



## “Can Fin Homes Limited Conference Call”

March 21, 2025



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

**21.03.25 ITI AIF**

**Suresh Iyer:** In fact, at your office, so yes.

**Rajesh Bhatia:** That is correct. Now we allow Nilay Dalal, our lead, to actually take the initiative to take the conversation forward. Nilay, over to you, please.

**Nilay Dalal:** Yes, thank you, sir. Am I audible?

**Rajesh Bhatia:** Yes, you're audible.

**Nilay Dalal:** Yes, sir. Sir, thank you for meeting with us. So, to start off with, I'll come straight to the point in terms of, I think when we last met, you had sort of given an indication as to what would be going forward in terms of disbursements, right? So, I think in the September quarter, disbursements were pretty decent as per our expectations and what you had indicated then.

Obviously, December disbursements were slightly lower compared to September, but in terms of explanation, I think on the call, you had mentioned about the e-Khata issue in Karnataka. Sir, so my question is, going forward, how should we look at it? Firstly, is the e-Khata issue now completely resolved or does it still linger on?

Is it only restricted to the state of Karnataka or is it anywhere else? And thirdly, so would all lenders be facing such an issue in, say, the state of Karnataka? Sorry, a three-pointed question, but, sir, so you.

**Suresh Iyer:** Sure. Yes. So, I'll come straight to the point. Yes. And actually, this e-Khata issue came up in September end 2024 when around 27th or 28th of October, the State Government came out with a circular that e-Khata was a mandatory requirement before any registrations can be done.

So, anybody who was intending to do a registration of their property for a sale or a resale or a purchase from a builder or whatever, this e-Khata was first required to be taken so that the digital record is created and then only the sale agreement can be executed or the registration can be done.

So, that, in fact, affected our disbursements and it is limited to the state of Karnataka only. And I guess in the small, there were a lot of issues particularly between the sub-register office and, the agency which is BBMP for Corporation or BDA for Urban Development Authority and all, whereby this was not getting generated and there was no talking between the two things.

So, Q3 we were affected almost to the tune of about INR350 crores to INR400 crores of disbursement and we were impacted in Karnataka because of this. Now, the present position is that at least in case of the BBMP, that is the Corporation Limit Areas, there has been some connectivity which the government has been able to establish whereby it has helped in improving the speed of generation of e-Khatas.

So, therefore, there has been some improvement in the registrations in the city areas, Corporation Limit Areas. And that has helped us in Q4, at least in January, February it is quite visible because we were doing about INR275 crores in Q2 in terms of per month disbursement in Karnataka,

that came down to INR150 crores in Q3 and in January and February we have been able to cross INR200 crores.

And this month we are definitely likely to cross INR250 crores as well. So, this has been a slight improvement, but it is still not up to the levels because INR275 crores we were doing in Q2 itself. So, we should at least have continued that number.

– So, by that standard we lost about INR350 crores to INR400 crores in the Q3 and in this quarter also INR275 crores if we had done, but we have done only about INR200 crores. So, another INR150 crores we have already lost and this month also another INR75 crores to INR100 crores will be lost. So, about INR200 crores to INR250 crores is a loss in business in Q4 as well for us.

But at least the good part is the corporation area has somewhat been resolved. Just two days back the Chief Minister also made a statement that they are working out and should be able to restart our e-Khatas for Panchayat areas also. And 75% of the business for us happens in Urban Development Authority and Panchayat area.

So, that should help us in the coming quarter. Hopefully if we know it is resolved in the next month or so, then Q1 also we will be able to push business and get some more disbursements. So, that is the position. Of course, it affects all the lenders, because everybody has to get the e-khata before the registration.

Otherwise, sub-registered offices are not registering the properties. But basically what happens is people who are doing more lap or people who are doing more of repair renovation, those kind of properties or those kind of loans are not affected much. Only new purchase, construction or purchase from builders or self, plot purchase plus construction, those cases are affected because they require a registration.

But those companies who are doing more lap in Karnataka, they would not have been affected. And in our case, it is a little more pronounced because, our Karnataka itself constitutes about 35% of our entire business in terms of incremental disbursements and also almost in terms of our outstanding book.

Therefore, for us, the impact has been much higher as compared to other lenders. Now, –having said that, as I said, the situation is improving with business slightly improving in Jan-Feb and if this problem for Panchayat also gets resolved, as the Chief Minister has said, then we will definitely be able to further push the business. That is one.

Now, as regards other states, in fact, other states, there is no impact because this is something very specific to the state. They are only in the state of Karnataka, this has happened. So, actually, north, which is our Punjab, Haryana, Delhi, Uttarakhand, UP and all, that zone has already crossed our, that should end around 20% plus growth by the end of the year.

Same way, Tamil Nadu zone, which is Tamil Nadu, Kerala and Puducherry, they should be crossing again more than 20% growth, they should be recording this year. West zone, which is Rajasthan, MP, Gujarat and Maharashtra, there should be around 15% growth in this year and there is no impact of all these over there. Karnataka, we had around 20% growth, but because of

this loss of business in Q3 and somewhat in Q4, we should somewhat end like flat or maybe 1% or 0.5% higher in terms of disbursement compared to last year.

But next year again, I mean, we are hopeful that Karnataka will bounce back because, this problem seems to be getting resolved or at least should get resolved in Q1. So, next year, along with other areas, Karnataka also should start showing a positive business next year. So, that's the kind of, what you can say.

So, current quarter, we had given a guidance that we should do somewhere similar to what we had done in Q4 of last year. So, last year in Q4, we had done INR2313 crores and we are definitely on course to, marginally cross that or do above that in this quarter. So, we should be able to meet the guidance that we had given for Q4.

**Nilay Dalal:**

Okay. So, thank you for your response. So, just to make it clear. So, this year, I mean, obviously, at the start of the year, we did have a guidance of say INR10,000 crores, INR10,500 crores of disbursement overall for the full year. Obviously, unforeseen circumstances hit us in Karnataka.

So, this year, you are saying we will more or less end at about INR8,500 crores. So, I keep hopping on this point is because somewhere our growth has slowed down in terms of overall loan book and that does not seem to be getting up. So, again, a two-pointed question. So, what should we say? What should we model in terms of disbursement growth for the next year from say if we do achieve 8,500 crores this year?

And secondly, when will we come back to that sort of a respectable sort of 14%, 15% loan growth? Will we be able to start seeing it in say Q3, Q4 next year?

**Suresh Iyer:**

See, actually, as I said, we North Zone and Tamil Nadu are already clocking 20% growth this year. West Zone is about 15% growth. Karnataka also was doing 20% growth. Had this not happened, it would have definitely sustained that 20% growth. So, next year also, we are looking at a 20% growth in Karnataka.

So, basically, we are definitely targeting 20% kind of growth for next year in terms of disbursement. That's the kind of target that we are having. And the current trend also, it is not that we need to push anything further. The current trend also, if you are able to sustain, which definitely looks very much possible, 20% growth is what we can look at.

So, with a 20% kind of growth, we should be doing somewhere around INR10,500 crores to INR11,000 crores. And our rundown is about INR5,500 crores in a year. So, that means we should be able to add about INR5,000 plus crores to our book. Current year, we will be ending around INR38,250 or somewhere around that kind of a thing because we were INR37,155 crores at the end of December.

And with INR2,400 crores, if we do, the net accretion to the book should be around somewhere around INR1,000 crores. So, we are talking about INR38,000 crores to INR38,500 crores where we will end. So, from that, if we are able to add about INR5,000 crores to our book, that should definitely be around 12%, 13% or more than that should be the addition to the book.

- Nilay Dalal:** Okay. So, 12%, 13% is probably more than...
- Suresh Iyer:** So, INR5,000 crores if we are able to add on INR38,000 crores, then that would be as I said about 13%, 15%.
- Nilay Dalal:** Sir, understood. Sir, in terms of the overall situation of the Real Estate market, obviously, I think if we look at the last 2 or 3 quarters, sort of the GDP Velocity, even the Real Estate Velocity seems to have come down slightly in terms of new home purchases or say even second-hand home purchases.
- Sir, so what is our view on the overall sort of economics macro sort of situation, not specifically only for our company? In terms of growth for the overall industry, how should we look at it? Is there any slowdown first of all?
- Suresh Iyer:** See, there are, if you break up the segment into three parts which is affordable, mid-segment and the premium segment, of course. So, what is happening is there was a post-COVID, there was a very big jump in the premium or super-premium segment was there. And affordable housing was continuing a good, decent growth level.
- But definitely, there is a slowdown in the, affordable segment which has come down to single digits now. And in terms of the super-premium also, the very high growth rates which are there, obviously, there is a limit to which it can grow because the size itself is in terms of number of cases is small. So, there also slightly it is waning off.
- But still there is a decent growth in the mid-segment, in the premium segment, may not be in the super-premium segment. But mid-segment and premium segment definitely seem to be growing and, a bigger chunk of it basically is these two segments. So, we can definitely expect to continue the 12% to 14% kind of a growth in the next year also in terms of Real Estate.
- If you look at it, yes, there are some reports about, the real estate coming down and all. But if you look at the top eight cities and all, the growth is still there. In fact, recent articles also show that in the next three years to five years, the housing market is set for a big boom from over INR35 lakh crores. There was an article that is likely to touch INR81 lakh crores also in the next five to seven years.
- Nilay Dalal:** Okay. So, understood. So, in a way, at least for the next two to three years, we should be okay with the segment that we cater to?
- Suresh Iyer:** Yes. Yes.
- Nilay Dalal:** But there should be sort of a reasonable 12% to 15% growth. So, we would be sort of now looking to gain share, right? We had a sort of relatively subdued two to three years. And now, because there is no other overhead, right, except for certain external things coming up. But in terms of everything that we wanted to do with sort of our data security and our sort of processes, that is all done. In terms of cost also, everything is done or there is some...

**Suresh Iyer:** No. There is just one actually element of IT transformation for which we have awarded the contract to IBM. And that project is a 12-month implementation project. So, by December 25, we should be implementing this. So, the major component which is the LOS, LMS is scheduled for November 25. So, that is one last piece which is yet to fall in place.

Otherwise, in terms of internal controls, in terms of strengthening the assurance functions, in terms of bringing in a lot of controls, a lot of technology tie-ups, in terms of third party vendor solutions, all those things have been done. This major IT transformation project is there. And that project is going to have a total cost impact of about INR300 crores, of which INR100 crores is capex and INR197 crores is opex.

And the impact of this will be spread over the 5 years, 5.5 years starting from April 26. So, technically, the cost impact is going to come in FY '27. And that is going to be net about INR40 crores or something you can say will be the additional cost that will come in FY '27 because of this IT transformation project.

Net, I am talking about. Overall, actual cost will be INR55 crores, INR60 crores. But we are currently having our existing system where we are spending about INR15 crores. That sunset will happen around December. So, next year, that cost will not be there in FY '27. So, net impact will be about INR40 crores.

**Nilay Dalal:** So, INR40 crores per year for 5 years?

**Suresh Iyer:** From FY '27.

**Omkar Salgaonkar:** Sir, this is Omkar here. So, just one question on the technology upgradation part. In the past, we have seen that when NBFCs go through this technology upgradation, especially when it is a major scale project like LOS, LMS, there is some impact on the disbursement, because of course the employees need to be trained and the systems get overhauled? So, do you foresee any impact of this on the disbursement part?

**Suresh Iyer:** Definitely, there will be an impact, because any kind of such transformation will be there. But what we have done is at least on some of the aspects, we have tried to minimize the impact. Like for example, unlike a lot of other vendors who have gone for a separate LOS and a different LMS vendor, in our case, we have ensured that the LOS and LMS vendors are the same.

So, it is already an integrated system which is deployed in other locations. It is basically what IBM is bringing for us is Pennant and Pennant is already operating at Bajaj and is already operating at LIC housing. So, basically what the problems which happen because of the integration between LOS and LMS and the two systems having to talk to each other, those problems will get eliminated because the system is the same.

So, it is a fully functional and operational thing which is straight being implemented. The second thing is definitely in terms of training. There also we are trying to minimize the impact by actually, we have already separated and created a training cell.

We have also made it a part of the RFP that IBM or whichever was the lender, in this case IBM, will have to bring in their expertise in terms of training, will have to provide all the manuals, will have to provide as a support element, support for all the hand holding and everything. Plus, at the same time, we have also tried to rope in, we are trying to rope in the existing LOS, LMS vendor to see if we can have some kind of support from their side as well. So, all those things we are trying to do so that the training impact is also minimized.

However, there is one more impact which is also going to be there, which is the resistance to change because the existing team has been used to working on this particular current system for almost 13 years now. So, that resistance to change is something we will have to also work upon. These are the three major changes which normally impact any transformation.

The first one, I guess, should not be impacting us much because we have taken care with the LOS, LMS. So, the integration parts are taken care of. The second and third aspect which is the training and the resistance to change is something we will have to, we are also working on and trying to minimize.

**Omkar Salgaonkar:** But this impact factor in the guidance, right, in the disbursement guidance?

**Suresh Iyer:** I think that should not, we should still be able to do 20%. We will try to plan in such a way that normally, this is going to come in the third quarter. We have already talked to the vendor if in fact we can, you know, slightly bring it earlier. So, at least even if we can do it in the first week of October rather than in mid-November, then at least by Diwali we can be get over with the transformation and at least we can get the critical months of December, Jan, Feb, March fully for business.

That also we are trying to do that. And the first half we will also try to push so that the impact of the business is at least we can cover up for something in the, which is going to be there in October, November.

**Omkar Salgaonkar:** Okay, got it.

**Nilay Dalal:** Actually, sir, just to interrupt, sorry, Omkar. Just to interrupt, sir, in terms of disbursement, if I remember correctly, there were some issues in Telangana as well, right? That is –where we want to be?

**Suresh Iyer:** Telangana, yes, the Hydra project we had already in the beginning of the year said that we have, we are going to be impacted by that. And we had already indicated we are, you know, this, but what has happened is Telangana, all the entire impact is going to be over by this current year. And we are already at a kind of a rock bottom kind of level in Telangana.

From here, I think there would not be any further dip. It will only be a growth because we are already at a level from which, even a little bit of businesses, even if you don't reach back to the old levels, it will still be a very good growth for us.

**Nilay Dalal:** Sir, just to understand these issues, say, with the project Hydra, etc., does it lead to sort of higher slippages or anyone delaying payments because of sort of having purchased a house and then who is not in place, etc., anything of that sort?

**Suresh Iyer:** See, in case of Karnataka, there is obviously no impact on, delinquencies because the registration itself is not happening. So, that is not the issue. Telangana, yes, because of the sentiment issue, because it has mainly been, the sentiment has been affected, impacted, and customers are a little scared to enter into new transactions and all those things.

And in some of the cases, demolitions have also happened of properties. So far, nothing has come for any of our customers so far, but that is also impacting. So, to some extent, there is a little bit of impact in Telangana, but still, considering that it was a pristine portfolio for us, this little impact also is not majorly impacting us. It is still very, very much within our, it is even in spite of all those things, our NPA levels in Telangana are below our company, overall company levels.

**Nilay Dalal:** Omkar, you could go ahead.

**Omkar Salgaonkar:** So, just a little bit of a long-term kind of question, because if I see, we add around 15-16 branches every year, right, which is like a growth of mid-single digit, but we are targeting for a AUM growth of like 18%-20%. So, just wanted to understand that like how much delta will come from improving productivity and how much of it will come maybe through ticket size, ticket size going up or down and how does this dynamic work over, four to five years, not for next year specifically, but over a medium term?

**Suresh Iyer:** See, we are looking at every, adding 15-20 branches every year in the next three to five years. We have already started last year with 14 branches. Current year we are looking 15 branches and going forward also 15-20 branches will get added. So, the business that happened that the 14 branches we opened in last year in Q3, Q4, in Q3 of this year they have contributed about INR30 crores, which is approximately INR75 lakh per month per branch, okay.

So, normally a branch of this particular size in the tier 2 town should be contributing about INR2 crores. So, currently the branches are almost at 12 months old and break-even time is 18 to 24 months. So, next year in Q3 the same branches should be contributing at least around INR60 crores, okay.

And the branches which you are opening next, this current year will next year be contributing about INR30 crores. So, you can say that, on an average about INR100 crore additional business per quarter or at least 75 crore business per quarter we can expect additional from this particular thing, which is roughly, our current run rate was around INR700 crores to INR800 crores, okay.

If INR700 crores you consider, which would be INR8400 crore this year, INR75 crores next year additional coming from these branches would be somewhere around 10% delta. But, of course, that is a, over a quarter. So, you can say about 3% is what will come per month.

3% delta will come from the new branches that we are opening. The year next year when we go for that, obviously, it will slightly add because we will get the advantages of 3 years of branches,

branch openings will come. So, about 3% delta can come from there. We are looking at increasing our ticket size from about INR25 lakhs to around INR27 lakhs.

So, even if we say half of it is there because it is over a period of 2 years we are looking at it, then about 5% delta should come from the ticket size increase. And the rest has to come from productivity increase, which is when, you know, as we implement technology, the efficiencies have to come in, the TAT has to reduce and that should also free up some of our resources to deploy, to be able to deploy in sales and marketing. So, that will bring in the productivity increase.

**Omkar Salgaonkar:** Okay. So, in terms of like files per branch per month, so how much does your best performing branch do just to get a sense of like how much can we expand on this?

**Suresh Iyer:** Our branches actually are classified based on the AUM size and accordingly we also provide the staffing. So, a large branch for us, which is like, you know, of extra large branch, which is doing more than about, which is having more than INR500 crores of AUM, there would be having about 9, 8 to 9 people and that branch should be doing anywhere around close to 40 to 60 cases per month. Okay.

So, that would be somewhere in the range of about INR12 crores to INR15 crores per month is the disbursement that a very large branch will be able to do in a month. Smaller branches, as I said, which are in tier 2 towns, which we have, we provide with only 3 staff, they should be able to do about INR2 crores business per month. So, it is anywhere ranging from INR2 crores to INR15 crores is what the, is the range.

**Omkar Salgaonkar:** And incrementally we are adding branches in the Tier 2, Tier 3...

**Suresh Iyer:** It's, tier 2 towns. That is correct.

**Omkar Salgaonkar:** Okay. So, like in terms of productivity, you mentioned 6%, 7%, right? 6%, 7% delta will come...

**Suresh Iyer:** It should come from the productivity improvement. Correct. That is how we will be able to add 15%.

**Omkar Salgaonkar:** Got it. And like in terms of PM Awas Yojana, like how is the participation there and how was it last time in 2015 to 2022 when the earlier PM Awas Yojana was there? How much did we participate and like how do we see this scheme shaping up?

**Suresh Iyer:** 2015 to 2022 the scheme was very different because the entire, subsidy was up fronted and up to INR2.67 lakh you could do as the disbursement is completed. Okay. That was one thing. But here what happens is, the subsidy has been reduced first of all from INR2.67 lakh to INR1.8 lakh and that also is going to spread over 5 years.

So, in a year the subsidy that you are going to get is only about, INR35000, INR36,000 kind of a benefit that a customer is going to get. Now, the question here is a INR2.67 lakh up fronted subsidy is something which, you know, is going to be attractive for the developers as well and therefore the supply can come in.

Now, we will have to wait and see how this particular scheme with only about INR35,00, INR36,000 up front subsidy coming in will attract the developers because then, would that be a very big incentive for people to invest in property and to whether it will be good enough for builders or developers to come and start construction is an issue because in affordable segment it's purely a matter of supply and only when the big builders come in, if a large number of builders come into the segment and start doing construction, that is when the supply will come in and we can expect the business to also grow.

Post subsidy CLSS withdrawal, in fact a lot of builders withdrew from this particular segment because obviously this has a longer, duration for sale and closure of the projects. So, obviously for the builders it is not very lucrative but if it's a good incentive is there, then they would be, so we will have to wait and watch how much is the thing.

This scheme actually was launched in effective September and we have just started seeing a small trickle in our enquiries. We have just got about, 200 enquiries of which also we don't know how many of them will be qualified because now the process has been changed but unlike we collect the cases and then submit it to the government.

Now every customer has to first go to the portal, they will have to submit all the data and it's a pretty long list of things that they have to submit. After that the eligibility will be determined and only then we can give them or consider them under the particular scheme. So, this particular, version of PMAY we will have to wait and watch but we have started seeing a very small trickle now.

- Omkar Salgaonkar:** But from the supply side the issues continue and the initial interest is on the lower side?
- Suresh Iyer:** Yes, correct, correct. So far we have not seen a big, you know, flow of developers announcing projects in affordable segment.
- Omkar Salgaonkar:** So, like, does this mean that because affordable housing growth which is going to happen, so if there is no interest from the developer side, so, like, does this mean that more of it will be self-construction driven?
- Suresh Iyer:** It will be whatever self-construction happens, yes, that will be the only thing coming unless the developers come in, you are right. Because, large scale projects or, gated communities and all if that have to come that has to be only when builders come into the thing. Otherwise, it will be individual construction, plot plus construction or self-construction on land.
- Omkar Salgaonkar:** We do not do self-construction, do not say.
- Suresh Iyer:** Sorry?
- Omkar Salgaonkar:** We do not do self-construction.
- Suresh Iyer:** No, no, we do. In fact, 65% of our business is self-construction. We call it P plus C that is plot. They acquire a plot and do the construction or if they are already owning the plot, then we fund for the construction. So, that itself is around 65% for us.

**Omkar Salgaonkar:** Okay, okay, great. Nilay, you have any other questions before we move on to the margins?

**Nilay Dalal:** Yes, so I actually wanted to ask about margins only. So, our overall sort of guidance long term I think is 3.5 which I think you repeatedly sort of guide for on the call and we have been consistently doing actually above. So, anything specific that sort of we are looking at or sort of guiding for which maybe cost of fund is going to increase further much more than yield from year on. Is there any sort of apprehension from our side?

**Suresh Iyer:** No, it is just a conservative guidance that 2.5 and 3.5. Of course, our endeavor is to keep it above that only and in fact in this current year we started with 2.52, it went up to 2.54, went up to 2.56 and now 2.62.

So, we have tried to ensure that it remains above that, but the guidance we have kept at 2.5 and I think next year also we will keep the guidance at 2.5 and now with the interest rates coming down, our liability side we will have an impact, we will pass on to the customers only after we experience on our liability side. So, I don't see a challenge in being able to maintain that spread.

**Nilay Dalal:** But even you say on the liability side, I mean your bank borrowings roughly what 50% is bank loan. So, that would be MCLR?

**Suresh Iyer:** Sorry.

**Nilay Dalal:** Your bank borrowings would be MCLR?

**Suresh Iyer:** No, no, all our bank borrowings are linked to repo or about 20% to particular banks we have linked to T-bill.

**Nilay Dalal:** Okay, so that should immediately sort of benefit you?

**Suresh Iyer:** Not immediately, actually this thing is that agreement is that whatever repo rate will have, the impact will be at the time of the next interest payment which is quarterly. So, the repo rates impact.

**Nilay Dalal:** Okay, so 3 months.

**Suresh Iyer:** Yes, so happened on in February, but when we make the interest payments at the end of March quarter that is in the next week, at that time we will, our price will be reset.

**Nilay Dalal:** Okay, so that benefit you should get and also on the yield side, I mean we are, I mean we did guide for it as well and we are seeing it in the numbers that sort of the lap proportion is slowly and surely sort of increasing. That, so on the yield front, on the business mix front, do we intend to sort of give some kind of kicker to our yields or we should sort of expect business as usual for the next year?

**Suresh Iyer:** No, actually what our idea was that we are looking at a slight increase in our ticket size. We are also targeting to do some business under the APF where the ticket size will be slightly higher and obviously when we move to the slightly higher ticket size, there will be some more competitive pressure for on the pricing front.

So, we will have to have a very competitive pricing if you have to go and do the INR30 lakh plus loans or INR50 lakh plus loans. So, to offset that we said we will have a little bit of higher SENP and higher lap book so that disbursement so that you know we can offset it. So, what has happened is on the SENP side it has increased. We are now doing almost 40% of incremental businesses SENP as compared to you know the 70% to 28% on the book of salaried self-employed.

Now, we are in fact incrementally doing 40% as self-employed. Same way lap has also slightly increased, but it has been more than the kind of competitive pricing that we have had to offer for the higher ticket size loans and even the higher ticket size has not grown as much as you know this has grown.

So, to that extent it is helping us actually in improving our spread, but otherwise the objective of doing more of SENP and lap was that we will be able to offset the pricing competition I mean finer pricing that we have to offer in the higher ticket size.

**Nilay Dalal:** Okay, understood. So, and sir just to understand what would be the current differential say a property purchased from a developer and you are giving a home loan versus say for a similar property on lap.

**Suresh Iyer:** No, I am sorry I did not get your question?

**Nilay Dalal:** What would be the yield differential?

**Suresh Iyer:** Yield. We charge half a percent higher for SENP category and half a percent higher for lap. So, if it is a home salaried home loan customer he would get around 9.6 say for example, then a self-employed lap will get 10.6. Best customer having same credit score.

**Nilay Dalal:** Understood. So, margins more or less we should expect at least on sort of being most conservative margins should stay where they are and if say the rate card cycle accelerates further or faster than originally expected we should see uptick in margins.

**Suresh Iyer:** We should see yes, there will be a little bit of a lag in the transmission because we will do it only after we experience it. So, obviously to that extent there could be a little support for us although we will definitely pass on every quarter to the customers and transmission will happen as soon as we experience it on a quarterly basis. So, that is definitely there but yes we should be able to maintain a 2.5% plus spread and NIM of 3.5% plus.

**Nilay Dalal:** So, more or less if I am just looking at my sort of expectations I am guessing correctly our peep of growth should be slightly higher than EBITDA growth EBITDA growth or peep of growth.

**Suresh Iyer:** Obviously, if the spread and this thing is maintained and it slightly if there is a 1 or 2 bps improvement also then obviously yes.

**Nilay Dalal:** Omkar you have any question on margin anyone any question on margin?

- Omkar Salgaonkar:** Yes, on the yield side so because of competitive intensity because banks will obviously like to pass on the rate as soon as repo is cut. So, does that like kind of pressure us to also decrease our and pass on the benefit to customers?
- Suresh Iyer:** Yes, if there are a couple of more rate cuts then probably a little pressure will come, but it also depends on whether, they are actually able to offer the same rates, because on the entire retail book they will have to cut their rates when the repo rates come down but the borrowing that is the deposits at which the rates at which they are raising deposits has not witnessed any reduction. So, basically it is only going to put more pressure on the banks on their margins.
- So, we need to see how that happens and whether they are they continue their aggression on the home loans or how they do it and for us anyway the key or the major ones who are competition in terms of who take over our loans it is LIC HFL it is Bajaj finance Bajaj home finance and PNB HFL.
- So, obviously you know these three players have not reduced the rates as yet. So, so far that is not really putting too much of a pressure on us although yes in terms of the banks they have reduced the PSU Banks have definitely reduced their rates in line with the repo cut.
- Nilay Dalal:** Sir, again if we look at certain sort of CIBIL reports or whatever they publish in terms of the presentations at the gate although not alarming but we have seen a slight uptake I mean I understand if we compare with pre-COVID we are still sort of lower etc. But are we seeing is it sort of a sustainable uptick in slippages I understand external issues like say what happens in Telangana etc. which may lead to slippages but overall is the behavior sort of getting slightly worse off than before?
- Suresh Iyer:** Not really, actually in case of Telangana where this sentiment has been impacted there we are seeing a little uptick otherwise it is not actually witness but I do agree that I have been talking to a couple of other players and there seems to be SMA 0 about 10, 15 bps increase in the SMA 0 is what I understand but it is more for the affordable players because that is where the there will be the impact of personal loans and MFI customers there will be some overlap could be possible.
- So, I think the affordable players have a couple of them have indicated that in SMA 0 has slightly seen 10, 15 bps increase but otherwise not much actually. In our case also Telangana yes, I did mention we have had because of a sentiment issue, but other than that in other geographies we're not seeing much the pressure as much.
- Nilay Dalal:** And sir, Telangana specifically was changing government also right I mean that is what technically happened?
- Suresh Iyer:** Sorry Telangana.
- Nilay Dalal:** Telangana effectively was a change in government issue, because of the change in government?
- Suresh Iyer:** Because of a change in government, the policy also changed. Like for example, when the new government came in, they introduced the new department called Hydra and that department went

into reviewing all the approvals given by the previous government and the concern was that many projects have been approved in government land or on lake beds and stuff and so they started questioning and reviewing all the approvals and projects.

Obviously it was an elected government previously which had given these approvals. So there was actually no default or no negative when the approvals if you see there are technically there are approved projects. It is for the corporation and it is for the government and the approving authorities to have checked everything before that.

But the new government came in and instead of looking at it, they just went ahead and demolished the properties to start with wherever they found it was approval was given on government land or lake beds. Now, if you look at the customer's point of view, the customers were holding valid approved documents, sale transactions, time duty paid, everything was there.

So there was no default or anything in that set. But, obviously, when such activities happen, there is an impact on sentiment. Customers do get scared as to, we have paid the tax, we have got a valid approved plan, we have got a plan approved by the concerned authority just so still our properties are getting demolished. So these things that impact sentiment. That is what has happened actually.

And that activity also either you do it quickly and close everything and take a quick stand or else, but it is still being going on for the last one year the Hydra department is still coming out with new areas and combing new areas. So that activity is still not over. So it is a little bit of a because of the change in government and change in this.

**Nilay Dalal:** So on the provision front, think in terms of the percentage terms, we would be in an around failure. As in you are not seeing any kind of sort of surprise. It is more on the higher?

**Suresh Iyer:** Yes, provision we have said that credit cost we are saying in guidance we are keeping it at 15 bps. That's what it is.

**Nilay Dalal:** And sir, I mean last year and even before that, whatever, for all that had been reported, we had sort of obviously provided for them. Anything on that? I will the money eventually come back to us or take a long time?

**Suresh Iyer:** See other than the Ambala fraud we have the recoveries have been happening although, like for example the fraud which was reported in in 22 where there was one branch of Bhilwara where some 57 cases were there 54 cases have been completely closed, no right of I mean no waiver nothing we have recovered the full money and the accounts have been closed, some of the loans have been taken over by competition a couple of them even by banks, PSU Banks.

There is no impact of that. The recovery has happened and only three accounts are still there today in the books where they are fully provided and they are over there and customers, the properties exist, the customers are there and it is there. Now, the other cases also other than the Ambala fraud, whatever other small cases which were there in the last year, also recoveries have been coming.

So is not that monies are not coming but Ambala nothing is likely it was anyway not a credit fraud, it was because of the reconciliation and checks drawn out of the account and money has been utilized by the by the staff and their family, so that is money which only when the police take some action or when they seize the assets or something but there it is going very slow and nothing has come from the Ambala incident.

**Nilay Dalal:** So that eventually whenever it does, that will come in other?

**Suresh Iyer:** It will come, I mean if it does, mean we are not making any provision, I mean we are not making any, taking any listing from there. It is as good as 100 % provision has been made have fully taken the impact in our Q3 results of FY '24 and that is over. So, I am not, very hopeful that it will come in the near future or at all in the near this thing.

**Nilay Dalal:** Sir, again checking this, I don't know every six months there are some of the other news article but in terms of our promoters, Canara Bank, they want to continue to hold whatever at the odd percentage?

**Suresh Iyer:** As of now, is no talk or anything with them that we've had or they've indicated where they have suggested they want to sell. They've already made the representation to RBI and along with all other banks and most of the banks have had the same view that they should not be impacted and if it is not pushed, it is better.

So I think that is what is the view as of now there is nothing in case the RBI still pushes ahead and implements it then that's a different story but as of now I don't think there is a immediate pressure right now.

**Nilay Dalal:** If RBI does sort of decide to go ahead then it will have an implication on lot of entities?

**Suresh Iyer:** It will have an impact on a lot of entities yes you are right. Not only and it is not only a Housing Finance entity, it is also for other entities where they would be having an overlap of business.

**Omkar Salgaonkar:** Sir, so hypothetically if this happens and like we like the promoter wants to exit will this have an impact on a cost of fund?

**Suresh Iyer:** I guess yes, because rating agencies would depends on who is obviously the new investor but yes there will be some impact because if rating agencies do give a weightage for the parentage also and normally when you talk to the rating agencies their indication is that they have been offering AAA only to those companies where there is a solid backing of a large promoter. So there could be a possibility of one notch downgrade which would impact our cost of borrowing by about 25 bps or something.

**Omkar Salgaonkar:** Okay understood. In terms of geography I wanted to understand of course you mentioned that north you have been growing at 20%, but like what are the differences that we have observed, because we have predominantly been in the southern region. So like what has been your experience and what is different in the northern market and like how do we plan to scale there?

**Suresh Iyer:**

It's not that we are entering a new geography where we don't have a presence in the north and west also we are having a fairly large presence our offices in Bombay, Jaipur, Delhi some of the other places in Indore, Bhopal, Ahmedabad these are all very old branches. So we have had a presence in all those geographies only thing is that the percentage business was a little lower and it was not south was growing much faster so it was meeting the requirement.

But now there is a dedicated focus given to the business coming from the west and north. So we are expanding and adding branches there but even earlier if you see 35% of the branches or there about was basically these geographies only. Our Delhi office if you see we have had 5, 4 or 5 we have had Noida, we have got Ghaziabad, Faridabad, we have got Delhi 2 branches, we have got in Haryana, we have got Jaipur 4 branches, we have got 4 branches in Bombay.

These are all old branches it's not that we are entering a new geography where we don't understand the business. Our staff also there quite a few staff there are quite experienced and with us for more than 10 years also. A large number of staff in these branches are also have been with us for more than 10 years.

So it's just that yes, in terms of the segment the kind of -- higher percentage of salary that we have had in Bangalore and Hyderabad probably, if you go to the north there could be a slightly higher SENP percentage but then the same applies for Tamil Nadu also where SENP percentage is higher than what we experience in Karnataka. So it's more a function of the local economy that determines what is the customer segment breakup.

**Omkar Salgaonkar:**

Okay. But in terms of credit behavior you don't observe any major difference right? More or less similar?

**Suresh Iyer:**

No, see basically we are only doing those cases where documented income is there. Salary segment is continuing to be 70% for us today. It was 72% but even within higher SENP that we are doing we are still at 70% salary segment. Even in the geographies our salary segment even with the in the current rate is about 60% where we have all the checks like the salary credits in the bank account, salary slip being available, form 16 and all those things.

Same way even in case of SENP we don't do the appraised income or the assessed income cases. We are only doing those cases in SENP where IT returns are being filed. So that is definitely if IT returns are filed then obviously it gives a comfort. Additionally what we have done is we have tied up with third party vendor solution whereby now we are able to directly pull the ITRs filed by the customer and with the IT portal.

The customer gets a OTP and based on that we download the directly what is uploaded over there. Therefore the authenticity of the ITR reports is also now being additionally verified. Unlike earlier where it was the customers used to provide their own CA certified IT returns or their IT return copies that were available with them. So then here it is a little more authentic. So in fact that should not be, so much of a concern.

**Omkar Salgaonkar:**

Okay great. Yes, just one last question from my side. This cost to income on the operating cost you said INR30-odd crores impact right annually?

**Suresh Iyer:** Net 40 crores in FY '27 onwards.

**Omkar Salgaonkar:** Okay. So this will have any meaningful impact on cost to income or is it something we can observe?

**Suresh Iyer:** No, we can obviously I mean, we will be able to observe because of size will also go up. Today, we have about close to INR4000 crores of income annual income. So INR40 crores would be about point one. So currently our 16%, 17% will probably be about 18% cost to income ratio.

**Omkar Salgaonkar:** Okay got it. Yes that's all from my side. Thanks sir.

**Nilay Dalal:** Team any other question.

**Rajesh Bhatia:** No, I think we have taken enough of the management time. So thank you sir.

**Suresh Iyer:** Thank you so much. Thank you to the entire team. For taking time out. Pleasure.

**Rajesh Bhatia:** Thank you so much.

**Omkar Salgaonkar:** Thank you so much.