



## “Can Fin Homes Limited Conference Call”

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**MANAGEMENT: MR. – CAN FIN HOMES LIMITED**

**Analyst:**

On one side you're trying to de-risk yourself from certain geographies from a strategic perspective. On the other side you're trying to -- on the second side trying to increase the self-employed component broadly and trying to invest a lot into the tech stack. So, how do you tend to marry all this and show that accelerated growth because things have not been so great with the environment for especially those select geographies for you guys? That is one, how do you marry all these things.

The second aspect to the question is just trying to understand is while doing so, it's becoming incrementally very commoditized or very, very extremely competitive. So, how do you tend to then take care of the NIMs as well when you're trying to take care or for me it is PPOP adjusted NIMs if I have to or provision adjusted NIMs if I have to put it. So, just a very broad discussion on this?

**Executive:**

See first of all in terms of the de-risking strategy from the geography point of view, of course we had incidentally in '23 itself realized that we were too highly concentrated only in Karnataka and Telangana because at that point in time, INR30,000 crores book we had INR17,000 crores only in two states, close to INR17,000 crores. So, and then Tamil Nadu if you add, Andhra if you add, then it was even higher, it was 72%.

So basically we had to look at that and if you otherwise also look at it, there are very large markets like Maharashtra. If you look at all the states per se, then the state which is having the highest amount of housing finance penetration is Maharashtra. And we were not having adequate presence over there. Same way Gujarat. Because if you look at it, Maharashtra followed by Tamil Nadu then Gujarat and Karnataka and then Delhi.

So we were not, we were missing out much of Gujarat, much of Maharashtra and Delhi also. That's where we said that it was necessary for us to spread the risk. But that doesn't mean that we were entering new geographies because we already had a presence in all these places. But it was not really a very large presence. So slowly we have been expanding over there. The talent was already there, but we have of course had to get people from outside, get from the market, but otherwise you we already had a talent.

Like for example, the zonal head who sits in north and sits in Delhi, in fact he is having experience of more than 25 years with Can Fin itself. Same way we have presently over there four AGMs in Delhi. All of them are having more than 15 years experience in Can Fin itself. So these are not people, so it's not that they've all kind of had to be taken from outside and we have to build an entirely new team.

It's just that we had to add people at the bottom and these we had to give a growth to the existing team. So, so that is one thing. As far as the self-employed segment is concerned, yes it was also to factor in that we wanted to slightly increase our ticket size. And that would mean a little more competitive rate of interest. So that means we would have compromised on our spreads, which we didn't want to do.

That's why we said at least there's a scope. And now in fact with more and more people filing returns and even in the self-employed segment that segment was also growing. So we have still

not ventured into the assessed income, we have still not ventured into the surrogate income proof products. We're still in the documented income segment only, but self-employed has slightly increased because even otherwise, filing of ITR returns, filing of GST returns and all those things has resulted in more people in the self-employed segment also coming into our norms.

So that's the -- that part of it. Third as regards competition, yes competition has been growing, but off-late if you see there aren't any new HFCs who are entering it. But yes some of the larger, players like the Aditya Birla group or the -- these people are all Tata, they have obviously increased their business in this secured lending side. But in terms of the legacy that we carry, in terms of the product space, I think there's a good brand recognition being part of the group also, Canara group, has a good amount of this.

So we, while there is a little bit of competition increased, I think we still feel there's not much of an issue. As regards business that you're talking about, in fact in this year each of the quarters in fact is a new high that we have set. Like in the first quarter we had sequentially we have grown quarter on quarter-on-quarter plus compared to any of the previous quarters of that of the last five to seven years, we've had a highest disbursement.

Like first time in the first quarter we crossed INR2,000 crores in this FY26. Second quarter we have never gone beyond INR2,300, we crossed INR2,500 in Q2. Never in the third quarter that we have crossed INR2,500, we crossed INR2,700. So that way every quarter we are setting a new high and this year we will be we are likely to meet the target we are very much there for the INR10,500 crores disbursement that we have spoken about.

The highest was actually 8,900 which we have done in FY23. After that it went down for two years, 8,100 and 8,500. And so this year there will be almost a 24% growth, 23%, 24% growth in disbursement compared to FY25.

**Analyst:** Sure. Where I'm coming from is you've said that there is a high amount of tech spend which is happening, but commensurately the branch network is not increasing from the sales perspective. In fact, the DSA contribution is increasing, right? If I look from DSA contribution it's closer to 79%?

**Executive:** Yes, but that was 86% two years back. It's slightly come off and we are having a sales team which is now contributing almost 9% to 10% now.

**Analyst:** Where I'm trying to understand or hint at is the cost of servicing the loans, probably, will increase for you guys including the tech spend.

**Executive:** Including tech spend, yes, because that had to be done.

**Analyst:** And margins are today, whatever they are based on how the environment functions and really there is not much of a room to expand margins beyond a point because on the top end there are these PSU banks then the houses have become stronger those in terms of this thing. So in this environment how do you protect the PPOP?

**Executive:** See actually if you look at it our spread was 2.31% in '23 and then it has steadily increased. Today we are at around 2.8% spread. So actually this has helped at least in ensuring that we have a lower interest rate. Lower interest rate but we have also passed on an equal amount, we passed on whatever it is to the customers also. We in fact have passed on for the 50 basis points to existing and new customers both in line with whatever is the floating rate that we have linked to repo in the on our liability side.

So we had about 40% of our liability side is linked to repo. So whatever 125 basis points, 40% of that we have passed on to our customers. So it's not that we have, spread has increased at the cost of customers being our transmission not happening. So transmission also has happened at the same time we have been able to slightly increase this because of our change of mix.

**Analyst:** So I'm just looking to this thing just like how much was it concentrated to the cost side because we don't know how much we actually got what benefit from the yield side. So if our understanding is obviously cost of funds are as much higher today than before?

**Executive:** Definitely, definitely cost of funds has been a major contributor. So what has happened is on the on the yield side, in spite of the rates coming down, in spite of us offering better rates to the customers, our yield on the book has almost remained, I think it was 10.14% or something, it has just come down to 10.06%.

**Analyst:** Exactly.

**Executive:** Yes. So that is that is one of the...

**Analyst:** So then you are referring to -- mix is basically more self-employed?

**Executive:** Self-employed, yes, slightly self-employed and non-housing.

**Analyst:** Both?

**Executive:** Non-housing has not increased as much, but self-employed has definitely incrementally increased.

**Analyst:** So you said 10 point?

**Executive:** 10.06% was the yield as of 31st of December.

**Analyst:** Okay. And within this, obviously your cost of funds have gone down by 40, 50 basis points?

**Executive:** Yes.

**Analyst:** Right. So I think what we are trying to understand is incrementally when we see when your cost of lending goes up plus you do not have that kind of cost benefits because obviously lot of benefit in terms of cost of funds have already passed on. Yields also are quite competitive wherein we will not be able to hold on to these rates. So how are we looking at this entire picture as a whole -- in terms of lending as margins?

**Executive:** No, why do you say that we'll not be able to hold on to the rates? Of course, if the rates start going up on the repo and all those things starts moving up then obviously yes we will have to look at that. Otherwise, we have, I don't see why we would, because today incrementally we are except for the banks and LIC who is offering around 7.15 starting from 7.15, I think we are still starting from 8.25, quite competitive in that sense.

**Analyst:** So, while you talked about confidence or in terms of disbursement number, right? INR10,500 crores for FY26, how are BT out, how is that spanning out?

**Executive:** BT out has been elevated from Q2 onwards. So Q2, I mean we had anticipated around INR1,500 crores of average BT outs, prepayments and, Yes, amortization per quarter when we had prepared the projections last year. And so we were expecting that we should be able to add about INR4,500 crores to the book. But that will be kind of affected, we will be in almost INR500 crores to INR600 crores additional prepayment has happened in the last in the Q2, Q3 and Q4 included.

Because of which our growth will be slightly affected because of the prepayment because on the disbursement side we will be meeting the target of 10,500. But INR6,000 crores is what we had anticipated as the prepayment and amortization and everything put together, which actually we will be probably we'll be ending around INR6,600 crores or thereabout.

**Analyst:** Okay. So for a year you were expecting about INR6,000 crores of BT outs, crores, that is now will be INR6,600-odd crores?

**Executive:** Kind of, yes.

**Analyst:** Full year about so that will have -- okay and that intensity has even like Jan, Feb, March?

**Executive:** No, no, Jan, Feb, March has not reduced, in fact Jan, Feb, March has also been on the same line as Q2, Q3.

**Analyst:** And so but now with rate settling, right, at least doesn't look like it will be lowering further in the system. You should see BT out kind of trend improving for Can Fin?

**Executive:** So this year when we are projecting, we are projecting INR13,000 crores as the total disbursement for FY27 and we are still projecting a higher prepayment at INR7,000 crores. And therefore expecting only INR6,000 crores. If we're able to bring that down obviously this will help us in a...

**Analyst:** Yes. And sorry this INR6,600-odd crores for FY26, what was that number for full year full year '25?

**Executive:** Previous year it was much lower, it was in fact...

**Analyst:** INR5,300 crores.

**Executive:** And that's why we had anticipated INR6,000 crores. But it has actually reached INR6,600 crores. So this...

**Analyst:** What has surprised you saw me, just to complete this, so what has surprised you in terms of is it like just PSU banks?

**Executive:** Not PSU banks, it is LIC has been one of the major ones, Bajaj has been another one, and in some of the markets a couple of banks. But LIC and Bajaj have been the number one, number two across.

**Analyst:** When we look at the growth rate for LIC, it doesn't end over there, they also are kind of reporting...

**Executive:** But then -- so basically when you talk about competitive pressures, it is more for LIC and Bajaj who have been talking about it very aggressively that they're facing this competitive pressure from the banks because their segment is the same. LIC and Bajaj also have been in the INR35 lakhs upwards plus kind of a segment. So therefore that portfolio is what the banks are keen to look at. Whereas if you look at our INR20 lakhs, INR25 lakhs segment, banks are not very aggressive in that sense.

**Analyst:** Okay. Is there anything that you are doing now to curtail that -- so at least it doesn't go to like 7,500, 8,000?

**Executive:** Yes, so two things we are looking at, one is, we have realized that on our study showed that our maximum prepayment our this thing was happening BT also happening in the annual portfolio, annual reset portfolio. Because our annual portfolio was not reducing or getting converted into quarterly reset at the rate at which we would have wanted. Every quarter we were looking at that but it was not happening that fast.

And it is annual reset customers who were who were feeling that there's no pass-on whereas we can get a cheaper rate at the in the competition. Now had we passed on that rate had they all been in quarterly they would have got the full 50 basis points benefit which they did not get. So therefore the prepayment was higher, so one is we are accelerating that and we have got that done.

**Analyst:** So now your bulk of the book is already in quarterly?

**Executive:** 1st of April, 1st of April 85% of the book will be in quarterly. So that is one thing, that was which was not happening in the second and third quarter. We have now done it and this quarter we sent out letters to all of them, invited them and said that if you don't do it, we'll automatically reduce the rate and pass it on to you. So that we have done. That is one thing.

The second thing is we are also setting up our internal customer care division, which we will try to talk to the customers, counselling and all those things we'll increase based on whenever there is a inquiry at in CIBIL or anything, we will be talking to them before they come. Because normally by the time they come with a check and say I want to close, their mind is already made up. So then it is very difficult for us to convert them.

**Analyst:** You're saying that it will get operationalized?

**Executive:** We've just we've already started, but it's on a small number, we will keep increasing as and as required and seeing that we work on it. So that is something.

**Analyst:** Also if I remember, I think last maybe one or two quarter back also we had talked about this strategy where we were trying to do some changes there in terms of annual reset and this, but despite that in the last two quarters the prepayments have not, I mean the BT outs have not come down, so is it like the implementation is slow or we're not able to catch the customers?

**Executive:** No, there's a process. See like for example in Q2 when these prepayments went up and we analysed, we realized this was the thing, so we said we will do this strategy, but for that we have to change first of all our policy, internal policy has to change. So we had to go back to our Board, get our internal policy changed and everything.

Then as per NHB guidelines also you have to give a 60-day notice to the customer before you make any such change. So we wrote to the customers, got their consent or this thing on and then we have kind of will be moving them 60 days later. So that comes around March, this month is the when the 60-days period is getting over. So effective 1st of April all those cases will get changed to the quarterly reset.

**Analyst:** So if we really need to monitor whether whatever efforts we have been putting in terms of the restriction of that BTs, what would be the ideal quarter like Q1, Q2 probably would be the right period to look into whether these numbers have come down?

**Executive:** I think Q2 would be the right quarter and Q1 also because last year Q1 was less. It was only 1461 or something was the, 1460 I think if I recollect correctly exact number.

**Analyst:** About 1460, 1660 and 1680.

**Executive:** Yes, 1661 and 1691, correct. So 1460 was the number, so there we will be able to see because last three quarters we are looking at 1660, 1690 and probably this quarter 1750. So next time we will have to see in Q1 whether it is elevated or we are able to bring it down.

**Analyst:** My question was you are already run rate is closer to 7,000 annualized this quarter which we were talking, assuming 7,000, shouldn't you be a bit more conservative considering that the pain from many of these mid-tier large house NBFCs are there and they continue and your assets are seasoned, so that's the most advantage for them.

Credit quality is reasonable, assets are seasoned. So then that those are the best assets to go for even offering a higher LTV because probably property prices have gone up. So how do you tackle this? Suppose I bought a house for...

**Executive:** No, I mean still fine we can make 8,000 then which means either we'll have to do more disbursement but so the thing we -- the challenge is to work on the customers and bring down the prepayments. That is what -- so we're trying to do this.

**Analyst:** So one is the rate, the other I was trying to tell you is the higher LTV also which is affected?

**Executive:** Higher LTV is, yes, so some competition is offering a little higher LTV to takeover and give a top-up. That is correct, but of course I mean I don't think there is any I mean regulatory whatever is possible we are offering the maximum because regulatory there is a cap that you cannot give more than 85% or 75% depending on the ticket size. Of course less than INR30 lakhs is 90%, INR30 lakhs to INR75 lakhs you can give only 85%. And below that beyond that if it is there ticket size then you can only offer 75% LTV, which already we are offering.

Now, the other thing is, you increase the property value and say I'm giving 75% of that that's a different issue. That's actually not the right way to look at it. I don't think we would want to do that where a INR70 lakhs property valuing it at INR85 lakhs and trying to give them more.

**Analyst:** Property prices are -- one is trying to be right, regulatory and still able to do business. So I'm not saying anyone is trying to defraud in anyway or assuming a INR50 lakhs property is now worth INR90 lakhs. All I'm trying to tell you is the property price must have also gone up in two, three years. Even if we take a haircut and that is what the market feedback is...

**Executive:** Correct, correct. So wherever possible within our norms we are offering this thing, so if you today look at it, our 2,80,000 loan accounts are there, but our actual number of customers is around 2,40,000 only. Because those customers we have given some additional loans whenever it is possible, we have been looking at that. In fact we also run these pre-sanctioned offers to our customers wherever possible we do that.

**Analyst:** And another thing on the same is in the ticket size where you operate, obviously as you mentioned that there is a lot of attraction with all these larger banks and probably, they are more active in the INR30 lakhs and beyond category. When we talk to a lot of other housing finance companies also this seems to be a very sweet spot in that sense like everybody wants to capture in this. Even the affordable ones because now the INR5 lakhs to INR10 lakhs category is getting overheated, they want to move beyond that ticket size?

**Executive:** They don't get properties also that...

**Analyst:** Exactly. So now they are also slowly moving towards this ticket size where we are right now. So this competition is only going to get intense and high?

**Executive:** See affordable housing companies start at 12%, my highest rate is 12%. So there cannot be a competition where they come and offer loan. Yes they can take away maybe some loans, some maybe deviation cases they may take over, that's a different issue. I don't think that is going to move the needle much. I think the bigger guys coming down is a bigger worry than the smaller guys coming up.

Like today when Bajaj says that we're going to get into affordable housing, that I should be worried about rather than some Aptus saying I'm going to increase or...

**Analyst:** Home First or Aadhaar?

**Executive:** Home First or Aadhaar telling, saying that I'm going to go. That is because their rates are completely different.

**Analyst:** But what about like Tata, PNB, Bajaj?

**Executive:** That is where I'm saying. So that's why when we talk about...

**Analyst:** And LIC which is known for taking BT outs and all?

**Executive:** That is there, but all right, up to now it is more of LIC and Bajaj which is there.

**Analyst:** Because the entire reason like I remember the conversations have always been around this whenever we talk about loan growth since the last two three years where we were trying to increase our loan growth probably 1% by just controlling prepayments rather than that has only gone up?

**Executive:** No but otherwise growth now is in fact if you see now I'll just give you some this thing, last year we had about INR8,560 crores, right? The new branches which had opened in '23-'24, '24-'25, okay, most of it we had opened in the fag end of the year only. So basically we were not able to get the benefit of those branches only. So last year they contributed out of INR8,550 crores, 100 new branches had contributed INR126 crores.

And the sales team which we had just started in June 2024 in the last year, they contributed about INR100 crores, okay. This year we increased the size of our sales team from 35 to 90 and they have contributed this year they will be contributing around close to INR850 crores business is going to come from this team, okay.

The new branches which last year had done INR126 crores, including the branches which we have opened this year in the first half, this year will be doing INR750 crores. So the benefit of that is now what is beginning to show in the in the growth. That is why we are moved from 8,500 to this thing. Whereas the old branches which were working on the old model with the DSAs and all those things have moved from 8,300 to 8,900.

Now next year when we look at it, we are looking at increasing our sales team from 90 people to 150 people and this 850 moving up to 1,500. Same way the new branches, this year we are looking at FY27 another 26 branches to be added plus some of the older branches obviously are yet to reach their peak or their optimum level. So next year we're expecting the newer branches that opened in '23-'24, '24-'25, '25-'26 and '26-'27 to contribute around INR1,200 crores from the current year's INR750 crores. So that itself...

**Analyst:** So if we have to look from per branch metrics, what is the peak disbursement of branch?

**Executive:** See we have kind of a templated structure where no larger branches which are say INR500 crores plus of AUM, they are having about nine people in the branch. So some of those branches are doing as high as INR16 crores to INR17 crores disbursement in a month.

**Analyst:** INR16 crores to?

**Executive:** INR17 crores disbursement in a month also. Then there are a lot of these mid-sized and slightly lower INR350 crores to INR500 crores branches which are doing about INR12 crores to INR13 crores in a month.

- Analyst:** And since where the newer branches will scale up to? Or like this is the maximum potential?
- Executive:** This is the kind of, Yes, right now if you see the maximum would be around INR17 crores, INR18 crores would be a maximum any branch would have -- does in a month. Of course March excluded, In March...
- Analyst:** Yes, that's like a year, full year average?
- Executive:** Full year average you would be around INR17 crores, Yes.
- Analyst:** And so coming to now this situation which is right now in this current scenario the macro challenges which are there, have we seen like the originations falling or probably inquiries coming down? Any kind of that situation at least impact on the growth side?
- Executive:** See this March I think is too it is first of all too early to see the real impact. And probably if it doesn't continue for long I think it may be we may not see that kind of high phase also. But as of now in March at least we are like for example 3,200 is what we are projecting for the Q3 sorry Q4. We have done in January, February put together about INR1,900 crores plus. So we're looking at about close to INR1,300 crores in the month of March, which is we are on course to kind of doing maybe INR50 crores here and there might happen.
- That's the kind of thing we are looking at. So definitely March is definitely 20% higher than what we have done in Jan or Feb. So as of now it is not showing anywhere, at least the pipeline is there. This month also the sanctions have been pretty strong across the Board and we don't, I mean we're full on course for that 10,500 for the year.
- Analyst:** [inaudible 0:25:17] collections also?
- Executive:** Collections also we are in fact we will see a reduction across all the buckets in delinquency compared to December. And this will be the fifth quarter in a row where our delinquencies in absolute value will be coming down.
- Analyst:** But are we like not seeing obviously it is too early, but then are collections would have -- for March would have been impacted probably because of these situation somewhere we are seeing some impact or challenges?
- Executive:** See 90% of our repayment comes through NACH, okay and most of the dates are 5, 10 and 15, 10th being the highest. So all these three cycles are now passed today as we speak today. And in all the three cycles we have seen a normal or better than normal kind of a clearance of the check I mean NACH clearance ratio. So we've not had that problem this month. Maybe the peak or the real scare has happened after 15 by the time already all our cases have been cleared. That's a different issue. So that's why it's too early to say this month.
- Analyst:** Are you in a way any sector which is contributing a chunk of your [inaudible 0:26:31] for example, since you're in Andhra, Karnataka, Telangana and all those IT sector impact or those kind of impacts are you seeing any early signs or are you putting in the new risk model trying to see things are okay?

**Executive:** So Yes as I said NRI we have already taken some stand that we will be taking a little closer look at that because now NRI incomes and all may be and so we've already issued a circular to our branches to be careful on that kind of customers, okay. In terms of our IT which people have been saying, we have anyway been for the last few months been observing it because earlier even without this there was this AI thing which like AI is going to disrupt everything, job losses and all those things.

So we have been monitoring that also. So far we've not had an impact on IT also for us. And NRI is another thing which we have now looked at. And ticket size anyway we felt that the smaller ticket sizes is where it was a little more prone to impact because we already had the MFI thing, we already have the personal loan thing, small ticket LAP was also getting affected.

So for smaller ticket size loans anyway we have been a little more careful that is what and even otherwise if you look at it some of the things we have taken to monitor. Like for example on our legal and technical side we've introduced new things for monitoring. We have been trying to reduce the focus on any individual valuer or advocate. We've gone for an equal distribution policy. We've gone for random selection of DSA I mean advocates and valuers rather than the branch deciding whom to give it to. So, all those kinds of things just to see that, if there is any possibility we can minimize this.

**Analyst:** But how much would be the IT-ITEs in your overall?

**Executive:** Core IT where people this thing is about 6% of our customers, not much.

**Analyst:** No particular sector which is like?

**Executive:** No. In fact 14% is government salaried, 51% is private salaried, private sector and salaried and 6% is IT.

**Analyst:** 6% of customers?

**Executive:** Customers.

**Analyst:** Customers and 14 you said is government?

**Executive:** Government.

**Analyst:** And 51 you said is private sector?

**Executive:** Private sector, but salaried.

**Analyst:** So just want to understand this tech spend of INR200 crores, INR250 crores what is that? Is it more from the app side where customers convenient is there, is it more from the risk side or trying to get the early morning signs and where is it happening or is it more branch-led which is?

**Executive:** No. So basically we had a so IT this thing which was a platform which was an LOS LMS, which we had implemented way back in 2011. So since then there was no upgrade or no kind of a

model change in that. So, the same old thing was there and it was only an LOS LMS service provider. It was the F&A and the deposit module was also kind of a mere simple thing which was integrated, nothing much of on it.

So this particular IT transformation that we are doing encompasses three areas, one is security, one is infra and the third is entire application side. So on the application side it's a complete revamp. The LOS LMS also we are changing, but we are being also along with that we're bringing integrating a proper F&A package and a deposit package and also an HRMS package and a this treasury borrowing and ALM package, so on the risk side.

So that also entirely is coming. On the security side and the infra side we are upgrading our Microsoft and mailing solutions and all those things. We're also going for SD-WAN technology so that there is a security upgrade to the branch and all those things. DMS, Aadhaar Data Vault of course is there and DMS is also coming and we are going in for this SOC NOC and all those kind of things from the security point of view.

Plus providing higher redundancy and all those things in case of our servers. And higher availability as well as DCDR also we are enhancing it with. So basically it's on all three aspects, security, infra and application side. And the benefit will obviously accrue to the branches because this will allow us to start a lot of digital and a lot of journeys, new journeys for the customer. Digital journeys can be incorporated which was not there in the old one. Plus third-party vendor solutions also we are integrating into this in a bigger way.

**Analyst:** So what could be the delinquencies normal today based on the books which is on the non-housing portfolio book?

**Executive:** On the non-housing portfolio, it is today would be around 1.6%. I think that is the kind of thing. And 0.6%, 0.62% on the housing side.

**Analyst:** That is 90 plus?

**Executive:** Yes 90 plus.

**Analyst:** So just like on funding side how's been the environment particularly this quarter, last few weeks, has there been any change?

**Executive:** So two days back we had a board meeting, we have taken two new fresh bank sanctions at 7% and 6.95%.

**Analyst:** 7% and 6.95%?

**Executive:** 7% and 6.95%. So the incremental bank loans are coming in at that rate, 7 and below only. And, of course, we are if we want there are other sanctions, but we don't need. So we're only taking those which are at this kind of rate obviously. So this is what it is. With that also we are able to maintain a 150% plus LCR Liquidity Coverage Ratio. So that way we are ensuring that we [inaudible 0:32:57].

In terms of CP, we used to normally have about INR2,200 to INR2,700 crores of CP at the end of every quarter. This quarter we'll be having only INR1,000 crores because the CP rates have gone up. In fact, the CP is also available at 7.10 whereas bank term loans were available at 7 and below. So obviously we have chosen for the bank term loans. So CP is only going to be INR1,000 crores at the end of the quarter.

In terms of the NCDs, yes, they are three-year NCDs are available today at 7.45, 7.5, which probably would have been around 7.25 maybe last quarter. But again since the cost was higher, we did not draw any NCD because we were [inaudible 0:33:39] already we had met our requirement. And second thing is in terms of NCDs, some of we still have a little scope because even if we draw something at 7.45.

Some of our earlier NCDs have been drawn at a higher rate. So when they mature, we will be able to replace them with 7.45 or thereabouts. So that will give some advantage. So that's the kind of thing. So as on 1st of April when we look at our overall cost of borrowing on the liability side, it should be somewhere around 7%. And on the on the asset side, since considering all the reset which is going to be effective from 1st of April, on the quarterly reset as well as all the rate being passed on, the blended yield will be around 9.8%.

**Analyst:** 9.8?

**Executive:** 9.8.

**Analyst:** Outstanding basis.

**Executive:** On the coupon on the entire outstanding book.

**Analyst:** Marginal would also be close to that.

**Executive:** Sorry.

**Analyst:** Marginal.

**Executive:** Marginal will be also about close to that or maybe 10 basis point.

**Analyst:** 280 basis point spread?

**Executive:** Yes. So, we will continue with the guidance of 2.75 which we have been giving in the last in the current year also last couple of quarters.

**Analyst:** And the rate which you said 6.95, 7 for banks, like what could be like when you last raised from banks has it changed?

**Executive:** Yes. So earlier we used to get around 6.85 and 6.8 also, which is now about 6.95 and 7.

**Analyst:** 10, 15 basis points?

**Executive:** 10, 15 basis points.

**Analyst:** In last whatever one, two months?

**Executive:** Yes one, two months.

**Analyst:** Because the rates in the market has also -- market borrowing rates have also gone up [inaudible 0:35:22]?

**Executive:** Sorry.

**Analyst:** Short-end also?

**Executive:** Yes, correct. Short end is gone up much more.

**Analyst:** But this is where we you kind of which we have drawn less?

**Executive:** So obviously this nobody had anticipated, but otherwise also in Q4 normally the rates are little elevated because of the liquidity. So we had planned in such a way that we would try to hold more in the Q3 and unused sanction, which has helped us because we could draw from that without having to raise at the higher rates.

**Analyst:** Is it because we are also hearing on the contrary that banks also pursue business hard in month of March. So NBFC, HFC kind of reserve some part of their -- reserve some part of their funding towards the end where they get like banks in the effort to chase business gives them better rate, is it that the case or no?

**Executive:** I mean March that was always one, but today considering that their cost of borrowing also has gone up, I don't think many of them are like last year when you look at it. I mean the pressure that we had in March too from all the banks to just draw, this time it is not there. Because the banks also know that they will be offering a higher rate which we are not going to take, so it's not.

**Analyst:** 92 odd basis points or delinquency was there; how much can it grow now?

**Executive:** So right now, normally this is the range throughout the year it remains and then in March it dips to around so we are expecting around another INR15 crores, INR20 crores reduction in NPA in March in this quarter compared to December. So basically we should be ending around 0.84 or something. But I guess this is what it is. I think for a matured portfolio which is this, I think GNPA of less than 1% for the last 10 years consistently.

Incrementally the credit cost is we had guided for 15 basis points, but I think this year it will be around 8 to 10 below 10 basis points only because Q1, Q2, Q3 total provision and everything has only been cumulatively INR39 crores. And this year if the NPAs come down in Q4, then there might be some write-back also possible.

**Analyst:** So, coming back to disbursement, just for this bit, when you're talking about growth, Karnataka Q3, I think spoke about 740, 750 or something on disbursement. Now currently or what you see based on sanctions and all do you see that number being there being there about?

**Executive:** This quarter we should be around INR800 plus crores in terms of Karnataka this quarter. Because we've already done INR500 crores plus in Jan, Feb and this month we're looking at around INR325 crores at least.

**Analyst:** Has been this E-Khata again some issues last few weeks?

**Executive:** No.

**Analyst:** We were hearing that the number of registrations have been now capped at 45 in some of the office. So is there anything?

**Executive:** No.

**Analyst:** Or is there continuously normalcy?

**Executive:** It is not normalcy because even in Gram Panchayat even today it is not growing, it's not happening. And so I would not say it is back to the pre-September 2024 number, but definitely it has improved, within seven days you can get it if you have it and whatever process has to followed.

**Analyst:** So about 90% of that run rate, right, pre-September 2024?

**Executive:** So I mean had this Gram Panchayat happened probably we could have expected around INR350 crores to INR375 crores. We will be doing 325 is what we are looking at in March.

**Analyst:** 90% normalcy.

**Executive:** INR25 crores to INR50 crores additional we could have added to this book.

**Analyst:** And then UP and West and overall, especially North when you say North I'm presuming UP, but Yes?

**Executive:** No. North means, Yes, we have Punjab, Haryana, Uttaranchal, Uttarakhand and UP also. UP also is yes because last year looking to the kind of things that are happening in the state, we've added about 12 branches, we had only 10 branches. 12 branches have actually come in the UP side, that is almost many of them mostly in the NCR part of it also, but we have opened this thing.

So there we are growing quite well. North, West and East zone, which is mainly our AP, these three zones are growing at almost close to 40 odd percentage, 40% in terms of disbursement, yes. Because branches also mainly have come in the West and North only. So that benefit also we've seen plus even the sales team we have done in Tamil Nadu, North and West only mainly. Karnataka, Telangana has been less number of sales staff we have deployed.

**Analyst:** Because that number was tracking 15% plus, right, North, West and TN in the [inaudible 0:41:37]?

**Executive:** No, last two quarters also you see they have been doing at 30% plus only.

**Analyst:** I'm talking about the AUM?

**Executive:** No, AUM growth would be around -- would be less. I'm talking about disbursement growth. Disbursement 40%. So this is disbursement growth.

**Analyst:** So the numbers which I was referring to 15% kind of was?

**Executive:** That would be possible?

**Analyst:** Okay. So are you tracking that number?

**Executive:** That number is there. I don't have it right now, but Yes we are tracking that. Right now in terms of AUM growth, only Telangana is slightly negative, otherwise everywhere it is close to.

**Analyst:** And that was already mentioned?

**Executive:** Yes, AUM growth only Telangana was 2% negative.

**Analyst:** And which all other states are below company average?

**Executive:** Karnataka and Telangana, these are the two states. Because Telangana -- Karnataka because obviously because the E-Khata affected so it's affected. I think Karnataka has grown by around 7% if I recollect, it is 7%.

**Analyst:** Telangana is minus 2? And when do you expect company level in Karnataka?

**Executive:** See Karnataka in terms of disbursement as I said last year in in Jan, Feb we had done about INR202 crores, INR203 crores and INR210 crores. This month or this this year in Jan, Feb both we've done 250 plus. Last year in March it was 320 or something. This time also 325 is what we are looking at. We might do a little better also, but 325 definitely. So all three months will be better than last year's.

**Analyst:** That is the disbursement, but the AUM growth?

**Executive:** So disbursement at that level means we will end up around 7% to 8% in Karnataka this year.

**Analyst:** This year also. So still will be below. I'm saying FY27 at some point would you believe that your Karnataka will be in line?

**Executive:** It will pick up but because Karnataka, Telangana we've not opened a single branch in the last three years, okay. This year first time we are looking at three more branches in Karnataka in FY27 I'm talking.

**Analyst:** And overall total branch count?

**Executive:** Total we are looking at 25 to 26 branches in FY27 additional.

**Analyst:** 25-26 versus how much in 26?

**Executive:** We opened 15 this year. 15.

**Analyst:** 15 in FY25-26.

**Executive:** Yes.

**Analyst:** Of which three will be in Karnataka?

**Executive:** Three will be in Karnataka. Telangana even this year we are not looking at anything. I mean we are thinking, but we've not done the survey, no. We may add one or two in Telangana also.

**Analyst:** Telangana you said you are seeing Hydra issue?

**Executive:** Hydra issue was there and then prices also fell because prices fell slightly delinquency went up, so it's a combination of all these things, but originating from Hydra.

**Analyst:** And that was the reason for correction in prices also?

**Executive:** Correction in prices also.

**Analyst:** But that is also now resolving?

**Executive:** Slowly, slightly. Now prices have been stable. In some areas it is still lower. When we look at the surface the action and all when we take the valuations, we do find in some of the pockets it's still a little lower. So 10%, 15% off the previous prices.

**Analyst:** And talking about prepayments in these states also, I mean BT outs, would they be highest in which states?

**Executive:** Highest is in Telangana and North.

**Analyst:** North is [inaudible 0:44:47].

**Executive:** North also is high. North I presume maybe even [inaudible 0:44:53] might be a little also additional factor would be there.

**Analyst:** Because I don't think any other player [inaudible 0:45:01]?

**Executive:** No, I mean affordable and all everybody is there, but of course as I said affordable is not part of our -- we are not concerned.

**Analyst:** The North probably locally PNB Housing and LIC?

**Executive:** LIC and PNB housing.

**Analyst:** Bajaj you are not sure?

- Executive:** Bajaj is also I mean PNB is also one of the additional players in North. And surprisingly in Telangana we are finding Bandhan to be one of the players very surprisingly. Maybe it's a very regional part where.
- Analyst:** But Telangana it's not that only you are affected, it's many others also affected. Now since things have bad, hopefully they don't go to worse, shouldn't it be a time to actually look for branch network trying to get out from more the DSA to go on branch-led, customer-led model and because you generating reasonable cash flow so why not invest and try to see because when the growth comes in probably the delta could be higher and you're already entrenched?
- Executive:** So, we are looking at as I said two three branches we've not done any the survey has not been done, but we are looking at maybe two branches we will open over there. We also had another challenge over there because we also had to move people, a lot of churning happened. Even the leadership in Telangana we had to bring about a change. So that also was one of the reasons. But now that is stabilized, so we will look at growth in due course in Telangana. Because Telangana it's only Hyderabad. So that is the challenge.
- Analyst:** Some of those areas which were unheard of, I mean like 10 years back was nowhere and now the way it is moved up right in Hyderabad?
- Executive:** That is true, but I'm saying still it's all Hyderabad only. Beyond that nothing is there.
- Analyst:** So the focus only that market within Telangana has got affected?
- Executive:** No, that is the only I mean you don't have any other thing in Telangana. unlike if you look at a Tamil Nadu, each and every district there is some or the other industry, something which is happening. You look at Andhra Pradesh is developing the same way. We already have six airports in Andhra Pradesh. Telangana is only Hyderabad and nothing else. Even in Karnataka to some extent it is like that, but still you have a Mysore, you have a Mangalore, you have some places there.
- Analyst:** Tamil Nadu and you said Andhra?
- Executive:** Tamil Nadu, Andhra, Gujarat, these states where every corner is developing.
- Analyst:** More [inaudible 0:47:39]. Probably last thing from my side like if you can call out one or two top priorities or challenges that you see over next one, two years that you would like to address or focus positively for what you would work towards?
- Executive:** See implementation of IT is the biggest thing because having invested so much, it is we'll have to turn it around quickly and get the adoption happening at a quick pace. Otherwise we'll not be able to really ramp up our business or get the benefit out of it. So that is one thing we'll have to implement.
- Second actually is we have to look at because today this year we have really benefited from the rates coming down and that has been really helped us plus coupled with that we had the lag in the conversion from annual to quarterly reset. Next year almost practically everything will be

gone and from here onwards the further reduction is very, very -- we only have a little bit of NHB portfolio where reset is possibilities are there.

And some bit of it as I mentioned in NCD book, where the maturity will can be replaced with a lower cost. Other than that on the cost side there is no further reduction possible, okay. So therefore if the rates any competition or anything happens, we'll not be able to take advantage of that.

So we'll have to manage the spread, spread management challenge is going to happen in this year. That is the second. And third of course is this prepayment which we'll have to really address. These I think are the three major challenges. Competition and all those things I don't think it's okay, it has always been there. Only the face of the challenge has changed earlier.

**Analyst:** And your INR13,000 crores disbursement target for next year that takes in the IT implementation there assuming that it will be producing fruits as expected.

**Executive:** Because next year like for example as I said INR850 crores has come from the sales next year we're looking at 1,500 from the sales team. These new branches are 750 we are looking at 1,200 coming from the new branches. So straight from there itself if we look at it we are talking about almost INR1,000, INR1,100 crores coming from these two elements alone. Plus the existing branches will have to do better. IT will have to contribute bit from that.

**Analyst:** You have more [inaudible 0:50:20].

**Executive:** I think this is the last.

**Analyst:** So one another small question. These issues which were there suppose fraud or whatever. How have you ensured that no such things will happen through other branches or what is the kind of risk mitigation things you're doing as you growing and trying to?

**Executive:** See why on the control point of view we've done a lot of things on, many areas like CRM, CBD, reconciliation, withdrawing all the check writing powers in the branches, okay. Even on the legal and technical side we've introduced this equal distribution policy, increase the number of valuers and advocates in the system, on a random basis will start giving the allocate the advocates and valuers.

We've done this additional layer of checking of the documents before they go to the central depository. So all those things to see that the controls are adequately there in place. Now with this new system coming in, I think there will be a lot of reports and internal kind of checks and we're introducing an EWS package, Early Warning Signals package also we're getting it. Then we have additional reports for our online transaction monitoring system OTMS.

So those things are also getting added into the system, which will help us have better control and monitoring on the thing. Another major thing is we have now that centrally earlier it was a two layers structure where the branches and head office there was only two layers. Now we have a zonal concept also which was introduced in '24.

So now the zones are also adequately getting staffed, so we have six zones, each zone is having eight people now and there is a proper monitoring, so there is growth on one side, but the hygiene part also we are introducing that and all and it's all part of the KRI. So that that's how we're doing it. So that's also an additional support which is now there for the on-ground support. And audits and all those things were slightly not this thing, but I think now we're completely online and all those things. So all those controls have been put into place.

**Analyst:**

And how do you tackle the DSA-employee nexus or RM nexus and trying to see, I mean, typical DSAs operate multiple RMs, do you keep on moving them around, how do you tackle them?

**Executive:**

We have a three-year kind of a transfer policy. So three years means a branch people cannot be in a branch more than three years except of course certain specific job roles like. Other than that we have this transfer policy, mandatory compulsory transfer policy, we have now religiously implementing. So earlier there were these people who were in the same place for a long time, but now that is happening, we are getting it done.

And therefore these kind of thing we are also having an FCU which was not there, the FCU will be coming into place now. So that will also keep checking it and as part of FCU will also be doing a lot of checks to see whether these kind of nexus are not there. That is also being planned.

**Analyst:**

Okay. Thank you and all the best.

**Executive:**

Yes. Thank you so much.