

**Ref. No. AAVAS/SEC/2019-20/364**

**Date: January 28, 2020**

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

**Sub: Earning Conference Call Transcript**

In reference to letter No. AAVAS/SEC/2019-20/347 dated January 15, 2020, 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 nine months ended December 31, 2019 held on Saturday, January 25, 2020 at 11:00 AM (IST).

The transcript of the conference call can also be accessed at the website of the Company at [www.aavas.in](http://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)**



*Enclosed: As Above*

**AAVAS FINANCIERS LIMITED**

(Formerly known as "Au HOUSING FINANCE LIMITED")

**An ISO 9001:2015 Certified Company**

**CIN NO.: L65922RJ2011PLC034297**

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“Aavas Financiers Limited  
Q3 and 9M FY2020 Earnings Conference Call”

January 25, 2020



**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:** Ladies and gentlemen, good day and welcome to Aavas Financiers Limited Q3 & 9M FY20 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 call, please signal an operator by pressing “\*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sushil Agarwal, Managing Director and CEO of Aavas Financiers Limited. Thank you and over to you Sir!

**Sushil Agarwal:** Good morning everybody and thank you for participating on the earning call of Aavas Financiers Limited to discuss our performance for Q3 and 9M FY20. With me my team is there. Mr. Ghanshyam Rawat - CFO, Mr. Ram Naresh - Chief Business Officer, Mr. Ashutosh Atre - Chief Risk Officer, Himanshu Agrawal – from Investor Relations Team, and other senior colleagues of the management team are also here. Also on the call we have SGA, our Investor Relationship Advisors.

The result and presentations are available on the Stock Exchanges 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 company is consistent in delivery of its operating metrics with AUM growth of 36%, disbursement growth of 15% and PAT growth of 55% on year-on-year basis.

We continue to scale up our business operations by consistent growth through distribution. Now we have 245 branches as of December 31, 2019, out of which 35 new branches we have added in the last 12 months. We also have a very granular retail franchise. Today we have 97,000 plus active loan accounts registering a 41% year-on-year growth on this number. At the same time, we endeavor to maintain the best-in-class asset quality, GNPA less than 1% and one day past due number less than 5%, and a strong and consistent profitability ROA of 2.5% and above.

At Aavas, we give special emphasis on customer experience because we believe that that will be the key differentiator in the future and our steadily increasing customer base is testament to the same. Right from first day it has been our motto that we are in this business to upgrade the life of our customers. I am happy to share with you that last quarter we launched our first TV commercial which revolves around the same theme of how we enable our customers upgrade their life by owning their dream home. We believe such campaigns

help in improving the recall value with the customers, as also suggested by the Net Promoter Score conducted by NFX. This agency helps us getting the customer survey done; what does the customer feel about us, where do we need to improve etc. So, on the basis of some suggestions we are working on those things. With an eye on for the future, we will continue to make investment to build a strong brand.

Further in view of our continued efforts for employee retention and motivation, we have granted 3 lakh ESOPs under ESOP-2019 scheme to the eligible employees. I would now hand-over the line to Ghanshyam Ji to discuss the various business parameters in detail.

**Ghanshyam Rawat:**

Thank you Sushil Ji. Good morning everyone and warm welcome to our earning call.

I will start with the borrowing. In this quarter, the Company has borrowed an incremental amount of Rs.6,177 Mn at 8.73% for average maturity of 133 months. As of December 2019, our average cost of borrowing stood at 8.68% on an outstanding amount of Rs.60,776 Mn with an average maturity of 137 months. Our long-term credit rating continues to be AA- from CARE and A+ from ICRA. Despite the highest short-term rating A1+, we continue to maintain zero exposure to commercial paper as a prudent borrowing practice.

I-GAAP to IND-AS reconciliation has been explained in detail for PAT and Net worth on slide number 33 and 35 of our presentation.

Key important parameters: As of December 31, 2019, total number of live accounts stood at 97000+, YoY growth 41%; total number of branches was 245, 35 new branches added in last 12 months; employee count of 3100 versus 2500 in December 2018, 23% growth.

AUM grew 36% Y-o-Y to Rs.71,951 Mn as on December 31, 2019. Product wise breakup: home loan 73.9%, other mortgage loan 26.1%. Occupation wise breakup: salaried 34.9%, self-employed 65.1%. Disbursements increased by 15% Y-o-Y to Rs.20,682 Mn for 9M FY20. Spread was maintained above 5% at 5.06% as on 31 December 2019; average borrowing cost of 8.68% against average portfolio yield of 13.74%.

Borrowings: access to diversified and cost-effective long-term financing, strong relationship with multilateral institutions, breakup of the mix: 44.1% from term loans, 28% from assignment and securitization, 13.4% from National Housing Bank and 14.6% from debt capital markets majorly from multilateral institutions.

Assets quality: one day past due stood at 3.39%, gross NPA stood at 0.57%, and net NPA stood at 0.46% as on December 31, 2019. We endeavor to maintain one day past due below

5% and gross NPA below 1%. Product wise GNPA: home loan 0.59%, other mortgage loans 0.53%.

Profitability: PAT registered 55% Y-o-Y growth to Rs.1,893 Mn for 9M FY20. ROA was 4.05% and ROE was 13.03% for 9M FY20. We endeavor to maintain ROA 2.5% and above. As of December 31, 2019, we are well capitalized at Rs.20,356 Mn. Our book value per share stood at Rs.260.

Now with this I open the floor for Q&A.

**Moderator:** Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Kunal Shah from Edelweiss. Please go ahead.

**Kunal Shah:** Three questions, firstly in terms of the disbursements. So, if you look at the overall disbursement growth that is up sub 10% level. So definitely the environment would be challenging and the real estate sentiments are weak, but how do we see it panning out for us going forward? Secondly in terms of the investment in network, so we have added branches this quarter quite aggressively and even on the employee side it is up quite significantly. So, what are the investments we are looking? Is it like we are more or less done or there would be further investments that would happen? Thirdly in terms of the mortgage NPLs, that is inching up and normalizing, where do we see the normalized level of the GNPL?

**Sushil Agarwal:** Kunal, on the disbursement side, as far as disbursement numbers are concerned, we are on track on annual budget side. This year we envisage to do the numbers around Rs.275 Crores per month average and I think we are on the right trajectory. We have built in capacity according to our next one year requirement also in this quarter. On the demand side environment, we do not see any weakness in our segments. In fact, today morning we were discussing that demand flow is getting increased, if you see number of customer wise accounts also, it is on a very good growth side 41% Y-o-Y; also even on the quarter-to-quarter also the growth side is there. So as a company philosophy we are adhering to a consistent performance and for that we will continue to grow investment in our distribution like branches and people, we will continue to grow investment in our technology base and analytics, and at the same time now since we have a large customer base, we are also investing in customer experience side.

Apart from this since now we have a scale and we think that at this point of time we should also invest in brand recall with the customers, so we started also investing in the TV commercials and whatever brand recall we can create for the company.

So, towards the investment, it will be a continuous journey according to growth requirement, we will keep on investing, it is not like that whatever we have done and now it will not happen. Again, for the branch opening philosophy you know we always tell that we open our branches in the second half of the year. So, continuing with that legacy first six months we have opened only very few branches. Now most of the branches for this year have happened; another 7 to 10 branches will open in the Q4. Then NPA side again we do not differentiate between the products. At company level, our philosophy is that we will keep on following our conservative approach towards the business in terms of customer acquisition, then underwriting, then legal risk, technical risk, fraud risk and we are further strengthening all these departments with the help of technology and analytics and you have seen that journey that over a period of last three years our one day pass due number has come down from 7% to 3.39%.

Same way housing and other mortgage products right now it is 0.59% and 0.53%, we will endeavor always to maintain it less than 1% in our business segment, but the customer ticket size is still 8-9lac which gives us confidence that whatever we are doing is in the right way. In the mortgage side we focus mostly on mortgages on a self-occupied residential property with lower LTV amounts and proper cash flow assessment. So, we will continue our efforts to further better our learning in this space and we want to continue consistent performance on that side.

**Kunal Shah:** So, on employees how many have we added on a gross basis and what was the attrition rate?

**Sushil Agarwal:** Kunal, so normally say like we have opened 35 branches, each branch has 10 to 15 employees. So, whenever branch will increase accordingly 400-500 employees got increased from that number. So, if you see last year nine months to this year nine month we have added 600 employees out of which around 400-500 employees are on account of branch increase and rest is normal distribution wise growth and some of the areas of the risk where we want to increase our presence and thrust. So accordingly, those numbers are there.

**Kunal Shah:** And what is the attrition rate.

**Sushil Agarwal:** Kunal attrition has three elements. So, we have three level of employees in this organization, one is senior management team, second is supervisory level and third is branch level field team. So, at managerial level, we have a very negligible attrition level, supervisory level it is also very less, less than 5% over a period of year and at the ground level since we hire very fresh guys; because in the areas where we work, we do not get trained manpower, so we work with them, but again there it is a little bit high attrition rate at the ground level.

- Kunal Shah:** Number 20, 30 how would that be?
- Sushil Agarwal:** Kunal right now I do not have the exact number, maybe after this call either we will publish it for everyone or I will give you a call on this number, but it is around 2% per month approximately.
- Kunal Shah:** Sure, thanks a lot Sir.
- Moderator:** Thank you. The next question is from the line of Dipanjan Ghosh from Kotak Securities. Please go ahead.
- Dipanjan Ghosh:** Good morning. Again, three questions from my side, in continuation to what Kunal asked. So, the reasons for disbursement, so I was just trying to get some colour onto what is that, sir you told it is not because of them?
- Sushil Agarwal:** We are not able to hear you out. Dipanjan you need to repeat, we were not able to hear you out.
- Moderator:** Excuse me, this is the operator, Mr. Ghosh your voice is breaking I think can you come in a coverage area, please. Mr. Ghosh may we request you to come back in the queue for a follow-up maybe after once you are in a coverage area. The next question is from the line of Abhijit Tibrewal from ICICI Securities. Please go ahead.
- Abhijit Tibrewal:** Thanks for taking my question. Sushil Ji, I had a question for you, that till now we use to guide that we typically do about 40% of our annual disbursements in the first half and about 60% of our annual disbursements in the second half and now with 15% disbursements growth in nine months, I mean, where do you think, where will we be at the end of FY20 and what is it that you are looking for the next two years in terms of disbursements?
- Sushil Agarwal:** Abhijit, right now also we are on the same number, so first half is 42% for us and second half will be the remaining numbers.
- Abhijit Tibrewal:** So, but that would mean if we are talking about for doing 58% of the annual in the second half that means fourth quarter is going to be very heavy, I mean in terms of disbursements?
- Sushil Agarwal:** Traditionally, I believe it happens that way because you know we open our new distribution branches in second half and that adds to capacity, so it is as per the normal trend of last seven-eight years, no changes for us.

- Abhijit Tibrewal:** But that would mean we would be able to do about anyway around 1150 to 1200 Crores in the fourth quarter?
- Sushil Agarwal:** I will not quote the number, but you can do your math.
- Abhijit Tibrewal:** Sir, I am just extending Kunal's question, I mean, are we not seeing anything on the demand side, I mean, because the Q3 numbers look a little muted in terms of disbursements, is there any color that you would like to give in terms of the demand environment clearly?
- Sushil Agarwal:** Abhijit, demand is if you will ask it is on a very higher growth side for us so normally we used to have Rs.1000 Crores per month new files coming in, right now we are at 1300 Crores, 1400 Crores per month. So, demand has increased substantially for us, but looking at the business model we have, we become more conservative. We do not want to be inconsistent so we will continue our consistent business approach so we will go by our way, the way we do the business. We will keep consistency in the disbursement numbers, AUM growth numbers and because ultimately the asset quality is the matter and we want to be a long-term player so we do not want to take short-term opportunities if this comes into the market.
- Abhijit Tibrewal:** Sir I would like to congratulate you for this superior asset quality that you have maintained until now. Just wanted to ask these two last questions, so what is our budgeting for the disbursement growth for the next two years FY21 & FY22.
- Sushil Agarwal:** Abhijit, as we have told we want to be consistent and we have given a guidance that we will be increasing our AUM by 25% CAGR. So accordingly, you need to do your math.
- Abhijit Tibrewal:** Great Sir, thank you and just one last question this, 3 lakh ESOPs that we have allotted they were predominantly to the key management personal or how was the distribution help?
- Sushil Agarwal:** It has a large pool. The guys who were not part of the earlier pool and some of the guys who were part of earlier pool also, but basically, majorly it is at supervisory level.
- Abhijit Tibrewal:** Thank you so much Sushil Ji, thank you so much Ghanshyam Ji. All the very best.
- 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, Sushil Ji and Ghanshyam Ji. I have three questions; the first one is your commentary on the NPL of the other mortgage loans, you have indicated that your target is to keep it below 1% and you have a very low LTV and



self-occupied property, but given that it has been inching up in the last two or three quarters can you give us some color on which states are contributing to this in the other mortgage loan NPL segment?

**Sushil Agarwal:** Karthik, since you know the mortgage book we have started somewhere post demonetization and this book has now three years journey with us, though we can assume that this book is not seasoned, but yes, the numbers are right around 0.5% NPA. In this book there is no major difference if you will say state wise and other performance, but yes since process takes time in SARFAESI so whatever accounts get NPA in April, mostly tends to become resolved in Q3 and Q4, that is where you will see year-on-year basis yes last year it was 0.33% and now this year 0.53%, but we have still maintained that it is a risk reward proposition so this lap book has an average yield of around 15.5%-16% so we say that up to 1% NPA is an acceptable limit but we will do all our best efforts in underwriting and collections to give you better than those numbers always.

**Karthik Chellappa:** Thank you Sir. My second question is on the disbursement amount per se, although the headline disbursement was up 6% in the third quarter, I believe if I just do the numbers, within home loans that disbursement growth number was even weaker. Now given that you indicated that the demand pipeline and your pipeline of applications remain strong was it purely a function of just capacity because we have added barely something like six branches in the last nine months so was that one of the reasons which contributed let us say to the relatively weaker disbursement growth in home loan?

**Sushil Agarwal:** To some extent, Karthik your point is right because there is a delay of one or two months in capacity enhancement and now that has happened. But second thing is again how you plan, so the way we plan it I think we are on track. There is nothing to be seen that very high growth or low growth. Overall say 15% growth year-on-year basis anyway we have 17% to 20% growth in the disbursement side I think we will be able to maintain that number and there is no issue on that side.

**Karthik Chellappa:** Sir just two data points that I need, can I have the gross NPA in percentage terms for the salaried segment and self-employed segment for this quarter?

**Sushil Agarwal:** So, salaried is 0.34% and self-employed is 0.7%, average is 0.57%.

**Karthik Chellappa:** Okay 0.34% and 0.7%, and lastly what will the incremental yield be on the home loan and other mortgage loan separately for this quarter?

**Sushil Agarwal:** Karthik incremental yield trajectory there is no change. Last quarter HL was 12.5% and this quarter is again 12.5% and non-HL last quarter was 15.3% this quarter is 15.6% it has increased by 30 basis points.

**Karthik Chellappa:** Thank you Sir. Thank you very much and wish you all the best.

**Moderator:** Thank you. The next question is from the line of Dipanjan Ghosh from Kotak Securities. Please go ahead.

**Dipanjan Ghosh:** Just coming back to the same point on disbursements, so you mentioned that you are maintaining a conservative stance on growth even though you are seeing strong demand, so I would like to know what is the major reason behind this, is it like you have seen some incremental asset quality concerns or some specific geographies where you are cautious like why it is a conservative stance I want to get some more color on that?

**Sushil Agarwal:** See Dipanjan as now we are in 10 years of operation and we decided that growth wise we will be consistent and we will focus more on the asset quality and underwriting on risk side, because we want to keep our DNA of risk led organizations rather than the opportunity led organization in the business. Yes, and according to business requirement we create our capacity and business and accordingly we do the business, so first six months we added six branches and as we are doing last eight years we open our capacity in second half of the year and then the business number so normally business numbers are 40% in first half and 60% in second half and we are on right path according to that number for this year's numbers also, and demand side as you know market already exists but some of the players are not there, so yes demand is there but the kind of segment which we cater like we do not fund land loan, we do not fund high ticket LAP, we do not fund under construction properties, we do not fund investment houses, so we are continuing the same legacy but somehow demand is coming from the side where we are not comfortable that is where we are keeping our conservative approach intact.

**Dipanjan Ghosh:** Two more questions. Basically, one if I see your prepayment rate seem to have increased during the quarter can you shed some light on that?

**Sushil Agarwal:** Repayment rate?

**Dipanjan Ghosh:** So, if I just do a calculation?

**Sushil Agarwal:** Yes, Dipanjan this prepayment has one element of subsidy received from the Government of India, so this quarter we have got a major subsidy amount of Rs.62crore, if you remove that element then the prepayment rates are intact, even it is better than last quarter.

**Dipanjani Ghosh:** One last question, so you mentioned about some of the players not adjusting to the market, but doing some ground research we found some of the smaller banks and the new NBFC smaller NBFC have kind of increased presence in some of your home states, so I just think some competition from your smaller banks for this entity?

**Sushil Agarwal:** When we are in the market, Dipanjan there will always be competition, certain time some player will go, some other player will try to fill up that gap and the market opportunity will always be existing. But some of the smaller player or small finance bank we are yet to see their presence in the area where we work and I think given our borrowing cost trajectory given our expertise on underwriting side so we have a small not big edge over all those competitors right now in the market.

**Dipanjani Ghosh:** And small data keeping question sir, if you could give a broad idea about your incremental disbursement growth from the key state like I want to get a color on which state that is contributing to majority of growth and how it has changed over the last let us say two, three quarters or maybe four quarters?

**Sushil Agarwal:** Dipanjan now we have 245 branches and new states wherever we are opening new branches yes, they need to come up to the curve and existing states are performing in a consistent manner and mostly disbursement percentages are happening in ratio of number of branches we have in the state, because overall our ticket size is almost same. So like earlier out of 160 branches Rajasthan used to have 70 branches. Now we have 245 branches, Rajasthan has 88 branches so Rajasthan's share is now one-third of the branches accordingly in the business also their ratio is coming down and the existing states are on a consistent number. So, Rajasthan then after that Gujarat, Maharashtra and MP comes after that NCR and new states comes.

**Dipanjani Ghosh:** But, is the growth rate similar to 6% or like it will vary across state?

**Sushil Agarwal:** If you will take a base then always new state growth in percentage term will look more but I do not see my business that way. We see that every branch productivity should be around Rs.1.5 Crores per month on average, to that extent I think we are on right trajectory.

**Dipanjani Ghosh:** Thanks a lot for the answers it was really nice. Thanks.

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

**Moderator:** Excuse me this is the operator Mr. Jain your voice is breaking. I am sorry to interrupt, Mr. Jain your voice is breaking we cannot hear you properly.

- Aditya Jain:** Okay let me get back in the queue.
- Moderator:** Sure. We take the next question from the line of Akshay Gavankar from Motilal Oswal Securities. Please go ahead.
- Akshay Gavankar:** Very good morning. Congratulations for the good set of asset quality. Sir just a data keeping question. We had some 3000-odd employees at the end of FY2019 so is it a fair estimate to assume with the current expansion in branches that the current employee strength is somewhere around 3800-odd?
- Sushil Agarwal:** Akshay, we have given the numbers; as of last year December 2018 we were having 2500 employees and as of December 2019 we have 3100 employees. So, it is an increase of 600 employees.
- Akshay Gavankar:** Sir could you please give us the split how it is between say sales credit and collections.
- Sushil Agarwal:** So normally we say Kamane Wale and non-Kamane Wale, so it should be 2:1 ratio, so business team should be 2 and rest of the team put together it should be 1.
- Akshay Gavankar:** Okay cool Sir, fair enough. Thank you, Sir, thank you so much.
- Moderator:** Thank you. The next question is from the line of Omkar Kulkarni an Individual Investor. Please go ahead.
- Omkar Kulkarni:** You have mentioned your target about keeping ROA about 2.5%. I would like to know the gearing ratio which you are currently operating at so that we can work out the ROE projection.
- Sushil Agarwal:** Sir when we say 2.5% ROA we say it is normal at the gearing level of 6.5 to 7 times, right now our gearing is less that is where our ROA is high.
- Omkar Kulkarni:** Yes, so what are you targeting in terms of ROA you see next two, three years?
- Sushil Agarwal:** It depends on the gearing level but I will tell you now for next two three years perspective we will not raise any further capital. So every year the way the 25% growth number if we are targeting you can do the calculation that ROE will increase, our current ROE is around 13% and the capital which we raised in the IPO has not been put to utilization in the business because after the liquidity crisis we increased our liquid fund amount so earlier we used to give Rs.600-700 Crores now we are keeping Rs.1000 Crores plus as cash so if you remove that then anyway our ROE numbers are upward of 15% at this point of time also.

So, with each year performance you can assume that the ROE will increase by some percentage number it will be in upward trend surely.

**Omkar Kulkarni:** So, you expect around 0.75% to 1% ROA expansion every year.

**Sushil Agarwal:** ROE, not ROA.

**Omkar Kulkarni:** ROEs yes.

**Sushil Agarwal:** Yes, might be yes.

**Ghanshyam Rawat:** As Sushil Ji mentioned, as management we generally do not give out forward-looking guidance, as you know we are long-term consistent growth player we focus more on the quality and the business capacity built up, to serve the rural, semi-urban market, I think that will be more appropriate answer from our side.

**Omkar Kulkarni:** Correct but in order to be a consistent long-term player a good company needs to have a good ROE otherwise there is no use of just burning capital which you are not doing currently, but that is why I am asking. That is all.

**Moderator:** The next question is from the line of Dipan Mehta from Elixir Equities. Please go ahead.

**Dipan Mehta:** Congratulations on good set of numbers. My question is regarding the state wise concentration of loan. I think around June 2018 we had 46% from Rajasthan how has that number progressed for the last quarter and if you could also just briefly give us an overview of which are the states now which are contributing.

**Sushil Agarwal:** Rajasthan is 43%.

**Dipan Mehta:** The next state?

**Sushil Agarwal:** Then we have Maharashtra, Gujarat, MP are around same level.

**Dipan Mehta:** That would be how much?

**Sushil Agarwal:** Around 15% each.

**Dipan Mehta:** Sir what is the overall target in terms of state wise diversification because obviously having such a huge contribution coming from a single state has its associated risk factor?

- Sushil Agarwal:** You need to go with our philosophy. We take a five year block and we develop four states so in the first five years of operation from 2011 to 2015 we developed Rajasthan, Gujarat, Maharashtra, MP and some part of NCR, and when we reached 60% to 75% of tehsil level penetration, the next five year block which is right now fourth year we started developing Chhattisgarh, Haryana, UP, Uttarakhand. So most of the branches in last four years are opening here and the existing states are getting the contiguous distribution basis branches, so you are working and you are covering 50 kilometers of radius, you cover 7-8 towns, when a town gets a substantial size of customers then we open a branch there then from there again we will continue to do 50 kilometers of radius. But AUM is an accumulation of business which we have done in last ten years, so Rajasthan has ten years business; Gujarat, Maharashtra, MP has nine years business and rest of the new states are having one year, two year, three year, four years of business. So, I think from concentration risk side we should see incremental business wise how each branch is performing so I have told in my last question and answer also, now we have 245 branches and almost average monthly business per branch is Rs.1.25 to Rs.1.5 Crores and that is how we should see the concentration risk.
- Dipan Mehta:** Sir one last question so therefore for the quarter for the December quarter can you give us a geographical breakup what would be Maharashtra, Rajasthan, how has that changed?
- Sushil Agarwal:** It is consistent. Nothing has changed, mostly.
- Dipan Mehta:** Thank you.
- Moderator:** Thank you. The next question is from the line of Abhijeet Sakhare from Goldman Sachs. Please go ahead.
- Abhijeet Sakhare:** Sir first question is coming back to your disbursement growth, just from previous conversations haven't we indicated that we have sort of adequately capacitated for two, three years out in terms of branches or bench strength so just wanted to check the impact on disbursement from lack of capacity in this quarter itself?
- Sushil Agarwal:** It is not that way, Abhijeet. So, we should not see number from that perspective. We should see number from the perspective that in a quarter maybe 15 days here, 15 days there, some festival here, some festival there, some holidays here, there, but overall basis if you will see nine months we are consistent 15-16% growth and that is what will lead us to whatever AUM growth we are planning. Distribution and capacity growth are an integral part of the business that will keep on happening. Last year whatever we have done maybe sufficient for this year and next year, this year again we are doing because business is a going concern so we cannot stop our investment in distribution, capacity enhancement, technology, manpower and those things, yes, if you see some quarter, last quarter versus this quarter so

yes there might be less but as management we think that we are on right track of achieving this year's number and the growth which we have projected is in line for us.

**Abhijeet Sakhare:** Sir second was any sense on balance transfer levels over the last may be nine months or so what trends are you seeing in the home markets and in the newer location?

**Sushil Agarwal:** On the balance transfer side, the number is less than last year's numbers, but the composition has changed. Earlier the balance transfer used to happen more by HFCs. Now it is 65% from the nationalized banks and 35% side from the HFCs and NBFCs. Last year it used to be reverse, nationalized bank and mainstream banks was around 40% and HFCs and NBFC were 60%, but overall if you see last year first three quarters the BT out number was Rs. 206 Crores vis-à-vis this year first three quarters the BT out number is Rs. 163 Crores, so it is 20% less than the last year number.

**Abhijeet Sakhare:** Just clarification on this is, is balance transfer more on the fixed rate customer side?

**Sushil Agarwal:** No, so it does not work that way because anyway BT out number are very less and across the branches so on both segment it happens normally, so that is where you will see though disbursement number is less but AUM numbers are matching because the portfolio attrition is on the lower side.

**Abhijeet Sakhare:** Just last one is what is the current card rate on the fixed rate as well as on the floating rate or the average disbursement yields?

**Sushil Agarwal:** I think, we have already told that on a previous question and card rates are already published on the website and because we have different products, so maybe you can take from there.

**Abhijeet Sakhare:** Okay, this is helpful, thank you.

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

**Tanush Mehta:** Sir firstly congratulations on good set of numbers. Sir my question pertains to the branch setup. So just want a brief idea like what would be our cost per branch and when would be breaking even like a branch?

**Sushil Agarwal:** So, we have four categories of branches according to the town potential and the branch potential of delivery numbers. It is based on the census data, statistics and our analytics department works on that, normally our branch takes 6 to 12 months to breakeven and as of

March 31, we were having 210 branches and out of those around 90% plus branches are positive ROE branches as of December 31, 2019.

**Tanush Mehta:** That was helpful sir rest of the questions have already been answered. Thank you and good luck for the coming quarters.

**Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Sushil Agarwal for closing comments.

**Sushil Agarwal:** Thank you very much everybody for patient listening and asking questions, so that the doubts can be cleared. To summarize, we aim to be one of the key enablers in broadening and deepening of credit facilities to unserved and underserved customers in the semi-urban & rural areas market, which provides a huge potential waiting to be tapped. Our deep understanding of this segment and our in-house execution model will enable us to fulfill the aspiration of our customers and help make us a strong brand. In order to continue our DNA of working at the ground, very close to the customers and evolving process to new employees and branches, we emphasize that top 100 employees should meet 50 customers each in next six months so that will give us more customer insight, that will keep us grounded and we will keep our DNA; so that now we are completing 10 years in sometime. So, for another 10 years, what we want to do, what are the customers behavior changes we will also learn. In that context we made this new initiative that top 100 employees will meet 50 customers each including CEO, Chief Business Officer, Chief Risk Officer. Further to protect the company against the new risk which is the cyber threat, we at company are building a strong internal framework around cyber security and will have more investment on this side in coming next one or two quarters around it. Thank you. Thank you for your time. For further information we request you to get in touch with Himanshu, who is heading the Investor Relationship team or SGA, our Investor Relationship Advisor. They would be happy to help you and happy to take your further questions. Thanks. Thanks for your time.

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