



“Can Fin Homes Limited Conference Call”

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MANAGEMENT: MR. SURESH IYER – MD & CEO, CAN FIN HOMES LIMITED

- Sonal Minhas:** Good to get connected again. Thanks for your time. I'll just quickly start with like introduction just so I am one of the partners in Prescient Capital. It's a close to INIR300 crores kind of an [inaudible 0:00:27] fund. We've been invested in Can Fin for almost 3, 3.5 years seen the up and down journey of the stock price and like the business, but I think also understand the challenges that are there. So, being a patient long-term investor, I think I can get the last 3.5 years.
- Suresh Iyer:** Sure, that's great.
- Sonal Minhas:** So, any questions, anything you wish to ask before I jump into questions?
- Suresh Iyer:** No, no, I think you can start, no issues, we can straight go into the questions part of it.
- Sonal Minhas:** So, first was to just seek an update, I was reading on Google actually that the Karnataka government registration software issue has been fixed they have scheduled an inquiry and they were also trying to catch hold of some hackers but just wanted to hear from your side as to what is the update that you have on registration in Karnataka. Are they back on track? Are they still on course?
- Suresh Iyer:** Sure, see actually Karnataka government, the issue has started, the releases have started happening in the sense that the e-khatas are getting issued but only for the corporation limit areas So, there is a corporation, then there is a development authority and the panchayat So, basically for BBMP, yes it has started coming and the speed and all is much better some of the issues they had in terms of what documentation to take and all those things somewhat some local sub-register offices are taking calls and it has started moving.
- So, to some extent there is an improvement and the flow has improved, but not for the BDA and for the development authority or for the panchayat areas. And about 80% of our business, 75%-80% is mostly in the BDA and panchayat areas only. So, for us still it is not back to the same old numbers, but some improvement definitely is there.
- So, we were doing about INR150 crores approximately in Karnataka in Q3. So, January and February both months we have been able to marginally cross INR200 crores also, but the real thing we will be back to the old numbers only when they start BDA and also the panchayat areas for which also the Chief Minister had made a statement about 10 days back, week to 10 days back saying that now that this BBMP issue has been sorted out, they will start the other areas also.
- So, once that starts then the sub-register offices and everybody will also start releasing quickly So, that should help us, but as of now it is only started for the BBMP areas.
- Sonal Minhas:** So, isn't there a manual bypass or an alternate bypass to these registrations, because this is like a huge pile up that the government has I am presuming. So, there is no manual bypass that they have in terms of doing physical registry or physical khata...
- Suresh Iyer:** No, in fact the sub-register offices do not take the registration unless the e-khata is available and it is obviously dependent on the sub-register offices. Initially some sub-register offices even in the month of October and all were doing it, because they were not familiar with the circular and

all those things. So, they were still doing it, but then they completely stopped it and it is only when the e-khata is there they are doing the registration.

Sonal Minhas: Got it. So, we should pretty much presume that Q3 is also kind of flattish. You grow a 2% overall in AUM till 9 months So, that is the rate that we should presume for the year end as well?

Suresh Iyer: Yes, because in Q4 also we are expecting around INR2,400 crores of dispersion. We did about INR2,300 crores and odd figure last year in Q4. So, with Karnataka not bringing the growth and in fact being negative because last year. In Q4 also we had done almost good amount of business in Karnataka more than INR250 crores every month and March was almost INR328 crores or something we had done in March last year in Karnataka.

So, normally Karnataka is a big contributor. So, if Karnataka in this quarter also does only INR200 crores we will be having a negative. So, roughly we will be back to where we did in Q4 So, INR2,400 crores kind of disbursement is what we are targeting in Q4.

Sonal Minhas: Got it. So, that will take the cumulative number to 9% to 11%. Do you see this e-khata software issue basically being fixed in the near term or is there something like a ballpark that you have in your mind?

Suresh Iyer: See, this circular came out on September 27th or 28th and they have taken almost one quarter but now that they have at least sorted it out for BBMP for the other areas also as now that the government Chief Minister has already announced they are going to resolve it I think another quarter they should definitely if not March at least in Q1 it should be opened up.

So, I think it will not go beyond Q1 for sure definitely it will get resolved before that because the state government is also losing a lot of revenue

Sonal Minhas: So, moving on to some questions regarding the update that you have given for Q3. Just wanted to understand a little bit more around the SMA 0 bucket and I think the bucket had expanded as far as the numbers were disclosed in last quarter. So, just wanted to seek an update from you on anything news happened you tried to basically anything different you have done in collections Is that back on track?

Suresh Iyer: It is coming back, because basically it was that we were not carrying any advance. So, the customers whenever the cheque bounce would happen they would come back and pay the same amount the charges would remain outstanding. So, they would start reflecting in SMA 0. So, we have started sending SMS's now we in fact this month, we also took a lot of customers where these kind of cheque bounce had happened and they had paid the difference amount,

So, we tried to you know once again contact them and put and represent their cheques again at the end of the month and all. So, those kinds of things we have started doing even SMS's we are now saying if it bounces you will have to those kinds of education or customer awareness is what we are doing. So, it should come back slowly.

That INR770 crores number which we had of cases where it was less than INR850 outstanding. So, that number should slowly start coming down and we have started seeing in January also So, by March it should definitely come down that number.

Sonal Minhas:

Got it So, wanted to understand a little bit about your DSA economics and since we are trying to reduce the dependence on DSA's basically or as in the mix the DSA attribution is coming down is there anything to read there that where we say that the growth has taken a hit because of DSA's being rationalized or we have basically taken out the tail end of DSA's while the core ones remain the same because I think you have given some maths around your DSA count overall, just wanted to understand that?

Suresh Iyer:

No, actually what has happened is yes some of the DSA's we have not -- but it is an ongoing process. We have not actually done anything in that. We would have been a little more aggressive in appointing new DSA's, which we have not done. Because we don't want to further keep on adding the DSA's and increasing that percentage.

So, we have not done anything negative in terms of the DSA's, but you know with growth of business generally you keep on adding and the family of DSA's would grow, but roughly now if you see for the last many quarters it has remained roughly around 1400 give and take 50 because some renewals will happen paperwork will take time and all those things but roughly it has been around that number only we have not added any new DSA's majorly.

So that's what we have done and so basically the growth that we were expecting so that assuming that the DSA proportion would remain the same or the business would remain the same the addition should come or the delta should come basically from the incremental business source by our own team.

So that was the idea and we started that in June itself we started and roughly now if you look at it's bringing about almost 3 to 3 and a quarter percent was the incremental business which our own team of 30-35 people brought in Q3. That number is slowly increasing, so in January it was almost close to 4% and so we are expecting that this number is where the delta will start coming in from.

So we had an option we could have increased the DSA numbers and the business would have continued to grow and the percentage also probably would have remained the same or would have also increased, because in Q4 of FY23 this percentage was 85% it came down to 82%, 80% and then now in this last quarter it was 76% that is because one is we are not aggressively adding new DSAs some of the DSAs as and when they are leaving the system they are also because they may move out of the place they may stop the business, some of them may decide to join with some other competitor and all so that business is not increasing.

But this business will slowly add so the percentage should start coming down so that is what it has happened. Otherwise in terms of economics if you see we are paying from 0.35% to 0.65% is what we are paying for the cases to the DSA and that average works out to 0.43% 0.43% is what we are paying to the DSAs. So obviously if we are having our own staff then they will have

to do more than INR1 crores business if they have to be more profitable or do better than what the DSAs are doing.

Sonal Minhas: And that is a learning curve that is a bigger ticket basically?

Suresh Iyer: So they will have to do more than INR1 crore they will have to bring INR40 lakhs, INR50 lakhs, INR30 lakhs cases and do three, four cases a month. So the moment they start doing more than that then they will be earning more than what we are paying to the DSAs. Because right now there is a fixed cost of the salary.

Sonal Minhas: Yes, so that is a breakeven point. I just want to understand broadly without taking much names, these DSAs also sell products of your competitors who are your competitors, who are they selling in parallel is there anything that they are doing better in terms of adoption having a wider DSA network where the funnel is wider and the funnel becomes tighter in terms of DSA proposal or so. I just want to understand some people use a far wider net of DSAs they call them DSAs but originators...

Suresh Iyer: Correct. So other competitors if you see, first of all DSAs are not exclusive to us. So there could be some who are only working with us but most of the DSAs are also working for other players. So in our segment our kind of a thing, the competition mainly would be LIC, HFL, Bajaj, Housing Finance and PNB HFL.

But most of the DSAs are also associated with at least one bank it could be either an SBI they could be with HDFC or ICICI or Axis or could be more also, but they are definitely. So what happens is these DSAs get the best cream cases to these larger players, because there the ticket sizes are there and neat clean cases the payouts are a little higher over there whereas our payouts.

So DSA payouts if you see the bigger banks and all they start from 0.60% also and if it's a corporate DSA or if they are a sub-agent for a corporate DSA then they get 0.6% and the corporate DSAs are paid 1% up to 1% for a home loan.

So therefore what we are paying is actually a little lower that's why the cream cases will go to the neat clean green channel cases will go to the bank or to the whichever other bigger player and then the slightly inferior may be either it's a CIBIL score of 700 bordering 700, 650 CIBIL score or something like that or something which doesn't fall into the parameter of the other parent bank that will come to us. That is how it happens.

Sonal Minhas: and would these DSAs also be selling like just taking names customers, they will also be selling home loans to customers, to companies like Avaaz, Aptus or similar names which have a higher yield and a lower quality of paper basically to submit?

Suresh Iyer: That would also happen. So like sometimes, again as I said, it would be cream would go to the banks then it would come to us and something which we also reject may be going or there would be some like in our case what happens is we don't take many deviations or calls in case of technical or legal.

We are very particular about that. But there are affordable housing companies who also take calls on legal and technical, in terms of the valuation, in terms of some deviation in legal, may be one of the documents is missing they may take a call. In our case we don't take those kind of calls. So any such case comes then they would also go to these smaller players, it is possible.

Sonal Minhas: And would these largely be self-employed kind of category, where because salaried I would presume the chances of these would be little lesser. These would largely be the self-employed where others are growing, they are growing far faster basically it's either the civil score or the paper or the collateral?

Suresh Iyer: Or secondly what happens is like for example we don't do cases even in the self-employed. We are not doing cases where there is any appraised income or surrogate income proof. Whereas in case of those other players like smaller affordable housing companies their bread and butter is mostly those kind of you know appraised income cases or surrogate income cases.

So they know they don't have documentary proof. In our case documentary proof would be there. So that's their you know market they have identified. In our case since it's a bank promoted and a conservative lending institution. So we don't do those kind of calls.

Sonal Minhas: So when you say in your briefings to in quarterly meetings or discussions that you will try and increase the rate of growth of self-employed or the share of self-employed should I continue?

Suresh Iyer: Yes, we can continue I think you are able to just that I think it will come back no worries...

Sonal Minhas: It's okay. So as you say that you are going to increase the share of self-employed. What are the challenges, compromises or skill gap in the team that you need to address for it to grow and at a pace that you want it to grow, which is higher than the past and also not compromise on the ethics of the bank which is conservative, good quality? So how are you bringing about that change?

Suresh Iyer: See in case of the appraised income and surrogate income proof if we have to do, first of all we will have to have a board approved product and policy for the same, because right now you know we are only doing the documented proof customer cases. Second thing is you know having got a policy and a product in place we will have to do a lot of training because here appraised income a lot of thing depends on the you know field assessment and field visit and what you observe at the time of a field visit.

And currently you know our team is not you know attuned to doing those kind of basis it's basically documentary proof you know the salary slip you know the credit is coming to the bank you know the ITRs are filed it is there reflecting on the ITR portal also those are the kind of simple cases which the boys are doing.

So if they have to create that assessment model then they will have to be trained for it and that actually will have to be done on a granular, slowly we will have to build that kind of a skill set in the teams. Or else we will have to have specialized teams and a separate vertical kind of a structure for it to be able to do that.

Sonal Minhas: Understand. So in the current self-employed, have you seen or even in let's say the salaried segment have you seen your competitors especially PNB Housing Finance, LIC Housing Finance become more aggressive than you, because the quality of their books is inferior but the growth basically they have similar challenges as you basically on the quality of the customer, but their growth seems to be a little higher.

Suresh Iyer: Correct.

Sonal Minhas: So from an operational perspective how do you see that is there anything that you do or tell your team when you compare them to you in terms of growth basically?

Suresh Iyer: See basically there are two reasons for this difference which I would say. One is you know though we are a Pan India HFC our reliance on the southern based states is very, very high in fact you know we have more close to 70% of the business coming in fact from this five southern states of you know Karnataka, Telangana, Andhra, Tamil Nadu and Kerala.

So although we have almost 60% of the branches, but still business is almost 70% of the business is coming from here. So that is one issue where you know with two of the southern states getting affected because of this you know and e-khata and this Hydra issue. Our business has been affected more as compared to some of the other players, who are not having you know such a high reliance on the southern states that is point number one.

Point number two, is that you know we have a purely branch led model and of course DSAs are there but our feet on street or our own sales team is not there, whereas you know the names that you mentioned some of the competitors they have a very, very large foot on street. That is the DSTs or DMEs as they whatever you call it Direct Sales Team.

So that either in their own books or in the books of a subsidiary like you know LIC has its own subsidiary, PNB has its own subsidiaries for sales. So basically you know they all have a much larger presence on the ground as compared to us and I think that is also one of the reasons why we had our DSA's share is much higher because you know we have to only depend on them because they are practically our only feet on street.

Today we don't have the staff strength to right now today whatever you know thousand odd people that we have on ground 900 odd 900 to 1000 people they are purely manning the existing branches giving customer service and doing the verification and assessment and processing the cases but and the recovery part of it, whereas you know for marketing and sales we are not having any specified specific team or an additional team.

We are only building it and that also we are carving out from our existing teams by you know some of them we are we are about 30-35 people we have pulled out of our existing teams to create our own sales team. So that is these are the two major reasons why some of them are having a larger presence in these things.

Sonal Minhas: Got it and is there like a board approval on becoming a little more aggressive sales organization? Or this is something which is -- because there is an equilibrium to growth and quality basically

so I understand that I think that's why our blue blood and some of the others are not in terms of there is a calibration there so...

Suresh Iyer: You are right. So I mean currently even within that small team that we have built we have not gone for that incentive program kind of a thing. Because you know the moment you do that then you know the incentive just drive and quality sometimes can get affected. So we are right now still working on the staff on role staff instead of the incentive kind of a thing that we are doing.

So there is a small attempt we are doing as you can see a pilot or something that we are starting and the numbers are reflecting. But we will do on a calibrated manner we will keep growing this team. We will have to do it with the proper checks and balances. Like as I said one of the things is that we are not only going for an incentive model, because when it is only incentive then sometimes some cases can also come in.

Questioner: Yes. I agree with you. sir I just had a follow up here I think about an year back the guidance for the DSA based sourcing was that it should come down to about 60% in a 2-3 years period so in a year or two's time do you still see that happening or...

Suresh Iyer: See as I said you know we have for us you know this DSA is the only sales team or the feet on street for us. So it is that you know unless we are able to kind of develop our own sales team we cannot just do that. Otherwise tomorrow it will just come down and we may not so we have to gradually bring it down. The faster we are able to develop in house team and have a stable team this we can come down, but the goal is yes to bring it down to 60% in the next 2-3 years. We are working towards it maybe we may miss it but at least we don't want to have the goal of 60% but at the cost of business not growing.

Sonal Minhas: Got it. And on that note, sir, maybe we've, I think, forget this quarter, maybe the business picks up from Q1 next year. What is a stable growth that we should presume for the loan book? Where you are happy both in terms of the aggression of the team on the ground not too much bad incentives, basically being thrown at people and the quality of the book basically remaining the way it is?

Management: I think a 15 % growth is a very fair this thing because industry is growing at 12% to 14 % so a couple of percentage points about that is something which is which we should be able to do without having to compromise. If we have to run faster than that, yes, we may have to make some compromises. So as of now, I think 15 % without making compromises is something we will be comfortable with.

Questioner: Got it. And this would mean that the self-employed would grow a little faster than the salaried?

Management: It is growing a little faster because we have up to 65 % salaried is what we would be comfortable. So right now we still have a scope for that. So we are looking at a self-improved a little more whereby we are able to, slightly work on the yield a little better and offset the, big ticket, higher ticket loans that we are doing which we are slightly targeting with approved projects and all we can offset by the little bit of increase in the self-employed. But again that self-employed also is presently the ones where there is a documented proof available of the IT returns filed and all.

Questioner: No, understand that. And interest rates are dipping, presuming you guys know far more. But the trajectory seems like now they would, it's anybody's guess, but they would. So do you see an uptake in demand or demand is still kind of robust? Forget what is happening in Karnataka and other areas, but this is just trying to understand the demand sentiment as we speak right now and what do you see?

Management: Demand has been quite fairly good. We don't see any dip in the, at least in the mid segment or in the premium segment, super premium maybe some saturation is coming because you don't have that many people also who would be spending that much. And on the affordable because of a sales, I mean the supply issue, there could be some slowdown is there.

But in the mid segment, which is the bread and butter 2BHK properties, self-construction, 1,200 square feet land, 800, 850 square feet construction, those kind of bread and butter kind of scheme where we are mainly operating, I think there is no issue. Rate of interest coming down should definitely help provided the property prices also don't start going up, because already if you look at it, we are talking about construction cost roughly around 2,000 to 2,500 per square feet is the cost of construction.

If you see the land rates, land rates have gone up quite a bit. If interest rates coming down, demand definitely yes, but then if it is offset by the increase in the property prices, then we are back to square one. So that is also one monitorable for when the interest rates come down.

Questioner: Sir, I have two small questions regarding the product itself. Could you share how our product pricing in this INR25 to INR30 lakh segment compared to the others operating in the segments of the LICs and PNBs of the segment?

Management: Okay, so we have a card rate of 9.6% that is the rate for normal customers. But if the CIBIL score is more than 725 and it is a purely salaried segment, then we offer a discount and which is starting as our rate started 8.95 for salaried customers, pure home loans with a CIBIL score of more than 725.

Now, obviously, if the CIBIL score is less or if that, it is not a salaried segment, then in that case, we would be charging 9.6 plus something. It would be in a self-employed means half a percentage higher. If it is a LAP, another half percentage higher and so on. And then within that band from there, that would be the base rate. Then if the customer has a slightly inferior CIBIL score, then it will be, our own internal customer credit rating model has four S1, S2, S2 plus and S3.

We have four, categories. So based on that, it could be a little bit 10, 15 points extra if it is slightly inferior. So 9.6 if it is a regular customer with a 725 and below score for housing. If it is above 725 then it will be 8.95. Now if it is a housing but slightly inferior credit then they would be anywhere between 9.6 to 9.75. If it is a LAP it would be one half a percentage higher. If it is a self-employed LAP it will be one percentage higher and so on.

Questioner: And sir, the vis-a-vis market are we more comparatively priced? Basically what I'm trying to understand is like to like for a similar kind of customer is paying up to a DSA the only way to

get more business from the DSA or are we able to price the product more competitively or is there a brand recall of Can Fin in the market?

Management:

See brand recall definitely is there more in the south but in the north it is more dependent on the DSA's frankly speaking because our brand recall advertising is not a big cost. We would see our expenses that we are not much. We don't have a much of an advertising because even we don't have feet on streets. Those expenses are also less where we don't we are not able to much go out in the market and do advertising and selling and all.

But other than brand recall there is also pricing. But then today the rate at which you are pricing around starting from 8.95 our cost of borrowing itself is around 7.5, 7.52 approximately so that we don't have much of a scope to in fact further cut down the pricing. As for competition yes, LIC HFL sometimes is offering a lower rate their rates start from 8.4 or 8.5. So they do have a slight advantage, but of course that is also an invitation price.

It is not that is the price at which it is always given so that is an invitation price some of the product parameters depending on that we may be a little better off in one or two products they may be a little better off in some of other products. Like they are more aggressive in plot loans we are not as so aggressive in plot loans they're also doing plot loans.

So their plot loan pricing is much better than our pricing otherwise 8.95 they are starting from 8.5 a little bit of difference here and there we can always do it. PNB's maybe would be probably a little probably if you see the yield of on their book it is a little higher. So probably they would be, I would say, could be a little 10-15 bps a little here and there from us. They are close to us, you can say.

Questioner:

Got it. And secondly, my second question was that the affordable housing, the yield on affordable housing segment is 0.5% higher than normal housing finance by Can Fin. So is this affordable housing different from what we understand affordable housing in a traditional sense? Because this is in a fairly prime segment.

Management:

See affordable housing, I don't think is half a percentage higher. It is much more than that. If you look at Aavaas, Aadhar, Raptors, Vastu, it is much higher. Even if you look at, think the, what PNB, HFL is coming out with a Roshni product, think there also the rates are much higher than this. It is not half a percentage point. It is much higher.

Questioner:

But for Can Fin what we quantify as affordable housing product. That is my understanding was that is 0.5% higher than our regular?

Management:

Correct. That is we have about 12% of our loans coming in the up to 10 lakh segment. There also the pricing is somewhat the same because as we go most of that affordable housing would be more in the deeper geographies like little on the outskirts of the panchayat further away and all.

There yes it could be a little 0.5% there but there also if you see the customer segment would still be the salaried with the proper credits in their salary credits in their bank account and stuff like that so just that the ticket size is and the is a little lower but the segment is much better.

Questioner: So my next question was that if I look at last year December to this year December the share of AUM from non-southern branches has remained stagnant, has remained same. However the number of branches in that mix has gone up by about 5%. So are you seeing challenges in growth outside the southern region as well?

Management: See in terms of this actually if I look at Tamil Nadu, Telangana, Karnataka and Kerala because East that is our AP and East is combined but if you look at these four states I think last year we were about 69% of the business was coming whereas in Q3 because Karnataka has dropped it is almost 63% but by and large if you see today North and West both zones are already positive in February as we speak.

Both of them in North that is our Punjab, Haryana, UP, Uttarakhand, Delhi, NCR areas and all. All those areas which is the North zone for us, already crossed their target in the month of January. Target as in sorry the previous year number they already crossed on 31st January itself. So there is definitely a growth.

Same way West zone which is four states of Rajasthan, Gujarat, MP and Maharashtra they have also crossed but in the month of February. So in January they were little short. So basically the growth is definitely coming. So it is not that the growth is not coming or that we are facing any challenges.

But yes 14 branches which you opened last year mostly were opened in Q3 and Q4 and there they have reached today already a stage where they are doing about 75 lakh business per month per branch. So they are yet to reach the break-even point because it takes about two years for the branch to reach that business about INR2 crores per month kind of thing.

And going forward, you will see the benefit of all the branches that we have opened in the north and west in the, as they reach the break-even, the next lot of branches will come and so on.

Questioner: And in the Q3 call, you highlighted that the 14 new branches that would lead to the net branch addition of 14 in the year. They are on track for Q4. That's still there?

Management: Yes, it's still there. We are very much on track to achieve. So 31st March we should be ending around 234 branches. That's what is the thing.

Questioner: These are out of the southern geography?

Management: No, there are one or two in the south. Mostly they are in the west and north. I think there is just one or two branches which we upgraded from us. That's it. Otherwise, all of them are in the north and in the west only.

Questioner: Understood sir. And I also wanted to understand on the tech side, things that are happening, could you share the LoS, Loan Management System, BMS, HRMS, the things that you're working with IBM, if it is possible to name the vendors that you're working with and what KPIs do you see improving with these changes that are happening? If you could also share what core banking software do you use and from a three to five-year perspective? Where do you see the tech and the infrastructure heading is yes?

Management:

See currently we are using a tech platform, is a LoS LMS monolithic platform we were using till now which was on a LOS, LMS by a vendor called Theme Pro Technologies, which has now been renamed as Ansea. The same vendor is providing the solution, same solution at ICICI Home Finance and also at Cholamandalam. So that is also, but that was a software or that was a package which we had taken way back in 2011. Okay.

And it was still learning as a monolithic platform till some time back. Only January 24, at the time of the renewal, we upgraded that to their newer version, which was on a microservices platform. So previously till December 23, it was working on a platform which was not even API enabled and lot of things were manually happening.

Once you upgraded that to the newer version, which is on a microservices environment, there now we have got the API enabled, it has a lot of other features also. So now what has happened is we have been able to integrate a lot of third party platforms or applications with it like this velocity for valuations, Karza for our onboarding of customer verifications and all those things.

So basically all those things we have been able to do in the upgraded version. Now what we are doing with IBM is that, even though it is already upgraded to the newer version, it is still just a LOS LMS platform and not entire thing. We don't have a DMS, which is separately being managed and all those things. So we are going for a much, later latest version or a newer, vendor for the next five to seven-year period.

So that for which is what we have given the project to IBM. Now they are bringing a LOS LMS of Pennant, which is working operating in know Bajaj and all. Their HRMS package is this work line. DMS they are bringing from Newgen's which is the market leader in DMS solutions.

See Core Banking Solution is a much bigger platform which is more applicable for banks because they have a whole lot of products to cater to whereas ours is almost you can see a single product company just a little variation of Home Loan, LAP and all but it's basically a single product company.

So we don't need a CBS platform, but we have an entire platform which is integrated. There the GL would be of [Infor], which is again operating in a couple of other places. So that's basically the thing. What benefit will accrue is that since it will be a completely new platform, the old one obviously, in spite of all those things, had a lot of patch work that just happened and it was already, a little cumbersome to operate or handle because it has been operating for 10 to 12 years now with us.

So here it's a newer one entirely on microservices platform already operating elsewhere in a very, where we have already experienced that the scaling up has happened to a very large up to a one lakh plus book size already. So that way, this will give us some advantages and the DMS is also integrated a lot of things. it is much better and we will have a single SI who will manage all these vendors so managing this and getting things done would be an advantage. So that platform will be there for the next 7 years including the 1-year period of implementation. So that's what it is.

- Questioner:** Got it. Sir and the front end part of the technology, app and internet banking and all that side is that part of from a medium to long term perspective getting that to the likes of what you see on a private bank. Is that part of the plan?
- Management:** Yes, yes. So right now also we are having, this we are able to give this platform for payment gateways and all those things have a VBF this facility, are Nach. Nach is integrated. BBPS is also integrated automated reconciliation. All of them are already there. Now for each of these things, currently it is a different different packages, whereas now the Pennant that will come is already having a single package itself is having all those things in built 20.
- So we don't have to deal with our six different vendors, a separate vendor managing our match, a separate vendor managing our BBPS and all those, I mean, reconciliation and all those things. So this will be a single vendor itself who will be able to manage all those things.
- Questioner:** So I just want to understand whatever footfall you do approve as loans, what part of this customer said who coming in overlapped with Canara bank is there a number out there? Is there a trend line out there, just want to understand that and have a follow up question?
- Management:** See we don't have -- I would say Canara bank customers who are with us how many of [inaudible 0:40:06] to Canara bank customers not more than 20,000, 25,000 so I think out of 2.4 lakh customers separate we have just about 20,000, 25,000 maximum number of customers whose Nach is coming from Canara Bank. So there is no such overlap of business.
- We don't have any tie-up either It is just in the normal course that these customers because we also don't compel any customer to eat. They have to open a bank account or this whichever way bank they're dealing they would come to us and the second thing is Canara Bank has its own in a bank per se.
- So they have their customer base and they are using those customer base and they are also making them open a bank account with them. Whereas in our case, we, our business mainly comes through DSA. So there, there is no such thing that, there is a customer going to Canara bank are coming to us or things like that.
- Questioner:** So my question was a little generic that to open more customers, are, which are salaried, presumably high quality in terms of the loan quality. Is there something that is on your card, which is equivalent to a kind of a banker partnership where you do, Canara is just one example, but let's say some other NBFCs, Chola, somebody which is in an alternate space where, who give you like customers and you create a parallel line of partnerships basically. And the book quality remains distinct?
- Management:** So you are talking about something like a co-lending or something like that which can be done?
- Questioner:** Co-lending or origination is fine?
- Management:** So that is fine. So they can originate and then we can book the thing or whatever. So that is possible right now. In fact, our first challenge is to build our own marketing team and have our

own tie-ups with builders because we are trying to have our lot of sourcing coming through the builder channel.

Not basically that funding but APF and all like that also when we have started we should be having somewhere around 70 75 APF tie ups by the end of March and next year we're looking at about 250 tie-ups by then by next year.

So they basically we want to focus on that first before we actually get into a tie up and all because I think all those can be experimented or can be looked at once we have the new IT platform in place because right now our current -- as I said, it's something which was designed in 2011-12 and just has got upgrades and patches and improvements. It's not basically a completely enabled one.

Questioner: So your current software for which you've taken an upgrade, that should last for next four-five years till the IBM will deliver you the...

Management: No, IBM will happen in November 25 is when we are looking at an implementation. It's actually 12-month period. So we've already signed everything in January end. So technically, by January 26, they anyway have to do it. But then the way we have, the plan, the implementation and all it is the, the big bang LOS LMS implementation is scheduled for November 25. So max, max March 26 is when we will have to, we'll phase out the current vendor.

Questioner: So March 26 or whatever June, should be on platform for which you are working with us.

Management: Yes. Yes.

Questioner: And this loan platform, is there something different in terms of what data you can gather or any micro data you can gather in terms of payment history, sending some alerts to clients, improving your SMA buckets, just trying to understand that.

Management: So all that even now we are doing it, but again for a SMA partner, we have a separate partner and we are, managing it from the current vendor to that. So that is definitely possible and that when we move to Pennant that will also be there. So all the SMS is sending the WhatsApp messages to customer. All those things will be possible.

Questioner: So we are good. Thanks a lot.

Management: Thank you so much. Yes, thank you so much.

Questioner: It was a pleasure to talk to you. How, I think, Can Fin is scaling up? I'm happy to answer any questions, really enjoyed this discussion.