



“Can Fin Homes Limited Conference Call”

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

- Questioner:** One is the employee expense, how much do we think it will increase by?
- Suresh Iyer:** Employee cost will not increase much, because we are talking about just about 100-odd employees who are going to join or whatever total if you are looking at including strengthening some of the existing branches and all. So that will not be a very big expense in terms of this. It will be in line with the number of the growth in our ticket size, I mean growth in our AUM that we are talking about. So, it will not be -- as a percentage, it may not be a very large increase in our employee cost.
- Questioner:** Okay. And when we have to talk about the employee deployment, we have a separate collections team or the sourcing team are the guys who go and collect? How do we collect?
- Suresh Iyer:** No, sourcing team that is the new sales and marketing team, they don't have any sales or collections target. Our branch setup, which is there which is the branch manager and the staff, they will be doing the collections.
- Questioner:** We don't have a separate collections team?
- Suresh Iyer:** No, we don't have a separate collections team.
- Questioner:** And it is part of the KRA both in terms of disbursement and risk, both are part of the branch manager's KRA?
- Suresh Iyer:** Yeah, both are part of the branch manager's KRA. So, they have to also source the business, they also have to have a growth in disbursements and AUM and they also have to have a proper SMA and recovery targets, NPA targets are there.
- Questioner:** Okay. And the DSAs we have, last we spoke we give a blended payout of around 43-44 bps. Has that changed? Now it is around 78%-79% of the disbursement I think. How do we think about this DSAs going forward in '26-'27?
- Suresh Iyer:** No, so whatever -- so the percentage of overall business might come down, because that is what we are targeting and we are having our sales teams. But what we are paying out to the per case to the DSAs will continue to be 0.43. So it will be 0.43 of the INR6,000 crores that they are getting or it will be 0.43 of the INR7,000 crores that they are getting. That way.
- Questioner:** Okay. And what are we targeting? Where will this come down to from the present 78%-79% in '26-'27?
- Suresh Iyer:** See, we would like to bring it down to at least closer to 70% this year. Because as I said, if from the 3% our incremental business goes up to around 7% to 8%, 10% in the direct business, then obviously that commensurate to that, that should be a reduction in our DSA sourcing also. Not that in absolute value, it will come down. But I mean in terms of percentage, it should that way to that extent come down. So we should be closer to 70%-72% is somewhere where we should end by in FY26.
- Questioner:** And '27, this will further come down?

- Suresh Iyer:** Yes. By '28, we have targeted -- we want to bring it down to about 60% from DSAs, 20% from direct business. Then, right now, we have not full fledged started digital sourcing, so another 10% we would like to have from the digital sourcing and another 10% which is another walk-in customers, repeat customers, existing customers going for top up loans and stuff like that.
- Questioner:** Okay, got it. And we don't want to focus on LAP and everything, we just want to pure play like the way we have remained, we will remain home loan centric or...?
- Suresh Iyer:** We will remain home loan centric, although LAP which is now slightly increased from 5%-6%, we are okay to go up to 8% or something that is okay.
- Questioner:** Go up to 8% by '26?
- Suresh Iyer:** '28. '28 is the target. I mean we can be a little here and there, but by and large that much only. Because see, we don't want to -- right now, our housing including CRA is 85% and excluding CRA will be around 75%. So housing we would still like to retain at 70%. So including CRA, about 80%. So only there is a 5% further dilution that is there. So some of it will be our LAP, some of it we could have top up loans also because we have also started offering to our existing customers some scheme if they want to, you know, Diwali offer for painting, offer things like that. So it will be more than it could be a little bit of top up loans also.
- Questioner:** And we have not done construction finance at all, but given the fact that we are going into this APF segment, would we want to build this capability and offer this may be INR20 crores-INR30 crores of a smaller ticket size not bigger ticket sizes, because these are smaller builders also that kind of a construction finance portfolio, do we have any plans for that?
- Suresh Iyer:** Not right now. We first want to strengthen the team for our current business, newer geographies. We also want to slightly increase our SENP. So, first, we will want to do a little more on the SENP, strengthen our capabilities for a little more of SENP. We are looking at one product for appraised income, because earlier what currently SENP we are doing is purely on the basis of IT returns. So we want to also -- looking at a product where customers who are having a good amount of transaction based on UPI collections and all those things or who are having GST returns but IT returns do not reflect the kind of volume that are there.
- So those kind of customers based on -- so one small step towards the appraised income category we would be looking at it. Now that also will require some kind of training skill set, separate maybe not necessarily a team but at least certain pockets we would want to do a pilot and all. So I think we will focus first on that. Developer finance, we will probably keep for a later date or some other time.
- Questioner:** Okay. And this appraised income would mean a lot of tech as well, right, as in tablets with the sales guys, the app or something?
- Suresh Iyer:** Either that or mobile also, mobile app also for field investigation.

Questioner: Right. And today the appraised income has become slightly easier I would say to assess given the fact that you have got account aggregator and lot of other things. So are we tying up with account aggregators, like do we have tie ups with the likes of Karza, Perfios?

Suresh Iyer: See Karza, we already have a tie up. Karza and Perfios now are the same. Basically, it has been taken over by Perfios. So, basically, Karza -- and this we already have. So with Karza, we are able to do -- right now we have started with Aadhaar verification, PAN verification. We have started with ITR, directly pulling the ITRs from the portal through this OTP verification from customer.

We are also doing this Perfios bank statement assessment we are able to do. But once the account aggregator, we are talking to a separate entity for that. We have 3-4 entities are already there. We have finalized one of them. So that should go on shortly. GST also Karza is offering. We have not taken it right now. But once the product starts, we will be able to have API integration for that as well and start that also.

Questioner: And when we do this bank account check with Perfios, we are doing it for the 100% of this as loans that we do or we do it for -- we just do it on a sampling basis?

Suresh Iyer: No, 100% Perfios verification is being done. Only thing is, right now, still a lot of our customers are giving hard copies of the bank statement. We are uploading it on to the Perfios this thing. But once the account aggregator comes, we will be directly able to pull the bank statement from the bank itself rather than even waiting for the physical copy scanning and all. But 100% of the bank statements are being routed through Perfios.

Questioner: Okay. So we had some tech cost as well, right, which was to be incurred in '26?

Suresh Iyer: See, one phase of upgradation of the current LOS, LMS service provider which is Uncia, that has already been done. And from January 24 itself that cost has started coming into the books. Every quarter, additional INR3-odd crores every quarter has started coming in. But the other phase of IT upgradation, which is the RFP which we had floated for which IBM has been selected as the system integrator, that product we will get implemented somewhere in Q3 of FY26.

Questioner: Okay. So what was the cost for the LOS, LMS upgradation?

Suresh Iyer: The current upgradation what we have done, we have added almost INR3 crores as I said per quarter because we earlier were having on -- it's a SaaS-based model. So, it's almost 64 lakhs-65 lakhs per month has started getting added because of that. And then, of course, this Karza tie-up, this Velocity tie-up and all those kind of other types that we have also done in the last 6 months to 1 year and all, that has also added.

So, practically it is INR1 crores per month or INR3 crores per quarter is getting added because of this. And this Uncia upgrade from LOS, LMS itself is about 65 lakhs-66 lakhs additional is coming every month. So, that's how it is coming to INR3 crores per quarter. The other cost that you are talking about, that will actually start coming in from FY27.

Questioner: What is that?

Suresh Iyer: That is IBM tie-up that we are doing. So as I said, the implementation is expected in Q3 of FY26. So, after implementation, there is also a hand-holding period and all those things. Then only it will go live. So, I mean then only you can -- so till that time of hand-holding and this thing, it will be capitalized. So, effectively from 1st of April or somewhere you can say that the actual cost will start kicking in, in the P&L. Till that time, it will be capitalized and thereafter it will start coming in.

Questioner: What will be that cost additional?

Suresh Iyer: See, that right now the budget I mean the approval that has come for this project totally is around INR297 crores of which INR100 crores is the capex and the remaining is opex. So, the opex spread over 6 years would be somewhere around INR35 crores per year plus this opex of INR100 crores that is there -- sorry the capex of INR100 crores that is there, that will also get amortized over 5 years. So, that will be another INR20 crores. So, about INR55-odd crores you can say per year will be the impact on the P&L.

Current cost is about INR15 crores. So, additional INR40 crores would be the amount that will be added, which in FY27 you can say would increase our cost to income ratio by about one to one quarter percent or something, because today our total income is around INR3,600 crores. By that time, it will be a little higher than that. So, obviously, when you look at INR40 crores additional coming per year would be around add 1% to the cost to income ratio.

Questioner: Got it. Okay. And again, when we have to look at any kind of early bucket delinquencies, are we deploying any fintechs there or any technology there for early buckets or early bucket resolutions within 30 DPD or 45 DPD, are we deploying any technology there?

Suresh Iyer: No. Only thing we are using is SMSs and this Nach of course is there. So, SMSs are the only thing and customer awareness and all those things. We have a call center also for calling the customers. Other than that, nothing more. I mean we are not using any additional this thing.

Questioner: Okay. And in terms of borrowing costs, how do we think of it going forward?

Suresh Iyer: See, our bank borrowings which is about 50%-60%, close to 60% of our total borrowing mix, that is purely on the link to repo rate or T-bills. We don't have any MCLR link. So, whenever the repo rates start coming down or they have already started, but whenever and next time also they come down, we will see some impact on our bank borrowing costs. Additionally, there is another about 7% is our CP.

So, there also we will see some benefit whenever the rates start coming down. Thus, the NCDs and NHB refinance is mostly fixed. And even the reset whatever is there for the floating rate refinance is annual. So, there it is not a much of this thing, but mainly on the 65% of our liability side, we will experience it. It is all linked to repo. The impact of a reduction will come through.

Questioner: So, basically 25 bps. So, 65% of 25 bps is what will be the impact on borrowing?

Suresh Iyer: Not entirely will, because not necessarily that the CP rates or the T-bills may come down at the same rate of exact 25 bps. So, roughly you can say about 10 bps you can expect. Right now, in fact, what we have estimated is that this 25 bps reduction in repo that has come, effectively by 31st March will impact about 7 bps, 5 to 7 bps will be the only impact we will get which will be reflected on the 1st of April when we start computing the cost of borrowing.

Because whatever benefit we are going to get will happen mostly by the end of March only because the term loans also that we have, the reset has to be passed on to us at the time of the quarterly repayment when we are doing it which is mostly in the end of March.

Questioner: So, ballpark we are looking at around at best 10 bps of reduction in borrowing costs?

Suresh Iyer: Yes, yes. So, if at all we have to pass on, max-max 10 bps is what we will be able to pass on after the quarter is over to the customer.

Questioner: Okay. So, this we will pass on to the customers?

Suresh Iyer: Yes. We do intend to pass on. Whether it is 5 bps or 10 bps that is -- we will exactly what we experience is what we will pass on to the customer.

Questioner: So, when will that have the impact, like on the yield?

Suresh Iyer: So, see right now...

Questioner: Repricing will take some time, right?

Suresh Iyer: Yeah, it is a quarterly reset. So, it is linked to the month of disbursement. So, if the month -- if the disbursement was made say in February '25, then the reset -- although we reduce, say, for example, we do a 10 bps reduction announced on 1st of April. So, the case which was disbursed in February, the impact will happen on May. The case which was happened in March, that disbursement -- those cases, the impact will happen in the month of June. So, there will be some slight pass on impact will be there.

Questioner: Okay. So, the yield does not compress as much?

Suresh Iyer: No, yield will not compress. The yield will compress, but I mean the spread will definitely not have any impact on the spread.

Questioner: Okay. Not much of impact on the spread.

Suresh Iyer: No.

Questioner: What are we having the guidance for spread?

Suresh Iyer: We have kept 2.5. We will continue. It, is of course, we have maintained at above 2.5 only, but guidance wise we are a little conservative guidance of 2.5 for spread, 3.5 for NIM is what we are holding.

Questioner: 3.5% of NIM, okay.

Suresh Iyer: Yeah.

Questioner: And how do we look at the credit cost guidance?

Suresh Iyer: Credit cost, see, we have already -- whatever impact because of the change in guidelines we have already seen, I think 15 bps is what we will continue. Our NPA levels are at 0.9. They are almost now -- whatever restructuring pool you see or whatever everything has been built into it, this is the realistic 0.9. I would say a little bit here and there in a quarter, it could come down or something, but by and large I would say the NPA would be around 0.9%. So, 15 bps is what we will continue to have.

Questioner: And we have some overlay also?

Suresh Iyer: Yes, we are carrying INR34 crores of overlay.

Questioner: And that remains as it is, or we want to increase or decrease it?

Suresh Iyer: We would like to increase it if we're given a good year. If there is a good bit of this thing, we would like to carry a little bit. Of course, overlay you need to have some justification for how you are going to carry and things like that. So, maybe we will see. We will have to discuss with auditors and all. But yeah, we are open to somewhere around 10 bps or 12 bps, 15 bps. Up to 15 bps I think we can carry. Right now, we are having INR34 crores and on this thing of INR37,000 crores book AUM, which is a little less than 10 bps. So, maybe we can say 10 bps, 12 bps or something we will try to maintain. But I mean that is what is the -- we will try to convince the auditors that a little bit we can carry. But yes, we would like to carry overlay and not write back.

Questioner: Understood. And restructuring pool, has it entirely played out?

Suresh Iyer: Entirely, yeah, because the last pool also came out actually in November and November also was just about INR8 crores or something if I recollect. Otherwise, October '23 itself, most of it had come out. So, now in fact it is more than a year since the restructured pool has come out. So, whatever restructured pool NPA had to come, it would have come maybe in the 1st -- by March definitely most of it had actually impacted. Even, otherwise, if we want to look at it, it is almost one year everything has come out. So, restructuring per se is no more a factor or anything to impact the NPAs.

Questioner: Okay. But you said that there were certain changes in regulation or something that has impacted NPAs?

Suresh Iyer: No. So, what has happened is, earlier customers tend to normally make round amount payments, like if it is INR17,900 or INR17,920 is the EMI, they would make INR18,000. So, those kind of things small, small amounts we used to carry. Earlier itself, we had a policy that we would not carry a large advance from the customer. That was already a policy was there, but some small amount was available in many accounts.

So, if a customer, say, for example, cheque bounces, it would be adjusted from that. Customers, therefore, were tended to only make the same EMI payment back and there was always some advance, so it was never a problem. Now, in fact, there is a clear this thing that even no advance should be maintained. So whatever amount was excess, whatever little amounts are there, even if in a month that INR17,920 customer pays INR18,000, that INR80 also goes towards a prepayment and it is adjusted towards the principal. So, there is no -- at the end of the month, there is no advance which is carried at all. In fact, on a daily basis, these amounts are adjusted towards the principal. So, even on a daily basis, there is no advance available.

Questioner: But how would there be customer advance? You would have put everyone on Nach only, so they would deduct the EMI amount?

Suresh Iyer: Yeah. So, when the Nach is there, in the past the EMIs have come down, customers have reduced this thing. So, some people do make payments. They have been making some advance payments. Nach also, they have been transferred. So, those things are there. Some amounts are there in excess and they would be lying. So, that now what happens is whenever the cheque bounces, the INR850 that is charged for cheque bounce charges and all, that now remains outstanding and the customer has continued the old practice of paying the EMI only.

So, we have started the education to the customer. We have changed the text of our SMS messages and all and giving them early this thing that even in case of cheque bounce, INR850 rupees will be debited and it will have to pay with charges. So, those kind of small changes tweaks in our SMS messaging some kind of messages as soon as some cheque bounce happens. So, those kind of things we have started more SMSs and more communication to the customer so that awareness is created.

Questioner: Okay. So, what is the bounce rate we have?

Suresh Iyer: Bounce rate normally is roughly around 9%-10% that is the thing.

Questioner: And we cure what percentage of this by 30 DPD?

Suresh Iyer: So, most of it, you know, as I said, it would only be -- our collection efficiency is almost 99% plus would be the thing. So, even if there is a bounce, it would be collected back. Roll forward is very, very little. But what happens is the collection would be to the extent of the EMI as was the old practice. Now, we have to collect EMI plus the charges in case of a bounce cases.

Questioner: Okay, got it. I think those were mostly my questions. So happy to meet you next time. I am really sorry about...

Suresh Iyer: No issues. I can imagine. Early morning flight your message itself came so early. So, I could imagine that you would have probably taken a very early flight and reaching there in Bombay so early and all, I can imagine.

Questioner: Okay. Thank you so much.

Suresh Iyer: No problem. Thanks a lot. Thank you.

Questioner: Okay. Bye.

Suresh Iyer: Bye-bye.