



“Can Fin Homes Limited”

Roadshow



Questioner: So, broadly, how is April panning out for you? If you can highlight the business trend. So, of late what we have seen is that on the disbursement side, we have shown an uptick as we were sort of guiding, right? But when we look at the loan growth, that has not improved materially as to what we were sort of anticipating, because of obviously the repayments being higher. So, from a company's point of view, disbursements are important, but at the end of the day, loan growth is obviously what stays on your balance sheet and which further accretes. So, how should we look at both disbursements and loan growth?

Management: I'll tell you, the disbursements and loan growth, if you look at it, there is always a lag in the AUM. Because if the disbursements have been good this year, the AUM will eventually also rise in the coming years. That's how it is. And same way when it comes down also, one bad year in disbursements will not impact the AUM. But two bad years and then it will start to show. So, that's how it always comes with a lag.

So, AUM will come, that's not a thing, but what is important is that the disbursement thing is back and we are now on a positive thing. So, from here if we are looking at about INR13,000 crores, then next year the AUM growth will pick up to 14% to 15%. And again, next year after that, if we continue with the same 20% plus kind of disbursement growth, again, the AUM will further improve from 14% to maybe 15%, 16% or something.

Questioner: Sir, this 14% to 15% is for FY26?

Management: We are talking about 14% to 15% for FY27.

Questioner: For FY27. Okay.

Management: Because see, we are expecting a INR13,000 crores disbursement this year. That means, current year we have had about INR6,500 odd crores of BT-outs, prepayments, part prepayments, amortization -- everything has been about INR6,500 crores. Next year, even if you consider INR7,000 crores, slightly in the same trend kind of a thing, then net accretion to the book will be around INR6,000 crores on a INR42,000 crores book, which will be around 14%.

Questioner: Right. This is considering what repayment rate?

Management: For the entire year, about INR7,000 crores if it is the run-off, including part prepayments, full prepayments, BT-out, and amortization.

Questioner: Okay, perfect. Got it. But the repayment rates have been relatively higher towards the end of the year?

Management: This year it was not the case. In fact, as we had pointed out, at the end of the first quarter last year it was okay. It was in line with what we had anticipated. Second quarter it slightly spiked up. And when we analyzed that, we realized that that was one of the major reasons. The end of the third quarter when we saw it, it was because of the annual amortization cases.

Because in quarterly reset cases -- I mean annual reset cases -- there was a lag in the transmission of the rates. Although we had reduced our rates from benchmark rates from 9.6% to 9.1%, the transmission to the annual reset customers was slower. So, there was a higher concern and customers were moving out. And 80% of our prepayments were in the annual reset cases.

So, therefore, we changed the policy, we went ahead, we aggressively followed up and converted them. You'll see a sharp change coming in Q4 in terms of the annual to quarterly reset; there has been a big jump. So, that we could communicate to them properly and say that, this is what it is, therefore it's not that we are not passing on the rate, but it is because you are on an annual reset. You have an option, without any charges, you can move to quarterly reset.

And that we aggressively followed up. Customers also opted for it and that's how now in Q4 we were able to slightly hold back the prepayments. So, normally Q4, you are right, there is a spike compared to Q3 in terms of prepayments, but this time we didn't see any spike. It was INR1,691 crores in Q3; in Q4 it was INR1,730 crores. There was a marginal increase. In terms of percentage, actually, it has come down in Q4 compared to Q3.

Questioner: But in now in FY27 we don't -- so now what percentage of our loan book is yet to be reset?

Management: It's less than 15%. Around 14% to 15%.

Questioner: Around 15%. Got it. So, now how should we look at the disbursement growth? I mean, what is our incremental strategy for this year?

Management: So, incremental strategy means we already have the basic pillars in place. Mainly our growth and everything we were looking at in two-three things. One was geographical expansion which now is a proven thing. In the last three years, we opened 54 net branches. And this year we are targeting around 28 additional branches, which will all open in the first half of the year. That will give one level of growth.

Last year, if you see, the new branches have contributed almost all the branches opened after '23, I am saying March 23, have contributed close to INR820 odd crores of business has come from the new branches. So, that is definitely something which is helping. This year, we will be opening 28 branches, plus, some of the branches opened last year and all, yet to reach their optimum level. So there some growth will come.

We are looking at INR1,200 to INR1,400 crores of disbursement coming from the new branches which are opened after '23 in this selection as compared to 820 odds, which is the FY26. The second part of the strategy is the shift to having an additional sales team. The sales team last year contributed INR868 crores, which in the year before that was almost INR180 crores for the full year.

So that way also if you look at it, the sales team is now getting established and we are expanding it. This year we started off with 37 people and ended with around 82 people. Peak time was around 90. This year we are looking to increase it to 150 people, and next year that INR868 crores is likely to cross INR1,500 crores. So, next year, these two major aspects are going to help.

The third thing which will help now is once our IT transformation project is over, we will be able to push on digital onboarding, digital sourcing also will increase, which has been something which we have not done till now, because our systems are not ready for it. So, this IT transformation will enable us to start a third additional lever also, which will be the digital onboarding and digital sales.

So, these are the three major things. But for FY27, I have to tell you, our new branch, which has contributed about 820 crores in this year, will contribute to more than INR1,200 crores and up to INR1,400 crores is what we are looking at from the new branches. The second is the sales team, which has contributed INR868 crores to do more than INR1,500 crores in this year.

So, almost INR1,500 to INR1,700 crores and INR1500 crores and above, additional business will come only from these two channels. And the existing branches which are already there prior to 2023, those branches anyway will also continue to grow a little. Those branches have done about INR8,900 crores in this year. INR10,500 minus INR820 minus INR868 approximately INR8,900 crores. INR8900 crores will do about INR10,000 and INR3,000 will come from here.

Questioner: And sir, IT project implementation will happen this quarter? It has started?

Management: I mean, our unit testing is over. All the deliveries almost have come. Hardly one or two which are not -- very, very external. There is nothing to do with the core unit. The unit testing is over. Functional testing is going on. Migration simultaneously is going on. And that also is almost under control. So, by June, we will be implementing a pilot branch, six branches we will be implementing.

Questioner: Sir, you are on?

Management: Six branches. Six pilot branches we will be implementing and it will happen along with the training, along with everything, it will happen.

Questioner: Okay. So, we are going slow in terms of implementation to not disrupt reality?

Management: Not, I would not say that entirely. It is not only because of the disruption. It is also because there have been delays. I mean, obviously, every other aspect of the project, including the infrastructure, the security and the non-LOS elements have happened on time. But this one, there has also been some, the level of customization is more than what we had originally started.

As per the vendor and even in terms of their deliveries from the vendor side have been a little delayed. So, for whatever reason. So, that has also impacted. But yes, when they came closer to Q4 and we also said it is better to move it to Q1 of next year. That is also there. But now, in fact, it has come that all the deliveries have come. We are going to testing, unit testing is over, functional testing and migration is going on.

Questioner: Got it. So, by June, we will be implementing another six branches, pilot ones and across...

Management: Once it goes well, then we will cross to it for other branches.

- Questioner:** Got it. Sir, and if you can just speak about the competition on the ground, how is the competition with [Inaudible 0:10:11]? And I mean, which segment do you think will be running for us? I mean, the housing piece or the map piece, I mean, how?
- Management:** Now see LAP we have about now close to 10%. I think, we would prefer to keep it around that. Last year, we had to increase LAP also because, you know, in Karnataka, we will not arrange that eKhata. Particularly, you know, Gram Panchayat areas have still not moved to. eKhata. There are still delays and all.
- So, 40% of our business used to come from Gram Panchayat area. So, there, obviously, we had to, you know, cover up for those, that business from elsewhere. So, LAP has helped. So, this year, of course, now that eKhatas have become a little more faster and at least corporation, we are also getting a much better hold. I think, you know, we will kind of stabilize around this. I do not think we will do too much of LAP.
- Although, yes, that is something which last year we did in Karnataka. We have analyzed internally also. Other than Karnataka, every other place, our housing has also grown and it is not like that.
- Questioner:** Got it. Got it. And, sir, in terms of BT out rates, I mean, nothing, we should be, I mean, any spike in this year?
- Management:** I think now this level of almost 4.4 to 4.25 per, in every quarter, which is about 17% for the year, I think that is now kind of, I think, the new norm. We were earlier working around 15%, now it is 20% and that is what it is.
- Questioner:** Okay. So, largely our loan growth will be driven, I mean, there will be a balance between Home loans and LAP and LAP share shouldn't go above 10%. That is, LAP would be generally yield accretive for us.
- Management:** LAP is.
- Questioner:** What would be the yield differential?
- Management:** Yield differential will be same. We are charging and LAP is non-housing and there we are not offering that special, even for high investments. So, roughly, I would say the yield would be in LAP somewhere around 10 and a half. 10 to 10 and a half.
- Questioner:** Got it. So, the yield differential would be close to about 150 odd basis.
- Management:** 120 basis points. 9.1 is the top of our benchmark rate.
- Questioner:** So, then, see, I mean, this year has been extremely good in terms of our spreads, maintaining our spread, right, and we have maintained our spread like no one else. So, how do you see your spreads going forward and do you see some pressure on our spreads? I mean, realistically.
- Management:** See, we have, of course, this year we have benefited from the lag impact of the service. So, I am saying the, this year we had a slight benefit from the lag in the annual reset cases where we got

the benefit on the liability side, but we were able to. But when we have passed on also, we have ensured that at least a 2.8% spread is maintained because that is what we have given in our additional tables also that we have shown in our presentation.

That as on 1st of April, after giving the full impact of our annual reset, plus whatever January rate cut that we passed on, for that also some portion would have come in January, some in February, some in March, and little bit in April, the rate cut. So, after giving that impact also, you see our opening spread would be around 2.8. So, we will maintain above that.

And our guidance was originally last year when we began was 2.5%. We increased it to 2.75 after we experienced this thing and now we are maintaining it 2.75, although opening is 2.8. And today incrementally if you see, my incremental yield is around 9.8, 9.82. But if you look at my cost of funds, it is 6.99.

Incrementally today, whatever we have borrowed, like we have unutilized bank download sanctions, whatever we are drawing is at 7 or below. We also have a CP which we raised during the quarter and CP rates have obviously come down compared to Q4 of last year. So, now the CP rates are also at around 6.45. So, incremental borrowing whatever we are doing it is at below 7%, 7% or below. So, there is no reason for us to experience any increase also in that. So, I am sure Q1 end...

Questioner: Even in the month of April?

Management: In April we raised 6.45% CP. Even in April, whatever new sanctions we are talking to banks, we are talking about 7% and below.

Questioner: 7% and below. Okay. That would be specific to maybe prime housing NBFCs?

Management: That rate you're talking about.

Questioner: Yes. Because quite a few NBFCs, I mean, including, I mean, whenever we talk to Chola, AB Capital, everyone has been calling out that there has been like 20, 25 basis points of uptick in their cost of funds on an incremental basis. So, they are not pretty much going out through banks.

Management: See, actually that is also a function of how much is linked to MCLR and how much is linked to repo. In our cases, it is linked to repo, we got the full benefit of that 125 basis points. And now obviously if my existing loans are at say 7% or 6.95% or 6.8%, the new loans also I would expect at the same rate from the bank side. For wherever the people have had MCLR-linked loans, yes, there the rates I think have been increased by banks. So, that would have been translated for them also.

Questioner: Got it. And incremental yields would be around 9.82%?

Management: Yes, 9.82%. We are absolutely matched in terms of our...

Questioner: So, PNB Housing and all are, I mean, are they offering lower rates? I mean, how is the on-ground situation? I'm asking because they are...

- Management:** I guess, the NBFCs have done a good job in terms of their disbursements and all. They have been quite aggressive.
- Questioner:** They have been quite aggressive. I mean, like-to-like basis, they would be lower by what, like 30, 40 basis points in terms of rates?
- Management:** So, they have three layers. I mean, they have this this affordable piece also.
- Questioner:** Yes, yes. I mean, ex of emerging and affordable, on the prime side...
- Management:** On the prime, yes, they have been giving good rates, definitely. Or rather I would say good rates and good, they have a lot of corporate DSAs, so they also pay out some higher.
- Questioner:** Sir, and on the sourcing side, do we anticipate any change in our strategy? I mean, in terms of, I mean, being a little aggressive with DSAs or, I mean, or our strategy continues to reduce the share of DSAs?
- Management:** We want to reduce the share of DSAs, not in absolute terms, but in percentage terms. Means basically our own sales, own sourcing as well as our digital which will start will actually increase. So, basically the percentage-wise it will come down.
- Questioner:** And how will this digital sourcing, I mean, change our TAT turnaround time and our productivity for the branches?
- Management:** See, productivity will definitely have an impact, it will improve because all the things are, available online and there are, there is the possibility of also, using what AI, opportunities of AI in terms of follow-ups, in terms of Chatbots, in the follow-up, integrating with our, WhatsApp messaging and all.
- And all those things we have implemented. So, now with the IT at least the technology side that has been implemented. Now we have also integrated our WhatsApp messaging and also doing some exploring AI opportunities where we can do some maybe from Chatbot calling. So, all those things, auto-generated forms, forms which get self-filled for. So, those things we are exploring...
- Questioner:** So, in terms of TAT, how do you see your TAT in long term or not much change?
- Management:** See, in case of a, frankly speaking, in case of a DSA-sourced business, the entire file comes ready-made to us. Okay? Now, when our source of non-DSA also increases, so obviously that TAT is going to be a little higher because there, we will have to do all the work, we have to do it. And in case of a DSA, whatever work would have been done would have been prior to, the file coming to us.
- So, here to that extent that will be offset. So, overall if you look at it, probably before and after it may not make a big difference. But at least what I would say is today what we are doing, compared to that, if we were to, I mean, if we were doing say 100 cases earlier annually, now with the same people we'll be able to do 150 odd cases annually.

- Questioner:** Got it. And sir, who are the customers on the LAP side?
- Management:** It's both. I mean, there is no difference in the mix in terms of salaried or self-employed. Salaried customers also are coming for LAP because there is a good scope for, additional construction, renovation of house.
- Questioner:** But on self-employed side, it is for business purpose?
- Management:** Yes, it is. LAP is basically for consumption, it could be for anything. We are capturing the end use, but it is for anything. They are going for consumption also, they are going for business income generation also. Both are there.
- Questioner:** Got it. And sir, see, I mean, your credit cost has been fairly negligible, right? So, has there been any impact of the award on the LAP side? I mean, are you seeing any, do you anticipate any stress on the LAP side?
- Management:** Not yet, we've not seen anything, frankly speaking. We've not seen.
- Questioner:** In terms of bounce rates?
- Management:** We've not seen. Even April for that matter, in fact, normally if you look at the past track, the Q1 NPA as well as the delinquency slightly goes up every year. After March, obviously, push everything and then April always it bounces back.
- This year our increase in delinquency as well as our increase in NPA in April '26 compared to March has been much lower than the increase that we witnessed in April '25 compared to March '25 or April '24 compared to March '25. It has been lower, the increase in both delinquency as well as the increase in the. So, the roll forward has been much lower in April '26 compared to April '25...
- Questioner:** This is actually a bit counter-intuitive because yesterday Aavas also on the call was saying the same thing that their uptick in April is lower than last year's uptick in April and similarly even two years back. So, that is the case, I mean, which is contrary to what we were expecting for the industry because things have disrupted on the ground.
- Management:** Aavas, yes.
- Questioner:** Aavas. And sir, any plans to do affordable?
- Management:** See, we do have a product, but as of now, I don't think the market is also growing at that level. Today the affordable segment is growing at below 10%, it's in single digit growth. Okay? And that is the data you will that will be reflected in any of the, CICs or anything data. So, today, I mean, I don't think that is there.
- Plus, I we have still not developed the team capabilities, yes, the DNA to actually be able to handle those cases. I think it will take a while. Although I think, going forward if our NIMs or if our ROAs or everything have to go up, I think that is the only way out. We have to start

looking at high-yielding products because we've almost kind of reached the self-employed target that we have set, the Board has set by 28, that we will have 28% of self-employed.

In terms of non-housing also, we are very close. In fact, we said we'll go to 65, we are almost at 62 there. So, I think by this, so there is very little further scope if, going forward maybe FY '27 we can look at it, but beyond that, yes, there may we may have to look at something if we have to further work on our improving our ROA.

Questioner:

Sir, I mean, just if I look at the loan book size, right? I mean, even the absolute size of our loan book, the pace of growth seems relatively much lower versus, peers being like much higher. I mean, at that kind of base, it still is, I mean, we would still believe that it, I mean, growth can be a challenge.

But for Can Fin, I mean, I'm from the time I have been tracking this company, I always used to look at that, I mean, why at such a low base is that a problem? I mean, and sir, I mean, in terms of employee culture, has anything changed after you have taken over, I mean, over the last, I mean, 2 years? Have things changed in terms of employee culture?

Management:

Obviously, there have been a lot of changes on the ground, no doubt about it. As for the growth that you're talking about, I agree. In fact, we also would have loved a 17% growth. Okay? And we had 2 bad years, no doubt about it. '23, '24 we had that fraud and we had to, slow down, we had to change track, we had to first focus on strengthening our internal processes, controls and everything.

So, we did spend about 2 years on that. And that has had an impact on our AUM growth because our disbursement growth that work and now that the disbursement has picked up and we see a good amount of possibilities for further growth and consistency in the growth levels in terms of disbursement, I think the AUM growth will start picking up as we move forward.

As I said earlier also, it comes with a lag. So, from a bottom of about 8% odd 9%, we have reached 10.5%. Next year we are looking at around 14% AUM growth. And the year after that, if with a consistent 20% plus disbursement growth, I'm sure the AUM growth will touch in FY28 somewhere around 15% plus kind of a AUM growth.

And that I think would be satisfactory because today the industry is growing about 11% to 12%. So, I think 2% to 3% above that, I think we would be very satisfied. I don't think we would like to run at a pace which is which is very much different from the industry pace because then it means that we are taking some risks which we are probably not reflected now, will probably show up at a later stage.

So, we don't want to have that kind of a high growth rate which is not in line. So that is one case. And I think in another year or so, you will start seeing the growth rates also picking up because the disbursement growths are now at an 20% plus. This year also we have done 23% disbursement growth over last year.

Next year also what we are projecting is around 20% plus growth because INR13,000 over INR10,500 will also be more than 20%. So, next year also we are projecting a 20% plus

disbursement growth, so therefore the AUM growth will start picking up. That is one thing. As regards the culture part of it, see, post this incident in July '23, this fraud that had happened.

In terms of compliance, in terms of, I mean, if you see our punch line itself we said reinforce, rebuild and reach. So, the whole purpose was let's rebuild, reinforce the whole assurance function. So, a lot of importance has been given to all the assurance functions, be it compliance, risk, internal audit, legal and operations.

All of them we have really tightened, all the aspects we have done a tightening. And there have been a lot of process changes which have happened. Two we have brought in a lot of technology. So, now for the for the -- in terms of the TAT, in terms of the way the system is geared to take. to protect or ring-fence some of the kind of bad lending and all, all those things have been also done.

The third thing we've done is in terms of the employee mentality is that we have brought in things like the ESOP. More incentive-linked to the performance-linked incentives and a performance management systems, including ESOP have been brought in. So, that is also bringing in a lot of change in the culture and that is there.

Plus another thing that we have done is we also had a last year in FY26 I am talking about in May or something of 25 we did it. There was a sizeable salary increment that was also given and we did a benchmarking of the employee pay out. So that was also compensation benchmarking we did a exercise, based on that we have done a correction there also. So, that means we are now in a position to also attract good lateral talent also. So, I think if you look at it on the ground, I think these are the four things I can talk about in terms of the change in culture.

Questioner:

Okay. Got it. And sir, how should we look at the salary, I mean, wage cost growth?

Management:

See up to the level of Chief Manager, I think we still are very much better off compared to the competition because today our entry-level salary is around INR38,000, INR37,000, INR38,000 for the entry-level salary. It's definitely much better than the entry-level salaries at most other places.

Same way if you slightly keep going up also, they are the salaries are very, very comparable. Yes, to the top maybe CEO minus 2 or CEO minus 3 levels, then it becomes because basically it is more of a regular scales kind of this thing, whereas beyond a point after a Chief Manager level or something, in competition it becomes it increases substantially.

So, that sudden spurt and increase that is there, so the graph moves like this, whereas in our case it is more like this. So, therefore CEO minus 2, CEO minus 3 levels, yes, there is a little bit of a, I would say, little to high disparity in the thing. But up to that level, definitely we can we are very comparable or better off than the competition.

Like for example, a person with a 10-year experience in the industry would be at the level of in our case probably a Manager or Senior Manager. They would be getting about INR20 lakh package, which a 10-year person, a person with a 10-year experience in the industry probably will be at a lower level.

Questioner: Got it. And sir I mean, what's happening in Telangana?

Management: Telangana this year should start picking up. We were anticipating that last year itself it will be there, but we not only was the market, but we also had to make changes internally in terms of the team, in terms of the leadership in Telangana. So, it was a little delayed. So, we ended up almost flat in Telangana, I will say.

But if you look at the second half of the year, it has been a definite positive and consistently now we are doing around 100 plus in terms of disbursement per month in Telangana. So definitely this year from day one we will be in a positive mode in Telangana as well. Andhra Pradesh, in fact, I would say is a state where we are looking very positively.

I know from where you are coming that some of the other players have highlighted some challenges in terms of delinquency, but in our case it is not a big concern for us in Andhra Pradesh. And the amount of investment that we are seeing in the state, the growth that we are seeing in the state, I think we feel this state is something will do well Andhra Pradesh.

Because the GCCs, the investment that are coming in GCCs, the number of airports that have come up, the growth that is happening across the state rather than specific to a single one or two places. It's not only a Vijayawada or a Visakhapatnam which is growing, it is growing even Nellore is growing, Rajahmundry is growing, Tirupati is growing, even Ongole is growing, even Vizag is growing.

So, every place across the state you can easily spot 12, 15 locations where growth is happening. Unlike a Hyderabad alone which is growing in entire Telangana or maximum growth happening in and around Bangalore. Okay? So, unlike that, I think in the Andhra Pradesh is a state which is doing all-round development and very dynamic government also. So, I think that is the state we at least are positive about. In fact, last year also we opened branches, this year also we are looking at another five branches in Uttar Pradesh.

Questioner: Got it. So, internally, so just one thing, what is what would be the percentage of fixed versus floating now in terms of our liabilities and loan book?

Management: In terms of our liabilities, 62% of our liabilities is bank term loan which is entirely floating. Either linked to repo or linked to T-bill. Then we have about 2% which is CP, which also you can say is floating because it is a 90-day CP, so anyway 90 days it will get reset and get repriced that way. NHB is about 17%.

Out of that, 50% is floating because there is a AHF component which is not and there is a regular refinance which is floating. We've gone mostly for floating only. So, I would say 50% of that is also floating. So, 62% plus 2% 64% plus about 9% of NHB refinance, that is 73%, 73% is purely floating. NCDs are fixed, which is about another 15%. Deposit is fixed, 1% that is also fixed, so that is 16. And then the 50% of NHB which is another 9%.

Questioner: [inaudible 0:34:18]

Management: Yes.

Questioner: And on the asset side?

Management: 100% floating. Marginally less than 1% is there staff loans, staff loans would be floating. But we have some small staff loans and all which are fixed, which is like less than 1% itself.

Questioner: Got it. And sir, just one thing, I mean, given that our growth has been relatively lower versus our ROEs, I mean, so any plans to increase our payout ratios?

Management: Dividend payout ratio?

Questioner: Yes.

Management: No, I think 20% is what we had also said. Earlier it was very, very low. It was just about 7%, 8% in '23 and all. Slowly we have increased...

Questioner: But still the ROE which we are generating are like much higher, right?

Management: Yes, but I believe, this gives us a runway for the next three years because the next three years definitely our growth will pick up and it will be 15% to 17%. Today if you look at it, our ROE is around 18%. Net accretion would be 15% net of the 20% payout. So, if you look at it, in a year or so, we should actually be reaching that limit. So, we will slowly start.

Questioner: Sir, any risks you foresee to your 18% ROEs?

Management: I guess there are, as I said, we had to increase our -- we have to increase our spreads a little more, maybe we will have to look at some products. As I said earlier also, in a year or so we will have to start looking at something where we can look at affordable products or something where we can increase our spreads a little.

Questioner: Only affordable, I mean, or I mean, or increasing the share of [inaudible 0:36:09]?

Management: LAP and all, yes, it is there, I'm not saying no. We are already at 10%.

Questioner: Because we don't want to take it beyond 10% right?

Management: No, we have set 80-20, 80% would be our housing and 20% will be non-housing. Out of that, we have the LAP as 10%. We have a top-up loan which is I think around 6%. And then we have plot loans and all is [inaudible 0:36:33] or so. So, we have about 2% or 3% additional scope where we can increase and still be within our...

Questioner: Top-up would anyway be at the rate of [inaudible 0:36:43]?

Management: Top-up also is slightly higher.

Questioner: Okay.

Management: Slightly higher. So, we have about 2%, 3% scope to increase our LAP, that's about it, not more than that. Because otherwise we will be breaching that 80-20.

- Questioner:** 2%, 3% which means like [inaudible 0:37:04] basis points addition to our [inaudible 0:37:06]. So, yes, I mean, which is what we would also kind of understand that, I mean, 18% is a high number, so is there a risk to that number beyond [inaudible 0:37:21] prime housing is like very, very extremely competitive and until now banks were not able to grow that much because of liability constraints. Now once the deposit growth picks up, mortgages is one thing which is where banks [inaudible 0:37:41].
- Management:** So, we will have to look at that. Otherwise, in terms of credit costs and opex, we already have a very, very benign credit cost.
- Management:** Yes, I mean, on credit. So, if I look at the ROE tree, I mean, on credit cost, I don't think there is like any scope because we are almost running at zero, almost zero credit cost, right? On opex front, I guess we will make some investments, so there will be an uptick for...
- Management:** For that is for one year there will be a slight impact, which we'll have to offset. So, this 2%, 3% will probably help us in offsetting that kind of a impact.
- Questioner:** So, how should we track our opex to opex ratio moving in FY27, '28?
- Management:** See, about INR40 additional crores would be the net incremental cost because of the IT transformation. Rest, of course, there would be some natural increase because of the staff pay and additional staff pay, the expansion in branches and all those kind of things. But I guess the major component of increase in opex would be the IT expense which we have already highlighted would be around net INR40 crores additional.
- Questioner:** This INR40 crores would be recurring?
- Management:** It would be recurring.
- Questioner:** Okay.
- Management:** It would be recurring. But the impact first would be highest in the first year, thereafter a little bit will ease out because the book will grow.
- Questioner:** Yes, because...
- Management:** The 40 will be static, but the book will grow, so.
- Questioner:** Got it. Sir, and ESOPs are given up to what level of [inaudible 0:39:12]?
- Management:** Chief Manager and above we are giving.
- Questioner:** Chief Manager and above.
- Management:** That's about, Chief Manager, then we have the Assistant Vice President, Vice President, President. So, four levels, top four levels below the MD and CEO.
- Questioner:** And any attrition in our M-1 and M-2 levels? In any of the geographies or in any...

Management: We've not seen that, at least in the Chief Manager and above level. I think one or two maybe would have gone, but I think otherwise it's not there, it's quite stable. At least we've not seen the last two years.

Questioner: People have joined back actually from earlier who have resigned.

Management: No, that's okay, but okay. One or two, that's okay, that happens, but by and large not there is no problem. Last two years we've not seen any major attrition. There would have been one or two, there have been a couple of people who have retired. We had one in September, we had two in March, not this March, last March we had two. So, there have been some who have been retiring, yes, in the next one or two years also we have some senior positions who will be retiring.

Questioner: Okay.

Management: We will be having within a year's time we will be having three people in the four people rather. Four people.

Questioner: Which geographies would they?

Management: Mostly in Head Office.

Questioner: Okay.

Management: Mostly in Head Office. Because actually once they become that level of senior management, they normally would be at Head Office only.

Questioner: Got it. [Inaudible 0:40:48] Sir, what was the disbursement in April?

Management: April we have done more than INR700 crores.

Questioner: More than INR700 crores. Wow. Okay. This is [inaudible 0:41:05]. How is the investor impact [inaudible 0:41:13]?

Management: At least, you know.

Questioner: In your interactions, I mean.

Management: By and large, we have...

Questioner: Any concern [inaudible 0:41:22]?

Management: Concerns, I think, BT has been a area which people have been talking about because that was one area we could not meet the guidance that we had given. In terms of disbursement, INR10,500 we crossed that.

Questioner: Yes, yes, yes.

Management: In terms of spread, we maintained that. ROE, ROA, profitability, there was no issue. AUM growth mainly because of the prepayment was one area which we could. That is one concern. I

think the second concern which I think is also rightly there is about the regulatory changes because there have been some regulatory tightening from.

So, I think that is another area which people have been worried about. But I think I don't know, I mean, the thing is at least we are trying to, I don't know what is the general thinking, but at least the general kind of queries that are coming are mainly on these areas. And what we've been telling is that, by and large we have had a strategy, it is working, it is still work in progress because we still have to implement that IT, which was one area.

Our sales team has definitely shown traction and is definitely on the positive side. We are very confident about it, but again it is still a work in progress because it has to eventually result in, I guess [inaudible 0:42:39]. But the last one year on a consistent basis we have in terms of disbursement delivered. I think that is I think positive.

Questioner: Sir, from -- in terms of regulatory tightening, you're talking about the overlapping business with the parent bank or?

Management: No, no, no. There are other areas like valuation increase on takeovers which by offering top-ups, increasing the valuation, that is one. The PBC criteria which came, mis-selling of insurance and income from insurance being very, very high. Okay? Then transmission of interest rates not happening.

So, these are some of the areas where the regulators, even classification of loans, housing, non-housing, that is. So, these are the areas where [inaudible 0:43:31]. Plus, impact on for some it has been an impact on the check realization rather than a check preparation. Basically these things.

Questioner: Our accounting is on handovers?

Management: And we give a DD. So, from in our case there is nothing like we prepare a check and keep it and then -- it's a DD. So, we are incurring the cost from day one. We are impacting it from the handover date. And by and large we have seen that, you know, there's not much of a gap.

Questioner: And sir, on this parent bank overlapping business with the subsidiary, so that is now completely out?

Management: That is out because there was a deadline of 31st March by which time we had to give the confirmation. And there was to be in case of banks, sponsor bank, group entities of banks, there was a requirement that the parent bank had to pass a resolution, had to put up to the Board on giving explaining the justification for having such group entity also doing the same line of business and how there is a minimal overlap of the business.

You can't say there will be zero overlap, but there's minimal overlap or at least there's a conscious attempt to not have an overlap of the business. That also has our parent bank has passed and that resolution has been cleared and the deadline was 31st March we have accordingly submitted to RBI.

- Questioner:** Okay. Got it. And sir, broadly overlap would be, I mean, what proportion? I mean.
- Management:** See, overlap is today if a customer walks to a Can Fin Homes and says I'm a salaried customer, a salaried customer, we also do, Canara also does.
- Questioner:** Yes.
- Management:** Okay. So, you cannot say there is no overlap. Now if we say we are doing less than INR10 lakhs, so is a Canara also doing because they also have so many rural branches where the ticket sizes are itself so small. So, you can't say that all those things would be there. But what we do is or how we look at it is, for example, if you look at Canara Bank's account holders, okay? I think 85% plus of our customers are not having the Canara Bank accounts, savings bank accounts.
- Now that itself is -- you can clearly say it's a segment which otherwise would not have gone to Canara Bank. And we don't have a thing that we insist that you have to open account with Canara Bank. So, that is one major kind of difference.
- Questioner:** Got it.
- Management:** Second thing would be, our portfolio is sourcing through DSAs, their sourcing is mostly direct. They do have a DSA, but it's much less. This is one thing. Our CIBIL score cutoff is lower than theirs, so that is also allowing a fairly large chunk of customers to avail loan from us.
- Questioner:** Got it. So, that concern is like completely done and dusted.
- Management:** I think, it has -- that is behind us.
- Questioner:** We shouldn't [inaudible 0:46:24].
- Management:** That is behind us.
- Questioner:** Got it. I mean, for a fairly long time that had an overhang on our multiples, I guess. But this is helpful, sir.
- Management:** I don't think our multiples will change.