

Questioner: Yes. So Suresh just wanted to get some sense from you on an update on both the Karnataka and the Hyderabad [inaudible 00:10] disruptions both, but how far away are we from things resolving to some level of normalcy, how many months away?

Suresh Iyer: See from in case of the Karnataka, the January, February it has been little better because in terms of the e-Khata issue for the corporation limit that is BBMP, some improvement is there, definite improvement is there. They have been able to link up the BBMP, this thing with the sub-register offices. So e-Khatas are a little more faster and things have started moving a little bit.

So that has helped us a little bit in disbursement because compared to INR150 crores approximately that we are doing in Q3 per month in Karnataka, Jan, Feb both we have done INR200 crores plus and in March we are likely to cross INR250 crores also. So that is one thing and recently about four days, five days back the Chief Minister also made a statement that for panchayat areas and BDA also they will be sorting out the issue in similar manner.

So even if in a month or two if they are able to do it, I think it should pick up. So Q1 I think would be the worst where maximum where it may go beyond. It would not go beyond Q1 in any case I think because they have already sorted out BBMP. So I think the others also will be possible, they should be able to do it and since he has already made a statement I think in another 15 days to one month or something it might happen.

So if once that happens then Karnataka will be back to the normal. Of course, there will be a backlog but the backlogs will also start coming out so over the next 6 months. So original pace that was there will slowly start coming back and for us it will be a little better because 75% to 80% of our business actually happens in the BDA and panchayat areas rather than the corporation limits. So we will be benefited more once that starts, but already from the BBMP benefit we have already started pushing it up to from INR150 crores to about INR200 crores plus, that is one thing.

As per Telangana, in fact, that is a longer issue I believe because the Hydra is still not over, the department is still functional, they are taking up area by location by location and doing the survey and classifying projects as okay or having issues. So once that till the entire exercise for the entire city is not completed I think that problem will continue, but at least what has happened is they have stopped the demolition.

So that has slightly helped and business wise what has happened is we were almost last year we did INR1,730 odd crores we did. From there it came down which is approximately INR150 crores per month, it came down in 120, 110 and it went down as low as 70 and now we are back to somewhere around 100 kind of crores per month.

So for the entire year we will be ending somewhere around INR1,200 crores as compared to INR1,730 crores we did last year. So definitely in terms of the journey I think we are slowly the turn is back it is slightly improving from 70 we have brought it up to 100. So next year even from there a little 100, 120 also if you are doing. So Telangana also next year should be able to post some positive because the base itself has fallen quite a bit almost a 30%, 35% drop this year.

So from this point I think it will still be positive. Karnataka actually we had done INR2,640 crores last year which is approximately INR220 crores per month. The first half of the year we were doing almost 275 per month. So we were almost 20% growth was there in H1, but this is for Karnataka. But now what has happened is Q3 we could only do 150 and this quarter also we have done 200, 250 so that will also be much lower than the 275.

So basically we will be back to around to 2,750 to 2,775 to that much that round. So we have to again to INR220 crores. So once this issue gets sorted out and we are back to INR275 crores to INR300 crores the 20% growth in Karnataka also should be back. So that is the kind of thing.

Questioner: Telangana was the Hydra issue where they are going and mapping the process and demolishing some for the old?

Suresh Iyer: They demolished earlier, but now they have at least stopped the demolition.

Questioner: And Karnataka was just mapping of the accounts, right?

Suresh Iyer: Yes. So registration they said that prior to any registration you need to get an e-Khata which is basically saying that you will have to get a digitized copy of your ownership document and as such they had already digitized all the records they could have issued it directly to the customer, but why they are doing it and asking all the customers to come back submit all the documents again and then verify, that became an issue because all customers may not be having all the documents.

They may not be able to produce everything, but now that they have been able to do some link up with the BBMP and these authorities. So a lot of documents probably are reducing and they are being able to do it faster okay with less number of documents and clearances they are able to verify the corporation limit. Then comes the BDA and then comes the panchayat, but other areas like West zone, North zone, Tamil Nadu zone we are already positive like Tamil Nadu and North zone we crossed our last year figure in January itself.

So both of them will be 20% plus growth, West zone we marginally missed in January, but February we have crossed previous year 12 month figure. So that also should be around 15% growth we should be able to post.

Questioner: So this aspirational INR2,500 crores number that we had, we will be moving in that direction?

Suresh Iyer: Yes, in Q4.

Questioner: It is achievable now in Q4?

Suresh Iyer: So in Q4 we had said we will do better than Q4 of last year, last year we had done INR2,314 crores. So yes we are moving closer to the INR2,400 number mark.

Questioner: We should be able to get there?

Suresh Iyer: Yes, somewhere closer to 2,400.

Questioner: Q1 then...

Suresh Iyer: Q1 normally is a little dip, but still I think we will not be such a big dip, we would want to at least do to about INR2,200 kind of a crores, last year we had done 1,859 in Q1.

Questioner: So basically Q2, Q3 you should be at INR2500 plus, Q3 at least?

Suresh Iyer: No, you are talking about next year.

Questioner: Next year, yes?

Suresh Iyer: Next year, in fact, it should be more because Q3, Q4 normally is there, but Q3 we have this IT setup also, but Q1 next year we definitely want to do around 2200, then take it up to 24 plus and then further.

Questioner: 2200 and then 2400. And this Telangana, it is a little different, but there is this IT side also we are hearing a lot of issues now in terms of employment and other things and now people are re-looking at that, rent prices possibly coming down a bit and sales kind of slowing down and other things. So how is that issue for you?

Suresh Iyer: See sales, yes because there was as I said mainly the sentiment got affected, a lot of people were even in fact even we had some cases where customers after having booked a unit came back and said we want to cancel it because suddenly with these demolitions and all happening some of them got a little jittery, so that has happened. But price wise I do not think much of an issue because Hyderabad price has never shot up the way some other places the prices went up.

So price wise there is no major issue in Hyderabad, prices are still you are still you get good properties at 60 lakh, 70 lakhs also you are able to get good property.

Questioner: How salary side is that?

Suresh Iyer: Not, we do not have much of an exposure to IT, frankly our entire IT sector employed customers is only about 6% of the overall book list. We have more of the private sector employment and things like that 51% of our salaried segment or 51% of our total book is private sector and salaried, not IT and about 14%, 15% is government salaried and another 6% is IT.

Questioner: 51% is private sector salary and then government sector salary?

Suresh Iyer: 14%, 15% and about 6% is IT sector.

Questioner: Is this cost of funds and other thing you have still been able to hold up and your margins and all you have been able to hold up, I think previously then I guess what you would have expected also you kind of doing better than that, I am assuming because you were moving to that builder structure project and all of that and doing that, but still you have been able to hold up, so just want to know?

Suresh Iyer: No, I would not say put it that way. Actually our builder project and everything, of course, I mean we tried a couple of things. One was that a builder side project APF tie ups and all we will

do whereby we will get slightly higher ticket loans, that will also have to be priced competitively. As against that, we said we will increase marginally our self-employed exposure and a little bit of LAP.

So, self-employed, we said we are okay to move it up to around 28% to around 35%. And LAP we said we were about 5%. In a good 3 years, we can make it up to 8%. So, what has happened is in terms of our SENP exposure, definitely that has picked up well, because incrementally we are at 70 to 28 already.

On the overall book, we are at 70-30 and therefore, this 65-35 that we are looking at for salaried versus SENP, that is very much happening and that is happening quite well. Even LAP, because of this e-Khata issue, in Karnataka particularly, we pushed a little bit of LAP, because in LAP you don't need to do the registration. The property documents are already there.

Only in purchase cases or plot plus construction cases, we may have to do a registration. So, LAP slightly has helped. There also it has moved from 5% to 6%. Whereas in terms of approved projects, so far we have about 70-odd projects we have approved so far. And from that, the projects, while the ticket sizes are definitely higher, but we haven't further compromised on the rates. So, that's why our yield has slightly helped.

Questioner: And cost of fund is still there?

Suresh Iyer: Cost of fund, yes, because we moved -- when we moved from all the MCLR linked loans to repo linked loans, we were also able to negotiate with a couple of banks and reduce the rates. Plus we also got about INR2,000 crores from NFB which came during the year. November, we raised INR1,600 crores and another INR400 crores we raised in January.

So, that has also come at around 7.6 approximately. So, that has definitely helped. Going forward, this repo rate cut we will get to see about 5 to 7 bps improvement in our borrowing cost effective 1st of April, because most of the repo linked loans, although they were...

Questioner: 5 to 7, sorry?

Suresh Iyer: Improvement in our cost of borrowing will reduce by -- so, it was around 7.52. It may be around 7.45 or something as on 1st of April. The beginning, cost of funds will be a little lower.

Questioner: In Q1, 5 to 7 basis points cost of fund improvement...

Suresh Iyer: Which we will pass on to our customers, but entire amount may not get passed on immediately because we have a quarterly reset. So, those who would have taken in the month of say February will get it in May, those who have taken it in March will get only in June and so on.

Questioner: All your bank borrowings are EBLR?

Suresh Iyer: I mean, our bank borrowings all are linked to, it is EBLR. But in our case, there can be either MCLR, EBLR or T-bills. In our case, 80% of our bank borrowings are [inaudible 0:12:00] which is EBLR and 20% are T-billing.

- Questioner:** I just wanted to get some more details around the plot loans in some technicality. It is about 8% of our book. My understanding is that this is essentially sort of a land loan which you are giving and somebody has to show an intention to construct on this. How does the reset work because the person has to -- assuming the person does not start constructing within an 18-month period, how does your interest rate reset work?
- Suresh Iyer:** No, our plot loans is not 8% firstly, it is much lower than that. 8% I was saying is the LAP. We were ready to take it up to 8%.
- Questioner:** LAP you were ready to take...?
- Suresh Iyer:** LAP will be 8%. Plot loans is just could be about 2% or something.
- Questioner:** But this is essentially land financing, right?
- Suresh Iyer:** Yes. What happens is normally, they come with the intention that they will construct. So, they take a P plus C, that is a loan. Now as per the regulation, within 36 months, they are supposed to commence the construction and convert the house. In our case what we do is, we give only 18 months. So, every loan at the end of 18 months we assess whether the construction has started or not. If it has not started, we convert that from a plot loan to -- I mean, sorry, from a P plus C loan to a plot loan and we convert it into housing to non-housing and we increase the rate of interest also.
- Questioner:** Okay. But this is essentially then somebody is taking a land loan for land, right, essentially?
- Suresh Iyer:** Effectively, yes. They take a -- it becomes a plot loan, yes.
- Questioner:** But is that allowed?
- Suresh Iyer:** For banks, it is not allowed. For this thing, it is allowed. Yes, it is allowed. It has to be considered under non-housing and we consider it under non-housing.
- Questioner:** There is a second point I think which you had made at some point in time just that LAP for us can naturally increase because some others are hitting some level of limits. But just could you give some more details around that. And obviously, this business works via a BT out top up.
- Suresh Iyer:** No, we don't have a BT. So for us, it will be a BT in. Customer comes very rarely, but we don't go out to kind of get those kind of loans as BT in. But what has happened is now the regulator has come out with this primary business criteria, PBC criteria, which is like 60%.
- So, many of the lenders have kind of very close to that or have almost breached that limit of 60%. So, I mean so their non-housing categories loans is more than 40%. So, there they have either slowed down or they are selling off such non-housing loans or things like that. That is what has happened. So, therefore those who have already kind of breached the limit or things like that, there obviously they will not be able to open into it.
- Like, for example, in between Bajaj was doing very aggressive BT plus top up. Okay. So they would take -- so we were also worried. There, normally Bajaj works at INR40 lakhs plus

segment. But in our case, it was INR20 lakhs-INR25 lakhs loans also were going. So, basically they were taking the INR20 lakhs-INR25 lakhs loans, giving a good INR15 lakhs-INR20 lakhs top ups and taking away the loans. But now since their non-housing is already close to 40%, therefore, we feel some of the geographies now we don't -- it is not as aggressive as it used to be.

Questioner: And this you are saying the top up is essentially now has to be classified as LAP.

Suresh Iyer: It always had to be classified as LAP only, always. Top up loans as well as LAP was always non-housing. And this top up has to be classified as well. Either you have a separate product called top up or both have to be non-housing.

Questioner: You had also mentioned at one point the sourcing costs are about 43-44 basis points. Just curious to understand how given that DSA is still fairly large. I know you do not work with corporate DSAs, which is fairly small. But still this is typically what I would assume as a sourcing cost to somebody who has connector model versus a DSA model.

Suresh Iyer: So, in a way it is what we call as DSAs. Basically, they are connectors only. So, what happens in many other places, they do the documentation, they do the disbursement cheque handover, all those activities also they do and they get paid higher than normal DSAs. But in our case, they just have to bring the loan, help the customer in ensuring the documentation is complete, rest everything is done by us. So, we directly deal with the customer subsequently. And say, sometimes they may provide some additional services but to the customer not to us.

Questioner: In that case, why would you want to reduce the share of this and do more direct over a period of time?

Suresh Iyer: It's more that, one is still there is a little bit of a risk of OBT out. But more importantly, it is just that it is too much of a reliance on a single vertical. And some of the other players actually are facing this problem where this corporate DSAs are just completely taking over these smaller connectors and smaller DSAs.

Questioner: I mean, they are basically taking -- charging 100 and giving 40 bps to the...

Suresh Iyer: Exactly. So, in our case, the good ones may be getting about -- we have a range from 0.35 to 0.65, okay. So, those who are doing more than INR3 crores or INR5 crores a month, they would be getting about 0.65, which will be hardly a few, okay. Most of them would be languishing in the 0.35 to 0.45 bucket only. That's why our average payout is also 0.43.

Now on a back of Andromeda and all of them, they just come and say, okay, whatever cases you give it to us, put it under our code, if it is, you will get 0.6. Even one case they do, they will get 0.6 now. So, why would they not go to the corporate DSAs? So, that risk is also always there. In fact, some of the other players, competitors are facing this risk as we speak. I mean.

Questioner: But this is a problem at what ticket sizes?

- Suresh Iyer:** Across for them you because see the corporate DSAs what they say is they bring big volumes say, every month I will give you 100 crores. So, for 100 crores they will pay whether it is a whatever it is whether it has been sourced from -- at the end of the day it is one single code under which the 100 crores is coming. So, the people pay 1%-1.5%.
- Questioner:** The cost is going up because of this. When you had to think of how much direct should become over a period of time what will be then how are you just working through productivity because obviously the downside is that I mean cases per month number of people clearing, how do you -- and these people have to be around with the firm if they leave then, cases go along with them?
- Suresh Iyer:** See that obviously, if they go depends on where they go that possibility is there currently it is only the banks who are offering a better rate of interest. So, even if the staff goes to some other smaller HFC who is offering 12% and 13% they will not be able to take over our loan because our rate of interest itself is quite competitive, at least to compare to the smaller HFCs and other players and NBFCs.
- Questioner:** How is the competition now?
- Suresh Iyer:** I mean March in this time in fact all those crazy waivers and all those things have been a little less this time.
- Questioner:** CFO thing?
- Suresh Iyer:** No, he wanted to go back to be back in Delhi because basically he came from DMI. He is Delhi based and he wanted to be back there. He has got a two-year-old child. So, his wife is also working. So, basically they want to be back where they have a family back support. So, he has gone back and.
- Questioner:** In terms of increasing the self-employed portion of the domain, what is the kind of site behind that, I mean any specific reason in terms of targeting.
- Suresh Iyer:** No, of course, the yield is an important thing.
- Questioner:** Or increasing competition from like smaller mid-sized HFCs.
- Suresh Iyer:** No, it is more because the yield is better and if we have to move to the slightly higher ticket size loans on the salary and this profile then, in that case we will have to offset that as with some other line where we can earn a little more. So, self-employed is one thing.
- Plus self-employed also now as we have progressed the assessment of self-employed has also become much better easier to do and much more reliable like earlier it used to be only dependent on the IT returns which are filed by the chartered accountants or several returns and all those things used to rely on that. Now, in fact, we are able to directly verify from the IT portfolio what is the return which has been filed and we directly download from there.
- Questioner:** So, this IT expenses that you wanted to make now that changed through time, previously you wanted to do it last year or current year and then you pushed something for this year and some for next year. So, now what is the pipeline there?

Suresh Iyer:

Yeah, the first phase was our existing. So, when I took over in March '23, at that time an RFP was already in place and there we did not we had only two bidders and it was a very very large RFP which was not -- not many people could have even attempted such a high large RFP. So, we had only two bidders and that process was going on and lot of tweaking and things like that difficulties issues the phase that had to be shelved.

Our current system at that point in time was something which was implemented in 2011 that LOS, LMS, it had a lot of limitations in the sense that even it was not API enabled, it was not on microservices environment, it was a monolithic application. So, since this RFP which was there for entire IT transformation had to be cancelled and had to be refloated with a lower slightly lower specifications and all. So, what we said we will at least upgrade our present setup.

So, the vendor had already implemented a microservices environment application with LOS, on a microservice environment which had API capabilities and all those things which had a few more other applications also CRM and all those enquiry and lead generation and all. So, we decided to upgrade it for the timing so that at least till the new RFP is floated we get a new vendor we will do that. So, that we were we did it in January 2024 and finally it was implemented changed and everything it got done.

Thanks to that what has happened is we were able to then implement a lot of other applications third-party solutions like Karza we could tie up because now API was enabled, we were able to do all those things. So, Karza tie up we did, we did a tie up with this Velocity for this platform, we were able to do for a auto reconciliation platform, we were able to centralize our vendor payment module and a lot of other things we were actually able to do.

So, today even on the present setup with the upgraded version we are almost similar on the IT platform side with any existing vendor except that we may not be having the marquee names. So, it is still the old application with a higher version and it is still able to meet our requirements. We are able to -- we have upgraded and linked up all the third-party solutions and practically except for I would say a proper DMS which is not a very detailed DMS. But I think practically it is only the digital signatures and digital this thing which is pending from us as compared to what others may be having, otherwise we have been able to do it.

Even in the current system with the upgrade, we have been able to streamline a lot of processes, automate a lot of processes like CIBIL has been automated, our PAN download, our Aadhaar download, our ITR download all those things have been -- a lot of things have been downloaded that has also brought in some efficiency in the system. But the new also we floated, that one, the current one that we have already upgraded with all the additional add-ons that we have done that costed approximately about INR3 crores every quarter we added and that started from January '24 itself.

So, practically in the last year entire year the entire cost has already been factored into our current cost to income ratios and all. The new setup that we are doing is a complete revamp of our IT which will be implemented by November '25. There IBM is the chosen vendor, they are going to bring in Pennant as the LOS LMS, they are going to bring in another application for GL which is also running in -- Pennant is already working is operational in Bajaj as well as in LIC, Infor

is a GL application which is already working in HFFC, NuGen DMS which is practically everywhere it is the leader in DMS plus a host of other infra and security aspects also which IBM is going to bring in. That cost will kick in from FY 27.

Questioner: '26 there is no cost?

Suresh Iyer: So, we have a 12 month implementation period plus 3 month handholding. So, what will happen is the entire thing that expenses out whatever costs are incurred will be capitalized and will come into this from April '27.

Questioner: INR72 crores right.

Suresh Iyer: No, total is INR297 crores, out of which INR100 crore is the capex, the entire spend that will be doing in this period of implementation, but which will be capitalized and the cost will come in five install five parts from FY '27. Other than that there is an opex of about INR197 crores spread over five and a half years that also comes to around INR40 crores per year.

Questioner: So, INR100 crores is the capex?

Suresh Iyer: And INR197 crores is the opex.

Questioner: And how much will come per year?

Suresh Iyer: So, per year is 20 crores of the depreciation and INR40 crores of the opex. So, about INR60 crores and current cost is about 15 crores which will from April onwards not be there. So, net about INR40-INR45 crores will be the additional cost.

Questioner: FY '27.

Suresh Iyer: From '27.

Questioner: '26 there is nothing.

Suresh Iyer: '26 nothing.

Questioner: So, this INR15 crores will continue in '26.

Suresh Iyer: INR15 crores will continue in 26.

Questioner: Only INR45 crores will come in '27?

Suresh Iyer: Net 45 will come in '27.

Questioner: That will be for how many years?

Suresh Iyer: That is actually a 7-year project, 1-year implementation, 3 months handover and 5 years, 9 months of the project run. So, December once this implementation happens, maybe 1 month or so we will have both the systems running. Max-max up to March '26 it will be running.

- Questioner:** From a balance sheet side how do you utilize all the buffers and levers you have or any other thing that you had? Everything is being done by, it is more of on the asset side that you want to do?
- Suresh Iyer:** So, growth is the main other thing which is the only thing that is there. In terms of the balance sheet size if you look at it, of course, we have the question is why only 8% LAP or why only 35% is CNP. These are other things which can always be done plus appraised income segment where we can have higher yielding loans. Those things are obviously always there. We have not still touched upon it in a very big way.
- Questioner:** So, all of that will be work in progress?
- Suresh Iyer:** That at least, yeah, maybe. SENP and this we have at least put a kind of a roadmap that will be taking it up to 35%. LAP will be 8%. So, some will be there. As for the self-employed with assessed income kind of a thing, we have a product. We have not yet, we did not launch it, but we have got a product very recently.
- We got it approved where we will be assessing the income based on the cash flow which is purely coming into the bank through the UPI payments and everything like a lot of people have UPI receipts coming through UPI and all. So, based on that, we will be able to assess the income rather than just do a field visit based cash flow assessment. This will be a more authentic, a little better, more credible kind of a source for assessment that we are looking at it. So, that product we will be considering.
- Questioner:** What is the growth rate expectation for next year?
- Suresh Iyer:** Next year, disbursement growth rate of about 20%. So, effectively about 13% to 15% even growth will be there.
- Questioner:** So, is it fair to assume that most of the staff which you are adding right now on the branch will be more towards the SENP segment and is that?
- Suresh Iyer:** The staff will be adding.
- Questioner:** Adding is more for sort of appraisal for the SENP segment because?
- Suresh Iyer:** The staff will be adding will be more for the sales and marketing because that is the area we need to really push because the next growth has to come has to be through field and sourcing and that is it. Because assessment as I said even though it is a credit people, 80% of the business was 80%-85% was coming from DSS which means the current staff is mostly sitting in the office and doing the appraisal.
- So, they are not the ones who can be pushed to the field to get business. Hardly you will get a few handful who will be keen to do it or will succeed in getting sourcing business from the market. So, we will need to.
- Questioner:** So, this new staff which you are adding?

Suresh Iyer: Will be for sales and marketing.

Questioner: To go on the?

Suresh Iyer: On the field source direct sourcing plus meet the builders get APF projects and all.

Questioner: But this is you would say this is more towards the SENP segment is that also?

Suresh Iyer: No, no it could be -- they could get direct business from salaried also such thing.

Questioner: And just to understand what should not really I mean aside from the IT cost your cost of income should not get you will add to your employee cost number, but basically you will save on the yields because you are saving on sourcing costs on this portion at least?

Suresh Iyer: Yeah. So, cost to income ratio will only be because of that INR40 crores addition which will be about 1% increase in the cost to income ratio.

Questioner: Yeah, yeah got it. Say another rate cut how does the margin look like?

Suresh Iyer: We will pass on only what we experience. So, I do not think that will affect our spread or our margins. You see this so far we have not passed on anything to our customers. We will experience it only end of this quarter when the interest payments come and we the rate reset for the banks happen. So, we will pass on next quarter.

Questioner: And this regulation that is there of separate entity same per quarter what is the update?

Suresh Iyer: As of now nothing because November 21st last year they were supposed to give the feedback all the banks including Canara bank have given their feedback to the RBI. Post that as of now there is no clarity or no subsequent follow up or any indication from the RBI. I think then the governor also changed and the new governor has a little different view. So, maybe it may not happen. Even if it happens. It will be over a longer period or whatever.

Questioner: Nothing no compensation nothing?

Suresh Iyer: And nothing as of now, as of now nothing.

Questioner: And SENP, APF projects what percentage of the business can that become and how much is it contributing to this project now?

Suresh Iyer: See APF has not been a very big contributor because most of the cases have been approved in the second part of the year and mostly in this only. As of December we were about 35-40 odd projects only. Now it is touch 70.

So, more 20-30 projects have been added this year. But the direct business that is coming that 35 people who have been put for sales and marketing they were able to contribute approximately INR60 crores or something in the Q3 which is about.

Questioner: How does this only work?

- Suresh Iyer:** No direct people, direct sourcing is also directly from the market plus also they are the same team is also targeting the builders and getting the projects approved.
- Questioner:** Yeah, because see this part of the market you want to kind of do for ticket size and kind of get that growth, overall growth it also has and ticket size it has. Mostly yield wise it is competitive and then maybe you have to give a little bit of payout also to the builders and maybe the other thing is also funding them in the projects last time as you said that is also something that you might have to look at?
- Suresh Iyer:** As of now we are not going to do that but yeah future we may look at that also builder financing but as of now no.
- Questioner:** As of now no because having a counter there is great because you can get the business but we have seen how this has shaped up right converting developer loans into retail loans and then retail roles many times can also be cost loans and then it is not ended well in this part of the market through time?
- Suresh Iyer:** No, I mean most of the players have DSTs, DMEs they have been sourcing business.
- Questioner:** But more being more salary the way you build a model right now, kind of going a little adding another vertical which is good but?
- Suresh Iyer:** No, see I mean it is not that we are adding a new vertical till about 2000 pre-COVID 2018-19 we had 50% of the business was direct business. It is only during COVID that the business shifted to the DSTs or people did not go out and the entire business became a DST driven this thing and post that even though we have tried it people have become very comfortable and not going out. So, become more of a office staff rather than a field staff.
- Questioner:** So, that is a challenge?
- Suresh Iyer:** So, we are trying to add more people and get the same thing back. So, at least we can make it a 60-40 or something like that. Right now it is only 35 we have only taken we have not added any new vertical in that. [inaudible 0:34:19] That is it only 35.
- Questioner:** That number will have to go up?
- Suresh Iyer:** That will have to go up that is precisely the point once the model works and we can then we will take up over for more people and we will then add because that.
- Questioner:** Last time when we spoke you spoke the same thing as a company without a sales team in a way?
- Suresh Iyer:** Absolutely.
- Questioner:** And that is not the model that you might want?
- Suresh Iyer:** Because today if you see my present team whatever is there is doing about 4,200 cases per month about 1,800, 850 to 900 people on the field. Means on the in the branches they are doing about 4,000, 4,200 cases. In a year we are doing about 50,000 cases.

So, that basically comes down to around productivity of 5 cases per staff per month. Now that itself is a very high number. Now unless we are able to add staff who can get source more and some of the things that can be automated workloads can be then only the productivity otherwise 5 cases doing everything manually anyway was kind of the maximum that was possible. I think it is still the highest in the industry today 5 cases per staff per month.

Questioner: Suresh how many people are in the management or are non-Canara bank pay scales?

Suresh Iyer: Everything practically is a Canara bank pay scale only.

Questioner: Everybody is on the Canara bank pay scale?

Suresh Iyer: But they are not Canara bank employees, they are Can Fin employees only but the salary structures are such that they are practically like a government employment only. So, I am just saying this is obviously. So, that is a challenge because we are not able to recruit people from the market or lateral hiring are not possible because we are not able to attract talent with this kind of.

Questioner: What I am coming to is that as you want to add more direct sales staff these guys go on the ground as hard work and this is a tougher business rather than sitting in the office and getting the business. If add those pay scales how easy or difficult it is to get the staff?

Suresh Iyer: See in a bank if you look at the pay scales entry level pay scales are quite decent compare much better than what the entry level pay scales are there in other places. Like today at the entry level a DST, DME gets about 15,000 or 10,000, 15,000, 18,000 as fixed salary and then the rest they have to earn out of incentive. In our case the lowest or the junior most staff at the entry level gets about 35,000 as salary.

So, entry level is not a problem it is only once you cross like Manager or Senior Manager level and that top management or middle management that you are talking about that is where there suddenly it plateaus whereas there is an exponential rise elsewhere.

Questioner: So, you would say that guys who have to be on the field and will on an average will end up more...

Suresh Iyer: May get up yes at least like for example somebody who is on a field when COVID happened all the field staff they could not go out. Obviously, they were purely on the sustenance allowance of 15,000 which was very difficult to run the family at least here the sustenance part of it is taken care of because it is at least 35,000 then the incentive can be a little less but you are compensating with a higher base salary.

Questioner: You should be able to get people to do this?

Suresh Iyer: Yes, you should be able to get.

Questioner: How much of the business comes from DSA currently?

Suresh Iyer: Currently, it is about 80% for the year still Q3 we were able to it is down it slightly come down in Q3 but overall Q1, Q2, Q3 together would probably still be around closer to 80%, 70%, 80%. 60% is what we at least initially target roughly broadly if you look at the market up to 60%.

Questioner: In 4 years?

Suresh Iyer: In 2 to 3 years yes or up to FY '28 at least the document that we have drawn up is FY '28 we want to bring it down to 60% by FY '28.

Questioner: And the project business will be contributing on that?

Suresh Iyer: Not project business, direct business including project we want 20% and then once this IT setup is done in November '25 or next December '25 thereafter we will be having our digital onboarding and digital process also initiated. So, that should also bring in FY '28 another 10%.

Questioner: So, by FY '28 you are saying 50% you want?

Suresh Iyer: 60%, 20%, 10% and 10%.

Questioner: 60% would be DSA?

Suresh Iyer: DSA, 20% will be the direct sales team, 10% digital and then 10% will be walk-ins and current team I mean existing customers asking for a top up second loan.

Questioner: Generally, it is considered that the DSA becomes a quality as well because they are able to bring that customer. So, will that be like can become an issue?

Suresh Iyer: It is both ways I mean if you have a very good and very old DSAs who are completely aware of your processes, your policies and are aligned with your culture then quality can be good. But at the same time there will also be some cases which will get fixed in the month and there will be some cases which will be not and some DSAs who may not be in line with yours you know.

Questioner-3: The HL, non-HL mix would be more or less?

Suresh Iyer: No, there also we have currently 85% is HL including CRE, we will be able to bring it down to 80%.

Questioner: What is this type of DSA? Is it connectors?

Suresh Iyer: Basically, connectors only you can say. They are connectors only.

Questioner: So, you do not use this big Andromeda? No, no.

Suresh Iyer: One Andromeda means all our DSAs will vanish, they will all get a part of the Andromeda that is how it couple of the players.

Questioner: Ticket size also?

Suresh Iyer: Ticket size also plus they just over a period they eat up all your existing DSAs.

- Questioner:** Suresh, with all of this why do you, why are you using margins I mean if LAP goes up say to 6 share of SENP goes up over a period of time, why are you not revising your spreads and NIMs the way you think of it?
- Suresh Iyer:** Currently, it is a little conservative, I agree. But one of the reasons is that we also want to offer a little finer pricing if we move to the slightly higher ticket business so that we are competitive in that segment. So, some of it will be offset.
- Questioner:** You mean ATS can cross 25 also at some point?
- Suresh Iyer:** Yes, in fact some of the cases where we are getting 35 lakh, 40 lakh cases and all also because the kind of projects we are because most of these bigger projects at APF we are we will be doing will be in the city limits not in the outskirts or in the panchayat areas. So, obviously there the ticket sizes will be a little higher.
- So, that is basically the reason some will be offset by this therefore we want to the whole idea of moving to a little higher in SENP a little more in this was that whatever we compromise here we can offset it a little bit and protect the yield.
- Here in fact we have not grown as fast but this has grown a little faster that is why we have had a benefit plus of course the NHB borrowing and the negotiation we have done with a couple of banks.
- Questioner:** In these ticket size there will be no competition from banks?
- Suresh Iyer:** It will that is what we do not intend to go very high in the ticket size for us will still be 12, 15 lakh to 75 lakhs only but still even if you maybe offer a little higher than some waiver in fees if not a rate of interest something we will have to offer to them.
- Questioner:** So, that 950 or something where you were at sort of some level that can drop to 9 also at some point in the closer to the banks?
- Suresh Iyer:** In terms of our...
- Questioner:** Starting yields?
- Suresh Iyer:** Starting yields today are in fact actually have moved up a little bit because we did SENP and we did not compromise on the rates what we thought we will have to do.
- Questioner:** So, as you do some of these other ticket sizes that 940, 950 you can do some business at 9% also you are open to doing business at 9%.
- Suresh Iyer:** We can do that also.
- Questioner-2** So, just in terms of growth rate I think when you had come you wanted higher growth rate higher teams sometimes it was possible you would do 20% a year or so and then possibly 15%, 18% and 18% hopefully there are few things that have happened certain geographies some things

have happened next year you are looking at 13%, 15% typically that is not a very high growth rate compared to the aspiration that you had in terms of building the franchise initially right.

I know little IT got little pushed out and other things that are there but even going into next year considering things are improving you are seeing that. March also you are seeing some better uptake and so on and so forth. 13%, 15% with opex will also be at 10% or maybe a little higher possibly we do not know maybe let us say 10% at least right and margins are also kind of picking up a bit or kind of maintain that. But growth rate still does not seem to be that attractive considering the potential that you had thought as you had come in.

Suresh Iyer: That is see we will have to have more people to do it and as of now it is like more of 15% is more because we are covering up from the issues that we are facing but I think once it is stabilized we will definitely have a more steady 15% or 17% kind of a growth rate.

Questioner: The challenge in that is that if we can see that that is an answer we need to address it is better to make those investments quickly because what happens is that let us say someone has a 3 or 5 year term as a leader right because wasting 6 months, 9 months, 12 months for one's own potential of achieving certain things.

And after you get people on board they also take some time to get going right. So just pushing it forward as much as you and I understand the constraints there are too many moving parts like in everything it is not black and white it is a lot of grey in between but still if that is the answer then it should be quicker. Because now you are getting back on trend and you should be kind of investing quickly right?

Suresh Iyer: That is the thing we will have to put more people and earlier we you know...

Questioner: Doing it somewhere in the middle of your term or doing it somewhere it is like some time already lost making it?

Suresh Iyer: No these 2 years though we had to do a lot of things it was it would not have made sense to actually get all the people and all when we were streamlining the system we were putting in the controls in place. But now that all that is done and we only have one that IIT transformation. I think yes this is the actually ideal time and we should be pushing getting more people on board pushing the growth and trying to do....

Questioner: Because the other issue also when we spoke initially that how are you going to address the non-South market and you did mention it will largely be a South market, non-South is something that we will do slowly and steadily. And we spoke about those issues and we can see some of that right now. So typically now both the ends there is an impact and from a direction standpoint I think maybe it will still be a South kind of thing?

Suresh Iyer: Still yes, that is true.

Questioner: On both the sides there is an impact. As a franchise where you could extract a lot more considering the pricing power that you have and potential that is there still seems that...

Suresh Iyer:

No, we did take a gradual approach for this shift geographical shift. We said 15-15 branches. So if you look at the plan that was drawn up in 2023, so there was a couple of journeys. One was that we will move from 85%, 87% housing and 13% non-housing. Will move to 80%, 20%. So we are now somewhere that directionally, we are moving in that direction because from that 85%, 87 % it has come down to 85% and so on we are moving.

Second was that in terms of our salary versus self-employed it was 72%, 28% and we said we'll go up to 60%, 35%. So there also in two years' time we have moved from a 70% to 28% to 70%, 30%.

The third was that in terms of our know a geographical thing it will be more from 72% again 73% to 27% to around 60%, 40%. So there I think if today if I look at it probably it will be around 68% from 73% we brought it down to 68% is the five southern states 68%, 69% somewhere in that range. So that is also a journey which is moving though I mean if you look at it that is one thing that is happening.

The next was that from DSA we need to reduce the focus on DSAs. So Q4 of FY '23 the quarter where I took charge it was 85% was DSA sourcing. Now it has gone to below 80% and we want to eventually take it up to 60% by FY '28. So that is also another journey which is happening.

Now having done all those things, all this in spite of the fact that in between we had all those mishaps where we had to completely change track, we had to put the business back on the back foot and completely reorganize the business controls, processes and everything. So all that is also now done.

So now, the journey wise, if you look at the four or five things that the board had laid down as the directional path you want to take. It is moving in that direction. Only thing is, the growth has also slowed because of all the correction that has happened. Now we need to kick start the growth, because the rest of the piece in terms of this has happened.

In the meantime, all this while all this was happening also the rating of the rate has also happened from a double A plus to a triple A. In terms of our liability side also, we have been able to shift from MCLR link borrowings to entirely repo link borrowings from the banks in terms of our provisioning and all those things. We had the restructured book. The restructured book also has completely now come in and we have taken the entire impact is also now built into the balance sheet.

In spite of that, we have also been able to build up a INR34 crores management overlay. So that has also strengthened the balance sheet. So, there is one direction which has been laid down progressing in that path, but because of this growth has been affected, but the journey is just that we are the direction is still the same.

Now, I think it is the right time to actually push the growth, because we will have to get the people, because other issues are now almost fallen in place.

Questioner: And just one thing on the liability right, who is see this MCLR versus repo I think previously we spoke about it you missed the entire leg on the upside and now on the downside you are going to be taking the hit? Whatever you won't benefit out of it typically now.

One is have the banks arm twisted or kind of convinced you to now move to repo or is it an internal decision and even on the upside, who missed that trend in terms of really structuring those that way, right? Because it's a miss internally. On the upside, you move on the downside you're going to be not get the benefit basically both the sides you're losing out so who missed this and who led by whom is this is banks or also?

Suresh Iyer: So, see the annual reset is something which was the old policy which was going on and annual reset, when the rates are going up definitely you will be hurt, because you will not there will be a lag effect on the asset side. When the rates start coming down, if you don't move, the problem is, it was a conscious call that now that, this we realized that it was already a problem because when I, the rates start moving in from the period from.

I think '22 up to July '23 it completely, kept on going up and up. So that decision was already taken and when the rates were going further up if we change to quarterly then the from the customer point of view not having fair. Therefore the decision was taken we'll keep a will be fair to our customer and once...

Questioner: The entire market is there and you won't be an outlier...

Suresh Iyer: No, we were the only one who were having an annual reset.

Questioner: Yes. Exactly, so you were the only one who had it, but the entire market already was there so you could have moved to that right?

Suresh Iyer: Yes, we could have, but then that was the only thing that would have been not fair to the customer. So we because then customers who would have taken annual reset and whose next response.

Questioner: Okay, thank you