



“Can Fin Homes Limited Conference Call”

With Sundaram Mutual Fund

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

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Suresh Iyer: Things are as in, you know, for the last two year journey, if I look at it, I think after the Ambala incident, we had a one full year where we had a lot of changes, a lot of process controls, a lot of upgrades and all those things and from Q2 onwards, it was purely business but and Q2, it was reflected also in the sense that we had all the zones barring Telangana and AP, which is erstwhile Telangana only, these two states, we had some negative growth, otherwise everything was growing.

One of the things we had anticipated obviously was the geographical, you know, concentration risk which was there, for which we had already indicated that we plan to now start expansion in our north and west but before all those things could take effect, we had this impact in Karnataka. So, now two of the states, Telangana and Karnataka, we had impacted and the risk that we perceived eventually, unfortunately got us in Q3 but now slowly at least...

Questioner: Sir, in Karnataka, what is the situation?

Suresh Iyer: In Karnataka, they introduced a requirement for e-khata for all transactions. So, in Q3, we had this, you know, transactions coming down substantially in Karnataka, all lenders and across because, you know, any new transaction, any registration you have to do, you have to first get an e-khata, which was an electronic form and then you will be able to go for any new registrations. So, you have all registrations for new property purchase including plot plus.

Questioner: Just in Maharashtra, same thing. In Maharashtra...

Suresh Iyer: Maharashtra and some only registrations. But that is, you have to still pay stamp duty. It is not a prerequisite for a registration. Within, once you do a registration, within 30 days, you have to do this, you know, stamp duty, you have to do the NOI, notice, you have to do for the, with the stamp. You have to first go, go to the substrate office, get a, produce all your documents to prove your ownership, get the e-khata, they will then register it and produce and give it to your e-khata and only after the e-khata is there, you will be able to do the next registration of that property in some other person's name.

Questioner: All households have to first get that e-khata...

Suresh Iyer: If you want to register any or sale or do any transaction, yes. So, that, guideline came somewhere on 27th or 28th of September. So, October, November, December, it was very bad. In fact, recent article said that there were about 12 lakh applications for e-khata, but only 1.25 lakh e-khata were issued. And so, effectively in Q2, we were doing business in Karnataka, almost like INR275 crores per month was the disbursement in Karnataka, but in Q3, it came down to almost INR150 crores. So, that badly impacted us, almost INR350-INR400 crores of business, we lost that in Q3.

Now, slowly this e-khata is opening up, at least within the municipal corporation limits, they have now started, you know, it has become little more simpler and little more quicker. So, some

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e-khatas have started being issued and so registrations have started happening again. So, slowly we are also seeing the benefit coming because in Q3, we were doing INR150 crores, but January, we were able to touch INR200 crores in Karnataka.

So, slowly it is picking and coming back to normal. So, once they open up, right now, only for corporation, they opened up. Once they open up for periphery areas and panchayats and all those things, then we will really be back in business because, you know, full-fledged in this old, similar to old-fashioned because 40% of our business time still happens in panchayat areas.

So, that was the main thing. So, Q4, we are now looking at about 2400 similar to what we did last year in Q4 as in terms of the business and because still January is over and still the e-khata has not been completely resolved. So, we still are getting impacted. We are not back to the INR270-INR300 crores kind of disbursement in Karnataka. So, that is there.

Questioner: So, government just implemented this without having the back support, right? Effectively this is what happens.

Suresh Iyer: Correct. Actually, what had happened was it is not related also because they had done it in some one or two smaller corporations like Davanagere and all those places. You know, their transactions are like very, very less and it is a much-much smaller corporation. So, there somehow it did not have so much of an issue and they were able to implement. So, they thought they will implement it here, but the kind of volumes...

Questioner: Government knows about it, right? That how many registrations are happening, what is happening, right? And accordingly, how much volume will come. All registration has to be done effectively, e-khata has to be done?

Suresh Iyer: Correct. Somehow, you know, they were not able to handle it at all because you know they even announced that they will put some 300 more people on the job in the sub-registered offices, more systems and infrastructure they would provide. But they could not meet the requirement even now like 12 lakh is the application and now 125, 1 lakh 25 is what they have been able to issue.

Questioner: So, what is the rationale of this?

Suresh Iyer: They claim that it is only for digitization of the records which is a little surprising frankly speaking because you know 2015 Karnataka was the first state along with you know Gujarat and all which said that we are doing 100% registration and we are doing digitization. So, now why after 9 years again they are saying you want to do one more round of digitization is very surprising. So, what is the real reason?

We do not know. But surprisingly you know both the states where the Congress came in power these kind of problems have started happening. So, I do not know what to say about it because Telengana also the problem started after the DRS government lost and Congress came in power.

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Both places you know this land registry and all has been impacted. So, the real reason I would know, but what the government is claiming is that it is for registration and for digitization of records. So, business I think we will be back in the next year we have at least because other than this Telangana even by the end of the year we expect that all other zones will still be positive in terms of disbursement growth.

Already two of the six zones are already positive, they have crossed the last previous year figures. West also will cross this month. So, three of the six zones will be there and two of them will cross in March. So, it is only a matter of Telangana which is going to still continue for us, but Telangana already has come down to such a low level that you know next year from there it cannot go any further down because we are only doing once INR5170 crores disbursement and in peak up to INR200 crores which now has come down to INR100 crores.

So, definitely from here it cannot go any further down. So, next year even there it should be positive. So, that is what gives us confidence that you know some of the measures that we have taken are showing results and the momentum has started in all the other zones. So, effectively 20% growth is what we are targeting 20% to 25% in the next financial year.

Questioner:

But sir given the kind of momentum slowdown in the economy which we're seeing and GDP it has also been -- downward side. And with this correction in the markets, do you think this somewhere this growth will get impacted in the real estate side?

Suresh Iyer:

In case of our affordable segment already it has -- it is there, it is witnessed because it has already come down to single digit because there it is more of a supply of more -- of more additional supply and supply is particularly after the CLSS withdrawal has come down in the segment. So, there definitely yes, but here at least the supply is quite there. In fact, while this has happened, but you know inventory holding which used to be as high as five years also has come down now.

So, that way that is also the good thing is that you know the holding capacity is also now quite good because when market has held with even five years of holding capacity. Now, when the you know inventory levels have come down definitely holding capacity is definitely there. So, supply will not be a problem and so, if it is only a matter of the price does not keep on appreciating then you know definitely value is there.

And particularly after COVID what is happening is people are looking at you know gated communities, people are looking at this kind of societies where you know. But still you know this demand is already there and I do not think that this area.

Questioner:

Somewhere I am thinking I have been wrong also that the price inflation in real estate have been so high in recent years, but somewhere it has started pinching to the actual buyer?

Suresh Iyer:

No, you see now in Bombay the other side is also that you know the rents are so high that it is you know people may not mind buying a little away, but they still want to.

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- Questioner:** They are pinching I am saying the rentals are higher because there is a significant inflation of real estate. Ultimately, it is linked about 2.5% to 3%? So...
- Suresh Iyer:** For the kind of people like today who are paying these kind of rents like you have about INR one crores on the property, good properties, good builders INR1.5 crores to Bombay, in Panvel INR1.5 crores and now the development is happening. Of course, connectivity and all those things and commute cost will have to be considered, but you know this is something you know the last 10 years there could be some drop or thing like that, but still the...
- Questioner:** The question is from the perspective that do you think that we are at the top of the cycle from the real estate perspective, that's the key point I am just trying to understand or you think...?
- Suresh Iyer:** No, the runway is definitely there because as an aspirational thing now the average age of customers is also coming down. People nowadays do not have that kind of a thing to you know that we will buy and this will be the one last investment before I retire. It is like almost today the younger generation does not have to worry about you know finding livelihood. It is more of you know they buy iPhone from their first salary. Then about house...
- Questioner:** That is also true. So, with the new tax rates. You have income of INR20 lakhs, you pay 10% tax. Correct. When both are working and earning on INR20 lakhs each. Correct. After paying INR2-INR4 you have some extra money left.
- Suresh Iyer:** Up to the in fact and if you look at the average thing you know roughly bigger cities and all, but otherwise average people in the age group of about the INR2 lakhs salary back then by that time people are in the 35-40 age group people normally arrive at this and that is also the time when they can also afford to that is the time when they will also want to have a house settle with family kids. So, it is also the time when ideal house buying also can happen.
- Questioner:** So, disbursement rate which has been about say INR1,900 crores-odd of the last two quarters. How should we look at going forward which you are saying 20% next year? On this basis 20%...
- Suresh Iyer:** See we in Q2 itself we were doing we did almost INR2,400 crores which is like 800 per 100. So, what we are looking at is around 900 to 1000 per 100. With Karnataka also not if Karnataka did had not had this problem even in Q3 we would have done a run rate of about INR800 crores which is about INR2,400 crores.
- So, you know slightly stepping up from there is what we are looking at and some of the things which are which is happening is you know we started our branch expansion. Now for a long period we had there were no branch expansion no new branches added. So, obviously that was not bringing in the incremental business.
- But now last year we added 14 branches. Q3 if you see those 14 branches which are mostly open Q3, Q4 of last financial year have average completed one year and they are already at a stage where they contributed additional INR30 crores in a quarter which is like INR75 lakh per month per branch. This year again we are opening additional 15 branches.

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So, next year when you look at it will be a double where you know there will be almost doing about INR20-INR25 crores per month addition business will come per month INR20-INR25 lakh per sorry INR20-INR25 crores per month will come. Because you know those 30 will add up to another 50 and this new branches which we opened this year next year in Q3 will add will give another 30.

So, if you look at it 30 plus INR56, INR80 crores will come which is almost INR25 crores or INR20 to 25 crores per month is what will be added by the new branches. So, that cycle has now again started. So, some growth will start coming from the newer branches. Second we have now gone in for this you know internal marketing team which is adding to the business.

So, Q3 we did about 3% to 3.75% of the incremental business came from the marketing team. Now in January about 4% of the business has come from the marketing team. It is just a small team of 30-35. So, it's very clear that you know if we are able to add people then definitely the business can come in.

So, far you know stagnation in the staffing was also some one of the factors that there was not much of a staffing addition which was happening. Particularly in the last four-five years you know the staffing if you see had not grown, but now in the last two years we have added the staff.

Of course, some of it has definitely gone towards improving or strengthening our assurance functions, audit, compliance, risk and all those things. But in the branches also like we had about 700 and something odd people in the on ground in the branches in March 23. That now is close to 900 people.

So, with addition of people also there also the productivity will start kicking in as we move forward.

Questioner:

First time we met I think we are meeting after more than a year. You were also saying that the builder portfolio you want to expand gradually. How is that going?

Suresh Iyer:

See initial last year when we met we started some experiments, but it did not work out first for us because there were some issues like builders also expect some payouts which we were not doing. We had to tweak our policy, we had to get approvals and all those things and we have got those things done. Now, we are also able to compete over there.

Second thing is you know now that we have some 10-15-20 builders tied up with us as APF projects, we are able to get a much easier entry with other newer builders because we always can say that you know see these are the builders who are already with us. So, you know that is also helping and what we have done is instead of going across the board and doing this kind of a times.

We have mostly focused on the one is the north and Gujarat and those built we have done a little bit in Jaipur, little bit in NCR Delhi, Gujarat and in the Tamil Nadu. We have not gone in across

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the all the streets to try this. So, this experiment is happening because now we have a good sizable 5 to 7 builders in the NCR built where we can always talk about that builder is done with us, this builder is with us.

So, that is helping us do that. So, now the TAT or the conversion is happening much faster because acceptability is slowly coming in that okay, they have already got you know some builders with them. So, that has slowly started to get us results. So, now we are having closer to about by now we should be having close to 50 APF projects tied up.

End of the year we are looking at, trying closer to 75, but we will definitely be within 60 and 75 builders will be with us and next year we won't be present...

Questioner: You said you have already tied up with the 20 odd builders, first you said?

Suresh Iyer: No, no. I am saying right now by 31st December we were about 35 builders. Now we are closer to 50 builders, we have tied up with them. And by March we will closer to between 60 and 75 we would like to be touching 75. 60 to 75 builder APF projects will be with us. And next year we are looking it increasing it 250 by the end of the year.

Questioner: What is the builder book currently?

Suresh Iyer: No we are not funding the builders. We are only funding the projects, units over there...

Questioner: So, when a customer comes he will direct the things.

Suresh Iyer: Yes, because what we do is we take their common file, we get the approval legal and technical we get it cleared. So, when a customer comes we can do a quicker sanction and since you know in a single entire project we have done the legal and technical clearance. So, what happens is you know when the customer comes we can immediately give a sanction and it we can even offer some special.

Questioner: Which is what the internal team is driving.

Suresh Iyer: That is also the internal team is also driving that plus they are also getting business like what we have done we have tied up with this lead generating portal. Just a second.

Questioner: So you were saying you tied up with some lead generating platforms?

Suresh Iyer: Yes, we have. So, lead generating platforms also we are tied up wherein what happens is they give us some leads which is also given to this marketing staff. So, they do the direct sourcing and second they do this APF tie ups also.

Questioner: How much this internal team will help you to save in the cost side, cost of procurement?

Suresh Iyer: We are paying frankly we are paying about 0.45% to 0.45% to the DSAs. Now obviously when we are taking marketing staff they also have to be paid salary and we are also paying something

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to the people. So, the you know benefit will be we will be adding a channel for which will be which will broad base our sourcing rather than so the saving in cost may not be much, may not be a very great thing.

On the contrary what happens is what we pay out to the DSAs is amortized over the period of the loan whereas what expense we are doing will be affluent. So, in terms of cost there is no benefit except that we will be broad basing it and we will have a more stability in terms of sourcing of business.

Questioner: And the processing cost when the sales come from a DSA versus internal is same or is it different?

Suresh Iyer: Processing fees are little more when it comes to the DSAs.

Questioner: So, anyway that is being charged from the customer is paying anyway. Yes. Because you are charging him higher?

Suresh Iyer: Yes, that is correct. Means of course that is a cap. So, it is not that in every case we are recovering everything that the DSA payout we are doing. We are recovering part of it, but obviously we cannot you know if it is a very large file then you know like for example it is a 60 lakh file then we are paying 0.4. So, 24,000 is paid to the DSA. But then 24,000 we cannot collect from the customer. So, there is a cap of you know 20,000 for processing fee and all those things. So, in larger cases we may not be recovering entirely from the processing fee.

Questioner: Sir, your total AUM is about 37,000.

Suresh Iyer: 37,000.

Questioner: And how much is the repayment on a quarterly basis?

Suresh Iyer: We are getting around total monthly collection is around INR725 crores including the EMI component which is about INR350 crores. So, INR37,000 crores and monthly collection is INR350 crores in terms of the EMI. The balance is the BT out, the balance is the -- you know part repayments and the excess whatever the customer pays because sometimes the customers also pay EMI suppose it is INR17,800 they will pay INR18,000 EMI you know. So, those kind of collections.

Questioner: So, INR350 crores is the EMI and how much you said the...?

Suresh Iyer: Total 725. So, totally we are getting about INR350 to INR375 crores every month by way of this run down on the portfolio.

Questioner: INR37,000 crores, INR37,000 crores to straight away EMI back 4200 to 3200 plus some part payment will also come and some balance transfer will also happen. So, of this INR735 crores if I advertise it is INR3,500 odd crores which also includes the interest part of it. And if you keep adding INR12,000 odd crores let us say INR1000 crores, it will INR10 to INR12,000

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crores. So, EVMI will not add more than INR4 to INR5,000 crores even if I account for the interest and all.

Suresh Iyer: Correct. So, if you remove the interest portion then we are getting in the somewhere in the range of about you know INR400 crores every month, 400 to 425. So, 5,000 to 5,000, 5,200 to 5,500 max the portfolio will also keep growing. So, today maybe it is around INR5,000 crores to by the end of next year it will be INR5,500 crores. So, INR5,200 to INR5,500 crores will come. So, INR11,000 crores suppose we do disbursement then 5,500 will be the net addition to the AUM.

Questioner: And regarding the spreads part of it and also the post this rate cut, how are we going to get impacted positively or negatively? This is first rate cut possibly we will have one more. Right?

Suresh Iyer: Correct. No, we will not have a negative impact, it may only be positive or neutral, it cannot be negative impact because you know first thing is we are not bound by a this one, EBLR linked pricing. So, we need not definitely pass on the exact 25 bps to our customers. So, only when it is experienced on our liability side we will pass on the asset side to our customers and that also if 25 basis points reduction is there.

We may effectively experience only about 15 basis points or 10 basis points because only on -- those loans which are linked which are floating rate on the liability side that we will experience. So, we will also pass on only 10 or 15 bps to our customers.

Questioner: So, on the liability side you will get the benefit immediately?

Suresh Iyer: On the floating rate loans like for example, banks all our term loans are either repo-linked or they are T-billing. CP everything is obviously short term as in the rates go down the CP rates will also come down. So, as and when in the next 90 days because we take 90 days CPs as and when they come from maturity we will get data.

Banks not immediately like for example, some banks are at the recent date which is quarterly, some will have at the end of the following month. So, some will happen on 1st of March, some will happen on the quarter end date.

Questioner: Between 1 month and 3 months?

Suresh Iyer: We will experience everything correct.

Questioner: And that means what percentage of the total?

Suresh Iyer: Today 56% of our liability side is linked to is bank borrowing which will be positively impacted. Another 7% is CP which also will be positively impacted. So, about 65%, 60% to 65% of our liability side will be impacted. There is also 50% of our NHB portfolio which is floating but then that is annual reset. So, we are not even considering that. So, whatever is happening on these two portfolios that is bank borrowing and CP that will benefit to us within a quarter.

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So, probably somewhere in the end of the quarter we may look at a slide passing on something to the customers.

Questioner: So, Q1 next quarter, we can see some improvement in the news?

Suresh Iyer: A little bit can be possible because timing effect will obviously work to our advantage.

Questioner: In timing, even if you pass on let us say at the start of the quarter also, the day you get because 25 bps has been reduced and you will pass less than that.

Suresh Iyer: Correct.

Questioner: And that too on the -- all your borrowers are on the floating side or how?

Suresh Iyer: All of them are on the floating side but only 20% of my total asset side is on quarterly reset. The remaining 80% is still on annual reset, the old portfolio. Now, whenever they opt for the quarterly reset, then they will do it. So, initially when we do it on at the end of the quarter, suppose we experience on 66% or 65% of my liability side, we will pass on 10%. That 10% also in the coming quarter will be impacting only 20% of our borrowers. The remaining 80% will be as and when they convert or as and when their repayments are falling, I mean their reset dates are falling due.

Questioner: But does it also increase the balance transfer risk because if you do not pass on...

Suresh Iyer: See balance transfer is not a function of the repo in the sense that today when the repo rate has been cut, banks will have to compulsorily pass on that benefit to their existing customer. But if a customer today goes from me and goes to a bank, he will not get that rate unless they drop their incremental lending rates. So, if the incremental lending rates get cut, I will also have to cut it.

So, the monitorable actually which can adversely impact me is how soon they reduce their lending rate, incremental lending rate. If they do not then it is good for us. If they do, then we will also have to immediately follow.

Questioner: So, whether you are able to maintain the spreads or increase the NIMs, this is a function of the competition is going to behave on the annuity?

Suresh Iyer: Yes, and since the deposit rates are now the higher side.

Questioner: Now the secured borrowing everybody wants this borrowing?

Suresh Iyer: Yes.

Questioner: This is a secured asset we are seeing some risk on the unsecured side of it.

Suresh Iyer: Correct.

- Questioner:** So everybody wants this?
- Suresh Iyer:** That is correct the question is again for the banks the deposits rates are still high. They have not dropped the rate because today they will have to cut their deposit rates. If they do not cut the deposit rate, they may not get deposits.
- Questioner:** In a high inflationary scenario, that is always a problem?
- Suresh Iyer:** Correct. So, that is the main.
- Questioner:** Perceive inflation of the people are much higher than the published inflation?
- Suresh Iyer:** Correct. So that is what will determine the rates like today they have announced. I do not think anybody has yet. Of course, it is too early, but we will have to see how many of them are able to actually take that call and reduce their. At least in our case, what has happened is we managed in the last two quarters, we have worked aggressively to replace all our MCLR linked bank term loans to repo linked bank term loans.
- Today, 100% are either linked to repo rate or linked to T-bill rate. We had about 40% two quarters back of our bank borrowings linked to MCLR. We replaced all of them with repo linked. So, that will help us now.
- Questioner:** So, how should we look at the NIMS going forward next year?
- Suresh Iyer:** NIMS will be range bound 3.5. We are seeing 3.5 plus only. So, we will stick to that kind of arrangement.
- Questioner:** Last year, we were somewhere 3.9 and all.
- Suresh Iyer:** Even now it is around 3.7% plus, 3.6% or something for the quarter, otherwise 3.7 overall, but I think we will still save about 3.5% plus.
- Questioner:** Why that reduction?
- Suresh Iyer:** No, at least on that front, I think we would like to take on the.
- Questioner:** No, I am just trying to understand. Is there any specific reason why you are saying a lower number? It is just a conservative guidance?
- Suresh Iyer:** It is just a conservative guidance.
- Questioner:** And how should we look at the cost side of it?
- Suresh Iyer:** Cost side will in fact be negatively impacted because we have this IT cost coming. So, actually by the end of - by another two weeks we will be able to publish on the stock exchange the total cost, the bid that we have received what has been final approval we have received from the board

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for the cost and what is the breakup and timing of the expenses in terms of both capex and opex. So, that we are presenting to our board shortly and we will be able to.

Questioner: But what was the budget for the entire?

Suresh Iyer: Budget was actually approved 2.5 years back, August 2022. At that time, it was INR250 crores. So some escalation obviously will be there and with the way the dollar is moving, definitely there is a escalation, but broadly we said - we had said anywhere that about INR30 crores, INR35 crores will be the opex that will come because of this. Currently, our opex is INR15 crores. So, about INR20 crores will be the additional opex that will come on an annual basis because of this.

Questioner: So, this opex increase is on account of amortization of this expense or this is additional INR20 crores?

Suresh Iyer: Additional INR20 crores because we were on a model which was only LOS LMS, but now the new RFP for IT implemented transformation we are doing, it is a much advanced LOS LMS plus it is we are also incorporated DMS, there is a HRMS module, there are additional security and infrastructure requirements. Now, we are going from a normal MPLS lines to we are moving to SD-WAN setup across the branches. So, all those kinds of things are factored in.

Questioner: And there is some cost related with the privacy part of it, data privacy, some banks were saying that this new bill and all?

Suresh Iyer: DPDP Act has come in that is actually giving 18 months time to move to it. So, I mean, we are all still grabbing to see how much is going to be the impact of that DPDP because it also envisages things like you have to take consent you to have a till now the KYC AML Act required only the Aadhaar to be masked and to be encrypted and maintained and all those things and a key to be generated and all for the Aadhaar.

But now under the DPDP Act, all the personal information including the mobile number, including the mail ID, PAN, Aadhaar, address everything has to be masked and maintained and all. So, there are all these kind of things. Plus, we have to maintain as to what, how we are able to protect it, retain it.

There are also clauses which relate and the customer can choose when he wants to have it destroyed or keep it for data which is not in use, we have to have a policy when we are going to not store it and things like that. So, there are all those things you will have to incorporate and see. So, Aadhaar Vault is - was the only one which was we were now required to maintain. So now we may next 18 months there will be some tools you may have to acquire to mask the other tools also, other things also.

Questioner: So, how expensive this activity is going to be?

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- Suresh Iyer:** Aadhaar Vault of course we have already incorporated into this thing. The other ones will be as we come we will have to look at it.
- Questioner:** No, because we met certain bank they were saying this is going to be very expensive and the smaller institutions are going to get impacted.
- Suresh Iyer:** Regulation is becoming difficult. So, cost is definitely there. So, smaller institutions will compliance costs are going up no doubt about it, but these are all necessary whatever things that are there you have to factor in those costs, but whatever happens will happen for the industry as a whole. So, it is not that some will be impacted some would not be. Everybody will have to now comply with it.
- Questioner:** And this masking of the documentation is it coming only for the financial institution or others have also to comply I am just trying to understand?
- Suresh Iyer:** No, any institutions which are having private data of customers we have to. This could also be for the telecom agencies, for the insurance companies, for this everybody wherever KYC is like applicable everywhere this will also be applicable because basically all the...
- Questioner:** Because there is too much of theft which is happening of the data right. And I do not know whether you read this latest economist their main heading is scam incorporated. So, this scam industry is now becoming bigger than the narcotics industry. It is much more difficult to control. This is happening all online scams and there are certain geographies in the world some in Philippines, Myanmar and all. Here it is being done at an institutional level.
- Suresh Iyer:** Some this erstwhile Russian countries also.
- Questioner:** The point is they have been protected by law also in those countries just cannot do anything.
- Suresh Iyer:** Southeast Asian countries [inaudible 38:38] China. Chinese people are putting up their centers and taking out many of the people have gone there and held captive and they are forced to make those calls.
- Questioner:** So, it is happening with support of the government in some of these places?
- Suresh Iyer:** No, it is definitely there.
- Questioner:** And the way all our data has become online, forced to become online.
- Suresh Iyer:** Yeah.
- Questioner:** By government. And when they implemented this, they did not thought of the safety part of it. And now it is being misused. So, I do not know who should be held responsible for this?
- Suresh Iyer:** Nowadays in fact you call anybody the first message is also that if somebody tells you that you are somebody has fallen sick, some your customs may something is stuck or your phone will be

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this thing, please do not fall prey for it. It has come to that level where the amount of the innovation that is happening in that industry is very, very high.

Questioner: So, I do not know whether 18 months is a long time or a short time now what you guys have been given because this is a big problem. And many people are losing their life savings.

Suresh Iyer: True. In fact, this DPDP Act there will be some cost, but I do not think anybody is right now in a exact position to say how much will be the cost in that because for like Aadhaar when Aadhaar was required to be merged, now we have a Aadhaar data Vault, we have that encryption tools.

Now, when we are talking about these other tools that is mainly address, mobile number and mail ID and all those things, for that also now we will have to acquire or we will have to the existing tools will have to be modified to be able to encrypt them to maintain the data to generate keys for.

Questioner: Couple of years back there was a theft from Bangladesh central bank also?

Suresh Iyer: Bangladesh.

Questioner: Central Bank?

Suresh Iyer: Bangladesh Central Bank there was a theft and the theft was supposed to be a billion dollar. They got saved with about \$100 or \$200 because the hacker entered a wrong spelling while entering password and he did it couple of times. So, the FBI got suspicious and this was being drawn from their line from FBI from US federal bank and they got suspicious and they stopped it. So, they lost about \$100 million, 150 odd million otherwise \$1 billion would have gone. And this was a Bangladesh central bank forget about us.

Questioner: This threat is there and RON targets 2%?

Suresh Iyer: It is 2.1 in fact we are about 2.1% consistently. I think 2.1% because if our growth rate is lower than this then I think ROA will be will not be a spread is maintained.

Questioner: Our average is around 6?

Suresh Iyer: Right now it is 7.05 times and the rate at which we are going I think we have consistently been bringing it down. So, about in a couple of quarters we should probably be around 6.75.

Questioner: That is your comfortable?

Suresh Iyer: Little yes 7 we do not - we would I mean when we discuss with rating agencies they were comfortable with 8, but I think internally I think below 7 is good.

Questioner: So, first you want to come to below 7 and then maybe you will accelerate?

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- Suresh Iyer:** No, it is not that because of this we are not accelerating that is not the reason, but what I am saying is we have brought it down and that is now in a comfortable zone. So, even with that I know even a 7 times gearing we will still be able to grow at about 15%. In fact we are going at below that.
- Questioner:** Dividend will go out?
- Suresh Iyer:** Now we have a dividend payout ratio of 11% to 12% and if I say 15% then 13% growth will come.
- Questioner:** That is what max you can grow without?
- Suresh Iyer:** But then today we are at a CRAR of 23%. So, maybe then if that is the rate it goes 15% dividend payout ratio 7 times gearing 2 to 2.1 times ROA then in that case we will be able to grow about 13% but if you grow above that then it may be in a couple of years that is when the will happen.
- Questioner:** Anything else sir which we should have not asked I have not asked?
- Suresh Iyer:** No, I think we have covered a little bit.
- Questioner:** Today the bank holding is how much?
- Suresh Iyer:** Canara Bank. Canara Bank is 30% - about 30% 29.99%.
- Questioner:** They will remain at this?
- Suresh Iyer:** Right now yes there is no talk about otherwise.
- Questioner:** It was before?
- Suresh Iyer:** No, it is circular. There is an October 4 draft circular, but that will take time to implement because the IBA has formed a committee I understand which is going to give suggestions to the bank and how this can be done and how to go about it. I think that will take another 3 months to 4 months then what they suggest how it will happen is there, but the new governor also has not indicated anything as of now nothing much has.
- Questioner:** Thank you.
- Suresh Iyer:** Okay. Thank you.