



“Can Fin Homes Limited Roadshow



**MANAGEMENT: MR. SURESH S. IYER – MANAGING DIRECTOR & CEO
– CAN FIN HOMES LIMITED**

Management:

It is from the transparency point of view. Yes, it is much better because everybody knows what is discussed earlier, wherever. Yes, many times the questions are also repeated, so in a way, you get an answer to whatever has been asked.

And in fact, many times we used to see that, some of the people would ask us anything that we have not asked, somebody else has asked. So in a way, this is what it is. You can see if anybody has asked a question, it will be here in the transcript and you can go through it.

Questioner:

[Inaudible 0:00:32]?

Management:

So it's almost to the testing is going on. In fact, unit testing and everything is done also. Functional testing is right now going through. And migration also simultaneously we -- because that was the more appropriate thing to do a March kind of a migration. So March data also we migration is going on. This quarter at least we will do with the -- we've identified pilot branches also, the training also has been initiated. So pilot branches will happen in June.

Questioner:

[Inaudible 0:01:01]?

Management:

Immediately after that or we'll see whether to do it in one shot or in two shots. But when we do it for everybody, there will be a little I believe because in terms of the logic, in terms of products, we've not introduced any new product, we've not introduced any new scheme, we've not introduced any new process change except for of course the UI/UX will be the major one which will be changing. So UI/UX adjustment I don't think will take much time.

So we have anyway, in this quarter if you look at it, we have we've considered a INR2,500 crores target that we are giving for disbursement for this quarter. Keeping in mind that there'll be some training, some impact of all those things. Last quarter we had initially thought, but when we decided to push it back, we therefore increased the disbursement also accordingly, proportionately. So this quarter also if, you know, we have considered a little INR200 crores-INR300 crores lower disbursement considering that there will be an impact.

Questioner:

[Inaudible 0:2:11]?

Management:

It will -- no, no. This we've considered only six branches. And I think, overall, it'll be -- we'll ensure that INR13,000 crores is something which will definitely not be a problem. Anyway, the first half is the slightly slower half.

Questioner:

[Inaudible 0:02:29]?

Management:

So you would have seen our presentation. In fact, we've been always talking about the rate benefit that we've been passing on, whether it will be impacted. So that's what now we have given that additional slide where we have clarified that clearly, even after giving the impact of all the 50 basis points that we've passed on, after taking into impact the conversion from annual to quarterly, the final spread also will be around [6.8 0:02:54] after everything, the beginning of the year. So that way in fact it can only, you know, there's no it's like -- the scope of it going below this is not there. We may still try to see if there can be some improvement.

Questioner: [Inaudible 0:03:12]?

Management: No, not really. Because today also we are getting around 7% and below in terms of the bank term loans. Q4 actually we had a slight increase in the rates, NCD rates and the CP rates. But Q1 again it went down and we picked up INR500 crores at 6.35, right? 6.45. 6.45 we picked up a CP which was going at around 7% plus in the Q4.

So, whenever there's an opportunity like this, we take it up. Otherwise, we have unutilized sanctions, bank term loan sanctions, which are at 7% and below. So the cost also if you see the incremental cost in Q1 also will not be more than 7%. 7%. In fact, our on-book is 9.8% and our incremental is also 9.8%. So in terms of the transparency to the customer, there is no differentiation between an existing customer and a new customer.

So whatever normally is the concern in the industry or of the regulator that, you know, existing customers get a different rate and new customers get a lower rate, existing customers don't get the benefit of these rate cuts and all, that is not there in our case. We've been absolutely transparent and uniform policy for both.

Questioner: [Inaudible 0:04:33]?

Management: Is 7%, 6.99%. Yes. And we are getting at like for example -- yes, so we will actually be raising at below 7% during the quarter. We in fact have raised CP, as I mentioned to you. NHB sanctions will be at if at all we do it will be this. Bank term loan for the highest cost is 7% today for us.

We are not drawing anything which is more than 7%. So CP, bank, and NHB if at all will all be below 7%. The only thing that will be if we go for an NCD raise during the year, then it may be at around 7.35%, 7.4% if we go for a 3 to 5-year NCD. But that as of now we don't have a plan. We might as well continue with this.

Questioner: [Inaudible 0:05:21]?

Management: In fact, no, that we had said we will draw it in Q4. So INR1,500 crores we had received last year's sanction. We had taken a draw of INR500 crores in Q3, INR1,000 crores we drew in Q4. And that is why we did not have to go and raise NCD or higher cost CPs or anything in Q4 and we could do with the INR1,000 crores NHB sanction.

Questioner: And the annual reset for NHB?

Management: See, that is tranche-wise. As and when we have withdrawn the money, at that time, based on that, the resets will happen. So there is some small portion of NHB funds where we still have to get some rate benefit.

Questioner: [Inaudible 0:06:04]?

Management: I don't expect. At least for the next two quarters, this 7% borrowing cost should sustain. If at all something happens and there is a spike, that's a different issue.

Questioner: [Inaudible 0:06:23]?

- Management:** See, we had sent around 1.8 lakh customers who are pending in annual reset. About 1.2 odd have already come and some more have subsequently. So right now there are very few customers who are in less than about 40,000 customers who are in annual reset. Many of them have opted not to move, because that's why we did not shift them. And some of them, they may come over a period of time. We tried to contact them, they have not responded or anything. So basically, we don't know when it will happen.
- Questioner:** [Inaudible 0:06:53]?
- Management:** Automatically anyway it will happen. So the last rate cut was in December, so maybe by up to December maybe some as and when they are there will make it. But a majority of them have already got the full thing in.
- Questioner:** [Inaudible 0:07:05]?
- Management:** We've guided for 15 basis points, but I don't think it will be there primarily.
- Questioner:** [Inaudible 0:07:20] recoveries?
- Management:** Recoveries are happening now. In fact, our last three quarters if I look at our flow also, it has been lower. Our [inaudible 0:07:36] quite less. So that way, and our delinquency also has been coming down. And I still see some scope for further reduction in our delinquency pool. Credit cost I don't expect in anyway. You would have seen that in Q4 also our actual PCR has gone up.
- Questioner:** Do you expect the PCR to [inaudible 0:08:00]?
- Management:** We have been increasing it. We have been a little conservative. Yes, in our assumptions we have been conservative. We would like to be conservative, but I don't know how long we'll be able to frankly maintain it because we'll have to bring it back. At least the management overlay now we -- I mean going forward it will be very difficult to maintain a management overlay. But we'll see.
- Questioner:** [Inaudible 0:08:36]?
- Management:** Q4 was a slightly better because if you recollect in Q3 we had indicated that our analysis showed that 80% of our BT-outs and this thing was happening in the annual reset portfolio. And that was probably because we only failed to communicate to our customers. So in Q4 we did that. In January itself we sent across the communication to all our customers, got in touch and all.
- And then so basically, in Q4 you would see that normally while everywhere the prepayments goes up in Q4, for us in fact it was almost kind of flat. 1,691 in Q3 run down, which was only 1,730 in Q4. So we didn't see much of an impact.
- So going forward I hope that now with all the customers reducing their rates coming down and moving to quarterly reset, I think now it should slightly be better. Because we also analyzed frankly, more than 50% of our customers are actually having a rate which is lower than what was sanctioned to them. So I mean that clearly shows.

Questioner: [Inaudible 0:09:48]?

Management: As I mentioned, LIC is one which normally does because they offer very attractive rates. But we try to educate the customer, see this is a quarterly rate. They will increase it after a quarter. That's what we've observed, that's what we hear from them, that's what they do. Whereas in our case it is not like that. We give whatever rate we give, it is a standard rate unless the customer's rating changes.

Like for example if there's a check bounce, if the CIBIL score goes down, or if there are some delays in payment [inaudible 0:10:28]. In all those cases, then the rating of the customer will change, then only the customer's rate will change. Otherwise they will maintain the same rate.

So in our case even if we are offering 10 paisa, 20 paisa more than what LIC or somebody is offering, that rate will remain the same for the customer unless the customer's quality deteriorates. Whereas other cases it is like after one quarter it will change to the card rate and then customers get stuck. So we try to educate, let's see.

Questioner: [Inaudible 0:11:02]?

Management: Yes, we have made it very clear when the 25 bps, it could translate to 10 bps for us, okay? Same way, we will probably say that if 25 bps goes up, maybe we will increase by 12 now because what has happened earlier, it was only 40% of our loans were linked to repo and debit.

Now, our percentage of bank linked on this thing, borrowing has slightly gone up. So, maybe to that, so our thing is very clear, whatever is the increase equivalent, whatever impact we will experience, we will pass on to the customer, we will be very transparent.

Questioner: So, that is for you also, not necessarily only on customer rating change, but if interest rates go up?

Management: It is a floating rate. So, obviously, floating, if it is floating, then whenever the thing goes up, repo rate goes up or whenever the borrowing costs go up, we will have [inaudible 0:30:23].

Questioner: Which for others, you are feeling is more arbitrary also, I mean, without anything?

Questioner: If you have your card rate appropriate rate, for other people, it is different [inaudible 0:12:03]?

Management: True, true, that is true. And I think that is something which even the regulator has been talking about very strongly.

Questioner: With BP outs, I think there is that relation that you also keep mentioning, when the rates are getting cut, people are trying to attack the business more and once the rate cuts are like through the door, then it eases out. So, are you seeing that easing out now?

Management: See, as I said, Q4 has been lower. Normally, Q4, if you see our, this label also, normally Q4, it goes up, right? But in this year, in fact, our Q4 rates have not gone up much. Last year, Q4 FY25, it went up to, it crossed 4% for the first time. Q4 FY25, again, it was spiked from 3.59 to 3.74.

But Q4 FY26, it was 4.26, it has continued to 4.24. So, that has not happened, that spike which normally comes in Q4, because that is a quarter where everybody is aggressive.

Questioner: Correct.

Management: And a lot of BT outs happen and instead of new housing, it is more of BTs, which actually push the disbursement. So, in our case, this quarter, we have not seen. And as I said, our data also showed that our 80%, while our 50% portfolio was linked to annual reset, among the prepayments, 80% was from annual reset customers, because the customers had not got the benefits.

So, there was a kind of concern from the customer's point of view. Now that we have passed on and 85% have moved to quarterly reset, that at least they have seen that they have got the benefit. And Q4, they have actually saw the benefits.

Questioner: Theoretically on a [inaudible 0:14:05] because this is just too good a number, right?

Management: So, I do not see a reason why not. See, there is a bit of this thing on the newer, what happens is it takes time for the rating to come. And once their rating improves, the gearing possibility or opportunity for gearing -- improving the gearing also [inaudible 0:14:31]. And roughly, if you see almost all of everybody is working on a minimum of around 3.5 plus.

Almost everybody is working on 3.5. So, if you manage your credit costs and your opex, then I think where people go wrong is on the opex side. The opex is where it is very high. And that is where usually people end up with a lower ROI and then coupled with gearing, it becomes a lower basic. But if you are able to manage your opex, credit cost by and large, everybody is in the 10 bps to 25 bps.

Questioner: And what exactly is the pitfall of this opex, where can somebody end up over investing? Because I think you are also changing things to DSA, DSA say you want to bring it all in-house, so that actually is more inflationary on the opex, right?

Management: No, why do you say that? Because when it comes to, frankly speaking, if you look at the DSA payouts, it is about 50 bps that we are paying, okay? So, today my team is doing on an average about INR1 crores disbursement per month per staff, the sales team. So, ideally, I would have paid about INR50,000 to the DSAs as a commission for that kind of a INR1 crores business. But as against that, today, I am having a cost of about INR38,000 to INR40,000, which is the staff salary cost.

So, I mean, if we are able to improve that kind of productivity and maintain or improve the productivity, then I think it is beneficial only. The cost will be lower than what we would have otherwise paid as a DSA payout, not to mention the fact that we will be able to manage the requirements in BTOs, because it will be a little more sticky portfolio.

Questioner: [Inaudible 0:16:24]?

Management: No, no, industry depends on the DSA type, like we still have DSAs, we call them DSAs, but basically they are connectors. So, we are paying 0.45%, 0.445% to 0.7%. Whereas industry, if you look at the -- any of the bigger corporate DSAs, they all are charging 1, 1.25, 1.5, depending on the product.

Questioner: [Inaudible 0:16:51]?

Management: Right now 80%.

Questioner: [Inaudible 0:16:54]?

Management: 80.

Questioner: [Inaudible 0:17:00]?

Management: No, at least not our portfolio. Even April, we are not saying that.

Questioner: But what is your view that can we have an issue, like are you already gearing up to it? Are there certain industries, maybe in Surat, Gujarat where you think there can be an issue and [inaudible 0:17:30]?

Management: No, we have not. We are monitoring it, but we have not seen any stress whereby we need to be concerned about. I have heard that, as I was mentioning a little while back that some of the other people, CEOs, other colleagues in the industry, they have been talking about some stress in the small ticket market. But we have consciously moved out of that slightly. Our ticket sales are now more than 25 to 50 second.

And our less than 10 and 20 also have been coming down. So, I don't see, at least as of now, at least there is no much pressure. If it sustains or anything continues, that's a different issue. We'll have to see. But at least as of the moment, there is no.

Questioner: [inaudible 0:18:10]? Like, the recalibration of the [inaudible 0:18:10]?

Management: Now, in fact, incrementally, it is about 45% is coming etcetera. At the book level, it is around, it's about 30%, 31%.

Questioner: But there also no stress. There will be like restaurant [inaudible 0:18:10]?

Management: Because see, we don't have a product which is, I mean, there is a tool, we call it an NIP product, but that is just about less than 2%. So, 98% of our customers are those who have a documented income proof. Either it will be IT reconsidered. Even self-employed SEMP we are talking about, they are firing returns.

So, it is not the surrogate income proof, assessed income proof, those who are doing a multiplier or a bank balance, average bank balance in product. All those things we don't have.

Questioner: No, but all of these, like, a lot of things, [inaudible 0:19:09]?

Management: True, as I said, it is -- somewhere like Morbi. We don't have in Morbi.

Questioner: You don't have?

Management: We don't have in Morbi. Surat portfolio is very small. Tirupur is there, but Tirupur again, we have not, again, it's not that big also. So, what other, I mean, what I have been hearing...

Questioner: Is Tirupur [inaudible 0:19:29] on your portfolio? That's because your borrower is also...

Management: Today, I mean, our Tamil Nadu portfolio on a INR7,000 crores book is having around INR18 crores NPA, total Tamil Nadu. That's about a 0.5.

Questioner: [inaudible 0:19:52]?

Management: No, no, these are the small MSMEs are there, all the same. They have a big export. And mainly for all those [inaudible 0:20:05].

Questioner: [inaudible 0:20:07]?

Management: I guess there are two components to the BT-OUT. One, of course, is the rate of interest, which is what is mentioned, Manan mentioned, that is correct. That now that there are no further rate cuts, there will be some stability. Maybe, you know, an X would have become X plus Y in terms of people's BT-OUT ratios. But now the X plus Y will remain constant because now there are no further rate cuts. That's one point to it.

The second point to it is, what is the aggression that people are showing? And off rate, I mean, this has been an area that people have been talking about growth rates, which are unreasonable. To be very frank, when the affordable segment itself is growing in single-digit numbers, and it has been coming down consistently over many quarters, you still have players operating in that segment talking about 20% growth.

Obviously, it's a little difficult to believe or rather it is not sustainable. That's the point. So, if they still have to continue achieving those numbers, I believe they will resort more to BT-OUTS. Of course, it doesn't affect us because they will still be doing more. They will not obviously be able to pick up a 9.5% or a 10% and a 10.5% rate alone. But within the group, there will be prepayments will be there.

Questioner: But on this second part, right, that the growth rate was low for the industry, the whole industry is coming down. All players, all housing finance players across different customer cohorts, whether prime, subprime, codependent, we've seen a moderation everywhere in the last five, six quarters. How much of it was regulatory? How much was it macro? And are things changing? Should we expect a pickup in housing as a whole? Because that segment has actually been linked to over 2 years.

Management: See, there has been a regulatory push definitely in terms of the regulatory push. The NHB has been a little tough on and has been looking into quite a few new aspects also in terms of the regulation. And therefore, like, for example, check handover, so that impacted growth because

earlier it was more unchecked, being prepared and handed over after some time. That was stopped. So a lot of players got affected because of that.

Then there are also ERR audits happening. So that is also there. There was also something on, classification of loans as housing, non-housing. That was also looked into. Then this PVC criteria was there. So if you look at the last 1.5 years, that definitely there have been a lot of additional regulatory tightening that has impacted the industry. But insurance mis-selling. So these are some of the areas where the regulator has become a little more active and aggressive in terms of regulation. That has also impacted.

But overall, if you see, I have always been saying that, ever since the EMA was stopped in 2021, that inertia continued for a little while. But after that, definitely the impact in terms of the affordable segment was going to happen. And this I have been saying for the last almost 1.5 years that, or rather around the time I have come that after the CLSS, definitely there is going to be a slowdown in affordable segment, which is what is happening now.

PMAY slightly, there is a little improvement, not much, but it is slight improvement is there because some of the guidance have been relaxed. And now even the regulator has started doing some marketing and permission first PMAY. So, hopefully, that includes slightly support both a little bit. But still it is not happening to the levels that were happening in CLSS 1. It is still much lower than that.

Questioner: Is it a quantum [inaudible 0:24:38]?

Management: No. So, there are, there is a change in the PMAY 2 guidelines as compared to PMAY 1. Like, for example, it was 2.67 as a max benefit. Now, it has been reduced to 1.8 lakhs. Earlier, it was upfront full payout was there. Now, it is staggered over 5 years. So, basically, in a year, the customer gets about INR30,000-INR35,000 only as a benefit, which is equal to about 1.5 EMI. So, it is not a major benefit where people can be affected.

Three, in 5 years, if you shift the loan, then you lose the benefit. If you default, you lose the benefit. So, basically what has happened? Some of the small areas where people were benefiting in CLSS 1, the government has tightened and done it. So, that is point number one.

Point number two, yes, the procedure has been increased considerably. So, in terms of the process requirement, there is an app, you have to go and do the visit and upload the photographs on that app. There are approximately about 140 or things that you have to capture in terms of additional data points.

Not, of course, many of them were there in the application formula, but then there are about 140 data points which have to be captured. So, the data entry and the process has also been, has increased. So, there is an operational issue also as well as there is a product issue also where CLSS 1 and PMAY, these are completely different, there is a lot of change in that.

Product issue also and operational hurdles also, both things are there.

Questioner: [Inaudible 0:26:18]

Management:

Yes, because see last time, I mean, just to give -- in last time in CLSS 1, certain states were very aggressive, like you had Gujarat, you had Maharashtra, you had Tamil Nadu. The state governments also took a lot of initiative, but by the end of CLSS 1 itself, like for example in Gujarat also, if you ask me, there were -- government was coming out with construction, but there were few takers because there was eligibility, most of the people had already availed the benefit and it has to be a first time home buyer, it is basically for a first time home buyer.

So, therefore, the states like Gujarat, the states where the housing is doing really well, there already the gap has reduced considerably. So, unless, the states like Orissa or West Bengal or UP or all of them take up the thing, CMMI 2, if it has to be successful, then these other states where the gap is still there, they have to do much more.

Questioner:

West Bengal.

Management:

West Bengal, Orissa, Bihar, UP and yes, the government is doing, I mean, the regulator also, I mean, like for example, a week or so back, I was in few HFCs and NHB and organized a meeting with the Orissa government. Before that, sometime back, it was there in the UP, they had done something. Before that, they had done in Assam.

So, obviously, the regulator, I mean, NHB also, because it is a primary [inaudible 0:27:47], they are also trying to talk to the governments and improve the supply side of it for PMAY to be more successful. But let us see, the states also have to contribute. They also have to come in with a guidelines.

Questioner:

[Inaudible 0:28:01]?

Management:

There is, you know, these states definitely that I mentioned, there is a definite demand side. There is no problem because there are a lot of first time home buyers and the gap between the supply and missing is also quite high. So, there is a good opportunity available in these states. But yes, the supply has to come in, the state governments have to do it.

Like the CLSS, the state governments also did a lot of, took a lot of initiatives. The state governments came over there and activated their local government bodies, housing boards, all those kind of things and construction also happened. And with the incentive also, the private sector also came in.

This time, in fact, if it, I believe, if it has to happen, then the government only will have to do it because private sector may not find it very lucrative to come with only 30,000 incentive or the same. There is no -- not much of an incentive for the private sector to come in. The government only will have to come in with a supply if PMAY has to be successful. And efforts are going on for that.

Questioner:

Among the independent states, or anyone that is still growing recently?

Management:

In Gujarat, Maharashtra and Tamil Nadu you are talking?

Questioner:

Gujarat, Tamil Nadu, MP?

Management: I mean, at least for us, it is a little less. So far, it is a little less compared to what we were getting.

Questioner: So it is addressable market?

Management: I believe yes, the addressable market is now has now shrunk because they have already been provided the housing. And therefore, wherever there is a gap, those are the states which will now have to take the advantage of PMAY.

Questioner: So, for our geographies, [inaudible 0:29:43] portion?

Management: No, UP we have actually -- we had only 10 branches. In the last two-three years, we opened 12 branches in UP. So, we definitely see UP. We have done -- I mean across -- but more so in the northern part of UP, closer to NCR and all those places, we have done more branches there. But we have opened 12 branches in UP. So, definitely, that is one state we are looking at. Chhattisgarh, we are looking at three more branches this year.

Questioner: How big is it in terms of [inaudible 0:30:14]?

Management: Chhattisgarh is a very small market for us. We have only the...

Questioner: For the industry?

Management: For the industry also it is there, but then there is a scope there. There is a scope there, but less. But more than that, I think the bigger markets would be, I think, West Bengal, UP, Bihar, and Odisha. These states can do well.

Questioner: So, there you would incrementally open if you see a traction?

Management: Yes. As I said, among all these four states, we chose first as UP.

Questioner: In general, those markets are [inaudible 0:30:43]?

Management: UP not so much, UP there are quite a few things. But other three states, yes, I guess there are less housing finance branches out there.

Questioner: So, your old institution can take a lead there? I mean, does it have to be an HFC or can other institutions also?

Management: If you are talking about a bank, I don't think a bank will do affordable. I don't think any bank has successfully done affordable housing. It's only the HFC industry, which is interested, okay? Last-mile connectivity will happen with an HFC or an NBFC only. Banks, I think, are more, either by the kind of regulation, with the kind of RBI guidelines and everything, I think banks will be more keen or will be more -- I mean, the formal sector will be more suitable for banks. And last-mile connectivity will be only through HFCs.

Questioner: And you briefly highlighted state governments, but you had in the success states also, it has not always been aligned with state and central government, right? AP was a success story, some states, Tamil Nadu was a success story.

- Management:** See, CLSS 1, there was a lot of private sector also which came in because INR2.67 lakhs was upfront available. Okay? So of course, therefore there was a -- it was very lucrative. The government, for the -- for that segment, the sale would happen fast because they would get it immediately, the money would come, the benefit, lower LTVs, everything.
- Questioner:** But without central government introducing a lucrative scheme, can there be state-specific schemes which makes it very lucrative?
- Management:** It is also a factor of the -- the state has to, yes, definitely, the state governments also otherwise have given a very conducive environment. Today, documentation for one is one thing. Let us say, you look at all the five states, top five states, Maharashtra, Karnataka, Tamil Nadu, Gujarat, and Telangana, and NCR Delhi. All these places, plus Rajasthan and all, documentation is absolutely clear.
- When you move to the East, yes, documentation also there are issues. So the state can definitely play a big role in those kind of issues also, clarifying in terms of the stamp duty, getting the digitization of records, getting the proper RERA implementation. So those things can definitely help.
- Questioner:** So you might have covered this just briefly. If you break your assets into different kind of rate regimes, how would it look like? Purely Repo-linked, something linked to your...
- Management:** In terms of our asset side?
- Questioner:** Yes.
- Management:** In terms of asset side, we don't have any Repo-linked. We are not required to...
- Questioner:** How do they actually move?
- Management:** We don't have the external benchmark linked pricing applicable for housing finance companies. We have our own something which we call as a "Benchmark Rate". We call it as the Benchmark Rate.
- Questioner:** Is there a discount?
- Management:** So it's both ways. It's both ways. So 775 plus CIBIL score plus some this thing, we have a lower than that benchmark rate also. Our current benchmark rate is around, I think, is 9.1.
- Questioner:** Okay.
- Management:** So what we do is it's a, we have a proper interest rate policy which is, which has all the elements of cost of borrowing, our cost of capital, opex, plus credit premium, CRP, credit risk premium, and then we apply the DSP, that is a strategy premium over and above this depending on when we, where we want to push.
- But otherwise, it is very, very clear. So according to it, our CRP has not changed much because -- our, it has been a very stable credit cost and our stable performance in terms of our delinquency

and this thing. In terms of our opex also, it has been very much under control, so that is also not much of a lever which changes it. Maximum thing that changes it is our cost of borrowing.

And cost of borrowing, as I said, we have about 40% earlier was our portfolio on our borrowing side, on our liability side, which was linked to Repo or T-bill. So effectively a 25 bps Repo rate cut would translate to a 10 bps reduction. And we have transparently, 125 basis point reduction in Repo has happened, we have passed on 50 basis points to our customers.

Going forward, again, if there is a say 25 bps reduction, probably we will again be in a position to pass on, maybe with a 1 or 2 month gap, lag, we may be able to pass on about 10 to 12 bps to our customers.

Flip side, if the today our -- this goes up by 25 bps, again 10 to 12 bps we may be able to increase on, we will have to increase on our asset side on the entire book to ensure that, this entire thing gets covered.

Questioner: So, this 9.1, it has been stable or it has moved along with the benchmarks?

Management: So, we were 9.6 before the rate cut cycle started.

Questioner: Before 125, you were, [inaudible 0:35:38]?

Management: It was 9.6. That is what we have given if you see our table also, we have given on Page 37. February 25 was the first time we did a rate cut of 10 basis points. So, it was 9.6. So, it became 9.5. Thereafter, we did one in July. So, therefore, it was Q1 also it was 9.5 only, but in July we reduced. So, therefore, another 15 basis points, it becomes 9.35.

Thereafter, in December, we gave another 10 basis points, it became 9.25. Then January, we gave another 15 basis points, January '26, so it becomes 9.10. That movement also we have captured in that slide.

Questioner: And what is your recent period for existing?

Management: That is, it is quarterly, it is quarterly. I mean, there is some less than 15% portfolio, which is still on annual reset, but otherwise everything is quarterly. So, fresh loans are all quarterly. Fresh loans are all quarterly.

Questioner: Sir, up to 15% commission, right? [Inaudible 0:36:36]?

Management: Or 10 basis points. 10 to 12.

Questioner: [Inaudible 0:36:47]?

Management: Yes, because now what has happened is earlier we had a 40% of our liability side was repo or T-bill link. Now, we have reduced our CPs, we have reduced our NCDs. So, now slightly that 40 has gone up to around 62%, 60%, 61%.

Questioner: [Inaudible 0:37:03]?

Management: Repo or T-bill, we do not have anything linked to MCLR. So, therefore, it is now 60 basis points. So, effectively on the, now it goes up. Today, we will have to.

Questioner: [Inaudible 0:37:14] T-bill link cost would have gone?

Management: Yes, slightly, yes. We took a conscious call to change '23. We did that. '23, '24. We took a, we had about at that time 40% of our bank borrowings were linked to MCLR, 40% to repo rate and 20% to T-bill. Entire 40%, we moved to repo rate at that point.

Questioner: How much of this 60 would be private banks?

Management: Private banks, we have quite a few private banks. We have HDFCs there. We have Federal Bank is there. We have South Indian Bank is there. We have...

Questioner: I put together about one third, one fourth?

Management: About one third.

Questioner: One third?

Questioner: [Inaudible 0:38:05]?

Management: One third of it.

Questioner: Who are the parties [inaudible 0:38:10] aggressive BTRs, doing business with [inaudible 0:38:16]?

Management: I mean, I cannot say. I am sure they will have their own logics for doing what they do. I do not want to comment.

Questioner: But are there players who are doing business [inaudible 0:38:28]?

Management: I think some of the pricing, I think is a little irrational. At least at least one or two of them, I believe is a little irrational. I believe.

Questioner: [Inaudible 0:38:36] but relatively better than before or it still happens?

Management: I guess now it is definitely little more, people are a little more conscious about their spreads. That thing has definitely, majority has come out about it.

Questioner: And anything that the regulator is thinking about BT-outs? Because that is something they said every time.

Management: Not BT-out per se, but I believe it is more to do with the -- they are more concerned with the valuations.

Questioner: LTVs?

Management: LTVs.

- Questioner:** That is the main reason why they don't sell?
- Management:** Rates also is a function. But yes, valuations was also a little concern which the regulators have been pointing.
- Questioner:** You have been asking [inaudible 0:39:33] because a lot of money came into capital, which came into affordable housing, right? Like earlier, they used a lot of capital into MFI in the last [inaudible 0:39:43] years for non-monetary private equity funds, affordable housing. So a lot of capital came in. What, how has the industry changed in terms of asset quality, aggression? And are we seeing lesser money coming now because growth rates have come down?
- Management:** No, I don't think, there is still a long runway for the housing sector. And today also, like, I'll just give you, today, we were in Orissa last week. Orissa, the state government is talking, is saying that they have a 19% present level of urbanization and they want to by 2036 or 2037, I don't know, they're planning to take it up to 40% urbanization.
- So that's the state government's objective. That's the dream they are working on. That's the kind of thing they are working on. It may not be 40. It may still be from 19 to 30 also. But that's also quite a big jump. So I think, state governments are also looking at that thing. And so, therefore, there's a good runway for the industry. That's what I'm trying to say.
- That, you know, there is a good thing. Plus, slowly, if you look at UP is another market. So while in the last 10 years, I would say Maharashtra, Gujarat, Tamil Nadu, and all the large markets. Today, probably, you know, we will also have other states like UP, Orissa, hopefully not West Bengal, where also now we will see a lot of growth coming in.
- So runway is definitely there. So I don't think that, that P is coming in is going to slow down or not. It's going to stop over here. Even now, I think it's there. What has happened is the P is coming in. Yes, there is a little bit more on governance. There is a little more on, least a little aggression, of course, no doubt about it, a little more of aggression. And overall, it is definitely helping.
- Questioner:** But going into newer markets is the problem. Like with MFI what happened is, same market, you keep following?
- Management:** No, that's precisely the point. So, if you see now, I mean after a long time, you see now the regulators also, like, they are also having a dual function. I would say regulator, of course, I shouldn't say regulator, I should say the NHB. Because regulator is now RBI, I'm sorry. It should be more of -- so NHB basically is now also talking to state governments to see how they can also bring in more housing supply and all.
- So, that's a good sign. It's rather than -- that's where the expansion of the market is likely to happen. And that's actually a positive thing. And you're right, only the same five states, I also would be a little concerned because I feel Maharashtra, maybe there's a little over-leverage already. So, I would also be concerned.

But this is a positive thing that now other states are also slightly realizing and coming in. Yes, and NHB is also talking to them. And if it really happens, it will be there. Like I have 2 or 3 months back, we had a meeting in UP where the State Secretary of Housing had also come. They were also talking about a lot of focus they are giving on reviewing the policy.

As I said, the state governments can play a role if they are looking at the FAR policy, if they are looking at the policy in terms of how much you can, what is the mixed housing policy that they've come out with, what MP had come out with. They are looking at how they can reactivate the housing board and the state machinery. So, those are the things which can really increase the supply.

Questioner: 8th Pay Commission, what is the impact you see? See anything? I mean, of course, it's still down the line, but...

Management: Any time it happens, it always...

Questioner: Where do you see the money going, like getting allocated? I mean, you would have seen the earlier one, 7th pay commission also. So, what is in your experience, where does that money get allocated in the consumer's back, I mean, you buy a house first, then a car, then a...

Management: See, I will tell you, in case of developed states like Gujarat, Maharashtra, Tamil Nadu and all those things, as I said, the housing is something where most of the people have a roof over their head. So, there would be some amount which will go into better housing, more of this thing. Definitely, yes.

Questioner: The first thing will be buy a better car or...

Management: Maybe they would now move into consumption-linked kind of thing or spending-related thing. But when it comes to the other states, definitely it will help. So, if by the time the state also is ready with a good policy and all, it can really, really give a good push. Because there, housing is a -- and frankly speaking, you talk to any housing finance company, they'll tell you, they've seen the lives change with a house. The lifestyle changes, the confidence in the family changes, everything changes. So, it's a big, big boost.

Questioner: And how far do you think it is in terms of implementation of 8th Pay Commission?

Management: I don't know.

Questioner: And sir, in your company, sir, what is the development on the ESOP scheme, etcetera?

Management: ESOP you have already implemented.

Questioner: Yes, yes. So, what kind of people have got in ESOP?

Management: So, we have a policy that all the senior management, that is basically executive level, chief manager and above, that is what we have, the ESOPs are there. So, right now it is about 70-odd people, top 70 who are there.

- Questioner:** Out of 2,500?
- Management:** Out of 1,360.
- Questioner:** 1,360.
- Management:** Out of 1,360, about 70-odd people are there who are eligible for ESOPs. And we have right now earmarked 1% of the equity for that. And obviously, we will be doing it every year. The ESOP will be -- the grants will happen every year. And that scheme and everything has already been.
- So, every year based on that scheme, NRC is the committee which approves it. Every year we will do it. So, for the first round happened in the month of November 2024 for the executives. Then the second round happened, the second grant happened in November 2025. So, that has happened and that is now an annual.
- Questioner:** And what prices do they get eligible, market rate.
- Management:** Obviously, yes. The one that is the higher of the two stock exchanges, whatever is up, that is the price.
- Questioner:** So, how much of that guy's renovation gets linked to ESOP?
- Management:** See, right now, it's a less, the price increase has not been much. I don't think in terms of that, it will be there. But it is more also of ownership. It is more of ESOPs, how it works. You have to be, you need to have the patience of 5, 6 years to see the growth. And even if we say it had been, 2 lakhs as an incentive, vis-à-vis stock option equivalent to 50,000, that 2 lakhs will get spent in a year. But if you hold it for 5 years, that effectively will be around 5 lakhs, or whatever, how the company grows. It's a different thing. But at least in the long-term, people will have more ownership and that's what it is.
- Questioner:** And sir, any conversation with Canara Bank? Because I think that final circular came, so at that group entity thing...
- Management:** No, no, that, if you see that January guidelines which came, sorry, on December 5th, the new RBI guideline. There was a requirement that bank-sponsored group entities which are there, which are in housing, they will have to, they will automatically become upper layer HFC. So, we have become an upper layer irrespective of the fact that we are at just INR42,000 crores and not INR1 lakh crores. But still, we are upper layer. So we are...
- Questioner:** So, we have had to change anything?
- Management:** There were a couple of changes we had to make. There were basically three changes. One, we had to undergo some, make some changes in our policies, which didn't make any impact, but we had to incorporate certain things and change and all. That was one.
- Second, we had to do was, we had to, a special, the earlier the fraud identification committee was headed by the MD & CEO, but now because it's an upper layer, it has to be a separate

committee with two independent directors minimum has to be there. So, that we have formed and that is there.

And the third was this CCO guideline there was there. We were again compliant, so there was not much of an issue that it has to be not more than two levels below the CEO. That was also not a problem. The fourth one was that the parent bank had to pass a policy that they are okay with two entities and there being an overlap or no overlap between multiple entities in the same group doing the same kind of business.

So, that impacts ICICI Bank because they have a subsidiary group company, Canara Bank because they have Can Fin, and PNB because they have PNBHF. So, all three I suppose have passed, their parent bank Boards have passed that resolution. And before the deadline expired on 31st of March, we have submitted that thing wherein clearly we have said that we want to continue and these are the areas how there is minimal overlap in the business. And accordingly, that has been submitted.

Questioner: How do you justify that? You say geographically we are separate, the target customer is separate, [inaudible 0:49:41]?

Management: So, the most important thing for us, I think, would be, like if it's a bank, the bank obviously all the housing customers are having a bank account with them. In our case today, it was less than 15% of our customers are actually Canara Bank customers. So, irrespective of the ticket size and everything, if you see less than 15% of our customers are also Canara Bank customers.

Therefore, the Canara Bank would not even have considered them for that loan. Of course, they would have made them open a bank account, that's a different thing, you should not always cross and all those things.

Questioner: You would not have got [inaudible 0:50:15] by Canara Bank?

Management: But they would first, you know, they therefore were not approached by Canara Bank. They were only doing so. This is one major, major thing. Second thing is, Canara Bank most of the business is happening for their existing customers and very little of new thing is happening because their DSA percentage is very, very less. In our case, it is purely DSA driven.

Questioner: So [inaudible 0:50:37] DSA is very less?

Management: It is less, much less. Internal sourcing is much higher in our case. So, basically the, you know, newer markets this is where we are doing. The third thing is that between the two segments, we have a differentiation in terms of, I think their cutoff is around 700, we are doing 650. So, there is a civil cutoff also difference which is there.

Questioner: But nothing very obvious here?

Management: You cannot say. Today if a customer comes, I mean, it is illogical that, sorry, I cannot do it. You go to my parent bank, even go somewhere else. It will not come to both. I think, so you can't

actually say that there will be zero overlap. But at least there has to be a clear, some, some kind of mechanism.

Questioner: But that whole thing is not settled with RBI? It's not like you don't expect RBI to come back and say, oh, why this, why that?

Management: No, I don't think so. I don't think so. Otherwise, they would not have come out with this policy. So the fact that they've come out with the policy.

Questioner: So what happens is that Canara Bank vote to, or the parent bank vote to just pass that we have agreed this is how we are.

Management: And what is the, obviously, whatever I've told you, the same things, I think we also shared with the bank and they also would have put up in their vote box. That is what the Board has taken into consideration. So I'm sure they will monitor every that, it doesn't happen tomorrow that today it is less than 15%. Suddenly tomorrow 50% of the customers are Canara Bank customers. Obviously, that will be not in the right spirit.