Management Discussion

M. Anandan - Executive Chairman, Aptus Value Housing Finance India Ltd
Yes. Thank you. Good morning, ladies and gentlemen. I am Anandan, Executive Chairman of the Company. I warmly welcome you all to this earnings call. As you know, the Indian economy continues to exhibit strong underlying momentum and created a supportive environment for credit growth, including for affordable housing finance. Aptus delivered a good start for the year with assets under management growing by 21% Y-o-Y. Disbursements reached a good level during the quarter, and the growth was broad-based across geographies and distribution channels with continued demand from our targeted customer segment.

Profitability remained healthy during the quarter. Net total income increased, supported by business growth, improving operating leverage. Return on assets remained healthy, while return on equity stood a little over 20% ROE. Spreads remain largely stable. Our margins remained resilient during the quarter despite rationalization of pricing of certain lending segments and prudent liability management, including reduction in cost of funds.

Asset quality remained broadly in line despite continued business growth. First half broadly contained at 60 basis points during the quarter, reflecting resilience of our underwriting framework and disciplined portfolio monitoring. Looking ahead, we remain optimistic about the opportunities for the affordable housing and finance sector. We are seeing good business momentum across our markets and are confident of delivering 22% to 24% AUM growth as guidance, as -- while maintaining our focus on operating efficiency.

With that, I would now like to hand over the call to Mr. Balaji, our Managing Director to take you through the business forecast and key operating and financial parameters.

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
Thank you, sir. Good morning to all. To begin with, I am happy to convey that we have started FY '27 on a positive note. The strategic initiatives that we outlined during our last earnings call are progressing well and have contributed to the continued improvement in our business momentum. We remain focused on balancing growth with profitability while maintaining our credit discipline. Overall, the quarter reinforces our belief that the affordable housing segment we operate in remains structurally robust and continues to offer a significant growth opportunity.

As outlined during our last earnings call, we continue to make steady progress on the strategic initiatives aimed at accelerating our growth momentum. First, branch expansion. We continue to expand our distribution network. And during the quarter, we opened 33 branches, taking our total branch network to 372. Next is strengthening customer acquisition. We continue to diversify our sourcing channel through the expansion of our connector network and increased focus on digital marketing initiatives. The connector channel contributed 8% of our disbursement during the quarter, and we continue to see encouraging traction from this sourcing channel.

The next one is the increasing average ticket size. Our continued focus on increasing the average ticket size supported partly by inflation and calibrated customer selection strategy is helping us onboard higher quality customers while maintaining healthy business momentum. The next one is the customer quality and pricing. Our calibrated reduction in lending rates on select loan ticket sizes together with our strategy of increasing the average ticket size continues to support customer acquisition while helping us onboard higher quality customers.

Going forward, we remain focused on the disciplined execution of these initiatives. During the

quarter, the last year, whatever was guided has been achieved. In terms of growth, Q1 disbursements grew 36% year-on-year, providing confidence in achieving the FY '27 AUM growth guidance of 22% to 24%.

Just to give July '26 disbursements also was good and it has improved by 25% as compared to July '25 disbursements. Branch expansion, we have added 33 branches during the quarter against the full year target of 60 to 70 branches. Spread yield moderation remained in line with expectations and was fully offset by a lower cost of borrowing resulting in stable spread.

Operating expenses to AUM remained at 2.7% within the guided range of 2.6% to 2.8%. Credit cost stood at around 0.6%, in line with the guided range of 0.5% plus or minus 10 basis points for FY '27. Profitability. ROE remained above 20%, consistent with our profitability guidance. Based on the progress made during Q1 FY '27, we remain confident of delivering our FY '27 guidance across growth, spreads, operating cost, credit cost and profitability.

Our growth is anchored on the following strategic pillars. One is diversified mix, geographic expansion, productivity, digital excellence. One more thing, which is quite important is product expansion. We are also evaluating opportunities to broaden our lending portfolio beyond home loans and SME loans through the introduction of a new lending product. Together, these pillars continue to strengthen our franchise and position us well to deliver sustainable growth while maintaining our profitability and asset quality.

Now, moving on to performance. AUM grew by 21% year-on-year to INR13,648 crores. Disbursements grew 36% year-on-year to INR1,053 crores. Branch network stood at 372 branches. Now coming to asset quality. The collection efficiency stood at 98.52%, primarily impacted to an extent by seasonality and some moderation in collections within the NBFC portfolio. Consequently, our 30+ DPD stood at 6.87% as against 6.21% in Q4 FY '26. Encouragingly, collection performance has improved in July with the 30+ DPD declining by nearly 20 basis points. We expect this positive trajectory to continue as our collection initiatives gain further traction.

The GNPA stood at 1.7% as against 1.52% in Q4 FY '26, while net NPA stood at 1.29% as against 1.15%. The credit cost for the quarter remained within our guided range of around 0.6%. The credit cost for housing finance company came in at 0.2%, while the NBFC reported around 1.4%. Aptus is one company with two businesses and two benchmarks. Our housing finance business should be compared with HFC peers, and our NBFC business should be compared with the HFC peers. Each has a distinct operating model and risk profile. Therefore, consolidated asset quality should always be assessed in the context of the portfolio mix.

Now, coming to the profitability, during the quarter, net income margin grew by 19% year-on-year to INR441 crores. We maintained our spread sequentially to 9%, driven by decline in cost of funds to 8%.

Our OpEx as a percentage of AUM remained at 2.7%. Profit grew 19% year-on-year to INR261 crores, translating to an ROA of 7.8% and ROE of 20.4%, which is among the highest in the industry.

Coming to the funding, during Q1, we raised approximately INR872 crores on a consolidated basis primarily through a mix of term loans, securitization, and direct assignment. Our liability profile continues to remain well diversified with 60% from banks, NHB at 14%, securitization at 18% and the balance through NHB funding. We continue to maintain a strong liquidity position with total liquidity of INR1,933 crores as of June '26, including INR1,257 crores of unavailed bank sanctions, providing us ample headroom to support growth.

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

Operator
Thank you so much, sir. [Operator Instructions] Our first question comes from the line of Nischint Chawathe from Kotak Bank. Please go ahead.

Nischint Chawathe - Analyst, Kotak Institutional Equities
Hi, thanks for taking my question. Just a little bit of a guidance on the way this year is playing out. One is that the disbursement growth is pretty impressive at around 36%. There was -- there have been challenges throughout the last four, five quarters. So one is, a, what are the drivers? And what is the thought process comfort in terms of how this plays out over maybe the next two, three quarters, if you have some color on July, etc.? And I think even on the asset quality front, if you could give some color. I know you mentioned that 30 DPD was down around 20 basis points. But a, what exactly are the drivers? And how do we expect the year to really end? I think those are my two questions.

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
First is on the growth, like what we have explained earlier, first, the growth will come from expansion of new branches in new states and expansion of new branches in the existing states, plus the increase in average ticket size by at least INR1 lakh as compared to the last year. That is also -- will provide momentum for the growth.

Next thing is the connected channel, which we have developed. That has actually gained traction. But as I told you, during the first quarter, 8% of the disbursements was through connected channel, and this will be augmented in the second, third and fourth quarter as well. And the other one is we are also -- we have also calibrated -- we have also optimized the lending rates on certain housing loan ticket sizes. That is also likely to provide momentum for the growth. And that's what has actually happened in the sense if you look at our July '25 disbursements, it is -- July '26 disbursement, it is 25% more than the disbursement as of July '25. So all these things are likely to result in good growth and that's what we are pursuing. That is on the growth. Next thing is on the -- obviously, with this kind of disbursement growth, the AUM growth also will catch up. And that's what is giving us confidence that we'll be able to achieve the guided range of 22% to 24% AUM growth.

Now, coming to the asset quality, as I told you, the credit cost in the HFC was at 0.24%. This is in line with any other housing finance company and the quality of the book is behaving very well there. And if you look at the NBFC, there was a small hitch in terms of collections during the fag end of June 2026. And that is what has resulted in the collection efficiency dropping down to 98.5% and 30 plus DPD going up to 6.87%. But we have already taken corrective steps in terms of the NBFC collections. And we're very happy to tell that in July 2026, the Stage 2 has almost reduced by 15 to 20 basis points. So this will continue. And going forward, this range -- the credit cost range of 0.5 plus or minus 10 basis points will be maintained, and this will be there for the next three quarters.

Nischint Chawathe - Analyst, Kotak Institutional Equities
And any specific factors that you want to call out because of weakness in collections or what happened really in the first quarter in the NBFC?

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
Repeat your question, sorry, Nischint.

Nischint Chawathe - Analyst, Kotak Institutional Equities
Yes. So any specific factors that you may want to call out, which were the reasons for weaker collections in the NBFC in the first quarter?

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
So actually, first of all, let's be very clear. There is no problem with the quality of the customers whom -- where we have funded in the NBFC. It's basically the -- some commitments which was there at the end of June. So at the end -- so June '26, that was a thing. And I think if you look at the credit cost of 1.4%, that compares with the NBFC of any other -- with other NBFCs in the same line of business. So actually, there is no problem with the quality of the customers. Only thing is some commitment which was there at the end of the June, but we were not able to meet it. And that is where there is a slight deterioration in the portfolio quality, but that is getting corrected in the month of July '26, and we will come back from this quarter.

M. Anandan - Executive Chairman, Aptus Value Housing Finance India Ltd
So, again, just to add, the data company-wise, the parent company in HL business, pursuing HL business, the quality of portfolio, overdues, NPA data, credit cost compares favorably with all other comparable housing companies. Equally, our NBFC data also is comparing well with other NBFCs of similar size or comparable NBFCs. But on a combined basis, on a consolidated basis of HL and NBFC got -- the combined data got increased by 20 basis points primarily on account of -- while it compares well with other NBFC business, but still on a combined basis, our data wise, it is higher. That's what we are going to work strongly to reduce it further.

Nischint Chawathe - Analyst, Kotak Institutional Equities
So probably, this is kind of more of a month end or a seasonal trend is what you are suggesting. That's how I would look at it rather than saying that...

M. Anandan - Executive Chairman, Aptus Value Housing Finance India Ltd
Absolutely, yes.

Nischint Chawathe - Analyst, Kotak Institutional Equities
Got it. Thank you very much, and all the best.

Operator
Thank you. The next question comes from the line of Umang Shah with Kotak Mutual Fund. Please go ahead.

Umang Shah - Analyst, Kotak Mutual Fund
Hello? Hi, am I audible?

M. Anandan - Executive Chairman, Aptus Value Housing Finance India Ltd
Yes.

Umang Shah - Analyst, Kotak Mutual Fund
Yes. Good morning, and thanks for taking my question. So my question is also related to the asset quality point. Now we do understand that Q1 is a seasonally weak quarter, but our headline ratios in terms of 30-plus, 90-plus are also higher on a Y-o-Y basis. So is there anything lumpy out here, which has led to this? And the second question is that if you could -- while the blended collection efficiency has dropped to 98.5%, I mean, if you could just split it out as to how much collection

efficiency has dropped in the NBFC business?

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
Yes. See if you look at the collection efficiency in the housing finance company, it is around 99.5% and this one is around 97.5%. That's the difference. So adding up to this on a consolidated basis, it is around 98.52%. But regarding the increase in the NPA actually, we are not seeing that kind of lumpiness in this quarter or year-on-year basis. In fact, this is what we have also guided in the sense 1.49% was the NPA as of June 2025, that has become 1.7%. But this will definitely be brought down with the kind of effort that is being done. And this is broadly on account of the NBFC NPA getting increased.

Umang Shah - Analyst, Kotak Mutual Fund
Sure. So this is not specific to any particular region or any particular cohort of customers or anything like that?

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
No.

Umang Shah - Analyst, Kotak Mutual Fund
Okay. Understood. And sir, just one suggestion. I mean, I do appreciate that, I mean, on the call, you are trying to emphasize a lot more about the HFC and the NBFC business where you would want us to sort of compare both the businesses separately. But just a suggestion, I mean, if we could also start giving data points for both the businesses separately, I mean, it would help us as investors and analysts to kind of compare it in a more meaningful way.

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
We have already -- Umang, we have already decided. We have already discussed, from September 2026 onwards, you will get data for both the companies in the investor presentation.

Umang Shah - Analyst, Kotak Mutual Fund
All right. Thank you so much, and wish you all the best

Operator
Thank you. Our next question comes from the line of Amit Khaitan with YES Securities. Please go ahead.

Rajiv Mehta - Analyst, YES Securities
Yes. Can you hear me?

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
Yes, Amit.

Rajiv Mehta - Analyst, YES Securities
No, this is Rajiv here. Sorry. So just to clear this point on asset quality, you said that towards the end of June, some of the NBFC customers couldn't pay and couldn't honor their commitment. But in July, they have not only cleared the June dues and they've also honored their July commitment as well. So now they are back to -- they have kind of rolled back their bucket, right? So on an ongoing basis, your collection efficiency, which was, say, 97.5% in NBFC, now should be coming back to normal of what, 98.5%, 99%, I mean, in June, July.

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
Yes. Definitely, definitely.

Rajiv Mehta - Analyst, YES Securities
Got it. So incrementally, you will not see flow forwards from the NBFC portfolio in July and August?

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
Yes.

Rajiv Mehta - Analyst, YES Securities
Okay. And on this -- from a growth point of view, and again, you said that July disbursements were higher 25% Y-o-Y in your initial remarks. But I think from last July, you also stopped doing this below INR7 lakh loans also. I mean, you stopped doing below INR7 lakh ticket sizes from last July. So on an adjusted basis, I mean, see, on a like-for-like basis, then how should we look at your disbursement run rate going ahead? I mean, 35% in 1Q was also because of a lower base last year. But July is 25%, but you still have a lower base. But when the base normalizes, how should we look at your disbursement growth?

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
This quarter, minimum 25% to 30% increase over the last quarter, year-on-year basis will be happening this quarter.

M. Anandan - Executive Chairman, Aptus Value Housing Finance India Ltd
Impact of less than INR7 lakh is coming.

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
Yes, impact of less than INR7 lakh is also coming down.

Rajiv Mehta - Analyst, YES Securities
And the disbursement is also now happening on NBFC. On the NBFC side, you have not kind of calibrated on disbursement, right? Because everything has come back to normal.

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
Okay. See, that's what we told. Actually, there is no problem with the quality of the customers. It is just one small hitch that has happened during the fag end of June. So there is no way that we are reducing the business in the NBFC.

Rajiv Mehta - Analyst, YES Securities
And sir, one thing on the funding side, two things. I mean, NHB proportion in the funding is at its lowest in many, many quarters. And I don't see any NBFC sanction in the pipeline also. So what is the reason? And second is the unavailed sanctions from banks as we see in the liquidity slide, what will be the cost of these sanctions when you draw?

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
Yes. First of all, let me talk about this NHB. See, what is happening, we have also applied to NHB for a INR500 crore refinance facility. But the indication from NHB is that the cost of funds that they are going to give will be around 8.2% to 8.3%. Whereas in the housing finance company, we are able to raise money from the bank or from the -- in terms of securitization or NPD at 7.8% to 7.9%. So it makes more prudent to borrow from these sources rather than going to NHB. So -- but if NHB is able

to offer competitive rate of interest, then we will go to NHB. Otherwise, it will be from the other sources. So that is on the NHB borrowing. Next thing is this INR1,257 crores of sanctions, which is there, in the case of HFC, the sanction rate is around 7.9% to 8.1%. In the case of NBFC, it is around 8.1% to 8.25%.

Rajiv Mehta - Analyst, YES Securities
Got it, sir. Thank you so much.

Operator
Thank You. Our next question comes from the line of Amit Khetan from Laburnum Capital. Please go ahead.

Amit Khetan - Analyst, Laburnum Capital
Hi, sir. Thank you for taking my question. So a couple of questions. First is on the -- you've talked about getting into new lending segments. Now there are merits to being a company focused on a single segment and the addressable market for affordable housing LAP is pretty large. So what is the rationale for getting into these new segments and which products are under consideration?

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
See, this new product segment is in a formative stage. We are in the process of discussing on which products we want to enter into. We'll be able to give more color in the next quarter con call because this is the thought process which is there in the company. So we'll discuss it internally and then give you more color maybe in the second quarter.

Amit Khetan - Analyst, Laburnum Capital
Got it. But can you explain what is the rationale for getting into new segments because our growth opportunity in the single segment is pretty huge, right? So why now?

M. Anandan - Executive Chairman, Aptus Value Housing Finance India Ltd
Yes. Just to add we are looking for our next stage of growth, let's say, from 15,000 to 25,000 or from 25,000 to upwards of 50,000 over a period of time, we felt there is a strong need apart from strengthening our distribution, online associates, etc. There is a need to diversify the product range also. So this will -- we see opportunity, particularly in the NBFC business because in the HL, we will continue to be largely in HL and after meeting the basic requirement of HL, the gap available in non-HL in HL company is limited. But the NBFC-wise today, we are offering to the SME and to some extent to LAP. Now there is a large scope for -- to look at the add-on products, particularly even to our existing customers, we have today over 200,000 customers availing the unsecured or security-based or non-security-based products, financial products from other vendors. And now, we have a very good experience with this 200,000 customers, and we see an opportunity for us to introduce appropriate products in our NBFC to expand. So that to support our growth apart from the distribution, we are looking at very closely the products also. The income stream we want to augment.

Amit Khetan - Analyst, Laburnum Capital
Understood. But does that mean that we'll go slow in geographic expansion and much deeper into our existing geographies with more products?

M. Anandan - Executive Chairman, Aptus Value Housing Finance India Ltd
Yes. As I mentioned, the distribution will cover -- the geographical expansion will continue. And our direct sourcing through our branches, through our field staff will continue, online will continue. Business associates will continue. But that's in terms of largely, as you know, it is around distribution in some form or the other, physical, online, offline with their own shop. But then apart from that, the other way in terms of helping the company to scale up further is really the product expansion. And that's where we are looking at an opportunity could be there in our NBFC company to look at the -- to augment the products in the NBFC business, particularly to leverage our existing customer base, which is also growing at about almost about 20% per year, the customer base itself is growing so that we should be able to leverage our new products as well.

Amit Khetan - Analyst, Laburnum Capital
Understood. My second question is on asset quality. If you could give some color in terms of ticket sizes, how the asset quality varies, say, between -- you have some book on sub INR7 lakhs and maybe INR7 lakhs to INR10 lakhs and INR10 lakhs plus. Is there a difference in the credit behavior? And how are the NPAs between the different ticket sizes.

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
We are not seeing that kind of a differential behavior in terms of ticket sizes, except for the bounce rates. I mean, as we already communicated when we -- less than INR7 lakhs, the bounce rates were 2% to 3% more as compared to the greater than INR7 lakhs. So other than that, we are not seeing the kind of difference in the asset quality when you look at the ticket sizes.

Amit Khetan - Analyst, Laburnum Capital
Got it. Lastly, our opex hasn't gone up a lot, while we've added 33 branches this quarter. Is that because these branches were added towards the end of the quarter?

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
Yes. To a certain extent, yes. Of the 33 branches, 10 branches -- 10 to 12 branches were opened before May 31, and the balance was opened in the month of June. That the rent and all those costs will get reflected in the second quarter.

M. Anandan - Executive Chairman, Aptus Value Housing Finance India Ltd
Yes. But we have a track record. Even last year, we have added about 39 branches, and that has not really resulted in our OpEx going up in any significant way. In fact, current year, we are planning around what, 60 to 70 branches. We have already added 33 in the first quarter, plan to add 35 in the second quarter as well and the balance will get added subsequently. And some of the branches get started in the newer states like [Indecipherable]. But despite this, given our consciousness in terms of operating cost. In fact, not only the investment in the branch network, we're also making -- enhancing our investments in the IT. But despite that, we are very conscious of our cost of operations, both as a percentage of AUM as well as a percentage of the income. So that way, we have a very clear advantage in the competition today that we will continue to maintain despite these investments in the infra in branches and IT.

Amit Khetan - Analyst, Laburnum Capital
Got it. Lastly, if I can just ask you, can you give some color on how the attrition in the industry is evolving? Has it improved? Or does it continue to remain the same?

M. Anandan - Executive Chairman, Aptus Value Housing Finance India Ltd
If you look at the attrition, at the senior level, absolutely, there is nothing. In the case of middle management also, it is only maybe 5%, 6%. And in the case of a branch manager, it is around 10% to 15%. But at the field level, it is around 40% to 45%. Earlier it was around 50% to 60%, it has come down to 45%, but still this is high -- we are -- we have introduced retention incentive, insurance schemes for these employees and all those kind of things to retain people. But still if people come and open branches in the states where we are operating, the first thing they do is to poach our field officers. But that's a challenge which we need to reckon with. But that is why we are also launching the alternate channels so that there is less dependence on people as well.

Amit Khetan - Analyst, Laburnum Capital
Understood. Thank you, and all the best.

Operator
Thank you. Our next question comes from the line of Renish Patel from ICICI Securities. Please go ahead.

Renish Patel - Analyst, ICICI Securities
Yes. Hi, sir. Thanks for the opportunity. So just one question on the strategy side. So last year, same time, sort of exited the below INR7 lakh product. And now when we are thinking for product expansion strategy, naturally, we have to calibrate growth in some of the existing products to meet NHB criteria. So how one should think about the AUM mix shaping up in near term? And is there any impact on NIM ROA at all sort of when you start expanding your product lines?

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
So if you look at the product mix, currently in the housing finance company, 67% is housing loan and the balance is the non-housing loans, either in the form of quasi home loans or top-up or insurance company -- insurance loan. So this is likely to continue because we'll not -- I mean, we still have to maintain this principal business criteria. At this level of product mix, we are comfortably meeting the principal business criteria. So the mix will remain the same. So if any other business will be done, it will be done in the NBFC. So this is not likely to -- once again, this is not likely to impact the ROE. No.

Renish Patel - Analyst, ICICI Securities
No. But...

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
No, unless the borrowing increases...

Renish Patel - Analyst, ICICI Securities
Got it. Sir, my point is in the 33% mix which we have currently, when we start adding new products, right, to maintain this mix, naturally, the new product lines will grow at a faster pace because of low base. And hence, some of the existing product lines in NBFC should see lower growth, right, at blended basis. Otherwise, we'll miss NHB criteria. So strategically, let us say, which products do you think will go slow in near term or maybe will offset by new product lines?

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
I think we need to be clear here. See, the mix which I was talking was on the housing finance company. So that mix will continue. So any new products that will be done will be done in the NBFC

-- NBFC company, okay? So while the consolidated mix might change, but on the housing finance company, this will be the mix. So there will not be any impact on the principal business criteria or on the ROA or on the ROE.

Renish Patel - Analyst, ICICI Securities
Okay. So in a nutshell, even if we go for this product expansion, broadly, there will be no impact on the profitability?

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
Yes. In fact, it can do more.

Renish Patel - Analyst, ICICI Securities
Got it, sir. And just last clarification on again, this 30 plus liquidity movement, right? So given we sort of exited that ticket size a year back, and I'm sure incremental growth would have been towards better customer pool. So logically, at least the early bucket should have Y-o-Y improvement, right? Sequentially, I can understand there is seasonality. But if we are exiting the -- let us say, the challenging segment last year and 12 months MOB, I'm sure should perform better than a vintage book. So in that sense, why 30 plus is not coming down on Y-o-Y basis?

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
Correct, Renish, what you're asking is very logical. But the good news is this is not because of the deterioration in the asset quality of the customers or the [Indecipherable]. It is just that it was a temporary hit during the fag end of June '26, where some commitments was not delivered. And that has happened in July. That's what I'm saying. Whatever commitment didn't happen as on 30th June, that has got honored in the month of July.

Renish Patel - Analyst, ICICI Securities
Got it. So it's just a date mismatch, maybe.

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
With the result, there is improvement in July. So improvement will continue in the month of August and September as well.

Renish Patel - Analyst, ICICI Securities
Okay. Got it, sir. Thank you.

Operator
Thank you. Our next question comes from the line of Raghav Garg from AMBIT Capital. Please go ahead.

Raghav Garg - Analyst, AMBIT Capital
Hi, sir. Thanks for the opportunity. I have a few questions. One, your tax rate has been lower for the last two quarters, around 20%, versus I think if you look at the previous trends, that is around 23%. So why is that? And then going ahead, what should be the normalized number on the effective tax rate?

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
I didn't get your question correctly.

M. Anandan - Executive Chairman, Aptus Value Housing Finance India Ltd
Why is this not clear,

Raghav Garg - Analyst, AMBIT Capital
So, are you able to hear me now?

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
Yes, slightly better.

Raghav Garg - Analyst, AMBIT Capital
Okay. I'm saying that your effective tax rate has been 20% for the last two quarters, Q4 and Q1 versus 23% before that. So why is that? And then going ahead, what should be the normalized run rate on the effective tax rate?

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
The tax rate is basically because of the benefit we are getting because of the aggressive write-off policies which we are following, and that's the tax benefit we are getting. So that's what has resulted in this, and this will continue.

M. Anandan - Executive Chairman, Aptus Value Housing Finance India Ltd
The credit cost is largely on account of write-off rather than provision. So write-offs are eligible for the tax allowance.

Raghav Garg - Analyst, AMBIT Capital
Understood. So you're saying this will continue, is it?

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
Yes.

Raghav Garg - Analyst, AMBIT Capital
Understood. For July, you said that your disbursements are up 25%. What is the Y-o-Y growth in volume terms for the month, like in terms of number of loans?

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
And these are very specific questions. I will answer when we meet up. I don't want to discuss in the call.

M. Anandan - Executive Chairman, Aptus Value Housing Finance India Ltd
Broadly, our growth in number of customers will be around the same.

Raghav Garg - Analyst, AMBIT Capital
Sorry, how much?

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
No, it will broadly be the same. Specific we'll discuss.

Raghav Garg - Analyst, AMBIT Capital
Sure. Last question, the assignment income. That run rate in absolute value terms that run rate seems to be stabilizing or if I look at that as a percentage of the off-book AUM, the margin is normalizing lower. Where should this margin settle on a steady-state basis? Because when I look at

other housing finance companies, the assignment income as a percentage of assets -- of book assets seems to be somewhere around 11% to 12% [Indecipherable] currently at 23%, and it's been coming down from as high as 40%. Should it say settle somewhere closer to 12%, 15% mark or maybe lower, assuming that you probably have a higher yield book versus other higher yield products. I just wanted to get some sense on the margin.

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
It should come down to around 12% to 15%. It should come down to around 12% to 15%.

Raghav Garg - Analyst, AMBIT Capital
Understood. Thanks a lot. That was awesome.

Operator
Thank you. Our next question comes from the line of Sucrit D. Patil from Eyesight Fintrade Private Limited. Please go ahead.

Sucrit D. Patil - Analyst, Eyesight Fintrade Private Limited
Good morning to the team. I have two questions. My first question to Mr. Manohar ji. Beyond the regular outlook, what are the top two to three execution priorities you are focusing on in the next few quarters? And alongside that, what do you see as the biggest risk in borrower demand shifts, interest rate movement or competitive pressure? And how are you preparing to manage them while strengthening Aptus position in affordable housing finance? That's my first question. I'll ask my second question after this. Thank you.

Manoharan C T - Executive Director & Chief Business Officer, Aptus Value Housing Finance India Ltd
Once again, we didn't understand the question. Can you please repeat it? Sorry about it.

Sucrit D. Patil - Analyst, Eyesight Fintrade Private Limited
Yes. I'm asking about concrete plan of action that you may be implementing like expanding branch network, strengthening digital lending or diversifying borrowing segments. And also the risk you see in borrower demand, interest rate cycle or competition. I just want to understand both on how you plan to grow and how you are preparing to handle challenges that could slow down the growth process? Thank you.

Manoharan C T - Executive Director & Chief Business Officer, Aptus Value Housing Finance India Ltd
First of all, the competition that will be there that we cannot rule out. So branch expansion will be happening as guided. We have guided about 60 to 70 branches in this financial year, of which already 33 has been opened. And another 20 or 23 will happen in this quarter and the rest will happen in Q3. So branch expansion, we do not have any challenges. And the growth will come whatever branches we are opening, obviously, new sales officers will be joining there. So to that extent, number of sales officers will go up. And to that extent, business will also go up. So we don't find any challenges in the growth from the new branches. So that is -- will go as per plan.

Sucrit D. Patil - Analyst, Eyesight Fintrade Private Limited
Thank you. No, sorry, please, please continue.

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
No, regarding the risks we are seeing for the growth, we are not seeing that kind of a risk because we always believe that there is good opportunity for growth in the affordable housing segment and also in the NBFC where we are operating.

Manoharan C T - Executive Director & Chief Business Officer, Aptus Value Housing Finance India Ltd
In the new geographies.

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
In the new geographies, also in the existing geographies. Of course, competition is there, but still the market is there, and we still believe that we can still grow. And to have the sustainable growth, as explained by Chairman, we are also getting into the new products. So this is what is the thing -- so definitely, growth is not an issue considering the fact that we are guiding 22% to 24%. So this is not -- I mean, I hope I answered your questions on the risks. And also the competition, again, as Manohar told, there are people -- there are companies who are opening branches in the states where we are operating. But what we are doing is we are -- when company comes and says that people are opening branches, we also say that there is business opportunity available in these existing states. But we are also getting into states where the competition is not very intense, for example, Orissa. And also in Maharashtra, there are the locations where we have opened branches, the competition is not very intense. So this is how the progress will happen. And of course, we'll be following this contiguous branch expansion strategy and going deep into a particular state.

Sucrit D. Patil - Analyst, Eyesight Fintrade Private Limited
Thank you. Can I ask my second question?

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
Yes, please.

Sucrit D. Patil - Analyst, Eyesight Fintrade Private Limited
Yes. The second question is to Mr. Mittal. Again, along the similar lines, while the business guidance is just now mentioned, I want to understand from a financial point of view, what key risk or challenges you anticipate in the coming quarters? And what specific measures have been taken to manage margin, liquidity and balance sheet strength, especially in areas like borrowing costs, asset quality and regulatory compliance. Thank you.

Sanjay Mittal - Chief Financial Officer, Aptus Value Housing Finance India Ltd
So first, coming on the margin front. So as we have a little bit reduced the rate of interest income, so that we are protecting by effective borrowing. So we expect the gross space to remain at 9% and that since our leverage is also being stable around, so we expect the NIM to be around 13% -- 12.5%, 13%. So our NIMs are protected from that perspective. In terms of operating costs, we are very frugal. So we have consistently delivered 2.7%. And in spite of increasing branch, the way we manage the operating cost, I think there might be a 2.7% to 2.8% range, but we are very strongly managing our operating costs and that we are very confident on managing that.

Regarding the credit cost, that is one little aspect where we are working on. Definitely, Balaji sir also emphasis that collections is one of the key things which we are trying to manage. And we expect that to also range in between INR0.50, INR0.60. So these are the things or aspects in the financials,

which we are.

In terms of liquidity, what we have been doing is we have been keeping enough liquidity for two, three months. And since our leverage is very low, so we are able to negotiate with the bank and bring them to our price what we want and what rate of interest we want. We are not in a hurry. We are not leverage. That is the most important aspect of our balance sheet. So we can wait and bring the lenders at our terms and at our rates rather than asking our offering rate what banks are asking.

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
Just to add to what Sanjay said, you were also asking about the risk that can come in the second quarter or third quarter. The only thing which I'm seeing is if there is -- I mean, if you look at our total borrowings, 66% is variable and 34% is fixed. Of this 66%, 35% is linked to repo rate and 31% is linked to MCLR. So basically, if there is an increase in the repo rate, there can be some impact, but we have also considered it. It is just -- the impact is likely to be 0.06%. So that also will not be a major impact in terms of maintaining the NIMs of the spread.

Sucrit D. Patil - Analyst, Eyesight Fintrade Private Limited
Thank you, and best wishes.

Operator
Thank you. Our next question comes from the line of Ankit Shah from White Equity Investment Advisors. Please go ahead.

Ankit Shah - Analyst, White Equity Investment Advisors
Thank you for taking my question. Sir, our quasi home loan, LAP, has been growing faster than the home loans over the last year or so. So have we optimized lending rates more in that segment? Or what is the reason for this higher growth rate?

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
You're talking of the housing loans?

Ankit Shah - Analyst, White Equity Investment Advisors
Yes.

M. Anandan - Executive Chairman, Aptus Value Housing Finance India Ltd
Optimized rates.

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
Yes, we have optimized certain ticket prices and that too in HL only and back to only the incremental housing loans.

Ankit Shah - Analyst, White Equity Investment Advisors
Yes. So the question was our LAP is growing faster than housing loans. So what would be the reason for that?

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
No, if you look at it, last year, our HFC loan book grew by 18% and NBFC loan book grew by 29%, okay? Now in this quarter, HFC loan book has grown by 20% and NBFC loan book has grown by 24%. So we'd like to concentrate more on the housing finance and grow that book and also concentrate on the NBFC by introducing new products and also the existing products.

Ankit Shah - Analyst, White Equity Investment Advisors
Sir, my question was on the parent company side only. Within the parent company between the home loans and the quasi home loans or LAP. So LAP has been growing faster than the home loan product. So I'm asking for the reason for this difference, not the NBFC?

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
No, correct. But that quasi home loans has a lower base. So that base effect will always be there, right?

Ankit Shah - Analyst, White Equity Investment Advisors
Okay. My second question is a simple bookkeeping question. So we've, in the past, been giving the advances split in the IP in absolute numbers. This time, we have changed it to percentages. So because of this, Odisha and Maharashtra numbers are looking a little off. Can you give the absolute split of the advances?

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
I can -- I mean, I cannot commit to contact you and give you the exact numbers on the state-wise loan book. Actually, if you just watch out the percentages, it will come.

M. Anandan - Executive Chairman, Aptus Value Housing Finance India Ltd
What is the loan book in Maharashtra and Odisha? INR162 crores. Specifically Maharashtra [Indecipherable] about the INR160 crore which is about 0.12%.

Ankit Shah - Analyst, White Equity Investment Advisors
Okay. This is helpful, sir. Sir, my last question is difference between the AUM and the advances have dropped by INR115 crores in this quarter. What would be the reason for this?

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
What? Difference between?

Ankit Shah - Analyst, White Equity Investment Advisors
The difference between AUM and the advances book.

M. Anandan - Executive Chairman, Aptus Value Housing Finance India Ltd
That used to be INR1,175 crores.

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
Yes, it's basically INR14,648 minus INR12,691 crores. It's almost INR957 crores, basically the assignment which we have done.

Ankit Shah - Analyst, White Equity Investment Advisors
Yes. So if we do if you do assignment...

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
No, once again, let me clearly tell you. If you do a direct assignment that gets added in the assets under management, but it gets out of the balance sheet assets first. Next thing is the balance sheet asset also gets reduced by the ECL provision and also the processing fees that is yet to be recognized as [Indecipherable] So those are the causes for the difference.

Ankit Shah - Analyst, White Equity Investment Advisors
Got it. Thank you for taking my question.

Operator
The next question comes from the line of Rajiv Mehta from YES Securities. Please go ahead.

Rajiv Mehta - Analyst, YES Securities
Yes. Hi, thank you for allowing your follow-up. So just two questions. First, on credit cost, your guidance of 50, 60 basis points for the whole year. I just want to understand from two perspectives. One is this write-off, you said that you have started doing aggressive write-offs. So is this an acceleration of policy? And would this remain an ongoing policy of write-off?

And second is when you look at Stage 1 provision also, I mean, you've drawn down from that provision of Stage 1. And now it is 24 basis points. It used to be 40 basis points six, seven quarters back. So how should we look at your credit cost guidance in view of how the write-off policy or -- will happen? And how the Stage 1 provision coverage will be maintained going ahead?

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
What is happening? First of all, the credit cost at 0.6% will be maintained for the year. And regarding the Stage 1 provision, which has got reduced, basically, the behavior of the customers in terms of repayment in the Stage 1 category has been very good as per the ECL model. And that's why this percentage coverage has got reduced from, say, 0.3%, and whereas we -- since we saw some deterioration or some increase in the Stage 2 assets, we increased the provision coverage there. That's the whole logic.

Rajiv Mehta - Analyst, YES Securities
And on the write-off, is there -- I mean, have you switched to a policy of...

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
This policy will continue. Of anything more than 500 days will get...

Rajiv Mehta - Analyst, YES Securities
530 DPD, right?

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
Yes.

Rajiv Mehta - Analyst, YES Securities
Got it. And just on connectors, you said 8% contribution in disbursement. So two things. What is the number of connector right now? And what can the number go to and also their proportion in disbursement, maybe say next year?

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
Actually -- we have got right now across 333 branches, we have around 1,000 connectors, average three to four connectors per branch.

Rajiv Mehta - Analyst, YES Securities
Okay. Thank you.

Operator
Thank you. Our next question comes from the line of Shubhi Gupta [Phonetic] from Trinetra Asset Managers. Please go ahead.

Shubhi Gupta - Analyst, Trinetra Asset Managers
Hi, sir. Thank you for taking my question. I'm sorry if this has already been answered. Sir, what is -- if you could just give me the breakdown of the slippages that have occurred?

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
What is the slippage? I'm not able to understand your question.

Shubhi Gupta - Analyst, Trinetra Asset Managers
Sir, any slippage that has happened in this quarter? And if you could give me any breakdown for this?

Balaji P. - Managing Director, Aptus Value Housing Finance India Ltd
Slippages, that's what we have told. Stage 2 from 6.21% in March has gone up to 6.87%. And NPA has also gone up from 1.5% to 1.7%. I'll give the numbers to you.

Shubhi Gupta - Analyst, Trinetra Asset Managers
Sorry, sir?

M. Anandan - Executive Chairman, Aptus Value Housing Finance India Ltd
So the numbers will be given to you. You may contact our Investor Relations, Mr. Amit, he will be able to give them.

Shubhi Gupta - Analyst, Trinetra Asset Managers
Okay, sir. Thank you.

Operator
Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for the closing remarks. Thank you, and over to you, team.

M. Anandan - Executive Chairman, Aptus Value Housing Finance India Ltd
Yes. Thank you, everyone, for attending the con call. I would like to say my sincere gratitude to all analysts and investor friends for taking time to listen to us today. Please feel free to contact us if you have any further queries. Thank you.

Operator
Thank you so much, Mr. Anandan. Ladies and gentlemen, thank you for being a part of the conference call. If you need any further information or clarification, please e-mail at amit.singh@aptusindia.com. [Operator Closing Remarks]