

Ref. No. AAVAS/SEC/2020-21/53

Date: May 22, 2020

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

Dear Sir/Madam,

Sub: Earning Conference Call Transcript

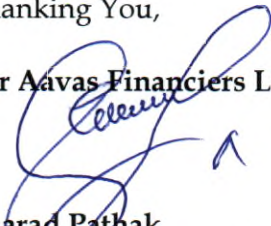
In reference to letter No. AAVAS/SEC/2020-21/033 dated May 12, 2020, please find attached the Transcript in respect to the Earning Conference Call on the Financial and Operational Performance of the Company for the quarter and year ended March 31, 2020 held on Friday, May 15, 2020 at 03:30 PM (IST).

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)



Enclosed: As Above



“Aavas Financiers Limited
Q4 & FY 2020 Earnings Conference Call”

May 15, 2020



MANAGEMENT: MR. SUSHIL KUMAR AGARWAL - MD & CEO

MR. GHANSHYAM RAWAT - CFO

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 the Q4 FY '20 Earnings Conference Call of Aavas Financiers Limited. 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 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 phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sushil Kumar Agarwal, MD and CEO, Aavas Financiers Limited. Thank you, and over to you, sir.

Sushil Kumar Agarwal: Good afternoon, everybody. Thank you for participating on the earnings call to discuss the performance of our company, Aavas Financiers Ltd., for Q4 and FY '20. With me, I have Mr. Ghanshyam Rawat – CFO; Mr. S. Ram Naresh – Chief Business Officer; Mr. Ashutosh Atre – Chief Risk Officer; Himanshu Agrawal – Investor Relations; other senior member of the management team and Strategic Growth Advisors, our IR Advisor. The Results and the Presentation are available on the stock exchanges as well as our company 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 with AUM growth of 31%, PAT growth of 41% year-on-year for the full year basis. The profit as per IGAAP accounting registered a year-on-year growth of 55% for the quarter and 56% for the full year. Gross NPA is 0.46% and return on asset is 3.75%.

As you all know, following the COVID-19 pandemic outbreak, the various state governments had started announcing partial lockdown in their states by around mid-March, and this was followed by announcement of 21 days full nation-wide lockdown by honorable Prime Minister on 24th March. Subsequently, on 27th March, RBI allowed the lending institutions (Banks, NBFCs/HFCs, MFIs) to offer a moratorium of 3-month to their borrowers with effect from 1st March as per a policy approved by the Board. In response to this, we took the following steps:

- Business Continuity Plan was swiftly implemented to make sure that employees can work from home. Around 150 BCP centers were live ensuring that critical business operations and essential customer services were not hampered during lockdown 1. We were operating around 60% branches during lockdown 2 and have been operating around 80% branches during lockdown 3.
- Liquidity was the need of the hour. As in the past, we continued to maintain a strong liquidity position of Rs. 2,532 crores as of 31st March, with Rs. 1,484 crores of cash & cash equivalents and Rs. 1,048 crores of un-availed documented sanctions.
- Moratorium policy was quickly formulated and approved by the Board. We reached out to all our existing customers to educate them about the policy in clear terms. The customers were made aware that they can opt to avail the moratorium policy and not

pay their EMIs in case their cash flows are being adversely impacted due to lockdown. At the same time, we made sure the customers understood that this is only a temporary deferment and not a waiver, that interest will continue to accrue during the period, and that this will result in an increase of EMI amount or loan tenure once the period gets over. But we were able to talk to 100% of our customer base, which is 1-lakh-plus.

Now coming to some quantitative impact of lockdown and moratorium:

- Collection efficiency, which tends to be 99% plus in normal situations, was 95.2% in March and after excluding moratorium accounts, it was 102.4%. For the month of April, collection efficiency is 76.3%, but we have spoken to all the customers and based on our interaction, we are confident that this will further improve by end of May, as a lot of them are willing to pay once the lockdown opens up.
- In a steady state i.e. not considering the impact of moratorium and asset classification freeze, as of 31st March, our 1+ DPD and GNPA number would be 7.01% and 0.58% respectively as against our reported number of 2.43% for 1+ DPD and 0.46% for GNPA; this is without considering the additional collection that would have happened during the last 10 days of March, if not for the lockdown.
- Additional ECL provisioning of Rs. 44.375 million created to consider the impact of COVID-19.
- To mitigate the impact of economic slowdown on our profitability metrics, we are deferring the discretionary expenses until business returns to normalcy and are in the process of rationalizing the fixed salaries for the next few months. Anyways in our business model, most of our expenses are disbursement linked; so accordingly, we will be able to have better control on our operating expenses during this period.

An interesting aspect of current economic situation is that some of the customers are opting for part payment as return on fixed deposits are quite low. So some high ticket customers are coming for making part payments and this is a unique situation, which we are seeing in our portfolio. In the Indian context, now “Roti, Kapda aur Makaan” will be priority for millennials who were moving away from owning a house to renting a house. So demand for affordable housing may increase in the near-to-mid-term. I would now hand over the line to Ghanshyamji, CFO, to discuss various business parameters in details.

Ghanshyam Rawat:

Thank you, Sushilji. Good afternoon everyone, and a warm welcome to our earnings call. In the quarter, the company borrowed an incremental amount of Rs. 11,794 Mn at 8.12% for 120 months. I am happy to share that Asian Development Bank, a prestigious development financial institute, invested Rs. 4,444 Mn through NCDs in the month of March despite the heightened risk averseness at that time. As of Mar-20, our average cost of borrowing stood at 8.44% on an outstanding amount of Rs. 69,530 Mn, with an average maturity of 134 months. Our long-term credit rating continues to be AA- from CARE and A+ from ICRA. Despite the highest short-term rating of A1+, we continue to maintain zero exposure to commercial paper as a prudent

borrowing practice. IGAAP to Ind-AS reconciliation has been explained in detail for PAT as well as Net worth on the Slide #33 and 35 of our presentation. Now I take further key parameters.

As of 31st March '20, total number of live accounts stood at 104,700+, 35% year-on-year growth; total number of branches was 250; 40 new branches added in last 12 months; employee count of 3,564; assets under management grew 31% year-on-year to Rs. 77,961 Mn as on 31st March 2020; Product-wise breakup: home loans 73.5%, other mortgage loans 26.5%; Occupation-wise breakup: salaried 35%, self-employed 65%. There is no major significant change in our product as well as occupation. Disbursements increased by 10% year-on-year to Rs. 29,304 Mn for FY20, but the total prepayment during the year were Rs. 3,150 Mn lower than our expectations.

Spreads were maintained above 5% at 5.19% as on March 31, 2020. Average borrowing cost of 8.44% against an average portfolio yield of 13.63%. Borrowings: access to diversified and cost-effective long-term borrowing, a strong relationship with the development financial institutions like ADB, IFC, CDC; overall borrowing mix: 42.7% from term loan, 24.9% from assignment and securitization, 13.7% from NHB, 18.4% from debt capital market.

Assets quality: one day past due stood at 2.43%, gross NPA stood at 0.46%, net NPA stood at 0.34% as on March 31st, 2020. We are constantly in touch with our customers and doing a daily monitoring of collections and asset quality. Product-wise GNPA: home loans 0.52%, other mortgage loans 0.27%.

Liquidity as on March 31st, 2020: we have cash & cash equivalents of Rs. 14,840 Mn, un-availed CC limit of Rs. 1,180 Mn, documented un-availed sanction limit from NHB of Rs. 6,000 Mn, documented un-availed sanctions from other banks of Rs. 3,300 Mn. Against this liquidity of Rs. 25,320 Mn, the debt repayment is only Rs. 2,814 Mn over next 2 quarters.

Profitability: PAT registered a 41% year-on-year growth to Rs. 2,491 Mn for FY20 as per Ind-AS accounting. As per IGAAP, PAT registered a year-on-year growth of 55% for Q4 and 56% for the full year. ROA, 3.75% and ROE 12.66% for FY '20. We endeavor to maintain ROE 2.5% and above. As on March 31st 2020, we are very well capitalized with a net worth of Rs. 20,979 Mn and our book value per share stood at Rs. 267.9.

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

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Bharat Shah from ASK Investment Managers. Please go ahead.

Bharat Shah: Very decent performance in very tight situation. Just one question. While asset growth has been healthy and the interest income has been growing at a healthy pace, despite the fact that we carry excess amount of equity on the books because our net worth compared to borrowing is much larger. And yet, surprisingly, interest cost expense continues to grow at a rate higher than any of

these, so I'm bit surprised by that. Why interest cost is rising at a faster pace despite high equity on the books?

Ghanshyam Rawat: Yes. You see both has a different base number. That's why in percentage terms it looks differently. If you will appreciate this thing, in our industry, major raw material is funding, whatever you borrow, we deploy that same amount of fund in the asset side. If you see my incremental interest income and incremental finance costs, it's around just 50% my incremental interest cost. And secondly, I want to highlight one thing. I think after September '18, when liquidity tightness, few NBFC and HFC has faced a lot of trouble in the market, Board and as well as ALCO decided to keep some higher buffer of cash liquidity in the company to meet any sort of eventuality. So our cash buffer, we are keeping around 1,000 crore and above. So that is also additional cost on the balance sheet for a temporary period. That will get deployed in the business. So obviously, that will have a higher impact on the interest income side. But in overall spread level, how my yield is moving, how my cost of borrowing is moving, we have improved our spread. We first time had touched our spread after 4 quarters, 5.19% our overall spread.

Bharat Shah: So relatively higher looking interest costs compared to interest income is mainly the function of excess liquidity?

Ghanshyam Rawat: Yes. Mainly function of liquidity and as well increasing leverage. If you see when we go for IPO, we were just having 4,000 crores of the balance sheet. Today, we have almost 8,000 crores of total balance sheet size. So incremental growth is also entirely funded by the liability now.

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

Abhijit Tibrewal: Congratulations on a great set of results, even when practically the last 10 days of the quarter were washed out. I just had a couple of questions. So your other mortgages book or so as to say your LAP book has seen a sharp improvement in asset quality, though it was deteriorated in the first 9 months of the year. What we reported yesterday shows that the asset quality in your LAP book is now largely flat year-over-year. Did you take some write-offs there?

Sushil Kumar Agarwal: No, Abhijit, there is no write-offs. There were 5, 6 cases only, as we told in the last investor call also. And we told that we are hopeful of recovering those in the last quarter. So we have recovered money out of these accounts, and 2, 3 accounts got foreclosed also. So it's a normal routine. We have not taken any write-offs there.

Abhijit Tibrewal: Great, sir. That's really heartening to hear. Sir, what would be your proportion of loan book in your branches in the current green, amber and red zones?

Sushil Kumar Agarwal: So Abhijit, I don't have the data that way. But right now, we are operating 82% of our branches in lockdown 3. And in lockdown 2, we were operating with 60% branches. So accordingly, you

can say that around 82% of branches are in orange and green zones and 18% of the branches are in red zone.

Abhijit Tibrewal: And sir, I mean, in your opening comments, you said that the collection efficiency stood at 76.3% in April. So I mean with that, is it fair to conclude that the remaining, say, 24% is in moratorium?

Sushil Kumar Agarwal: So Abhijit, as per Board approved policy, we have given the time to the customer until 31st May and as I've told, we were able to talk 100% of our customer base during this period. So we have already collected 76.3% customer. And as per customers' comment, we are hopeful that this amount will further increase in terms of collection efficiency because a significant amount of customer told us that once the lockdown is opened up, they are ready to pay the money. So I think this number will further improve by end of 31st May.

Abhijit Tibrewal: So sir, I mean, at least I was thinking that people had money or savings from the month of March and they paid up in April. And I was actually thinking that this collection efficiency number would likely taper off in the months of May and June, while our expectation is the collection efficiency could actually improve in the month of May. I mean fair to say that?

Sushil Kumar Agarwal: Abhijit, I will tell you from our experience, our first representation data of the EMIs, May month is better than the April month because we were able to talk to 100% of the customer. So the customer who has paid April month installment were automatically has readiness to pay for the May month installment because they have understood the moratorium policy.

Abhijit Tibrewal: And sir, one last question. This COVID provisioning that we did of Rs. 44.4 million, I just wanted to understand what are the scenarios that you would have considered, basically, the science behind the COVID provisioning number of Rs. 44 Mn?

Ghanshyam Rawat: Yes. Thanks, Abhijit. I think since the lockdown happened, I think we greatly engaged with the EY and their expert team. They are our auditor. And accordingly, we framed our policy and processes for the assessment of COVID impact. It goes in the 2 way. First, assessment of probability of default. In that, we have classified our entire portfolio based on the profile. Major cut was salaried and self-employed. Then each category, we have further categorization of the entire portfolio in the various segment. Accordingly, then we've given them a weight of a high, low and medium risk categorization we have done of the entire portfolio because since beginning we always mentioned this thing.

At Aavas, we maintain humongous data of every customer. So even in self-employed also, we have humongous detail about the customer profiling. So we use those profiling to find out who is more impacted, who is a lesser impacted. Like most impacted, we identified hospitality industry, tourism industry, taxis, all these things. And lowest impacted we found is kirana shops, cash-and-carry business and essential items, which we have found. So accordingly, we have given them high, low and medium. Then second dimension, we adopted as FOIR, FOIR less

than 20%, 20% to 40%, 40% to 60%, 60% to 80%, 80% and above. The huge risk categorization we made in the first slide is high, low, medium and accordingly we have given FOIR bucket. Let's say, one customer is sitting in the high at a risk profile and FOIR sitting at a very high level, we have given them highest probability of default. So accordingly, we made entire probability of default. The second cut we adopted what will be impact on the LGD, loss given default. For that, best parameter we use loan-to-value. We have done our bucketing as static bucketing, less than 40% LTV, 40% to 60%, 60% to 80%, 80% and above. Then we took a haircut. Let's assume property price gets corrected by a few percentage in the coming few quarters, then how my bucket will move. Then on that bucket movement, we've taken above 80% LTV and then provided a risk profiling of a customer that accordingly we reframed our LGD assumptions by increasing 20%, 30% and 50%. So that's why we're able to conclude X amount is a COVID amount. Over and above, management as well as the Audit Committee decided we will have a 25% extra provisioning what has been computed with all these assumptions. So we have provided extra 25% also. All this is put together, we have provided Rs. 4.44 crore as a COVID provision, and we will keep monitoring this provision every quarter until the situation gets normalized.

Abhijit Tibrewal:

Okay. So I think that was very extensive. So I mean, if I understand correctly, what you said is the way you perceive stress today, you have adequately provided for that. And given that the situation itself is very, very dynamic, I mean we will keep evaluating it and we'll keep providing for it in the coming quarters as well.

Ghanshyam Rawat:

Yes. Definitely we will, every quarter we will evaluate. Things maybe on improvement side, things maybe go further opposite what we have thought process. But every quarter, we will evaluate and we will provide accordingly.

Sushil Kumar Agarwal:

And Abhijit, the kind of data and categorization we have made, even auditors and Audit Committee were appreciative of that and our analytics team which were helping us since last 4 years. So all this put together, so like we always tell that even in SENP category we have 50 customers categorization. And so 50 customers categorization, then FOIR cut, then LTV cut, then high risk and medium, then impact taking, then LGD, then PD, then over and above 25% management overlay. So we have done the entire system very scientifically, thoroughly detailed. We have checked it from auditor, then their expert committee, internationally, nationally. Then we did a stress testing on the entire portfolio. And cumulatively, then we have come to this amount. And as ICAI guideline also issued, if we need to take a lifetime COVID impact also, next 12 months COVID impact also, so we have factored in all the guidelines, all parameters, internationally, nationally, Audit Committee, auditors, data analytics and then we have put to this number.

Moderator:

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

- Karthik Chellappa:** My first question is the balance 22% to 23% of your customers who have availed the moratorium in April, could you share some color on their profiles at least from their business or profession and location point of view? Where is the concentration quite high?
- Sushil Kumar Agarwal:** We have only 2, 3 cuts right now available. So out of 76%, 82% customer were salaried in the collection efficiency, 73% customers from self-employed category. So 18% customers from salaried background and 27% customers from the self-employed background were there. And as we have the data, customer confirmation and talk, we are hoping that another 8% to 12% of the customer till 31st May end will also be able to pay us. Geography-wise, there is not much of difference. We have almost similar experience across the geographies.
- Karthik Chellappa:** Sir, in one of your opening comments, when you mentioned asset quality, you mentioned a 7% GNPA figure and another figure for 1 DPD without the dispensation effort.
- Sushil Kumar Agarwal:** So 7% is 1 day past due number, Karthik.
- Karthik Chellappa:** Okay. This 1 day past due number of 7%, if you did not offer the moratorium?
- Sushil Kumar Agarwal:** Yes. If we give the moratorium impact, then it is 2.43%.
- Karthik Chellappa:** Okay. And sir, just one data point. What was our employee count at the end of fourth quarter? And how many branches are we planning to add in FY '21?
- Sushil Kumar Agarwal:** So Karthik, employee count is 3,564. And as you know, we are consistent player. So normally, we open 30 to 40 branches every year, and mostly branches are opened in second half of the year. So still we are on the same track. If COVID situation will improve in first quarter, we will go ahead with another 30 branches next year. If COVID situation will not improve, then we will come back to you about the revised strategy around that in second half of the year.
- Karthik Chellappa:** Got it. And sir, what would explain the lower amount of securitization during the quarter because I believe the volume was very low relative to the last 2 or 3 quarters?
- Sushil Kumar Agarwal:** So Karthik, we use securitization as one of the source for funding. And as you have seen, our cash and cash equivalent position is very great. And we were hoping ADB's money, around Rs. 450 crores, was supposed to be received in March month, which we got on 30th March and we got Rs. 800 crores sanctioned from NHB. So we have not thought of any further requirement in that quarter for securitization. So that's where last quarter assignment number is less.
- Moderator:** Thank you. The next question is from the line of Nischint Chawathe from Kotak Securities. Please go ahead.
- Nischint Chawathe:** I know this is a little difficult to answer, but any thoughts that you could share for outlook of the business for this year in terms of how do you see collections improving over the next couple of

months? And in terms of disbursements, what are you really looking at? And have you done any disbursements in the last?

Sushil Kumar Agarwal: So Nischint, from the third lockdown, we have started new disbursements again. And earlier, our disbursement rate was Rs. 10 crores per day. Now we are doing around Rs. 2-2.5 crores per day. For the outlook of the business for the current year, as a management team, we are well poised that if lockdown will not go beyond first quarter, we will continue the same way we are working in consistent basis in past year.

Nischint Chawathe: So any sense in terms of how do you see collections coming, improving from 76%? I mean, is it like should we expect normal numbers in June or September? Whatever is your sense on this?

Sushil Kumar Agarwal: Nischint, what I am seeing from my perspective is that right now, we are in a situation like demonetization. In demonetization, our 1 day past due number used to be 6%, 7%. It went up to 15% 1 day past due during demon period. And within next 2 quarters, we were able to come back to our normal numbers. So I think 76%, I've told you. Anyway as the lockdown, everybody's hoping to open or getting more relaxed. We are saying that 76% will further improve. So I think it will go again in the range of demon period. And next 2 quarters, if something big does not happen, we are hoping that collection numbers will come down to those levels. Anyway, if you see our NPA numbers, net NPA number is anyway on the balance sheet is only around Rs. 20 crores as of 31st March. So that is not on higher side. Our 1 day past due numbers are in check. So I think the way we have done underwriting in past years will help us sustaining our asset quality in future because we have 100% retail book; 95% of the people living in the house, which we have funded; portfolio LTV is around 47%; even in stress testing and all the COVID impact, which we have taken with the consulting of E&Y, their Global Committee and everybody, the number is not significant, as you have seen in the balance sheet. So we are hopeful that if things don't go more worse from here, we will be reasonable. And anyway, first 2 quarters number will not be impacted because the moratorium will be effective. So published number will be much better than or maybe as of the 31st March numbers only.

Nischint Chawathe: So assuming that business comes back on track from, let's say, the third quarter, what kind of a disbursement growth would you be thinking about? Or let me put it this way that if COVID 2019 would not have happened, what kind of a growth had you budgeted for this year?

Sushil Kumar Agarwal: Nischint, I always tell that we are consistent player. We always said that we want to have a calibrated growth. Earlier, we have given that 3 to 5 years term at the time of IPO. So we have told that we are aspiring for 25% CAGR growth. If business situation gets normal after Q1, I think we will be near to those numbers this year again.

Nischint Chawathe: Just one last question. The 4.4 crores is the entire impact of the exercise that we have done? Or is it something that is staggered over 3 quarters and the impact is like 13.5 crores?

Sushil Kumar Agarwal: No, this is the entire impact, we have given in the quarter itself.

- Moderator:** Thank you. The next question is from the line of Abhijeet Sakhare from Goldman Sachs. Please go ahead.
- Abhijeet Sakhare:** First question on asset quality. Sir, did you say that you've seen additional 12% to 13% of pending repayments in the month of May out of the 24% that was on moratorium until the end of April?
- Sushil Kumar Agarwal:** April 76%. Yes, I'm saying that by 31st May, we can improve the situation based on the customer conversation by 8% to 12% further.
- Abhijeet Sakhare:** Okay. And from the trends that you've seen in May so far, are customers also repaying the April dues as well along with the May EMIs?
- Sushil Kumar Agarwal:** Yes, they are paying. In fact, I've mentioned one of the interesting fact also that large customers are coming for prepayment in this situation also, because the excess money, they are not getting more than 3%-4% interest rate in the secured environment. So they are coming with a request that we want to prepay. But if we need the money in next 12 months, please give us the leeway that you will give us top ups etc.
- Abhijeet Sakhare:** Got it. And the last clarification on asset quality is the COVID provisions. Do these assume that the business kind of comes back to normalcy from the month of June? Or what's the assessment on that?
- Sushil Kumar Agarwal:** No. So we have fulfilled all guidelines. So as per E&Y ICAI guideline, we need to see COVID impact for the entire life on the portfolio, and Ghanshyamji will put more light on this.
- Ghanshyam Rawat:** Abhijeet, I think there is a calculation methodology, how much probability of default will increase in next 12 months as well as in the life of customers in the stage 2 basically. So as per the Ind-AS, we have computed that probability of default and the whatever amount came over and above, 25% management overlay we considered after discussing with the Audit Committee and the management team to take care of any other staging gap, anything is there basically. And accordingly we have provided that amount.
- Abhijeet Sakhare:** Okay. Sure. I'll take that offline. Sir second question is on OpEx, you indicated cutdown of some discretionary expenses. So could you just guide what kind of expense growth we could be looking at for this year?
- Sushil Kumar Agarwal:** So Abhijeet, in our cost structure, anyway around 65% is fixed and 35% is variable according to disbursement numbers that move. And secondly, discretionary expenses are like advertisement, new branch opening, increments for the current year, bonus provisioning, traveling expenses. So I think on the OpEx side, according to business numbers, we will be able to contain our operating expenses. So operating expenses should not have a negative impact of this COVID or the business slowdown in the performing numbers.

Moderator: Thank you. The next question is from the line of Kamal Verma from Morgan Stanley. Please go ahead.

Kamal Verma: If you can shed some light on how different states have been performing, let's say, Gujarat or Maharashtra, which has been affected more or say the Rajasthan and also in May when certain districts were allowed to open up?

Sushil Kumar Agarwal: So Kamal, I've already answered this question. As far as state-wise bifurcation is there, there is not much of variance. We have consistent performance across the portfolio across the state for us. In fact, in newer states, the position is better because we have funded more salaried customer. So it has moved in percentage of salaried versus self-employed and the customer profile which we fund. So I've told you 82% of salaried customers and 73% of self-employed customers have paid. So in the newer state we have more salaried customers. So their performance is much better. In the old states, we have 75-25 ratio. So in that ratio, the performance is there. But there is not a significant difference you can draw between the different state performance because, as a company, we have standardized our risk practices, assumptions. And across portfolios across states, we are mostly in the same performing zone as far as asset quality is there.

Moderator: Thank you. The next question is from the line of Utsav Gogirwar from Investec Capital. Please go ahead.

Utsav Gogirwar: Sir, just 1 question from my side. Just want to know what is the percentage of cash collection in the month of March and April, or absolute amount will be also helpful.

Sushil Kumar Agarwal: So, I don't have a readily available number. But in April, there will be hardly because every collection is digital, there will be hardly less than 1% because during that time lockdown 2 was there. So last 5, 7 days, 150 branches were operating, but we were not able to go into the field. So 99.9% payment was digital. In March, as we do normally, around 3% to 4% of our total portfolio gets collected in cash. So I think probably that will be the number for the March.

Utsav Gogirwar: And do you expect this cash collection will improve in the coming months once the lockdown is lifted?

Sushil Kumar Agarwal: Yes. As per discussion with the customers, since we have talked to 100% customers, and their comments and their commitments, according to that talk, we think that this number will improve. Anyway, I told you, May clearance percentage is better than the April, bounce percentage is on lower side.

Moderator: Thank you. The next question is from the line of Antariksha Banerjee from ICICI Mutual Fund. Please go ahead.

Antariksha Banerjee: So two things from my side. One is, I wanted some qualitative color because you maintain so much data on your customers, how is self-employed class holding up in terms of income? Are

their businesses back to normal, new normal? Are they earning? And since when are they earning if we ask? Some qualitative color on that would be helpful if you have data and in whatever geography.

Sushil Kumar Agarwal: So first, since we maintain so much of data, so the riskiest profile, like I've told you, hospitality and all this, is around 3.4% to 5% in our total portfolio. Second data point is that in March, if we remove moratorium impact, we have 102% collection efficiency. In April, 73% of self-employed customer has paid the money. In May, our clearance percentage is better than the April number. So I think the segment which we cater and the kind of appraisal we do and selection process of risk based criteria, if we put together all these 3 numbers, I think that is there. Now we are anyway operating with 80% of the branches. In those markets, whatever government agencies are allowing, those businesses are starting. So all mandi, farm-related businesses, allied activities, khad, beej, agricultural equipment is on. Essential services which constitute 32% of the portfolio anyway have no impact of lockdown because they are from the very first day, so cash-and-carry business, medical services, kirana stores, fruit and vegetable vendors, essential services item. So I think all these 5 data points at this point of time, it is looking that these sectors are emerging and they are reviving from this COVID situation. I think we need one more month to have the perfect color of each segment, but we are tracking all the 50 profiles which we maintain, how a particular one is behaving, what percentage of ratio is there.

Antariksha Banerjee: Sure. That's very good to hear, sir. The second part is on the LAP loans or whatever the non-housing loans, so there we see that the Y-o-Y growth is very strong. So in terms of number of accounts, it shows more than a 50% growth in terms of number of accounts year-on-year. So what exactly are these loans, sir, in terms of overlap with the home loan customer for, a 6 lakh loan, what does the person do exactly? Can you just throw some light.

Sushil Kumar Agarwal: So Antariksha, say, if you go by the industry demarcation, we have 83% home loan customers. So now when we show here 74% home loan customers, so rest 10%, around 3-4% is insurance, fee and etc. which we categorize, as per NHB, as a non-housing loan and around 7% is top-up loan to home loan customers for their different requirements. The non-housing loans are around 16-17%, most of these loans are MSME loans, around 7-8% is LAP loans in that category.

Antariksha Banerjee: In the LAP category or even in the MSME, say, is the growth closer to 40-50%?

Sushil Kumar Agarwal: No. So say number of cases wise what happens, if existing customers, so normally, 10% to 12% of the existing customers come for the top-up loans, so there number of account gets increased.

Antariksha Banerjee: So you give the same customer 2 accounts?

Sushil Kumar Agarwal: Yes. But we classified that as a non-housing loan, but as an industry, most of the players show them as a housing customer. So by that definition, our book is 83% home loan and 17% non-home loan.

- Antariksha Banerjee:** Approximately would you have a data how many home loan customers have taken this top-up loan in terms of number of accounts or I can get back later for that?
- Sushil Kumar Agarwal:** Yes, you can get that data from Himanshu.
- Moderator:** Thank you. The next question is from the line of Piran Engineer from Motilal Oswal. Please go ahead.
- Piran Engineer:** Sir, congrats on the quarter. I just have one query. I'm referring to Slide 26 of your PPT, wherein you've given your liquidity projections for 1Q, 2Q onwards, and I'm just wondering, if in April we've had 75% collection efficiency and it's improving in May and June. But if I look at our principal collections, it is still half of what it is in 2Q. So what am I missing here exactly, sir?
- Ghanshyam Rawat:** Yes, you rightly said, this number, when we done at the March end, we finalized our ALM, we considered conservatively our collections so that as a liquidity when treasury manages, so that they create enough buffer in the system to meet all operations and payouts basically. Actual collections, what Sushilji is saying, those are the actual collections happening in the month of April and May.
- Moderator:** Thank you. The next question is from the line of Bhavik Dave from Nippon India. Please go ahead.
- Bhavik Dave:** Just a question. The interesting fact that you mentioned that customers are prepaying because of fixed deposit rates being low. Just wanted to understand out of 100 customers that you have, what proportion of the customers are prepaying the home loans or LAP?
- Sushil Kumar Agarwal:** Yes. So Bhavik, so we have different, different categories, but more than 50 lakh size customer, we have anyway very less proportion in our book, around 2-3% in terms of number of accounts. Out of that, around 8-10% of the customers have come up with this query. Right now, I think around 3-4% customer has already done that prepayment or taken a confirmation from us.
- Moderator:** Thank you. The next question is from the line of Sunesh Khanna from IIFL. Please go ahead.
- Sunesh Khanna:** Just one clarification. This moratorium figure that you have told, it's by value or is it by the volume, I mean the number of customers?
- Sushil Kumar Agarwal:** It's by value.
- Sunesh Khanna:** And by number of customers, sir, any data point on that?
- Sushil Kumar Agarwal:** So we have 105,000 customers and 7,800 crore book. So you can divide that number.
- Ghanshyam Rawat:** Yes, it's just similar. There is no difference between let's say, amount of a customer in that category. There's hardly any difference is there.

- Moderator:** Thank you. The next question is from the line of Aditya Jain from Citigroup. Please go ahead.
- Aditya Jain:** Sir, might ask a clarification. So you mentioned that there are a lot of levers in cost, and it would not have an adverse effect on profitability. Is it right to understand that what you mean is that cost to assets should not rise in the year?
- Sushil Kumar Agarwal:** Coming year?
- Aditya Jain:** FY '21.
- Sushil Kumar Agarwal:** So. Yes, in fact, the way we have given the trajectory, it should reduce by 25 basis points for this year also.
- Aditya Jain:** Got it. And on the assignment, so it has been this low in this quarter, and you mentioned it is one of the tools for liquidity management. So going forward, should we expect that in a period when growth is low, assignment will probably be less since you will have less need for liquidity.
- Ghanshyam Rawat:** It will depend on overall bank's relationship; depend overall funding requirement. And what ultimately, let's say, banks can offer a price basically. If, let's say, they offer a very good rate, than other borrowing of term loans, all these things, so it depends upon overall various scenario, how much assignment will happen in the coming period. But yes, obviously, it's one of the funding tool for the company.
- Aditya Jain:** Understood. And if you could just clarify, sir, what is the usual set of banks who buy? Is it more public sector banks, more private sector banks, or who is the typical buyer?
- Ghanshyam Rawat:** Typical until now with our company, maximum pool buyout happened by the PSU banks. Yes, all large PSU banks.
- Aditya Jain:** Got it. And maybe just a quick clarification. So if I'm seeing it right in 4Q, the disbursements in the non-home loan piece, the other-mortgage piece were quite strong, but those in home loans were low. Is there some operational reason for that, that maybe home loan happens more towards the end of the quarter, and so it was affected more by the lockdown?
- Sushil Kumar Agarwal:** Yes. Because last 10 days since the lockdown happened and purchase cases, sub-registrar offices are not opened. So this is a temporary phenomenon because we lost around Rs. 150-200 crores of home loan business because of the lockdown in March.
- Aditya Jain:** But this issue did not come up so much in the non-home loan business?
- Sushil Kumar Agarwal:** Because in non-home loan you don't need sub-registrar office? And customer property papers are with customer only. And it is only 5% difference.

Ghanshyam Rawat: But there is only a 5% difference. Home loans, we've grown by 13% and non-home loan we've grown 18% on quarter-on-quarter. But on a full year basis, I think you all have to see non-home loan portion was lower in the beginning, basically. So in percentage terms, it looks at a higher percentage than the home loan. But now we have a 74%-26% ratio between home loan and non-home loan, and non-home loan includes the top-up also basically.

Sushil Kumar Agarwal: So 83%, 17% basically.

Ghanshyam Rawat: So we are now at a more or less standard ratio basically.

Moderator: Thank you. The next question is from the line of Anirban Sarkar from Principal Mutual Fund. Please go ahead.

Anirban Sarkar: Just one question. Post the lockdown, have you seen any increase in queries on LAP loans because the feedback is that as across the sector there has been some kind of increase in queries on unsecured loans. And I'm not sure if the same holds true for LAP loans. But have you seen increase in queries on LAP loans from new customers, not from existing customers.

Sushil Kumar Agarwal: Anirban, yes, so first of all, we don't fund any unsecured loan; second, we have a very good amount of queries. In fact, in April month through digital platform, we have done 186,000 sourcing. And sales team has logged in around 4,500 new customers with KYC documents. And the trend was normally as was in the past, so 70% home loan, 30% non-home loan. Now since the registrar offices etc. are opening, so housing loan customers are also getting converted more.

Anirban Sarkar: Yes. Sir, the essence of the question was that are you seeing more queries from new customers? And if so, are you seeing this as an opportunity? Or are you being cautious there? I mean, how should we look at this?

Sushil Kumar Agarwal: So I always refer that we are a consistent player, and we will see the customer queries, yes, with more filters, but we want to be a consistent player in the market. And anyway so whatever opportunity will come, we will see in a normal way with extra filters on the credit side.

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

Saurabh Dhole: Sir, I have 2 questions. The first one is, if you could give us some kind of flavor on your self-employed borrower segment because that is the segment, which has borne the brunt of the pandemic the most. I know you've already mentioned that industries such as hospitality which have been impacted disproportionately form AUM of about 3% to 3.5% to 5% of the book. But if you could give me some light or some color on what is your assessment of the permanent impact on this particular segment?

Sushil Kumar Agarwal: That is reflecting in our COVID provisioning and assessment, which the model has reflected.

- Saurabh Dhole:** Okay, fine. And sir, the second question is, you said that we know that about 27% of the book is mortgage loans. If you could give us a breakup of the book in terms of the type of property that has been mortgaged?
- Sushil Kumar Agarwal:** So we do it against self-occupied residential property, so 99% is that.
- Saurabh Dhole:** Okay. And there is no commercial property here?
- Sushil Kumar Agarwal:** There can be, but that will be in addition to his SORP also.
- Moderator:** Thank you. The next question is from the line of Avinash Tanawade from Dalal & Broacha. Please go ahead.
- Avinash Tanawade:** Did I hear right that our disbursement is continuous, and we are disbursing around 2 and 2.5 crores per day?
- Sushil Kumar Agarwal:** Yes. So after lockdown 3 stage, we started our disbursement back. And yes, we are at this run rate right now.
- Avinash Tanawade:** So could you share the customer profiles? What kind of customers are applying for the loans because most of the peers that we have a discussion with, they are saying that buying a home or building a home will be the last thing in the people's mind in this uncertain environment. Could you shed some light?
- Sushil Kumar Agarwal:** Yes. So I will tell you, in March, our sourcing was total Rs. 1,700 crores in a month, and we disbursed around Rs. 200 crores. So there was an existing stock of around Rs. 500 crores, customers which were sanctioned and not disbursed and home loan because, say, anybody who has purchased a property in Rs. 10 lakh and already given Rs. 3 lakh as OCR, so he needs to complete his transaction. That transaction will already happen. Then any customer who has constructed his house and already put the RCC on the casting, so he needs to again complete his house. And then we have normal routine cases of existing customer coming for the top-up, then we have home equity customer also. So based on the existing pipeline and the new customer request, we have the mix as a normal business which we were running. So there is no difference that 100% customer is coming in for mortgages etc. So the pipeline already existed with the customer for us. And in anyway, in our business, as I told you, we always have a pipeline of sanctioned part disbursement cases of around Rs. 300 crores, 8,000 customers. Those customers come to every month or every second month on the remaining payments as per the construction stages. So I think we have a fairly consistent, with lots of pipeline available always for our business. One month lockdown, yes, it has impact, but not that kind of impact that business needs to start again.
- Avinash Tanawade:** And you say that Rs. 150 crores of business loss was during March quarter. So if that add into the overall disbursement, your growth would be around 15%. So in medium to long term, what

kind of disbursement growth you are targeting? In near term, there will be some pickup, but medium to long term, what kind of growth you are seeing there.

Sushil Kumar Agarwal: Yes. So we don't see disbursement growth, we see AUM growth. On that side, we have already given the guidance. AUM growth has 2 aspects; one is new disbursement, one is retaining your existing customers. Even in last year, we have disbursed Rs. 2,900 crore plus and vis-à-vis budget we have retained Rs. 300 crore plus customers. So if you add both those things, even last year, 22% growth is there in terms of our disbursement numbers. So yes, so this is the way we run the business.

Avinash Tanawade: Okay. And most of our peers moratorium, the customers are taking a moratorium up to 80%, but in our case, the customers moratorium is taking comparatively lower. What kind of strategies or what kind of motivation we are giving to our customers that they are repaying us or even our recovery rate has improved in this quarter, as you say.

Sushil Kumar Agarwal: So it is not the 1 month or 1 day or 1 month strategy. It reflects the kind of underwriting, the kind of processes we adopted while we underwrite those customers. As you know, we are 100% retail company; we don't fund any land loan; we don't fund any high-ticket loan; we don't fund under construction builder properties; we don't fund builder funding. So 95% of our customers living in that house average ticket size is 9 lakh. We are sourcing around 12,000 files a month, and we are disbursing only 3,000 files. So only 25% cases get cleared on our filtration. Lower LTV on the book, LTV is around 47%, average FOIR level is around 40%. So all these efforts put together as a business strategy, and then we have a strong collection team and efforts are there. So I think, overall, as a business, the concept, the way you do the underwriting, the selection of customer, the standardization of processes makes it what you see in difficult time. The only additional point which we have done, I think, differently than most of the peers, so I told you, as a company, we have talked to entire 105,000 customers during this time. So 100% of the customer, if you talk, you make them understand, you assure them that in the difficulty time you are there, I think that makes a great difference vis-à-vis the normal business.

Avinash Tanawade: Just one data point. During demonetization, what kind of credit loss we had if you have a number with you?

Sushil Kumar Agarwal: So till today, we have around 7-8 basis points total credit losses in the last 10 years journey on a disbursement of Rs. 11,000 crore. In demonetization, the number was not different from this.

Moderator: Thank you. The next question is from the line of Saptarshee Chatterjee from Centrum PMS. Please go ahead.

Saptarshee Chatterjee: My question is pertaining to the question of the previous participant about that demand of our affordable housing sir. I understand that you have a good pipeline for handling the short term disbursement, but do you see the risk that in this scenario when the likelihood of your target

customer can be hampered in a good way and therefore they may defer their house buying for a longer period and therefore the affordable housing demand can be a problem for you?

Sushil Kumar Agarwal: So at this point of time, I am not perceiving that because I have told you even in 100% lockdown time, we have 4000 customers logged in with KYC for the housing demand. This month is better than the April month. So again say, it is a retail franchise model wherein you have 250 branches, 3500 employees, you cover 1200 towns and we do not claim to be 15% of the industry, we are only 0.5% of the industry, so we are there. I think that kind of demand is already there and with government putting efforts and the incentivization is done, I think the demand will sustain.

Ghanshyam Rawat: Apart from what Sushilji said, I think we are majorly worked in tier 2, tier 3 where natural demand is there. In those smaller towns even despite of COVID, business activity normal life is not that much impacted what we see in Mumbai, Delhi and Metro cities. Thirdly, I want to say that we have seen labor and workforce is migrating towards the tier 2, tier 3 small towns. They will stay for some time there. So that consumption in the rural area will get increased. Our main customer segment of kirana store, daily essential items, cash and carry businesses, they will have some better business than what we have seen earlier. So yes, there is an impact, but we feel in customer class which we fund will have a lesser impact.

Saptarshhee Chatterjee: Understood sir. And secondly that how much of our customers will have like our loan as the only loan and may have other loans also like short term loans and therefore is it possible that during this period they are repaying our loans which is long-tenured house loans and kind of availing moratorium from the other short term loans and whenever the moratorium is lifted, maybe they will have difficulty in paying all the loans?

Sushil Kumar Agarwal: So we do scrub off our entire portfolio every quarter. As per that, 40% of the customers we are the only lender, 60% of the customer apart from our loan, they have some other loans also. We need to take new scrub maybe after lockdown open up, then we will be able to comment on the situation which you have asked.

Moderator: Thank you. The next question is from the line of Kshitiz Prasad from Maybank Kim Eng Research. Please go ahead.

Kshitiz Prasad: Just a couple of questions. What I wanted to understand in the broader housing finance market, since we cater to the low-income group and in this conversation, you've been saying that the demand is intact. So from a demographic point of view, do you think that there is demand for credit for housing from these segments, which you are talking about? How has been your trend in terms of disbursements, say, only for April? May, it's too early to say, but April, that has there been a demand, new people are coming to ask for, say, from kirana store or a medical store or you know the kind of clients that you, one? And the second is, overall, the total portfolio, which you have on housing loan, total portfolio outstanding loan, what percentage, maybe I may have missed out, is that the people in value terms have asked for a moratorium?

Sushil Kumar Agarwal: So first thing, April, we have 186,000 new customer interested, out of which 4,500 customer plus has put with KYC the new loan request. But in April, we were not able to disburse much because of the lockdown situation. In the lockdown 3, we have started new disbursements considering the request of these customers. And another question was...

Kshitiz Prasad: Sir, on the total value of your outstanding loan, moratorium, what percentage roughly people have asked, is it 5%, 10%?

Sushil Kumar Agarwal: As a Board approved policy, in March month whosoever has paid, we will not refund. Around 6,000 customers got the moratorium out of 105,000 customers. In April and May, we still need to wait for 31st May because as per our policy, customer can pay or ask for moratorium till 31st May. As I have told you, April, already 76% customer has paid. And as the customer interaction has happened with us, more customers are willing to pay if the lockdown opens up from Monday onwards. So exact number of moratorium of customer, we will be able to provide post 31st May.

Kshitiz Prasad: Okay. And Sushilji, 1 more question I wanted to which means that these 4,500 customers, which have been logged in with KYC, you say that these are the customers who are interested and probably because of the closure in offices, their disbursement didn't happen, which may happen in May and going forward. So what you are essentially saying, there is demand for low-cost housing in the kind of category which you've seen, that is what I wanted, your outlook on that.

Sushil Kumar Agarwal: So there are certain factors, which is right now working, like yesterday Finance Minister extended the subsidy guideline for MIG category. The segment in which we operate, ready-built house inventory is there and now builders, because of COVID, are ready to tone down their selling prices. In fact, last 7 days, I was talking to my CFO that the ready-built houses demand has certainly picked up because builders are ready to reduce their prices by 10% to 20%. Then third aspect is that natural demand is anyway there. And fourth is, yes, India is there and weddings are happening and in India birth, death or wedding all these three occasions people need house whenever their children get married they make additional rooms or they bring their daughter-in-law in the new house. So I think because of COVID, that has not reduced. So those kind of natural demand will always be there, so I think it is weird, but this is life, and we see it as every day in our families also. So when I got married, my father built 2 another rooms. And so the same way, it's a natural thing which happens, and nuclearization of the family also extends our demand. So people living in joint family, then they move for the job to upper towns. In Mumbai, the aspiration increases. So people started from Borivali, then Andheri, then Santacruz, then BKC, then Lower Parel, 1 RK to 1BHK, 1BHK to 2BHK, 3BHK, 4BHK and bungalow. So those are the natural progression in the life. So this kind of demand creation will always be there.

Kshitiz Prasad: Okay. And what's your take on the business overall that you've been around so many years, that this is an unprecedented time for us. So like overall, what's your take on the business, not about talking, you know it's a consumption shock and a supply shock, everything. So how do you perceive that? It is going to be a different world and lockdown is going to end soon with a lot of riders. What's your take? Just your view on that, that's about it.

Sushil Kumar Agarwal: In last 10 years, every year, we have seen some kind of crisis in our life. So certain time RBI guidelines in 2012 when our parent company was there, then vehicle slowdown in 2013-14. And then 2015, we got separated from parent. So it was again difficult time whether we will be able to raise money, we will be able to survive. As we got survived, 2016 November demonetization happened. We survived. After that, we did the IPO. On the IPO day, market crashed 40%. When we survived out of that, then liquidity crisis happened. After we survived from liquidity crisis, now the COVID is there. So as an organization, I think we are meant for survival, we are conservative. We see survival as the biggest risk and all our process, strategy, we keep all these kind of scenarios in mind. So I think we are agile for all this kind of situation, and we will survive this COVID situation also confidently and sustainably.

Moderator: Ladies and gentlemen, due to time constraint, that was the last question. I now hand the conference over to Mr. Sushil Kumar Agarwal for closing comments.

Sushil Kumar Agarwal: Yes. Thank you very much, everybody, for participation. Our entire team is overwhelmed that 402 participants were there on the call. Even after the IPO listing, there were only 200 people. But today, 402 people joined the call. Thank you very much, and for patient listening and your continued interest in Aavas Financiers.

To summarize, I will say while the times are tough, but at Aavas, we draw comfort from the fact that 100% of our portfolio is secured against mortgages, most of which is self-occupied residential property. Additionally, the portfolio is very granular in terms of customer profile with average ticket size of sub 1 million. Average LTV is less than 50% on the outstanding amount. We will continue our approach of consistent and sustainable growth by providing credit facility to unserved, underserved customers in semi-urban and rural areas. We will continue to use technology and analytics in a much better way in this kind of scenario. We are confident that with our deep understanding of this segment and our in-house execution model, we will be able to fulfill the aspiration of our customer and expectation of all stakeholders. If the lockdown doesn't go beyond first quarter, we are hopeful of delivering the operating metrics of FY '21 also. Thank you so much for your time. For any further information, we request you to get in touch with Himanshu in our Investor Relations team or SGA, our IR advisor. They would be happy to help you. Thank you very much for all your time and attention. Thank you very much.

Moderator: Thank you. On behalf of Aavas Financiers Limited, we conclude this conference. Thank you for joining us, and you may now disconnect your lines.