



“Can Fin Homes Limited Conference Call”



SPEAKER:

**MR. SURESH IYER – MANAGING DIRECTOR, CHIEF
EXECUTIVE OFFICER & DIRECTOR, CAN FIN HOMES
LIMITED**

Suresh Iyer:

The thing we have only benefited, and we have still been able to manage the ups and downs. The only challenge we had was the annual amortization, which annual reset, which we have now made it to quarterly reset. So, that is also taken care of. So, by and large on the liability side, there is not much of an issue. Credit cost wise, again, over the last 10 years, we have been able to do it. Of late and of course, this restructuring thing that also came out and we had a slight increase and some change in regulation. But now also, if you see, for three quarters in a row, we have been able to bring our delinquency also down. And therefore, the challenge today mainly remains in the sourcing and growing the book. That is the biggest challenge that is there. So, that if you look at it, comes from various angles. One, the geographical concentration in the south was there, which hurt us also last one year. Plus, the fact that there are large markets outside of the south, which we were not tapping as much. So, that was one challenge, which is the geographical part of it.

The second is the sourcing was purely dependent on the DSAs. And DSAs, while we are not against the DSAs or anything, but DSAs, there is always will be an issue that there can be some higher prepayments. Second thing is DSAs also are undergoing a lot of changes. You see the DSAs nowadays, corporate DSAs have become a huge thing and the likes of Andromeda, Aru Loans and Paisa Bazaar and stuff like that and all of them. It has become a bit of a challenge where these retail DSAs are basically connectors that we are having, they can easily be lured by these corporate DSAs. And we don't have corporate DSAs and nor can we afford to pay the 1%-1.5% commission that the corporate DSAs expect. So, keeping that in mind, we have to ensure that we don't fall prey to this problem. That's why diversifying the sourcing mix was also very important. And in that regard, we started the sales team. Now that our IT transformation is in the last leg and we will probably be doing it, that once that happens, we will also be able to do the digital sourcing. So, these are the ways in which we are trying to expand our sourcing channel. So that was the only thing that is there. And now that we have kind of started to put these building blocks in place, the results are slowly beginning to show. And if you look at it from that point of view, our North and West zones, which were two large markets for us, but where we were not having a presence in the last couple of years, they have had a consistent growth. And therefore, we are now slowly expanding our reach in the two other markets. Because if you see the housing market in India, the ranking, if you see the highest housing business happens in the state of Maharashtra, then Tamil Nadu, Karnataka, Gujarat and Delhi also is there. So now we were missing out on the Maharashtra, Gujarat and the NCRPs. And of course, Jaipur and basically Rajasthan is also picking up quite a bit. So that entire belt, we are now expanding. If you see the 49 branches that we have opened in the last 3 years.

Interviewer:

In Maharashtra and Gujarat?

Suresh Iyer:

No, Gujarat, Maharashtra and NCR area, entire. So, we have opened some branches starting from Punjab also, we have opened some in UP, particularly that North UP belt, Saharanpur, Meerut, then Hapur. So that were quite a few branches we have opened on that side also. Then

on this side of the NCR region, we have opened in Alwar, Churu, all those kind of places. Now we are looking at...

Interviewer: And Maharashtra?

Suresh Iyer: In Maharashtra also, we are expanding. But Maharashtra, this year we will be doing a little more. In fact, we are looking at one more branch here. We opened two in Pune. So, in the last 2 years, first we had a fairly large team in Rajasthan. So, we first stabilized the Rajasthan team. Gujarat, we had only 4-5 branches. So, we have just expanded one or two more branches. And there also, stability has come. Maharashtra is also this year becoming to really get some good numbers. We are looking at Maharashtra also. But Maharashtra among the three or the four regions of North, Rajasthan, Gujarat and Maharashtra, if you look at it, the stability we first achieved in other places, Maharashtra only now we are getting the stability of people and all. So, we will now only look at major growth. Otherwise, what we have still opened in Pune, we have opened, we have opened in Bombay, we are looking at Thane to open one more branch there. And that's how we are looking at it. So, we did open Jalna. We have opened this Nanded. Not Jalna, Nanded we have opened. Nanded, we have opened. That way we are looking at it. Pune, we have opened one branch. We are opening here also. So, Maharashtra is the last one. But we are now opening here also. Mostly we were opening more in, we opened in Rajasthan. We opened a couple of in Gujarat and mostly in UP and Delhi side we have opened. Now we will be expanding in Rajasthan.

Interviewer: How many will you be opening?

Suresh Iyer: See, this year we have already opened 14. The plan was 15. But we may be looking at a few more. Otherwise, our plan is to make it 300 branches by '28. So, reach, distribution and sourcing channel. These are the main things that we are looking at. So that on the sourcing and AUM growth side also we can start delivering.

Interviewer: So, once you open a branch, how much kilometer or how much area does it cover?

Suresh Iyer: See, our scope we say is 40 kilometers from the branch. That is the normal area that we are giving. Other than that, if there is something a little beyond that, then special powers we can do it. So, say some location is 60 kilometers and no other branch is nearby. Then from the future point of view that we may be able to further expand in that direction. We may give special powers from head office as a special case. But otherwise, it is 40 kilometers.

Interviewer: How many people are there in the branches?

Suresh Iyer: See, initially in the first one year, we start with only two people. Because getting the first six months to anywhere, setting up the branch and identifying the people, the location, getting the things in place, identifying the DSAs, identifying the advocates, the efforts go in that only. Once the business starts, then we move it to three people. So, after the first year is over. So, this year,

the 14 branches we have opened, we have only given 2-2 people. But in the next year, we will make it three members, three-member team. And then it will be remaining three members depending on the size that we have a matrix. In the sense that depending on the AUM of the branch, we provide additional staff.

Interviewer: Two people team, how do you get source the business?

Suresh Iyer: No. Right now, as I said, the first year is only goes in first 6 months, four months goes only in getting the place, getting the agreements done, getting the interiors, monitoring the interiors, setting up the DSA, advocate, valuers and all those things. So, it is not something where the business immediately comes in the first 3 to 4 months. So, whatever we open this year, they haven't actually done much. So those branches which are open now, in the next 6 months, they will start doing some business. And once that side is set in place, by that time the year will be over, we will be providing from April or May, they will get new staff also. So that will become a three-member team.

Interviewer: And how do you recruit people from the branches, like from branch manager, underwriter, collections?

Suresh Iyer: Obviously, wherever possible if we have somebody, we would generally move from within. If at least one person will move from within, the rest is lateral hiring.

Interviewer: But how do you do lateral hiring? Do you do local paper advertisement?

Suresh Iyer: So, we do local paper advertisement. We have from the Naukri and those websites also we download. And then, of course, we have this social media now is a big thing. So, whenever we are doing it, we post as far, all our staff also tries to post this as much as possible. So, then we get people who then apply through our website or on our website, on our careers option. And then we have an advertisement also. So there also they apply. Based on that, we conduct interviews. So, it's not very difficult.

Interviewer: Based on this, I wanted to check, like some of the peer HFCs which are owned by PSU banks, they have tried to professionalize a large part of their senior workforce. Where we are in that journey,

Suresh Iyer: Journey as in?

Interviewer: In terms of having a market linked salary, and having a ESOP program for a large part of the senior management, where we are in that?

Suresh Iyer: See ESOP, we started last year, November '24 we had our Can Fin also launched his ESOP program. But only the chief manager and above levels, that is, chief manager, AVP, VP, and President. These levels are covered. So, it's just about 65 odd people who are covered presently

in that ESOP plan. But we do have market link incentives. We do keep running a lot of R&R programs. I mean, we do have a lot of these kind of motivational things. We keep doing contests and all. So those things are also there. There is an incentive program for the level below chief manager. There is an incentive program also. And this challenge was there in the sense that the package and all was not entirely comparable with the market. So, we were having some challenges in sourcing talent from the market. So that's why last year, if you see, we did improve. And from April, if you see our quarter one results, if you would have noted, our salary costs have gone up because we did a salary realignment. We did a compensation benchmarking exercise with an outside agency. We saw where the challenges were, at which levels we are kind of losing out. And based on that, we have done a bit of a compensation in this exercise, review exercise. And normally, the salary hike would have been a little lower in the past, whatever has happened. But this year we have given quite a handsome increase. Not only the increase in terms of the package, but we also reviewed a lot of other benefits like the leave, the travel reimbursements and stuff like that, everything. That's the entire package we have had a review. And therefore almost, as you see, our salary costs have gone up quite a bit. But still it's there. And now we are also seeing that it is helping us get a little better quality in terms of the middle management also, in terms of the lateral hiring.

Interviewer:

And where do we lose people?

Suresh Iyer:

Our attrition today is only about 14% and that also last one year is slightly elevated. Otherwise, it used to be about 11%, 12% only. So, in terms of our attrition, it's not a major challenge. And whatever attrition we have seen, a majority of it is in the entry level where they come, then maybe they come with different expectations. And see one issue here is that where some misunderstandings do happen is that we are based on, we operate on a branch model. So, when somebody is entering, they are expected to do everything in the branch. There is no verticalized concept like it is there in most other HFCs or NBFCs. So, people come with expectation that they will only do back office or some people come with expectation that they will do only operations, or they will do only credit. So, those kind of sometimes recruitments happen where the expectations are different. People are not comfortable once they enter that, they also have to go out on the field. They have to also do technical visits. They also have to do a little bit of sales. So, that kind of concept sometimes happens. So, at the entry level, if you look at it, majority of our, this will happen. If I recollect somewhere like 50% of our dropouts happen in that range where within the first one year, people leave. They join and then they see that this is not what they want, and they only want to stick to back office or this or that. So, then they leave.

Interviewer:

Which are, like, they will be mostly, whoever people is leaving for, let's say, some other similar opportunity, will be leaving for affordable housing finance companies or a competitor like Bajaj Housing or PNB Housing or how is it?

Suresh Iyer:

Frankly speaking, we have not looked at that. But yes, people do leave. I mean, there are variety of things people are doing. So, I don't think there is any specific thing I can pinpoint off the cuff.

I can tell you. Maybe we will have to analyze. But yes, this is the main reason we find that people leave. So, I am sure they would be going back to either where they came from or they would be probably going to some place where they can get this kind of vertical job.

Interviewer: Sir, on the NIMS part, just wanted to understand what kind of pricing on the PLR part you have done so far and what is in the pipeline?

Suresh Iyer: See, actually, sorry?

Interviewer: Cost of fund has come down.

Suresh Iyer: Cost of fund has definitely come down. Because last quarter, if you see our earnings call, we had this 50 basis points in June, which was there. So, most of the banks, we got that 50 basis points in the month of June itself. But so, basically, in Q2, we have benefited from the 50 basis points on the entire bank. Because 80% of our bank term loans, approximately 55% to 57% of our borrowing liability side is bank borrowing. Out of that, 80% is NIMS to repo rate. So, whatever that 50 basis points that was announced in the month of June, we got it almost in the fag end of June only. Therefore, what has happened is, in Q2, that entire 80% of 55% that is 44% of our liability side, we have got a 50 basis point benefit. And only one, I had indicated in the July earnings call that there is only one large bank where we have got about (+2,500) crores where it was yet to come. That also we got in July and August. So, basically, the entire 44% of our liability side got a 50 basis points boost in Q2. And for the entire Q2, we were able to enjoy that 50 basis point benefit. We had indicated that we will probably review our rates in August and pass on from September another 10 basis points or something. But around that time, there was a high spike in the bond yields about 7-8 basis points. So, we said, maybe we can hold back a little bit. Because if we reduce or again cut 10 basis points only to increase it again next month, would not be very fair to the customer. So, then we just held back. So, basically, we enjoyed it for the full quarter. There is 50 basis points on that 44% of our liability side. So, that was one. And second thing is that, to answer your question, 25 basis points is what we have so far passed on to our existing and to our new customers. So, our card rate itself has come down. So, all our existing customers, whenever they come for a reset, they will be getting the benefit of the 25 basis points.

Interviewer: And this was done?

Suresh Iyer: We did 10 basis points in May and 15 in July.

Interviewer: And going forward, what is your concept?

Suresh Iyer: See, going forward, we may be looking, we will have to look at something. So, if there is a clarity on where the interest rates are moving, because we do not want to have a position where we do it and immediately, we have to reverse it the next month. So, if there is some clarity on the direction of the interest rate, then probably we will, we may be able to pass on another 10

bps or something. Because since we are discussing the basic, two challenges or whatever that we see today. One is, of course, IT, which is more of a procedural aspect and whenever we do it, it is going to impact. And we had originally said that we will be doing it in Q3, which is when we had planned it in the first week of December. But there is some small customization which is taking a little longer time from this. So, probably we may do it in January. But that is only a procedural aspect. Otherwise, we see no challenges in major challenges, except that it is going to, whenever it happens, there will be a little bit of an impact on business. But otherwise, things are quite almost 85% to 90% of the product is almost as is that we are taking. So, there is no major customization in that and very little and it is exactly in line with what we are doing. So, only a few things where we may need a bit of customization is where. So, it is only the UI, UX where people will get a bit of impact. Otherwise, by and large, there is no major change in the logic or major change in any of the business things that we do.

So, the second thing is the important thing in terms of the interest rate is the prepayment. Because that is howsoever, we do, if the prepayments are going up or something. And that is something which has happened in Q2. Our prepayments have slightly gone up by 200-250 crores. And therefore, we believe we may have to still look at some passing on to retain good customers. That is something we will have to look at.

Interviewer: What is the VT-out rate?

Suresh Iyer: VT-out is not much on a monthly basis. Our VT-out is just about, even in this month, I think it was only, total the closures was about 60 odd crores only. So, it is not a major amount.

Interviewer: How much it translates?

Suresh Iyer: You look at it, it is about, if you do 60 crores or 70 crores also, you take that is about 800 crores in a year. So, that is about 2.5%-3%. So, it is not, that has been the kind of 3% or 3.5% has been the closures and VT-outs only.

Interviewer: Prepayments?

Suresh Iyer: Prepayments has been much higher. See, 16% is our total, if you look at prepayment plus amortization plus VT-out plus closures, everything put together, that we put in our investor presentation also. So, 16%, if you look at it, 3.5% approximately is the closures and VT-outs. Another 3.5% to 3.75% is actually the amortization, which is also steady throughout. The remaining that is about 8%-8.5% is basically the part prepayments where the customers make payments, but the loans continue with us. That is something which is very high, I believe, compared to other players. I think, our part prepayments is on the higher side. That is something which is very.

Interviewer: That was only this quarter right?

Suresh Iyer: No, no, it has been quite high throughout, but this quarter also it has been a little higher.

Interviewer: Almost like 120 odd crores it happened?

Suresh Iyer: No, 200 crores is the normal increase that we have had in this quarter in terms of the prepayment. We had 1,459 or something, it has become 1,661. So, 202 crores or something, 120 crores is closures, 80 crores has been the increase in the part prepayments where the loans are still with us.

Interviewer: Sir, can you tell me why this is the higher?

Suresh Iyer: So, see, in fact, this is something which is surprising because in our case, we allow any amount of payment customer wants to make any number of times. We are not putting a stop. Customers want to pay 25,000 extra and any amount that the customer pays. Say, for example, the EMI is Rs. 1,720 and they pay Rs. 1,800 just an example. Then that Rs. 80 will also go towards the principal as a prepayment because we....

Interviewer: But that is actually an industry practice because we cannot pay by any prepayment penalty.

Suresh Iyer: No, it is not prepayment penalty. I am saying the additional EMI or excess EMI is not being maintained. Whatever is the amount excess, it is going to the principal, reducing the principal and therefore, the benefit straight goes to the customer. But I believe there are restrictions imposed by other competitors on the amount of prepayment, the amount of times you can make a prepayment. And the frequency, the number of times you can make a prepayment or part prepayment not allowed or things like that. So, that is what I hear. So, I think that is a practice which in the customer interest is what we are purely acting in the customer interest. That is the objective of the regulator also that customers should have the option and flexibility to move their loans or make payments or whatever. There should not be any restrictive conditions. But I believe that is something which....

Interviewer: All excess receipt in a month or let us say negative balance in a EMI account due to a capital adjustment out of it.

Suresh Iyer: Yes.

Interviewer: Because there will often be clients who have already paid one or two advanced EMIs.

Suresh Iyer: No advanced EMIs.

Interviewer: And their NACH starts. So, they will be running perpetually negative accounts.

Suresh Iyer: No, first of all, at the time of disbursement, we do not take advance EMI. And any amount that the customer pays, as I said, even Rs. 80 or Rs. 200 will go towards principal. So, that is

something which is a very customer friendly practice which we are following. Probably industry is not.

Interviewer: Does the customers understand that.

Suresh Iyer: That is what I said, that is the objective of the regulator.

Suresh Iyer: Regulation, you cannot take advance EMI.

Interviewer: No, no, but this capital adjustment towards capital.

Suresh Iyer: See, what the regulator says is that any amount that you are accepting from the customer and if you are carrying any excess amount, then the customer has to be compensated in the interest benefit has to go. You cannot have an interest free advance or something. So, indirectly you give this thing to the. So, there are two ways of looking at. Some people take the advance and give the interest benefit to the customer, but keep it as an advance so that in case one EMI, there is a shortfall or there is a check bounce or something, they can adjust from this advance, ok. So, the customer is also benefited, but at the same time here the principal benefit is not there. So, what happens is if the customer as say for example, paid two EMIs this month and then every month the match anyway is there. So, next month also the EMI is going to get deducted. So, this one EMI will always be there, the interest benefit will go to the customer, but the principal will not come down, the AUM does not come down. In our case, since we and here that excess amount one EMI will be showing us in your current liabilities, whatever. But in our case, we directly reduce the principal, so AUM only gets affected, which probably is not something which others are doing. So, this is something where I think we need to look at, but of course, it is more of a decision based on the regulation, based on the objective of the regulator that the customer should be benefited.

Interviewer: In each of the market invest, now you are going to Gujarat, UP, who are the other competitors in those markets?

Suresh Iyer: See, in this thing it is mainly only three, LIC, Bajaj and PNB HFL. We are not getting much from the other players. Even the Aditya, Tatas and all is not something who is taking over our loans and stuff like that. And of course, their segment is also a little different. These are three players who are also in the same segment as ours and are also offering a similar attractive rate of interest where the customer can opt for them. Of course, LIC and this thing depends on what kind of strategy they adopt, whether they want to offer only a rate of interest strategy or they want to offer a top-up loan strategy because PNB and Bajaj, PNB particularly only has a slightly higher rate of interest than us. And if you look at the smaller ticket size, which is equal to the Roshni or whatever, then the rate is definitely higher than what we are offering. But therefore, in that case, probably it is the top-up which is used to move our customers. In case of LIC, the rates sometimes are very close, sometimes better, sometimes not as much. So, that depends.

Interviewer: Bajaj?

Suresh Iyer: Bajaj also top-up used to be a strategy where they give the loan, housing loan at an attractive rate, give a top-up. So, effectively the blended rate is higher than ours. But then they give a top-up which in many cases, we used to feel we are not able to match because the property values and all according to our valuations do not justify such a high top-up. So, that was one issue with Bajaj. But of course, I believe now they are not as aggressive as it was a little while back.

Interviewer: What has changed?

Suresh Iyer: Again, the PBC criteria, how much, because they are already having, I believe, the housing, pure housing has gone below 60%.

Interviewer: So, top-up is not housing?

Suresh Iyer: No, top-up is not housing. Top-up is definitely not housing. It has to be not housing category.

Interviewer: If someone has given a top-up and categorized it, how do regulators come to know?

Suresh Iyer: Regulators are becoming smarter. Recently, the regulator shared a case where they said this one of the housing finance companies had classified a particular loan as a new housing loan, new home loan. The Aadhaar of the customer which was generated 5 years prior to that loan date had the same address. So, the regulator clearly said that 5 years back when the customer already had this house, because otherwise he would have taken a loan, Aadhaar based on the land. Ghar hota to they would have taken a Aadhaar for that property. So, they had a Aadhaar with this address 5 years before, which means the house was already existing. So, you have not given for the new house construction.

Interviewer: Have you seen that?

Suresh Iyer: They are also using technology to look at all those things. So, regulator is now very particular about these things. In fact, in the last couple of years, particularly after Shukla ji has come, he has been very particular about classification of loans because, he says I will offer you a lower rate of interest. No problem. Affordable housing funded, the government is doing all those kind of things, but don't misuse it, which is a very fair thing to say. Very fair thing to say.

Interviewer: Sir, how are the disbursements trending in Karnataka? I think last time when we spoke in July, you had said that in Karnataka, the disbursements were 220 to 250 crores average in 4Q and 1Q also was in that range at that time.

Suresh Iyer: No, no. Last year in Q2, our disbursements were 250 to 270, highest we had reached was 278 crores. That's the peak we had reached in.

Interviewer: 3Q was 150.

Suresh Iyer: And then in 3Q, it dropped toward average of 150, then slowly went up. In Q1 also and Q2, we were able to do a lot kind of barring effort. We were able to keep it about 200. So, it was around 200-220 in Q1. Q2, again it has reached up. It is around 250 to 270. We even touched 270 crores in September. So, it is slightly improving month on month. And every month, in fact, from April to September, in Karnataka, we have done better than the previous month.

Interviewer: But YOY still, it is flat.

Suresh Iyer: YOY, we still have about, in Q1, we were 12% negative on Q1-to-Q1 comparison. By September, H1-to-H1, we brought, the negative has come down from negative 12% to negative 10%. And this quarter at the rate at which we are going, which is around 250 also if you do average, we will definitely be about 4% positive, 3% to 4% positive YTD.

Interviewer: Your competitors are Bajaj, LIC in salaried but in self-employed, what is your comparison?

Suresh Iyer: See, self-employed, actually, what is happening, self-employed, we are doing only those self-employed who are filing ITRs. Because we are not doing those appraised income or surrogate income. So, all the affordable housing finance companies are doing with surrogate income proofs or appraised income or self-assisted income.

Interviewer: Aadhaar only corrects the ITR people. The rest can have a lot of risk.

Suresh Iyer: Yes, I mean, they all based on appraised income, based on various Average Bank Balance Model or Multiplier Model. This is such a segment, so you can, whatever is the reported income, you can take 2X or you can take 1.5X. If there is a doctor, you can take 6X. Whatever, whatever, everybody is having their own models to justify on paper how to give a more loan where although the incomes are less. So, we are not going on any of those things. It's purely based on ITR. Therefore, actually, if you look at it, our self-employed category loans that we give is similar to what a self-employed would be given by banks. So, that's one disadvantage we have because banks can still offer a lower rate than us. But if you look at everybody else there is a huge segment of self-employed that we don't even touch because the returns, I mean, our documented income proof is not available.

Interviewer: You had planned to start doing developer tie-up. Is there anything happening on developer tie-up?

Suresh Iyer: Correct. We have in fact; the target is by end of this year. We want to have at least 250 APFs. We already have 115 APF tie-ups in place. That is, as of 30th September, we have 114 APF tie-ups in place. And initially, we started off more with North and Tamil Nadu. Now, pan India, we are now doing this APF tie-ups. And we have a proper policy and all for approvals and all those things. And we have started getting business also from these APF projects. Of course, not all

these projects mean 114 projects means we are getting business. Some of them we have tie-ups, but still we have not been able to get business. But otherwise, it's doing well. And this APF is also not a one-time kind of a thing. Because once we associate with a builder, the same builder, when he moves to a next bigger project, that also project will come to us. So, it is a long-term kind of an association. Once we build a relationship with a builder, we will also grow as a builder also grows. And normally, what happens is, we tell our boys also, you wait. Sometimes, you may, the builder... Because nobody is going to break the relationship with their existing partner. Everybody already has one or two partners with whom they have already built a kind of a system, processes in place. They are comfortable. So, nobody is going to just say, you have come new, so leave it. I will give you the business. Nobody is going to do that. As I said, you have to wait for a good opportunity. Maybe one deviation case, one case which they are not doing. Or some case where they have not taken more time than was expected. And at that time, you pitch in and you start offering your services. Once they experience our service, that is when they will get comfort. So, that is how you slowly build. So, many times, we are there with the builder, but we have still not got the first business. Once we get the business, I am sure we will be able to, they will also start getting the comfort with us.

Interviewer: This is the 6.5% which is direct sourcing for us

Suresh Iyer: It includes.

Interviewer: These are sales people, they are higher. Are they sitting in Tamil Nadu or they are sitting in the North?

Suresh Iyer: Across, now they are across. Initially, as I said, we started with a small team of 8 people in June 2024. From there, we increased it. So, March '25 also, we had only about 39 people, 40 or you can say 37 or 39 people were there in the team. And they were mostly in these geographies only. Then from 1st of July, we have added it and we actually took it up to 100. Of course, there have been some people who left and all. That's why it is 90 or 87 or whatever. So, that we have put across pan India. So, now there are people in India, there are people in Telangana, there are people in Andhra Pradesh, there are people in Karnataka, couple of them in Maharashtra, three, four or five.

Interviewer: How much you have planned to hire them over next 2 years or 3 years?

Suresh Iyer: Of course, we will increase, but it may not be additional staff. Because I will tell you, once our IT transformation goes through and we are able to have some stabilization of this new system, we may be able to slightly extract people from our existing teams also to move to sales. Because obviously the whole purpose of the IT is also to get some efficiencies. Once that step comes in, we will be able to make. So, it's not necessarily that we will add people to the team to increase our sales team. But yes, sales team will definitely go up. And I think the success that we have been able to do, the way it has grown, we are able to do a decent productivity also. Because in the month of September, if you look at it, we had at that time about 90 people. 90 people were

able to bring about Rs. 77 crores of business, which is almost like 75 to 80 lakh per staff is the disbursement they could bring in, which is a decent productivity. So, that is giving us confidence that we can slowly keep adding and being able to maintain the productivity levels.

Interviewer: When do you think we can go back to the old rate of 13% to 15% growth rate on loan side? Could be FY26-FY27?

Suresh Iyer: FY27 definitely. FY26 to anyway, this year we are talking about 12% to 13% kind of a thing. If you do 10,500 crores and are able to stop this flow, we will be able to do 12% to 13% this year with a 10,500 crores kind of a disbursement that we are targeting. Initially, we had said this quarter we will do 2,500. But now that our IT transformation has just gone back by maybe a month or so, we will probably try to push for 2,800 in this quarter. Because the month when it actually gets implemented, we may have a couple of days or 4-5 days of downtime and all those things. So, this quarter probably we will look at a little more compared to what we had said in the earnings call. So, 10,500 is what we are targeting this year. Next year, we should be definitely able to do about (+12,500) crores kind of a disbursement.

Interviewer: 300 branches, one settled on branches and the next one out here. So, what is our capacity? Can we do a 15,000 or 20,000 crores disbursement? That is what the capacity we are building in.

Suresh Iyer: I think in the present capacity, we can definitely do 12,500 to 13,000 crores. Maybe next year we add a few more. We may be able to handle 100 odd people. We should be able to reach about 10,000 crores capacity. Plus, the benefit that we will get once the IT stabilizes. That also should help us slightly improve our productivity or our business. So, I think with this, whatever additional staffing we will be putting up to the board and taking next year, yes, I think we will have a capacity to generate 15,000 crores disbursement.

Interviewer: So, by 2027, by 2028, things should all stabilize or IT transformation. And by that time, we should do a normalized disbursement of 15%.

Suresh Iyer: Yes, definitely. If you see slowly the last two quarters, that consistency in the business is also coming. This year barring month on month, we have had an improvement in disbursement. Now, October month, in spite of the holidays, we have done more than what we have done in July and August also. It is a little less than September business. But definitely, more than what we did in July, what we did in August also. So, the consistency of business, the push that is coming is definitely there.

Interviewer: If 300 branches can support 70,000 crores AUM of the business?

Suresh Iyer: I think 300 is the thing for, we may, they can easily handle AUM of 70,000.

Interviewer: When we are seeing Chola they are already doing 700 branches in affordable. If I see the potential they can go to 1500.

- Suresh Iyer:** Depends on the ticket size. Our ticket size is 25 lakhs. So, see we have templated this kind of a branch stocking model. So, if the stock is, so we classify the branches into small, medium, large, extra-large, very large and all. So, based on that, depending on the AUM that the branch is able to handle, keeping that the average ticket size of the portfolio would be around 15 to 16 lakhs. Because 25 lakhs is the incremental business we are doing. But every year, as we build the portfolio, the outstanding portfolio average will be about 15 to 17 lakhs. So, keeping that as an average, we now know how many customer base would be there. We know how many, therefore time would go in servicing the customers, how many people would be required. So, normally with this kind of customers, with the kind of delinquency of 8% to 9% or whatever, these many cases would be there. So, we will require these many people for recovery. So, based on that kind of a methodology or calculation, we have kind of templated the staffing that will be required also. So, I think, yes, 300 branches, 70,000 should be possible. Maybe the staffing, as I said, with additional from where we are, we may have to take another 100 also.
- Interviewer:** Sir, any spreads and moves, we largely expect to. When you do a 10 basis point, if at all you do, it will be contingent on cost of funds coming down further from here. So, we expect the spread to remain stable?
- Suresh Iyer:** So, as I had indicated in the earnings call, earlier we used to say our spreads and moves, our guidance was 2.5 and 3.5, which we said now we would like to increase it for this at least year to 2.75 and 3.75. So, that I think we can easily do. Currently, our spread is 2.79. There is a scope to slightly improve further, as I had indicated in the earnings call, because we have this NHB refinance approval, which has come for 1,500 crores, that is also there. So, keeping that in mind, we may be able to slightly have a benefit. So, even if with a little bit of a calibrated 10 paisa we have passed on to the customers also, we may still be able to maintain a 2.75.
- Interviewer:** And on this IT transformation, I understand there will be a cost impact, but do you have in mind the business impact which can come in 3Q or 4Q when it is?
- Suresh Iyer:** So, that is what we said now, we have to do 6,000 crores, we are at almost 4,550 crores in H1. Our target is 10,500 crores. We have to do 6,000 crores. Initially, we had said that when we went into the earnings call, our plan was to implement it in the first week of December or thereabouts. So, we said in Q3, keeping the implementation in mind, we would like to do about 2,500 crores. And we will catch up in the next quarter once it stabilizes. But now that we have got the feedback that the customizations and all that are required at the vendor level are a little higher. So, the time required will be a little more. So, therefore, we would like to do 2,800 in this quarter and maybe then 3,200 in Q4. That is how we would like to do it and so that we at least achieve the 10,500 number for disbursements in this year.
- Interviewer:** Can there be a response of 3,200?
- Suresh Iyer:** See, as I said, our UI/UX is what changes. Other than that, in terms of the functionality that we are offering, in fact, 85% of that is absolutely similar to what because there is nothing different

that we are doing from the market. On the contrary, our processes are much simpler from what competition is offering because we do not do surrogate income proof, we do not do appraised income proof. So, our segment is also much smaller compared to what the segment market is offering. So, I believe we have a much simpler or smaller deviation bucket. So, keeping all that in mind, our LOS, LMS will not be very different from what is already available in the market. So, it is not going to be any major change in the business processes or in the understanding of the people that will have to be changed. Only thing that will change will be the UI/UX where the process of doing it will be maybe different or the look and feel of the screens will be different. The path for doing a particular activity will be a little different, those kind of things. But that will also be coupled by the fact that you may have some, you will have certain manual processes getting automated, you will have some productivity kickers coming in. So, keeping all that in mind, I do not think that it will be a very major change plus the fact that we are investing quite a bit into our training. Already we are working with the teams, IBM which is our partner and all the OEMs to develop training modules and help screens and all those kind of things whereby the impact is reduced. So, let us see.

Interviewer:

How many typically days of business can get lost because of this?

Suresh Iyer:

See, we already have a Saturday and Sunday which is not working. So, I believe what we have planned is such a way that within 3 days, 4 days max with a 1 day spillover extra buffer would be there. So, we will utilize the Saturday, Sunday which is already a holiday for us. So, that effective working days which will be lost will be about 2 for the entire implementation. Now, having said that, we have already implemented some of our modules that is our entire SD-WAN which is on the infrastructure side has already been upgraded. No impact, we have already moved on to it. Two, we have already moved our entire mailing solutions to Microsoft Office 365 and all. Already implemented, no impacts. We have already done some of the other modules like treasury, borrowings, ALM and all those things. Of course, they do not touch the branches. It is only the head office which was impacted, but that has already been implemented on 30th of September. Trial balance also now has been generated from the system, the new system. So, the GL package or the accounts finance package which is there in 4 has also been partially tested and it is working fine. So, all these things are already happened. Of course, the one that impacts the branches is going to be the LOS, LMS which will happen in the month of January. Having said that, the deposits package as well as our HRMS package which are the other two packages are also going to go live prior to that. So, it is only the LOS, LMS which is happening in January.

Interviewer:

All the PSU banks have been very active and that is only segment A. In any other geography, do you compare it with Canara Bank or again Union Bank, Bank of Maharashtra or any other Tier-II PSU bank? Is there any competition?

Suresh Iyer:

See, everywhere banks are putting up our loans. It is not that they don't. But banks traditionally, why they have become aggressive, it still depends a lot on the branch manager. Banks have 50 different products to serve. So, depending on where they are lacking, where they are finding a

problem, they will focus more on that particular product. And it also is dependent on the branch manager's focus area. So, we have had pockets where in some places, we even hear Bank of India, Bank of Baroda, State Bank of India.

Interviewer: They are there?

Suresh Iyer: They are there at all the places. But if I were to rank it in terms of the portfolio that was picked up by PNB, Bajaj, LIC and the banks, I think they would not be in the top 3. That's what I am saying.

Interviewer: Is there a concentrated effort by PSU banks to grow in this?

Suresh Iyer: And private banks definitely not. Because private banks are even less than the PSU banks. Because PSU banks, still they do some smaller ticket loans. But private banks are all doing only high ticket where we are not much there.

Interviewer: And on asset quality?

Suresh Iyer: Asset quality, not much of a concern for us. We have last 3 quarters, if you see, March quarter, June quarter and September quarter, on a consistent basis, we have been reducing our delinquent pool. From 4,800 crores, it has now come down to 3,849 crores. This quarter also, we expect that it should probably come down further, maybe about 100 crores. So, 3,750 is the internal target we are looking at to bring it down. If that happens, I think provision requirement also in Q3 may not be very high. But it will be only to meet our growth, whatever our book grows. And what strategy we followed, it has helped us because first we cut from the bottom. So, our SMA-0 was what mainly came down in Q4 of last year. Then in Q1, we saw some reduction in our SMA-1, SMA-2 bucket. In Q2 also, we have seen a further reduction in SMA-0 plus SMA-1, marginally SMA-2. And SMA-1 did not move much, but SMA-2 also came down. So, basically, what we have seen is that now SMA-0 has almost come to a base level. But the reduction in SMA-0 puts less pressure on SMA-1 and SMA-2. Therefore, this quarter, we should also expect some further reduction in SMA-1 and SMA-2 also.

Interviewer: Do you do insurance attachment?

Suresh Iyer: Yes, we do.

Interviewer: Does Canara, HSBC work with you?

Suresh Iyer: They work with us. Canara HSBC is with us.

Interviewer: But how is it? Do they appoint their people in their branches or how it is?

Suresh Iyer: Yes, so I think presently it is a ratio about 1 in 3 branches or 1 in 2 branches depending on. And some of the larger branches have dedicated staff. They do have. So, I think for our 248 branches, there are approximately about 100 people I think would be dedicated.

Interviewer: How much will be the attachment rate?

Suresh Iyer: Our attachment rate is below 40%. We don't push the customer; we don't compel the customer. It is not a precondition for the loan.

Interviewer: Ideally it should not. It is good that you don't do it.

Suresh Iyer: No, we don't do it. That way we are very clear in terms of regulation. The guideline is very, very clear. You cannot compel the customer. It cannot be a prerequisite. In fact, many times we have been asked this question that why your non-interest income is so low. No, it is correct. It is probably the lowest in the industry. But the thing is that we don't compel our customers. We don't levy some of the charges which competition does. So, that way whatever is the regulatory requirement, whatever is the regulatory stipulation, we are compliant in that manner. So, we are not compelling our customers.

Interviewer: But this 40% attachment rate, this is just without any major effort in forcing customers, it has happened naturally.

Suresh Iyer: It has happened naturally.

Interviewer: Do you think this can actually go up further?

Suresh Iyer: It can go up because what has happened is customers are also now, because wherever the customer has unfortunately passed away and insurance is there, we get the insurance, no problem. But in some of the cases where death happens, insurance was not taken. We are finding customers are in fact shouting at us, why you did not take the insurance? This also happens. So, customers are also saying that insurance is there. So, there is a possibility that it is there. And I feel with customer awareness on the insurance side also improving, this will naturally improve. But we will not be putting any compulsion. That we will not do. But we will definitely inform the customer and if the customer opts for it, we will take it.

Interviewer: How do you do the pricing? Do you negotiate with them?

Suresh Iyer: No, it is all--We don't get into this. It is the insurance company's business. They have to underwrite the business.

Interviewer: Do you have a commissioning side? Do you negotiate or do you just say that it comes?

- Suresh Iyer:** No, in the industry they are offering, there is nothing different from what it is. And we have taken a corporate agency code. So, basically in a corporate agency code, you have that flexibility that the insurance company can also do some support in terms of your marketing and all those kind of things you can take. So, that way that is already, it is allowed. It is nothing that it is not allowed. So, whatever is in the industry is where we are taking.
- Interviewer:** Thank you.
- Suresh Iyer:** Okay. Thank you.
- Interviewer:** This is at least cricket size, that is my question. Generally, the ratio of new property and old property, does that make a different basis ticket size? An existing property item is buying an existing house versus starting a new business.
- Suresh Iyer:** No, by and large, see in the segment that we are operating, mostly the second house concept is not very prevalent. These customers whom we have 60,000-1 lakh average income, family income. Generally, this second house concept or moving.
- Interviewer:** Second house means I am not doing additional house.
- Suresh Iyer:** Agreed. So, if I have the first owner of the house, I will generally keep that house. So, the question of the property itself coming up for sale may not be so very high. Not that it does not happen. But by and large, we have been focusing more on the new construction and new first-time home buyers only.
- Interviewer:** Metro may be different.
- Suresh Iyer:** Metro may be different, but our presence is also less in the metro. Of course, Bangalore and all, we are there. Now, I can say we are in Bangalore, but most of the branches actually were in the periphery of Bangalore. Kengeri and Hosur and Hoskote and Devanahalli and all. So, basically, it was in the periphery, which now is part of the city. So, yes, it can be there.