



“Can Fin Homes Limited Conference Call”

February 28, 2025



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

Suresh Iyer: I'm Suresh, with me I have Apurva to my left, he is the CFO and I have Nilesh to my right, he is the Company Secretary. So, yeah, we can start.

Questioner: Yes, so we are existing shareholders, so we have been long term shareholders with CanFin for more than 4 years. And so just to start with the current situation that we have right in Karnataka and the challenges that we have faced. So we will come to that, but just a broader, longer term kind of question.

So when you started in CanFin, at that time what was the kind of infrastructure that you had, the kind of branch network, the DSA mix that you had? What was the underlying engine, the kind of underlying growth that CanFin was built in the engine? And where were you kind of looking to make the tweaks or make the changes to kind of increase the underlying growth rate of the business?

So that is the first broader question. Obviously, we are currently going through multiple challenges, right? First it was fraud, then we had this Telangana and Karnataka issue. But once things normalize, what are the changes that you are looking forward to, which will increase the underlying growth rate of this business?

Suresh Iyer: Yeah, so when I joined in March '23, so we had 219 branches. So we had a branch where basically three parts of types of branches, you would see one was a normal branch. We had affordable housing centres, which were smaller branches, which were still mapped with about two or more people.

And then we had satellite offices, which were like, you know, from a city about 30-40 kilometres outside. There was one place from where also business was coming and that was manned by one individual person that way. That was the kind of thing and totally all three put together, we had about 219 branches.

The staffing was around, you know, all put together. We had about 900 and odd people which were in the system at that point in time, including the head office staff. And of course, there was the other aspect of the resources is that other than the branch network and the staff, the other thing was the IT platform.

The IT platform, we had a monolithic application, which was provided to us by a vendor way back in 2011. And that had its own limitations. It was obviously a very old aged one and it had its own limitations in the sense that it was not API enabled. It had a lot of other issues in the sense that it was because the API was not enabled. It was not supportive. It was not a micro-services environment also.

So it was kind of, you know, patching up a third party vendor solutions to strengthen other applications was also not possible. And everything therefore was manual. Like for example,

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Sibyl, we had to pull a CIBIL report. Somebody had to go to the Sibyl, login over there individually and then pull a CIBIL report for a customer. Same way, if we had to do a CERSAI, we had to go manually, go there and upload a CERSAI so that you could register your document with the CERSAI and so on. So everything was like that. You had to go for a, you know, ITR. You had to go to the website and verify over there the ITRs. If the customers are based on the customer's support and all.

So that was the kind of environment which was there. And 85% actually in Q4 of FY23, 85% of the business was coming solely through DSA channel. And it was therefore, purely it was a team where the team actually, you know, earlier had a 50%-50% direct versus DSA sourcing way up to 2018. But thereafter, after COVID and all hit, you know, the movement of staff to the market kind of stopped. And thereafter, it was only DSA driven. So the percentage of DSA business increased from almost 50%, which was in 2018 and kept on increasing.

And as I said, it was 85% in Q4 when I joined. So the broad aspect or the key things that we were looking at is that, you know, over a period in the next 3 to 5 years, we need to develop our own sales team. So that, you know, we can bring down the dependency on DSAs from 80%.

And we wanted to bring it down to around 60% by end of FY28. Of course, if the earlier the better, but at least the worst case scenario by '28, but if it is before that, good. So that was one thing we wanted to expand the sales team because there was no outreach from the staff in the market. And it was purely dependent on the DSA channel only to source the business for us.

The second, you know, issue was that we had to upgrade the IT because obviously it was quite this thing. So when I joined at that time, there was already an RFP which had been floated. And there only two vendors had approached and two people had approached for SIs. And there also there was, it had been going on and it had stretched way back from August 2022. It was going on and on and there were some issues.

So after I joined, so what we did was the IT was the main issue which we had to upgrade. So we upgraded the IT. So obviously the RFP which was there was taking time. So we said we'll do it in two phases. The first phase was with the existing vendor we negotiated and we upgraded the software. Because the vendor also had a micro-services environment architecture separate setup which the company had not opted for.

So at least we said let's move to that so that it brings in API enablement and all those things. So we can add a lot of third-party vendor solutions and strengthen the processes. So first thing we did was we renegotiated and renewed the contract with the current vendor to upgrade the entire software.

So that we got it, we started in January 2024. We started that activity and the whole migration from January 24 went on and we were able to implement it. Now in fact we are on the new environment which is API enabled which enables us to, therefore because of that we have been able to tie up with third-party solutions like Karza, CIBIL.

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Then we have done with another vendor called Velocity we are doing, so all those API enablement's we could do. Even for our reconciliation software and all we could do all those things. So that was the one thing we have done. The second thing is in terms of the staffing. We have ramped up our staffing from you know about 900 at that point in time to today approximately a little more than 1100 is the number of staffing.

And in that process what we did was we also have streamlined the staffing based on the size of the branch, based on the geographical location and also that the right people are in the right branches. Like for example a Chief Manager has to be manning a larger branch whereas if it is a smaller branch it can be only a manager which was not the case earlier. So there was even a Chief Manager looking at a INR70 crores branch whereas a manager with minimal power, sanctioning powers was manning a INR500 crores plus branch in a metro.

So those kind of anomalies and all we have streamlined, we have put the templates in place and we have now got that sorted out. We have also strengthened the teams. The satellite offices which are like one man offices we have upgraded all of them to branch offices. So now they are also provided with full staffing so that you know they also do proper business. Otherwise you know the branches were there, satellite offices but the business was all sourced from the parent branch and it was just one person manning that satellite office. So those branches we have upgraded.

So basically two things we have done. So IT enablement is one, second thing we have done is we have increased the staffing and strengthened our branches. Third thing we have done is you know the branch expansion which had kind of stopped during the COVID period and all. So from FY24 we have restarted that activity of branch expansion. So FY24 we opened 14 branches, this year we are looking at 15 branches. Not to mention that we upgraded the satellite offices and all those things.

So that one capacity building we have done. The third thing for capacity building what we have done is we have also started from June onwards our own marketing set up, sales team. We have plugged out people from select branches and about 30 odd people or 30-35 people are there right now. Approximately 35 odd across locations where mainly in the north and the south. We have not done much in the west, not much in the Karnataka, Telangana and all. But more in Tamil Nadu and the north zone we have done about 35 odd people are there in the sales team.

And they have also now started sourcing direct business other than the direct channel so that the DSA business comes down. And that has seen a good you know result for us because from June '24 when we started it, month on month the business volume by this direct sales channel is increasing. And in Q3 October to December quarter we did about INR18 crores, INR31 crores business. Out of that 3%-3.25% of the incremental business has come from this particular channel. So that has also helped. So we are slowly building that channel.

We are strengthening our branch set up. We have kind of streamlined the operation so that the right people are in the right branches, heading the right branches. And we have also upgraded

the IT system. So in terms of this, this has happened. Now for capacity building basically you know growth comes from 3 levers are there. One is the ticket size. So slightly we are modifying the ticket size also. If you see we are slightly increasing our ticket size also. That has helped in a little bit.

The second thing for this thing is the branch expansion which we have started. So last year in Q3-Q4 we opened about 14 branches. Most of them were opened in Q3-Q4. So this Q4-Q3 December we have almost 1 year of you know vintage of these new branches, 14 branches. And in Q3 these branches have contributed to additional INR30 crores of business in Q3 which is approximately INR75 lakh per branch per month. So on an average if the 3 man branch can reach about INR2 crores of business per month.

Then they are kind of you know they are you know breakeven and they are able to generate profit. So basically they are on course to kind of in the next financial year those 14 branches will breakeven and they will start contributing you know the normal business. Same way this year we have 15 branches which we opened.

Next year we will contribute about we will reach the same level of INR75 lakhs per month. And the year after that we will reach the breakeven point. So slowly this you know the second lever which is branch expansion is also coming in. And these branches we have opened mainly in the North and the West most of them. Because you know we had a South reliance 72% of the business was coming from the South. The 5 states.

So now these branches are more in the North and West. So these markets also we are starting to see some more business coming in. South and I mean West and North both are positive are in growth right now. In fact North zone for us in January itself has crossed the previous year target of whatever they did last year. In 12 months they have already crossed in 10 months time. In West zone also in this month they will be crossing last year's figure.

So in fact in 11 months they have done what they did last year in 12 months. So that is also is there. And so one is the ticket size. Second is the geographical expansion. And third of course will be the productivity. Basically we have to improve the productivity of the staff itself. Now that productivity obviously is currently you know from 900 we have taken into 1100. So business per staff as a percentage is not showing as much. Because the staff has increased.

So you know the denominator is also increased at a much faster pace. So there itself that one aspect is not coming. But once the staffing is stabilized and we reach a kind of steady state situation. Then the -- that productivity per staff will also start increasing and will show you will start showing some improvement. Basically so these are the broader aspects of how we are looking at growth. And what are the kind of building blocks we have put in place to see that future years start showing the results.

Questioner:

So the underlying growth what is the underlying growth that you are targeting in a normal kind of an environment?

Suresh Iyer: See we want to grow at a couple of percentage points higher than the market. Today it is growing at 12% to 14%. So we should be growing at 15%. And that is the growth we are targeting. This year in fact if Q3 we did not have this Karnataka issue. Then we would have blocked another INR400 crores more would have come. In which case we would have also been closer to say INR2400. So in that case our -- you know INR400 crores more would have been approximately one percentage point higher for us that way. And same way in Q4 also that Karnataka situation continues.

Although there is a little improvement in Karnataka compared to Q3. But still it does not come back to the old level. So there also we will still be marginally affected.

Questioner: So Karnataka the issue that we have right. So where are we in terms of like the kind of disbursement that we are seeing currently?

Suresh Iyer: See in Karnataka in Q2 like last year I will just give you a number. Last year we had done INR2650 crores approximately in the entire year in Karnataka in FY24. Which was approximately INR220 crores per month. In this year first half April to September Karnataka was doing about to approximately INR275 crores per month. Which was kind of 20% growth. So as of end of Q2 we were at 20% growth in Karnataka. But this quarter there, we have come back to about INR150 crores only average.

So the growth has also come down and we are at about 8% growth as at the end of the third quarter. Compared to last year period and since this quarter also has not been a very great jump. And we are still just at about INR200 crores in January INR200 crores we will cross in marginally in February also. So we are looking at, by the end of the year it will still be positive. But may not be a very large positive because the numbers will again come back to around INR220 crores.

Approximately INR220 to INR225 crores per month. So otherwise it was growing at 20% and we were touching INR275 crores.

Questioner: Sir the question here is the pickup that we are seeing but there should be also a pent up demand right in Karnataka. So whenever things normalize that pent up demand should also kind of come through?

Suresh Iyer: It should come that is correct you are right that it should come. But again you know today if they start opening up the entire thing including the Panchayat including the development authority. You know it will still take the backlog which is there about INR10 or INR10 or INR10 lakhs of you know EKHATAS which are there. Slowly only they will all come back to normal. So it will take a while but still yes you know the demand should be is definitely there.

Because in these three months also even registrations for new properties has obviously stopped. So people where the construction has taken place people would have booked and all. They are all would be waiting for it to open up. So that will come. So something would definitely be there.

Questioner: From the news reports what we have read the incremental EKHATA issuances that are happening right now. The pickup still seems to be very slow compared to the backlog that is there on an overall level. So if the pickup continues to be in the same trajectory. It seems that it could you know probably take another 6-12 months for the entire backlog to be cleared. Is that understanding correct or are there certain things which are being done to kind of accelerate this process?

Suresh Iyer: Yeah. Sure. See there are two things one you know all the EKHATA applications which are there are not necessarily for a new purchase or construction. Because existing customers who have a property okay I have the documents I need to perfect my security. Let me get my and keep my EKHATA ready. So many of them who are not even looking for a loan would also have applied. So 50% of the applications probably you can say are only those who want to keep their documentation. So that is one thing.

The second thing is and the more important thing for us is that you know there are three parts. The corporation then there is a development authority and then there is a Panchayat which is outside. Now 75% of our business looking to the ticket size that we are doing is more in the development authority and the Panchayat.

40% happens in the Panchayat another 30%-35% happens in the development authority. And only 25% of our business approximately 20%-25% happens in our corporation limits where the ticket sizes are much higher. So right now the EKHATA whatever has started happening they have opened up for corporation limits.

So once the -- you know they start opening up in the development authority and the you know Panchayat. So there the number suddenly you know you will see that you know it is happening. Today only 33% of the 40% of the business which is there in corporation limits only on those areas they have started issuing EKHATA's at a faster pace.

Questioner: So that for you the challenge is even bigger?

Suresh Iyer: No so once they open up the so today if you know in entire corporation area they opened up you know there are 20 sub-registered offices which are doing it. Then suddenly the numbers will you know multiply by two times.

Questioner: Right. So when are the other areas expected to kind of start getting issued?

Suresh Iyer: Yes so the Chief Minister actually mentioned about one thing about a week back or so that you know they will open up for all properties very shortly. So we are just waiting for that if it happens in March then we will in fact get some benefit this month also. So we are also waiting because this started in September and I think at least now in municipal corporation limits the government seems to get a hang of how things are getting done.

So I think you know the replication in the other two areas may not be that may not take that long.

- Questioner:** And on the branch side you mentioned that this year we have kind of shut down some satellite offices. So this 219 number that we have does this include satellite offices or this is like your full-fledged branch?
- Suresh Iyer:** No so now what has happened is we closed 10 and opened 10 so the number net-net is 219 only. So 10 of the satellite offices and offices we have merged and this so they are so whatever few one or two satellite offices are still left they are there. But by and large it's all now branches it is full-fledged now all branches are having proper. So we don't have any branch now with one, one kind of manpower or things like that.
- Questioner:** Okay and so incrementally whatever addition that you are planning to do in Q4 will start reflecting in that number going forward?
- Suresh Iyer:** Yes so the 15 which we open in Q4 will now show in the end of the year as 234 now.
- Questioner:** And if we look at the Q3 disbursements right even if we exclude the INR400 crores impact of Karnataka and Telangana then also the growth on a Q-o-Q basis is still down. So if we just remove that or add that back there is still a Q-o-Q decline. So is there some challenge in other geographies as well?
- Suresh Iyer:** No actually only Telangana in fact is continues to be a problem for us where disbursements are very, very slow. The sentiment particularly after this Hydra and all there you know we are not able to get much business from there. And but today like Telangana is about INR100 crores per month is the run rate.
- Whereas earlier it used to be last year they had done INR1700 and odd crores INR1750 odd crores they had done last year INR1757 or something. So effectively they had done almost INR150 crores last year per month whereas now it is done down to about INR100 crores. There is a 30%-32% negative growth in Telangana.
- But going forward I think this is below this there is no I mean I don't expect it to go down any further from here there is only one way which is up. So next year in fact even Telangana will start showing because the base itself has corrected. So on a lower base definitely the growth also will start coming.
- Questioner:** So basically from Q2 to Q3 also there was a dip in Telangana?
- Suresh Iyer:** Telangana yes Telangana has continuously been a little interesting for us yes. Q3 also there was a dip in Telangana compared to Q2.
- Questioner:** So incrementally also things are more challenging there because now this issue has been there for quite some time right?
- Suresh Iyer:** Yes see Telangana what is happening they are taking area by area and you know and announcing that these properties are on lake beds or stuff like that and announcing them as unauthorized.

What has happened is you know about a month two months back the government at least made an announcement that unlike when they started off they started demolishing. Wherever they would come across a property they would put a notice and then go for demolition but at least now they said they will not demolish it.

So that is one positive that has happened that you know they are now not demolishing they are just putting it up and so they might probably go for a regularization where they may put an impact fee or something and charge something from the customer to regularize the property. So that is one thing so at least now people know that it may not happen. Now only thing is as and when they complete this activity we will know in which areas which are the lake properties where no construction should happen.

And newer constructions if they are wherever approvals are being given there of course it is with proper due verification and everything. So at least in the newer properties as the newer properties start coming up we will not have that problem going forward.

Questioner: And just looking at it Karnataka and Telangana on a monthly basis if we look at it from October right. So initially we had the dip because of EKHATA coming in on a monthly basis sequentially are things kind of picking up?

Suresh Iyer: Karnataka yes as I said we were doing INR150 crores in approximately in Q3. This month in January we have done INR200 crores and February also we are looking at touching INR200 crores. We will cross INR200 crores marginally so definitely there is an improvement in Q4 in Karnataka compared to Q3. Normally yes if 275 continued and we would have done INR300 crores in Karnataka you know Q4 always is a there is a pickup. So that to that extent there is still that gap is there but compared to Q3, Q4 is a little better for us.

Questioner: And this Hydra would it affect our NPAs in any ways because of you know the demolition that are happening?

Suresh Iyer: So far we have not had any major problems with any of the locations which they have covered. We have not had any of our properties financed properties coming under Hydra. At least even recently myself was there in there and we took a stock of this. So far none of the branches have reported any case where our properties financed have come under Hydra.

Questioner: You spoke about building that you have started building a sales team within the organization to get a new business. So broadly just how are the incentive structures for this team based on what metrics and if you can just you know explain?

Suresh Iyer: See first thing is you know unlike you know most other companies who have gone for a DST or a DME where the structure is they have a 10-15,000 fixed salary and then it's all on incentive. In our case you know what we observed was you know that segment that particular team has a very large attrition because you know it's almost 65%, 60% plus kind of attrition in that sales force field staff. So here at least what we did two things one you know we already have staff in

all our branches where you know with the IT coming in with all those things happening and streamlining of processes the efficiency should actually unlock some of our resources.

So what we have done is we have only taken people out from our existing teams and have done it. So they all continue to be in the same you know salary kind of a thing where you know they all are even the lowest grade person would get a CTC of about 4 lakhs 4.5 lakh or something. So that way they are not the kind of you know you cannot equate them with the DSTs or DMEs which are there of other organizations.

They are still all salaried I mean full flex full staff on the roles only and so that way the incentivization is that we are just building the incentive structure for them. But right now it's all the existing staff who have come.

Questioner: So this incremental 200 people that you have hired this is for what which domain?

Suresh Iyer: No so 200 people that we have done we have had almost about 50 odd people were for the head office because we have strengthened all the assurance functions of risk compliance audit and all those things. Then the 150 as I said some was for upgradation of our branches and some was also because as I said we had to move the people, we have kind of templated it based on the size of the branch we need to have the right number of people.

So that way we have done it that's how so now even this satellite offices have been upgraded so almost 12 odd satellite offices we had they've all been upgraded or the new branches which have replaced them would also have three people.

Questioner: And on this recent RBI circular that came in on foreclosure and prepayment charges so does that in any way impact us?

Suresh Iyer: No we are not charging prepayment charges from any of our customers because practically we don't have any fixed rate loans it's almost 99.9 something percentage is all variable floating rate. And we are not charging under prepayment charges or any other name by whatever name we are not charging anything so it doesn't impact us.

In fact that doesn't impact us even a classification of loans so far we have not had any problem because you know this refinance that the regulator had mentioned that is also not impacting us because we were not doing refinance of loans we were only doing for only the documented value was being funded under housing the extra amount was anyway funded under lap or under the non-housing category only.

We have not been affected by the circular for the classification of this date for classification of accounts because we our loans are classified on the last day of the month only so if February EMI doesn't come in February on it will be classified as SMA 0 when we finalize the accounts of February. So even that you know circular where you know they are talking about people

giving grace period and classifying it with a 25-day disadvantage and all those things that also is not affecting us.

Questioner: So on the NHB funding side so what is the outlook there in terms of the funding availability from NHB going forward for the next year?

Suresh Iyer: See this year we were able to draw INR2000 crores from NHB we did about INR1600 crores in November and 31st January the balance INR400 also crores they have released for us. So entire INR2000 crores in the current year we have drawn from NHB. Next year onwards of course there will be some more scope but it may not be as much as INR2000 because this is a cumulation of 2 years of refinance because the year before that we did not draw any refinance from NHB because the cost was higher on the higher side.

So this basically is a combination of 2 years of refinance so next year probably we may not get INR2000 crores but we may still get about INR700 crores to INR1000 crores, INR1200 crores we may get.

Questioner: This SMA 0 number had gone up in December quarter by around INR600 crores what was the reason for that?

Suresh Iyer: Yeah so first thing is that you know we had this change in you know this our customers used to make some advance payments 1 EMI or something because they would pay round amounts. So it is 17,200 they may take 18,000 so those kind of small amounts are always available for as a margin with us 1 EMI kind of thing. Beyond that anyway too much of amount we would anyway give it to the customer but some small amounts were being parked as advance.

So now from October there was a guideline that we have to no advance should be kept or no advance EMI we have to everything has to be taken towards the principal and every customer should immediate benefit should be given. So that benefit is not there so now whenever there is a check bounce say for example the EMI of February the match bounces the customer will have to pay the EMI plus the check bounce charges. But customers mostly pay the same EMI back they just refund and you know transfer the EMI amount again.

So then the charges would remain outstanding because with the classification would move to you know SMA 0. So basically that was the reason this required quite a bit of requires a bit of education to the customers which we have started doing and January we saw a drop in our SMA 0 numbers. And the same thing we are pushing in so hopefully going forward in February and March also further it will come down a little bit.

So basically it is a matter of education we have to tell the customers slightly the situation in the accounting situation has changed so we have to regulatory tell the customers.

- Questioner:** So coming to let's say FY26 should we assume that let's say if this Karnataka thing kind of normalizes or at least partially normalizes should we be targeting that you know INR1000 crores kind of a monthly run rate of disbursements?
- Suresh Iyer:** Yes we should be looking at 20% growth because you know as I said our North is already 10 months they have done the 12 month thing that is going on Tamil Nadu also in January crossed the previous year figure. Then we have West which is in February going to cross the same figure. Karnataka came down because of this matter but otherwise Karnataka was growing at 20% and should get back to 20% growth if not more next year.
- And Telangana also as I said it is almost reached a kind of a bottom from there it has to start moving up. So if that also shows about 20% growth in disbursements definitely we can look at which would probably be around INR11,000 crores anywhere between INR11,000 crores, INR12,000 crores kind of disbursements.
- Questioner:** So one question on the medium term aspiration so I think in one of the calls you had mentioned that by FY28 you intend to get to 300 branches. And when we kind of look at the growth rate in number of branches that comes to roughly around 8%-9% on an annualized basis if you compare it with FY24 the number that we had. So with an 8%-9% kind of growth in branches is that capacity addition enough to support a 15% kind of growth in disbursements that we are targeting?
- Suresh Iyer:** See one is this as I said the other is the ticket size so we have also said that from INR20 lakhs, INR22 lakhs we want to make it to INR27 lakhs, INR28 lakhs. So about 10%-15% should come from the ticket size growth also increase in ticket size also. That will also help.
- Questioner:** Sourav you have any question?
- Sourav:** Yes, Rohan. No nothing from my side.
- Questioner:** I think we are done with our questions. Thanks for your time and it was very helpful.
- Suresh Iyer:** Thank you so much.
- Questioner:** Have a good day.
- Suresh Iyer:** Thank you so much. Same to you.