"Aptus Value Housing Finance India Limited Q3 FY24 Earnings Conference Call"

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MODERATOR: **MS. MONA KHETAN – DOLAT CAPITAL MARKET PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY24 Earnings Conference Call of Aptus Value Housing Finance India Limited hosted by Dolat Capital.

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 touch-tone phone. Please note that this conference has been recorded.

I now hand the conference over to Ms. Mona Khetan. Thank you and over to you, ma'am.

Mona Khetan: Thank you, Muskaan. Good evening, everyone, and welcome to the earnings conference call of Aptus Value Housing Finance India Limited to discuss its Q3 and Nine-Month FY24 performance. We have with us the senior management for Aptus to share industry and business updates.

I would now like to hand over to Mr. Anandan for his opening comments. Thank you and over to you, sir.

M. Anandan: Thank you, Mona. Ladies and gentlemen, good afternoon to all of you. I am Anandan, Executive Chairman of the Company.

I welcome you all to the Conference Call to discuss the Company's Performance for the 3rd Quarter and for nine months ended December 23. I have with me Mr. P. Balaji – Managing Director, Mr. C. T. Manoharan – CBO and Mr. John Vijayan – CFO.

The "Financial Results" and the "Investor Presentations" are already available in the Stock Exchange and the Company website. I hope you have had a chance to look at it.

As you know, affordable housing finance as an industry has been backed by several initiatives from the government in the form of interest subvention, tax incentives, priority sector status, and lower risk of weightage on small ticket home loans. These coupled with low mortgage penetration and high housing shortage particularly in the Tier-3 and Tier-4 cities of the country across geographical market provides significant runway for growth in the affordable housing finance space and we can continue our growth momentum of serving low- and middle-income customer segments belonging to self-employed category living largely in Tier-3 and Tier-4 cities.

Aptus, as you are aware, believes in growth with due importance in the quality of loan book with good financial metrics. Very happy to report that Aptus had a good 3rd Quarter and nine months FY 2024. Sharp business focus, good distribution network, deep penetration in served markets, customer centricity along with appropriate tech support have enabled the Company to achieve good growth. The company's performance for this period demonstrates a sustained trajectory of stability, growth and diversified income stream.

In order to take the company to the next level of growth, middle management in Sales, Credit, Collections and IT have been strengthened in addition to investments in relevant technology.

Our net worth stands at Rs. 3,700 crores indicating robust capital adequacy. This coupled with good support from NHB, banks, DFI, and other providers of funding, along with robust on-ground demand for both home loans and small business loans gives us the confidence to pursue strong growth in the years to come with sustained profitability.

I will now hand over the line to Mr. P. Balaji – Managing Director, to discuss the "Business Focus, Operating and Financial Parameters". Over to you, Balaji.

P. Balaji: Thank you, sir. Good afternoon, friends.

As we have been explaining in the earlier calls, we will continue to focus on key strategies namely:

- Growing disbursements and loan book both in Housing Loan and Small Business Loans considering the large head room available in the low and middle income segment in tier 3 & 4 cities
- Increasing penetration in existing geographies by opening new branches and commencing operations contiguously in the States of Odisha and Maharashtra.
- Strengthen analytics and digital adoption, about 17% of our business in Q3 FY 24 has come from customer referral app, construction eco system app and social media channel. Our focus shall be to increase the leads through these channels, in addition to the physical branch network.
- Continue to focus on productivity, collection efficiencies, opex and cost of funds.

Major "Performance Highlights" for nine months are as follows:

- AUM grew by 28% YoY to Rs.8702 crores.
- Disbursements increased by 25% YoY to Rs.2159 crores.
- NIM was at 13.37%
- Opex to assets were at 2.67%
- PAT at Rs.448 crores (22% growth y-o-y)
- ROA and ROE were at 8.06% and 17.10% respectively.
- Total live customers were at 125,000 customers (25% growth YoY)
- During the 9 months FY 24, 31 branches were opened including our first branch in Maharashtra.

As far as the "Asset Quality" is concerned:

- Collection efficiency dropped marginally by 7 basis points to 99.65% mainly because of unprecedented rains and floods in the southern part of Tamil Nadu during the month of December 2023.
- Our (+30) DPD improved by 23 basis points to 6.04% on a year-on-year basis. This will be focused on and improved upon in the ensuing quarters.
- Net NPA was at 0.89%.
- The provision coverage ratio has been maintained consistently at 1.06%. We are carrying a total provision of Rs. 86 crores and this when computed as a percentage of NPA, works out to a coverage of 89%.

Moving over to "Funding":

We have well-diversified borrowing. Of the total borrowings, 63% are from banks, 23% from NHB, 14% from NCDs issued to IFC, mutual funds and securitization. Sufficient on-balance sheet liquidity was there as on 31st March to the extent of Rs. 961 crores, including undrawn sanctions of Rs. 300 crores from NHB and Rs. 310 crores from various other banks.

Now with these remarks, I open the floor for the question-and-answer session. Thank you.

Moderator: Thank you very much. We will now begin question and answer session. The first question is from the line of Raghav Garg from Ambit Capital. Please go ahead.

Raghav Garg: I just have one question. Your branch network and your employee base has expanded sequentially. Yet what we've seen is that the OPEX to assets has come down over this last quarter. Is it that a lot of this expansion was back-ended during the quarter? And hence we'll probably see some of those costs in Q4. Just your thoughts on that would be useful. Thanks.

P. Balaji: It is not that it has been back-ended. If you look at the cost, it has not gone down very substantially. It has just gone down from 2.71% to 2.67%. And also, if you look at the salary cost, it has gone down by one crore as compared to the last quarter. It is basically because employee costs, which are directly related to disbursements, have slightly come down because the growth in disbursements was 3% Q-on-Q.

Raghav Garg: Sure, thanks. Sorry, just if I can ask one more question. What is your outlook on spread? You said that your yield is basically flat quarter-on-quarter, but the cost of borrowing has gone up. How much more of an increase should we expect in the cost of borrowings? And what would be the trajectory on the yield front? Yes, that's all from my side.

P. Balaji: Yes, the yields have been flat quarter-on-quarter because of the product mix that has happened in the disbursement in Q3. Basically, out of Rs. 767 crores, we have disbursed almost Rs. 470 crores as housing loans, which means almost 62% of the total disbursements in the quarter. This has earned a lesser rate of interest as compared to the other products. We are not very much affected on the cost of borrowing on the housing finance because we have been consistently raising funds at around 8.25% to 8.5%. But on the NBFC, because of this RBI circular on the risk weights, it has slightly gone up by 0.25%. We are currently raising it from around 9% to 9.25%. So, it is basically because of that reason, the cost of funds is going up. This quarter also, we will be raising funds in the NBFC at around this rate. So, it is likely that another 0.1% or 0.25% borrowing cost increase will be there in this quarter as well. But during this quarter, we'll be drawing Rs. 300 crores from NHB. So, that will slightly compensate for the increase in the cost of borrowings on the NBFC.

M. Anandan: Just to add to what Mr. Balaji said on our yield, even though we have the pricing power to fully pass on the cost increase to customers, we have increased the interest rates to customers with a lag. At the same time, to answer your question in terms of further increase in cost, it is most probably unlikely given the overall environment including the budget proposal today and the expectations that the interest rates are likely to soften a bit as we go along in the next 3 to 6 months. So, while we don't really expect any substantial increase in the interest rates going forward, if at all it could come down. But at the same time, since we have a significant part of our portfolio in the fixed contract and given that the interest costs are likely to come down over a period of time, we are in a slightly better position going forward in terms of spreads and NIMs.

Raghav Garg: And one more question. So, what I've noticed is that the average ticket size or average loan exposure for you hasn't really increased whereas if we look at for some of the other affordable housing finance companies, it has increased quite substantially, or they are pursuing growth in higher ticket size segments. So, why is it that we haven't seen any increase? Is it more to do with our or with your strategy to focus on this bottom of the pyramid type of customer, and you are averse to, say, higher ticket size lending, what is it exactly? Or is it that you are going down the risk curve, so the average ticket size is not really changing? I'm just trying to understand what's happening here.

M. Anandan: We will continue to focus largely on self-employed, living in Tier-3, Tier-4 cities and the fully constructed houses are almost about 80% of our home loans. And again, we don't fund for the land, we only fund for part of the construction cost. This results in our average loan size. As we expand our operations more in tier 3 and 4 locations, the average requirement of the loans itself is around Rs.8 to 9 lakhs. This also plays a part in our average ticket size. Only if you move towards the metro, the loan size will really go up. But we are very conscious in our business focus that we would really want to be serving this kind of market customers who are largely in need of genuine home loans for genuine home purposes**.** So, we are not wanting to consciously move towards the higher end of average home loans because we believe there are a lot of players servicing the higher loan size and that is not going to be our focus.

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

Nidhesh: Firstly, on the growth trends, if you can speak about how the growth trends in terms of disbursement and loan book in the state of Tamil Nadu, how they are shaping up in Q3?

P. Balaji: Tamil Nadu loan book has been growing at 13%. There is a slight, I mean, there is a one quarter lag in the growth which we had anticipated in September'23. This was basically because of the floods in southern part of Tamil Nadu in December which led to lesser disbursements in Tamil Nadu. But when you look at the January disbursement in Tamil Nadu, it has caught up. Basically, for the shortfall that has happened in December, we were able to make it up to an extent in January. Also, we have got all the manpower in place now and in Q4, I think Tamil Nadu growth will be back on track.

Nidhesh: I was seeing that we have added a lot of sales managers in nine months, FY24. Sales manager number has increased quite sharply. So, how do we look at growth in FY25?

P. Balaji: Sales officers increase is directly linked to increase in the number of branches. We have almost added 31 branches, and we are also going to add 7 more in this quarter, i.e. 3 in Orissa and 4 in Maharashtra. So, anticipating this, the recruitment levels have gone up. Also, we are a productivity-oriented organization. The headcount will increase based on the volumes and the logins that are getting generated per sales officer per month.

Nidhesh: Lastly, on the yield front, last quarter I think we have taken 50 basis points price hike on the entire book. Our yields are flat sequentially.

P. Balaji: As I explained, sequentially, why the yields are flat is because we did more housing loans in this quarter than the other products, which is actually yielding around 15.5%.

Nidhesh: And what is the incremental yield on the loan book, incremental yield on the disbursements that we have done in our kitty?

P. Balaji: For the housing loan, it is at around 15.5%. For the non-housing loan, basically the quasi-home loan, it is around 17.5% to 18%. And for the small business loans, it is around 21.5%.

Moderator: Thank you. The next question is from the line of Mona Khetan from Dolat Capital. Please go ahead.

Mona Khetan: Just a few questions. So, firstly, on the yield again, so while your yields have held pretty steady, I wanted to understand because you have raised rates recently by 50 bps across HL and non-HL portfolios. And given the fixed nature of your portfolio, is there scope for further improvement in yields as we go forward?

M. Anandan: No, we don't really foresee any further increase in the yield, and we are quite comfortable with the current pricing of our home loans at 15.5%, quasi home loans at 17.5% and small business loans at around 21.5%. Also, the interest rate on borrowings may slightly get moderated as we go forward. Given that we don't really see any need to go for further yield increase, we will be quite happy to operate at the current levels and we will also get full benefit because the last interest increase was done by us effective 1st December and the full benefit of that will start accruing in Q4 FY 24.

Mona Khetan: Right. So, I was not referring to the pricing, I was more referring to the full benefit coming in given the fixed nature of your portfolio. So, is that yet to play out over the quarters?

M. Anandan: Absolutely. The full impact will have a beneficial impact for us in the ensuing quarters.

Mona Khetan: Secondly, on the demand environment, I just wanted to understand if there is anything adverse that you're coming across and how do you see demand for both home loan and SME loans in your segment and geography?

P. Balaji: The on-ground demand is quite very strong. After we came out of COVID, I have also started traveling to branches where I am able to see good potential for our business. And if you look at our growth except for Tamil Nadu, Andhra, has grown by 47% in loan book, Telangana has grown by 41% and Karnataka has grown by almost more than 20-22%. So, when we look at the field, the demand is really good, and we can do more business and the guided growth of 30% can be achieved.

Mona Khetan: So, as you highlighted in the opening remarks, you have strengthened the middle management, sales, credit, & collection. So, with this, do you see scope for higher growth guidance over time?

M. Anandan: No, obviously, we are growing on a year-on-year basis and for a consistent growth between 25% to 30% going forward, we must be prepared for a higher base and higher level of operations. If we are operating at around Rs. 10,000 crores today, we are looking at how we can take it up to Rs. 15,000 crores or Rs. 25,000 crores going forward. Moving towards these milestones, we have now started strengthening the organisation at the second level itself with more resources. We continue to prepare the organization for a much higher level of size and growth.

Mona Khetan: Got that. And just coming to the incremental cost of funds, what rates are we borrowing from banks, both across the HL and the NBFC book? And do you believe cost of funds has peaked or where do you expect it to peak for you?

P. **Balaji:** I just explained this. On the housing finance Company, we have been borrowing at 8.25% to 8.5%. And on the NBFC, we have been borrowing at around 9% to 9.25%. Earlier, it was at around 8.75% to 9%. Now it has increased to 9% to 9.25% because of this RBI circular on the risk weight. But we feel that another one quarter after that, rates would have got peaked and we feel the rates could come down in the next year. If that happens, as Mr. Anandan explained, we will be slightly better off because around 80% of our loan book is on a fixed rate basis. This is likely to result in better spreads and NIMs.

M. Anandan Also, for most of our present borrowings from banks, the rates are linked to the repo rate, rather than the bank's MCLR. And given that, any change in the repo rate going forward will have a direct impact on our borrowing costs.

Mona Khetan: And just finally, if you could share the one plus DPD as well?

P. Balaji: 8.10%

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

Kunal Shah: Sir, firstly, on the credit staff, so that has come off, so is there any restructuring or something which has happened on a quarter-on-quarter basis?

P. Balaji: We have reclassified that. Only the branch credit has been shown as the number there and the head office staff has been grouped under the head office criteria.

Kunal Shah: And secondly on cost/assets, so again you touch based in terms of it being lower, but eventually how we look at it because we are seeing many of the HFCs investing quite aggressively and still from our side in terms of the cost to assets that has been contained quite well. So, do we see that we will have to be in an investment mode quite aggressively to manage this 28-30% kind of growth trajectory or maybe it can continue at the current levels?

P. Balaji: We are in investment mode only, but the only thing is we don't want to open 100, 200 branches at one point of time. What is happening, for the current branches itself, we want to have more productivity and over and above that every year 30 to 35 branches will be opened. The logic behind this is that 30 branches opened in a particular year are going to contribute to the expenses of the new branches that is going to be opened in the next year. That is how we want to grow, and we are a productivity-oriented organization. Going forward the expense ratio will be somewhere around 2.7 to 2.75%.

M. Anandan: Kunal, just to add to what Balaji said, primarily our cost ratios will continue to be one of the best in the industry. And even if you look at this, significant part of this opex, not only for us, for the others also, is really the manpower related cost. And the manpower cost again has got two elements. One is really the productivity of the manpower and second is really the attrition, i.e. the high manpower cost arising out of the high attrition, particularly at the field officer level. So, those companies which have got a very high attrition level, in customer-facing jobs like sales and collections, the man-power cost tends to be higher. At the same time, those companies where the productivity per officer or number of files per officer is lower, man-power cost also will be higher. Hence, we are very conscious in two things, one is that we are very particular about achieving target setting, training, hand holding to ensure a decent level of productivity, right up to the branch level, sales office level, collection officer level, and also very conscious in terms of our attrition levels. So, the lower attrition and our productivity is something which is helping us to maintain our manpower cost reasonably well and the overall opex itself. Of course, it is not that we pay lower salary or anything, we pay salary comparable to others, but at the same time, our operating cost is lower because we are very conscious about productivity aspects.

Kunal Shah: And lastly, in terms of the overall NBFC growth, so quite strong almost from say 1500, it is going up to almost like Rs. 1,700 odd crores in one single quarter. So, would this maybe, what is actually driving this kind of a sequential growth, maybe almost like more than 12%-13% odd on a quarter-on-quarter basis, 35% odd year-on-year and would this maybe in terms of the proportion now being there at 21% odd on the consolidated given that we need to meet up with the overall home loan as well. So, would we see that component going up and any impact on yields positively that we could see on account of this?

P. Balaji: NBFC loan book as you rightly said has grown from Rs. 1,512 crores to Rs. 1,722 crores. From April onwards, we have started booking some of the LAP purchase and construction, i.e. the non-housing loans in the NBFC, which will yield around 17.5% to 18%, and the small business loans, which is yielding around 21%. These loans which were earlier booked in the housing finance Company, have been moved into the NBFC. That is why the growth is stronger there. Then the next thing you were talking about is the yield increase, but it might not be that much because we are booking the non-housing loan which is earning 17.5 to 18 also in this. So, with the result, you might assume that all these loans are earning around 21%, which is not the case. So, to that extent, it might not positively impact on the yield.

Kunal Shah: And traction would continue?

P. Balaji: Yes.

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

Renish: Just two question, one on this Tamil Nadu growth, which has been relatively lower as compared to other states, now is this due to the competition in Tamil Nadu or is there something else at the ground level wherein we are not growing because when we look at the other peers who are based out of Tamil Nadu, those guys are growing at a decent pace, so how one should look at it, sir?

P. Balaji: In the last quarter and the last-to-last quarter, we explained that there were some staff issues and that is getting corrected. And of course, in the last quarter we had said that the whole issue has got corrected, but still the contribution from the people has to come faster, but that has not happened in Q3. Over and above that, as I told you, there was some disruption in the last 10 days or 15 days in December, when some of the areas were affected by floods, and because of that the contribution towards disbursement could not come in. In fact, we were aiming for Rs. 800 crores of disbursement but only Rs. 767 crores came in because of this flood. So, basically, if that had come in, I think the disbursement growth also would have been better. However, that has been caught up in January. So, hopefully things will be back to normal in Tamil Nadu in Q4.

Renish: And second question again, sorry to circling back to the cost opex, but let us say internally when we are targeting 30% growth and the way sort of competition is in this segment, do you feel that adding 30-35 branches would be enough to sustain this kind of a growth rate?

M. Anandan: Yes, actually, if you really look at it closely and in fact it is laid out there in the presentation also. One is really, we are working very closely on the inquiry generation through the other channels, including the customer app, eco-partners app, and social media and I think we have done about 17% of our disbursements through these inquiries. Over and above this, we will also open 30-35 branches every year, which will be enough according to us to sustain the guided growth rate. So, branches alone are not the way for us to grow. Branches will be there and we will keep adding. But at the same time, we are also working on the other channels as well.

Rinesh: So, sir, if you can share some numbers to this. So, let us say in Q3 of incremental logins, how much of the incremental logins would have come from the non-branch channel?

P. Balaji: I will just explain the total. I will talk in terms of disbursements instead of logins. Out of total disbursements, 7.41% came in through customer reference, 6.21% came through construction ecosystem apps, and 3.17% came through social media, which adds up to almost 16.8%. So, 17% of our disbursements have been through these channels.

Rinesh: And do we have any internal cap on, let us say, sourcing from alternate channels, let us say 25, 30, or at what percentage you will again start?

P. Balaji: If you do the sourcing through this channel, it is not that branches are excluded from this. The leads generated through this channel are getting forwarded to the branches. The branch people have to do a discussion with the customer, assess their cash flows etc. So, there is no cap and the conversion rate here is high. 90% of the logins through this channel are getting sanctioned which means it is a good channel to be in and then taking it forward.

Moderator: Thank you. The next question is from the line of Shubranshu Mishra from Philip Capital. Please go ahead.

Shubranshu Mishra: Sir, could you please explain what are these quasi-home loans in the home loan book?

P. Balaji: We are in the business of funding with self-employed people. So, these customers don't plan well in advance to get a housing loan. So, if a loan given has to be classified as a housing loan, the customer should approach us when the construction is happening. Since we are in the business of funding self-employed people, unlike salaried people, they get bulk cash flows from business and they use that money for construction of the house, complete the house and they live in that house. So, once they start living in the house and when they are continuing with their businesses, they find themselves cashed out for running the business. So, they come to us for a loan, but that cannot be classified as a housing loan as per the NHB direction, so we give it as a quasi-home loan, but the time period is 3 to 6 months from completion of construction. When they come to us, it gets classified as the quasi-home loan. Otherwise, if the construction is more than one year or two years old, it gets classified as a small business loan. That is the difference.

Shubranshu Mishra: So, is that an unsecured loan or a secured loan? What is this exposure?

P. Balaji: There are no unsecured loans in our portfolio. Everything is secured by self-occupied, residential immovable property.

Moderator: Thank you. The next question is from the line of Arul Selvan from Independent Advisor Private Limited. Please go ahead, sir.

Arul Selvan: The growth rates in Tamil Nadu, were they affected predominantly because of the staffing and the floods or were there any other issues affecting the growth?

P. Balaji: As I explained, the staff issue has been sorted out. It is basically the floods in December that have affected the growth in this quarter. That has come back to normalcy in January. So, this quarter it will be back.

Arul Selvan: And has there been any impact on the collections?

P. Balaji: There was a marginal impact.

Arul Selvan: Could you please give me a number if you had to like to give a ballpark estimate?

P. Balaji: Collection efficiency was 99.72 earlier and that has become 99.65%

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

Nischint Chawathe: Just two clarifications. One was you mentioned that your incremental cost of borrowing went up 10 basis points for the quarter?

P. Balaji: Yes.

Nischint Chawathe: On ex-NHB borrowings.

P. Balaji: We have not drawn the NHB borrowings which have been sanctioned. It is around Rs. 300 crores. We will be drawing it in February.

Nischint Chawathe: And if I look at the fee income, I know the numbers are small, but there was some uptick on a sequential basis, anything to read in that?

P. Balaji: No, it is basically we have just realigned some of the processing fees. That is it.

Nischint Chawathe: I mean the insurance part is it?

P. Balaji: Not the insurance part. It is basically the processing fees that we charge to the customers. We have just realigned some of it.

Nischint Chawathe: So, then it kind of gets adjusted maybe from the yield to fees or something like that?

P. Balaji: Yes.

Moderator: Thank you. And the next question is from the line of Ankit Bansal from AB Investor. Please go ahead.

Ankit Bansal: My question is the kind of environment coming ahead in next 2 quarters with rate cut evidently. Sir, with the kind of rating you have from the rating agencies, one of the best, sir, are we able to see the best phase of Aptus growing more than 20%, 30%? Can you please share the details?

P. Balaji: As we have been guiding the market, the loan book growth, we have been guiding between 25% and 30% in the next 3 to 4 years. That will be done.

Ankit Bansal: But sir, I want to know the kind of environment we are getting, like with the rate cuts. I want to see the aggressive side of Aptus about the growth, because you are stable in this kind of environment with the rate cuts in your hand and with the kind of interest rate ratings from the agencies of borrowing you have, the growth. I don't know how aggressive you can be on the growth side, so that will be beneficial?

M. Anandan: It is a bit too early to really comment on that because we don't know what the kind of reduction in interest rate is going to happen and moreover, what period of time and whether it is substantially enough to influence a customer to take a call on home loan demand, there are a lot of things around it. So, we will be able to comment better as we go forward than today.

Ankit Bansal: Next question is, are the net NPAs and gross NPAs kind of will remain in that range or upside one- or two-point bps?

P. Balaji: Currently the gross NPA is at 1.19 and the net NPA is at 0.89. Our endeavor is to bring GNPA to around 1.05 to 1.10. Then that will get maintained.

Ankit Bansal: Sir, any new geography are you entering in Delhi side or in North side?

P. Balaji: No, our growth strategy has always been a contiguous growth. So, we have opened branches in Orissa and Maharashtra. In November, our first branch in Maharashtra was opened. And we would like to fully use the potential that is available in these two states and then get into the next state, which is near Maharashtra and then we will move towards the North. But as of now, it will be a contiguous growth which is from the current existing states where we are operating.

Moderator: Thank you. And the next question is from the line of Bhavya Sanghvi from Fortress Group. Please go ahead.

Bhavya Sanghvi: Sir, my question is in medium term. So, as in the earlier participant question, you alluded to opex to assets ratio of close to 2 to 2.75. So, my question is with respect to the capacity additions and branch expansion that you are going through, and I am sure the 25% to 30% growth guidance would entail higher number of accounts getting added and more leads from non-Aptus markers like except from feet on street, the other avenues that you are looking at like social media etc. So, I was just wondering and wanted to ask your opinion about the IT systems and the investments that you would entail in the medium term. Is the management thinking about enhancing the LMS, LOS and the investment that could happen in the future when the loan book size grows about 10,000cr?

P. Balaji: If you look at our IT investment and if you look at the operations of a housing finance Company, whether it is sourcing, credit, legal, technical, collections, we have enabled technology for all these operations. We have also got Novac systems, which has been in operation from 2016. It is an end-to-end system. Also, we have various apps for sourcing the customers and for onboarding the customers. We have a credit score card mechanism for evaluating the customer. And also, we have the app which captures the video of the customer at his workplace, at his residence, and then we will be able to access him. Similarly, in the technical, we have an app which marks the boundary, which geotags the property. Similarly, in collections, we have an app which monitors the movement of our collection officers, it optimizes the route to go and collect the money. Over and above that, now we are changing the loan origination system with the lead management system, and this will be a mobile-first technology where people will be able to onboard the customer using a mobile, and that is from the main system, which is being supplied by the Novac Systems itself. So, this is one investment which we will be making. Also, if you look at our legal side, we have tied up with a service provider called Leegality, where all the agreements are signed digitally. So, we will keep on investing in these kinds of enhancements for technology, which is relevant in the affordable housing industry.

Bhavya Sanghvi: Also wanted to ask you about any plans that you guys have in the medium term in the NBFC arm to do lower tenure loans, like consumer loans and if yes, will the IT system be enabled to do those in future?

P. Balaji: No, we don't have any intention other than to do these three products which we are in now.

Moderator: Thank you. The next question is from the line of Raghav Garg from Ambit Capital Private Limited. Please go ahead.

Raghav Garg: So, to one of the questions you were highlighting that the employee attrition issues that you were facing one or two quarters ago, you addressed those issues, so can you elaborate on what specific measures have you taken and how confident are you that given the increasing competition in affordable housing space these employee attrition issues won't crop up again?

M. Anandan: Obviously, one cannot take a view that attrition will never happen or will not happen, but what we are trying to do is that even when we had a little attrition issue in Tamil Nadu, but on overall terms, the Company has grown the loan book by about 28% and there is a very strong growth in Andhra Pradesh and Telangana and Karnataka in that order and Tamil Nadu has also grown by about 13% or so in the loan book. So, if you take the overall scenario, we have been growing. So, in the particular process in Tamil Nadu, we had issues that we have resolved. But to answer your question in terms of what action we are taking to reduce attrition is that we are taking a lot more care at the recruitment stage and at the training and also in terms of hand-holding them. The new staff, with existing experience of the service officer will be put along with the branch manager himself, to handhold him and go along with him for 2-3 months for all the transactions. This will help the new sales officer to get inducted into the system properly.

Raghav Garg: Sir, what kind of rewards are you referring to? Can you give us some specific examples? And one more question is, in your organization hierarchy, from which level do you start issuing stock options just to understand?

M. Anandan: Sorry, I think we would like to take it offline because we don't want to get into specific rewards scheme and the numbers and the financial aspect here.

Moderator: Thank you. As that was the last question, I would now like to hand the conference over to management for closing comments.

M. Anandan: Thank you, Mona for organizing this conference call. I would like to express my sincere gratitude to all analysts and investor friends who have taken time out of their busy schedule to listen to us today. Please feel free to connect with us in case you have any further queries. We would be happy to get back to you. Thank you.

Moderator: Thank you. On behalf of Dolat Capital, that concludes this conference. Thank you for joining us and you may now disconnect your lines.