



## “Can Fin Homes Limited Conference Call”

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**SPEAKER:**

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

- Interviewer:** Maybe we can start on terms of what's happening on ground with quite a lot of affordability so far. Some of them have alluded that there is slowdown in tax rate at least. We have, of course, been going at 10% or, therefore. So, just on the growth front, what's happening on the ground?
- Suresh Iyer:** See, affordable, in fact, I have been saying that there is a slowdown and now of course the numbers are also clear that the growth is in the sub-10s kind of range. In terms of our segment that is in the 20 lakh to 75 lakh or whatever, 50 lakh to 75 lakh segment, it's fairly decent. There is no problem in the growth. It continues to be enough number of project launches, enough amount of demand. Customer segment also is growing. So, that's not a problem for us. So, at least so far we have not seen that kind of a thing. Plus, of course, the fact that for us it is also a base effect because the last couple of years we had slightly a lower growth compared to the market. So, from there for us that also is one of the other factors. So, in the next one year or so, at least from what we see today in the market on the ground, I don't see much of a challenge in continuing this kind of a 20% growth in disbursements.
- Interviewer:** And on Telangana, is there a recovery happening there? You mentioned in the call that there is some, but it's still lagging.
- Suresh Iyer:** Yes. In fact, month on month, in fact this year, starting from, each month it has been better than the previous month including month of October also. So, now what has happened is, we have also had this kind of change, strengthening of the team and all. We at least have seen that we are back to the (+) 100 kind of consistent number in terms of disbursement in Telangana. So, end of the year, we had last year done 1198 crores, with the same trend continuing in the next five months also, if the month on month we continue to grow, we should be able to have a positive in Telangana also. It may not be kind of 10% or something, but at least we should have a good growth in Telangana as well. As for Karnataka, this quarter itself, by end of December, YTD will be positive. It should be about 5% positive by end of this, 4%-5% positive YTD in this end of this quarter itself.
- Interviewer 3:** So, sir, specifically since we were just speaking about disbursements, we did about 4-5, 4-6 in the first half, the call-out is about 11,000 crores.
- Interviewer 2:** 10-5.
- Interviewer 3:** 10-5, sorry. So, do you see yourself meeting that number given where we are today? How do you think of it? And also, incrementally, if you could talk about spreads and margins?
- Suresh Iyer:** See, in the first quarter, we had about 2000, we crossed 2000 crores. That itself was a highest that we have ever done in Q1 in any of the years in the company. Q2 also, we crossed 2500, which again is the first in the history of the company where we have done more than 2500 in Q2. And normally 45% of the business happens in H1, 55% happens in the second half only of the year. That's been the traditional kind of a thing, because the festive season starts, and same way, this quarter we are targeting around 2800 crores. And as we speak, October, in spite of the

fact that there were holidays, Diwali and Puja and all those things, still we have had (+) 800 crore disbursement in the month of October also. And November also, so far, the way we are going, we should be around 900, I think, or 1000, we should be in that range. So, the 2800 that we are targeting for this quarter looks possible which means we will have to do around 3200 crores in the next quarter, Q4, to be able to get 10,500. So, that's the kind of planning we have. In the first half, we have already opened 14 branches, 15 also almost. So, 15 branches that we have targeted for the year have been opened. So, there will be some benefit of that, branches will come in.

We also increased our sales strength of our sales team from 37, which was there in Q1. We have increased it to 90. So, that benefit also is now coming. In fact, we had almost incrementally 8% of business or disbursement is coming from this sales team. So, we will now be slowly increasing. Over a period, we want to at least take it up to 250-member team by FY28. So, that's the kind of thing.

**Interviewer 3:**

Earlier this sales team was not there. Why you increased the sales team? Why it was not there and now why you increased it?

**Suresh Iyer:**

See, why it was not there as in, in the sense that it was more of a DSA-driven business. Up to, if you see the Q4 of FY23, almost 87% of the business had come through a DSA channel. And then in FY23 when we could 2023 to 2028, 5-year business strategy, we decided to come out with, have our own sales team so that we have an additional sourcing channel. That we felt would bring a little more stability. Quality of the portfolio sourcing will also slightly, could be better. And depending on if we are able to successfully run that, it will be better. So, that is our idea. So, in June 2024, we started first time as a small experiment. We started with about 8 people and then slowly took it up to 39 by 31st March. The results also were decent. In fact, the reason why also we took time and did it on a gradual way is that, unlike most other players where they have the DST or DMEs, where there is a very small 15,000-18,000 kind of a fixed salary and everything else is on the basis of incentive, we decided to try a different model where we have taken all these sales team also on the roll. So, even if we have taken up the entry level of an officer, the gross salary would be around INR 38,000-40,000. So, that was also one of the things we want to experiment and see because the moment you are on a higher fixed cost, then it means your productivity also has to be better. So, that successfully we were able to do it because by March we were able to take up the productivity of the team to more than a crore per staff per month. Then we said again, we will ramp it up and bring it. So, we added it and increased it from 37, 39 to 90. It obviously dipped because the new people will take some time, but now again from 60, we have taken it back to around 80 lakhs per staff per month. About 90 people, they have done more than 70 crores in this month, otherwise 78 last month.

**Interviewer:**

So, in that context, when we have this 250 member team, do you think the DSA portion would come down?

- Suresh Iyer:** It will. In the sense that we are not replacing the DSA, we are only adding one more channel. So, basically, overall of a total, the %age will come down. If you see our presentation also, we have given, there are four basic main areas where the strategy we have covered. One is geographical expansion, one is change in segment slightly from salaried self-employed being 70 to 28 to making it up to 65, 35. Third was, we will go in for housing, non-housing was 89 and 11, we will take it up to 80, 20. And the fourth one is that we will add these channels. So, eventually from 87% it will come down to 60%. That is the FY28 business strategy that we have.
- Interviewer 3:** Salaried segment, given that a decent amount, like you say government employees or maybe the related adjacent PSU, that kind of stuff, how will you compete with the PSU and private bank if you have to compete in that specific segment? Because are the rates very competitive or the LTV, the average loan tickets are much lower for us, larger banks might be having. That is the reason? What are the broader reasons? How are you able to compete with them?
- Suresh Iyer:** See, actually, when we say salaried, it is 14% of our portfolio is down to salaries, state and central government or all those PSUs and all those things. 51% is private sector employment. So, it is not that it will be the small and ancillary units, small companies, those kind of places from where they are getting fixed salary and that is our segment. The 51% of our customer base is that segment. And then 6% is IT. And then the balance is all 30% is self-employed.
- Interviewer 3:** How do you compete in terms of rate? Are you able to compete because the PSU banks are very, very aggressive. The rates are slightly higher than what you call they are offering. What are the difference which I was trying to understand?
- Suresh Iyer:** So, there are basically two differences I can say. One is, in terms of the ticket size, banks would be obviously catering to the class-1 officers or to the higher end of the income bracket, top-level management. In our case, it would be the smaller, lower-rung people who would be looking at probably 25-30 lakh kind of ticket sizes. That is one difference. Second difference is we operate more even in the bigger cities on the outskirts of the cities where the development is just happening. Whether ticket sizes are small, property sizes are also smaller. And those kind of segment is all Tier-2 towns. Banks, if you primarily see, are more concentrated on the bigger towns, bigger cities, metros and Tier-1 towns. In Tier-2 towns, the pressure is less because the smaller branches of banks are having different kind of targets. They have more of MSME lending. They have more of agri-lending. They have more of those kind of things. So, the pressure of all the competition from PSUs in the smaller locations is not as much.
- Interviewer 3:** But in PSUs, government, class-3 or class-4 officers, what you told us, the lower-rung of the society, the bank also will be comfortable. Although I understand the ABS is lower rung to them. Banks should be comfortable lending for the government employees. Then in that scenario, still you are able to compete?
- Suresh Iyer:** It's not that they only come to us. Large chunk would still be going there. But we are able to get some. Like today, if you go to the smaller towns, there also government employees are there.

Roadways is there. Education department is there. Water department is there. PWD department is there. All those people, obviously, smaller places are also eventually part of our salaried 14% segment only.

**Interviewer 3:** Also, we had the IT upgradation in Quarter 3 and that could potentially disrupt disbursement. So, can you just speak?

**Suresh Iyer:** So, yes, that is planned in Q4. The LOS, LMS is planned in Q4.

**Interviewer 3:** It was Quarter 3, right?

**Suresh Iyer:** It was Quarter 3 is what we had said in the thing. Afterwards, we have clarified. In fact, because the customization level was a little higher. Now, it is planned in the middle of January 2026. That's originally our target in the earnings call was 2500 crore for Q3. We said now that it is shifting by a month, we would make it 2800 crores.

Your question on the spreads. We are right now comfortable at around 2.75. September spread is 2.79 and we are comfortable with 2.75 for this year. We should be able to maintain that even though we plan at 10 basis points rate cut benefit to the customers.

**Interviewer 3:** How would margins be? That 3.7?

**Suresh Iyer:** It will be 3.75. Right now, it was 4.02.

**Interviewer 3:** But you are guiding for...

**Suresh Iyer:** 3.75.

**Interviewer 3:** The call out for 3200 on disbursements in 4Q was in the IT...

**Suresh Iyer:** Yes. So, when we originally had planned that we will do 2500 in Q3 when the implementation are scheduled and we will not take a higher because 2500 we have already done in Q2. So, we said we will stick to that number because there will be an impact of the IT transformation implementation. Now, since that has been postponed, so, originally we had said 3500 in Q4. We have reduced it so that because... So, 200-300 crores definitely we believe there will be some impact because there will be at least a couple of days even if you take a Saturday-Sunday. But there will be another 2-3 days of downtime we may have to provide for some disruption or rather impact because of the training that we have to provide. So, staff will be pulled out from the regular business and there will be some teething issues. Obviously, can't help it. So, all those we have factored in and said 200-300 crores of disbursement in one of the months will definitely come.

**Interviewer 3:** While you have called out positive ITD for Karnataka, could you speak about where the Khata-A is what? I mean, how is the transitioning there? Some more colour on the region and is it fair to assume now we will go back to AUM growth of maybe 10% or 11% given that Karnataka is getting behind?

**Suresh Iyer:** We should be having AUM growth of 12% odd in this year. Because Karnataka also will be 10% positive by end of the year. Because as I said last year in the first half we had done fairly, we were touching (+) 250 too and in August-September, we did 275-278 crore disbursement also last year. Then, there was an impact because end of September, the e-khata announcement came. So, Q3 last year, we came down from a run rate of about 260-270-275 to straight down to 150 crore. In that Q3 of last year. That's why Q2 last year was 2300 crore. It straight dropped to 1850 crores. So, that was the thing. Now, again, we have taken it up to around 250 crore is the kind of run rate monthly we are having average. So, what will happen is by end of the year, this year alone, this quarter itself, we should be able to turn back into YTD positive and next year, next quarter obviously will be better than the Q4 of last year. So, last year, we had done around 2700 and a little more than that as the total disbursement in Karnataka for the full year. But this year, therefore, we are expecting to end around 3000-3100 crores.

**Interviewer 3:** What percent of AUM was steady schedule from 30% for us?

**Suresh Iyer:** 30%.

**Interviewer 3:** Any inch-up in BT-out let us say in October November?

**Suresh Iyer:** October has been actually a little lower than July, August and September because there we had actually July, August and September were little elevated in that range. October has been a little lower. Of course, there are also holidays during the month. So, that also could be one of the reasons. But we have done some modification in our process. Now, we have added one more layer. Ahead of this also we are calling customers. Thus, from our analysis, it shows that 80% of the customers who did the BT out were actually annual reset customers. So, we need to now therefore, push them. Maybe it was they didn't know they could convert to quarterly reset. Their rate pass-on was yet to happen. So, they thought the rate is very high. So, proactively we are trying to push them more and follow up and see that they get converted into quarterly reset.

**Interviewer 2:** So, it sounds like there is a slightly greater competition between the banks and you guys from the top end where the line started and move down. What yields are you lending at? And given your ticket size, there seems to be an overlap at the bottom end with maybe the kind of stuff that Aptus does. Have you thought about potentially doing a bit more of that which would, A, might open up a new growth avenue and B, also enhance the yield?

**Suresh Iyer:** See, in terms of the yields that we are operating in, our best rate is around 8.7 for the housing customer, salaried segment. By and large, if you see our lending rates in the housing segment are around 9.5%. And self-employed is 0.5% higher, LAP and non-housing categories, another

0.5% to this thing goes up to 11.25, roughly you can say. So, therefore, our blended yield, the incremental business is somewhere around 10% to 10.10%. This was 10.08%.

**Interviewer 2:**

But if you look at at least this morning, when the Aptus CEO was saying is that for them, for the person with a 25 lakh home, who will take a 10 lakh whatever loan against it, like 25 lakh property, take a 10 lakh mortgage to build a house, the yield they're charging that customer is 14%, 14.5%. You're saying, even for your self-employed guy, who's again probably in the same ticket size, yours is 10.5%, 11%, for mortgage. So, what's the difference in customer between your customer and the Aptus customer? And is there the opportunity for you to move in that direction? Would you want to move in that direction?

**Suresh Iyer:**

So, the difference mainly is that our self-employed segment is also the documented income segment. So, when our self-employed customer is filing returns, we are looking at the average of the minimum two years of IT returns and then giving them a loan based on that eligibility.

**Interviewer 2:**

So, you won't lend to someone who says they don't have an IT return.

**Suresh Iyer:**

No. There's only a very small product called No Income Proof where they have cash salary, we are doing it, where that document proof will not be there. But it's a very small segment. We don't do that kind of a segment. Whereas Aptus or maybe some of the affordable housing finance companies are all doing where there is an appraised income or surrogate income proof, something like average bank balance model or multiplier model, that kind of a thing or templated models. We don't do those kind of things. And there, obviously, it is more based on some, not on an individual case specific analysis, but more based on a broad, okay, your average bank balance is this much, we will give you this. So, therefore, the rate of interest there is higher and to appraise that kind of a segment, one, in case of OPEX, it's slightly it will be higher OPEX. Plus, second thing is there is more fluctuation in the income for that particular segment. So, therefore, chances of default are also higher. And to assess that segment we need a separate kind of skill set which our people right now for 38 years have not done this kind of model. So, to be able to assess that kind of a customer, appraise that customer, it will require a different skill set.

**Interviewer 2:**

It will be hard to build that with an organization.

**Suresh Iyer:**

It will take a while. It will take a while. And the question is also whether we want to do it, or we are still comfortable with this kind of a model. So, right now even without taking that risk, it is reflected in our GNPA because for the last more than 10 years consistently we have never had a GNPA more than 1%.

**Interviewer 2:**

I'm just saying I think it's a beautiful model for the present. I'm just wondering 5, 10, 15 years from now as banks start to muscle, banks are much more likely to come to where you are, right? So, is it worth trying to go in that direction or do you think there'll be enough space for us to play where banks don't want to go?

- Suresh Iyer:** I think there's enough place for us to play. For the last, I think, 28 years that I'm in the industry, earlier in Guru and now here, I think this problem or question has always come up, but we have been able to still stay below the radar of the banks and manage and still have a good enough size of the pie to work on.
- Interviewer 3:** And so, in September, how do you compete with the likes of, let's say, Tata or Aditya Birla who have been quite let us say--
- Suresh Iyer:** Again, they have all these kinds of models. We don't. And at least in terms of rate of interest, I think we would still be comparable, if not lower.
- Interviewer 3:** So, you are saying the customer profile is still a slightly similar where you are doing only documented versus them?
- Suresh Iyer:** We are doing only documented, yes. They would also be doing other segments. They also have all these models, surrogate income model and all those things, which we don't have.
- Interviewer 2:** What is average turnaround time like is that like Tata and with Aditya Birla Capital, are they able to provide a shorter duration?
- Suresh Iyer:** Turnaround time, or you are wondering how it should be lower because we are going based on IT hours. Whereas, for that income you will have to go for more field visits. You will have to go and check the asset creation. You will have to check the income. You will have to do a business verification more thoroughly. You will have to take more paperwork to support your calculation. Whereas, in our case, it's based on IT hours. So, in fact, our TAT would be lower.
- Interviewer 2:** And salaried also, what we call like-to-like with banks, what is your competing entity is?
- Suresh Iyer:** I don't think TAT is a problem at all. TAT for us, for the segment, for anybody else, the segment that we are doing would fall under the green channel.
- [Speaker 7]** Who is your competition currently in self-employed?
- Suresh Iyer:** In self-employed, see, right now, it would be LIC, Bajaj and PNB. PNB is also doing self-employed with other products also. We lose customers to these three mainly. Of course, there are banks also who take up our portfolio. But that is a comparatively lower percentage. Today if you look at other than our today, I mean, seven months of this year including October, we've had about 3,500 crores roughly of BT out amortization, everything. Of which a little more than 1,000 crore is the amortization portion, which is the principal component of EMI. So, prepayment, part prepayment, BT out, everything put together is around 2,500 crores.
- [Speaker 7]** LIC, Bajaj and PNB, the rating would be similar, I don't know. The cost of fund should be similar. Because of their scale, they are able to offer a lower rate.

- Suresh Iyer:** LIC actually has very similar, Bajaj also has similar. PNB would be having a little higher cost of fund. And in terms of aggression, I think LIC is the one which is offering a lower rate than us.
- [Speaker 7]** They are taking a lower yield because of the cost. Although cost will be similar, they are taking a lower rate versus what you are making.
- Suresh Iyer:** Today, I mean, on 30th September, you see probably our cost of borrowing is lower than LIC also. First, of course, we have a higher percentage of bank borrowing, they have a higher percentage of NCDs. Therefore, on that 50% they have not got the benefit of repo rate cut. Whereas 55% of our borrowing is bank borrowing, where we have got the benefit of the repo rate cut. So, therefore, today, as we speak, as on 30th September our cost is lower. Flip side, when the rates go up, they will be fixed, and we will have to do it. That's why we have also this year taken a slightly higher approval from shareholders for NCD raise. So, that it is a good time to actually take and block your rates.
- Interviewer 3:** Is there any assistance from Canara Bank? Certain types of loans that we do not want to do, in terms of home loan or that, do they pass it on to you?
- Suresh Iyer:** No, we don't.
- Interviewer 3:** The complete different entity?
- Suresh Iyer:** We do not have that. I mean, see on the ground, it would be possible they may be informally doing it, but we have no arrangement. Probably the fact that 80% of my business is coming from DSA, so obviously, there is no Canara Bank role in that any which way.
- Interviewer 4:** And the segment, the segment of market, the segment of customers of Canara is taken to -- is it similar?
- Suresh Iyer:** See, the average ticket size of Canara is 35 lakhs. Ours is 25 lakhs.
- Interviewer:** What is the implied growth X of Karnataka, Telangana and now YoY?
- Suresh Iyer:** The current year growth? See, today our north zone is growing at 30%, west is growing at 25%, Tamil Nadu is growing at 25% and east, which is predominantly Andhra Pradesh is growing at around 30%. Andhra is like east zone. East zone, because Telangana is a separate zone, Karnataka is a separate zone.
- Interviewer:** These are disbursement zones.
- Suresh Iyer:** Disbursement zones, yes.

- Interviewer 4:** At the industry level, if you look at last year the published number says that disbursements for the overall market industry, banks and the SEZ put together was I think down 5%. If you look at the last two years also, it is still in single digits. So, I know we have like a 40-lakh crore book, which is huge, but what is your view? Is this going to remain in single digit? Is the overall pie not going to grow or have you done enough of it or is there something which is cyclically down? What is it?
- Suresh Iyer:** Last couple of years, I think it was around 14%. This year, they are talking about 12% to 14%. So, I think the overall housing industry...
- Interviewer 4:** That's the loan growth; I am talking about disbursements.
- Suresh Iyer:** Disbursement growth there are quite a few things. There are also a LAP portion which is growing for many of the players. And of late there have been some regulatory restrictions or regulatory guidelines which have come in, which also put some control on the LAP portion of it. Plus the fact that LAP suddenly now in the last some months has also seen a little bit of, a pressure on delinquency. So, therefore, that is also coming off. So, a lot of players in fact have been, it is only today that or in the last three months or six months that people have been talking about a slowdown in the affordable segment. But actually, if you see from 2023, the day I joined, I have been saying that ever since the CLSS has stopped, this growth in affordable is slow.
- Interviewer 4:** But if I look at the overall market, I mean, okay, let us put it differently. But if I look at trends post-COVID across sectors, we have seen hyper growth in autos, maybe personal loans, but that is a different animal. Somehow housing as a sector has sort of not seen as much activity as in housing finance as such. Probably housing sector or as our real estate colleagues put across, seeing a lot of activity. But mortgages as a sector has not seen so much of action. I mean, it is growing. I am talking about a 3-4-year CAGR. We have not seen now 15, 20, but like in 2017, 2018, we said that, yes, mortgage industry in India can go at by 20% for the next 10 years. But somehow that entire theory has collapsed. What has gone wrong?
- Suresh Iyer:** I will tell you. See, if you look at prior to 2017 also first of all there were few or about 40 odd housing finance companies or good housing finance companies. And affordable as a separate segment was not so big. It was very few players which were operating in that segment. Then came CLSS. CLSS in the first year did not pick up. But after that the supply came in in a big way and that gave a good amount of flip for the affordable segment. And at that same time a lot of housing finance companies came up and started in the affordable segment also. Post CLSS you would see that the number has been coming down consistently. Because in the affordable segment particularly it is a matter of supply. If there is no incentive, large players will not come into the field and do the construction. Therefore, there has been a problem. If you see the narrative, we used to say this in Guru Finance earlier also that the problem has always been supply in the affordable segment. So, when the CLSS came, a year down the line, the supply started coming in. So, the industry started growing there. Now, after CLSS stopped in 2021, you

will see that slowly it is only the inertia which has carried for a while and then it has actually come down. Now, PMAY 2.0 has come. Again, the first year, the pickup has not been very good. Hopefully, as we go ahead, if the pickup picks up, if it improves then maybe we will see. But for that supply has to come in.

**Interviewer 4:** Self-construction cannot solve the problem. Because even the builders have to be given incentives. Plots, smaller plots, someone takes and builds their home. That cannot solve the problem. It is very difficult. It is one of the largest cases where it is difficult to do that.

**Suresh Iyer:** See, self-construction on an individual basis is very scattered. And you need to have very deep geographical reach to be able to touch all of them. That is the problem. If you, therefore, want to do it in bulk in smaller geographies, in smaller geographies as in smaller areas where there are more amount of supply, then it will have to be in the bigger cities only for which you need some incentive for builders, developers and all.

**Interviewer:** Sir, this new claim is proportionate based incentive, right? Earlier, it was one time the incentives were given that would flip to the overall over.

**Suresh Iyer:** That is correct. Earlier, it was up to 2.67 lakh was the benefit in a one shot as soon as the disbursement is done. Upfront, it was given. Now, it is over 5 years. So, practically every year the incentive is about INR 35,000 because the amount has also come down to around 1.8.

**Interviewer:** Have you seen in terms of stress in our self-employed customers or nothing related to tariff?

**Suresh Iyer:** Not right now. In fact, on the contrary in Q3, our NPS came down from 378 to 372 crore. The entire 6 crore reduction has come in the self-employed sector.

**Interviewer 2:** Is that because you have lower expertise like clusters in south like Tirupur, we are hearing a pretty grim in terms of feedback. Is that just because you tend to have less exposure to manufacturing workers and things like that?

**Suresh Iyer:** We have not gone to that level. Because I understand where you are coming from. I guess Tirupur is one such cluster. Surat diamond market is another such cluster. So, I guess, yes, we have not gone up to that level.

**Interviewer 4:** It seems to be like you are focused on--

**Suresh Iyer:** Both. Basically, we will push for, through leads we will try to give them and do it. APF is also going to be one segment where they are going to directly be leading. That would be a mix of both.

**Interviewer:** Is that big enough APF?

**Suresh Iyer:** APF, we have now got about 115 as on 30th of September. We are looking to take it to around 250 by 31st of March. This advanced process, we take a builder, a project, get the legal and technical approved and we say project approved by Can Fin Homes.

**Interviewer:** So, whatever home loans you want to give.

**Suresh Iyer:** So, then we just have to look at the credit appraisal of the customer and...

**Interviewer:** Do not look at the property because

**Suresh Iyer:** Because we have already cleared it.

**Interviewer:** We are not seeing that.

**Suresh Iyer:** No, we, for us, obviously, we are not the first player over there. First, we do not do, we do not fund those developers. So, it is only that, whatever customers are coming, we may get a small pie from them. And this is more of a long-term strategy because today we deal with a builder. He may, in this project, give us maybe one loan, two loans. But once we build that association, in the next project, we will have maybe five loans and so on. So, it is more of, once you have, it is like today you have 1500 VSAs who are giving business to you. Like if you have another thousand developers with whom you have tied up to thousand projects anyway, at any point in time, they will always be giving us some loans.

**Interviewer:** Good for ready possession property or under construction?

**Suresh Iyer:** Under construction also we can do.

**Interviewer:** I agree with you to the unit. But the risk is not if the property is already constructed.

**Suresh Iyer:** It will be as per stage of construction only. It is very clear. The guidelines are very clear. You cannot, in fact, even this advanced disbursement facility, all those things were there in the past. Regulator has stopped all those things. You have to go as per stage of construction. Either it has to be as per stage of construction or it has to be as per the contract agreed at the agreement. Like for example, if it is a multi-storey, obviously, 22nd floor will take time to come. But the plan will be that at the 3rd slab, at the 7th slab, at the 15th slab and so on. So, that you can give.

**Interviewer:** Interest subvention scheme were there, where builder was bearing a certain proportion. Is that similar or this scheme is similar to that or is something completely different to that?

**Suresh Iyer:** No, this what we are doing, that is completely different.

**Interviewer:** Everything is borne by the individual borrower?

- Suresh Iyer:** No, no, everything is borne by the individual borrower only. There is no interest subvention. Only thing is we are approving the legal and technical at the time of the project launch or whatever time. And thereafter, when the individual customer comes, only on the individual appraisal, we can give the loan. We do not have to again go for a technical, legal, I mean technical, yes, because of the stage of construction. But we do not have to go for a legal, because the legal is already cleared for the entire project. So, the sanction is faster. Plus if you put up a, you get a small display there, let us project a boot bike and then maybe you can get a standee over there. So, customers who walk in will see that it is a comfort for them also that they look more likely to come to you rather than.
- Interviewer:** Sir, what is the under-constructed property? Can you give construction finance to the developer? Because anyway you are giving units to the respective borrower. So, double, already the exposure will be higher, but you can make higher yields out of that.
- Suresh Iyer:** No, that is, that is there. But we have chosen as of now at least, not, maybe we will consider. Initially we had enough other low-hanging fruit like, increase in self-employed and little increase in our non-housing. So, developer will probably see maybe next phase or something. So, we are not averse, but as of now not.
- Interviewer:** So, right now the main yield juicer and the main kind of offset to the increased banking competition is just raising that self-employed, that formal self-employed component, which gets you the extra--
- Suresh Iyer:** And the non-housing category, because we used to have 89% as housing and only 11% was lab, top-up, plot, everything. So, that also we said we can, we can increase a little bit.
- Interviewer:** And you are saying both of those are sufficiently manageable given your DNA, that that is the appropriate shift.
- Suresh Iyer:** Correct, correct.
- Interviewer:** Why are not banks jumping in on that extra, on that self-employed segment? Like what, what extra skill is that involved going from the formal to that self-employed?
- Suresh Iyer:** I mean, you are talking about the informal self-employed.
- Interviewer:** Yes, the 100 bucks, the extra that you do. So, you are not doing the aptest document in self-employed. You are doing a more, a guy who may be self-employed, but has, like I do not know, a tuition teacher or something who is, maybe even that guy is not filing taxes, but someone who is informal, but for whatever reason is filing taxes, the documented proof of income. Why is the bank not lending to that person?

- Suresh Iyer:** The bank also lends to that customer. It is not that they do not lend to that consumer. If their IT returns are there, banks also do it. But again, the same thing that the banks are focusing more on the city centres, bigger cities and all those things, maybe not on the outskirts of the city. So, today we have...
- Interviewer:** So, you see, you have run a better, more focused marketing effort than the bank in a certain area. So, even if you have to match the yield, it still yields the credit to you rather than to the base and you have no disadvantage over a bank.
- Suresh Iyer:** So, I will put it like this. Let us say today we are having 43 or 35 plus branches in the city of Bangalore, but we do not have any customer probably in the core Jayanagar or in our JP Nagar or in probably those core areas of Malleshwaram or stuff like that. Our customer would be in Hoskote, Devanahalli, would be in Hosur, would be in Kengeri on all the outskirt areas. So, that is kind of the thing because this area is purely bank territory. If we try to enter in, we will not be able to compete with them in terms of the rate of interest.
- Interviewer:** And sir, just on credit cost, they have been benign. So, how do you think about it for this year?
- Suresh Iyer:** So, this year, we have actually guided for 15 bips, but last year also we had lower than 15 bips and the way, we have been, efforts we have been doing and the results that we have been getting, I believe it could be lower than that also. Because, both quarters, we have had a reduction in our overall delinquency in absolute numbers also. In this quarter also, we expect that there will be some further reduction. So, I think two, three also, credit cost maybe only, whatever growth we have, we may have to do something for that.
- Interviewer:** Understood. And sir, OPEX has been fairly elevated in the first half given that we were ramping up the branches, etcetera. And now that where we are, is the second half going to see a lower OPEX intensity?
- Suresh Iyer:** See, actually, it is more because of the staff salary. Ramp up. No, not salary, we gave a salary hike, fairly good salary hike in the, for effective April. Because we did a composition benchmarking, we also needed to be comparable with the market to acquire good talent. So, we have done that. And that is why, that is one of the bigger reasons why the OPEX is gone up. But now that it is, that is the new norm you can say, that is the new normal now for us that this is going to be the cost for us. But I would not say it will further come down in a big way in Q3, Q4. On the contrary, in FY'27, it will be slightly higher because the cost of our IT transformation, what you have done is getting capitalized now. That will start kicking in the form of depreciation and our annual AMC's and renewals and all those things.
- Interviewer:** Can you quantify what will the number be?
- Suresh Iyer:** So, we currently are spending approximately around INR 20 crore per annum on the IT cost. But this including for the next five years would be approximately INR 60 crore. So, net INR 40 crore

will be the X triangle. Incremental or additional cost, which will be approximately about 1% or a little below that in terms of cost to incubation.

**Interviewer:** But other than that OPEX growth should be lower than our AUM growth?

**Suresh Iyer:** It should be lower because now this was the only kicker which actually was there, one staff cost increase. Otherwise, now in fact, branch expansion is not going to add much. What has come this year also is not mainly because of branch expansion, but more because of this regional offices because we had only a two-layer structure, branches and head office. Last year, we introduced the regional office concept. So, that regional offices obviously are larger offices with all this. So, that is one thing. But now that also has been already done. So, next year that would not come.

**Interviewer:** Also, I appreciate. Sir, given the recent governor as co-growth, do you have any regulatory relaxation to be asked for HSE that could make the growth faster or the margins, could get any regulatory action that you would require or request from the RBI?

**Suresh Iyer:** I do not think there is anything. I think he has already given a big gift that he has done away with that October 4 circular.

**Interviewer:** Overlap.

**Suresh Iyer:** Overlap business. I think that is it.

**Interviewer:** Sir, any other ask is there which will make the environment more conducive for you for growing the business? Or it is as of now, I think that is fine.

**Suresh Iyer:** I think these are fine. Maybe not from the RBI point of view, but as the point was earlier discussed, something for the affordable segment which can bring in more supply. I think that would be a good thing because see, more than this part of it, the multiplier effect that any kind of construction activity brings in is much bigger. So, it will have a bigger impact. So, it is quite evident that the CLS is stopped. So, the supply also has slowed down in the affordable segment and that is there.

**Interviewer:** Are you comfortable in leverage? I think the 7x, 8x the leverage is there.

**Suresh Iyer:** 6.6. I think with rating agencies also we are, I think up to 8 is okay. But I think 7.5 is where we would want to not go beyond.

**Interviewer:** And that will reach in over the span of two years, this kind of movement from which--

**Suresh Iyer:** See, actually, we are good. I mean, our ROE is around 18%, 20% dividend payout, so around 14.4 debt. Anything above 15, we will reach 15 and then keep growing. So, slowly, that will be

a little bit of this thing which will increase our gearing. By the time we have another two, three years, we can manage.

**Interviewer:** Sir, Bajaj Housing keeps talking about this business not being very high ROE business. But when we look at our historical performance, we have done much better than what they say. So, like 13%, 14% is what they are estimating they can do in housing. But when we look at our past history, we have done much better than that. What would you attribute this performance to?

**Interviewer:** Customers. So, competing with banks and...

**Interviewer:** No, I think that way we, it is almost the same. That is not a, in the past, there have been some that have been higher gearing rates. This is one of the things. Our gearing is 6.6. Today, we can get to 7.5. I think Bajaj operates at a much lower gearing. That is one thing that I think. They have been over a period of time basically. They have done a capital raise has happened now they will--

**Interviewer:** Sir, they are operating in five segments. That is another problem. The yields are lower.

**Suresh Iyer:** Yields are lower. That is a problem.

**Interviewer:** So, this would happen in December. We are targeting to score INR 1100 crores in this first instance, right? To achieve that INR 2800 crores. INR 2800 crores for the third quarter. INR 800 crores and INR 900 crores for October-November.

**Suresh Iyer:** We will see. I think we should be at INR 500 crores to INR 1000 crores.

**Interviewer:** So, this is from the sales team. So, let us say 12-month-old sales manager will be given what productivity?

**Suresh Iyer:** See, the team, we started in June'24. Up to March 2024-25, they had almost about INR 1 crore per staff per month. Even in the month of June, the same team was doing INR 90 lakh plus. Of course, then we added new people. So, overall the team productivity went down because the new people will not be able to deliver the same. But now again within a span of three months from July, in September, we have been able to bring it back to around INR 80 lakhs. So, I think, six months I think the time we can say that they will start producing.

**Interviewer:** Sir, I am sure there is experience from other housing brand companies generally what we are hiring

**Suresh Iyer:** It is a mix. To be very frank, to answer that question actually, to be very frank, some of the people we have already taken from our existing teams who have a good experience and are already well-versed with our internal policies and processes. Maybe you are right in the sense

that for a new person who is coming from outside, it may be a little, that six months could be nine months also. I think that kind of granular thing we have not done. Maybe you are right.

**Interviewer:** This is one sense I ROAs--

**Suresh Iyer:** No. Individual.

**Interviewer:** Sir, let us say from next two, three years perspective, this year we grow disbursement 20% because of a low base. Do you think this kind of a rate would sustain and we could reach at least a mid-team kind of a growth for next three years perspective?

**Suresh Iyer:** So, next year also we will be, we are targeting or we should be doing at around INR 13,000 crore disbursement for FY'27, I am saying, which should bring us to somewhere around 15% AUM growth. And then I think even if we can sustain a 15% disbursement growth, 15% AUM growth will continue.

**Interviewer:** Profit will be higher than that? What will be the difference in profit versus AUM growth? Because as we achieve scale.

**Suresh Iyer:** To be very frank, that also is a factor of interest rates and how we are going to manage it. So, that we will see. But actually, one thing I can say, we should, we will not work at a, want to work at a split between 2.5 to 3.5.

**Interviewer:** This tech transformation will have impact on disbursements only in one quarter?

**Suresh Iyer:** I guess yes, I guess. Because, see, the thing is we have taken some precautions or some, things in the sense that the tech transformation, the problems, normally a lot of problems happen because the LOS, LMS do not talk to each other. Therefore, we were very clear, we will have the same vendor having the LOS and LMS. Therefore, for us, both LOS, LMS are coming from the same. So, therefore, the integration issues will not be there. The only challenge that, and second thing is, in our business, since we do not have any of those complexities of, appraised income or anything, in fact, our deviation matrix also is much smaller or lesser compared to many other players. Therefore, the complexity of our module is going to be less. So, the only challenge I see is in terms of the UI, UX and the change of flow and getting accustomed to the new that is it. That is what I see.

**Interviewer:** So, what are the advantages of new Tech? I just want you to understand you are implementing. Definitely, it will change in time. But why you are going for it? What are the advantages for new Tech that is going to come?

**Suresh Iyer:** Well, first of all, we had the present system that was operating was your LOS, LMS only system. There were no affiliates. No, it was there. But even the GL or the finance package was a loosely integrated kind of a thing. Of course, till 2023, the system did not even have API capabilities,

but we upgraded at least all those things are there. So, basically, things like CRM or DMS or a separate, proper finance package or a deposit package, all those things are something which will now happen in this new module. Second thing is in terms of security and infrastructure also, we are going for a big upgrade. So, the SOC, NOC, all those things. We are going for SD-WAN. We are going to upgrade in terms of remaining software also. HRMS was not there. It was a standalone, separate, manual kind of a thing being done. We are now going for a work line package for HRMS. That is also going to get integrated. So, all those things are definitely advantage. It is completely something where, it was something done in 2011-12. Since then, not much of a change had happened in the IT model. And, of course,

**Interviewer:** So, it will indirectly help longer-term productivity improvement and growth, that is a broader thought. That is a long-term one. All these things.

**Suresh Iyer:** Yes.

**Interviewer:** Given the 15% growth, the spreads fall below 2.5%, so, we are still okay with the 15, 20 cases of lower yield, if we are to achieve our disbursement target?

**Suresh Iyer:** See, today, of course, this, we have roughly been around, if you see the last 10 years, I think it has been around 2.3 to 2.7, 2.8 is the range in which the company has operated. So, it has seen both the cycles here and there. So, I think that is what I would say, this is just beginning. What is 2.5? Tomorrow, if we are able to sustain 2.75, obviously, why not?

**Interviewer:** So, for achieving this growth, do you think that letting go of some spreads, some compressional spreads?

**Suresh Iyer:** See, we obviously, that was the idea that, we will have to let go a little bit of, in terms of the, of taking our average ticket size to, from 20 to 25, or slightly going to the bigger segment, larger segment average ticket size, that we are aware of it. And so far, because we also have some good scope to increase ourselves in third or increase our non-housing category, it is getting offset. But yes, once beyond the point, we will not be able to do that and we will still have to offer.

**Interviewer:** What is the room for that 40,000?

**Suresh Iyer:** 40,000. Thank you.