Aptus Value Housing Finance India Limited
Q4 & FY22 Earnings Conference Call
May 09th, 2022

Management

1. Mr. M.Anandan - Chairman and Managing Director
2. Mr. P. Balaji – Executive Director & Chief Financial Officer
3. Mr. G. Subramaniam – Executive Director and Chief of Business & Risk

Moderator: Good evening ladies and gentlemen. I am Faizan, moderator for this conference call. Welcome to the conference call of Aptus Value Housing Finance India Limited, arranged by Concept Investor Relations to discuss its results for fourth quarter and fiscal year ended March 31st 2022.

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 for future performance and involves risks and uncertainties that are difficult to predict. At this moment, all participants are on a listen-only mode. Later, we will conduct the question-and-answer session. At that time, if you have a question, please press "*" and "1" on your touchtone phone keypad.

Please note that this conference is being recorded. I now hand the conference over to the management. Thank you and over to you, sir.

Anandan M: Thank you. Ladies and gentlemen, good afternoon to all of you. I am Anandan - CMD of the company. I welcome you all to the conference call to discuss the financial performance for fourth quarter and for the year ended March 31st 2022. I have with me Mr. P. Balaji - ED & CFO and Mr. G. Subramaniam – ED - Chief of Business & Risk. The results and the investor presentation are available on the website of the stock exchanges as well as the company website. I hope everyone had a chance to look at it.

Aptus had a healthy fourth quarter, and financial year which is reflected in our results. Disbursements and collections are back to normal levels after the COVID. Total disbursements stood at Rs. 519 crores for Q4 FY22 as compared to Rs. 405 crores Q4 FY21 up by 28%. Disbursements for the year were at Rs. 1,641 crores compared to Rs. 1,298 up by 26%. AUM as on 31st March 22 was at Rs. 5,180 crores, which represented a healthy growth of 27%, despite a lower disbursement in Q1 of 22 on account of COVID.

NIM for the year was at 13.66% representing an improvement of 119 basis points compared to FY21. Gross NPA was at 1.19% after considering the impact as per RBI circular dated 12 November 2021. We have registered an ROA of 8% which is one of the best in the industry in this segment and an ROE of 14.45%. I would like to reiterate the fact, as I did in our earlier calls, that we have enough on balance sheet liquidity of about Rs. 846 crores including an undrawn sanction from banks to the extent of Rs. 300 crores. Our net worth stands a little over Rs. 2,900 crores which indicates robust capital adequacy in order to support the growth in future.

Key highlights of FY22 performance being,

- NII - net interest income was about Rs. 632 crores up by 40% over previous year
- NIM was at 13.66%, 119 basis points higher than previous year
- Net profit was at Rs. 370 crores - about 39% higher than previous year.
- AUM was at Rs. 5,180 crores, growth of 27%
- As mentioned earlier disbursements were at Rs.1641 crores registering a growth of 26% y-o-y,.
- Capital adequacy was at 81%
- GNPA was at 1.19%.
- Our ROA, which is one of the best in the industry was at 8% and our ROE is around 14.45%.

I would now hand over the line to Mr. P. Balaji, our ED and CFO to discuss various business parameters supported, as and when if required by Mr. G. Subramaniam.

P. Balaji: Thank you sir. As of 31st March 2022, total live customers were over 83,000 which represented a growth of 27% year-on-year. Total number of branches were at 208 as on 31st March 2022. We have added 18 branches in FY22. We are happy to share that we have opened our first branch in Bramhapur, Odisha. Employee count as on 31st March 2022 was 2,271.

Major performance highlights are as follows:

- Successful completion of IPO
- Assets under management grew by 27% year-on-year to Rs. 5,180 crores.
- Disbursement increased by 26% year-on-year to Rs. 1641 crores.
- NIM was at 13.66%, increase of 1.19% compared to the previous year.
- Opex to assets were at 2.53%, reduction of 25 basis points as compared to the previous year.
- PAT was at Rs. 370 crores which represented a growth of 39% year-on-year.
- ROA and ROE were at 8% and 14.45% respectively.
- Now, coming to the asset quality, GNPA was at 1.19%, it has reduced from 1.53% in Q3 FY22 and increased from 0.7% as of FY21. This again is based on the RBI circular dated 12th November 2021.
- Net NPA as on 31st March was at 0.88%.
- Provision coverage ratio which was at 0.4% as of 31st March 21 has been improved to 0.8% as on 31st March 2022.

- Collection efficiency for the fourth quarter improved to 103% as compared to 98% in Q3 FY22.
- Outstanding restructuring book was at very nominal 1.2% of the total loan book.
- ECL provisions stood at Rs. 41.68 crores and stage 3 provision coverage at 25% have been maintained.
- Rating has been upgraded to AA- from A+ by ICRA. This will help us in exploring more sources of funding and also helps in reducing the cost of funds
- We have well diversified borrowing of the total borrowing as on 31st March 2022. Of the total borrowings 50% were from banks, 32% were from NHB, 14% were from DFIs like IFC and large financial institution and the balance were in the form of securitization.
- We have sufficient on balance sheet liquidity of Rs. 846 crores including undrawn sanctions of Rs. 300 crores from banks.
- As on 31st March 2022, our net worth was over Rs. 2,900 crores.

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 the question and answer session. The first question is from the line of Mona Khetan from Dolat Capital. Please go ahead.

Mona Khetan: So, firstly, on the ECL provision, when I look at the total ECL provision, they have declined from Rs. 43 crores last quarter to around Rs. 42 crores, so what is the reason for this?

P. Balaji: The ECL provision as on 31st March 2022 is at Rs. 41.68 crores whereas as on 31st December was at around Rs. 43 crores to be precise. This has declined because of the improvement in the NPA. If you look at our NPA which was at 1.53% as on 31st December 2021, that has declined to 1.19% as on 31st March 2022

Mona Khetan: But then your P&L provisions are high and yet this number has declined, so has there been any write-off is what I was trying to understand?

P. Balaji: As a matter of prudence, we have written off around Rs. 6.48 crores (principal outstanding) which is having an overdue of more than 2 years. That is working out around 0.12% of the total loan book. Having said that, the legal efforts to recover the monies due from these customers will continue as we have legitimate title to the property funded and are backed by adequate property values.

Mona Khetan: So, have we written off Rs. 6.5 crores this quarter?

P. Balaji: Yes. .

G. Subramaniam: These are all NPAs of more than 24 months and the security, customer and adequate cover based on the value of property is intact and the legal efforts to recover the dues will continue.

M.Anandan The percentage of this is about 0.12% only. At the policy level going forward, NPAs of more than 24 months will either be provided at 100% or be written off from the point of view of prudence and conservatism while the recovery efforts will continue.

Mona Khetan: And cumulatively, where would our total write-off stand today over the year, how much have we written off?

P. Balaji: This is the first year where we are writing off. .

Mona Khetan: And secondly, when I look at the loan growth, we have seen sharp sequential growth in top-up loans during the quarter, so just calculating it based on the breakup of loans that you give, I am getting over 30% Q-on-Q growth in top-up loan, so what exactly is going on there, any color would help?

G. Subramaniam: There is no sharp increase in top up loans as has been observed by you. In overall terms, our top-up loans are very insignificant only at about 4-5% of our total loan book.. Further top up loans are being given by us only to the customers who have good repayment track record.

Mona Khetan: And on the liability side, what is the share of your bank borrowings that are repo linked and what sort of yield compression can one expect in our raising interest rate scenario?

P. Balaji: Of the total borrowing, we have 62% of our borrowings on fixed rate basis. These represents borrowings from NHB, borrowings in the form of NCDs and banks and to a small extent securitization. Balance 38% represents borrowings from banks where the interest rates are linked to MCLR of banks, either 1year or 6 months. We do not have borrowings which are directly linked to repo rates.

Mona Khetan: So, nothing is linked to external benchmark like repo?

P. Balaji: No, not repo rate. It is linked to the MCLR of the banks.

Mona Khetan: So, in the rising interest rate scenario I understand that the large part of your loans as well as borrowings are fixed rate, but what sort of PAT compression can we expect now that we are aware that interest rate are likely to raise here on?

P. Balaji: You are right. It is a fact that the interest rates are likely to rise and to this effect RBI has already announced and there can be future announcements as well on this front. However as far as Aptus is concerned we are fortunate enough to get rating upgrade to AA- from A+ in December 2021. Normally the interest rate differential between AA- and A+ is almost 1% to 1.20%. Even if we assume that we might get these kind of reductions, we are hopeful of getting at least 0.25% to 0.50% reduction from the current cost of borrowings. This coupled with the NHB support and also the fact that our fixed rate borrowings are at 62%, we are not expecting any significant increase in the cost of borrowing.

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

Avinash Tanawade: If you could share the slippages and recovery number for the quarter and same for the last quarter?

Anandan M: Basically, at a company level, our collection efficiencies for Q4 FY 22 was at 103% as compared to 98% in Q3 FY 22. Q3 recoveries were affected on account of monsoons in south where we largely operate. However we have fully recovered out of this temporary lower collection in Q3 and are back to the collection efficiencies of 103% which has led to our 30+ reducing from 12.98% in Dec 2021 to 9.91% in March 2022. To sum up, our recoveries have been pretty good in fourth quarter at about 103%.

Avinash Tanawade: And can you throw some light about restructuring assets?

Anandan M: As you know that during the first covid period, RBI had given both the moratorium and the restructuring and in the second covid time, they had given the restructuring alone and no moratorium. So based on this, our total restructured book is nominal at about 1.2% and our recovery in respect of restructured loans have been pretty good. So, in other words, as the restructuring was kept at the minimum, our soft bucket outstanding was slightly higher in Q3 which to a greater extent has been brought down in Q4. We are aware that though this has been brought down, our soft bucket is slightly higher than our competitors. Efforts will be taken in the ensuing quarters to bring this to pre covid levels.

Avinash Tanawade: And one last question, you have opened 5 branches during the quarter, but at the same time, the in-house team has increased by 147 people, mostly you have added in sales, so can you throw some light where these people you have shifted?

G. Subramaniam: Basically, we have added majority of people in the sales and some we have added in the collection department. In the new branches where we have opened, we have added people mostly in sales and further we have also strengthened our sales team in the existing branches. As you are aware, these new branches will take around 5-6 months to stabilize and hence there will be a time lag between recruitment and loan book growth for new branches. Also, we have added few people in collections, which has helped us to improve our collections and reduce overdues.

Moderator: Thank you. The next question is from the line of Dhaval Gada from DSP Mutual Fund. Please go ahead.

Dhaval Gada: I have two questions, first is on the cost of fund, so if I understand correct, so basically you are not expecting much margin pressure in FY23 offset by the rating upgrade, is my understanding correct?

P. Balaji: Yes, your understanding is correct. Because of the rating upgrade, we are expecting a 0.25 to 0.5% reduction in our cost of funds.

Anandan M: There are couple of other things also. One is that clearly the rating upgrade which we got in December should help us on reducing our incremental costs. Second thing is that we got substantial loan from NHB in the month of December. It is a 10-year loan at an interest rate of around 5.8% and full benefit of that also will be reflected in the current year.

Dhaval Gada: The second question is relating to operating cost, so over the last few years you have made steady progress to improve your cost to asset and even sort of cost to income, there has been improvement, so just trying to think through, is there further room to optimize or broadly on an annual basis it should be in line with asset growth, some comments around operating leverage?

Anandan M: Basically, our Opex is one of the lowest in the industry and as mentioned earlier, in current year reduction was there, but having said that since we are already at the lowest opex, room to improve further on this is actually not there. Having said this, there will be continuous improvement in our productivity of people, and branches. At the same time, we don't expect our opex to go up substantially because we will have the benefit of growth in business and we believe that we can ensure high level of productivity through right HR policies and right and appropriate investments in Information Technology (IT).

Dhaval Gada: Just one last question relating to distribution, if you could provide some perspective as to how you are looking to expand distribution over next FY23 and may be even FY24, just next couple of years, how do you think about distribution, people, branches, that would help?

Anandan M: Currently, we have ended the FY 22 with about 208 branches and we normally add of around 20 branches in a year, in fact even in the last year, despite COVID , we have added about 18 branches . These 20 odd branches which we have budgeted to open every year will get opened both in the existing states and also based on our philosophy of opening branches contiguously in new states. In line with this philosophy, we have opened our first branch in the state of Berhampur, Odisha.

Further if you look at the current 208 branches, we have around 137 branches which are more than 3 years old and are having an average loan book of Rs.33 crores. 48 branches are 1 to 3 years old having an average loan book of Rs.13 crores. These branches have the capacity to grow up to Rs.33 crores. 23 branches are less than 1 year old having average loan size of Rs.4 crores. These branches have the capacity to first grow to Rs.13 crores and then to Rs.33 crores. Hence going forward, we expect good loan book growth from these branches.

In addition to this, there is still room for increase in productivity of the existing branches as well, which we are confident of achieving by focusing on our business ecosystem where we will be working with local eco partners like hardware shops, paint shops, sanitary ware shops etc to source more business for us. Further we are also focusing on enhanced usage of our customer app which will be used as a referral medium from our existing customers to acquire new customers. All this will be in addition to the sourcing strategy which we are following currently of generating leads through our in-house sales officers at our branches.

Moderator: Thank you. The next question is from the line of Manuj Oberoi from Yes Securities. Please go ahead.

Manuj Oberoi: Sir, I had a few questions, firstly on stage 2 coverage, so when I look at our stage 2 provision coverage, it seems to be lower than our peers, so how do we look at it and also if you can give out some credit cost outlook for FY23?

Anandan M: Actually, if we look at the overall ECL provision, it was around Rs.16 crores in March 2021. We have increased this to around Rs.42 crores in March 2022. In fact, whatever profit that we reported which is 39% higher than the previous year, is after this enhanced provision towards ECL. In percentage terms, our ECL provision has been increased to 0.80% in March 2022 from 0.41% in March 2021.When we come to provisioning on a stage wise basis, we have provision cover of 25 % on the NPAs. We have compared this data with few of our competitors also, they either are same or slightly less than us actually. Coming to stage 2 that we are talking about, there also in the current year we have increased the provision cover to 2.3% in March 2022 from 0.5% in March 2021,. Similarly the provision cover for Stage 1 has been increased to 0.34% in March 2022 from 0.09% in March 2021.The increase for stage 1 is from 0.09% in March 2021. The increase in the above said provision cover is in addition to the policy which we have taken on write offs.

Manuj Oberoi: Sir, you also spoke about write-off and that legal efforts will be taken for recovery, so then in that case, typically we would not take legal efforts for recovery or reposition when the customer is in NPA, so does it mean that we wait a little longer for taking the effort in recovery?

Anandan M: As far as our write off is concerned, the policy has been drawn based on prudence and conservative accounting practices. This will not affect our recovery effort in any way as the LTV for the assets written off is in the range of 35% to 40% and the legal title to the property funded is in favour of us. For all these customers, we have initiated both arbitration and Sarfaesi proceedings.

Manuj Oberoi: Sir, what is the FOIR that we typically keep for the new loans, home loan as well as in small business loans?

P. Balaji: It ranges from 45 to 50%

Manoj Oberoi: And hope the income considered will be household income?

P. Balaji: Yes.

Manoj Oberoi: And just lastly on the yields, when I look at the portfolio yields, so they have been pretty steady in the last 4-5 quarters, but I believe that we had also cut rates for home loans by about 50 basis point and other loans by about 25-30 basis points and when I look at the mix also, the mix have moved slightly towards home loan in the last few quarters, so then ideally the yields should have declined than once we have declined by, so any comments here?

Anandan M: Actually, if you look at numbers bit closely in terms of portfolio yield, the yield has declined to an extent of about 20 basis points. I will give the correct number, actually our yield has declined from about 17.63% to about 17.51%. About 12 basis points reduction is there in yield, but it got compensated by our other recoveries of other income and fee income. That has resulted in our overall yield unchanged at about 18.17%.

Manuj Oberoi: And sir, just last question is on the small business loans, so is our approach changing in terms of new business, so in the last 2-3 quarters, when I look at the growth compared to home loans, it has been a bit slower and understandable because of slightly difficult situation on the ground, but now we think normalizing in every way, can we then see that small business loans will grow in line with home loans or how do you look at portfolio of product mix in the next 1-2years?

G. Subramaniam: Business loan is a good product and we have been doing this product for the last 7-8 years, it was giving us good results and good margins. All these loans are secured by self occupied residential house property. Only thing is during covid time in the past two financial years, we were being extra cautious in these loans as the end use was not easily ascertainable. This has led to small de growth in these loans. However commencing this year, we will refocus on this particular product and will grow as we have done in the past.

Manuj Oberoi: So, you have said your entire book is floating on the asset side?

P. Balaji: No, on the asset side, 77% is fixed and 23% is floating.

Moderator: Thank you. The next question is from the line of Raj Mehta from Raj Mehta & Associates. Please go ahead.

Raj Mehta: I just wanted to ask you sir, now we are present in South side and we have dominance in there, so when are you thinking to start towards the North side, Maharashtra side and what is the trajectory of growth which you are looking for next 5 years?

Anandan M: Let me take the second part of it first, in the affordable housing finance segment, you must have seen that there is a significant population in the lower and middle income largely living in tier 3, tier 4 cities, largely self-employed, without readily available income documents. There is a large unserved / undeserved market in the affordable housing finance segment and the loan penetration percentage is very low. So, going forward, this will provide good growth opportunity for many years to come not only for Aptus, but also for every other company in the affordable housing finance space. So, at the overall market level, there is low penetration, and sustainable growth rate is possible in this segment. That is why we are planning for a growth of twice the growth of the mortgage finance industry. If the industry is growing by 12.50% we would like to grow at 25% and if the industry is growing by 15%, we would like to grow at 30% consistently over the next 5 years.

Now coming to your question in terms of the branch expansion, we always believed in the philosophy of deeper than wider, we believe in the concept of deeper in the sense that we choose a particular state and go deep into that state which makes us a formidable player in that state. That is why since we are head quartered in Chennai, we have commenced operations first in Tamil Nadu, then extended to Andhra, Telangana and Karnataka. So, our philosophy is that wherever we want to operate, we would like to be closer to the customer. We will not add branches because we need to be present in North, West, East etc. We will add branches where it is absolutely required and also helps us pursue our strategy of contiguous expansion. That is why we have added one branch in Odisha because Odisha is really after Andhra. To sum up at this stage we may not be known as a pan India company but we will open branches which will support our strategy of going deeper in a particular state and also supports contiguous expansion.

Raj Mehta: But sir, that won't be too much of risk related to us a particular state, if anything bad happens and how to mitigate that risk sir?

Anandan M: These four southern states where we operate, have a population of about 250 to 300 million and they have four different philosophies, four different political parties, four different languages and four different culture hence diversity is there. Yes, I agree that to some extent your point is right and there could be some geographical risk. So far, we were able to manage our risk far more better and mitigate any such geographical risk because of our concentrated approach. In fact, even if you look at other affordable housing finance companies, 80-85% of their loan book will be from four/five states only. They might be operating out of 12 states, but of these 12 states, but their presence outside major 5 states will have very few branches, employees and customers.

Moderator: Thank you. The next question is from the line of Franklin Moraes from Equeintis Wealth Advisory. Please go ahead.

Franklin Moraes: Considering that we are growing quite robustly and we have a good growth plan in the future as well, just wanted to understand that what are the checks and balances that we take into consideration, so as to avoid any kind of fraud or any such kind of lapses?

G. Subramaniam: As you are aware, we do not have frauds for about last 10 years. Some of the checks and balances we have done to eliminate such lapses/frauds are as under

- primary thing is we conduct all the operations in house and we do not have any outsourcing, be it in sales, legal, technical or collections
- All our credit decisions are centralized at HO
- When we open new branches, we conduct in depth study of the market, culture of the people, etc
- We have a robust mechanism of tracking early defaults and any overdues arising out of this tracking is incorporated in the credit norms for evaluating the credit worthiness of the customers.
- We also have incorporated analytics using artificial intelligence and machine learning to predict the customer behavior.

P. Balaji: To add to this, there are two things, one is the robust internal audit and internal control mechanisms. Then the next thing is, the reporting structure of the branches, where in the support functions like credit, legal, technical report to respective heads at the Head Office. These support functions report functionally to the head office and administratively to the branches.

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

Kunal Shah: Sir, firstly in terms of the processing fee, when we look at it, if you can just highlight in terms of how much would be the nonrecurring in nature, no doubt that is the increase in the disbursement, but still it seems to be slightly on a higher side?

P. Balaji: If you are talking of processing fee, we charge 2% on the sanction and that is being collected at the time of sanction.

Kunal Shah: No, sir, of the number which is there from Rs. 31 to Rs. 48 -49 crores for full fiscal, so even for this quarter, in fact Rs. 17 odd crores compared to may be Rs. 12, Rs. 13 odd crores in Q3, so would there be any element which is nonrecurring and it might not be there in that?

Anandan M: Basically, the processing fee is collected at the time of sanction of new loan. There are also other charges like documentation fees etc which is disclosed in our website. All these charges are recurring in nature. Apart from this there could be some recovery relating to overdue charges/penal interest etc which gets recovered when the accounts are getting preclosed or getting transferred to other HFCs. There are also preclosure charges which we charge as permitted under law which gets included in this line item. Over and above this, the income has grown because there is a 27% growth in disbursements y-o-y and 14% growth Q-o-Q. Further as explained earlier, our soft buckets have come down which means that the overdue charges for the customers who have not paid on time will also be forming part of this income. To this extent the income booked is normal business income and recurring in nature.

Kunal Shah: So, when we look at the disbursement growth largely from say 21 to 22, almost like 26% or may be even I take 30% kind of a disbursement growth, then would it be fair to assume that Rs. 7to Rs. 8crores would be something pertaining to either the penal charges or foreclosure and all?

P. Balaji: Yes, it will be.

Kunal Shah: And secondly, in terms of the maturity of the borrowings, how much would come in for maturity in say FY23 and FY24 and particularly anything high cost within this wherein we will get the cost advantage?

P. Balaji: In FY24, some of the borrowings from IFC and mutual funds which has been borrowed at around 10% will get repaid. To this extent we can get the repricing benefit in FY 24. In FY 23, there is no room for such a kind of repricing benefit.

Kunal Shah: So, FY24, both the IFC as well as from Franklin whatever are the high cost that will get replaced lower?

P. Balaji: Exactly.

Kunal Shah: And quantum would be if I have to look at it the cumulative quantum of this both of them?

P. Balaji: It should be around Rs. 370-Rs. 400 crores.

Kunal Shah: And re-pricing benefit could be, so on this it will get re-priced lower to be so, you said it was like 10% was IFC, so you said, okay, got it. Lastly in terms of Opex to asset, if I heard it right, you were saying that it would neither go up much nor it would come off, but just wanted to here, maybe there are lot of investments which are being made by the other affordable housing and we are working on a very lean cost structure, so any kind of specific investments which are needed either in digital, technology, branch expansion we have highlighted, but any specific element of cost which can come in over next 18 to 24 odd months?

Anandan M: Actually, we will incur relevant investments particularly in IT area which we are doing already and we will continue to do so and we may increase the IT spend, for digitalization, digital on boarding, etc**.** Despite that we believe in a very high productivity of our existing branches, existing staff and the number of files they login At every level we are very conscious of two things, one is the actual expenses and second is really the value that we get out of the expense made, be it salary, incentives and other opex like printing, courier, staff welfare etc. We are very close in terms of monitoring of all these expenses.

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

Nischint Chawathe: Just taking this forward given the fact that you will invest some IT expenses, would you expect the cost to income ratios or cost to asset ratios sort of inch up little bit next year?

Anandan M: It will, but however it will be compensated by growth in our business volume and possibly reduction in the other expenses on account of the productivity including IT productivity. Now increasingly we had incurred expenditure for IT, either hardware, software, etc, but same time we also look for what is the impact. Suppose , say collection, it will be tracking of the collection officers, tracking of the receipts per day, tracking whether the cash has been digitally collected rather than the cash etc. We have invested in the entire package concerning the collection software right from prediction of the cheque bounce till the ultimate collections and credit into the bank account. We have got closer to 90% prediction in case of cheque bounces. So having invested in it, we are also able to plan and manage our collections in an effective manner**.**

Nischint Chawathe: And just one small data keeping question, if you could give the breakup of the Rs. 10 odd crores of credit cost for the quarter?

Anandan M: Actually, this ECL provision includes the write-off of principal outstanding of around Rs.6.50 crores and also the interest overdues on accounts that were written off. As per the Ind AS accounting treatment, interest overdues on the written off accounts has to be part of the debit in the profit and loss account. To explain further, the interest income on the written off accounts is included in the interest income and the same is also considered in the debit to the P&L account which is basically a contra entry.

Moderator: Thank you. The next question is from the line of Lavina Meghwani, Individual Investor. Please go ahead.

Lavina Meghwani: I have two questions, sir, can you just give us the breakup of gross stage 3 assets which into RBI circular and actual DPD basis?

G. Subramaniam: I will take that. Gross stage 3 is 1.19% , this has been computed as per the RBI circular dated 12 November 2021. Gross Stage 3 will be at around 0.99% if we do not consider the RBI circular.

Lavina Meghwani: And can you explain us the increase in reserves in surplus of Rs. 950 Cr as you can see the PAT number for the year is at Rs. 370 Cr?

P.Balaji: Ma'am, we came with an IPO which brought Rs. 500 crores of money into the company.

Moderator: Thank you. The next question is from the line of Ankit Bansal from AB Private Limited. Please go ahead.

Ankit Bansal: Sir, my question today is like, now you are mostly situated in Southern India, now in your presentation you are coming to markets like Odisha, Maharashtra, expanding. So sir why customer will still come to Aptus for a loan rather than from big players that are being well placed in that market? And second, sir, what will be the growth driver for the company to make it the level of like HDFC, Kotak, so what are your comments?

Anandan M: I will take this second part of your question first. I don't know whether we will ever become like HDFC in terms of size and scale, but definitely we will benchmark with them in terms of quality of operations, yields, return to the stakeholders, return of assets, return on equity and consistency of delivery of the financial metrics, transparency and governance and will try to match with them or possibly we will exceed them as well. Answering to the first part of your question, as I mentioned we have started in Tamil Nadu and continue to grow on a contiguous basis since last 10 years. When we entered in to the states of Andhra, Telangana, Karnataka, our competitors were already present in these areas. We were still able to penetrate in to these markets by our way of working, our culture, friendly approach to customers, funding the right customers, providing good customer service, quick response and transparency in our operations. All these factors have really helped us to rebuild the customer base progressively over a period of time. This same organization philosophy will help us to get the newer customers in the newer markets also. That is our belief.

Ankit Bansal: Second is sir, with RBI increasing rates, you will be getting money at higher rate, sir, will you be able to pass on those interest rates to the customer who are being somehow not willing like the demand is decreasing in the economy, how would you be able to pass on those high interest rates to the customers in the newer market, like there you are not standing right now, you are just beginning in that market, so will it not be a good foray into that?

P. Balaji: As I told you earlier, we have got this rating upgrade in December 2021 and considering the upgrade, we will be getting a reduction of around 0.25 to 0.5% on incremental borrowings. Hence there will not be any necessity to pass increase in interest rates to our customers.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments.

Anandan M: Thank you Gaurav from Concept IR and Faizan for organizing this conference call. I would like to pay my sincere gratitude to all analyst and investor friends who have taken time out or scheduled to listen to us today. Please feel free to contact with us in case you have any further queries, we would be happy to get back to you. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Aptus Value Housing Finance India Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines. If you have any further questions please write an email to gaurav.g@conceptpr.com