



“Can Fin Homes Limited Conference Call”

March 13, 2025



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

Sanjay Parekh: I'm absolutely fine. We are fine. Thank you.

Sakshi Goenka: Thank you for your time, Suresh sir. So, we are just, this is our CIO, Mr. Sanjay Parekh. We've been tracking your company for some time now. Maybe sir can take you through one or two minutes about our firm and then we can...

Sanjay Parekh: Yes, yes. So, sir, I've been putting 30 years. Last stint was in Nippon, managing \$3 billion. Sohumi is where we started now for three years, where we manage money for family offices. And it's both discretionary and advisory. So basically, all large family offices are our clients.

And our mandate is that 75% at least is large cap and the rest is mid cap. I also used to run the banking fund in ICICI earlier in 8 to 12 and from 12 to for 6 years in Nippon. So just in fact, Sakshi was in Nippon with me. She's from London School of Economics. And now we're building this franchise. And by God's grace, we've done 20% outperformance on Nifty TRI in 27 months now. So, that's where we are.

Sakshi Goenka: Thank you, sir, for your time. Maybe we can jump into Q&A since we've been tracking your company for some time.

Suresh Iyer: Sure.

Sakshi Goenka: Sir, just on obviously in Q3 you had mentioned about Karnataka and Telangana. So, just some you and you've given guidance also that Q4 disbursement should be same as last year. So, broadly, are we on track? How are things on the ground? And regarding our FY26 guidance also you think given how the situation is, it does seem like an achievable number. So, just your thoughts around that.

Suresh Iyer: Yes. So, first thing is, about this, e-Khata issue which was a major issue in Q3. Because of which we had this, fall in disbursements. So, there things have been slightly improved in the sense that the municipal corporation limits, they have started releasing e-Khata a little more freely.

Whereas still for the development, urban development authority and the panchayat areas, it is still not happening. So, about 75%-80% of our business is in this BDA and panchayat where we are still not able to push disbursements much. But this little portion that we are doing in the corporation limits, there it has slightly helped.

So, from the INR150 crores levels that we were doing in Karnataka per month in Q3, it has inched up to 200 plus both in January as well as in February. And March, of course, there will be a push also from our side. So, we are confident it will cross INR250 crores in Karnataka in disbursements in March.

So, with that, we are, as of now, considering the Jan and Feb disbursements, we are very much on course to achieve the, to cross the INR2,300 crores figure of last year Q4. Because we had done INR2,313 crores in Q4 in last year. And we are on course to cross that figure in this quarter.

Based on what we have done in January, February and the way, you know, the first 10-12 days of March have gone. So, that is what is the situation. In terms of Telangana, in fact, we had in

the beginning of the year said that there is a problem, and we are not factoring much from Telangana and that position continues.

Because even now, the Hydra issue that is there continues and it may take a little more time. But having said that, our disbursements have come down by almost 30%-35% in this year compared to last year. So, we are almost hitting like rock bottom.

So, from here, there is only one way. So, even a little more we do, it is only going to be a little positive only in Telangana next year. So, based on that, we are confident next year we will be positive across all the zones.

Because right now, in this year, we are likely to be positive in all the zones except Telangana. So North, West and Tamil Nadu zones which are there have already crossed the figure of last year disbursements already by January or by February. So, they are poised to touch about 20% growth in case of Tamil Nadu and in case of North zone.

Whereas, West zone will be 15% plus growth because they crossed in the month of February. So, and Karnataka was going at 20% growth but because of this e-Khata issue is likely to come down. But still, we are positive, it will end positive in this year.

We are likely to be ending more than what we did last year even in Karnataka in spite of the 6 months of e-Khata issue. And the last is East zone which is a small zone for us but still that also was negative in Q1. But because it was part of Telangana, the same Hyderabad was capital, policies were from Hyderabad.

But after the separation of the capital and after the change of government and the TDP government coming in, the sentiment is positive. So there also it is turning around and that also we will cover up and be positive by the end of the year. So, which means only Telangana is negative and if the same momentum is what we have to continue and we should be able to achieve a 20% growth in FY26 compared to FY25.

So, the guidance of 20% growth that we have been giving is very much possible and we are working towards that.

Sakshi Goenka:

Sir, how much would be a Karnataka disbursement pre the e-Khata issue on an average?

Suresh Iyer:

See, the whole of last year we did INR2,640 crores approximately. So, which is exactly INR220 crores. In fact, we did INR2,637 crores. So, it is about INR220 crores per month is the disbursement we were doing. As of H1, in the first 6 months of the year, we were doing, in Q2 we did about INR275 crores per month is the average we were doing. So, we were 20% positive in Karnataka in H1.

But because from that 275 numbers we came down to 115 Q3 and this quarter probably it will be around INR200-INR215 crores average it will work out. So, we are back to the same numbers, and we might probably end somewhere around instead of INR2,637 we might end somewhere around INR2,675 or INR2,700 crores. So, it will still be marginally positive, but the 20% has been affected and had this e-Khata not happened, we would have easily done another 20%

growth which would have been another INR550-INR600 crores more business in Karnataka in the second half.

So that is the position. So, we are back at INR220 crores this year also. We will probably end marginally positively, which will be as good as flat. So next year, even if we are able to do 275 which already we have demonstrated in H1, we should easily be again 20% positive in Karnataka next year.

Sakshi Goenka: And sir, Karnataka as a percentage of AUM would be about 35%-36%?

Suresh Iyer: As a percentage of AUM it is around INR10,800 crores on INR37,000 crores. So, yes you are right it is about 30%.

Sanjay Parekh: And sir, I have missed the Telangana issue. What is the issue sir there?

Suresh Iyer: See in Telangana when the government -- just before the government that is the TRS government, in the last phase of the TRS government there were some issues relating to the land usage where the government had approved projects or allowed -- given permission to builders to construct on government land or on this lake beds and all those things. So that had already become an issue, and a lot of uproar was there.

Then the government changed, and the new government immediately came out with a department called Hydra. And that department was mainly to evaluate the approvals given and see whether there has been some encroachment on government land or any construction happening on lake beds.

And initially when the government started work, as soon as they identified some project on lake bed or government land, they went ahead and demolished it. So, initially there was a lot of negative sentiment and a fear in the public because people who have actually gone ahead considering that approved government authority had given approval, had given a license and a sale and everything, those properties also started getting demolished.

So, then there was a -- the sentiment itself went down. About 3-4 months back at least the government came ahead and said that we will not at least demolish such properties. Any such properties we will flag them and we will give it to another environment department or something, whereby basically saying that now if we find something like that, we will flag it and we will levy some penalty or some regularization charges or something like that. So, at least now that has slightly improved.

But still the entire activity of scanning the entire Hyderabad city and all the cities around to see whether any this has happened on other areas is not been completed. So, still there is a hanging sword that there could be more properties which would come out which are given on land. So, therefore, the issues are continuing because then it could impact -- impact fee would be there. There is some regularization charges and all those things and customers would have a problem.

So, that is why overall some land prices and sale transactions have come down. And additionally, what we have done is these kind of things are more likely to happen in the panchayat and rural

areas where actually qualified people may not have been there also. Because metro's corporation limits and all at least you have proper department which is looking into approvals, plan approvals and everything.

Whereas as you go to the panchayat areas and all, it is mostly the sarpanch and all who gives the approvals. So, we decided to pull out of these areas and we are only doing RERA approved and this thing within the corporation limit now.

So, one is the sentiment has been affected and second we have also become a little more cautious in Telangana because of the impact. So, that is why our business has also been affected. But last year if you see, we had done about INR1,750-odd crores we had done in Telangana last year, whole of last year. From there, this year, we are likely to be somewhere around INR1,200 crores.

So, there is a 30%-35% negative in Telangana which means we are now doing somewhere around INR100 crores as against INR150 crores last year per month. So, from INR100 crores and with 20 branches, definitely, next year -- we can't go down any further from here because it is kind of almost the bottom down. So, from here next year even without adding branches also the same branches can at least do INR120 crores, INR125 crores and have a little bit of growth.

Sanjay Parekh: Sure, sure. And sir, I mean I think most likely it would not be the case, but we would have some disbursement to demolish properties.

Suresh Iyer: No, so far we have not had any case where our properties have been demolished in Telangana.

Sanjay Parekh: Sure. That's great.

Sakshi Goenka: Sir, because you had highlighted that H2 of FY26 we will be undergoing a tech transformation also. You think generally we have seen with other smaller affordable housing guys that whenever they have gone through this period of tech transformation, disbursements have taken a hit. You think does your 20% growth have some consideration on that part or you think that there could be some slippages because of this, because these are something which we can't control.

Suresh Iyer: I agree. I absolutely agree and that's a very valid point. So, actually, what we have seen is there are two reasons, two or three reasons where maximum disruption happens is because of those two, three reasons. One is that the LOS and the LMS are from different vendors. So, the integration issues become a major hurdle and entries from here don't get reflected there or the handshake is not properly done between the two systems. So, these are -- this is one major issue. In our case, therefore, we -- right from the beginning very clearly stipulated in our RFP that the LOS and LMS have to be from the same vendor.

Therefore, there is no requirement now of integration because it is already worked together. So, therefore, the vendor we have got is established existing working LOS, LMS which has already been deployed in Bajaj and LIC Housing Finance which is Pennant. So, it's a tried and tested LOS, LMS vendor and that is what we are -- is being brought by IBM. So, that is one area which will minimize or reduce the kind of issues.

The second problem that happens is in case of the training and whether the hand holding, the troubleshooting and all those things. So, one, we have done is to minimize this, we have separated or carried out a separate -- created a separate department which is already in existence not having any other KRA but purely to handle the transition and all those things which is already in place. So, that is one thing. So, same way we are also tried out with IBM that a lot of effort will have to be put on the training.

We have also internally separated and created a training department which will work exclusively on the training and hand holding and this thing. So, that is the second area which we also we are trying to minimize. I don't say it will be zero, but at least we have already thought about it and have put some -- we have taken some steps to minimize the impact of the training.

And the third, of course, will be the resistance to change. That is something which is one issue because our existing system has been in place for more than 12 years. So, obviously, the kind of...

Sakshi Goenka: Sophistication.

Suresh Iyer: Not sophistication, but basically the kind of comfort already with the existing system is so high. Everybody is completely used from there to change to a new UI/UX, to change to a new process, a new flow of working is going to be a little bit. That is the one area which we will have to handle.

But for others at least we have taken some steps to minimize the impact but for this particular thing that is resistance to change, we have to slightly work with the staff. We have to keep motivating maybe incentivize them or something or with that we will have to kind of do something.

Sakshi Goenka: So, incentivize the sales guys and the branch, basically managers.

Suresh Iyer: Not necessarily sales because sales guys anyway they have to just source the business. It is basically the people who are going to be working on the system where the changes will be there. That we will have to kind of do it.

Sakshi Goenka: How is the general branch construct like? What are the kind..

Suresh Iyer: See we have a branch led model unlike many others who have a verticalized model. So, in our case we have branches segregated depending on the AUM that they handle. And the team, which is there handles everything including, customer servicing, accounting and appraisal-- credit appraisal sanctions. And central disbursement also is processed from there but actually approved and released from the central office. And sales we have now worked out a separate sales marketing team but that is a very small selective basis.

Otherwise mostly it is like almost 70%, 80% today is DSA driven. So, the sourcing will happen through the DSA. So, that is not going to be impacted. But the branch does everything. There is no separate segregation for recovery or collections or for credit monitoring and all. The branch

manager is expected to divide within the team and based on the strengths of the staff, the work allocation has to be done, and it is managed.

Sakshi Goenka: The collections is totally in house?

Suresh Iyer: Sorry, collections?

Sakshi Goenka: Yes.

Suresh Iyer: Collections is in house. We only have a call center which is doing the calling for SMA 0, SMA 1 and SMA 2. And we have the SMAs which are going through a third party solution. Otherwise, physical collection, the monitoring everything is in house. As such 90% of our -- 88% to 90% of our entire collection happens through NACH. Because we have NACH for 88%, 90% of our customer base.

And our check bounce ratios is somewhere at the range of 9% to 10%. So, therefore effectively you can say 80% of our total collections directly comes through NACH. The remaining 20% where call centers chip in, the branch staff has to do a calling and collection and that is how it is done.

Sanjay Parekh: Sir, overall, I mean housing sector, housing finance companies have generally seen a benign asset quality. Very, very controlled. While the bounce rates are higher in other cases also but the actual NPAs are very very minimal. That is the case for us as well? That is the first question.

And secondly sir, the overall environment. I mean we hear on the economy the rural slowdown, the real wage rate not going up, the issues around inflation and the MSP prices is not enough for them. So, how do you -- what is your sense of their rural and urban both? Even urban on the lower segment where it is our addressable market.

Suresh Iyer: Sure, see we do not have much of an impact because of the agrarian issue. Because we have purely salaried and self-employed segment which is and we do not give for the farm farms or agriculture income or all those things. So, that at least is protected. Today about 70% of our total customer base is salaried.

So, there again the impact of all wage or unemployment all those things generally do not there. Because it is all salaried and they are proper not the absolute low income class 4 or that kind of an employment. Although it is mostly 50%, 55%, 51% of our customer is basically the private sector employment not public PSU or this employment. But still about you know 70% of our customer base is salaried. That is point number 1.

Even in the case of the self-employed remaining 30% that we do, it is that segment where you know ITRs are being filed. So, basically we do not have the customers who are having document where no documented income is available or things like that. So, we have a proper at least it is a decent setup is there already.

That is why the consistent 3 years IT returns, 2 year IT returns are being filed. And another thing that what happens is, we are -- if you see our average ticket size is about 20 lakhs to 25 lakhs.

So, which means our customer base normally the family income is per monthly income is around INR60,000 to INR1 lakh is the average monthly income of the family. And that segment, of course, is a little more sturdy compared to the slightly lower.

If it had been affordable segment of say INR20,000-INR25,000 income and we are giving a INR10 lakh loan and all. Then it would have been a little more risky in these kind of circumstances. But today you know the INR60,000 to INR1 lakh kind of income segment is a little more stable. So, at least we are not experiencing that kind of issues of this thing. So, even in terms of the overlap of the microfinance customer, I do not think we have any customers who have gone for a microfinance loan.

Yes, personal loans definitely yes because customers -- every customer does have. At the time of onboarding, we are at least ensuring that they do not have too many loans other than the one which is there. But subsequently a couple of customers could have taken, or I mean a few customers could have taken more personal loans. And therefore, some impact could be there, but not much basically.

At least we are not witnessing any major spike or any particular thing in terms of delinquency. Yes, some certain geographies, very local geographies we are seeing some slight increase, but otherwise not much.

Sanjay Parekh: So, overall it would still be benign for us in terms of asset.

Suresh Iyer: Yes

Sanjay Parekh: And sir one more thing this phenomena of bounce rate ultimately not. So, what happens, typically they are not very I mean organized and then you have to push them and then it gets more regularized. Is that the way it goes?

Suresh Iyer: See, particularly some of the segments they are not very -- they do not have that large balances in the bank. They normally deposit the money, or they would have withdrawn the money suddenly and they do not. So, that is the only thing, although we send two days prior to the match date we do send the intimation to the customer.

Second thing is the customers what happens is, if there is a slight rate increase or anything. The customers are generally used to keeping only a little extra balance in their account. So, if the EMI goes up or something or if there are some charges which are debited because of which this time the EMI is a little higher than the previous month, then there is a possibility that the balances might be slightly short.

So, if it is a INR24,000 EMI, they may have just kept INR24,500 or INR25,000 in the bank. And if instead it suddenly it is a INR25,200 then also it could bounce for INR200. So, that is the kind of thing mostly we have seen. Because when we call back and then, they do pay up. That is how it happens.

Sanjay Parekh: So, overall sir credit cost of around 0.18, 0.2 is what we should be there?

Suresh Iyer: Yes, we have been saying 0.15 credit cost of 0.15 but yes 0.15 to 0.18 definitely not more than that.

Sanjay Parekh: Very, very, very impressive.

Sakshi Goenka: And sir that in Q3 the jump which we had seen in our SMA 0 because of the cheque bounce rate have things normalized there?

Suresh Iyer: Not normalized because we have at least increased our awareness creation, and you know education to customers and all those things. Because earlier we used to have a little bit some excess amount of more than 1 EMI we would always adjust to the EMI to the principal. But you know some small amounts are there they would be lying probably as advance which also now we are not carrying.

So, therefore we are now informing the customers in the pre-NACH this SMS also that you know if it is bounces then there will be a charge of 850 rupees for check bound. In case it bounces immediately we are sending an SMS that please keep an advance balance in your account of this much plus cheque bounce charges of this much. So, those kind of you know communication we have changed, even the telecalling we have started you know informing the customers differently. So, that you know that slowly the customers are aware that is what.

Sakshi Goenka: But on asset quality you think we are not?

Suresh Iyer: Yes, 0.9% is the Stage 3 assets I do not think it will go it will be there. In fact, Q4 normally there is a dip slightly better quarter. But I would say 0.9 is the realistic figure of Stage 3 that we should consider.

Sakshi Goenka: And sir PCR of 45 is what we like to maintain?

Suresh Iyer: PCR of yes as per the ECL model it comes to roughly that much only. So, rough we will keep at that. But given a good year or something given a good profit if it is if you know auditors are also comfortable with that then we may increase our management overlay. But otherwise excluding the management overlay PCR of about 45% to 50% is what we continue.

Sakshi Goenka: Isn't that too high for a housing company because generally for the other guys we see 25% kind of a PCR. So, why is our ECL model giving us a high PCR?

Suresh Iyer: See actually ECL depends on ECL model works on assumptions. Okay, you have to you know consider in how many years your money is going to come back once it turns into NPA once the you know LGD is there. Then what are the chances of what is a period you want to consider.

So, these are some of the parameters like this is one of them second is you know evaluation. What is the evaluation you are going to consider threshold you are going to consider. So, all those parameters or the assumptions when you fit in then the ECL is worked out based on that and these assumptions cannot be tinkered every now and then.

And you have to keep it a stable in our case we have considered certain maybe you know our assumptions are a little more conservative than some of the other players maybe that is why our PCR is coming out to be higher.

Sakshi Goenka: But isn't it based on your actual experience over 4-5 years or is it?

Suresh Iyer: Yes. So, the actual working in terms of how much is the flow from regular to SMA 0, SMA 0 to SMA 1 and all those things are based on actual working based on the trend of the last 5 years we give 5-year data for the ECL working. But post the LGD getting worked out for the...

Sakshi Goenka: Those are...

Suresh Iyer: Once the PD getting worked out probability of default then the PD is depending on the actual working of the last 5 years once that is worked out the assumptions will determine what is the LGD.

Sakshi Goenka: Got it. And so now that asset quality and growth we are done now on the margins basically. So, we have seen 25 basis points kind of a cut from the RBI. We have about 60% borrowings all linked to repo T-bills. So, on a cost of funds how do we intend to pass it on to customer? What is the reset how does it once you have a repo cut is it immediately passed on to how does the reset work if you could. Sure. And what could be a steady state spreads?

Suresh Iyer: Sure. See the steady state spread or the spread if you look at it. It will be our guidance is that it will be 2.5% plus and NIMs 3.5% plus. Although we have been a little higher than that. But our guidance would be 2.5 and 3.5. And since we will be passing on in terms of – to the customer only after we experience on the liability side. Therefore, you know the chances of the spread coming down is not there.

So, like for example and how it works now on that aspect see it is a 25 basis points on it will impact three aspects. One is you know the loans which are the term loans which are linked to repo link repo rate which is the as the external benchmark rate. Second is the term loans which are linked to T bill rate as an external benchmark rate. And third is the rate on the short term borrowing which is commercial CP.

Now while in February the repo rate has come down. But considering the other factor which is liquidity the NCDs that we have raised in Q4 or the CPs which we have raised in February and then March have actually been at a higher rate than what it was. Because of the liquidity.

A tighter liquidity. And so basically some of the impact that we are going to get because of the 25 bps rate cut on our repo link the borrowing that is getting negated because of the higher cost of borrowing. Which obviously will come down when we replace the CPs in Q1 because by that time the liquidity position would have improved.

So, in Q1 definitely what we have borrowed at 7.4, 7.5 CP rate that will come down to around 7.25, 7.3 or whatever. So, that will happen. But as of now in Q4 you know some of the impact of the repo rate cut will get negated by the higher rate at which you have raised CPs and this thing.

And the way the repo link gets passed on to us is that depending on our contract with the bank. And in most cases what happens is it is only the reset whenever the repo rate cuts it does not get immediately passed on to us. If a repo rate cut happens it gets passed on to us at the time of the next interest payment which we make to the bank which is normally at the quarter ends. So, although February we have had the repo rate cut, at the end of the quarter only we are going to get the benefit of that.

So, basically there is not going to be practically any benefit to us in this quarter. Because whatever we see is going to be for a very short period of three or four days of the quarter that we are going to get the lower rate of interest. So, on the overall basis it is not going to happen. But this 5 bps to 7 bps that we are overall impact that we are expecting, will immediately happen on the 1st of April. Because in the opening cost of borrowing the 7.52 which is there will probably come down to around 7.45, 7.46.

Sakshi Goenka: And sir how do we pass it on to our customers?

Suresh Iyer: So, once we experience that so from 1st of April we are expecting about 5 bps to 7 bps. So, about 5 bps, we will pass on to our customers by that time.

Sakshi Goenka: And for them how does it get reset for you it was a quarterly reset?

Suresh Iyer: So, for the customers it is on a quarterly. So, we have changed our policy from annual to quarterly effective 1st January 2024. And all the loans that have been booked after 1st January 2024 are at quarterly reset. For the old loans which are at annual reset and given before January 2024. Those loans we have been writing to the customers and asking them to come forward and execute the document to shift from an annual to a quarterly.

Frankly speaking not many customers have come forward because the rates were always stable. The first rate cut has happened only in February. So, now we expect that with the customers will want to come forward and shift from the annual to a quarterly. And how it works is that you know customers who are given a loan. The disbursement happened in the month of say February 25. For them the reset will happen in May 25. For those which happened in December it would have happened in March, but since we are going to impact from April this rate cut will happen not in March, but in June and so on.

Sakshi Goenka: Okay, perfect.

Suresh Iyer: So it is on the date of the disbursement.

Sakshi Goenka: From the date it got disbursed then quarterly, three quarters so...

Suresh Iyer: Yes, from the month it got disbursed accordingly the reset quarter will happen on a quarterly.

Sanjay Parekh: And our loan is the loans that we have given is on all our floating rates and linked to what?

Suresh Iyer: All our floating rates almost 99.99% are floating rate. And they are linked to our internal PLR. So, that is why we are not linked to the EBLR, but we have our own PLR. So, although there is a 25 bps repo rate cut. We will experience 5 to 7 bps. So, we may pass on 5 bps to the customer.

Sanjay Parekh: So, on this do you think RBI can come out with something where it is more transparent? I mean they would push us to move from internal PLR to more repo or so you think so?

Suresh Iyer: No, I do not think so because frankly speaking this discussion has already happened. And in the past when this the whole debate had taken place at that time the RBI came out instead with a guideline saying that instead of asking the NBFCs to move to a EBLR, we will make the shift free of cost. So, basically customer transfer of accounts from one lender to the other is free of cost.

So, basically that is when they removed the prepayment charges on floating rate loans. And as soon as the repo rate happened, the regulator once again reiterated that an NHB has sent a communication that many institutions are not giving are still levying prepayment charges under some other pretext or some other name, even for floating rate loans and that should not happen. So, that is one thing they have reiterated indirectly saying that you know they are monitoring this aspect.

And second thing is that every inspection that has happened the NHB because NHB is still our is carrying out the supervision and all. They every time very check that and they even take the customer accounts to see whether real transmission has happened or not. So, it should not happen that when the rates go up the institution increases, but when the rates come down they do not reduce.

So, they have been seeing and we have demonstrated in our statement of account in our calculation and everything, that when it has gone up we have increased it, when it has come down we have reduced it. And we have an ALCO. So, the ALCO has to take into consideration all those things, the minutes clearly it is mentioned in the minutes also as to what are the calculations, what is the justification for an increase or a decrease. So, they validate all those things. So, the regulator has been looking at it.

Sanjay Parekh: Great. Sir, how much is the annual plan prepayment for us and what is the share of BT out and do we get BT in also?

Suresh Iyer: Yes. So, total if you see I think on Page 18 or I do not know which page, we have been sharing the data of the movement of our loans, quarterly for the last 3 years. It is I think Slide Number 26 run down ratios. So, there we have been mentioning that if you see on a quarterly basis it ranges between 3.5 and give and take 25 bps kind of a thing. That is the kind of rates. So, approximately if I have to give it in numbers, we have about INR400 crores to INR425 crores of you know prepayment happening every month.

This includes BT out, it includes loan closures by customers from own funds, it includes part prepayments, and it includes amortization.

Sanjay Parekh: Okay.

Suresh Iyer: And so, BT out I think would be around 3%. So, total overall for the entire year it is about 15%. So, BT out would be about 3% is the BT out.

Sanjay Parekh: Of the 15 only 3% is BT out.

Suresh Iyer: Yes 3% is BT out, 8% or something is basically the part prepayment and customers closing from or their closures with their own account. And the remaining 3.75 or 4% is the amortization that is.

Sanjay Parekh: Great.

Sakshi Goenka: Sir, generally the narrative is that in a rate cut cycle because of competitive intensity HFCs have a tough time in maintaining NIMS, but from what I hear from your things are should be okay. So, you think if we are growing at 15% next year, our NII growth should be ballpark be in that range?

Suresh Iyer: Yes. So, actually what happens is when the rate cuts happen and if the competition also cuts the incremental lending rate then obviously companies will protect their spreads and NIMS. But what will happen is if there is a possibility that the BT out may increase slightly. So, it may not impact in terms of the spreads and the NIMS, but the BT out could increase.

Sakshi Goenka: Sure.

Suresh Iyer: Okay but that is all dependent on whether the competition also reduces the rates for incremental lending because on the existing portfolio if the rate comes down that is a different issue. But for the incremental lending only if it comes down then only there is a chance that their rate is lower than the rate at which I am offering and therefore, the customers will prefer there and or would want to shift our loans to them.

So, in this scenario so far at least our main competition which normally does from where we have to whom we have seen our portfolio moving to that is LIC or PNB, HFL or Bajaj or whatever they have not at least reduced their incremental lending rate. So, at least this time we do not expect that it will happen, but of course, going forward we will have to see how it happens and again they also will be able to reduce it only if their cost of borrowing comes down.

Sanjay Parekh: And sir longer term or what should be our target advances growth rate if I were to see '26, '27, '28 what should we...

Suresh Iyer: See in a present scenario where the industry is growing at 12% to 14% we would want to grow at 15%. So, that is the target we I mean from the current 9% to 10%, 9% or that we are likely to grow in this year. Next year with the kind of growth that 20% growth that in disbursement that we are talking about we should be around 13%, 15% to 15% growth is what we will have in our AUM.

So, we would like to grow on a consistent basis at 15%. Obviously, if tomorrow industry starts growing at 17% then we would also increase our growth rate and we would like to grow at about 1 or 2 percentage higher than the industry growth rate.

Sakshi Goenka: Sir, you think demand is a challenge or competitive intensity is a challenge or both like is?

Suresh Iyer:

See in the present scenario demand has been quite steady and there has been no issue in terms of demand and I think it is a growing pie. So, even if everybody is growing I think there is enough for everybody in the growing pie. I do not think that is the major issue.

It is competitive intensity yes because you know and pricing pressure I think would be also a very relevant aspect because as we just discussed in the previous point that if the competition or in the past there have been some lenders or larger players who have come up with very aggressive pricing, because of which our BT out and it becomes an issue.

So, pricing actually is one of the other factors and competitive pressures, yes because every time there is one or the other player who is taking an aggressive stand. So, there is a little flow. So, earlier sometime back sometimes LIC, becomes very aggressive in pricing it goes there is a good float there. Some other time some other player becomes very this thing. So, these kind of things are there.

Overall competition at least for the last couple of years at least I have not observed any new player. We were anticipating that post the merger of HDFC and HDFC Bank suddenly the bank will become very aggressive but at least it was not very much witnessed at least may be not in the segment that we at least did not experience in the segment that we are operating in. So, those kind of things at least of in the last 2, 3 years I think the markets have matured I do not think any such major issue new player or anything has happened.

Sakshi Goenka:

And so just one there was this news report on some malpractices in hiring I do not know it was the authenticity of it. So, if we could talk about it and generally the attrition or the so because we do not have an ESOP policy what would be the incentive of a guy in the, we have difficult summers to go. So, just your thoughts around people?

Suresh Iyer:

Sure. See first thing about this whistleblower complaint that had come in the NDTV and all and we have clarified, it is basically just some of one of the staff who was a little upset with the transfer to another state and nothing more than that. The detailed investigation and everything that is required has been carried out and there is no malpractice or anything found there or none of the allegations that have been raised are found and they are found to be true they are all baseless. It is purely a disgruntled employee who is affected because of a transfer that is the only thing.

Second point as regards the attrition normally our attrition has been in the 10% kind of a thing last couple of years it has been a little low. This year of course, we have had a little slightly higher attrition. One because we have also started this sales and marketing teams and generally, sales marketing there are, so 6, 7 staff in that have there has been a little churn about 6 to 7, 8 staff in that department.

And there have also been some higher retirements and all those things this year. So, to that extent and some people we have also taken a stand in terms of performance related issues. So, earlier it was to be a longer rope this time at least we have not given such a long rope. So, some of the staff have also left because of non-performance issues.

So, therefore, this year it might be a little higher instead of the 10% to 12% it could be probably around 15%. I will have to work out the number, but I am assuming that it will be a little higher around 15%.

But third point just to correct you just we have incidentally, just a couple of months back, approved an ESOP policy and we have issued ESOPs at least to the executive level which is you know chief manager and above level. So, it is a very small percentage, but still it is about 7%, 8% of the staff now is eligible for ESOPs.

Sanjay Parekh: That is a very positive news and that would be what percentage of dilution?

Suresh Iyer: Actually, we have taken an approval from the shareholders for diluting 1%, but of course that entire 1% is not issued in this 1 year. In fact, it is a very small percentage which has been issued this year, because it is obviously based on the calculation and whatever is the general industry practice.

So, whatever is the dilution that happens normally that small pool is spread over 7, 8 years is what it is normally done. So, that 1% also normally would get spread over 7, 8 years is what would be the dilution that will happen.

Sanjay Parekh: That is fantastic sir. That is, I mean in fact I would say that if it is possible by the board or the shareholders better incentive will always help for the longevity of senior people.

Suresh Iyer: So, that is the decision. So, it has been taken in fact this has been coming across and the board has taken a very positive view of this, and it has approved. So, we have gone through.

Sakshi Goenka: Sir, we are in the process of hiring a new CFO. And sir, he will be from the market, right?

Suresh Iyer: Yes, from the market. We have already conducted the interviews, and we will be taking it to the board. So, that process is on right now. Shortly, we would be making some announcement whenever it is done.

Sakshi Goenka: Sure.

Sanjay Parekh: Thank you. Sir, very helpful.

Sakshi Goenka: Sorry sir, last question. Sir, when did your tenure sir? Because you joined in March '23. So, just you have a 5 year tenure, is it?

Suresh Iyer: It is a 3 plus 2. So, 3 years at the end of 3 years it will be again a renewal of another 2 years. So, it is a right now it is a 3 plus 2 tenures which has been given. So, my first tenure or first part of it would get over in March '26. Then renewal for another 2 years. That is of course subject to the board and the shareholders of course.

Sanjay Parekh: I know it is too early sir, but because we have a 3 year horizon, and it will always be the leadership is very important in this. So, if the board and they are approving you would want to continue for longer no sir?

Suresh Iyer: Yes, definitely as of now that is the idea that, if the approval is there everything is positive then why not.

Sanjay Parekh: Perfect. That is really assuring sir. Thank you very much.

Suresh Iyer: Thank you so much.

Sanjay Parekh: Very helpful.

Suresh Iyer: Thank you. Nice talk.