SAPNE AAPKE, SAATH HAMAARA

Ref. No. AAVAS/SEC/2021-22/414

Date: August 05, 2021

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

Dear Sir/Madam,

Sub: Earning Conference Call Transcript

In reference to letter No. AAVAS/SEC/2021-22/368 dated July 22, 2021, please find attached the transcript in respect to the earning conference call on the financial and operational performance of the Company for the quarter ended June 30, 2021 held on Friday, July 30, 2021 at 03:30 P.M. (IST).

The transcript and the audio recording of the conference call can be accessed at the website of the Company at www.aavas.in.

We request you to take the same on your record.

Thanking You,

For Aavas Financiers Limited

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

AAVAS FINANCIERS LIMITED
(Formerly known as **"Au HOUSING FINANCE LIMITED"**)
An ISO 9001: 2015 Certified Company | CIN NO.: L65922RJ2011PLC034297
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“Aavas Financiers Limited
Q1 FY2022 Earnings Conference Call”

July 30, 2021

MANAGEMENT: **MR. SUSHIL AGARWAL - MD & CEO**
MR. GHANSHYAM RAWAT - CFO
MR. HIMANSHU AGRAWAL - INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day and welcome to Aavas Financiers Limited Q1 FY22 earnings conference call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on 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 Agarwal, MD and CEO - Aavas Financiers Limited. Thank you and over to you, Sir!

Sushil Kumar Agarwal: Good afternoon everybody and thank you for participating on the earning call to discuss the performance of our company for Q1 FY22. With me I have Ghanshyam Rawatji - CFO, Himanshu Agrawal - Investor Relations, and other senior member of the management team and SGA, our Investor Relationship Advisors.

The result and presentations are available on the Stock Exchanges as well as our company website. I hope everyone has had a chance to look at it. As you all are aware, the country witnessed a severe healthcare crisis during the first half of Q1 FY22 on account of second wave of COVID-19. While unlike last year, there was no nationwide lockdowns announced by the central government, but various state governments imposed localized lockdowns of various degrees to contain the spread of the infections. As a result, the business was impacted during the first half of the quarter, but with the phased reopening of the states after mid-May, the business also started picking up from the second half of the quarter. For Q1 FY22, we have disbursed Rs.462.5 Crores, registering a 117% YoY growth. We continue to grow in a calibrated manner and registered AUM growth of 21% YoY. All this while, we maintained our operating metrices and delivered profit after tax growth of 20% YoY as per Ind-AS accounting and 19% YoY as per IGAAP accounting for Q1 FY22.

Last year after the gradual unlocking in the country from the lockdowns imposed to contain the first wave of COVID-19, our exposure under moratorium was at 17.8% as of June 2020. As economic activity picked up in subsequent quarters and the cash flow situation improved for borrowers, their repayment behavior also exhibited a continuous improving trend and 1+ DPD reduced to 8.21% as of December and further reduced to 6.37% as of March. Based on the resilience of our customers displayed last year, our learning from continuous interactions with them, we expect to see similar trend this year as well. This time around our 1+ DPD is 12.67% as of June 2021. So if there is no third wave in the subsequent quarters and economy continues to bounce back, we remain hopeful of gradual reduction in

1+ DPD based on our experience from last year. I would now hand over the line to Ghanshyamji – CFO to discuss various business parameters in detail.

Ghanshyam Rawat: Thank you, Sushilji. Good afternoon everyone and a warm welcome to our earnings call. During the quarter, the company borrowed an incremental amount of Rs.6920 Mn at 4.62% for 43 months. As of June 2021, our average cost of borrowing stood at 7.25% on an outstanding amount of Rs.83200 Mn with an average maturity of 127 months. Our long-term credit rating continues to be AA- with Stable outlook from both ICRA & CARE. 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 and Net worth on slide #30 & #32 of presentation.

Key Parameters: As on June 30, 2021, total number of live accounts stood at 1,28,000+ i.e. 20% YoY growth. Total number of branches was 284 i.e. 33 new branches added in the last 12 months. Employee count of 4431 as of June 30, 2021. Assets under management grew 21% YoY to Rs.96,156 Mn as on June 30, 2021. Product-wise breakup: Home Loans 72.7%, Other Mortgage Loans 27.3%. Occupation-wise breakup: Salaried 39.7%, Self-employed 60.3%. Disbursements increased by 117% YoY to Rs.4625 Mn for Q1 FY22. As on June 30, 2021, average borrowing cost 7.25% against an average portfolio yield of 12.99%, resulted in spread at 5.74%. Borrowings: access to diversified & cost-effective long-term financing from various lenders, strong relationship with development financial institutions, overall borrowing mix as on June 30, 2021 is 33.7% from term loans, 23.1% from assignment and securitization, 24.4% from National Housing Bank and 18.7% from debt capital markets. Asset Quality: 1 day pass due stood at 12.67%, Gross Stage 3 stood at 1.14%, Net Stage 3 stood at 0.86% as of June 30, 2021. During the quarter, resolution plan has been implemented for certain borrower accounts as per RBI Resolution Framework 2.0 dated May 5, 2021, such accounts with an outstanding amount of Rs.1149 Mn have been classified as Stage 2 and provided for as per the regulatory guidelines. Provisioning: total COVID-19 provisioning stood at Rs.148.2 Mn as of June 30, 2021. Total ECL provisioning including COVID-19 provisioning and provisioning for Resolution Framework 2.0 stood at Rs.662 Mn as of June 30, 2021. Liquidity of Rs.23,550 Mn as of June 30, 2021: cash & cash equivalents of Rs.11,080 Mn, un-availed CC limit of Rs.1320 Mn, documented un-availed sanction from National Housing Bank of Rs.4550 Mn, documented un-availed sanction from other banks of Rs.6600 Mn. Profitability: profit after tax increased by 20% YoY to Rs.599 Mn for 3M FY22 as per the Ind-AS accounting. As per IGAAP, PAT registered a YoY growth of 19% to Rs.713 Mn for 3M FY22. ROA 2.64% & ROE 9.84% for Q1 FY22. As on June 30, 2021 we are well capitalized with a Net worth of Rs.24681 Mn. Our book value per share stood at Rs.314.4. Now with this, I open the floor for Q&A session. Thank you.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

Abhijit Tibrewal: Good afternoon Sushilji, good afternoon Ghanshyamji, hope both of you are doing well and the rest of the Aavas team are also safe and sound. My first question was around the sharp deterioration that we have seen in your 1+ DPD and I think this looks far more pronounced given that the other peer, which reported yesterday has not reported this kind of a deterioration and sir correct me if I am wrong but I think this kind of a stress build up we have seen only during demon last time. So if you could please guide what was your experience like during demonetization and when can we reasonably expect these 1+ DPD numbers to start getting normalized at those 5% levels that you have guided for in the past.

Sushil Kumar Agarwal: So Abhijit if we compare, like last year when the first lockdown happened April May, the moratorium given to them, customer was around 24% and in June it was around 18%. If you will take the similar situation, now this time, moratorium has not been given and restructuring guidelines is already opened. So out of around 1,29,000 customers, we have given around 1400 customers restructuring and as of June only 3000 customers have not paid the June installment. So if you take that number this is around somewhere 2.5% of the book, so in June almost 97% of the customer has repaid their installment. So now in April and May when the lockdown happen, so certain customer has missed theie one installment or two installments. So like in March end, the number was somewhere around 6%, 6.5%, 1+. So around 6% customer missed either one installment or two installments, but at the June end overall out of 12.37% only 2.5% has not paid the installment. So means from June onwards around 10% customer has normalized their account, and in further July out of the 3000, already 2000 accounts have paid the July installment also. So now things are getting normalized, but one or two installments for some account which has been not paid because of the COVID impact, so according to business requirement or maybe salaried customer who has Rs.20000, Rs.25000 salary and Rs.7000, Rs.8000 installment so they might take one quarter, two quarter or some of the business taking the longer tenure, to normalize their one or two installments which is pending, but current month installment they have already started paying so I do not think so that is much of the stress, but this is the right position of the portfolio at this point of time.

Abhijit Tibrewal: If I were to summarize that given the kind of collection that you are looking at now, if the economy were to actually recover, we can also expect a sharp improvement in the 1+ DPD number in the next two or three quarters.

Sushil Kumar Agarwal: Yes, so if third wave will not come and economy is on the upscale side, yes in next two to three quarters; because customers already started paying the current month installment, so there is no further stress which is getting built up in terms of the Stage 2, Stage 3. Yes, we have certain more request which is pending for restructuring, we have restructured around Rs.110 Crores in first quarter, certain more requests are there which is pending and our credit team is working with each of the customer, but like our collection efficiency around 98%, 99% in June itself and we think from here onwards I think this will gradually come down in next two quarters or three quarters.

Abhijit Tibrewal: And the last question that I had was on the disbursement, so Sushilji this time the disbursement mix suggest that they were slightly skew towards other mortgage loans and in the PPT also you have suggested that about 15% of your other mortgage loan disbursements are towards MSME loans compared to about 7% in Q1 of FY21, sir why this is interesting today is, I mean, while we did some channel checks for affordable housing financiers in May, we always use to hear that a lot of top up loans are actually happening from the affordable housing financiers in May when there was not a lot of organic housing loan demand. So, what was our experience like when it comes to top up loans and maybe if you could just give a breakup of your other mortgage loans as well.

Sushil Kumar Agarwal: Abhijit in our non-housing loan, top up will be very miniscule, we have not given any top up, it will not be more than even 1% of the disbursement of the total number. Second thing is as soon as the lockdown happens, the home loan customer loan got sanctioned but in disbursement there is difficulty because of property paper not getting registered and in construction cases, first stage is only 10%, 20% so that get deferred, if you will see month-on-month number and there was a spillover from last quarter on the non-housing side. So only in April we have more non-housing loan disbursed, May was around 65%/35% and June is 72%/28%, so June is the normal business month which has happened for us. So, if you will see last Q1 FY21 also so housing and non-housing was 70%/30% and if will leave one month aberration we are on the same track of 73%/27%, 75%/25%, and I think going forward we will have the same kind of disbursement trajectory for all our disbursements.

Abhijit Tibrewal: Sushilji if I can just squeeze in one last question, which has kind of gotten me curious that we opened one branch in the state of Odisha, and I remember reading one Experian data, it suggested that only about 2% of the total outstanding housing loans in the 5-10 lakh ticket size use to come from Odisha, in the overall pie of 100, just 2% was contributed by Odisha. So while I understand that the competition there is low and while you might have a first mover kind of an advantage there and if you could just briefly tell us what was your thought process in entering, let us say Odisha where I think the per capita income is low and maybe somewhat I gather, it is also a difficult market. So if you could just share some thoughts around our strategy of entering in Odisha.

Sushil Kumar Agarwal: Abhijit we are consistent in our branch opening approach and state penetration approach, so as we have done in last ten years every five year bracket we open three to four new states and then go penetration in the taluka level and that is the way we do the business. When we select the branches in the state, we do it on the two basis, one is we have pan India data, so country level, state level, district level, taluka level, population, number of families living there, different income groups, what are the number of housing loan exist, so housing loan penetration less than 5% to 7%, 1+ less than our benchmark number, 90+ less than our benchmark number so those areas of market we open so that our branches can sustain for next 10 to 15 years for the business in that. So now we have completed two block of five years, in the first year we opened Rajasthan, Gujarat, Maharashtra, MP; second block we opened Haryana, Uttar Pradesh, Chhattisgarh, and Uttarakhand. So now in next five years, again we intend to open 3 to 4 states. So in the first year, we are opening Karnataka and Odisha, so Odisha again we will open five to six branches, first branch opened in Q1 and in Karnataka also one portion of our branches are very much near to Maharashtra so it is a contiguous distribution, Hubli belt and the rest branches we will open as per our program. So there is no change in our penetration policy as per state in the district level, tehsil level branches and we will keep on same with our analytics numbers and ground level experience, so I think wherever housing penetration is low and the market is upswing, we want to capture that market because we are in the affordable housing segment and where there is less penetration, we see more scope but yes on asset quality side, our practices we are confident now after running 11 years and 280 branches that our processes are well versed but still in new branches as we have already disclosed in our last conversation also we go very slow first three years, there is no sales target, we learn from the cash flow, seasonability, how the market behave and then we go deeper so we will continue our same approach, being more risk averse in the new market, but again in this new five years' time, we will open three to four new states, but overall plan is like we open 30 to 40 branches every year, so if we will open around 100 branches in next four to five years, 60%, 70% branches will be in existing states which are 8 to 9 states existing and 20%, 30% branches will be in new states where we go slow for first three years. Hope I have reiterated entire branch opening process and policy, which we are following in last ten years.

Abhijit Tibrewal: Sushilji thank you for patiently answering my questions and I wish you and the Aavas team the very best for the next quarters.

Moderator: Thank you. The next question is from the line of Udit from Ambit Capital. Please go ahead.

Udit Kariwala: My questions were what is the provisioning policy around restructured assets. So are you following a 10% provisioning norm or are you prudently providing a little more as per the ECL model because we have seen some of the peers doing that, so that is my first question. The second question I had was if you could spell out the amount of interest rate or interest reversals during the quarter, the absolute amount and if you could tell us the assets held for sale number as of June 2021.

Ghanshyam Rawat: I am just taking the first question on the prudent policy around restructured account. We adopted more prudent policy towards the ECL guidelines, so for the restructured account we had done during this quarter, we have provided around 14% provisioning on that asset. Your second question was around interest reversal, I think we could not able to understand but as I think last time at annual closure I think I explained this thing in detail, we have adopted a more prudent policy around interest recognition. We do not recognize any interest income on the Stage 3 assets.

Udit Kariwala: So in this quarter whatever new assets have been slipped, so there is no reversal then in that what you are saying.

Ghanshyam Rawat: Yes, we did not book income in that because last year we adopted our prudent policy, earlier we used to do like that under Ind-AS we changed that policy, but after we again move back to our original policy we are not recognizing any income on the Stage 3 assets.

Udit Kariwala: So the decline in yield in this quarter, if just say calculate not the reported yield. Is it only because of the direct assignment not being there.

Sushil Kumar Agarwal: Udit there are two things, first we have dropped our base rate by 15 bps from 1st of April, which we announced in last quarter, and then rest is the normal business.

Udit Kariwala: And if you could tell us the number on asset held for sale.

Sushil Kumar Agarwal: Yes, this is Rs.18.6 Crores.

Udit Kariwala: Thank you so much.

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

Kunal Shah: Sir firstly in terms of the overall ECL provision at 85-odd basis points, so how comfortable we would be, so obviously there would be rollbacks and upgrades, which would happen from 1+ DPD, but if you overall look at it maybe in 31 to 90 day bucket, does it seem sufficient or maybe the policy would be the way we are seeing 70 bps kind of a credit cost compared to earlier years average, could it be higher this particular fiscal and we will keep on inching up the provisioning.

Ghanshyam Rawat: As we adopted very consistent and a prudent policy around ECL thing. During this quarter as I explained in earlier questions so we have recognized certain asset restructure where we have created, we fixed that asset under Stage 2 where we have provided higher provision at 14% and at Stage 3 we provide the provision of around 22% as per the ECL calculations, but we are quite confident I think our ECL provision at 0.85% and we do not think any further major change will happen towards the overall ECL provision rate.

Kunal Shah: So then given this kind of a situation, overall, we should see the credit cost settling down and normalizing to where it was earlier in terms of pre-COVID level.

Ghanshyam Rawat: Yes, apart from that just I want to update one more thing here, like total ECL provision is Rs.66 Crores, if we refer the presentation, this Rs.66 Crores also include Rs.31 Crores provision we have created on account of COVID Phase 1 and recent restructured account.

Kunal Shah: And there would be pipeline as well of restructuring wherein some further provisioning would be needed.

Ghanshyam Rawat: But Rs.31 Crores already we have created on account of stress.

Kunal Shah: And further pipeline which could be there that we will have to again create more provisioning so whatever maybe 10%, 14% odd that will just get added.

Ghanshyam Rawat: Yes, Kunal that will depend, we will do reassessment of earlier accounts also, how they are performing in the next quarter as well as if there is fresh addition will be there, so accordingly that provision will be created.

Kunal Shah: And in terms of the nature of restructuring if you can highlight how it has been given to the customers.

Sushil Kumar Agarwal: Kunal government announced around 5th of May we got the board policy approved, but interimly because customer was having the moratorium experience so as soon as lockdown happened, we started receiving applications around it and as per the board approved policy and as per the RBI guidelines, we created a proper setup, we have given customers option to apply for that through various modes of communications and as soon as we were getting the communication, initially I think for some 20, 25 days it was difficult to go to customer assess the business at its business place, so we did virtual kind of assessment and once the lockdowns started opening up, we started visiting the customer place, looking at business, looking at cash flow, GST returns wherever even salaried customer also, they said that their salary is coming less, we take the bank statement and so we completed the entire process and then all those cases based on the credit team recommendation went to committee and wherever committee was convinced that yes restructuring is in a right mode and this restructuring will get success, then only we have given this restructuring approval, still we are working on some of the more applications, we were not able to process 100% of the applications because of the time lag and accessibility, certain customers has not given the documentation, but looking at the current numbers I think some customer has withdrawn their restructuring applications also because now the business has come to a normalcy very fast and some of the customers, so in the earlier we have said that there might be 2% to 2.5% kind of restructuring, which can come onboard but I think now the number will be lesser than that number.

Kunal Shah: And moratorium would be for one year how would that seems.

Sushil Kumar Agarwal: No, as per customer requirement certain time three months, certain time six months, nine months according to customers requirement and assessment of the credit team, both the things matching accordingly we have created the thing.

Kunal Shah: And last question in terms of securitization what would be the overall view for the full year, maybe this quarter we had not done anything as such but otherwise in terms of the securitization how should we expect it going forward for next nine months.

Ghanshyam Rawat: Kunal as we articulated our management thesis around the assignment transactions, we take assignment as our funding tool, depending upon the business growth and the price availability in the market, we do the assignment transactions. So it is purely depend upon that, like last year also Q1 we did not do any assignment transactions, similarly this quarter also we did not do any because other funds are available at a very competitive price, we have mentioned I think, fresh fund we raised during this quarter is a much competitive price, so we did not do any assignment transactions during this quarter but overall basis you can refer the last few year trend similar trend will be maintained for this year also.

Kunal Shah: Thanks a lot.

Moderator: Thank you. The next question is from the line of Bharat Shah from ASK Investment Managers. Please go ahead.

Bharat Shah: Just one question, the credit cost that we have written-off in June quarter, numbers apart and technical provisioning apart, are these in your opinion more than probably likely to be incur or reflects the judgment as to where the cost should be and that is how it is provided.

Sushil Kumar Agarwal: Actually with auditors every six months we do the reassessment on loss given default and PD ratios and same thing we will do in 30th September, and accordingly whatever ratios come we provide that, so earlier basis it is 21.4% which was entirely seen in the COVID first wave also. COVID second wave is not much that severe like the COVID one because I have told earlier it was 17% moratorium and now in June only 2.5% of customer has not given the installment. So I think more or less we will go by that model and on that Stage 3 comes around 22%, this restructuring guideline we have followed but here also we have provided as per the ECL model, so restructuring and COVID provisioning is somewhere around Rs.31 Crores, I think that is sufficient and going forward also even if portfolio behave very well, we intent to keep this as a buffer in the balance sheet and we will try to strengthen balance sheet further, so that we benchmark ourself against the best practices. But technically you are right, right now it is a technical provision and hope so if COVID three will not be there, we will have much better results than this.

Bharat Shah: So Sushilji Rs.33 Crores is buffer and entirely futuristic kind of a conservative provision

Sushil Kumar Agarwal: Rs.31 Crores

Bharat Shah: So this 31 Crores is entirely buffer provision over and above specific identified and likely credit cost, 31 is entirely additional contingent amount.

Ghanshyam Rawat: Bharat sir total provisioning is Rs.66 Crores, it includes Rs.31 Crores additional provision we made on account of COVID phase I and the COVID phase II.

Bharat Shah: So it is a buffer provisioning, there is no identified and likely cause but it is precaution.

Ghanshyam Rawat: Yes.

Bharat Shah: Thank you.

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

Nischint Chawathe: My question actually pertains to your incremental funding cost, I think somebody mentioned that you have raised money at something like 4.62% this quarter, I just want to understand a) which are the sources from which you are raising money b) how sustainable do you think such low cost of funding would be.

Sushil Kumar Agarwal: When we raise money every year so there are different instruments, so NHB funding, long-term bank borrowing, assignments and NCD and at different time of market, different money is available at competitive prices, so in Q1 we have raised most of the money from NHB, but overall NHB money is there every year around same costing, last year also I think it was around same costing and rest of the money from different instrument maybe will be in different parts of quarter, so first NHB money is available around that price and rest of the instrument anyway the price which is prevailing in market we are able to do but it will not go further below 7.25% next six to nine months that is our foreseeable future, but yes we will keep on borrowing at very competitive price going forward also.

Ghanshyam Rawatji: Yes, Sushil has it very well covered, if you have further more question around the cost of borrowing, then I will try to answer.

Nischint Chawathe: See if I recollect rightly, I think NHB refinancing used to be like 6% to 7% right.

Ghanshyam Rawatji: NHB has different products which start from sub 3% to somewhere 6% or 7%, certain products are fixed rate product which they will give to everyone the same rate, certain product they give linked to the HFC rating framework which they have internally. So, it will start from 3% to it can go up to let us say 6% to 7% or 8% also depending upon the HFCs, but as Sushilji mentioned we are at 7.25% at June end, it looks so, we are now almost has become very competitive as overall cost of borrowing looking at the current interest rate and likely in coming quarter scenario.

Nischint Chawathe: But this 4.62% do you think in a such low sub 5% facility from NHB will continue.

Ghanshyam Rawatji: Let me again elaborate like today we have around the remaining borrowing sanctioned Rs.455 Crores mentioned in 24 slide number, so out of Rs.455 Crores there may be certain components they can give us a lesser price, certain amount may come at a higher price because they have their own mechanism to give different product to different institutions.

Nischint Chawathe: So, it is better to just benchmark it at a 7% to 7.2% number.

Ghanshyam Rawatji: Yes.

Nischint Chawathe: Thank you very much and all the best.

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

Karthik Chellappa: I have three questions, the first one is if we were to look at our NPA in the other mortgage loan segments, possibly about three years back this was in the region of about 0.25%, 0.26% and this has now crossed about 1%, which is almost a fourfold increase and is now almost equal to the home loan gross NPA so what is it about the segment that the deterioration has been far sharper than home loans.

Sushil Kumar Agarwal: Yes, so Karthikji as you know different business segments have got impacted because of COVID and again when we started this business we lend this portfolio around 14% to 16% rate and at that rate we presume that there might be 1% to 1.5% kind of NPA and even after COVID this portfolio is showing into that acceptable trajectory, but nevertheless we assume that this portfolio will behave much better once the COVID impact will be lesser.

Karthik Chellappa: And Sushilji the 12.7% of 1+ DPD how that gets split between self employed and salaried and which are the states that are above this average.

Sushil Kumar Agarwal: Karthik can we get back to you on this, Himanshu will give the number, right now readily not available with me.

Karthik Chellappa: Not a problem.

Sushil Kumar Agarwal: Your question is 12.6% between salaried and self-employed.

Karthik Chellappa: Yes, salaried and self-employed and which states are actually above this average.

Sushil Kumar Agarwal: We will try to give this data by end of call or maybe we will add in transcript of the call.

Karthik Chellappa: Not a problem Sushilji. The last question is if I were to look at the restructuring book of about 115 Crores, which we have done and looking at the number of customers about 1400, I get an average size of about 8.2 lakhs which is almost equal to basically the ticket size of our loan, so does this mean this restructuring portfolio is typically very, very early vintage customers and what would explain this phenomenon if true.

Sushil Kumar Agarwal: No I do not think so.

Ghanshyam Rawatji: No, Karthik I think there is nothing as early vintage but this 1400 customer plot on average ticket size versus our pool average ticket size entire loan book, we do not see any aberration in the ticket size who sought this restructuring.

Karthik Chellappa: So these are not like very typical early vintage, one, two year old kind of customers it is a mix but it is just that the average is closer to 8.2 lakhs.

Sushil Kumar Agarwal: Karthik last ten years our average ticket size is somewhere around this number, so I do not think so. So Karthik almost 75% to 80% of this portfolio is more than two years vintage.

Karthik Chellappa: About 75% of the restructured book is more than two year vintage is it.

Sushil Kumar Agarwal: Yes.

Karthik Chellappa: Got it thank you very much Sushilji and Ghanshyamji and wish you the team all the very best for the remaining quarters. That is all from my side.

Moderator: The next question is from the line of Piran Engineer from CLSA. Please go ahead.

Piran Engineer: Congrats on the quarter. I just had a couple of questions, firstly on slide #24, can you just explain to us when you say that the outstanding tenure of borrowings is 125, 130 months, but on the left hand side when we look at the ALM there are no borrowings above 10 years and I understand ALM is for residual maturity and not from the start but still and only 20% of it is more than five years, so how do we exactly reconcile this data of borrowing tenor.

Ghanshyam Rawatji: If I understood your question correctly, let me explain, your weighted average tenure of the borrowing, weighted tenure is when we source a loan let us say of ten years so it get counted for the ten years, if we take a loan from national housing bank for 15 years so that tenure is counted as a 15 year. Similarly if assignment transaction happened door-to-door maturity so that also comes because that also get door-to-door maturity around that basically. If we took NCD with the multilateral institution like ADB, IFC and CDC around seven year, eight year so that get counted as a actual maturity of seven year bullet repayment. So accordingly that average maturity gets computed on the borrowing side. Similarly this ALM comes out of remaining liability tenure basically.

Piran Engineer: That is my question sir, in that case intuitively in the ALM chart most of your borrowings like right now if I see out of Rs.6600 Crores of borrowings Rs.5200 Crores is less than five years, residual maturity, only about Rs.1400 Crores is more than five years, only about 20% so that is my point if the borrowing tenure is so long why is it like this.

Sushil Kumar Agarwal: So Piran I think if you will see the breakup of our borrowing around 23% is from NHB that is mostly long tenure borrowings, then around 22% from assignments which is around again 16 to 17 years, then most of the term loan borrowing from the banks is around 10 years that should be commensurate with the loan tenure so that is around that, and then we have around 15% borrowing from NCD and all those things, where average tenure is from five to seven years. So if you will take this average, the weighted average of borrowing and the door-to-door maturity, right side table is as per that while left side table is residual maturity.

Piran Engineer: But sorry to harp on this but now for example this quarter we raised Rs. 400 odd Crores or something from NHB and as you are saying it is 15 year money.

Sushil Kumar Agarwal: No it is not 15 year money, we have mentioned 45 months.

Ghanshyam Rawatji: This year the average maturity of 45 months.

Piran Engineer: But I mean in the last couple of quarters you all would have raised some money which is more than ten years maturity right but in the ALM there is nothing which is more than ten years remaining and very less which is between five and ten years also.

Ghanshyam Rawatji: Yes, I think there is some confusion at your end, this left side is the residual maturity, left side of the table is made only on the on-book balance sheet basically, assignment is not there because that become off-book item on the balance sheet date basically, but the right side you see it is the entire borrowing including assignment and PTC everything is there. So both the two things are different when you see. So separately connect with Himanshu, he will explain you in detail.

Piran Engineer: Yes I will do, and just one other question how much ECLGS we have done till date.

Sushil Kumar Agarwal: Rs.14.6 Crores.

Piran Engineer: Thank you so much and all the best.

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

Nidhesh Jain: Sir firstly I missed the ECLGS number what is the ECLGS number that we get in Q1 and what is the cumulative ECLGS disbursement that we did till now.

Sushil Kumar Agarwal: So total disbursement is Rs.16 Crores and current outstanding is Rs.14.6 Crores.

Nidhesh Jain: Rs.14.6 Crores okay, similarly what is the current total outstanding of the restructured book.

Sushil Kumar Agarwal: It is Rs.114.96 Crores.

Nidhesh Jain: In Q4 there was no restructuring.

Sushil Kumar Agarwal: No we have not done any restructuring in the past.

Nidhesh Jain: And sir lastly if I look at the AUM mix, the share of housing loan in last three years reduced from 82%, 83% to around 73%, so going forward how do we see this AUM mix and at the same time the share of salaried customer has gone up in our mix so how are you seeing that.

Sushil Kumar Agarwal: I think first I need to correct that, we were never 82/18, last three years data 75.1/24.9 and today it is 73/27 and year end it was 73.5/26.5 and we want to remain in the same bracket, it was never 82/18.

Nidhesh Jain: Okay understood, that is it from my side.

Moderator: The next question is from the line of Vikas Kasturi from Focus Capital. Please go ahead.

Vikas Kasturi: Sir I had three questions. So the first one is why is turnaround time so important for the borrower and the reason I ask is that for a lot of borrowers you are probably the only lender, so why is the turnaround time so important sir.

Sushil Kumar Agarwal: So I think we have explained in our processes, we want to adopt best practices and we want to give our customer best experiences and all the processes which we have built in the company is around how we can improve our customer experiences because in the long-term for company survival customer experience is the key and there where we have invested in technology, digital processes, analytics and revamping our processes in view of new technology, three year four year back we were somewhere around 22 days and now we have come around 12 days but as a company we want to reduce it to maybe one or two days, though it will take time, but certain portion of the customer we are able to do that in this phase, so any repeat customer and any existing customer which is asking for a pending disbursement, now we have come down to one day time also, so it will be our companies continuous process improvement and pursuit that we remain competitive, relevant and give our customers best experience by reducing the turnaround time of all our processes that is very much needed in our business.

Vikas Kasturi: But I have read all your documents, point that still I am unable to understand is that for a lot of borrowers they do not get loan from banks and other institutions and that is why they come to us and even amongst out of 100 applications I think you reject nearly 70% of those applications. So my question is like for the lot of them you are the only lender so the simple fact that you are lending to them itself would be a big thing for them, but I am positively surprised and I appreciate what you are doing here sir but I am just trying to understand that you have laid a lot of emphasis on turnaround time, in all your annual reports also you mention this so I was just trying to understand that for a borrower why is it so important.

Sushil Kumar Agarwal: So take me in the right spirit, my son got 18 three months back and he was a new customer to the bank but when he entered into the bank and asked I want to open a saving account with you and banker asked him can you sit down for 15 minutes and I will try to open and it will take one day and then he ask nowadays bank is publishing they can open the account in five minutes time, so it does not necessary that it is a client who is unbanked or who is coming to formal lending system first day and that he do not want his processes to be on time and he is not dealing with the credible lender or banker. So I pick on that side we do not differentiate between a customer who is coming for the first time, who is first time borrower, who is first time coming to the normal lending system and somebody who has 750 CIBIL score, we want to give the same kind of experience and as I told you as a management we think that is the most important aspect of survival for company in affordable housing segment and kind of lender we are that is the prime importance of customer experience and we continue to focus on this and we will try to even better this going forward. So, this is a key attribute of our company's deliverables and we do not differentiate between an experienced customer from the banking and non-experienced customer for the banking.

Vikas Kasturi: One more question so could you just provide some estimates of your business per branch for your mature branches and newer branches, some rough numbers would also be helpful.

Sushil Kumar Agarwal: So as earlier explained in different forums and calls, we have four categories of branches A, B, C, D; the branch classification depends on the population of the town, number of families living there and how we see the potential of that branch over a period of next 15 years, so like if some town has population of 4 lakh, divide by 4 or 5 you have 80000 to 1 lakh families and we try to consider that in next 15 years we will try to penetrate 5% of the customer base, so we need to do 5000 home loans in 15 years, so divide by 180 months in 15 years, we need to do 20 to 25 files per month; so 20 to 25 files per month with our ticket size of Rs.8-10 lakh it comes to around Rs.2 Crores of business; so when a new branch starts, it goes around 50% to 60% efficiency and gradually within three years 90% of our branches come on 90% to 100% capacity, so that is how our business model works and I hope I have answered your question.

Vikas Kasturi: Yes, one last question Sushilji what is the average tenure of the loan.

Sushil Kumar Agarwal: We give three to four kinds of loan, one is home loan for construction, one is home loan for purchase, MSME loans, LAP loans, then there is a differentiation between customer who are salaried, who are self employed so according to cash flow judgment we provide tenure from mostly 3 to 20 years, average tenure of our portfolio is somewhere around 14 years door-to-door maturity, on behavioral term our portfolio tenure is 7.5 to 8 years.

Vikas Kasturi: Thank you Sushilji, thank you for all your answers.

Moderator: The next question is from the line of Anand Bhavnani from White Oak. Please go ahead.

Anand Bhavnani: Two questions, sir the funding that you raise at 4.6% does this come with any kind of cap that we can further charge for onward lending.

Ghanshyam Rawatji: There is one funding which come from the NHB, which has cost of around 3% where they put a cap on onward lending also, the onward cap come between 6% to 7% depending upon the G-sec rate prevailing in that period.

Anand Bhavnani: Does cap apply to this funding 4.6%.

Ghanshyam Rawatji: No for that there is no cap, as cap is only on one particular borrowing.

Anand Bhavnani: And secondly sir our overall restructured book is Rs.114 Crores and the provision for restructured book is Rs.31 Crores did I get the numbers correct.

Sushil Kumar Agarwal: No, Rs.31 Crores is COVID provision plus restructuring provision.

Anand Bhavnani: The restructuring provision will be around Rs.14, Rs.15 Crores because we had Rs.14 Crores for COVID right, so for Rs.114 Crores it might be around 15 Crores.

Sushil Kumar Agarwal: Yes.

Anand Bhavnani: Got it sir thank you very much, I will come back in the queue for any questions.

Moderator: Thank you. The next question is from the line of Shreepal Doshi from Equirus. Please go ahead.

Shreepal Doshi: Sir my question was with respect to the 1+ DPD number that we have got so what will it be for states like Maharashtra and Rajasthan.

Sushil Kumar Agarwal: There is only difference of 2%, 2.5% between Rajasthan and Maharashtra, not much of the difference.

Shreepal Doshi: So sir if you can give any one of the two numbers.

Sushil Kumar Agarwal: The Rajasthan is around 13%.

Shreepal Doshi: And sir what has been our bounce rate for June 2020, March 2021 and June 2021.

Sushil Kumar Agarwal: Right now I do not have, which date you require.

Shreepal Doshi: As on June 2020, March 2021 and June 2021.

Sushil Kumar Agarwal: So I can tell you June 2021 it is around 18%, 19% with the COVID impact there, earlier two numbers not readily available with me at this point of time.

Shreepal Doshi: No issue sir I will collect it later. Sir just one understanding I wanted so when we had given a home loan to a customer and he has been paying on time and after a year or two if he want additional money and if you give a top-up loan, so in that context how does the loan then get classified does it still remain as a home loan or does it get classified as NHL.

Sushil Kumar Agarwal: So there are three scenarios. If the extra loan top up loan is required to construct the further home, so say first he has taken a loan for ground floor now he wants to construct first floor, then this will be classified under home loan for construction and if the top up loan is required for his business, personal purposes, daughter's marriage or some other thing, then it will be classified in non-home loan category.

Shreepal Doshi: So then the entire amount so for example if earlier he has taken a loan of Rs.10 lakh, now that got run down and outstanding is Rs.5 lakh and if he take additional 2.5 for business purpose, then the entire 7.5 get gets classified as NHL.

Sushil Kumar Agarwal: 5 lakh is considered home loan, 2.5 lakh is considered non-home loan.

Shreepal Doshi: Got it and sir the restructuring that we have already done so incrementally do you think the percentage like right now it is 1.2%, how do you see that number eventually closing.

Sushil Kumar Agarwal: Initially we started and we told that it can be around 2% to 2.5% but after Q1 experience I think this number will be lesser than that number.

Moderator: Sir the line for the participant dropped. Ladies and gentlemen, that was the last question for today, I will now hand the conference over the management for closing comments.

Sushil Kumar Agarwal: Thank you all for attending the call, I hope we have reverted most of your questions and queries. To summarize, we continue to focus on improving customer service and being transparent with our customers. As mentioned in the last earning call, we have reduced Aavas Financiers Limited's prime lending rate by 15 bps with effect from 1st April 2021, so that got affected this quarter. For any further information we request you to get in touch with Himanshu in our investor relation team or SGA our IR advisors, they would be happy to help you. Thank you very much for patience listening.

Moderator: Thank you very much. On behalf of Aavas Financiers Limited that concludes this conference. Thank you for joining us, you may now disconnect your lines. Thank you.

Occupation-wise split of 1+ DPD	**As of June 30, 2021**
- Salaried	7.12%
- Self-Employed	16.32%
Total 1+ DPD (as already disclosed)	**12.67%**

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