



“Can Fin Homes Limited Conference Call”

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SPEAKER:

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EXECUTIVE OFFICER & DIRECTOR, CAN FIN HOMES
LIMITED**

Interviewer 1: Okay. So, thank you so much. Really appreciate the time, gentleman. Philip and we are from **Wellington**, which is a global asset manager based in Boston. And we are focused on emerging markets, so we invest long-only equities in emerging markets globally.

Rohit, he been very kind to help us organize this trip. We started in Delhi, visiting some EMS companies. And then we came to Bangalore 2 days ago. So, we are in Bangalore for 2 days, visiting array of companies, actually probably one of your clients, Purvankara.

Suresh Iyer: Purvankara. Okay.

Interviewer 1: Yes. So, we are going to see some of their projects, visit some industrial companies, et cetera. So, it's a wider range. And also meeting your parent, Canara Bank, right after this.

So, it's a pleasure for us to meet them. We really wanted to just understand a little bit more about our banks, where we have come, but more importantly how you see the future. And then also understand a little bit on your assessment of the current environment as well. So, that's the genesis of why we called this meeting, and that's well appreciated.

So, I guess maybe just one, we can start in terms of your current risk assessment of the overall real estate market. That's our bread and butter, obviously. So, I would love to just hear your assessment. Obviously, we have come over the last 7, 8 years after the RERA regulations, the boom in the overall real estate market. Bangalore has done very, very well as well.

And so where do you see us in terms of that cycle? These cycles generally historically have lasted roughly 7 years. Maybe we are in third, fourth year of that. But do you see any issues in terms of asset quality, in terms of demand? We would love to get your assessment and your perspective on that first.

Suresh Iyer: Sure. See, in terms of the real estate market, at least there are 3 particular segments you can easily divide it into, in India. Like there's an affordable segment, which is a sub-INR 20 lakh segment. The definitions keep changing. Some say even INR 25 lakh below is affordable. Some say below INR 15 lakh is affordable. But roughly even if you look at below INR 15-INR 20 lakhs, that's one segment. There you have lot of players who are in the affordable segment. And there the main customer base is a lot of customers who do not have documented income, where appraised income, surrogate income proofs are required. And assessed income is basically the basis on which you give the loan.

The second category is the mid segment, which is INR 20 lakhs to INR 75 lakhs, where we are in that segment. That has been the regular standard thing. Today if you look at an average property on the outskirts of the city, a small 2 bedroom-hall kitchen, it would be somewhere in the range of about INR 50 lakhs. So, that's the regular housing, which the bulk of the business happens in that particular segment only. And then, of course, there is a higher segment, which

is INR 75 lakh plus. That is the prime. And then you have more than INR 2 crores, whatever you can say, super prime and all those things.

Now, INR 75 lakh plus and the INR 1 crore plus kind of properties, we definitely saw a lot of boom, particularly in the post-COVID era, where suddenly people sold off their independent houses, went in for larger properties, the gated communities and stuff like that. So, today if you look at it, the affordable segment has predominantly been operating or has been driven by the supply.

There are supply issues and it has been driven mainly by the Government incentives. So, whenever the Government has come out with incentives for the segment in the form of a subsidy for customers, in the form of tax benefits for developers, all those things, that is when the particular segment has grown. And we saw that particularly from 2017 to about 2022, 2023, that is when the Government announced this credit link subsidy scheme under the Pradhan Mantri Awas Yojana.

So, there, first 2 years slowly it picked up and then it really did very well because there was a good upfront subsidy of INR 2.67 lakhs. So, for smaller ticket sizes.

So, basically in that segment we have mainly the Government incentives which have worked. And in 2022 March the CLSS scheme was stopped. So, since then that Affordable Housing segment has slightly been going down. And today if you look at the growth in the segment, it has been in the higher single digits only, 8%, 9% kind of thing only, and it has been coming down. And in the peak when this was really doing well, at that time Affordable Housing Finance companies, a lot of them came into the market, a lot of them now reached figure of INR 1000 to INR 3000 crore kind of AUM also. But now, in fact, the particular growth in that segment is going down.

The super prime also was doing very well in between post-COVID, but again now, there is obviously for that segment, the size is always small. The volume might be a little larger because of the ticket size, but in terms of the number of customers that size is always limited. So, there also it has been slowly coming off, but the growth is still there.

But in the mid segment, which is there, obviously, because population has been increasing, nuclearization of families, urbanization of this thing. So, that is one segment which has consistently been growing. Today, if you look at the overall industry, it is growing about 12% to 14% and this segment is also growing at around 12% to 14%.

And frankly speaking, I do not know, but I have been in this field for more than 25 years now. Okay. And from since the beginning, people have always been asking this question, how long will this last and will the growth continue? What kind of a runway do you have? And I have always been saying that, the runway is long. Even today, I continue to hold the same position,

that the runway is still very long for this. Because housing sector, particularly if you look at it, people have always been looking at it as a good investment.

So, there are still a lot of people who will be requiring homes. People will be also, the new generation today we have who are in the 20s and 30s. Obviously, this 30 to 40s age when people also look at buying houses. So, this particular segment will continue to grow. There is no point talking about it. In the next 10 years also, if you ask, there is a good runway for this particular segment. So, that is the overall part of it.

Currently, yes, last 6 months have been a little bit of an issue. Because in the sense that, overall in the market, but this government has tightened some of the norms for microfinance, some of the small ticket loans, personal loans and all those things. So, at least, some pressure in terms of this thing would be experienced. But there are other reports also which clearly indicate and our experience also supports it, that it is more for the affordable segment, which is the lower ticket size, where there is a kind of overlap to the microfinance customers. So, the microfinance customers would also be taking home loans in the small INR 10-INR 15 lakh segment, INR 8 lakh-INR 9 lakh.

Interviewer 1: And can I just confirm on that part? First off, we do not do much of that, right?

Suresh Iyer: We do not know what to do.

Interviewer 1: That is kind of like Aavas, those guys do it, right?

Suresh Iyer: Correct.

Interviewer 1: Okay. And on that, I just want to make it sure. Because the nomenclature sometimes does not make sense. They call it also housing finance loans. But my understanding is, they use their properties to pledge, to take out money for consumption and all these things. Is that the right way to understand it?

Suresh Iyer: That is also correct because, see earlier...

Interviewer 1: In that part, is more like microfinance.

Suresh Iyer: Yes. I will take you back in time. So, originally when the National Housing Bank had come out with the guidelines way back, the original guidelines said that 75% to be eligible for refinance, 75% of your total lending or your total AUM should be for long-term housing. And the definition of housing was very clear. It does not include LAP, which is the mortgage loans or loan against property.

And it does not include plot loans, it does not include personal loans, it does not include the short-term business loans, which a lot of people are doing. All those things are very clearly not

there. But somehow that monitoring was not so very strict. Some of the companies, in fact, breached that norm. Incidentally, even HDFC was not having exactly 75%. It had got breached at 75%. So, subsequently when the Government reviewed it, they said that no, at least 60% you have to do it.

So, now they have come back with the condition with the slight relaxation that it has to be 60%. Which means that many of these companies actually have done, as you rightly pointed out, loans for, against the pledge of the property for consumption purposes. It could be for setting up a business, it could be for consumption, for family, marriage or health or whatever it is. In our case, that particular segment is only about 6%.

Interviewer 1: Yes, that is LAP.

Suresh Iyer: LAP is only 6%.

Interviewer 1: Okay.

Suresh Iyer: And even if I include top-up loans, which is existing loan, value has increased. So, they want to encash on that and do something. That also is another about 6% to 7%. So, totally our overall non-housing percentage today it is about 86%, 14% is our non-housing category.

Interviewer 1: Okay.

Suresh Iyer: Including plot loans, LAP and top-up loans all put together is only about 14%.

Interviewer 1: Okay. Okay. Got it.

Suresh Iyer: So, that is not much for us, but you are right, in many of the other companies, this percentage has been much higher.

Interviewer 1: And do you see that as an asset quality deterioration area right now or what is the assessment of that?

Suresh Iyer: So, in the delinquency rate show and the default in the LAP book has always been higher. Okay. Initially, when HDFC was there, Gruh was there, we were all doing it. At that time, although 25% was allowed, at Gruh we had capped it at 10%. HDFC was a little because of the developer loans, but otherwise LAP and everything for them also was less.

At that time, the delinquency was a little higher than the regular loans, but there was a differential in terms of the rate of interest. It was commensurate with the kind of risk that they were taking. However, today the spread also is not very different for LAP as compared to home loans. But the risk perception is definitely higher. Delinquency experience has also been higher.

So, today in fact, it does not make sense, it is very attractive to actually go for a LAP loan, might as well do home loans where the asset quality is much better and the attachment to the house, to the property is much, much, much higher. And therefore, the default rates will be lower. So, had the rates been say 2% higher as it was during those days, then you can say okay you are earning 2% more. So, even if the NPA is 1% higher or 1.5 % higher, it is still worth it.

Interviewer 1:

Yes, that's right. Yes, okay. Yes, we can talk a little bit about that. Maybe I will go back, take one step back. Since it is our first meeting, I just want to ask one big question which is, so when you look at Can Fin, what would you say is our right to win in this very competitive industry?

Suresh Iyer:

Sure. See, one, I would say the biggest advantage is excluding the 4 or 5 big banks which are there who are operating in the higher ticket size segment, which is SBI, HDFC, ICICI, Axis Bank. Other than those, if you look at the rest of the field, I think the rate of interest would be the single most advantage that we have. Our cost of borrowing is the lowest in the industry.

Today our cost of borrowing is around 7.25%. The highest rate of interest loan that we have is about 7.25%. Of course, some of the old NCDs we may be having at a higher rate, but incrementally if you see today, we are able to borrow at 7.25%.

The last we went to the market for NCDs was around May, at that time we got at 7.24%. Since then, there has been a rate cut, 50 basis points and some of it of course. So, I would say today also if you go for today's NCDs, we might get anywhere between 7% to 7.10%, we might be able to raise of 3-year NCD. So, in terms of the cost of borrowing we are the lowest.

So, that is one definite advantage, because today we are able to offer the lowest rate compared to all the other players. Even PNB Housing you look at it, it is charging, the rate of interest is higher than us. The only other people who can compare or match the rates are LIC Housing Financing and Bajaj. And then if you look at the affordable players like Aadhaar, Aavas and all of them, of course they are at least 2.5%, 3% higher than us. So, that is no comparison to that. So, right of this thing is one advantage.

The second thing is that in terms of our business, our credit cost has also been one of the lowest in the industry. For the last 10 years if you see our GNPA has been below 1%, consistently below 1%, we have not breached that 1% mark. And our credit cost today incrementally also the provisioning and all that we do, we are giving a guidance of 15 basis points, but our credit costs are actually lower than 15 basis points.

The third is in terms of the cost-to-income ratio, again we are at the lowest in the industry. Probably you can say LIC again would be matching us or somewhere close to us, but in terms of the cost-to-income ratio, our ratio is about 18%, whereas most of the other players the cost-to-income ratio is around 25% to 30% kind of cost-to-income ratio. So, there also we have a definite advantage.

All this, therefore, clearly shows that we can offer a very competitive price and we operate at a 2.5% kind of spread. But we are still able to maintain a consistent ROA of 2% plus, and ROE of 17%. That is in terms of the customer, that is the advantage that we have in terms of customer.

In terms of the investor if you look at it, a clear advantage that without bringing in any equity on the same capital, even the same this thing our internal accruals are able to sustain our growth, and therefore, we are able to give them good returns without. So, that is one thing. Our ROE is as I said are in the range of about close to 17%, ROA around 2%, 2.2% plus. So, this is the main thing.

In terms of the customer segmentation, we are purely a retail product company. We do not have any developer loans, we do not have corporate loans. So, our entire book is purely retail. So, that also is one differentiator for us. Of course, customer is not bothered about it, but from our point of view, I think from the otherwise overall book and the structuring point of view that is an advantage.

In terms of our customer profile, we have been able to maintain a very healthy profile because today around 70% of our customers are salaried customers. Therefore, consistency of income and everything, and that is one of the reasons why we have been able to maintain a healthy GNP of below 1%. So, basically that is the whole thing.

Interviewer 1: Very, very helpful. Going back to each of these. So, firstly on the lower cost of capital, the low cost of borrowing. I understand we have the best rating.

Suresh Iyer: Yes, we have AAA rating.

Interviewer 1: Yes, right. So, yes. How much of that is because of Canara Bank backing? And related a question which we can just ask now is, the whole RBI guidance last year on potential separation. One is if that happens, how will that happen, what does that mean? And then 2 is, does that impact the cost of funds?

Suresh Iyer: Sure. See, today we are having a AAA rating. If you ask me personally, I would say standalone basis also we stand a chance of maintaining a AAA rating. However, looking to the balance sheet size and lack of parentage in case if it is not there, then probably we may have a 1 notch downgrade if at all it happens. So, we may be a AA Plus. So, that is the kind of thing, because normally what happens is only those entities which are having a very strong parentage normally get a AAA.

So, if in case the parentage does not continue, then in that case we would probably be 1 notch down. Although if you look at the industry separately without getting the parentage part of it, I think all the parameters should actually on a standalone basis also give us a AAA rating. But of course, rating agencies do not consider that, they always need a parentage backing, and all those kind of things. So, that is one thing.

So, having said that therefore, I would say about 15 to 20 basis points, maximum 25 basis points is what would be the impact in case there is a downgrade because of the parentage issue. That is of course, there, but coming back to this point about this October 4 circular, that was actually issued at the time when the previous RBI Governor was there.

Since then, the new governor who has come in has been a little more soft on this. He does not appear to be very keen on this particular aspect, because he also made a statement that we have only given the approvals, then why are we now wanting to change and things like that.

And since then, in fact, there has been no discussion on this also, because we had in the month of February another IRF meeting that is Inter Regulatory Forum, where all the regulators are on one side and it is chaired by the Deputy Governor of RBI. So, in that meeting, this was not even discussed.

So, the year before that when the previous this thing was there, still this question had come up. The RBI had asked us that you have 2 entities who are on the same line of business, to which we had said that yes, but the segment is different, the ticket size is different, and the sourcing model is different. We have our own customer base, is what Canara had said, whereas Can Fin is entirely dependent on the open market to source business. There is no linkage for this thing, and the segment is also different because Canara Bank's average ticket size was INR 35 lakhs, ours was below INR 25 lakhs. So, that was what was the answer given. But that was in February '24. '25 February when we had the meeting, at that time this point was not even discussed. And as of now also it is not on the table.

Interviewer 2: Okay. Was there a clarification during HDB Financials IPO?

Suresh Iyer: Not really. They have not said anything of that sort. They have not made a clarification, but obviously, if this thing was to be there, then the approval would not have come through. They would have probably insisted on HDFC Bank diluting some more stake.

Interviewer 2: Right.

Suresh Iyer: So, it did not happen, and incidentally let me tell you after the circular also, there have been entities who have invested in Multiples entities also. Like for example, may be of this thing I can share Multiples. Multiples was already invested in Vastu. They were given the approval to invest in Shubham Housing.

Same way WestBridge already holds 2 licenses, of course, they have sold Aptus today, but other way recently, last 15 days or something, but otherwise if you look at it WestBridge continued to hold 2 licenses, 1 in India Shelter and 1 in Aptus.

Same way our Warburg Pincus also. Although there they said you can reduce a stake in one of them, because they went in for entire buy stake, buy of it.

Interviewer 2: So, thought process is more the primary shareholder or the subsidiary? Subsidiary is an issue or the shareholder is the issue?

Suresh Iyer: No, no, the thing is that clarity of whether there are 2 entities in the same group and same line of business. So, the concern basically was that the primary entity normally in such cases is a bank. And the subsidiary is normally an NBFC or an HFC. So, what happens there is guidelines are a little more stringent for banks and the monitoring by RBI is directly there on the banks, whereas it is not so very direct in case of the NBFCs and HFCs.

So, the concern which the RBI was having is that the some of the things that were not allowed by RBI clearly for the banks were being continued under the subsidiary wing. So, therefore, basically if at all there is the risk is there, it was being hoodwinked or was kind of as a strong word, but it was kind of being bypassed to and still the business was being done. So, basically that was a concern.

But in that angle if you see the NBFCs and our HFCs also directly they are considering to bring the same kind of guidelines one after the other, all the guidelines that are applicable for banks are now also being applied for HFCs and NBFCs. So, therefore, this particular position what they are not able to park in the banks books, they will be able to park in the NBFC or HFC books, probably will not remain.

So, one way is RBI might thus make it more stringent for the NBFCs and HFCs also, where they may not be able to do this kind of business, and come to think of it the regulatory arbitrage has been going down over the years. So, it may just increase a little more and not many areas are left in that sense also today, if you speak.

Interviewer 1: Okay, great. That is very helpful. And second part you talked about the credit cost. So, maybe is it just being quite conservative with our underwriting or is there any secret sauce to the credit cost?

Suresh Iyer: No, it is basically conservative lending. As I said the segment itself, we have chosen to remain primarily for the salaried segment. Today in fact, we do not have any product for appraised income. The only thing today off-rate recently about 6 months back, the Government came on with something that trying to push or asking banks and everybody to promote the segment where customers are having UPI-based transactions, but they are not filing ITRs. So, for that segment the Government was trying to promote loans for that segment also.

So, we have recently launched our first product for non-documented income, wherein also we will be taking 2 years transaction history of UPI transactions in the bank, based on which we will be assessing the income and giving it. Otherwise today if you speak, 100% of our loans are practically based on either salary slip or on the base of the 3 years ITRs, 2 years ITRs. So, it is purely documented income. So, 1 is the segment, and 2 is the fact that we are not having appraised in surrogate income proof products. That is the reason why our credit costs have done.

Interviewer 1: So, we are the lowest cost first, right. So, the highest quality customers first come us, that fills up. Then they go to LIC, then they go to Bajaj.

Suresh Iyer: Absolutely.

Interviewer 1: And, then, right. So, on the marginal cost framework, right, that is we are here, right. Okay. That makes sense. Maybe we can talk a little bit on the growth strategy. I think maybe 2 questions here. 1 is I think our loan book today 85% is housing loans roughly. And, then you mentioned 5%, 6% in LAP. And, then you have some the advanced processing facility right. So, maybe we can talk a little bit about just your growth expectation over the next 3, 5 years. And, in conjunction with your distribution strategy, in conjunction with your branch expansion. In conjunction with your mix, because I think you are trying to also push a little bit more LAP. I do not know if that is true, and if that is worth it. And then to the extent that would you go a little bit more aggressive to boost the growth or boost NIMs. How do you think about that?

Suresh Iyer: See I will take you back to 2023 where we had the Board we work on strategy paper, for Vision 2028. So, at that point in time in March '23, 89% of our loans were housing including CRA. And, only 11% was non-housing including LAP, including top-up loans, including personal loans and including plot loans. There the Board we drew up the strategy paper, thing that probably we are okay to take it down from 89%-11% to 80%-20%. So, that was one this thing.

So, the reasoning was that it will give us a little bit of an advantage in terms of our spread. So, that will help us in slightly making our core or primary product lending a little more competitive. So, this can push a bit of growth. One will be having a little more exposure on a growing segment. which is LAP and top-up loans. And, second is we will be able to slightly price our housing loans also little more aggressively. So, that we can probably grow faster by moving up a little bit on the ticket size.

The second point which was in the strategy paper was that we were predominantly a South-based HFC. We were at that point in time having 72% of our business in the 5 southern states of Karnataka, Tamil Nadu, Telangana, Andhra Pradesh and Kerala. And although we had sizable number of branches in the rest of the country, but our business is only 27% or 28% coming from the non-South geographies. So, there also we said we want to change this mix, and we would like to make it a kind of a 60%-40% mix or something like that. That was the second thing.

The third criteria was that we were having 72% of our customers, where 73% of the customers were salaried and 27% only was self-employed. Now self-employed is also a very growing segment and now with GST returns coming in, with IT returns becoming more and more stringent, the segment of population who are filing returns and who are self-employed is also increasing and will.

So, keeping that in mind and our rate of interest is also almost 1 percentage point higher in case of a self-employed customer, 0.5 percentage to 1 percentage point. So, we said we will also look

at that segment, and so from a 73%-27%, we said by FY '28 we can we are open to take it up to 65%-35%. That was the third point. First was the housing to non-housing. Second was geography, the South to rest of India. Third is the mix of this.

The fourth point which was discussed or which was agreed or drawn up was that 85% of our incremental business was only through the DSA channel. So, in terms of our sourcing mix we were not.

Interviewer 1: The distribution channel.

Suresh Iyer: The distribution channel, yes.

Interviewer 1: The third-party distributions.

Suresh Iyer: Yes, it was for DSAs. And we wanted to have our own distribution channel, which is our own direct team, sales team. And at that time, looking to the IT system we were not having any digital onboarding or digital sourcing mix.

So, we said we would like to also have, to kind of diversify in terms of our sourcing capability. So, from 85%-15%, we said by FY '28, we would like to bring it down to 60%-20%-10%-10%, where 60% would be the DSA sourced business, 20% would be the direct sourcing by our own team, which meant that we have to build our own sales team also, in-house sales team.

The third was 10% would be from our digital sourcing, and remaining 10% would be our existing customers, walk-in customers, repeat loans, and all those kind of things. So, this was the fourth point which we said we will have. So, these were the 4 key criteria for our strategy for FY 2028.

And that, of course, another critical point we decided we will work a lot on strengthening our internal processes and controls; and 2, we would also invest in technology, because we were having a system which was in brought in at, in 2011. So, already when we were sitting down to drop this strategy, we were already 12 years into with the old system, which obviously required a lot of changes. So, now what has happened is in the first part which is a salary to self-employed, we have moved from housing, non-housing. From 89%-11% we have moved down to 86%-14%. We have already brought it down and we are on course to take it to 80%-20%.

The second part which is our geography, it was 73%, and today we are in fact South geography is a little below 70%. Around 68% is our South-based business and our rest of India is slightly gone up about 30%.

The third criteria is our salaried to self-employed, we were at 73%-27% and we said we will go down to 65%-35%, we are already at 70%-30%. So, on that front also in the 2 years we have moved up to this level.

The fourth part is the DSA sourcing where we wanted to bring it down. There in fact we have not been very successful at least in the sense that from 85% we only brought it down to about 79% now. But also reason is that we took our own time to first experiment on a pilot basis for the first year on how we want to do our own sales team. And after all those things we launched it only last year in June, we have launched our own internal sales team.

Yes, last year June only we launched this thing with a small team we experimented. And now we have approximately about 100 people, today 90 odd people we have for our sales team. And, incrementally last month if you see about 7% to 7.5% of the incremental business was sourced through this team. So, slowly we are moving towards that here.

The next is our IT. There we have we floated our RFP. And IBM has been onboarded as a partner as their system integrator. And, IBM is coming up with a complete new set of all OEMs including for LOS, LMS, DMS, HRMS, accounting package everything. So, it is a complete overhaul including elements of infrastructure and security aspects. And that product is right now going on. The go-live date is expected to be in November, that is 2 months from now. So, we are on course as of now, and we hope to implement it in this Q3 of this year.

And once that is there, in fact, our go to market will be much faster. Our efficiency in terms of our productivity should be there. This will reduce some of our manual processes and some of our other aspects. So, that way we may be able to pull out some of our existing resources and divert them into sourcing channel, direct sales team. So, this is all expected to also further kick in once our project is implemented.

And, the last point which is the internal controls and everything. In the last 2 years, in fact, if you see in '23 when we prepared our annual report, we gave the theme "Reinforce, Rebuild and Reach Higher." So, the whole idea was first we wanted to reinforce our assurance functions. We wanted to strengthen and work on our internal controls and everything. So, that is what we did. We have strengthened our audit function, our risk and compliance departments, and also our legal.

And, then we also worked on our rebuild, which is on our internal processes and controls. So, we have introduced a lot of additional IT related and process related changes like we centralized our disbursements. We have brought in an additional CRM department credit review monitoring. So, every case which is sanctioned by the branches is monitored by the CRM department. So, that we are able to catch any lacuna or things like that.

We have tied up for technical valuation with a company called Velocity which is a New Zealand based company, which gives us some additional inputs and all. For legal, we have done tie-up with a company called Maatrum for vetting report and all those things. So, a lot of such things have happened in the 2 years, which has strengthened the processes and internal controls and everything. So, today in terms of the strategy this is I think answers all your questions as to what is the growth, what is the kind of thing.

Coming to the growth part, this year our AUM growth is around 12% to 13% is what we are looking at, which will be in line with the industry growth. And, obviously, now with the digital onboarding kicking in, with our sales team now in place and slowly growing, next year we can expect we are working on a kind of AUM growth of about 15%. So, we would look at 15% AUM growth.

Interviewer 3: Can I just ask in your non-southern states what is the percentage of the book that has the home lending basis?

Suresh Iyer: See it is I would say almost the same, because this non-housing category across the board, we have tighter norms and everywhere it is almost the same. We would not have much of a difference in that. In fact, whatever this 5% we were having LAP, it has slightly increased to 6%. The majority of this I think would be because in the southern market only, because we had some issues in the regulatory issues in Karnataka state, where they stopped the registration. So, new loans, this E-Khata.

Interviewer 3: Yes, E-Khata.

Suresh Iyer: E-Khata that they have introduced. So, we had to slightly change our strategy of onboarding customers in Karnataka. And we had to go do more of LAP, because their registration is not required. So, because of that whatever little increase has happened in non-housing, it would probably be more in Karnataka than in the non-South markets.

Interviewer 3: And in terms of the distribution channel, is it also similar across the states? Or there is more direct in the North?

Suresh Iyer: Yes, there, there is some difference because in Tamil Nadu about 65% is through DSA channel. But if you look at the North zone and West zone, and even in Telangana, it is almost 90%.

Interviewer 3: 90%?

Suresh Iyer: 90%.

Interviewer 3: Okay.

Suresh Iyer: So, it was very high and across, of course, we have this 85%.

Interviewer 3: So, that direct is more developed in the southern states?

Suresh Iyer: Direct is more, because obviously initially we have an older book in the South. We have a better brand recognition in the South. So, obviously that is helping little more. But, now whatever 85% has come down to 79%, that also across the board. So, in fact in North and all, it was almost 94%, 95% which is also come down to 90%, and other zones also it has been coming down.

- Interviewer 1:** Could I ask, especially the follow up 2 strategies. One is the product side. So, housing loan, non-housing. And then the customer side, salary, self-employed. How do we do that? Right, how are we doing? So, processes understood maybe one level down. Because I could imagine most of our staff is trained to do conservative lending, salary, check the box, boom-boom-boom. The mentality has to shift maybe or maybe the processes has to shift. I do not know. So, could you talk, how do you incentivize what are the processes that you need to implement to make that change?
- Suresh Iyer:** No. So, actually, we have not made many product-related changes much in what we were earlier offering and what we are offering today. It is only that the segment has been a little more. And self-employed, only thing that we have done is, we have kind of slightly relaxed the powers. Because earlier it was so tight in terms of the powers that normally there was not much missing. So, that is one small change we have done. Otherwise, we were already offering it. And today also when you look at it, our housing has come down from 89% to 86% only, not major change in the last 2 years. Same way our salaried has also come down from 73% to 70%. Again, not a very major change.
- Interviewer 1:** So, you said just relaxing.
- Suresh Iyer:** Just relaxing and pushing our boys with internal targets and all those things, like we also, that is all.
- Interviewer 1:** Okay. Okay. That is very helpful. And, then in terms of just thinking through the original question on the real estate cycle. Because we do not do too much developer loans, is the real estate cycle really just an impact in terms of our potential growth? Or do you think there is asset quality impact that would be through? Let us say there is a real estate cycle that comes tomorrow. I am just trying to think, what would be the impact for us?
- Suresh Iyer:** Sure. See in the past if you look at it, the real estate boom came when there was incentive for the Affordable Housing. That was one thing. So, that is more of a supply-related issue, which was there. But, on the flip side where the drop has come, that has mainly been because of delinquency issues, that is correct. Because '97 when there was a first crash, that was mainly because the developers that crash happened.
- Again in 2000, then the second couple of times when this has happened is mainly when there has been issues of 2008 and, 2018 when there was again issues of liquidity rather than anything else. And, otherwise yes, it is only delinquency sometimes which results. Because after the microfinance, so there have been only those kind of issues which have affected to some extent, not much.
- Interviewer 1:** Okay. Okay. And then could we talk about the advanced processing facilities? What is the strategy there? Is that an area that we want to push as well?

Suresh Iyer: Sure. Sure.

Interviewer 1: Can you talk about that?

Suresh Iyer: Yes, that is also definitely a thing we are pushing. Basically, we are not funding to the developers. What we are doing is, we are only getting the legal and technical part approved in advance for the entire project. So, customers who are coming in, we just have to do the credit because the technical and legal is already done for that. So, the processing will be much faster.

Second thing is when we tie up with the builder, we can have some space for marketing, table space or something over there. We have some board put up there that project is approved by Can Fin Homes. So, it gives us a little better publicity. And second thing is when the customer walks in, and they know this legal and technical has already been cleared by Can Fin, then they know that the process will be faster. Even the developer knows that in this case, the sanction can happen in 2 days, because I do not have to do the whole process again.

So, normally what builders do is, they tie up with 4 or 5 companies, banks or whatever. And whenever the loan comes, they are able to give it there. So, in a day or 2 days' time, they are able to get the sanction, and the money comes faster. Otherwise, for every time a new lender comes in, they again will go through the legal, technical, asking for papers. It is more of a procedural hassle. So, the approved project ensures that if we have a project approved, then we have a better chance of getting customers in that project compared to others.

Interviewer 3: But you are not lending to the developer.

Suresh Iyer: We are not lending.

Interviewer 3: You are lending to the home buyer.

Suresh Iyer: Only to the home buyers.

Interviewer 3: Okay. It is just, you process a lot of these things in advance.

Suresh Iyer: Correct, correct.

Interviewer 1: Okay. Just so I understand, you process the legal and technical paperwork of the development.

Suresh Iyer: Of the builder, yes.

Interviewer 1: Of the builder.

Suresh Iyer: Yes.

Interviewer 1: Ahead of time, of the project.

Suresh Iyer: Yes.

Interviewer 1: Ahead of time, right.

Suresh Iyer: Yes.

Interviewer 1: So, you are essentially approving that of the developer approving the project, so that your underwriting with the borrower is faster.

Suresh Iyer: Yes, because there are credit, basically is the customer appraisal, project appraisal, and the legal title appraisal. Basically, there are 3 parts to the appraisal. So, here since we have done the legal part of the project, and the technical part of the project in advance, and for the entire project, we only have to do the credit part of the customer.

So, when the customer comes with the 5 documents, 10 documents, whatever is the minimum, immediately we can give the sanction and do the loan. We do not have to again go back and do the technical, do a fresh legal vetting. Ask for fresh documents and everything, because it is already done for the entire project.

Interviewer 1: But is not that just another distribution channel? Because, it is just another distribution channel for us, because ultimately, it is a home loan. So, why is it counted as this advanced processing facility? Is there actually advanced processing facility or ultimately, what we see is just another home loan?

Suresh Iyer: No, I will tell you. So, what happens is, in this thing is, when we do this advanced processing facility or approvals. One is, we tie up with the builder. So, we stand a better chance of projects coming in from that project to us. Because they know that the legal and technical is done, so the sanction will be faster and immediately they can start getting the money.

For the developers, getting the turnaround of the project is more important than getting the project faster. If they have to spend that much time for each customer in the project, it is going to be very time consuming. Because there the core area is to construction and selling and moving to the next project. So, here that is one advantage. Plus, what happens is, instead of doing 10 retail-retail customers in different-different pockets, here in one single project, we are able to get 10, 15 loans we can get if we have a tie up with them.

Interviewer 3: Yes, we understand the reason why you want to do it. It is just another loan to a home buyer. So, fundamentally, that loan is still the same loan.

Suresh Iyer: Yes, it is the same loan.

Interviewer 3: Yes, the collateral is the home and the lending that you make is to service the home, right?

Suresh Iyer: Correct, correct.

Interviewer 3: And you get paid on mortgage and things like that. So, Ben's question I guess is, if that is the same, why do you call it different? It sounds like it is just a different channel. It is not like a third-party, it is not like a direct sales, it is not like a digital, it is not like walking. It is just you just put it at the developer's booth, right? Like it's just a different channel.

Suresh Iyer: No, that is correct. So, that is why when we said the sourcing channel, we said DSA, direct, digital and repeat customers. We did not say APF has a separate sourcing channel. APF is only to give us better reach, to give us better publicity and marketing benefit. And what happens is today we do tie-up with a builder, okay. We may get 1 or 2 units; we may be able to finance. But once the comfort is developed, when the builder goes and launches the next project, that project also he will give to us. So, over a period in the long term this will be a very solid sourcing where with less effort we can get more business.

Interviewer 3: And this business is what percentage now of your total?

Suresh Iyer: See, right now, APF is a very, very small one, because we have only about 110 approved projects. And incrementally if you look at it, we are getting about 30 to 40 loans per month only from there.

Interviewer 3: So, it is not.

Suresh Iyer: It is not a very large number. But the thing is 1, in all these projects where genuine buyers go, because whenever the project is launched, people go and look at the projects, they look at 20 houses before they finalize 1. So, all those places we get a visibility, project approved by Board is there.

Interviewer 3: It makes a lot of sense. So, I am just quite curious why we do not do it more aggressively.

Suresh Iyer: So, actually we did not have this at all earlier. It is only last year that we just started it. We started it only last year.

Interviewer 3: Okay, okay.

Suresh Iyer: And from there we have reached 110 projects. By the end of this financial year, we want to have at least 250 approved projects in our city.

Interviewer 3: Right. So, this will grow up.

Suresh Iyer: And we want to slowly increase it year after year.

Interviewer 3: Okay. So, when you were talking about the strategy that the home loan is going to go 80% and 20%, does this AVP, is it in the 80% or is it in the 20%?

Suresh Iyer: No, once you approve the project, the loan will come to us. Now that loan can be through a DSA also or it can be whatever. Mostly what happens is when we do a tie-up with the builder, the builder also says if you want me to direct the cases to you, you make me a DSA. So, it is just that we get bulk business and they will obviously want some commission.

Interviewer 3: No, for the loan book, right, you said you have a 20% target, 80% home.

Suresh Iyer: So, this will mostly be home loans only, because we are not doing.

Interviewer 1: This is in the 80%.

Suresh Iyer: 80%. This is part of 80%. Yes. Okay. Sorry, I understand. Yes, it is part of 80.

Interviewer 3: Okay.

Interviewer 1: Okay. And so, for this I was going to ask so for the developers, it is not exclusive, right?

Suresh Iyer: No.

Interviewer 1: It is not exclusive. Do they have APF for multiple banks usually?

Suresh Iyer: Normally 4 or 5 they always have.

Interviewer 1: At the site?

Suresh Iyer: Yes. Because what happens is not every loan can be sanctioned by SBI, they have their own norms. Not every loan can be sanctioned by HDFC, they have their own norms. Customers, some of the loans will obviously be sanctioned by non-banks only. So, normally what they do, they have 2 to 3 banks, large banks depending on the ticket size and then they have one or 2 NBFCs and HFCs.

Interviewer 1: Is this a higher ROA business for us, compared to traditional or is it similar?

Suresh Iyer: It is quite similar.

Interviewer 1: Similar.

Suresh Iyer: Because as I said, there also the DSA, the builders also they expect some payout.

Interviewer 1: They have a payout.

Suresh Iyer: They expect some payout. So, effectively it is like we are paying for the DSA.

Interviewer 1: Yes. The only advantage is we are able to get a visibility, and we are able to get more loans from the same place.

Suresh Iyer: Yes. With less effort.

Interviewer 1: Okay, okay, got it. Yes, that is right. They expect payout. Okay, and then on the LAP, right, I think that scenario of growth during that, right? So, maybe can you talk a little bit about just your thoughts on the potential for LAP and what is that market like today, and what is our strategy to increase our LAP exposure?

Suresh Iyer: Frankly speaking, the LAP market is a huge market. Okay, and obviously, because there is no control on the end use. It can be for consumption, it can be for marriage in the family, it can be for children's education, it can be for health issues, it can be for implementing in business or it can be for consolidating your debt or it can be anything of that sort. So, end use is slightly little more wider. So, the scope is much higher.

And particularly when the stock markets are doing well or businesses are doing well, the tendency of customers to borrow against or avail a LAP loan, vis-a-vis a business loan is higher because the rate of interest is lower. Plus you get a longer term in a LAP as compared to a business loan. If you go to a bank for a business loan, they would give you for a shorter loan and things like that.

Interviewer 1: Roughly, what is that? Just roughly.

Suresh Iyer: Today, if you look at it, the bigger players are able to offer LAP at around 9% also.

Interviewer 1: 9%. And term?

Suresh Iyer: And if you look at the affordable housing companies, the LAP rate would be anywhere up to 17% also.

Interviewer 1: Wow. And term? How long?

Suresh Iyer: Term can be anywhere between up to 10 years also.

Interviewer 1: Wow.

Suresh Iyer: Because basically, the mortgage of the house is there.

Interviewer 1: Exactly. Yes.

Suresh Iyer: So, 10-15 years also.

Interviewer 1: What would be a business loan? If they had to go for the business loan?

Suresh Iyer: See, business loans normally would be for 3 years.

Interviewer 1: 3 years.

Suresh Iyer: And since it is against more collateral, here a very much better collateral is available of the house, therefore, it would be much better.

Interviewer 1: Okay.

Interviewer 3: So, it sounds like a higher-risk business too, right? A higher name, higher NPL type of business.

Suresh Iyer: Correct. Normally, if you look at it, our LAP, the GNPA would be at least about 1 percentage point higher than the normal. So, today also if you look at it our LAP would be around 1.5% plus, but it's a small ticket, small portfolio for us. If you look at it, our Housing GNPA would be much lower. It is definitely below 1%.

Interviewer 3: And these LAP customers is it the same profile as the one that you would do for the home loans?

Suresh Iyer: Yes. Profile would be the same, because the same appraisal methods we are doing. We are assessing the salary, or we are assessing the ITRs. The profile is the same.

Interviewer 1: Okay. So, on the LAP, I am just trying to think through, your ROAs are going to be higher, right?

Suresh Iyer: It will be a little higher.

Interviewer 1: It will be a little higher. If there is something that goes wrong, because I am guessing these are peoples' homes and village or country side or wherever, can you guys actually repossess?

Suresh Iyer: Yes.

Interviewer 1: Really?

Suresh Iyer: We can repossess, because basically the mortgage of the house is there.

Interviewer 1: Okay. Okay. Okay. Because these are very sensitive, right?

Suresh Iyer: Correct.

Interviewer 1: Family homes.

Suresh Iyer: No, no. We are able to repossess the homes.

Interviewer 1: Have you repossessed homes?

Suresh Iyer: Yes. We have. We have repossessed. We have repossessed, we have sold, and it happens on a regular basis, on an on-going basis, every month we are having...

Interviewer 1: Repossessions.

Suresh Iyer: ...repossessions and sales happening.

Interviewer 1: But I would imagine after you possess, right, then the whole village probably, no one is going to buy that home, everyone hates you.

Suresh Iyer: No, no. It's not like that. See if it's in a very rural location, then this kind of a problem might happen that the people may not buy it. But we do not have that kind of a deep geographical presence, where we go up to the village level. Our is mostly Tier-1 towns and metro cities and some Tier 2 towns as well. So, there is a sizeable amount of demand and all. In fact, there are proper enforcement agencies, there are a lot of brokers who are particularly operating in this segment and are helping in getting it done.

Interviewer 1: Okay. Okay. So, why not do this more aggressively? You seem to have this huge arbitrage. These guys all have lot of property. India real estate is going up. You guys know India real estate better than anyone. Land is king. So, just why would not you do that.

Suresh Iyer: I agree there is a scope, but actually we have been more on Self-Occupied Residential Property, SORP. And we are less keen to do on those cases where it is not Self-Occupied Residential Property, because there the risk is little more higher. So, traditionally if you compare even within LAP against Self-Occupied Residential Property, and supposed somebody has done a farmhouse or we have taken against the mortgage of a farmhouse or an industry where it is this thing, or a rented property, then it could be little less.

Interviewer 1: Yes. But I am just imagining you owned the family house, you owned it for many generations, value is huge. He wants to go into business or whatever he wants, takes out of mortgage, you know the value of the property.

Suresh Iyer: No, I agree. See in terms of the business, as I started off and said, the scope for the LAP market is huge. Of course, the returns have come down, but still there is a decent risk return to be 0.5% to 1% point higher in terms of the rate of interest that we charged. ROA maybe a little more, because we have higher NPA levels, but that is there. But still our company was set up, promoted by Canara Bank. At that time the whole objective was to see as more home ownership than anything else. So, keeping that core objective in mind, we are focusing more on housing and first-time home buyers rather than for LAP and business and all those things.

Interviewer 1: Yes. Fair enough. So, then looking in the future, is that an area that you would be more or do you think traditional...

Suresh Iyer: It is a low-hanging fruit and anytime we can tap on it. So, this is there. But as far as possible today, there is still good amount of growth in the core new housing market that we are able to meet our kind of numbers, and we are quite satisfied. And that way we still focus on our core objective for which we were set up, and we are also slightly avoiding the higher risk products.

Interviewer 1: Okay. And in terms of, on the housing part when you guys do not do much high premium homes or expensive homes.

Suresh Iyer: High value loans.

Interviewer 1: Is that fair?

Suresh Iyer: That is correct. That is correct. Our average unit size is INR 25 lakhs.

Interviewer 1: And so for that if you look today, just so I get a little bit sense of on average it is loan to value or mortgage roughly 80%, 70%, I would say on average?

Suresh Iyer: No, we can give up to 80%, actually 85%. So, the regulatory guidelines is LTV, you can give up to 90% for loans up to INR 30 lakhs.

Interviewer 1: Yes.

Suresh Iyer: For INR 30 lakhs to INR 75 lakhs, you can give up to 85%. And for more than INR 75 lakh loans, your LTV has to be restricted to 75%.

Interviewer 1: Okay. So, ours on average today is 85?

Suresh Iyer: No, that is the limit. Ours would be much below. It is very little below 70%.

Interviewer 1: Okay. And at 70% what's the average or median kind of debt service coverage ratio or interest income coverage ratio?

Suresh Iyer: See we go up to maximum 50%. So, if the income of the customer is say INR 70,000, we would see that the EMI is not more than INR 35,000 including all other loans.

Interviewer 1: Including all other loans.

Suresh Iyer: So, if they have taken some personal loan, they're paying INR 3000 EMI. So, keeping all that in mind, we would like to restrict it to 50%. Of course, this is what majority of our loans. We do

have exceptions where if it is rightly above that, and the income levels are higher than the zonal office can do up to 60%. But then I would say 90% of the cases would be below 50%.

Interviewer 1: Below 50%. Okay 90% below 50%. And so on the repayment on a monthly basis, because we do not get their salaries, right. Maybe they will have a salary with HDFC or Canara Bank, and then they kind of put in 3 months or 6 months' worth of balance on our bank. Is that roughly how I should understand this in terms of the repayment?

Suresh Iyer: No, in terms of this, what we do is we have this NACH, which is the direct we take a mandate from the customer, to directly draw from the respective bank. So, suppose they are having account with HDFC Bank or with Axis Bank or with Canara Bank or with State Bank of India, they would give a mandate, where the bank also would have a clear this thing, that this much amount has to be there. So, we will present the NACH, it is all done through this NPCI – Payments Corporation of India.

Interviewer 4: Can I ask a question about just the funding side of things?

Suresh Iyer: Sure, sure.

Interviewer 4: Yes, so can you just help me to understand how you think about it in general and what's the cost, how do you manage optimize it?

Suresh Iyer: See we have 4 major sources of fundraising. One is the term loans from banks, that is a majority. 55% of our borrowing comes from bank borrowings. So, we get long-term as well as short-term borrowings. Today the rate of interest is from 6.85% to 7.25% is the rate in which we are raising incremental.

Interviewer 4: And how long is the term?

Suresh Iyer: So, maximum is 10 years. And the short term, of course, it is 1 year or 6 months, and every 3 months it is kind of revolving. You have to reset the price and all those things. But the majority of the long-term loans, we are having 7 years or 10 years.

The second thing is we have a refinance from NHB – National Housing Bank, which is the erstwhile regulator, which the regulation part of it has now moved to RBI, they are only doing the supervision part of it.

So, NHB gives refinance. So, there it is a back-to-back refinance, and about 17% of our borrowing comes from NHB refinance. There it is a long term. So, all the loans normally can be up to 10 years. And they are back-to-back.

Interviewer 4: What do you mean when you say back-to-back?

Suresh Iyer: Back-to-back means in the sense that we do the lending, and then we identify the loans and give it to them. And based on that they give a tenure of up to 10 years.

Interviewer 4: I see. And the loan the typical lending that we make is also 10 years?

Suresh Iyer: We give up to 30 years for home loans. But if you see the duration of the loans in our books, it is roughly around a little more than 8 years.

Interviewer 4: Okay.

Suresh Iyer: Because prepayments happen, customers make excess payments, and some loan closures happens.

Interviewer 4: So, effective is 8 years?

Suresh Iyer: Effective is about 8 years.

Interviewer 4: Okay. All right. Okay.

Suresh Iyer: So, that is the second one. So, 50%, 55% is bank term loan, 17% is refinance from NHB. In case of NHB, there are 2 separate kind of refinance schemes. One is the affordable housing fund. Under the affordable housing fund, they are able to give it 5.5% rate of interest.

Interviewer 4: Okay.

Suresh Iyer: And other is a regular refinance scheme. Under the regular refinance scheme, it is linked to their PLR and all. So, roughly we will get a blended rate roughly in the range of about 7.6% was what we raised at that time. Today the PLR has come down by 30 basis points. I would assume today if we were to look at it, our blended rate should be around 7.35% should be the blended rate from NHB.

The third is we raised debentures, bonds, NCDs, non-convertible debentures. That is also about I think around 19%, 20% today. It is about 19% to 20%. Now there what has happened is in 2021, the Government came with a guideline that at least 25% of your incremental borrowing should be from market sources, which is basically NCDs.

So, this percentage slowly has been going up. But NCDs they are in the sense that we are able to raise today between 7% to 7.25% for 3-year NCDs. Here we have a 3-year tenure is what we normally go for.

We can look at 5 and 10 years, 7 years also. But earlier it used to be only 3 years we used to raise. Last year is the first time when we tried to experiment and see if we can raise for 5 years.

But we got a very good response. So, going forward we may look at 5 years NCDs also. That is the second thing. There we get between 7% to 7.25%.

The fourth is we generally take short term commercial paper which are 90 days or 180 days. For us mostly it is 90 days. And this is mostly more of a working capital kind of a thing. But we ensure that that is kept to not more than 7% of our overall borrowing, so that we do not want to have a tenure mismatch. Too much of a short term will give us a tenure mismatch in our ALM. So, we limit it to about 7%.

So, on an average about INR 2200 to INR 2500 crores is what remains in our books at every quarter as a commercial paper. Commercial paper today we are able to get at sub 6%. So, that helps us in eventually bringing down our cost of borrowing. So, today if I have to look at it 7.25% for banks, NHB 7.3%, 7% to 7.25% for NCDs, and commercial paper at sub 6%. So, incremental borrowing that we are raising, if you are blended would be somewhere in the range of 7.10% to 7.15%.

Interviewer 4:

Okay. And the tenure mismatch you talked about, like what is the situation now? Like how big is the mismatch? Like how does it evolve over like throughout the cycle?

Suresh Iyer:

See in terms of the ALM, we are having a positive ALM across all the buckets, because one thing is as I said 7%, INR 2000 to INR 2500 is the amount we normally keep in our commercial paper. If you look at our cash flow on a every month basis, we are able to get INR 700 crores by way of our EMIs or prepayments. That has been the rough trend for us.

So, effectively if you look at it, 90 days CP, and within 90 days if you look at our cash flow that is expected that is also coming to around INR 2000 crores to INR 2200 crores. So, generally, there is no mismatch which is there. And what we also do is, we have a Board approved and AGM approved limit of INR 4500 crores for our commercial paper borrowing. So, as per the approved, we cannot go more than INR 4500 crores.

So, additionally, even from the rating agency point of view, they also prefer that we have some unutilized non-availed sanctioned limits in hand to cover for this CP or short-term borrowings. So, always at any given point in time, we always have more than INR 2000 crore worth of unutilized sanctions with us. So, as we speak also it is more than INR 3200 crores approximately is unutilized sanctions we have from bank term loans, which we can draw any time to meet the liquidity requirement.

Interviewer 4:

So, back then when there was NBFC crisis, like there was a lot of credit tightening, et cetera, crunch, like how did you fare during that period?

Suresh Iyer:

We did not have a default or anything. Obviously, there was no default, but what happened was, prior to that actually we used to carry a much higher short-term borrowing. We used to have up to 13% was the short-term borrowing, which now we have brought down to 7%.

So, at that time, prior to them it was an issue, but we sailed through, we did not have a problem. In fact, we didn't want have to even raise funds from Canara Bank or draw on Canara Bank for that matter to tide over that situation, because again our rating and our past experience with the banks and everything, the bank supported us and we did not have a problem in sailing through that 2018 crisis or the prior 2008 crisis.

But having said that, post that the learning was that we have reduced our short-term borrowing and as a conscious call, we keep it at only equivalent to 3 months of disbursement, which is also roughly equal to around INR 2000 to INR 2500 crores, and our monthly cash flow in terms of our EMI plus prepayments that we get is around INR 700 crores plus.

Interviewer 1: So, the current asset tenure, you said roughly 8 years, right? On the liability side, similar?

Suresh Iyer: On the liability side as I said NCDs are a little shorter, but we are trying to slightly increase it to 5 years. Bank borrowings yes, we have 7 to 10 years, NHB refinances also 7 to 10 years. And only CP is the area where we have a potential issue of mismatch, for which we have our cash flow being there. So, we at least ensure that we do not have to cross that.

Interviewer 1: So, would the LAPs, the shorter tenure as well?

Suresh Iyer: Sorry?

Interviewer 1: Would LAP loans generally?

Suresh Iyer: No, no, LAP also we give longer, 10 to 15 years.

Interviewer 1: Okay. Got it. So, okay, I am just thinking if we do more unsecured on the asset side, because we are not really maxing out the short term right now, and I was just wondering.

Suresh Iyer: Correct. But in fact on our asset side, we have 100% is secured only. We do not have any unsecured loans. Everything is backed by mortgage of property. The only small 2 percentage is basically we have some staff loans, wages loans and stuff like that.

Interviewer 1: But the LAP loans actual tenure is also.

Suresh Iyer: Would be the same.

Interviewer 1: Same, 8 years?

Suresh Iyer: Yes, it would be the same.

Interviewer 1: Okay. Okay. Interesting. So, because most people they just see it as a long-term business loan. They do not actually see it as a consumption loan or something. Okay. All right.

Interviewer 3: Last question, maybe.

Interviewer 1: And just asset quality, any changes year-on-year?

Suresh Iyer: No. In fact, in asset quality, I would like then to share that in December '24, there was also a regulatory change where any advanced EMI, we had to adjust to the customer, and we could not keep any advanced EMIs. That guideline had come in October. December, our delinquency had peaked to around INR 4,880 crores or something, was the total delinquency zero plus days.

In March, we brought it down to INR 4,260 odd crores. Now obviously Q4 everywhere the delinquency improves, and that is a sequential thing. But in June, if I was able to further bring it down from INR 4,200 to INR 3,980 crores. And as we speak, August it has further come down from June numbers also, and it is below INR 3,900 crores.

And obviously, the first change when we did it from December to March, the maximum reduction happened in our SMA-0 or the 0 to 30 bucket. But obviously, with the reduction in that bucket, it slowly started impacting or the results started coming into our SMA-1 and SMA-2 also. So, this quarter you will see that in our SMA 1 and SMA 2 also there is a reduction, compared to previous quarter. So, the delinquency has been on a improving scale.

Interviewer 1: Okay. Thank you so much.

Interviewer 1: Thank you. Best of luck.

Suresh Iyer: Thank you so much. Real pleasure having you. I will just switch off, I think.