



“Can Fin Homes Limited Roadshow



MANAGEMENT: **CAN FIN HOMES LIMITED**

Questioner: Just to set the tone, can we just have an outlook about how do you see the housing market which was going through a lull? How do you see the overall housing market. And there was a push from an affordable housing from the government which had slowed down in the last two years, how do you see there? The e-khata problem which was there in Karnataka and in some districts in Telangana as well, how is that shaping up?

And how do you see the interest rates because interest rates have clearly bottomed out and are on the rise, so how do you see your borrowing cost, margins and how the growth has been limited to roughly 14%? How do you see that for the next three years?

Management: So first of all in terms of the market for, you know, disbursements and all, I think it's been a stable, except for the affordable where it has been a little slow, I think the mid-segment has been quite stable and there is a consistent demand. We don't see a problem in the demand in any of the geographies. Except for a little bit in, you know, Telangana where it was a little bit slower for us, but other than that if you look at our last year performance, North zone and West zone and even East which mainly is our for us Andhra Pradesh.

These three zones have done almost 30%, 40% growth. And Tamil Nadu which is also another large market has also done at 30%. So the only other two areas where Karnataka and Telangana, where Karnataka also in fact I would say we are back to a run rate of INR250 crores plus. In Q4 we did actually INR290 crores run rate in Karnataka which is therefore, which you can say is mainly the Q4 impact.

But otherwise a INR250 crores run rate per month is something which we have now kind of stabilized. So that I don't see a problem in that way. Karnataka actually in the rural areas we still have this e-khata issues. So last year we had to offset it a lot by doing more of LAP in the city areas and all, but slowly I think it should settle down. You know the state government is also now almost trying its level best to where it can, you know, sort out the Gram Panchayat as the last piece of the e-khata issue for Karnataka.

But in any case, at least, you know, Karnataka ended up with a 7% positive over last year. Okay, so last year second half was impacted, this year first half was impacted, so net-net it was almost the same, but we ended up with a 7% positive. And going forward I think this year in fact Karnataka should do almost a 15% positive is what I expect in this year.

Questioner: FY26 was INR3,600 crores disbursements, right, for Karnataka?

Management: For, sorry, for FY26 Karnataka we had almost, yes, we did, we would have done about state wide if I have to look at it, yes, about INR2,900 crores.

Questioner: INR2,900 crores. And you're saying that you'll have a run rate INR250 crores as a base number that you should work for?

Management: Yes, yes. And INR290 crores which we have done last month, that is also a very doable number where we can do INR275 run rate to INR275, INR290 to INR300 crores run rate is easily something which is there. This year we are targeting around INR3,500 plus in terms of disbursement from Karnataka.

- Questioner:** Of the INR10,000, of the INR13,000 of course that you...
- Management:** INR13,000 of course, yes. So we are talking about INR3,500 plus coming from Karnataka alone. Okay. Telangana, in fact it was kind of we, we had done much higher numbers up to INR160 crores in 21-22 and all in a particular year, but I think that has come down. Now we are almost from a bottom of about we touched almost INR60, INR65 or something we touched at the bottom in a month, but we are now back to INR100 plus on a consistent basis.
- So last year we were almost kind of a little negative, but almost like flat, maybe about INR50 crores lower than last year for FY25 in Telangana. This year from day one I think we will be positive in Telangana because now, you know, we are consistently the performance has been improving. We had to make some changes internally also in the team and all which has also happened. So now I think we from day one will be positive in Telangana as well.
- So this year across all our geographies we should see a positive coming in. Not to mention that our sales team also now is kind of picking up and doing well. This year we did almost 80, 90 people did almost around INR870 crores kind of a close to that kind of a number disbursement. This year we are looking at more than INR1,500 crores coming from the sales team alone. So that should be one major number from where the growth will come.
- The second thing is, you know, this year we are planning another 28 branches also over and above whatever we opened 54 branches in the last three years. So that also will bring in some growth. So as against about INR820-odd crores that the new branches contributed last year, that is the branches opened after March 23, we are expecting the same branches plus the new branches opening this year to contribute more than INR1,200 disbursement. Closer to INR1,400 rather is what we are looking at from this set of branches also. So these are the two major...
- Questioner:** And Telangana disbursements last year?
- Management:** Last year we did about INR1,147 crores.
- Questioner:** INR1,150 crores?
- Management:** INR1,150 crores, yes.
- Questioner:** And this year you are saying...?
- Management:** We should do, you know, we are already doing INR100 plus we are doing consistently for the last six months. So we are definitely looking at around INR1,400 crores to INR1,500 crores coming from Telangana this year.
- Questioner:** So roughly INR5,000-odd crores of disbursements can happen from Karnataka and Telangana put together. Last year overall disbursements was how much?
- Management:** Last year was INR10,531 crores.
- Questioner:** So this we want to improve by...?

Management: We are looking at INR13,000 crores for FY27.

Questioner: And this -- would come from?

Management: So we have North zone which is doing almost, you know, as even right now as we speak they are doing about INR150 crores consistently they are doing the last five, six months they are doing about INR150 crores. North zone has contributed about, you know, close to INR1,800 crores. So as I said INR150 crores they are consistently doing. We are looking at taking it up to much higher than that. You know, we should easily do more than INR2,250 crores from the North zone. North zone basically is our, you know, Punjab, Haryana, NCR, UP...

Questioner: Okay, so this is roughly INR7,250 -- INR7,000, INR7,250.

Management: Yes, then our Tamil Nadu is doing almost INR200 crores we will be doing consistently we can touch every month. So around close to INR2,700 crores is what we are looking at from -- Tamil Nadu. And then we have West zone and East zone. East is doing about close to, you know, last year did about INR80 crores, INR85 crores every month. This year we should be about INR125 crores is what we are targeting every month. And West zone again is doing about INR150 crores every month.

Questioner: So West zone if you see is quite a well-to-do in terms of people. So why is still your disbursement on the lower side as compared to North and the South?

Management: See we didn't have much of a presence in Gujarat or in Maharashtra also. Like in Bombay which is now major component of Pune, we didn't have that many branches also. So our penetration was actually less. So that's why in the last two to three years if you see our maximum penetration we have done in West and North zone only. So Rajasthan where we already had a very stable team, we expanded first. Now we are expanding a bit in Maharashtra and in Gujarat also...

Questioner: I think Gujarat and Maharashtra would be a home turf...?

Management: Yes, so we are expanding now.

Questioner: It's not -- I think it's your home turn?

Management: Yes, so that's why we have if you see now Maharashtra was doing much less, now Maharashtra has really picked up this year. Last year in fact West zone we did almost 40% growth in West zone, mainly because Maharashtra has contributed quite a bit now. And now the team is also stable. And basically it was more of a, the focus was more on South which now is a kind of a equally distributed. So we had to, you know, bring in the team stability in the last two years we've had a good stability so that's why the now the results have started to show.

Questioner: INR5,000 basically, INR7,500 South, INR2,500 to INR3,000 North, roughly INR1,500 to INR1,800 East and the rest should be West?

Management: That's right, that's right.

Questioner: We have added branches in West now?

Management: We have added branches, yes, we've added a lot of branches in West zone. We've added branches first closer to Jaipur we opened, we opened Bikaner, we opened Pali, we opened this, you know, Kotputli, we opened Sirohi, we opened Alwar. Then down south also, Gujarat side also we opened second branch in Ahmedabad, we opened one in Mehsana, one in, so that that we are opening. In Maharashtra we opened an additional in Pune, we opened...

Questioner: How many branches you have opened in West now?

Management: West zone now would be about 50 branches, close to 50 branches in West zone including four states of Rajasthan, Gujarat, MP and Maharashtra. Close to 50 branches...

Questioner: Is there any hint with your branches in...

Management: No.

Questioner: That being a source of revenue?

Management: No, we don't have any, you know, with the parent or with Canara Bank as such, we don't have any kind of tie-ups that their leads are forwarded to us or no, nothing. But only thing is, you know, wherever we go of course Canara Bank being more than 10,000 branches they are having a branch everywhere, so our banking would be with Canara Bank because our DDs are all issued from Canara Bank.

But there is no tie-up where their leads are being shared from us to them or them to us. And in fact this is one of the major points we have highlighted in our, in our -- to RBI also that, you know, the overlap of business when we say, actually more -- close to 85% of our customers are non-Canara Bank account holders.

Questioner: Just in terms of total you have 250 branches and you are saying you are adding 28 more branches which means 278 branches and your average business per branch roughly INR1.20 crores. So at peak basically you can reach approximately INR47,000 crores of AUM which is a growth of 12% on base of FY26. But you are saying that we are expecting 14% AUM growth, so where is the difference because even giving the benefit of doubt expecting all the...

Management: No, I'll tell you see the last three years we opened about 54 branches. Okay, they've all contributed last year they've all contributed about INR820 odd crores. So it's not that they are all at the optimum level, they're at different stages they are. The 28 branches that we will be opening this year will be opened by, you know, in Q2 mostly because we've already advertised, we've already got offers, we'll do the interiors, we'll do the recruitment and all those things. By the time they open they get operational it will be end of almost Q2.

So half the year only they will be operating. But the ones which were opened in 23-24 almost by now are fully operational. The ones we opened in 24-25 some of them are there, some of them are not there yet. The ones we opened in 25-26 again last year were operational only for six months, they have not fully contributed. So once we look at that cycle, but what is more important is that once we are into that cycle of branch expansion.

And branches there will always be something coming additional coming from that which will be easy to do. Because a team, a branch which is already operating at a peak from there you cannot operate get the same 15% growth every year, you might get a 5%, 7%.

Questioner: What is the optimized AUM for a branch that you are looking at?

Management: See it depends. We have, you know, Tier 1 towns, we have, like if you look at a Bangalore or a Hyderabad my average ticket size with the proper city branches is almost even INR40 lakhs and in the case of INR40, INR45 lakhs cases I'm getting because the property values are also higher. But if you look at a branch like a Pali or you look at a branch like some place like that or Ujjain or Mandsaur, you will not get that kind of a ticket size.

Questioner: If I ask you cumulatively let's say three years ago you opened 54 branches. In your understanding with the locations they are in, at what level you are able to see that in terms of a combined AUM?

Management: See when we start with a new branch we normally start with only three people. Okay. Then they do -- so we have a, you know, scale up which happens depending on the AUM of the branch. So three people normally they would be doing about INR1.5 crores to start with. So roughly INR18 crores is the target that we give for them for the full year. Those which have opened in half year we give them a target of INR9 crores, that's how it is, that's how it is.

And then they slowly ramp up and as the portfolio builds we may add a person, we may look at this. Within that also some branches have a smaller ticket size, some have a, like, you know, even now if you look at it our branches like Agra or Rewa or other places they would Mandideep, they have a smaller ticket size.

Questioner: How much is ticket size growth is building in this AUM growth?

Management: This year the ticket size this year was a little less, last year was more the ticket size. This year it is more from the actual growth in the actual value itself, volume of cases etcetera.

Questioner: FY27 growth will be driven by value. Okay. And then one more thing in this, this slide I want to understand. Here in this slide you have given that annual reset loan to total AUM is 15%. So basically this means that 15% of the customers you are already reset?

Management: No, this is the balance. Only 15% are on a on a annual reset. All others are on a quarterly and they have been given the full benefit of whatever the 50 basis rate cut that I have given. Correct.

Questioner: So 85% are reset on a quarterly basis and here we are seeing that you have 20 basis point decline in the yield versus 17, 18 point basis point decline in that cost of fund. And you have mentioned in the con-call that 62% of the liabilities are repriced. So which means that in at least Q1 or Q2 we can see a pressure on the NIMs.

Management: There won't be, that's what, that's why we have specifically given this thing that after passing on the entire benefit of the entire rate cut of 50 basis points also, my whatever impact on the yield had to come has already come and now it is at 9.8%.

Questioner: Okay, this is after taking the impact?

- Management:** That's why I have given 1st of April. Okay. You will see the, the last, the line which is given at the bottom, the note clearly explains that this is the position on April 1, 2026, opening yield calculated after giving the impact of the reset on that entire annual and quarterly reset that happened. Plus the impact of the 50 basis points that we gave in January, there also in April month some impact was to come, that also we have incorporated and then this is the opening yield. So if there is no rate cut any or no change in the repo rates or anything and I don't have to change my rates, then I will continue to earn on this book at 9.8%.
- Questioner:** Okay. Then the other thing, this is about disbursement growth number, like you've given a 13,000 target, so it's a larger target than the 10,500 that you would have done. I mean is there something which is stopping us to do even more in terms of the system levels or is there something because you see the demand as you said is there. And across geography is there because the problem is coming then from the BT outs, the prepayments and then, you know, the that is the AUM.
- Management:** The AUM is not, that's the, the AUM I tell you, the run-down we had two years we had a, you know, FY24 I had a negative growth in disbursements. Correct. But my AUM kept on growing. So AUM will always come with a lag. When the growth also happened my disbursement has started growing, my AUM growth will come with a lag. So today if I am doing 23% growth, the impact of that will come in the coming years.
- Questioner:** Tell me something, when you say disbursement this is the sanction or disbursement?
- Management:** Disbursement. Disbursement.
- Questioner:** No, so then the reason why, you know, if this INR13,000 crores has got added in the, in the loan book has not grown that much, that means prepayments have happened, right?
- Management:** Obviously, you see, you see our presentation on the slides, yes so 6.5% is in the quarter. If you see now for the full year INR1,459, INR1,661, INR1,691 and INR1,730, there is almost INR6,500 crores has been the run-down.
- Questioner:** Yes, so what is this and why is it so high?
- Management:** Why is it so high means obviously there is prepayment, there is a part prepayment, we have given the break-up of this. So out of this entire figure if I have to take it as the Q4 if I take INR1,730 crores, out of INR1,730 crores, you know, approximately INR400 crores you can say would be the would be the BT out. About INR400 crores balance transfer and which is a where the loan is also getting closed. Okay? Then there is another
- Questioner:** So somebody is giving the standalone at a lower cost or something?
- Management:** Either lower cost or with a BT plus take out, top up or something like that. Okay? Another INR360 odd crores or something where the loans have been closed but it is not a BT out. It is a closure either where the customer has sold the property or they have paid from their own funds and the check has come from the customer's bank account, not from any other third-party thing. That's another INR360 in the quarter.

The remaining amount if you look at it, that is almost INR975 crores is either where customers have made part-prepayment, the loans are still continuing with us, or where the customers have had the amortization which is the principal component of the EMI, the regular EMI that they are giving. Okay?

So the loans are still continuing with us. Now here if I have to compare, I would say the part-prepayment where customers are paying back part of the loan, say somebody gets a incentive and they are paying INR1 lakh and reducing that liability or somebody is, you know, some small amount whatever or instead of INR18,000 EMI they are making INR20,000 EMI or INR25,000 EMI just to reduce that liability, that conservative approach is where is is higher than I would say what I have experienced in other places.

Questioner: So but just to again go back that is it, I mean, you know, the growth guidance in terms of disbursement is still very strong, but can we do even more or better than this number from a fact that there is decent demand, but there's enough competition as well?

Management: I can open 50 branches, I can open, I can add 300 people, that is always possible, but then, you know, it has to be manageable growth. Because, you know, if we just run for the sake of running, you know, some monitoring if monitoring is not proper, there is a possibility that somebody might in some corner of the country do something wrong and it may come to hurt me later.

Today with another 250 branches if I am opening, you know, about 28 branches, there is an oversight from the zonal office, there is an oversight from the nearby office. I have enough people from the existing team who have sufficient experience who can go and man the new branch so that, you know, there is some control over the branch in the way the functioning is happening, the same, you know, culture is there. It is possible. If I have to get 300 people from outside, yes, growth will come but then, you know, it may come with a cost which may hurt me later on after two years. So that's basically the idea.

Questioner: And in case of from the BT out perspective also, I mean it is going, I mean you said it's going to the competition, largely it's what, Bajaj, LIC?

Management: If I ask 10 of my branches, they would say mostly it is seven or eight branches which say it is LIC, one or two of them might say Bajaj. But yes, mainly it is these two, LIC more because they have been offering a very attractive rate.

Questioner: And is there a, you know, also an impact because of you moving from the annual, you know, reset?

Management: That was, that was an impact, that was definitely there. So if you see the last year when we had projected 10,500, to be very frank we said our the year before that, that is in FY25, our prepayments were something around INR5,300 crores. So we had anticipated that INR5,300 crores might go up to INR6,000 crores. Okay?

INR1,500 crores would be the, you know, quarterly run-down. And accordingly we had said that INR10,500 crores if we do, we will have a INR6,000 crores prepayment or run-down, so we will have INR4,500 crores which would roughly about be 12% attrition or 12% of the AUM growth.

That is what was the assumption we worked with. Q2 when we really saw suddenly it spiked from 1,459 it went up to 1,661. That was definitely was the main thing where further analysis we realized that it was mainly because 80% of our prepayments were happening in the annual reset portfolio where customers were not obviously seeing their statement of account the rate of interest changing.

So therefore they were moving out. So we aggressively had to take that stand and we tried to, we adopted various methods whether it's contact the customers in WhatsApp, repeated SMSes and stuff like that so that they convert. Because once they convert only then as per contract I can pass on the benefit to them, otherwise I cannot.

So that we accelerated and that impact we saw in Q4 and that you will see in Q4 my prepayment has not gone up as much, otherwise in Q4 every year there is a spike compared to Q3, but in Q4 there is not much of a spike. So hopefully now that, you know, most of the customers have moved to quarterly, they have seen the benefit of the rate and they are, you know, it's there in front of them. Therefore now, you know, they may not pressurize or they may not, you know, the wrong notion or whatever was there.

Questioner: So are you conservative in the INR7,000 number in terms of a run-down or do you think that's a more realistic number that we are talking about?

Management: I think last year we had 6,500, so that's why we have estimated 7,000 this year. And if we are able to, you know, really this annual reset after conversion now if it slows down, then obviously it's a straight impact into my, because I'm not going to reduce my disbursement because my prepayment has come down. I will still do INR13,000 crores disbursement. Which means if my prepayment I'm able to control, then my AUM growth will be better.

Questioner: And to come to that too, just link that question toward Ashwin starting with the interest rates going up, then how do we, you know, how does this entire equation change?

Management: See, in our interest rate policy we have very clearly defined that what will be the various parameters that we will factor in when we arrive at our interest rate or whatever decision we take in terms of either increasing or decreasing our rate of interest.

This year if you look at my opening, you know, this thing, 40% of my liability was into, you know, repo rate or T-bills. So when the repo rates came down, 40% I got the benefit. Therefore a equivalent of 125 basis points I passed on 50 basis points to the customer. Now same way if it goes up, an equivalent amount whatever is the impact on my liability side I will pass on to the, my this thing. So if a 25 basis points increase is there, I will not pass on 25 basis points. I'll pass on only 12 or 13 points depending on whatever is my variable rate liability, floating rate liabilities.

Questioner: Your DSA origination is still 80%?

Management: It is still 80%.

Questioner: No, because generally even third parties they also tend to play mischief, you know, they do.

- Management:** They do. So some of my prepayments in in Telangana has also been because of that only. Because, you know, two years back when we had this issues in Telangana, we did, you know, churn our DSA portfolio, we in fact what we did, we did you know, remove some DSAs, we were very aggressive. So obviously those DSAs are moving out, we are we are seeing that, but, you know, that is a very conscious call.
- Questioner:** But in your own where the lead is internal, with the number you said INR894 crores disbursed this year, do you see a better track record there?
- Management:** It is too early. It's just one year I would say. I think we have to, we'll wait and watch. My obviously, you know, historical data had shown that, you know, portfolio which has been generated in-house has a lower BT out. So obviously we hope that would be there in our case also.
- Questioner:** How do you see your margins going forward in FY27, '28?
- Management:** Q1 I don't think there will be any increase in the cost of borrowing from what we have shown on 1st of April because, you know, all our sanctions on hand, unutilized bank borrowings and everything are at 7% or at below 7%. So that is not going to increase my cost of borrowing. CPs have come down, in fact Q4 the CPs were going at around 90-day CP were at 7.25, 7.3, you know. Today, you know, it's much lower. In fact, we raised INR500 crores last month which was at 6.45.
- So that is also coming at a lower than opening cost of borrowing. So Q1 I don't expect, you know, any increase in my cost of borrowing. Okay, we have provided I think we have made enough this thing. A couple of bank term loans where we are negotiating, there also we are getting rates or we should be getting rates at 7% or below. So, I mean even the buffer that we will be creating for Q2 I think should be at 7% and below only.
- So, unless there is a, you know, spike or the repo rate increase or anything, I don't expect the rates to go up because today entire bank borrowing is on a repo or T-bill. 80% I think would be into repo and unless the repo therefore increases, the banks will not increase the rate of interest on my book. Okay. So, I think for the first and second quarter, I don't think there is a problem in terms of fund raising which will come at a rate higher than 7%. So, there is no reason why my cost of borrowing should go up
- Questioner:** So, we should continue to do the current spread?
- Management:** I we are confident first and second quarter or at least definitely it should not be a problem. Then of course how long, you know, this geopolitical situation continues, what is the impact on the interest rates and all that we will see. But I think, you know, short term I don't expect to have a higher cost of borrowing.
- Questioner:** You did say 2.86 and you are guiding for 2.75 spread?
- Management:** We are guiding for 2.75, we obviously work for higher than 2.8.

Questioner: And any push, renewed push from the government for affordable housing?

Management: There is a lot of work going on actually because, you know, the CLSS the way it was happening, it is not happening in PMAY. So obviously the government is a little concerned. NHB has been doing a lot of this thing initially they had a meeting, they are trying to, you know, work with the state governments to bring in supply because CLSS 1 had support both from some state governments, that is Gujarat, Maharashtra, Tamil Nadu and all those places, plus, you know, and MP and all.

But there was also a private sector, you know, push because there was a good incentive for developers to come in and bring in the supply in the affordable segment because 2.67 was upfront available as a subsidy. Now that is not there. The private sector I am not sure how much of it will come in the affordable segment.

Questioner: Fraud It's too much. Previously, you could claim a subsidy two or four times per house, but now you can only claim it once per house for five years?

Management: I won't call it fraud. because it was the policy. I mean if he takes a house, for X house he takes a loan, then he prepays it and I buy it from him, I can also avail on the same house. Okay, that was the policy. So, I won't say fraud, that was a, yes, there was a loophole, people exploited it. Now that has been blocked. So, if that property has been financed once and somebody has taken a loan, on that loan being sold it will not come. That so there are, some tightening in terms of the of the structure itself because of which today CLSS was more attractive and PMAY -- is a little less.

Okay. Private sector contribution was there in in CLSS, PMAY 2.0 private sector contribution I think will be less. So, what will have to happen is state governments will have to do it for which NHB is very aggressively working on it. They have had a meeting with UP, Assam government, they have had with Odisha government. So, I think they are trying to, you know, get the involvement of the of the state to bring in the supply. And these are also the states where actually there is a shortfall, housing shortfall and there is a good opportunity.

Like today Gujarat and all Maharashtra and all I think, you know, most of the people have got a roof over their head. So first-time home buyer eligibility if you look at it probably, they already have a house. And there is also a definition change in the, like for example in the CLSS if a father owns a house, unmarried above the age of 18 working son and daughter can also take another loan whether they are staying together or whatever. So those kind of definitions had changed this time.

So, to that extent also, you know, whatever loopholes or whatever you say have been blocked. So PMAY may not be such a roaring success as CLSS, but it will be a little more targeted and it will be more, you know, genuine home buyers will definitely benefit from it.

Questioner: And what's the requirement of homes in your UP, do we see more push coming because of UP elections?

Management:

UP is doing very well. UP state the way in fact I think it was in the month of I recollect it was I think in the month of November or something. So, what is happening NHB is conducting every quarterly meetings with respective different locations, not everything in Delhi or this thing. So, we had a meeting in Lucknow, we had a meeting in Guwahati, we had a meeting in Puri.

So different locations and in each of that time the they are also trying to bring in the state government to come and make a presentation, share the what they are doing and all. So UP they have taken various steps such as, you know, relax the FAR norms. They have, you know, activated their government this thing, housing board and various urban local bodies to start doing bringing in supply.

They have been doing beneficiary-led construction and identification of beneficiaries and subsidy credit and all those things. So, all those activities they have done and they have also showcased or showed us where all they are doing, what kind of, you know, projects they are coming up with state government. Same happened now with Odisha government in Puri in the meeting in Puri they also shared that where which are the locations.

So EWS, LIG, HIG they are all I mean MIG they are doing those constructions. So if these states start doing the work and they start bringing in the supply, slowly that traction will come. So, I mean it has been almost close to a year and now almost at least now we have touched some decent 80,000 kind of housing units have been financed under PMAY.

Questioner:

And so, what's expectation of cost-to-income, credit cost in ROA?

Management:

This year of course we have said it will increase because our IT expense will start kicking in. So that will be there. But other than that, you know, whatever are the main important things like increase in our salary expense, we have done the increase last year.

IT expense is this year. Other than that, so now I think for the near future we don't see any new reason for costs to go up other than what we have already two things that we have shared. Thankfully the impact of the Labor Code, the new Labor Codes, there was nothing in in our case. It was it was negligible to nothing in our case because we were already compliant 50% plus of the of basic plus DA and all. So, we didn't have any major impact at all. So, I don't think there is any new factor because of which cost should go up other than what we have already shared.

Questioner:

But for last year you did a total opex of INR312 crores. On an absolute basis this number because you said INR40 crores incremental IT, plus 10% to 15% employee growth, so this should be a what, INR375, INR380 crores number?

Management:

Exactly. INR312 was last year. INR311, INR312 Just like that. Yes, that was in there. So main will be 40 and a little obviously there will be some branch expansion cost.

Questioner:

So, 10% growth on base is INR30 crores plus INR40, INR70, INR380-odd crores is the number. That's a broad number?

Management:

That's the broad number.

- Questioner:** And so, this number on 28 will also have another IT cost?
- Management:** No, most of it is this only.
- Questioner:** This year. So that INR40 crores of incremental will also go away. Every year it will go away?
- Management:** No, no, that that now that INR380 over the whatever additional small for staff expenses, branch expansion, those things will happen. But it will not be 40 this year, 80 there and 120, no, it will be 40, 40, 40.
- Questioner:** And the credit call guidance you have given is 0.15, which also you are saying is on the conservative side?
- Management:** Yes. This year we had only 10 basis points. 10 basis points -- And our PCR has also gone up.
- Questioner:** IT implementations or how do you, I mean, you know, the benefit of it, when should we start to, you know, get reflected and...
- Management:** Other than the LOS, LMS, the others have all been implemented. So, in terms of the security, in terms of the, you know, connectivity, in terms of the speed and all, that we have already started witnessing. Even in terms of some of our, you know, like HRMS, deposits, even our accounting, expense management and all those things have already gone live. Okay, so there, you know, some benefits in terms of, you know, TAT improvement or even staff reduction is there.
- We are beginning to see it like we will be, you know, some of the things are now automated and we are able to deploy more with extra people. So obviously what it is now happening is it's not that we are there's no there's no, you know, staff being relieved or anything, but what is happening is those staff are being redeployed into business which is helping us in in that in that sense. So basically, when we are saying we are going to say our increase our, you know, sales team from current 80, 82 to 150, we are not saying we are going to recruit that many people. This will be people who will get freed from some of the other activities we will deploy over there.
- Questioner:** Right, and so the, I mean, the challenge which was there last year also was that IT implementation was impacting disbursements to some extent, that is all behind, right?
- Management:** No, no. We had said that it may have an impact, we didn't deploy it, so therefore our full disbursement whatever was there we have done it. We phased out in that manner and not that nothing happened, we did deploy everything other than the LOS, LMS. We have done a complete overhaul of our security, our aspects, you know, we have also done our HRMS, deposits, our treasury module, our ALM and risk module, our all those things have already happened.
- Questioner:** Below INR10 to INR20 lakh ticket size, are you seeing any growth? Basically there, is there some things have started to improve or things are still slow?
- Management:** Below INR20 lakhs, that up to INR10 lakhs is definitely no, no. INR10 to INR20 also I am not right now seeing much. But our numbers are actually going down.

- Questioner:** So, for you the growth will come above INR20 lakh?
- Management:** Above INR20 lakhs ticket size. Because all these new affordable housing finance companies also targeting now above INR20 lakh segment, so they are also seen to be there quite a bit.
- Questioner:** And this ticket size you talk about, this is a total value of the loan or say excluding the LTV? For example, if you say my ticket size is INR15 lakh, so it's like 60% to 70% of LTV, the total value will be INR25 lakh of the house or this INR15 lakh is the...
- Management:** No, no, I'm talking about this is the loan amount. But property value will be higher. So, when I say a INR20 lakh loan, it is basically a INR25 lakh property.
- Questioner:** Broadly then, you know, we are looking at about a 14-15% top-line growth based on this calculation that you have given and because this year your cost goes up, you'll probably have a low single-digit PAT growth.
- Management:** Depends, yes, kind of.
- Questioner:** Broadly if I take that number of costs which you've mentioned, your 10 bps of credit cost, then you're broadly at a 4%, 5% PAT growth number. But then you again pick up from the next year because it comes in the base. And sir you have turned around the ship beautifully in the last two and a half years. You people have any ESOP programs for the employees?
- Management:** We do have, but it is for the top, four, five levels of this. Chief Manager and above levels we are having ESOP program which started in November 24. November 24 was the first tranche which was released to, it was there, which was grant of course, the vesting will have to happen in tranches. But the first grant happened in 24 November, second tranche happened in 25 November and that is a consistent thing now every year it will happen.
- Questioner:** And when does it start vesting?
- Management:** It is first, the first lot of this thing the vesting is already happened. So, November 24 the first vesting happened in November 25. So, it is a 20-20%, 30-30%. So, it vests over four years. 20%, 20%, 30%, 30%. So, the first year say for example somebody's got 100, they will get 20 in the year later, 20, 30 and 30. The second year what is released, so the third year they will get 20 of the first lot and 20 of the second lot. So that numbers will eventually go up.
- Questioner:** All right, sir. At what level of AUM whatever numbers internally you are thinking let's say INR50,000, INR55,000 the growth will be like a stable around 9%-10% as opposed to let's say 15% currently on the base of INR40,000?
- Management:** 9%-10%.
- Questioner:** Why? 9%-10%.
- Management:** Only 9%-10% AUM growth, the growth will stabilize like at 10% to 11%. Why at 9%-10% will it stabilise it 15% Every year we should be going at about 15%.

- Questioner:** But for that branch expansion has to be then...
- Management:** That is a consistent, see the whole thing is if you stop the branch expansion, you will, so there are one thing is you can do from your, ticket size growth which is a normal inflationary 5%-7% growth would come on a ticket size which is normally if you don't change your segment or anything it will come.
- Another thing is through branch expansion. And third is if you are doing something like a new product or a shift in this thing or giving focus to some like we did a sales figure; we will now next have a growth coming from a digital this thing once our IT transformation is over.
- So those things will come. Or else you can add more branches suddenly, more staff, you can have a separate sales team and do it. So those are there. But on the core if you look at it, you follow a simple normal nice graph then 5%-6-7% should come from your ticket size growth and something more from the branch expansion. If you stop the branch expansion then obviously it will impact.
- Questioner:** And there is no private equity which wants to exit? There's nothing like that here, is there??
- Management:** No, there aren't any -- there are no stockholders. Canara Bank is 30%.
- Questioner:** And what are the investments?
- Management:** Sharda Group.
- Management:** It's basically a Sharda Group. They have been holding on for I think more than 15, 17 years, I think more than that. They were there prior to 2010 invested.
- Questioner:** 8% stake. Okay.
- Management:** Sharda Group, yes, yes. Kamal Sharda ji.
- Questioner:** And no plans from Canara Bank also to do anything, right, in terms of that 30%?
- Management:** 30%. Now that that whole thing has gone over and that was there.
- Questioner:** 29% on 1st of May. And sir from your, the match that you have provided in terms of the guidance of each line item, where is the risk in your opinion?
- Management:** See the risk will be as I said this year of course prepayment is a risk. I think the portfolio selection has been very well managed so I don't see the credit cost being a risk. opex very much under control. So, I think prepayment risk is one.
- Obviously, liability side management is going to be another thing because today if anything happens in terms of, that was always the risk, but thankfully that is now been settled although, you know, it was more on a hunch rather than thing, but that has been kind of settled.

So, I think the chance, because otherwise that would have impacted our cost, cost of borrowing to shoot up by another 25 to 30 basis points definitely. But that is not happening, so I think in terms of the liability borrowing cost and everything, I think now that is also settled. Prepayment risk is one thing and that's the one major...

Questioner: Is there an upside risk you think? because I mean is there an upside risk that the upside would be lesser prepayment?

Management: Upside risk means upside obviously if we are -- that is something in our hands other than prepayment I think it's in our hands we can always increase the branch expansion; we can do that.

Management: But I'm guessing that is, well thought out, right, in terms of you're not going to go much beyond what you have guided for branches. So, because that will be it takes time to open a branch.

Management: It takes time, yes, yes, there's a... So, the upside risk will only be that what is the risk from the downside is also our upside risk which is at lesser prepayment.

Questioner: Tell me at what rates are you giving out home loans and LAP?

Management: What is the lending rate? See our lending rate for home loans salaried segment starts from around 8.1%.

Questioner: 8.1%?

Management: 8.1% is the lowest which is a 775 plus CIBIL score and something like that. Going up to around 9.75%, 10% in the self-employed segment, business segment, it will go up to around 10%. On the LAP side it would be we don't have that 8.1% and all, it would start with around 9.25% and going up to around 12%.

Questioner: So clearly a 50 to 60 basis points above the PSU bank or a private bank lending rate.

Management: Yes. More than that because the PSU banks are also offering to the best customer would probably get about 7.15% I suppose.

Questioner: 7.15 to 7.4?

Management: 7 you can take. 7.4 to 70 basis points.

Questioner: And sir if I look at three to four years out, in your opinion, you know, right now 15% of your disbursement is coming from the direct route or branch route. What should this number, you know, look like say in '28, '29 in your opinion?

Management: See we have already, our roadmap is very clear, we want to our DSA sourcing has to be 60%. Sales team has to be 20%. Walk-ins will be 10 and digital also is something we have not started yet should also start contributing for 10%.

- Questioner:** So, you said walk-in 10%, sales 20% and the remaining 10% in digital. Sir from the competitive landscape, I mean it is quite quite intense?
- Management:** See at 8.1% or even say 9.5% if we are lending, today banks are the main competitor and LIC and Bajaj. Affordable housing companies, they their rates start at 11%, 12%, so there is no question of that segment being and there is no overlap also let's accept it. We are in the purely documented income group, they are not in the documented income group.
- Questioner:** Sir what is the feedback, I mean you have meetings and others, what is the feedback that you are getting in terms of what we have done, you have transitioned beautifully well, but it's still not reaping in terms of the reward in terms of the way the market is valuing you. Because, from the entire lens you are a ROE 18% ROE company, a high ROA company, no concerns about all of that, but people are not giving you...
- Management:** I take it as simple that, in another four quarters we will have to deliver consistent top-line growth to be able to build that confidence. Because, there it has been a little choppy in the past. So obviously it will take consistently three, four quarters more I believe to deliver -- to demonstrate and to give the confidence that yes, this sourcing engine and this, disbursement engine is working fine. I think that's what it is. And another four quarters I think if we do, I mean if I were in putting myself in the shoes of an investor, I think that is what how I would look at it, I think. I think that's how I believe it is not happening.
- Questioner:** And sir any other segment that you want to enter or nothing else as of right now? Because you are at, I mean, you know, in a couple of years you'll be about a INR50,000 plus crores AUM number. That's not a constraint for you to grow at 15%?
- Management:** I think industry will continue to grow at 12% to 13%, 14% or above. We should also definitely be growing at that.
- Questioner:** And any capital raising plans?
- Management:** No. 18% ROE, 15% growth is enough.
- Management:** No capital will be required. Now we have almost grown to 18%.
- Management:** No, we have a 20% payout, dividend payout this thing. So, I think 15% is not a problem. And other than that, also we have a leverage this thing that our gearing is now actually been coming down. We I think can go up to seven and a half of this gearing without the rating getting affected or anything.
- Questioner:** And sir some NHB financing also is, you know...
- Management:** We do, last year we had INR1,500 crores of NHB refinance actually. We utilized the full because it comes at a lower rate.
- Questioner:** Incrementally or something more or less?

Management: Every year we have to apply. Last year whatever we got we did it. Now this annual report once we publish it, we will have to give a copy, there's a process, you have to apply, they will take it up and sanction it and...

Questioner: And NHB is financing comes at what rate?

Management: A blended it comes to around 6.6% or something. 6.74% or 6.75% last tranche.

Management: Total is 6.61%. Blended is 6.6%. Whereas a CP and all are almost 8%.

Management: CPs and all are going to be expensive. CPs are short term, so why go for an ALM and I can have a better...

Questioner: But there is a capping on interest rate which you can charge from NHB financing?

Management: We are well below that. My cost, my blended yield is 9.8%. Even at 6.6% they are allowing up to 4.5%. 4.5% is the...

Questioner: Oh so, 4.25%?

Management: I can go to 12% there is no problem in the rate. It is for the, so if that cap comes or 5%, that cap is only for the affordable housing point. It is not for the regular.

Questioner: That is on 7.5%?

Management: No, no, it is on 4.25%.

Questioner: 4.25%?

Management: Whereas on the 7.5%, right now, the general refinance, there is no cap. They are contemplating a cap. If that cap comes, the affordable housing finance companies are more likely to get affected because then they are, their rates start at 12%

Questioner: Your percentage of mix from NHB is how much right now?

Management: It's about 17% of the book is coming from NHB. 16% to 17%.

Questioner: Right, sir. Anything from me you missed out asking?

Management: No, I mean, covered.

Questioner: Anything, I mean, on the strategy for it?

Management: Hence, NHB is 17%, 16%.

Questioner: Thank you.