



## “Can Fin Homes Limited Conference Call”

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

**11.03.25 Bajaj Finserv**

**Rajiv Mehta:** So, Kishore, would you like to start or somebody else is also joining?

**Kishore Agarwal:** Saurabh sir is joining. Till he joins, I'll just briefly introduce ourselves. And then, because we are talking for the first time. I've met you, the CFO in the conference a few times, but I'm meeting sir for the first time. So, sir, we are part of the Bajaj Finserv Group.

We are the mutual fund arm of the group. We started our fund about 18 months back. We have close to about 11,000 crores on equity and over 20,000 crores in total AUM as of now. We are a holder of Can Fin. So we hold Can Fin in two of our funds. I track the sector closely. I have tracked the company closely. So, I understand the company quite well. So, if you have any brief introductions for us, happy to take. Other, we can jump straight into Q&A. Saurabh sir, who is our Fund Manager, is also just joining in.

**[Suresh Iyer]:** Just a second. No, I think from our side, DMD Mr. Saha is here. He's from Canara Bank and on deputation here as a DMD. And our company secretary, Nilesh Jain, is also here. I think they'll just give an introduction. We'll start. We can go with Q&A if it is okay with your side.

**Rajiv Mehta:** Sure, sir. Okay. So, sir, I just wanted to hear from you, how are you, from a strategy perspective, I think you joined the company about 18 odd months back when there were issues with regards to operations governance. I think a lot of those has been fixed now. But just from a strategy perspective, how you're looking at things, how do you see things from a growth perspective also, because growth has been a little bit of a challenge for us in the past 12 months. So happy to hear on the strategy front. And then I can have some specific questions as well.

**Suresh Iyer:** Sure. See, in terms of the thing, it's going to be about almost two years since I joined. And, yes, you rightly said that we had some issues, and which have all been particularly on the control side, on the monitoring side and the internal controls.

We have put a lot of things in place. And so, processes are in that way. A lot of processes have been streamlined and strengthened, and a lot of activities and oversight has started happening. So that is definitely there. In terms of the strategy, in terms of our outlook for, now that this has happened, we have only one thing which is left, which is the IT transformation, which is also already initiated and is likely to get completed by, end of this calendar year. So that is one thing in terms of overall.

I mean, objective, I think what we are wanting to do is we want to continue in the same segment. At least if you're asking from that point of view, a strategy of which is the segment, which is the product or something, then we would like to continue in terms of our focus on housing, focus on the salaried segment.

And we have started into the core other areas in terms of challenges is that one, we need to have an expansion of our geographical presence because, we were more of a south based thing and almost 72% of the business was south based.

So, we have started doing the diversification of our branch presence and geographical presence. So that has slightly come down from that 72%. Now it is slightly coming down. And in the next two to three years, we expect to bring it down to about 60-40. The second major change in terms of strategy is that we want to slightly reduce our reliance on DSA channel. Presently, it is a little below 80%.

And when I joined, it was around 85% in the last quarter of FY23. So, from there, it has come down a little below 80%. And we gradually want to bring it down so that in the next two to three years, we are able to bring it down to closer to 60%.

So, our own sales and marketing team, we are setting up. We started with just about 35 people this year, approximately 35 people. But that channel has started contributing about three to three and a quarter percent of the incremental business now.

And slowly we want to increase it so that by the end of next financial year, that is FY26, we are at least able to contribute this. This channel is able to contribute about 7%, 7.5% to 10% of the incremental business comes from this channel. And slowly by, in the FY28 or something, we want to bring it down to the DSA to 60% and 20% of the business should come from our own internal sales team.

So that is the second major item that we want to do. One is the concentration risk we want to reduce. The second is we want to enhance or expand our, sourcing channels. These are the two things. And once our IT transformation project is implemented, we will also be able to do digital onboarding and digital sourcing much more aggressively. So slowly that also we expect will start contributing to about 10% by FY28.

So, these are basically the two major broad areas. And as I said, in terms of the segment, we would continue to focus on housing and the salaried segment. Product will be housing mainly. So, we are presently about 85% of our book is housing, including CRE, which we are okay to bring it down up to 80%.

And on the segment side, we are right now about 70% is salaried and 30% is self-employed, which was 72% and 28% when I took over. From there, we have slightly, increased our focus a little bit on our self-employed segment. And we are okay to go up to 65-35 also. So, these are broadly the kind of things.

**Rajiv Mehta:**

Okay, so thank you for that detailed response. And on the growth, I also wanted to hear from you that what are you doing to scale up the growth? I think Karnataka and Telangana was a challenge. But I think off late your comment is that Karnataka is resolving. So how far are we? And not just from Karnataka and Telangana perspective, but if you look at competition in the space that you're operating has also gone up.

There is another bank led subsidiary, which has also entered the space. And they have also grown quite, quite fast. Their disbursement run rate is now almost close to 40%-50% of yours in the affordable side. So how are you seeing competitive intensity there? And what are you doing to bring up the growth profile of the company?

**Suresh Iyer:**

Okay, rather than first before getting into the specifics of the Karnataka situation and all, I mean, I just like to highlight a couple of points here. One this branch expansion or addition of branches to was which had stopped somewhere around the time of the COVID has been restarted last year. So, in fact, that is one thing which will add about two to three percentage point every year in terms of the growth.

Like, for example, we opened 14 branches last year in this Q3. You know, these 14 branches have been able to contribute about INR30 crores. Okay, which is in terms of this, not a very high number, but at least, out of the INR1,800 crores that we did in Q3, about INR30 crores have come from this.

So basically that 2% delta has come from the new branches which are opened last year. Now, this year also we are going to open branches. Now, these branches which are open last year, normally the breakeven time is about two years.

So, they are still at midway stage. So next year, the same branches will be doing INR60 crores and in Q3 next year. Okay so that way, the branch expansion, which will now happen on a regular basis every year, 15, 20 branches that we are planning will be one aspect which will add to a little bit of delta.

The second thing is, as I mentioned about this, our own sales marketing channel, which is there. Now, obviously, till now we have we didn't have any presence in the market. We did not have any presence with the developer segment, and it was purely dependent.

Almost 80%, 85% was coming through the DSA channel only. So now with our own sales team, we are having a better presence in the market. At least we have initiated the presence in the market. Our boys have started going and meeting the developers. We have by now close to 60 plus APF tie ups also. The same team of 30, 35 people have done this 60 tie ups also.

And by the end of the year, we expect to be somewhere around 70, 75 project approvals will be on hand with us. And next year, we also want to increase this and take it up to 250 projects. Okay, so this presence is happening.

The sales team is also doing direct business because of the presence of our own sales team. You know, the focus of the leads which are coming on our website plus the leads which we are able to acquire from the market through aggregators and all that is also getting addressed. So, this is also helping is an additional thing which is going to help us on a going forward in terms of our growth.

That will also add to other Delta. Not to mention that, this APF and we are doing or our own sales team that is doing plus the focus that we are now slowly bringing on slightly increasing the ticket size. So, what is happening is that ticket size will also slightly increase.

So, we were around 22 lakhs. We are now closer to 25 lakhs in the next year. Also, we expect this number to slightly go up because in the APF, the projects that the properties that we are funding, the average ticket size is about 35 lakhs.

So, definitely, those things will also add a little bit to our ticket size. So, basically, there will be three drivers. One is the branch expansion. The second is going to be our own sales and marketing team. And the third is going to be the increase in ticket size. All three are on a broader basis other than this thing is there.

Now, on a more of an immediate reason or the short-term thing or a one-time event of the Karnataka e-Khata. So, there what has happened is out of the three areas of corporation limit, the Urban Development Authority and the panchayat, the BBMP, that is the urban development -- the municipal corporation limit, there the approvals or the e-Khatas have started getting released much faster now. Because the government has been able to have some link between the sub-registrar offices and the BBMP office. So, this has slightly helped.

The government has also assured that going forward in the Urban Development Authority and the panchayat areas also, the e-Khatas will now start happening. Now, this was an announcement made by the Chief Minister almost about two weeks back or something. So far, while it has not happened, but I mean, going forward, it should at least happen in Q1. I don't expect it to go beyond Q1. So, definitely, our Karnataka issue will also get resolved by end of next -- not this quarter, but end of next quarter, Q1 of FY '26. So, that will also become regularized.

Otherwise, in terms of our other zones, that is North zone, West zone and Tamil Nadu zone, okay, they are already crossed their previous year figure. They are already in growth already. And Karnataka, in spite of this setback we have had in Q3, is still positive today. And we are confident that even by March, it will still end in positive only. In spite of the fact that in Q3, we lost about INR350 crores to INR400 crores of disbursement in Karnataka. And in this quarter also, compared to what normally would have happened, we are again losing another INR200 crores to INR250 crores of disbursement in Karnataka.

So, in spite of that, Karnataka losing about INR600 crores of business, still we are saying that Karnataka will be ending as marginally positive, which means the demand is still there. It is only a procedural matter where the e-Khatas are becoming a bottleneck. So, we are not able to do the registrations and thereby not proceed with the disbursement of loans. But otherwise, there is a - - business is there. And once this issue gets sorted out, Karnataka will be back to the growth numbers that it had in H1, which is around 20%. So, this is basically in terms of the growth.

We feel that with three of the zones already positive, 15% to 20% plus positive, Karnataka also next year becoming into 20% positive. I think only Telangana remains, which already has kind of hit a rock bottom. This year, we are likely to have a 30% to 35% negative growth in Telangana. So, from this level, which is almost a very, very low level, we should be able to get some growth next year from Telangana as well. That's why we are guiding that next year we are targeting somewhere around 20% kind of growth in disbursements.

And now coming to your second point about this competition, that also you had raised, right? So, in terms of competition, see, I understand you're talking about some leading competitor who has come in terms of the affordable segment, correct? Now, see, I do agree that there is one of the large players who has targeted this affordable as a segment. But I think that is more of a broader strategy for them where they are trying to target the affordable segment. They're trying

to target the mid segment, and they have also started a premium segment. So, that also was like more in the mid-size segment where the presence was very much there.

Now, they are trying to on either side flank the business on either flanks. They are trying to add some which will add to their volumes. But in the core segment, which is where we are also there and where they are also there, there in fact the numbers are almost the same. So, it's actually not adding any competition to us. And if they are entering into the affordable segment of this less than 15 lakhs ticket sizes, then that is one segment where actually our numbers are going down because we are focusing more on the 20 lakhs to 25 lakhs.

We are moving from a average ticket size of 22 lakhs to 25 lakhs and probably next year to 27 lakhs. So, that way basically we are -- if you see our numbers quarter-on-quarter, we are giving a breakup of 0 lakhs to 10 lakhs, 10 lakhs to 20 lakhs, 20 lakhs to 30 lakhs and more than 30 lakhs. So, there you will see that in a 0 to 10 and 10 to 20 segment, our numbers are actually going down because we are moving more to the slightly higher ticket size segment.

**Kishore Agarwal:**

Okay. So, just a follow-up question, sir. So, when you are moving to a higher ticket size bracket, don't you face challenge from banks, mainly the Tier 2 banks and the small finance banks? And how are your yields different in that bucket compared to the existing bucket?

**Suresh Iyer:**

See, now small finance banks, I don't think in that segment are offering or much of a competition because, see, our rate starts from 8.95. Okay. So, our best customer for a home loan who is a good CIBIL score will be able to get a rate of interest of 8.95. Now, I don't think this rate is what our small finance banks are able to offer. But yes, some of the bigger banks are definitely offering a lower rate like you take SBI, HDFC, ICICI, Axis or all.

But if you look at their average ticket size, they are much higher. They would be closer to 40s, and 50 lakhs will be their average ticket size. So, in fact, even when we move from '25 to '27, we will still be under their radar only. We will not be still as a competition in the segment where they are strong. So, I don't think that is going to be there. But yes, some of the APF projects, we do have -- most of the APF projects where we are going, these big banks are present there.

But then our appetite or our size that we are looking at, okay, to achieve our numbers is not a very big number. So, even if there is a big project of 100 units, even if we are getting 2, it is big for us. But for them, it doesn't matter. 2 cases going out will not matter much. And those 2 cases also probably they would not have actually financed, because it doesn't fall under their policy norms.

**Kishore Agarwal:**

Sir, how has that approved project list moved in the last 18 months?

**Suresh Iyer:**

See, actually, we started only in June when we set up our own team. Last year when we had done this APF project, we faced a lot of hurdles, and we could not actually do much. So, the real business, our numbers have started showing only after we set up our own marketing team in June 2024. From then, if you see, we have moved consistently.

As of December, we had 35 projects approved. Before that, we had 15-20 projects in, I think, the previous quarter in September. Then we had 35 projects approved in December. Now we are

sitting at around 60 projects approved as of now. And hopefully another projects we are having on hand. So, some of them may not materialize. So, still we are feeling that about 70 to 75 is the number we may end up with by end of March.

**Kishore Agarwal:** Okay. Got it, sir. I'll just pause to check if Saurabh sir has any questions and then I'll have more questions later.

**Saurabh:** No, no, Kishore, you can continue. If I have, I'll come back.

**Kishore Agarwal:** Sure, sir. Okay, sir. So, and also on the yields, sir, will your yields be different in the segment that you're going, so like the higher ticket size segments?

**Suresh Iyer:** No, as I said, our 8.95 is there. And since we are slightly -- as I said, the kind of cases in this approved projects also, our entry strategy is that we are not looking at very high numbers. Even one or two cases, which are kind of deviation cases for the banks, if we are able to do, then also. So, in those cases, we are still able to maintain a yield of about 9.5 plus. So, that is quite okay for us.

**Kishore Agarwal:** Okay. Got it, sir. And overall, sorry.

**Saurabh:** Yes. Hi. Sorry, I joined late. This is Saurabh here. Just a small question on our overlap with banks. So, what portion of our loan book would be catered by the banks as well or there will be not much overlap?

**Suresh Iyer:** Not much.

**Saurabh:** By banks means schedule banks, bigger banks.

**Suresh Iyer:** Yes, sure. See, actually, we are giving this breakup of how much is the business that we are doing. So, our more than 50 lakhs business is just 28% of the incremental -- sorry, 38% of the incremental business is more than 30 lakhs. But there also, if you look at more than 50 lakhs or more than 40 lakhs, which would be there, this number would be much lower. So, I guess somewhere in the range about 15% of our business that we are doing incrementally is where banks are also operating.

So, 15% of our business means on a monthly basis somewhere about INR100 crores, INR120 crores business that we are doing is where the banks would also be operating. But not necessarily that this would be exactly the cases which banks would do because most of these cases could also be deviation cases or in geographies where the banks are not directly available.

**Saurabh:** Got it. I just had one question on the interest rate cycle, and this comes to my mind because for banks, mortgage loans are generally externally benchmarked linked now. And when there is an interest rate cut cycle, what happens is that they have to cut rates because they are externally benchmarked, both for new loans also you have to offer that same rate.

But if the wholesale rates don't fall, for people like us who are wholesale borrowers, there could be very difficult to match those prices which the bank is offering because they would offer at

closer to repo cycle rates. I saw this happening during COVID and even the largest of the NBFC which is now merged to a bank faced few challenges for few quarters.

I just wanted to understand your view that in a deep cycle -- deep rate cut cycle when wholesale rates are a little more stubborn, do you think these kind of challenges will be faced by people like you as well again? Just wanted your thoughts there.

**Suresh Iyer:**

I agree. Today just a quarter basis point, quarter percentage point reduction in the repo rate. Tomorrow if in a succession if it happens and we witness about 6 months, we witness about 1 percentage point down, then in that case yes there will be a big difference between what the banks are offering and what we are offering. But again, in that case, as I said, the ticket sizes of 25 lakhs, 28 lakhs, 17 lakhs, these are cases which I think the banks still are not doing much. They are still in the ticket size. So, there we may not win, but definitely in the segment which is slightly the closer we go to 30s and all.

**Saurabh:**

15% of your book, you will face a bit of a challenge, 85% is secured.

**Suresh Iyer:**

You are absolutely right, will face. In fact, not 15% to 20%, 25% of the portfolio incremental business that we are doing could have that problem. Because the closer we are going to 30 lakhs and all those segments, we will have the banks will do it. But depends also on how much of a relaxation in terms of policy they are able to do. Because as I said, we also have some deviations, some kind of calls that we take which banks in their regular course of this thing may not be able to take. So, if they are also able to do it, then that's a different thing.

But it all also depends on whether they want to take that kind of a risk of also diluting their policy when their borrowing cost is not coming down. Because today also the repo rate has come, but the deposit rates have not come down.

**Saurabh:**

Got it, thank you. This was really helpful. Kishore, you can go ahead with the questions.

**Kishore Agarwal:**

Yes, thank you. Sir, so yes, we're talking about the yield cycle. So, I think the 25 basis point cut would not impact it too much. But let's say there's another 25 cut. So how much of that benefit do you are not linked to repo, but you'll have to pass on at some point of time as well. So, have we passed on any interest rate cuts yet or any plans as such? And how is the liability profile changed? Has there been any decrease in rates for you as well?

**Suresh Iyer:**

See, first of all, we have about 60% of our -- 60% to 65% on the borrowing side, which are linked to the market rates. But this is a combination of one bank repo linked borrowing, T-bill linked borrowing, and third is the commercial paper. Now, in February, when the repo rate has been cut, the actual benefit to us in terms of the repo linked bank term loans will happen only by end of March. Because, you know, the way the structuring is there, it happens on a quarterly basis at the time of the interest payment that we make, which is normally at the quarter end.

So, most of the, you know, repo or benefit that we are going to get on the liability side will happen in the end of the quarter. And therefore, in the entire year, there will probably be no reduction in that we will experience on our cost of borrowing. So, it was 7.52 by 31st March, it could, it is more likely to be 7.52 only.

Having said that, on 1st of April, our cost of borrowing effectively should come down to 7.45 or something. So, we are expecting only about 5 bps to 7 bps reduction in our cost of borrowing. Because while this has happened, the Q4 CPs that we have raised have gone up by about 20-30 bps in spite of, because of the liquidity -- because it is not only a matter of interest rate, it is also a matter of liquidity. So, CP rates have actually been higher than what we have borrowed in Q4.

Similarly, in case of NCDs also, the rates at which we have borrowed is a little higher. We have actually raised a 5-year NCD at 7.95, but this time we are raising at 8.18 or 8.15 and those kind of rates today. So effectively, net-net in Q4, that 25 bps is going to, you know, result in about a 5 to 7 bps reduction in our cost of borrowing as on 1st of April, which we will definitely pass on to our customers.

Same way, next time if there is a rate reduction, we again will have an impact in terms of our, most likely to be at the end of the quarter. And so, quarter on quarter is likely when we will also pass on to our customers. But 25 bps indirectly now will come down to 5 bps. But next quarter obviously the liquidity in Q1 is much -- normally it is much better. So, our CP rates again will come down and will reflect the real reduction in the repo rate or the interest rate reduction. And therefore, we may again have a better impact in Q1 compared to the 5 to 7 bps that we are experiencing in Q4.

**Kishore Agarwal:** Okay. So, you will only pass on once your cost of borrowings comes down in the next quarter.

**Suresh Iyer:** Absolutely.

**Kishore Agarwal:** Okay. Got it, sir. And coming, just one quick follow-up on the earlier point about growth in Karnataka. So, I think you had initially guided for about 10,500. Now I think, what is the number that you will close the year at and what should we look at FY26? And can we, given that FY25 will be a slow year, can we still expect a 15% growth in FY26 on EUF?

**Suresh Iyer:** See, this year we are, we have said that in Q4 we had given the guidance. Q4 we are looking that Karnataka issue is still persisting. We had said we will be doing somewhere in the range of about 2,400 crores. And we are sticking to that target. We said we will do as much as what or a little better than what we did in Q4 of last year. So last year in Q4 we did 2,313 crores.

So, we are going to be definitely better than that, a little marginally better than that in the end of this year. So, in all likelihood, we should end somewhere in the range of about 38,100 to 38,250. That is somewhere in that range we should end the year, looking to what normally has been our prepayment trend and run down of the book. So, we expect around 9% kind of a growth is what we are expecting in the AUM for this year. Going by those numbers.

So, for next year, yes, we are looking at about 20% growth in disbursement, which will be closer to 11,000 crores is what we are targeting. So with 11,000 crores disbursement that we are looking at for next year, we should be able to add somewhere in the range of about 5,200 crores to our book, which will be somewhere closer to 15%, 14%-15% will be the AUM growth is what we are targeting for next year.

**Kishore Agarwal:**

Okay. Sir, initially you also talked about new IT system. So, can you just walk me -- walk us through that? How will that help you? And what will the total cost that you are incurring? And how much will that hit your P&L? And will that change your cost to income to a large extent?

**Suresh Iyer:**

See the new IT transformation project that we have embarked upon, it is a complete rehaul of our IT, including the application side, the infrastructure side and the security components. So, on the application side, we are completely changing our LOS, LMS. We are adding a DMS, HRMS package, our GL and deposits, obviously. So, our entire thing on the application side is going to be completely changed.

In terms of the security and infrastructure side, we are going for -- on the infrastructure side, we are going for SD-WAN setup instead of the current MPLS-based and internet-based connectivity that we are having. This is much better in terms of the security as also in terms of our manageability, much stronger SOC and same and all those things. So, in terms of security also, we are upgrading our system.

In terms of the infrastructure, again, as I said, once we do all those things, in terms of the server, in terms of the backups, in terms of the availability zones and all those things, there is a much, much higher, much better kind of a system that we are doing.

In terms of the total overall project cost, the project is around INR297 crores is the overall cost, of which about 100 crores is the capex and INR197 crores or thereabout is the opex. The project is a 7-year project which includes one year of implementation. So, from January to December '26, sorry, '25, calendar year '25, it is going to be the implementation phase followed by a 3-month handholding exercise. And thereafter from April onwards, it is going to be the actually 5 years and 9 months of the actual project run phase.

So up to March '26, actually the implementation stage will continue, and the handholding phase will be there. So basically, all the costs that will be incurring in terms of either the infrastructure or in terms of the cost of the manpower that we are deploying, the external payment, everything is going to be capitalized.

So that is the INR100 crores that is going to be there during this phase where there will be a cash outflow, but basically the whole thing will be capitalized. So, the costs will start coming in FY27 only. And that will be spread over 5 years. So, you can say INR20 crores-INR20 crores will be the approximate cost that will come every year in terms of the depreciation and all.

The second in terms of the opex again will obviously commence only after the project is commissioned in March '26 or thereabouts. So effectively that opex that is going to come spread over the next 5 years and 9 months, out of the INR197 crores will be about INR34-INR35 crores roughly it is coming out, is what will be annually spent.

So, FY '26 we are not expecting much of a cost because of this project because whatever expenses we will be doing will be capitalized and the expenses will start hitting the P&L only in FY27.

So INR20 crores annually in terms of the depreciation of the capex and INR35 crores in terms of the opex which will be about INR55 crores. Currently we are spending about INR15 crores and once the project goes live in November-December 2025 obviously the old system will have to be removed. So therefore, that cost that we are incurring will come down.

So approximately the net addition INR55 crores minus INR15 crores will be about INR40 crores. And so that you know currently our total income is around INR3,600 crores. So obviously by FY '26 end we will be a little higher than this. So approximately INR4,000 crores if we take then the cost to income will increase by net about 1% because of this IT implementation and that will start coming in from FY '27. So, 1% and obviously thereafter every year as the income goes up this actual impact will start reducing. So that is how the entire thing is going to work out.

**Rajiv Mehta:** Sir but I think your opex annually is about INR220 crores. So, if you INR40 crores is like almost a 20% increase?

**Suresh Iyer:** That is correct.

**Rajiv Mehta:** Okay understood. Coming to on the asset cycle so we have seen some pain in the microfinance industry. Obviously you are a completely secured lender, but you have also increased slightly on the LAP side. So, have you seen any significant deterioration?

So have you seen any significant deterioration anything and also your SMS 0 has also gone up quite sharply. I understand you clarified on the call that it is mostly related to some small item on the bouncing charges side. Is there any strategic changes you are making so that that number comes down and overall, what is your view on the asset cycle?

**Suresh Iyer:** First thing is whether there is the impact because of the changing scenario and all those things. Not yet because our cheque bounce ratios our delinquency otherwise overall has not been affected much. Our collection efficiency continues to be almost 99 point something which is there.

So, we are not seeing much of an impact not yet at least. Okay there could be some but a very marginal I expect definitely there will be you know slight impact because of the personal loans because personal loans our customers do take personal loans. But microfinance loans I don't expect our customers would be there who would have taken microfinance loans.

Now what the reason for our increase I as you mentioned I have explained in terms of our reason why our SMS 0 has slightly gone up. Approximately INR770 crores out of the INR2,493 crores as of December which was showing reflecting in SMS 0 was mainly because of the amounts less than 850 which is basically the cheque bounce charges which were levied.

And earlier the same cheque bounce charges would get adjusted because their customers would still have some small balances always available as an advance which now we are not able to carry.

We have all anything excess in speed which is straight goes into the account of the customer in the same month same day in fact. So, if there is any excess speed by the customer it is straight adjusted. So therefore, any cheque bounce charges that are there we have to be extra collected.

So, what we are doing is we have started we have increased our SMS to customers our awareness to our customers when we send messages also before the presentation of the NACH and everything. We are accordingly we have modified the messages also. So basically, we are creating an awareness in the customers and educating them so that you know when they suppose the cheque bounce also happen they pay with the charges.

And we have also increased our follow up mechanism for such cases so that you know any such cases where you know customer has only paid the EMI after cheque bounce we still follow up and collect the cheque bounce charges separately. So those things we are doing so SMS 0 should also come down. But overall, I think the NPA figure would remain the -- which is about 0.9 is I think the real figure of NPA which is there in the books.

**Rajiv Mehta:** I got it and so overall you do not expect a significant iteration in credit cost?

**Suresh Iyer:** No, we are still guiding for 15 bps could be 1 bps, 2 bps here and there but 15 bps I think should be fair should be a fair you know this thing of our credit cost. And this does not include the management overlay if any. So, the 15 bps that we are talking about is the actual because of the ECL calculation.

**Rajiv Mehta:** Understood sir, do you plan to create any overlay?

**Suresh Iyer:** See if we do have a management overlay and given a good year yes we are open to increasing our management overlay. As of the moment at least we definitely do not intend to withdraw from it right back. But yes given a good year we would like to slightly have a little more of a management overlay.

**Rajiv Mehta:** Understood sir okay. And so, we have seen that this year the spreads have been pretty much maintained. Do you but your margins have despite of you reducing a loan book your margins have been stable given that you have also reduced your overall leverage. I was expecting a slightly improvement in NIMS but overall has any spreads come down for you?

**Suresh Iyer:** No spreads I think if you see quarter-on-quarter there has for two consecutive quarters we have had about 1 bps or 2 bps actually improvement in the spread. If you see it was I think 2.52 or 2.54 I think I might be able to give you. It is I think increased quarter-on-quarter it has for the last two quarters at least we have seen an improvement in our spread. See from it was 2.54 in Q1 it increased to 2.56 and in this quarter it has ended at 2.60 so actually our spreads have slightly improved.

**Rajiv Mehta:** And this is because of this mix improvement in favor of SENP?

**Suresh Iyer:** One is the mix that is correct and of course second is you know some of the customers when they are repricing some small repricing does happen when the customers because of the internal rating and all. But otherwise mainly it is because of the spread about this mix because our lap if

you see a slightly increase from 5% to 6% and second in terms of the incremental business we began the year almost with a 72% salaried and 28% SENP which now in the AUM is about 70% salaried and 30% SENP mainly because our incremental SENP business is closer to 40%.

**Rajiv Mehta:** Understood sir and sir this year your fee income has not increased compared to last year that is mainly because of the lower disbursement?

**Suresh Iyer:** That is true we have not increased our disbursements much this year it is almost a very flat one.

**Rajiv Mehta:** And sir have you also heard do you also attach any insurance with your loans and is there any impact with the recent governments talking about not attaching insurance product with loans any impact on fees from that?

**Suresh Iyer:** See we do have property insurance and life insurance. Property insurance is mandatory, but when we take the 10 year Bharat Raksha cover which is their standard product. In terms of the life insurance, we are not insisting on life insurance our attachment rates of life insurance are quite low it is in fact 35%-37% only.

And that also where the customer is willing only there we do it if the customer says they are not interested then we do not insist for life insurance. Now recently of late we have you know the regulators have been talking about have been pointing out that some of the companies have been insisting too much on the insurance. And they are contemplating putting a cap on the total income which is coming from this insurance fees.

In our case I think we are way below that because our attachment is absolutely probably the lowest in the industry today. So, I do not think that is going to make any going to hurt us and we continue to be fair to the customer that we will not insist and make it mandatory for our customers. And I think the second point which the regulators have been pointing out is that many players they give a loan and then they deduct the insurance premium and the processing fee from the first disbursement.

Whereas in our case absolutely no either the customer has to pay separately the premium or they have to go for a separate loan product which is classified as a non-housing product. Which is a small if they have the premium to be funded. So, if we say that the disbursement is, or we sanction a home loan of 20 lakhs then full 20 lakhs get disbursed to the customer either to the customer or to the vendor or to the developer.

**Kishore Agarwal:** Sir, there was a RBI circular about banks and subsidiaries not able to do the similar businesses. So, will you be able to give any feedback on the same or if it was to be implemented what will happen to Can Fin overall?

**Suresh Iyer:** See in this case the circular came on 4th of October and November 21st, 2024 was the last day for submission and I believe all banks have given their feedback. And so far since then the RBI governor has also changed and since then there is at least as of now there is a lull there is not much of a discussion happening on that aspect. So, we don't know what is the final ruling.

Incidentally in the guideline itself, there was a little bit of ambiguity because in one place the circular itself said that certain businesses lines of business you can continue under subsidiaries. And housing was one of that line and in another place it was saying that no two lines can be. So, there is a little bit of ambiguity, so clarity is also required.

And third thing is that you know if at all the circular does come up, then in that case there is it is something which will impact the entire industry and well at that time the bank will have to take a call. And our Chairman who is the MDC of the bank parent bank has also said that if at all the regulation come we will see, otherwise as of now they see good amount of upside on terms of the valuation and they are working towards strengthening the company. So that view has already been given by the parent bank.

**Kishore Agarwal:**

Understood sir. And sir your customer segmentation versus the bank will be quite different right you will not be servicing the same customer segment as the parent bank will be doing?

**Suresh Iyer:**

Yes, the average ticket size of the customers of the bank who have taken home loans is approximately 35 lakhs or something whereas ours is 25 lakhs. So, there is a sizable difference in this thing. Another thing is that the bank is mostly predominantly I would say doing business with its existing customer base and they have their own sourcing and this thing whereas for us actually today a little almost like 80% of the business is coming through the DSA channel which is purely third party linked.

So, there is no kind of you know business which where the bank is giving the business to us or the reject or anything of that sort, there is no formal tie up with the bank with the parent bank. It is purely a market from where the sourcing is happening and our presence as I said the ticket size is also being smaller our focus is also more on the periphery areas and the panchayat areas and all those things.

**Kishore Agarwal:**

Got it. Sir one thing is on the NHB borrowings. So, we have seen that the NHB borrowings this time the allocation has been lower in the panchayat. Have you also seen any reduction in borrowings from NHB and has the rate increased because I also heard that NHB has increased the interest rate and any impact from that?

**Suresh Iyer:**

See actually NHB, yes they have annual reset. So, they do review their rates and borrowing rates and in the last year whatever borrowing the NHB has done probably yes the rates have gone up a little bit. So, which is getting reflected now for us also, but overall, we still have the lowest cost of borrowing is from the NHB only even today. Even the incremental borrowing that we did during the current year.

In fact, last year we had a INR1500 crores sanctioned limit from NHB, but we did not draw the funds because the cost of that refinance was slightly on the higher side, and we were getting competitive rates from the banks and everything. This year in fact we therefore our sanction limit from NHB increased to INR2,000 crores the entire INR2,000 crores we have already drawn and the weighted blended cost of the borrowing that we have raised from NHB in this year from INR2,000 crores that we are talking about is approximately around 7 point closer to 7.6 or something.

There are two separate tranches. So blended cost would be somewhere around 7.6 it is definitely still lower than what we have raised from the banks or what we have raised from the NCDs and everything.

**Kishore Agarwal:**

Understood sir. And one is on the PMAY, so while your average ticket size is 25, but I think you have a sizable almost 40% portfolio in that ticket range. So have you seen any disbursement pickup in that segment from because of the scheme or any impact from that scheme?

**Suresh Iyer:**

Not yet although we have had enquiries, but frankly speaking we have not been able to do much of a business in that. One is the process is also a little more longer this time because there has to be a lot of data entry almost 200 odd fields we have to add enter and take too much of data from the customers all those thing is there.

The process has been completely changed that if a customer is eligible they have to first upload their data on to the portal, NHBs portal, check their eligibility wherein the data will check whether the same customer has drawn from any other discounted rate from the government schemes or anything and first time home buyer and all those a lot of checks are there then they have to come back to us and then be allowed to - so all those things are there. So, we have not seen much of a traction so far in this scheme.

**Kishore Agarwal:**

Is this for you or for the industry person?

**Suresh Iyer:**

Even for the industry basically September is when they started this scheme it was effective, but the announcements came in October mid-October and they said that we will open it from September, but then there were still some queries. All of us had I if I remember correctly I think in November also we had a meeting in NHB in Delhi where we had the presentation from the ministry and all.

And there were a lot of queries and open issues even at that point in time in November. And slowly they have all been closed and we are now in a position to do it. So post that we have taken the approval from the board and have launched this scheme, but then the traction so far is a little less because still we are trying to grapple with the process also I would say to some extent.

**Kishore Agarwal:**

Okay sir. Got it. And so just from a return ratios perspective, so we on our balance sheet our leverage has come down quite sharply which is also reflecting in our ROEs coming down from 19% odd level to almost 17% now. So, do you expect the leverage to build up, do you also target any ROA, ROE metric for yourself?

**Suresh Iyer:**

See ROA we are targeting 2.1 we are above that only and ROE we would be comfortable with 17. So that should give us a healthy margin to post dividend payout also be able to sustain our growth at around 15%. So that is what we are targeting and as for the leverage yes it has come down because yes our profitability continues whereas our business has not grown in line with the way it should be growing.

So obviously our leverages have come down, but there is a scope to slightly increase the leverage, but we will definitely not have much of a scope because I think from the regulators -

the rating agencies point of view also we will not be able to go beyond 8 or 7.7 or somewhere close to that.

**Kishore Agarwal:** Sir, but if I remember correctly we have...

**Suresh Iyer:** Yes, sorry.

**Kishore Agarwal:** So, if I remember correctly we have operated in the 9% to 10% - 9 to 10 times range, so has there been any change in the thought process of the rating agencies?

**Suresh Iyer:** See the times when we had a leverage of 9 and 10 times at that time we had a AA plus rated HFC and the rating agencies are also more comfortable in the range below 8 times for a AAA rating. And so, I think you know 8 times is something which I do not think we will want to kind of cross. I guess anywhere between 7.5 to 7.75 is also okay, but we would like to at least keep a little bit of margin and not go beyond that. So, there is a scope to improve the increase our leverage which is right now about 7.05. So that is slightly possible.

**Kishore Agarwal:** Okay, understood sir. And sir like given that Karnataka will resolve next year right. I think you this year you had initially started with a INR10,500 crores guidance and Karnataka USIM seems to get resolved by Q1 and only Telangana is being still an issue. We are still guiding for about 11,000 for 26, is it because you want to see how the year pans out or is it that there has been some slowdown because from the initial guidance excluding Karnataka 11,000 seems a little on the lower side?

**Suresh Iyer:** See one thing is there in terms of our Telangana business, I do not expect that even next year will be a very great year. We may not be back to the same old numbers that we used to have. Okay, although from the level that we have reached right now, I do not think you know little bit of growth will be difficult because we have already from INR150 crores, INR170 crores we have come down to a level of about INR100 crores a month. So, from here I think going down further is not definitely not likely it is more likely that we will be more on the positive side.

So, that is one thing why we have this issue. Second is, in terms of the present level we have done around 8,500 something is where we will be doing for this years. So, in which case 20% growth will so in terms of the capacity building that we are doing I think is a fair ask of course if the if the thing pans out, well then we will not hesitate to do more but of course we will have to build the capacity and all those things as well.

**Kishore Agarwal:** Understood sir. That is helpful. And sir, overall, from a PPOP and a perspective given that you will have a 20% growth in opex in somewhere in '27 so do you expect that you will have offsetting liver somewhere?

**Suresh Iyer:** See, I mean we discussed it 20% it may not exactly be 20% but whatever another 10%, 15% or whatever also. So, one of the things that we will we have an opportunity is of course, in terms of the for the profitability side is a little bit on the margin, because yes we can still look at when the rates are going down.

Generally, there is on the asset side there will be we will pass on only after the -- we experience on the liability side plus the pass on also will happen in a quarterly you know phased manner within the quarter. So, there will be some little bit of advantage that of about a 1 or 2 basis points which can definitely accrue from there as well. And yes, we do have a little bit of a scope for non-interest income, but we have not tapped that at all we can probably look at something from that side as well.

**Kishore Agarwal:** Okay understood. I think that was my last question but because this was this is important from the perspective of like at least having a profitable growth, because otherwise FY '27 might become a not a growth year for us?

**Suresh Iyer:** No, we I mean from the base of about INR800 crores, INR900 crores profit where we have consistently growing at 15 it may it may be a slightly lower profit for that one particular year but it is still be there will be a growth in profit, but yes, what we have projected is yes it will be a little lower than the previous year because there will be obviously a INR40 crores hit in that FY '27 that is true.

**Kishore Agarwal:** Okay. Understood sir. Thank you for this. Thank you for your time today.

**Suresh Iyer:** Thank you so much. I appreciate. Thank you.

**Kishore Agarwal:** Thank you, sir.