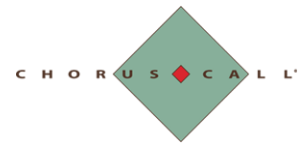




“Can Fin Homes Limited Roadshow



Questioner: Idea for the meeting was that we've known you guys and we've known this company also in the past. Of late, maybe we have to get a little bit more updated on this fine, and we met you very consistently as well.

So the point was just to understand that you have a rich experience working in a very long gestation company which has done really well. How, what space you have already reached with respect to changing, improvising the current company's culture, structure, and maybe how fast is this going to change to become something what you would want this company to be looking like. So that is one big question.

And definitely Himanshu has brought up few pointed questions on your growth and outlook on growth as well as margins and basic questions. But big picture we wanted to first understand is that how do you look at this company now you've spent reasonably many quarters, in fact more than 1.5 years, 2 years now, right?

Management: 3 years, my second tenure of...

Questioner: So then I think a lot of it has already been in your control with respect to changes you would want to have made. Then where have we reached that milestone basis if you can explain and what you would want to do further?

Management: Sure. See in terms of the major things, first, thankfully when I joined there was a 5-year strategy plan which was due and therefore in that itself I put forth the points which was accepted by the Board. So the four pillars or the areas where some change was required was one was that geographical expansion or a diversification was required.

Okay, because it was very much South concentrated and in fact that very soon hit us also because then we were affected both in Karnataka and Telangana. So before that itself, thankfully in May '23 itself, yes, immediately after joining, I pointed out and this was also decided that we will eventually want to shift to a more diversified geographical presence and portfolio presence also.

So that now in fact we have consciously followed in the last 3 years. We have opened 54 branches, most of them in the North and the West so that now almost one-third of the book is coming from these two zones. And slowly from a 72% kind of business coming from the incremental business, 72% to 74% coming from the five Southern states, now it has come down to around 59%.

So definitely in terms of the diversification, that has been one area. The second thing was we wanted to have, the company was purely a, DSA driven sourcing model was there. And there was no own sourcing channel or anything or basically there was no other channel other than the DSA channel.

So that was also another thing which was deliberated and agreed that we want to diversify so that we have our own sales channel. Now that we started in June 2024 with a small team first and then slowly we expanded. So this year, that is FY26, this sales team which was just about

80 people, 90 people on the rolls, we were at the end of the year 82 people, was about, was has sourced last year, that is when I'm saying sourcing, it is sourced and disbursed INR868 crores.

That is almost like something like 8% plus incremental business has come from the sales team. And that we are slowly, increasing. So this year from about 90 people, we want to take it up to 150 people and for the entire year, that is FY27, we are planning almost more than INR1500 kind of crores disbursement coming from this sales team.

So that is the another thing was one was geographical diversification, second was this sourcing thing. Third challenge was that in terms of IT or in terms of the technology, the company, that is Can Fin was far behind what competition was offering and what was available in the market. And many things which, industry was having for even more than 5 to 7 years were not available here.

So there was a need for a technological upgrade which was very, very necessary. That also we went to the Board, we got the approvals and now we have gone for a complete overhaul of IT which includes both infra, security as well as application. So that was a total INR300 crores project finally the Board had approved and then we got IBM to do that and we are almost at the fag end of it where except for LOS, LMS, everything else has been implemented.

And reports also, only the report which basically comes with the LOS, LMS for which we have a tool for it. So everything else has been, security has been improved, the upgradation has happened, the infrastructure upgradation has happened and the application stack, many of the applications like deposit, our accounting package or an HRMS package, our treasury, borrowing and ALM package, all those things have already been implemented also.

Questioner: To what extent this tech, tech changes has already implemented and how much is, except for LOS, LMS, all those things have happened?

Management: Like for example, if you could see our presentation, on the functional application side, risk and ALM, treasury, finance and accounting, HRMS, the Aadhaar Data Vault, document management, DMS and deposits have already been implemented. On the technical and security side, the cloud setup has been done, we are completely on cloud. Then mail and collaboration, then SOC, NOC, and SIEM and all those things, everything has already been implemented.

And what is left is the LOS, LMS and the reports which come with it. Okay, so other than this, and that also is at the fag end where, we are expecting to complete it in this first quarter where we will go live with about six pilot branches. Okay, so the entire thing, the INR300 crores project which was also taken up and is now under stage of completion.

So one is on the sourcing model, second was on the technology stack and third is the geographical expansion. And of course, there were a lot of few low-hanging fruit in the sense that, the company was having 89% was including CRE was housing and there was very little of non-housing. In terms of salaried and self-employed, 72%-73% was salaried.

So there was a scope to, also improve the yield and therefore the spread. So that also we have done it. So basically these are the things which have happened. In terms of, of course, another

thing was that all these things come with the fact that, all these have to be implemented, also has to have a proper, ring-fencing and ensuring that the company is protected and all. So therefore, it was also necessary to strengthen the assurance function.

So that also we did in the first year itself and there was also in fact had to be accelerated because we had a mishap in the first year itself where we detected a fraud within 3 months of my joining. So that also we had to, let's say, we put the entire, we have strengthened the assurance functions of risk, compliance and audit, internal audit and legal and operations. All those things have also been strengthened and implemented.

So in terms of the, journey if you look at it, while there was a mishap in the beginning and we had to slow down and from what we would have done, but then whatever, that helped in a sense that we were able to, put the critical functions up front, get it done, the technology upgradation almost on the verge of completion, sales team and geographical expansion, which is branch expansion, we have initiated.

So now what has happened is in this year, FY26, out of the INR10,500 crores of disbursement that has happened, around INR870 crores has come from the sales team. INR820-odd crores has come from the branches which were opened after I joined, which is, after March '23.

Questioner:

How much after you have joined?

Management:

INR820 crores of business has come from the branches which were opened after I joined. So basically, last year, almost INR1700 crores of business has come from because of the changes which have happened. Which would otherwise would have been a little difficult, it would have, the old model would have continued.

So basically one is we have got it future-ready by virtue of the technology stack and the, ring-fencing and assurance functions and all those things, we have reinforced all those critical functions. And we've got IT thing in place and the sales in place. So basically we've got it future-ready for the next journey, next leg of the journey.

And now if you look at it today, if I were to see the position of the company, I think in terms of the liability profile, in terms of the, yield, spread, segmentation, in terms of the training, we are ready for everything. And the only I think area where we need to still deliver maybe for one more year to give the confidence is that we need to have a one more year of consistent growth.

This year of course whatever guidance we gave in terms of growth, we said we will do INR10,500 crores, we've achieved that. Quarter on quarter also almost whatever we achieved, we have achieved, we delivered those results also. So for another 2 to 3 quarters if we are able to demonstrate and show that it is happening, then I think you know that clearly shows and clearly proves that whatever changes or whatever we have done is now in the thing and the ball is now rolling and we can consistently look at a, AUM growth on a 15% to 17% consistent basis.

Questioner: On the prepayment side, what is the trend over there because that was slightly higher than expected for FY26? So, how is it changing now?

Management: Yes, so basically the rate reductions which happened because the repo rate went down and market everywhere the rates went down, so obviously the gap which we have in terms of our rates compared to what the banks and all have slightly increased. Second thing is we had a almost 80%, 72% actually in the beginning of the year portfolio which was at a annual reset.

Now obviously the annual reset there will be a lag in the transmission of rates to people. So while we have reduced as and when the repo rates went down, we also kept on reducing our rates and we have actually passed on 50 basis points to our customers. But the annual reset customers will get it only when their time comes for a reset.

So there was a bit of an issue there and we realized that, maximum prepayments were happening in the annual reset portfolio because customers were not aware that, the rates have gone down or they are likely to go down. So then we corrected, we have taken a corrective position and we accelerated that conversion from annual reset to quarterly reset.

We approached the customers, contacted them, took their consent and even if required to change our policy, we did that also. And finally effective April, almost 85% of our portfolio has been moved from annual reset to quarterly reset. So now even in the future when the rates, say for example there is a reverse interest rate reversal, the gap between the transmission on our asset side will be much less.

So, the spread will not be, will be protected. Otherwise, in the past when '22-'23 when the rates shot up, at that time, the majority of the portfolio was on the annual reset. So when the rates went up, the liability side costs went up but on the asset side it did not. And because of that our overall spread came down, came down from 2.78% to 2.31% at a point in time. From there now we have done the corrective step also plus slowly we have, worked on the spread also. So now we are back to almost 2.86%.

Questioner: Normally when the experience of prepayments...

Management: So this year because of this, it was a little higher but now that we have finally from 1st April converted them, I think, prepayments should slightly, moderate. In fact in Q4, normally in Q4 it is always higher because that is the time when every competitor is aggressively taking over, takeovers are happening, DSAs shift the portfolio. Our portfolio comparatively was not affected as much in Q4. So that is there also the data that we share.

Questioner: Sir, just coming back, I mean since you joined three years back, we have seen a very lull phase of the growth, 10%-11%. And you have already identified some of these things like when I met you 1.5 years back also, you admitted that the tech was on a weaker front. You admitted that there is a heavy reliance on the DSA which also triggered higher repayments, you need to build on the in-house sales team.

But you took a much longer timeframe to get all these sorted or implemented. What are the resistances basically you faced and why it took so much longer time? Just to idea, because you had identified all these things long back...

Management:

That's very correct. See, one thing is IT transformation is not something which can overnight happen. There's a process, it's such a large project, you have to be transparent in the whole process. We first came out with our RFP [inaudible 0:13:20]. Okay, there were only two bidders and both of them also there were quite a bit of an issue and, in terms of the price and all, it was a very large RFP where we tried to put in everything.

So that cost was also coming to be a humongous cost, almost INR500 crores. So then we said that is not, let's rethink and we had to withdraw that and we had to redo the RFP with a slightly lower or a smaller mandate. And then we also got six bidders, large bidders like IBM, Accenture, KPMG, Deloitte, TCS and one more was there, Capgemini.

So all of them bid for it and eventually we were able to finalize on IBM. The project cost was also much smaller, it was a total INR500-odd or whatever crores, it has come down to, INR300 crores including the infra as well as the security and whatever.

So that we have now implemented. Plus, this whole thing also evaluation of the vendors, the bids, evaluation of the bids and then, giving the contracts, documentation and then the whole process also it is almost a 12-month project. So it has its own, such large projects, the entire transformation of IT is not something which you can do overnight as such. So there was a 12-month period for which it is there.

So that is the reason and now over a period we have implemented it also. The second part as regards the sales team and all, well there, you know, since one the company has always been on a single kind of a thing, there is a mindset issue also and people are more comfortable or we are obviously more comfortable with, there was no sales structure, there was no thing, it was all purely dependent on the DSAs and DSAs obviously come with ready-made sure files where you just become data entry is required or a little bit of checking is required, whereas everything the policy is known to them, the go-no-go is known to them, they all bring in the good quality customers and everything.

So, you know, your job is much easier. The moment you say you have to be on the field, it's obviously sales is not a job which, you know, anybody and everybody can do. So there was obviously the mind set issue was also there, let me admit it. And then second thing is, you know, in terms of an organization which doesn't have, which has not had a sales team, you know, there was also a little bit of this thing or concern whether it will be successful or not from the board.

So we had to first do a pilot, to do it with a small 30 odd people for a year, show them, demonstrate that yes this model can work, productivities are better and we can still do better with a lower cost than DSA. And then we, the board also felt confident to increase it from a 30 to 90 people this year. Basically that is auditing.

Questioner:

So this year FY27 will be one where you see a significant figure from 80-90 to 180?

Management:

Yes, so basically today we are looking at about 90 people which will go to 150. And our branches what we've opened, 54 branches, this year we are looking at 26 branches. So basically the, these two models, the sales team as well as the new branches which have opened together contributed about INR1700 crores in FY26.

The same two channels we are expecting it to do close to INR3000 crores in FY27. Because, you know, they are already delivering, the model is set, the confidence is there, the we have also demonstrated to the board. So the team is also there, some small-small mistakes in the beginning we have learnt and we have developed it. So now it's a model which is, both these things are now working. So easily I mean this year FY27 we can expect both these two channels or these two streams to deliver about INR3000 crores of business.

Questioner:

Disbursement which one?

Management:

The sales team and the new branches that we have opened. Okay, and the older branches which are already there, they are already working, not that they are, they will also obviously continue to contribute a little more. So INR13,000 crores is the disbursement target, out of that INR3,000 crores will obviously come from here. So INR10,000 crores will come from the existing branches which have already delivered INR8,900 crores in this financial year.

Questioner:

Sir, given in last three years, I mean '23 to now, we have opened cumulative branches close to 51, 55. You planned, so close to we can say almost you're targeting 20 branches. Now this financial year you are planning to have 26 or something, which is not a very big jump in terms of the thinking change if you wanted to have a aggressive branch.

Given this organization if you look at the still the AUM size is close to INR40,000 crores, though not a very huge size. How to get this comfort that we can have a very sustainable growth of 20%, 22% to 25% disbursement growth for this franchise, not just one year? Because if you look at FY27 is also a phase where you can deliver from INR10,500 crores to INR13,000 crores.

It's a function because last five years if you look at we got stuck between INR8,000 crores to INR9,000 crores and then this year with 10% around close to INR10,000 crores, INR10,500 crores basically. It's not a major basically, company will be at a stagnant phase for 4, 5 years. Now this year you have basically your plan because obviously something of the base supported by base and all looking at 20%, 25% disbursement growth in FY27. But on a sustainable phase of next three-five years, what are the levers required or what are the plans for you to deliver 20%, 25% disbursement growth on a very sustainable basis?

Management:

See on a continuous basis the branch expansion will have to continue. So this year we are looking at 28 branches. Next year again we will look at another 20 to 25 branches next year also.

Questioner:

But is 20, 25 branches plans are enough to deliver this kind of?

Management:

I guess yes, it should be okay because you know if you look at it as you said on 25 branches in this year what we open, they will deliver for half year but then they will be the base for the next year because next year they will be functional for the whole year. Okay?

So that is how every year we'll have to keep on adding. So this one thing will have to continue. Second thing is simple, you have to keep on adding people on the field. That is another thing, sales team will have to keep on increasing. It's a simple, I mean you know the lever, both these things have to continue.

The third thing that will have to be done is today once the technology stack is in place, you know we don't have that digital journeys, digital, you know all those things. So digital will also start contributing, we will be able to add a lot of, you know features on the digital side which will also start getting us business.

So that is the thing which will have to be done. As regards, you know, this continuity is concerned, as I myself admitted, you know, it's the first year where after all these two years of laying the foundation where we have actually delivered. And I in your position also would say probably another two to three quarters then only I would also get the confidence to it. Fair enough. So but once it happens I think this is what where the.

Questioner:

Even that now the organization is moving in terms of tech investments and all, now it is time to slightly go aggressive and build that side. Can we have something like '27, '28, '29 as a phase where we can have a very sustainable 20%, 25% disbursement?

Management:

Anything less than 15% AUM growth would be a, you know, travesty if, you know, after putting all this in place it doesn't happen. And I believe it will definitely happen because if we have to do that also, we have to on a consistent basis do more than 20% disbursement growth. So now as you said INR10,500 crores we will go to INR13,000 crores, that's a 22%, 23% growth in disbursement.

From there we will have to move to another maybe INR15,000 crores to INR16,000 crores and then INR20,000 crores also. So what it means is we'll have to keep on adding the branches, we'll have to keep adding the, you know, sales team and deliver that project.

Questioner:

Just to ask you, you implemented tech, in spite the implementation gets done by the current quarter in this is on the LOS and LMS as per the slide. And sales team you already now tested water with respect to 90 odd people could have delivered you INR900 odd crores of disbursements last year. If you double that, so you have 500 odd tomorrow itself, but that can give you faster results. Correct?

I wanted to understand is that is it that our branch opening strategy, is it still too, not very conservative? Means point number one. Point number two, if I look at the projections you made somewhere, I saw one of the slides on the business plan, that mix is not going to change further. Means you've already achieved 60, 40 close to that and you want to keep that.

So then for that what has to happen is that your say erstwhile branches or say maybe South if I have to consider as there were more branches, is supposed to also grow in the same speed in

times to come to keep the number at 20% plus on disbursement and 15%, 17% plus on the loan book outstanding basis. So is that something a conscious thought process because these two are different in that sense. I would have maybe liked that it is 50, 50 in next two-three years, 50, 50 in terms of salaried self-employed. No, no, in terms of South and other geographies?

Management:

That, see we have taken up a journey for up to 28. Correct? And what you said is that, you know, there is no harm in going beyond that. We set a target for 28, if we have achieved it earlier there is nothing wrong and if the other geographies are performing well, we will continue.

In this year also having already reached this, this figure also still we are talking about, you know, what do you call this, branches expansion coming in the North and West only. So in all likelihood we may over, you know, cross this target also. It is just a target we had put for '28 which we have already achieved in '26. So that doesn't mean that we are not going to stop.

Questioner:

60%?

Management:

60, 40.

Questioner:

So then all these new branches also is mix of South?

Management:

Not all of them, like you know two-three years we did not open any branch in Karnataka and Telangana. But now that we are out of the woods I would say in terms of at least the E-Khata issue in Karnataka almost, and Telangana is slowly picking up, now we are looking at expansion in Karnataka also. And this year we are I think identified three branches in Karnataka, same way we have identified a couple of branches in Telangana also this year.

Questioner:

Sir, is that one thing just because we want that clarity, is that when this event issues had happened and when you joined, is the board wants to have a medium pace growth between 10% to 15% pace of growth and they wanted to have a very strong control on the risk and earlier where we have seen much higher phases of the growth as well.

Is that the conscious like the board is happy like you know you deliver medium sort of a growth which can be range between 10% to 15% and you deliver that on a consistent that is fine with us or you wanted to have this franchise delivering because 40,000 is still a very much low base. No, or can we have this like 18%, 20%? This was I just wanted to understand, what is the mind set?

Management:

The mind set I will tell you very clearly that if the industry is growing at 12%, we should be growing at least at 15%. Today if the industry is growing at 15% and we say we have to grow at 25%, I think that is not, that is not the kind of mentality where we take extra risk just to, you know, have numbers just to achieve a particular number.

So it's an institutional building kind of a mechanism, not a PE kind of a mechanism where we in three years want to double and exit at a, you know, 3x or 2x. That is not the mentality. We are here for the long run, we want a consistent steady growth without any hiccups, without any this thing where, you know, after three years, you know, you have to again slow down and

start from and have a mishap and all those things. So basically that is the whole idea. We want to have a neat clean franchise which was the point and if the industry is going at X, we should be growing at X plus 2 to X plus 3 that's it.

Questioner: And again Telangana and Karnataka is contributing 40% in the disbursement currently broader in FY26 what I have seen any input. So when I look at 14%, 15% growth, so can we say that 60% of the base is expected to grow at 25% and this 40% of the base will grow at 15%, so probably then we have cumulative growth around 20%?

Management: This year I would say yes, maybe next year even that 40% will grow faster. Because as I said today, you know Telangana we have just stabilized and we are coming out of it, so this year we also don't want to push it back to the same 25%, 30% growth. We are fine with, you know, so that, you know, we recover and fully stabilize the thing and then grow.

Karnataka this year also although we had this issue, we are growing at this 7%, next year we should be growing at 15% to 20% in Karnataka also. Actually next year for Karnataka we are targeting something close to INR300 crores as a run rate on an average, so we should be doing about INR3500 crores for the full year.

Questioner: So can, so we can build around 20% sort of a disbursement over next two, three years? With 15% repayment, 15% to 16% repayment which gives me an implied growth of, no 17% because of higher repayments that we faced this year, so ideally 15% to 16% repayment which will give me a blended growth of 14% to 15%. Is that the right math?

Management: FY27 yes. Next year if I continue to grow at 20%, then in fact my AUM growth will go up to 16% odd.

Questioner: FY27, AUM growth will be around 14%?

Management: 14% for FY27.

Questioner: Now this tech cost which is INR300 crores, how much already P&L is visible? And this INR300 crores how will we see incremental credit, incremental opex? That we plus in-house sales team which you wanted to take it branch expansion, so all that basically can help us?

Management: Sure. See this INR300 crores is the project cost for entire five-year tenure of the project, seven-year tenure of the project, sorry. Okay, one 15 months of implementation plus handholding and remaining period of, you know, implementation. So it is not that INR300 crores is a one-time and then over and above that there will be opex coming every year, no. This INR300 crores includes the opex also.

So basically INR100 crores is capex, INR200 crores is opex. INR200 crores spread over five years will be approximately, you know, INR37 crores, INR38 crores or something it comes to, one and a half it is five years and some months, so it comes to around INR40 crores approximate, INR40 crores is the every year annual, you know, cost of opex which will come.

And this INR100 crores which we have spent as capex currently out of that I think INR50 crores, INR60 crores or something has already been spent which is already showing as capital work in progress. That will start getting converted into depreciation and come into the P&L over the next five years, so that will be another INR20 crores a year.

So that's how we are saying INR60 crores will be the cost per year which will come out of the whole thing. And unless we, you know, go for another round of some more upgradation, some more implementation, some more then then that is a different thing. But with the current project that is there, I think it includes both the capex and opex and that will be approximately INR60 crores coming over the next five years, 60, 60, 60, 60, 60.

Currently our existing IT what we are spending with the current vendor is approximately INR20 crores. So that will be kind of removed, I mean once this new project is implemented, that will be sunset so that cost will stop. So net is the increment of INR40 crores that every year we will have.

Questioner: And this DSA team, branch expansion?

Management: See once IT implementation happens, we expect, you know, efficiencies to come in, we improve, improvement in productivity, TAT and everything. So that should free some people. That is exactly what we are looking at to be channelled into our sales team at least in FY27.

Then we will probably beyond that need to keep adding people as and when we want, but at least, you know, we expect another 50-60 people to be freed from the business to be -- because of this IT implementation and who can be, you know, channelized into this thing because there will be efficiencies and improvements which will happen. That is what we are looking at.

Questioner: So given in FY27 -- sorry 60 people today working in which...?

Management: We will be pulling out across. Like, for example, we have branches which are having nine staff, some are having eight people, some are having six people.

Questioner: So, predominantly, they will be able to be trained or moved to sales or there would be some other...?

Management: So even now, the 37 people out of the 90-80 people that we have, 50% of them are converted from our existing team only. And some who left we replaced them with the people from the market who have sales experience. So practically, it is not that we have actually even these 80 people have come from -- have been an added burden on the overall costing.

From the existing teams, we have extracted and put them over here. Some of them are people who have been with us for 5, 7, 10 years. Some of them have been, you know, when the replacements came, we replaced them with people from the market with the sales background.

Questioner: Sir, any ESOP scheme that you've implemented for the -- and have you implemented in FY26 that ESOP?

Management: It was started in '24. It was first implemented in '24 where the first tranche for about chief manager and above level only we are giving, it's about 100-odd people now. So that many people we got the first grant in November '24. The first vesting 20% of that grant vested in November '24. And the second tranche of the thing, second grant again happened in November '24 for the same chief manager and above level. Second grant has happened in November '25, the first vesting of which will happen next year. So each grant that we give will vest over four years. And every year they will get an additional...

Questioner: And then the fourth year you have four tranches come to life.

Management: Yes.

Questioner: Sir, typically a business guidance, something has been shared. What is the broader guidance being shared by the Board to you guys? Because it's a target oriented basically ESOPs, have also been largely target oriented.

Management: We, obviously, have not given any target in terms of the share price. Obviously, it is an [inaudible 0:32:46].

Questioner: What is the business plan...?

Management: Because we had 80,000 target even in '28, but we lost two years because of all those things we had to redo and all those things. So maybe even if INR80,000 crores by FY30 surely easily.

Questioner: Sir, this one year of opex should see very high because in the base of 1 year, because this IT cost of INR40 crores-INR50 crores will come. As in last year you delivered cost of INR310 crores-INR320 crores. In that net addition of INR40 crores-INR50 crores because of this will come, net addition, INR360 crores, plus some bit of employee cost and expenses. So, in 1 year we should see a growth of opex of 20%-25%. And then potentially that will drift towards -- because then it will come in the next base. That will be more like an employee cost and everything.

Management: Absolutely.

Questioner: So can we say 10%-11% sort of a growth then?

Management: Correct. I think that is fair. And that we can deliver over the next two, three years space.

Questioner: Sir, one thing because where we have seen this journey and we have been questioned again and again, this tech transformation journey because that has happened even in Aavas also. But somehow those productivity has not come in. What is the confidence that you are seeing? Because generally, what happens? Because we have seen in a lot of players. Where the entire team would take time to settle, to understand the new framework, new LOS, LMS.

Ultimately, how much in conversion from logins to TAT. Where do you think what improvements can be made in logins? How much TAT can be improved in the process of our login to sanction? How much TAT sanction to disbursement may take time to improve also. Can you just give us some why you feel that tech journey can have a better outcome?

Management:

See, I'll tell you. For a simple fact, some of the things that are already implemented and how they are impacting, okay. Like for example, start with simple things like, you know, Aadhaar, PAN, ITR. Okay, Aadhaar and PAN were directly coming where we handed over, they were verified manually with the either UIDAI or with your this thing. Now it is directly coming, the moment you scan and the Aadhaar number you upload the number, the system automatically technology will get you the -- it's the API integration, it will pick up and verify the number, no physical work is required.

ITR, through OTP verification, the ITR directly uploaded on the ITR website, income tax website will be downloaded and will come to us based on the PAN number which is given. Account aggregator is there, so we don't have to collect it again, analyze the ratios or anything. The account aggregator also through OTP verification with the account aggregator platform, we are able to directly get the bank statement from the customer. Now all these are manual work that was being done which is now eliminated.

Bank reconciliation, which was again another reconciliation, now it is a day-end automatic process which happens. We just get a report, these are the things which are already tallied, these are the ones which are pending, then you have to do the pass-by-entry. That's it. We don't have to do the effort for all. That's one of the things. Another small thing like we have now payment gateways available, BBPS coming, those kind of things.

NACH was a manual process, physical forms were collected, uploaded and all those things. Now there is e-NACH that is implemented. That's a 2-minute process. So things like that when you look at it, the amount of work that was done at the branches has come down considerably already. Now when we are going to further implement it, there will be again further additions where it will happen.

Like, you know, today CERSAI we have done online, our CIBIL and Experian reports which are happening are happening online. We don't have to go and do for it. The moment you are processing, automatically this report will be generated and pulled from the platforms. So these are some of the efficiencies which have already come in.

Going forward when you look at it, you will have other efficiencies coming in like, you know, your insurance entirely will be through API guided, whatever insurance selection is happening. There are many other logics which are manually currently happening. Our entire rate revision exercise is being manually done. That will get automatically done. So there are so many other such, you know, points where efficiencies would come in.

Okay. One of the tools that we've implemented, you know, based on the legal report, the legal search report process where there is a capacity of one person being able to do or maximum review and approve 14, 15 maximum legal search reports in a day. Now it has straight shot up to 50 just because of the AI tool that has been implemented and we have been able to make it part of this thing. Now if you look at it, small-small such improvements even touch tech, you know, involvement that have happened are reducing the work on many-many fronts.

- Questioner:** Sir, LOS, LMS is the most critical part of the -- because why we said we go live, but already it's running on pilot...?
- Management:** It is already entirely delivered, all the modules have been delivered. We have -- the unit testing is complete, the functional testing and the migration is going on. In fact, migration also we have done partly for the functional test portion, it has been done and delivered. And once the functional testing process is over, by 15th of June, we should be able to at least, you know, complete it. And then, simultaneously, we also initiated the process of all that...
- Questioner:** Sir, one thing if you can just help us, is where is the conservative guidance? Because when I just implement some of those things basically, so how typically I'm just coming to it. You are delivering 2.9 close to spreads right now. Our endeavor is to -- because of the recent rate cuts which you have taken, you believe the spreads to be managed around 2.8% or margins from 3.9 towards 3.75 is the guidance, the guidance between this range.
- Management:** Last year also we have given a guidance. We have delivered more.
- Questioner:** Absolutely. Opex we have already sorted out between how the things are. Credit cost, what you delivered 10 basis points from guidance is 20. Can we retain it, 10? Forcibly, you have no challenges faced last year, I'm sure this year also could be similar. But ultimate profitability what you have delivered, if I implement all that, then the numbers will come around the similar. Because some bit of opex rise, spreads compression which you typically have guided. So how we should think around it?
- Management:** No. So as I said, you know, we have given a conservative, you know, guidance which I acknowledge. We upfront said that yes, we have guided for 15 bps credit cost, but current year also was 10 bps and we also don't see challenge that it could be 15 bps. But yes, we have still given conservative guidance. Same way we have said 2.8 today as a spread, we have delivered 2.86, but yes there is a scope to, you know, end up with a little better also, but we have on a conservative basis clearly defined that currently it is 2.8 to start with.
- Questioner:** But why not the spread should -- ideally what you said, you have an in-house basically which you can -- potential and your endeavor is to get more in the self-employed segment, relatively improvement over there. Plus non-housing also you wanted to increase the proportion in the non-housing as well. So why not potentially the spreads ideally can remain at the current level or it should rightly improve when the mix...?
- Management:** It can. As we said, when I'm saying a conservative, it's like, you know, if it is 2.86, why not 2.88. If it is 2.85, why not 2.9. Yes, obviously there is a scope and our endeavor also will be to achieve something better than what we have given. So it is better to, you know, give you the conservative picture and then deliver better than this, and that will be our endeavor as well.
- Questioner:** Correct. Because whatever was going to happen with the rates has already been passed through. From here, in fact, we don't see even the banks or the competition will also decrease the rates. So ideally, rate -- because of rate pressure should not ideally decrease down.

Management:

See, last year we started with a spread guidance of 2.5, 3.5 NIM. We eventually increased it to 2.75, 3.75 and we actually ended up with more than that also on both fronts. We gave a guidance of 15 basis points. We ended up with 10 basis points, which also you can see we have increased our PCR. So that way we have been conservative.

At the same time, we have delivered better. So this year also, we have given a guidance accordingly and our endeavor will be to, you know, do it. Everything is not under our control, so we have given a conservative guidance. If everything goes, you know, and we are able to manage things well, I'm sure we will be able to deliver better than that.

Questioner:

Sir, typically, we have seen that liability side how banks become more competitive and we see because of cost of funds rise for banks is lower because of CASA and in this scenario housing finance especially when salaried is predominant becomes very, very competitive from banks. So we are possibly at the beginning of the rate cut scenario. What's your experience how banks...?

Management:

I would put it the other way that, you know, when the rates are going down, like when the rates went down, the banks passed on a full 125 basis points to the customers because it is all external benchmark pricing. Whereas HFCs and all have done it at varied levels. We have done 50 basis points because 40% of our liability side was linked to the repo rate and/or floating rate and we have, therefore, benefited on that 40% of the liability side which we have passed on to our customers. So 125 basis points is only 50 basis points.

So today, you know, prior to the rate cut cycle, we were offering our best customer 8.9, banks are offering 8.4. Today, banks are offering 7.15. We have already come down to 8.1. Okay, so basically what I'm saying is that if the rate difference has widened because with the rates going down. When the rates start going up, this will again compress. So again, either one is you can say that, but we have actually been negatively impacted on this rate when the rates have been going up, because the prepayments have gone up.

If the rate difference actually compresses, our prepayment should also come down. So it's both ways. I think, you know, when the rates start going up, we will pass on to our customers some rate increase. But again, they will be rare and very transparent and your 25 basis point increase in repo will not result in 25 basis point increase in our, you know, lending rate. We'll increase by equivalent 10 or 12 whatever is impacting us. That's it.

Questioner:

Sir, given now you have the tech in place, now you have the in-house also, why you are not thinking on the lines of getting into affordable when many of the -- not just one, many of the payers where the yields are better. I'm not talking about the micro housing, but somewhere because you have a blended of somewhere between 30 lakhs, you can get into the ticket size of 10 to 20 as well, which is still a better yielding with tech into implementation, with account aggregator provision put in place, there are fraud checks are there?

Management:

There are two things, affordable or you are talking about appraised incomes because if you are not affordable then 17,000 crores book or the 42,000 crores is actually less than 20 lakh in terms of ticket size. So, we are affordable, but what do you like?

There is nothing like we are affordable, affordability is below 20 lakhs, we are below 20 lakhs, 17,000 crores is my outstanding portfolio which is less than 20 lakhs. [inaudible 0:45:22] No. I am in the affordable space in the what you call the documented affordable income affordable space, documented income affordable space I am there, undocumented income affordable space there are other companies who are affordable companies.

Now, the question is whether I, so I am already there in affordable, the question is whether I will move to the undocumented income segment where I can charge more that is the question, that is will require not only a technology upgrade that will also require a mindset change which I believe will take a little longer time.

Questioner: And you would come up with super experience only?

Management: I have, but my team does not have, they have to learn.

Questioner: So, why are we means not being able to think about that, because a big picture thinking if I have to tell you the moment you reach 75,000 crores, then to build some business like this 4,000-5,000 crores will never appeal to even a CEO in that sense, it is never going to become a 15%, 30% of the portfolio needs and it never adds a lot of to the yield and manage everything, because one year you will have cyclical problems and everyone will start in the boards, asking what you have done?

But at this place where we are today from a size perspective and I am just looking at this, it is very easy and I think you have done it very nicely and I think you managed across size, but this is going up in that aspect.

And what Himanshu is asking you is to keep increasing this. They might have higher yield, that is the thinking to may not be coming at higher, lower risk. So, there would be inertia from your team or your side that whether these guys are same will be able to deliver?

Management: The team has to be ready to appraise that kind of a customer, that is the challenge, it is not about the technology, yes, we our technology will be ready to deliver to the customer, but the question is whether our teams will have the ability and the mindset to do this kind of thing. I think that present team may not give, we will have to look at the other team and yes, that will have to be slowly, we will keep reaching.

Questioner: The point is, you have to reach 2.5's desirable RO in some sense. Opex is not a big because ultimately, you had gone to a very fine team earlier. So, 5-10 basis points, credit cost can't be better than this, can't be better than dreamy words, 10-15 basis points itself is a very dreamy state which you are delivering. Opex will be a little inch up. Now, if you have only one lever here, then for RO expansion, you improve your spreads. How that improvement is going to spin?

Guidance is conservative, but if you say its 2.5 RO, not an FY27, but are we thinking that FY28 or FY29, can we reach to 2.5 because leverage has your benefit. Parent is so good, everything is there, there is no problem with rating agency, can take it this average till more 7-

8 years. So, you can deliver 16%-18% RO if you can close to 2.5 RO. How that is going? Is that in the picture, not in the picture?

Management:

That obviously is something which we will work towards. If you see, you just look at this slide, you just look at the spread, how it has improved from 2.56 to 2.86, page number 36. Same if you look at 3.75 growing up to 3.93. So, I think it is already happening. Now, how it is happening? Obviously, we are tweaking a little bit in terms of our segment, we are doing a little bit in terms of our housing, not housing.

We are doing it. So, I think that is a journey which overnight is not going to happen. You cannot move from a 3.93 to 4.15 or 4.2 in a matter of hours, but it will happen. Slowly, we are working towards looking at pockets where we can do a little bit here and there without taking any very drastic thing of doing undocumented space or something.

Questioner:

Sir, I have a confusion in this. This spread looks artificial. Why? See, your 85, you did not understand, my 85% book was on annual reset. So, this means that the rate hike, the rate cut, the benefit you are getting in borrowings is a benefit in yield. There is no compression in that yield. So, you will see that your yield of 10.10, ideally in three quarters, declined by 10.2 basis points only. Okay, you got a major benefit in your cost. Now, for example, you moved to a quarterly reset, that is why your yield are now compressing. Even in the beginning of 1st April, your yield are 9.8%. How will you improve the spreads?

Management:

You look at the next page, where you see my cost. My cost is 6.99, opening. My spread is still 2.81. I am saying even after passing on the conversion, benefit of the entire 50 basis points for annual reset to quarterly reset, after passing on the whatever impact of the 15 basis points I announced in January to the customers in April, because it is quarterly.

So, there could be some one more portion in the third month also. After impacting that also, I am having a 2.8% spread. So, throughout the year, when the rates were going down, the question was always asked that, that is fine, you are announcing the reduction, but when the annual reset moves to quarterly reset, would you be able to maintain it?

And then we always used to say that we have done our working and we are confident that we will still be able to do it even after the thing happens. So, that is why we have said that now that it has happened, this is what is the correct picture. As on 1st April, this is the picture. If you see, it is clear.

Questioner:

Correct. Sir, this 2.81, the guidance is 2.7. You have to take this to the other end. For that, the levers that you have, I understood that in the book exchange, housing, non-housing and self-employed segment is more. Is that the, how much portion that can change? Because even there, I am giving you guidance, only 1% or 2% change is there.

Management:

Today, my self-employed is today incrementally, today we have said 65-35 we can do. Today, we are almost at, 69-31. If we are at 69-31, we still have some scope there. We are almost at, we said 80-20 will be the housing, non-housing. Today, we are at about 70-73 to, this one. So, 27. Now, if I, I mean, up to 17. If I look at it, both, I have a scope of 2%-3% in the one year. Now, this is, I am talking about it from the current strategy, paper.

Once that happens, we will again set a new benchmark. We will review that. That is, no, it is just that, we have to have some goalposts and that is what we said by 20th, we have to reach this. One out of the four pillars, one of them I have already achieved ahead of time. Two, I am on the, very much on course to achieve and one probably is a little lagging behind. Now, obviously, we will reset the goalpost once we reach there. That is absolutely not a problem.

Questioner:

So, but moving from, see, one is tech-based, second is implementation and moving from annual to quarterly, does these things benefit you with respect to having lower transfers, means to other housing finance companies or buying companies, wanting to take away basically BT-out your loans or does it actually help your employees to stop the BT-outs?

Management:

BT-outs, I think, I do not think BT-outs is the major thing except that, our direct sourcing had a little impact on our, will have a impact on our BT-outs because when we ourselves source the business, then it will get a little more sticky because generally DSAs are, known or whatever, at least some of them, to keep, shifting their loans, same loans from one to the other so that every, they can repeatedly keep earning out of it.

But other pillars like, self-employed and all are more tool for business generation or increase in our business volumes rather than have the BT. BT, I think, will be benefited now that we have passed or known most of our portfolio from annual reset to quarterly reset. I think that is where the, BT-out will be slightly benefited. Going forward, I expect that, we might, like this BT rates that we have shown is slightly moderate.

Questioner:

Sorry, question, do not take me wrong for it, but given your term has got already approved till 2028, goalpost is also there to reach a milestone of 80,000 crores per book size, basically, by effort 30, potentially after 20, at least that landmark to reach basically to those. Is your personal professional objectives are being, getting achieved by that time frame also the management sees that?

Because what happened, we have seen a lot of management changes which has happened, where because of better opportunity, better something. So, is that the board has given the enough incentive, once you reach those goalposts and everything, you get a desirable? So, I hope you got my question.

Management:

No, I fully understand your question and I do not think, that is a -- which I want to answer right now, because today at least, it is very clear. I have taken a two year, my past track record, you will see that I have at least one of my commitments, wherever is there. So, right now my commitment is there, it is there, 100% I am in. What happens at a later date, I cannot say about it right now.

But as of now, you can say that even in my group or in my month and whatever commitments are there in terms of tenure or stay objectives that have been delivered and then on the 8th, I have taken the call. But **Gruh 56:05** was never a call I which we took, it was trust upon us. But having said that, Bandhan whatever even there, whatever commitment was there, I have stayed. So, that is my issue.

Questioner: And what type of means now that, currently, we can see like for Chairman, because the bank also does not have MDM position here.

Management: Yes, currently, our chairman was the MD of Canara Bank. So, right now, yes, that position is there.

Questioner: The ED takes it over, nobody takes it over.

Management: No, right now, though, obviously, since we have not had taken permanent decision on that, we, the Board has been choosing a Chairman for every, or missing for every board meeting. And we will take a call, I think, anytime.

Questioner: You said Raju is not the Chairman.

Management: No, by virtue of his superannuation from Canara Bank, he is obviously out, he has resigned.

Questioner: And just feedback here, please. You could have any influence, any, I know it is very difficult and limited and in that sense, but we spoke of even in Canara Bank in the past, that we do not see maybe a change in the Board, the way it should reflect in the current environment times.

Maybe I don't see any big private sector guy, ex-private sector guy in the board. Means, definitely, nothing against Mr. Panse, Mr. Ajay Kumar, all the EDs that we met, I have met in my past, I mean, when they were MDs or EDs of the bank. But generally, we have not seen people from, say, different genre in the Board, whether it is from the tech department, IT or tech or any other segment other than the PSU, Bank, Financial Services and more PSU only. So, anything like this, you could see change happening or we have, it is above your purview in that sense?

Management: No, no, as and when the board positions are there, we do discuss and obviously, I think, the limited scope of people is also from PSUs and therefore, I think that is what is there. But again, there is no, I don't think there is any resistance or any particular kind of, what do you call, reluctance to get anybody from the private sector or anything of that sort.

And admittedly, even some of our board members have also been on the boards of private sector entities also. It is not like that. So, they also bring in, that perspective is also brought in some way. But there is no, I mean, at least there is no, frankly speaking, last year also when there was some, one particular position was getting vacant because of tenure getting over and at that time also Raju sir was very clear that let the board take a call and board will do it.

Incidentally, it just happened that we got a banker from a private sector company. We have the last board member who came in was from Yes Bank, a board member who has experience of entire experience in private sector banking only. But yes, it was from the banking sector, but for private sector banking only, it was not from the PSU.

Questioner: And who is your current competition like, means in the, I am sure it is not all these small affordable housing transactions, but who is the real competition plus people who would want to just, I think we had close to 400 boards of...

Management: 400 boards of..

Questioner: Media house

Management: In last quarter, yes.

Questioner: Sorry last quarter. So, how do you look at this matrix and where is it going largely?

Management: Majority is going in LIC followed by Bajaj.

Questioner: Okay, LIC Housing Finance and Bajaj.

Management: And they are your competition or someone is, who is our banks, PSU or private sector banks are not probably the ones who are doing, maybe in one or two pockets, one or two branch, maybe a particular branch manager of a PSU bank or a private sector bank might be aggressive, that is a different issue.

But other than that, by and large, I do not think the banks are coming much into the segment that we are having, so 20, 25, 30 lakh segments that we are doing. I think the bigger thing would be the LICs and the Bajaj and the PHBs ...

Management: Are the bigger, biggest competition.

Questioner: And when would be the right time to understand that the business coming from DSA on a cost economics basis and business coming from our own sales and in-house channel, including digital, including the other marketing and the on-field sales stuff, what is the conversion rate that and say cost economics across parameters, we are looking far better than say DSA? When will you be able to cross that...

Management: I can tell you this thing, the sales team that we have grouped in, the DSA whom we are paying, our average payout is about 50 paisa. So, on a 10, on a 1 crores kind of a business, we pay about INR50,000 to the DSA, if they are doing about 1 crores of business, they would have got a INR50,000, I have blended, I am saying somebody would have been quartered. In case of my staff, today they are doing 80 people are doing about INR100 crores per month, which is more than a 1 crores.

So, as long as the cost of the staff is less than INR50,000, I am in profitability, there is a better proposition to have sourcing done through my own team rather than go through the DSA. So, today at the entry level, the people whom we are recruited, we are having an average of about INR30,000 to INR37,000 salary payout plus whatever extra that you say, you can top it up by another 10%, 15%. So, you can say the cost to the company is about INR45,000 or something.

Obviously, if I recruit higher grade people, then obviously, instead of INR1 crores, they will have to deliver INR1 crores or INR2 crores or whatever to be able to earn more than what you would have otherwise given to the DSA. That is the economics that we work to start with. Because it is not only a matter of cost x versus cost y, which is beneficial.

There are many other angles also because rather than the DSA, they will choose what business to give to us. But my staff can pick and choose a customer we want to work with you.

Questioner: What you want?

Management: The DSA will get business which there is a risk of it being moving out once suppose they do something to the DSA or the DSA gets a better payout elsewhere, they will want to run a contest, they will want to take my portfolio out so that they can qualify for that contest.

In my case of my staff, I think that risk is much less. I am not saying it is not there. If the staff leaves, they will have the data of who all they brought, they can go. That is a different, but at least the risk is less. So, there are many other events which I cannot calculate and find out. But otherwise, if you ask me, I think if there is an entry-level person is doing INR1 crores plus, I think we are better off or cost-wise it is lower than what the DSA would source.

Questioner: But the second part of the question was stickiness and everything understood. They bring in the segments which you want. It could be better on risk matrix also. And definitely brings you more long-term ROI rather than the short-term. But when do you believe that this can materially shift to that portion? From a sourcing or business point of view means...

Management: See today if you ask me, the cost is not a major component.

Questioner: No, no, no, I am not asking you to understand from the cost perspective. When you take a big step of, you already take that transformation step. So, just searching for that slide actually that the DSA and everything is continuous.

Management: Talking about the page 30?

Questioner: Yes.

Management: Just searching for that slide. Actually, DSA and everything is...

Questioner: On the DSA.

Management: Yes. In 30, the amount of business that is coming.

Questioner: What I am trying to understand is, today also if you look at, this is DSA, right?

Management: Correct. Which are mostly old branches or wherever sales staff is not to that magnitude which you would like.

Questioner: When we see this getting multi-daily lower.

Management: That is a. So, that revamp may be, as you said, you will refresh the strategy and you will come out whether it is March 27 or whenever, next. No, no. In fact, it is one aspect where we are going a little slower than what we would have expected or we would have wanted. The movement shift from a BSA sourcing to a non-BSA sourcing.

- Questioner:** Okay.
- Management:** As I said, we are still increasing our staffing. One year, the first question that he asked was what are the bottlenecks? We first wanted to demonstrate that this model would work.
- Questioner:** When do you think that we have made a big sale?
- Management:** Every year we are going to increase. Like I said, this year we have done INR868 crores or something from the sales team. Next year, we are doubling it almost and we are expecting it to be more than INR1500 crores to come from the sales team in FY27. The year after that, obviously, from there, we will want to take it up to INR2500 crores from the sales team.
- Questioner:** And for us, all our branches, whichever we open, break even in first year itself?
- Management:** No, we have 18 to 24 months is what we said. There are one or two branches, I am sure, which are slightly delayed beyond that also but by and large, we are able to do it.
- Questioner:** How will the line of management decide to you how the team can handle it?
- Management:** We have given our name also. Over a period, we have given page 8 also. That is also getting strengthened as well as diversified. Diversified in the sense that we are getting people from across even lateral talent is coming in at that level. We have had people coming from outside.
- The second thing is not only at that level, what we have done is at the branches as well as at the head office and all these departments also, we have assisted them. We have developed a second line with the Chief Manager above level also where the second line is also getting developed. It is not only as I said, it is an institutional building kind of thing that we are working on. It is not a transactional activity that we are talking about.
- Questioner:** Are you able to attract the talent from that stock? Or do you believe people or something from the support of Canara Bank or something?
- Management:** No. It is not taken from Canara Bank much. We have some of the talent. By and large, if you look at it, we are taking from either NBFCs or smaller HFCs, we are taking. We have been able to get at the Chief Manager AGM and BGM level or ABP and BP level also. We have been able to get some people from the market also.
- Questioner:** Would it be better?
- Management:** It depends. If you are taking from obviously, if you ask me, we may not be able to take from the PE funded ones definitely not. They are able to do it. But some of the smaller players, we are definitely able to do it.
- Questioner:** What is your top level hirings you made in the last 2-3 years? Where do these people generally come from?
- Management:** He has come from Walter Financials. We had the company secretary who came from Kotak AMC. Then we had our HR head, the AGM level who has come from -- we have recently

taken a credit and we have taken a Zonal Managers who are in the ABP levels who have come from the market. So, I think we have all come from...

Questioner:

On customer basis...

Management:

But I think Zonal head, both of them Lakshman has come and I am saying he is a senior. So, I am saying they are the ABP levels. ABP level we have taken them. Mani Raju is ABP. He has come from he was actually in the last IFL Group he was there. He has come from there and he is head HR. Then we have taken the zonal head for Telangana and zonal head for East. Both have come from the market. We have taken recently somebody from Kotak. Chief Managers we have taken.

Questioner:

Thank you for your time.