



“Can Fin Homes Limited Conference Call”

With Motilal Oswal Mutual Fund

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**SURESH IYER: MR. SURESH IYER – MANAGING DIRECTOR & CHIEF
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- Interviewer:** Yes. And the Hyderabad issue. So are you also observing similar things that Hyderabad is solving for you? Or there's still a challenge out there?
- Suresh Iyer:** No, actually Hyderabad is still a problem because the demand issue is still there. The demolitions which happened initially when the government took charge, that has at least scared away the developers a lot in terms of the developers also. It's coming in also, so there is a bit of. And customers are also very worried because the government has not actually completely announced that which are the areas where there are problems. They are picking up an area and saying that this area has a problem and these are the projects or the schemes which are unauthorized. So the areas which are not covered, we don't know whether they are....as to the other areas which are not even touched as to what may come out of those areas. So those are not there.
- Interviewer:** So consumers have been kept away because of the uncertainty.
- Suresh Iyer:** Uncertainty, correct.
- Interviewer:** And that's why the pickup is not there.
- Suresh Iyer:** Correct.
- Interviewer:** Understood. And coming to this Bangalore issue, any change on the ground level now?
- Suresh Iyer:** Yes, so in Bangalore what has happened is BBMP at least they have started a little better. At least they have started coming faster. That is helping a little bit. But still, the majority, 40% of our business is in the panchayat areas, in the outskirts and all those things. So there it is still not started. There it is not, mostly we are not getting anything. But BBMP areas have started coming. So there it is slightly helping. So, it is like Rs. 75 crores per month in Karnataka. In Q3, it came down to almost like 115 crores. But January we are able to just touch 200 crores in Karnataka because some boom and dust started happening. So hopefully the way it continues if it continues like this back to I would say because see there will always be a backlog, but that's not a problem. At least if you know the flow starts happening, we will start getting something.
- Interviewer:** And given this is like a kind of a curve that is shaping up back, now will it get faster according to you like all the backlogs are happening at a faster pace or?
- Suresh Iyer:** Speed has at least picked up, I would say the backlog is cleared because the speed of these applications like for example when 10 lakh applications were there, 45,000 E-Khatas were issued. When it became 12 lakh, it became 1.25 E-Khatas were issued. So the number of applications is still quite high. But I guess once the flow becomes kind of standard and regular, and speed is also fast, then I think the new applicant will also start coming down because today a lot of people who are also applying are also those who just want to secure their E-Khata even if they are not planning to sell, they are not planning to do any transaction for their existing properties, they want the E-Khatas so that their documentation is pakka.

- Interviewer:** An issue in Karnataka, particularly in Bangalore, has been delayed in the approvals from the government. That is also one issue that everyone has said that. Everyone is falling short of their precinct. For example, it's a crazy task for prestige in Bangalore. It's a (Inaudible) 03:53, even at Aditya Birla. So do you think this lack, like the supply constraint could also be an impact for next year even though this would require....
- Suresh Iyer:** I don't think that will be a problem thereafter because once this settles down, then the bookings will happen, execution of documentation will happen, registration will happen, it should become. Otherwise in terms of project launches, the demand is everything, there is no problem. People are still having money, bookings will continue to happen.
- Interviewer:** But from a developer side, I think there are delay in launches in Karnataka.
- Suresh Iyer:** That once this picks up, I think they will also... Because even for this, in fact, when the E-Khatha issue started, the thing was that every person has to get the E-Khatha separately. Now, in fact, the government in between said that if a builder wants to take a bulk E-Khatha from all the units in the project, that is also possible. So I think once that kind of a thing happens, it will sort out.
- Interviewer:** And if you take this 200 crores assuming marginal improvement over the next year. So, you will be able to meet the double digit even growth or it will still be falling short?
- Suresh Iyer:** Yes, so we have targeted 2400 disbursement in this quarter in line with what we have done in Q4 last year. If that happens, we will have a, right now we have 6100 crores. It will be anywhere between 8500 to 9000 crores which will, closer to 9000 will be 10,000. And 8500, it will not be 10,000. It will be lower than that.
- Interviewer:** While you being guiding the margin and delivering the higher side of the margin if the rate cut has happened? How should this rate cut impact being passed on?
- Suresh Iyer:** See, in terms of our liability side, we have 60% of our liability, so 60% to 65% of our liability side is linked to the repo rate or to the T-Bills or CP. So there definitely we will start seeing the benefit. And in terms of our assets side, of the 100% is floating, but then we are not there mandated to have an EBR linked pricing. So today it is not necessary that if 25 fixed bill repo rate cut has happened, we also have to pass on 25. So we will pass on only to the extent to which we experience on the liability side. So therefore our spread at least will be protected we will not compromise on that aspect.
- Interviewer:** I mean it's only once the liabilities are repricing to that extent you will pass on the....
- Suresh Iyer:** The spread will not compromise.
- Interviewer:** But your margins will come off only because of the leverage?

Suresh Iyer: Yes.

Interviewer: And how are we going to check in terms of the digital transformation?

Suresh Iyer: We have our, in terms of our new project RFP that is there, which is going to have the entire gamut of all those things for our customers. That is scheduled to be implemented in November. That is in Q3 of FY26. But right now, at least we have implemented the upgrade of our industry software, LOS, LMS application. So that is enabling us to at least have a chatbot and all those kind of things. So that way customers can still do it. Even the CRM that we're talking about will get launched soon, so that we should be on board with the management. It's happening.

Interviewer: From a business per branch which is Stage-1 which is at **(Inaudible) 9.20**

Suresh Iyer: Per branch number you are talking about?

Interviewer: Yes.

Suresh Iyer: See as of now, since we are on branch expansion, we opened 14 branches last year and this year also we are talking about 15 branches. So even if some branches increase their business and all those things, in terms of the business per branch, I think it will get evened out because you have two branches which will eventually not be doing that much. It will take a while for them to do it. Like for example today the 14 branches we opened are doing about 75 lakh per month per branch now. They have reached the level of 75 lakhs business per branch per month. To reach that 170 kind of a level, it will take a while. So that way I think the average will not, in fact what I would say a more or better metric to consider this would be the productivity. Productivity of cases per staff per branch, which is hovering around 5. So as we are adding branches, as we are adding staff, the productivity of 5 we are able to maintain. I think that is where the growth will come from. Like today, this year we added about 100 plus staff we've added. We were about 970 last year. We've added and we're right now about 1100 something, 1109 or something. So that way if you see those people who have added, at least even if we consider them for half the year, that is where the productivity or the improvement will come. Other than my Telangana, all other states are in positive, just to share rest is almost on the verge of covering up for the last year's business. So in February, they will be positive. They would have already crossed the last year business. Not that January crossed their last year business. Okay? Karnataka, but for this issue where we lost about 400 crores, today we are about Rs. 440 crores to be precise more short in terms of the last year's figure which will get covered in the next 2 months because already in this month, even if you do about 220 in March, then 2015 March, we'll be positive in Karnataka also, in spite of the fact that we have been losing business compared to what we were normally doing. Had this e-Khatha issue not happened, Karnataka also would have been about 15%-20% growth. They are already at 20% growth in Q2. At least, Telangana and Andhra Pradesh; Andhra Pradesh, Q1 was negative. But in Q2 onwards, it has started improvement because the change of government happened. And by then, even Andhra Pradesh would have been positive. In these

states where we are having the demand has become an issue. To answer your question, we are definitely the team is positive because all other states are positive.

Interviewer: And this is the borderline, the reason I am asking is because Canara Bank on their call mentioned about looking to monetize their stay in a sense as to..

Suresh Iyer: Specific to this which always people keep asking. But so it is not something which they have on their own stated as a question.

Interviewer: In the past, Canara bank used to always deny. In fact, like when they used to meet the bank that back then when they were getting inclusion from the government I told them that why are you even taking fresh money and diluting stake at one-time price to go for sub-book that time on a covered basis when you have subsidiaries that very critical to us. This was company which we used to hear like 3 years back. And now it's actually a chain. They're very openly coming and saying that **(Inaudible)** 13:52

Suresh Iyer: I think also because of this RBI draft circular which says **(Inaudible)** 14.03, there is no such discussion at our end or I don't think there is any kind of unless the RBI direction comes clearly that it has to be done. I think generally I think you can call at that point in time.

Interviewer: And sir, you mentioned that you have 970 odd people and added 100 more, right? What you added during this year? No, is it largely a..?

Suresh Iyer: Yes, there is no except for Canara Bank when it was coming from Canara Bank, all either through the market or even growth happens, it would come.

Interviewer: Isn't challenge in your space, right? Affordable housing companies, being private equity back, right? Ability to pay is generally always more, right. And there's always more with them, you know, when it comes to branches or anything. So do you think that is a major hurdle?

Suresh Iyer: At the entry level, I would say that our salaries are very, very competitive. It's a limited company entry level. Because up to the level of a certain chief manager or senior manager, I think the level, the competencies are very, very competitive. It's only at the senior level because the comparison comes in as to what is the maximum. So there are some limitations in terms of the package. But otherwise, up to the senior manager level, maybe three or four levels, officer, Desk Manager, Deputy Manager, Manager and then Senior manager, so five positions. So, I think there is no problem at all. We are quite competitive, we are quite so challenge, that is not a challenge. The only challenge would be that, yes, beyond that point, it's not competitive.

Interviewer: Any demand because of this new budget proposal of this second house?

Suresh Iyer: It will come but I think otherwise it is obviously that second house will come in only in the segment where the disposable income or the FDs there.

- Interviewer:** So price?
- Suresh Iyer:** It will be more in the higher end of the market. Definitely not in the affordable segment or the 20-25 lakh segment, but yes, 40, 50 lakhs, 60 lakhs payment, there is yes. There is a possibility that can be an investment.
- Interviewer:** A couple of (Inaudible) 16:52 where do we stand over there?
- Suresh Iyer:** Also we had spoken and we couldn't get a very great experience in APF last year, but this year we have started in a much smaller scale with a limited kind of a project and all. So we have done about 35 odd projects in APF by December this month we hope to be somewhere around 250. By end of the year we will be between anywhere between 60 and 75. We want to touch around 75 projects by the end of the year. It will definitely be anywhere between 60 and 75.
- Interviewer:** This year 75 to compare to against how much last year.
- Suresh Iyer:** We started last year but we didn't get much. Practically, last year we did the training, we built the team. This year we have really started with the teams and we have got about 50 odd projects by now. We will go to end around 60 to 75 and next year we want to take it up to 150 projects. That is because the first move is the more difficult one, but once we have done it, we have done it. But once we get some products on board, then what happens is it's much easier to go to the next bidder and see we have a Godrej product, which is coming up over here, which is on boarded. There is a one-project of so and so builder, there is one-project of so and so builder. Then, that way it is much easier to penetrate the other builders.
- Interviewer:** (Inaudible) 18:30?
- Suresh Iyer:** No, because on the rate of interest rate we are not offering any special rate or any special discount for these APF projects. On the other side, however, for these kind of projects, we will not be getting (Inaudible) 18:42 although we have to pay something to the developers also.
- Interviewer:** But if you come at the ticket size, it should be slightly higher or?
- Suresh Iyer:** Yes, it should be around 30-35 lakhs.
- Interviewer:** 30-35 lakhs.
- Interviewer:** (Inaudible) 19:04.
- Suresh Iyer:** Other than Telangana, we have other states which are already positive. And if there is another one, Karnataka, it would have been around 20% positive. So, continue the same next year. In fact, even Telangana is still positive because we have already come down to a level which is bare minimum. We are just doing about Rs. 100 crores of market in Telangana with 19 branches.

Interviewer: 5% roughly?

Suresh Iyer: It's come down to 5%. 10%.

Interviewer: Disbursement, I would say.

Suresh Iyer: 100 crores a month is a little more than 10% because you are doing about 700-800 crores per month rather than...

Interviewer: Can we get to like 20s kind of disbursement growth?

Suresh Iyer: Disbursement growth of 20 should be possible. As I said, all the momentum has already come in all other forms. And that did not happen in fact in Karnataka e-Khatha. Even in Q3, we would have done about 200-400 crores. Operating leverage should also kick in that way. Even if expansion and spreads, material expansion, you should still get a lot of operating leverage.

Interviewer: Any thoughts of doing developer or self-employed?

Suresh Iyer: Developers should not be doing it.

Interviewer: SENP is already 30% of the real estate.

Suresh Iyer: Incrementally, today my SENP is about 40% of the incremental business. That's why you know..

Suresh Iyer: Tejas, we have about, that is helping margins on the AUM basis from 28 it does move up to 30.

Interviewer: And that Ambala fraud that could happen any recovery or anything?

Suresh Iyer: Ambala fraud, it is under investigation. I don't think that it is likely to be anytime soon or even if at all.

Interviewer: So borrowing plan, next year given that we are heading into a rate cut cycling, it's going to be a shallow rate cut cycle, 25 to 30. How would you plan to borrow? Because I remember at one point in time, I think before you joined, a lot of dependency on CP and it churns relatively at a lower cost and that was like dip in margin. So would you want to take that route and make that higher?

Suresh Iyer: On the ANF conductors, they are not very, of course, the rate and benefit is already there, but 2.5% margin maintaining it without...that is what we are focusing on. And if at all increase the CPs, then in that case the rating in point of view also, they will not be very good. We are also internally, if you see two particular points, which I would like to highlight in terms of balance sheet strengthening. So one is we have reduced our hearing, which was very high, right up to even above 8% to 9% and all. We brought it down to 7.05 as of 31st of December. So at the rate

at which we are growing, which is below the ROE, in fact, there is a chance that this may come below 7x in the next quarter or maybe in a couple of quarters, it could be closer to 6.75 or something also. That is one strength in it because that gives a lot of buffer to us in terms of when you go to the rating agencies. The second thing is our 11%, 11% was our CP exposure, that we have brought it down to about 7% which is just about one quarter so we are consciously ensuring that the CP exposure is not exceeding one quarter's disbursement, that's the kind of thing. So from both these points of view from the balance sheet strengthening, I think in all that is much better, we are not taking too much of a risk on short term paper or ALM or anything like that.

Interviewer: And sir just lastly from.....so when does your tenure end as per industry?

Suresh Iyer: I have a 3 plus 2, 3 years plus (Inaudible) 25.53 of 2 years. I joined in March 23, 26 March is when my first tenure is over and then depending on the extension of the course.

Interviewer: And sir what are the reasons.

Suresh Iyer: If the board is okay and I don't see any reason why I...

Interviewer: Should be your this thing...What do you think?

Suresh Iyer: No, I strongly believe, you know, in terms of this, other than this growth aspect where we need to purely focus and for this which hampered us in Q3, I think we were in the first one year of course, Ambala went completely in cleaning up and I think we are quite well, we are done in all those aspects also. We have completely cleaned up a lot of things, strengthened a lot of processes. It gives a lot of comfort, we are safe in all those aspects.

Interviewer: We have to continue even after this.

Suresh Iyer: Yes. That would be..because now is when the real, all the effort that we have put in all the steps we have taken, the process will happen now. Now is the time when the growth points are fixed up. It should come into our hands. A lot of steps we took in terms of the decisions that were taken in terms of geographical expansion, in terms of reducing the geographical focus in the southern states, reducing the DSA focus, slightly moving in terms of the, having a little more of a self-employed lab and all those things. All those things slowly started to result. Even the new branches, if you see, we now 14 branches we opened last which have contributed Rs. 30 crores, which is like 75 lakhs per branch per month. And so in another year, they would be on with which is the breaking point. In terms of the marketing channel that we have set up, in December in Q3, they contributed about 3% to 3.25% of the incremental business. In January, they have contributed 4% of the incremental business. So slowly we are seeing that all the steps that have been taken are slowly showing the size.

Interviewer: (Inaudible) 28:21?

- Suresh Iyer:** As I explained in the call also, it is purely because of that we are not able to carry an excess amount in the one EMI or excess or something, the advance EMI that was being carried. And therefore even in small checkpoints, customer tends to immediately pay the EMI amount only. But the charges remain outstanding. So out of the Rs. 2493 crores which was in SMA-0, Rs. 770 crores, it could go up to around 850-odd crore I need to see that it comes back.
- Interviewer:** Because it's a new phenomenon, every quarter you'll have some of these sorts, right? How do we correct for them?
- Suresh Iyer:** Yes, so correction is happening in the sense that we have now started sending SMSs to the customers that the checkout is there. We have also, you know, we were sending the pre-due date SMS for any information to the customer. But now when the follow up happens, we also send in the check bounce charges. We have started sending more of these check bounce messages, for the check bounce the additional charges without their..... So those kind of educational things where involving the customers, that is what we are doing.
- Interviewer:** Thank you so much sir. Thanks a lot. Pleasure meeting you sir. Thank you.