we have DTL impact of around 10-12 Crores, so that we have utilized during the quarter?

**Ghanshyam Rawat:** Let me address the tax issue, there is a two portion of tax impact for this year, first impact is on the current tax going forward, which will be applicable for the entire year. Till June we have taken in the earlier regime and after the June quarter new tax regime is applicable. We have adopted a new tax rate so whatever impact till June which was around Rs.17 Crores in total, we will use equally in the next 3 quarters including this quarter.

**Sunesh Khanna:** This quarter we have used some benefit because the tax rate during the quarter was around 16-17%?

**Ghanshyam Rawat:** Yes, this quarter needs to be restated, because in Q1 we had tax rate of 34% and for this quarter it has been re-casted for first two quarters.

**Sushil Agarwal:** So Sunesh to make it easier to understand, whatever will be the impact we have taken one third of it in this quarter and the balance will be used in the next two quarters equally.

**Sunesh Khanna:** Got it. Okay and Sir on the securitization and assignment volumes so this portion will remain a bit lumpy but any trend or guidance you can give so this quarter we take 258 Crores, first half for FY20 is around Rs.360 Crores, so can we expect more volumes in second half versus first half?

**Sushil Agarwal:** Overall we would like to keep it around 25% for the near term. Though as a long-term policy we wanted to keep it at 20%, but in the current scenario we would like it to keep at around 25%.

**Sunesh Khanna:** Got it. Thanks a lot Sir.

**Moderator:** Thank you. Next question is from the line of Bhavik Dave from Nippon India Mutual Fund. Please go ahead.

**Bhavik Dave:** Hi good morning Sir. Wish you a very happy Diwali. Sir my question is regarding your 1+ DPD that you had mentioned and it is quite encouraging to see that the numbers are similar to a band of 4% and it is also dipping down, but what we understand on the ground is the situation in the Tier-3, Tier-6 cities or the rural India is quite challenging. Just wanted to understand we have quite a lot of data that we gather from all these kind of customers, just wanted to understand what is your sense on the economy in this segment that you operate, are things getting better because the numbers show that things are reasonably fine, I just wanted to get a sense of how things are on the ground from you?

**Sushil Agarwal:** Bhavik since you know we serve mostly Tier-2 to Tier-6 customers unserved unreached market, still we are sourcing 40% customer new-to-credit they have not taken even a consumer durable loan also and our average ticket size remains the same sub Rs.10 lakh, so our average installment comes around Rs.12,000. Average loan to value ratio is 50% and FOIR ratio also intact, and we are funding mostly single unit houses, so all this makes our home loan business more viable. Now this year at the ground level if you see the rains are best in the last five years, and there might be some crop issues because of the high rains, but overall is looking fine and we fund customer mostly on the basis of cash flows assessment not on the basis of property or profit and loss. So that has also given us advantage as we do it very conservatively, so two days of their cash flow should be the installment. Overall we are not seeing any pressure at the ground level, in some pockets only some individual cases there might be issues, but overall people are able to pay Rs.12,000 average per month installment on time and normally Q2 is a little bit conservative so hopefully we will be able to maintain less than 5% 1+ DPD in near term.

**Bhavik Dave:** Right. My question was more basically the data that you gather is quite rich, just wanted to understand when you look at the entire data side of the customer, you see things improving or like they are stable or deteriorating because numbers do not show any issues, but on the ground what we hear sitting in Mumbai is quite weak, just wanted to understand is the trend in your customers income the way they are borrowing, the way their activities are moving just wanted to get a sense on the customer bit and the macro on the level of customers that you are operating and the geographies that you are operating that was a more generic question than related to Aavas?

**Sushil Agarwal:** Bhavik we can get this by only two things, one is whether there is a demand, so there is no demand reduction for all the segments the company is present in. We have been able to source 10000 plus home loan leads every month. and second by the quality of assets. So here also we are not seeing any pressure on that side, even Q2 was never so good for us in the last eight years, because in Q2 we were never able to bring 1+DPD less than 4%. This is the first time in Q2 we are less than 4%. So basically if you take a clue from both these numbers, I think things are stable at the ground level, the problem which normally media, newspaper and other guys are telling my sense is that, that is a middle level activity so distributors, stockists, agents and traders, so these might have reduced their inventory level in anticipation of something or manufacturer reducing their production. But at the ground level since we are funding the last mile guy, so they are getting food, they are getting their salaries, they are getting their income, and the crop hopefully will be very good, and the water issue is now over for the next two-three years, so I think there is lot of positivity when we see it from our angle.

**Bhavik Dave:** Alright Sir. Thank you.

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

**Karthik C:** Thank you Sir. Just a few more data points, can I get the gross NPA ratio for the salaried segment and self-employed segment this quarter?

**Sushil Agarwal:** Salaried is 0.42%, self-employed is 0.72%.

**Karthik C:** Also the BT-in and BT-out this quarter a sense may be like what percentage?

**Sushil Agarwal:** Karthik that data will not be available, but overall the BT-out ratio is significantly down. If you will do the math, AUM number is intact, BT-in any ways we do not do much of, but I think it will be around less than 5% number.

**Karthik C:** Okay perfect and Sir last one is potentially in future what kind of business or lending activity will AAVAS Finserv engage in?

**Sushil Agarwal:** Karthik, we have not yet crystallized our views and product line in that matter. We have not even applied for the NBFC license at this point of time. We created this that in the future if we will be able to demonstrate our lending ability in the housing business, we might open this company to serve our existing customers for other products, so now we have one lakh plus customer in housing loan. But still AAVAS Finserv we need to see another 12 to 18 months, right now we do not have any plan for working on that side.

**Karthik C:** So right now it just a 100% subsidiary dormant company as of now?

**Sushil Agarwal:** Yes.

**Karthik C:** Okay. Perfect. Thank you Sir. Thank you very much.

**Moderator:** Thank you. We will take a next question from the line of Rohan Mandora from Equirus Securities. Please go ahead.

**Rohan Mandora:** Sir thanks for opportunity. Just want to understand within the geography that we operate in Tier-2 to Tier-6 location where we are not seeing competition from the larger HFCs so what is the market share that we are having right now, and what is our expectation in the overall growth of the overall market over the next three to four years in these geographies?

**Sushil Agarwal:** Rohan we are a very small company at this point of time, we just started our journey, so we are not looking at the market share numbers. So you need to excuse us for that. We are still very small and we need to work it out, but for the next three to five years horizon we say that we will be growing at 25% CAGR so growth number should be in that line.

**Rohan Mandora:** I am just trying to understand how is the opportunity size, will it grow in 12% to 15% kind of a range, within the geographies where we are operating right now assuming no new geography additions?

**Sushil Agarwal:** I told you AUM growth will be around 25% CAGR and we open 40 to 50 branches every year, so we will continue that trend. We are operating right now in nine states and we see a huge opportunity in these nine states also. After three years maybe we explore three more states, but at this point of time we will keep operating in these nine states only.

**Rohan Mandora:** Sure Sir and Sir like given the environment while the collection efficiency for us has been very good is there any additional efforts that we are putting in on the collection in last three to four months or is it a normal collection effort and the trend continuous?

**Sushil Agarwal:** Its Normal.

**Rohan Mandora:** No additional effort Sir. What would be our share of loan book from the Tier-1 location out of the total?

**Sushil Agarwal:** Rohan at this point of time we have not got the data, but out of 216 branches we had 30 branches in Tier-1 and rest of the branches in Tier-2 toTier-6.

**Rohan Mandora:** Right but these 30 branches would be contributing like what percentage of the outstanding loan book any 5% or 10% or more than that, some ballpark number?

**Sushil Agarwal:** It will be around 25% to 30%.

**Rohan Mandora:** Sure Sir. Thanks a lot.

**Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the floor back to Mr. Sushil Agarwal for closing comments. Over to you Sir!

**Sushil Agarwal:** Yes. So thank you all for participating and now to summarize the housing finance sector is vulnerable to various type of risks and it is imperative that the institution in the sector insulate themselves from these. We at AAVAS have built to sustain a robust risk management framework to take care of business risk, credit risk, liquidity risk, and reputation risk. Our deep understanding of the segment and our inhouse acquisition business model will enable us to fulfill the expectation of our customers as well as the expectation of our various stakeholders. Thank you so much for your time. For any further information we request you to get in touch with Himanshu in our investor relationship team or SGA, our investor relationship advisor, they would be happy to help you. From the entire family of AAVAS wishing you a very happy Diwali and prosperous New Year. Thank you all.

**Moderator:** Thank you members of the management. Ladies and gentlemen, on behalf of AAVAS Financiers Limited that concludes this conference. Thank you for joining us. You may disconnect your line.