

“Reliance Conference Call”

November 21, 2025

Interviewer: So, I noticed recently there was some 2028 vision or target you had. So, maybe let us talk about it, I mean, it seems like a good one but maybe I think on the sourcing part I wanted to understand a bit. But either way, why do not we talk through each of it.

Interviewee: I agree. Actually what was happening was, repeatedly in all the meetings there was discussion coming up, many investors would ask us to what is the plan and all those things. So, we already had this strategy paper drawn up at '23 and every five years we review it and see what it is. So, in '23 we had already drawn up. But I said, since that kind of a question is coming again and again, I said let's put it as to when we started in '23 where we were, '28 what was the plan or the target that the board has set, and where are we in that journey.

So, there are basically four pillars, so that's what I have given in that extra slide that has been there, that these are the four pillars. We want to slightly diversify in terms of our segment, that is from salaried to self-employed, we want to slightly increase our self-employed target. Second, we have a huge scope to expand in the non-housing category because the guidelines allow up to 60% has to be in housing, remaining 40% can be non-housing, we are just 14% right now. So, that gives us some space to expand there also and improve our yields.

Interviewer: You are 15% right now?

Interviewee: Right now it's about 86:14. Then the next was this sourcing, because that was a challenge for us. In March '23 quarter, we had actually 87% sourcing coming only from the DSA channel. Obviously, that was a big risk because that could be a prepayment also because of it, the dependence on a single channel for entire sourcing was also a kind of a thing. So, that was what we said we will over a period do it, which is --

Interviewer: So, prepayment is primarily because of that?

Interviewee: Not necessarily. Right now also what we have seen that --

Interviewer: So, right now it's about 20% prepayment more or less?

Interviewee: No. In fact, our total part prepayment, full prepayment, everything put together is about 13% or something.

Interviewer: 13% of beginning of period AUM?

Interviewee: Of the beginning period AUM. So, if I look at the six-month period, we have had about 13%, Rs. 2,300 odd crores has been the --

Interviewer: So, 13% for six months?

Interviewee: No. 13% annualized. So, it's like about 2,500, sorry, Rs. 2,500 crores approximately has been the prepayment plus --

Interviewer: So, where do you think this number will go if you had no DSA?

Interviewee: See, as I said, some of it is part prepayment. A large chunk of it, almost two-thirds of this is actually part prepayment only. Wherein the customers get some excess liquidity, they park the funds back and reduce the liability. And sometimes also go for a reduction in the EMI and some go for reduction in tenure, but mostly they go for reduction in EMI so their cash flow improves. And then they continue the loan with us. So, it is not actually a closure. It is just that we are little, the Indian people are still a bit debt diverse. So, whenever it is a possibility, they use that to --

Interviewer: One-third is full prepayment?

Interviewee: One-third is of that 13%, roughly about 4% is where it is a full prepayment, where the account gets closed. One-third of that 13%. So, approximately 4-odd-percent is the total real closure where the customers either it could be a BT-out or customers would be selling their property and moving to another property, or they would simply be making a prepayment and closing on their own. Other than the cases where it is a sale, we consider everything that we think that even if the customer says I am putting from my own pocket, we believe it would be definitely for some takeover or BT only.

Interviewer: And out of this one-third, how much is because of DSA?

Interviewee: So, far, it is not. I mean, our DSA%age today on the entire book is around 70%, 72% of the book. But our prepayment not entirely is because of DSA. DSAs, the portfolio which is getting closed or prepared and it is pertaining to the sourcing done by DSA is less than 70%. If you look at it, it is almost even stevens. I mean, whatever portfolio they have got is 72%, whatever is the prepayment happening, last we checked quarter or so back it was 66% of that prepayments were attributable to the DSA source portfolio. So, there is not much of a risk as of now in the books. But normally there is a perception that DSAs after two, three years start moving their portfolio out which is possible, because for them this is the main source of income and they tend to earn out of it every time they move the book. And second thing was, of course, having our own team means we can pick and choose the kind of customers, we were looking at APF.

Interviewer: Sorry, I do not understand. This perception is not born by reality because if you seem, if two-third of their, they would like to do that, then your prepayment should be much higher, right? And secondly, for the 13%, this should be definitely more than 87% which is the sourcing, right?

Interviewee: Correct.

Interviewer: So, that means it is less, that means most of it is driven by their people's own --

Interviewee: Correct. I mean, as of now it is not there, but generally the market data has shown that whenever there is a DSA sourced portfolio, after two, three years it starts moving, or there is a general movement which is there. So, in our case --

Interviewer: So, what is the reason why you see different results for yourself?

Interviewee: See, one is, our DSAs are not the corporate DSAs, so that is at least one positive. And therefore it reinforces our belief that we do not want to deal with corporate DSAs, okay. Because one is corporate DSAs, the expected payout rate is much higher. We are currently paying on an average 50 basis points, that is Rs. 0.50. Whereas the minimum payout expected by that corporate DSAs is 1%. For a LAP it could even be 1.25% or 1.5%. And competition, many players have been making that kind of a payment to the DSAs. So, we do not want. That is one negative.

Interviewer: So, yours are like retail DSAs?

Interviewee: Ours are retail DSAs. All of them are retail DSAs. We have individuals mostly who are doing it or some of them are partnerships and things like that. But mostly it is retail individual DSAs.

Interviewer: So, your competition means, which competition, PNB Housing?

Interviewee: Most of the big ones, even banks for that matter are giving corporate DSAs. PNB is giving, HFL is giving you corporate DSAs.

Interviewer: To grow their book?

Interviewee: Yes.

Interviewer: IndusInd Bank, do they use corporate DSAs?

Interviewee: IndusInd Bank, I am sure they do. I am not very sure. Because IndusInd Bank for a long time was having a tie-up with actually HDFC Bank for their sourcing. I mean, they were actually sourcing agents for HDFC Limited. They themselves are not doing it till HDFC was there. Since only now that they have on their own maybe doing some book.

Interviewer: So, tell me one thing, usually there is, not criticism, but generally public market investors who are looking for a quick buck. They expect housing book to grow faster, right? I think 15% is pretty decent, 20% is great. I think 15% if you can deliver for me, that's fine too. But I am thinking a lot of people think you can grow faster because you are profitable and your asset quality is good and there is no governance issue, stability in terms of parentage and good credit rating. So, everything is good in place, only concern is growth. Do you think if you use corporate DSA, your growth will increase? And if you do, what are the downsides other than this payout?

Interviewee: Payout is definitely one big concern and prepayment is also another concern. Plus in case of corporate DSAs what happens is, the pressure is always generally they push so hard that there are chances that there could be some kind of wrong.

Interviewer: But you underwrite it?

Interviewee: We underwrite it, that is true. But still that is always that risk is always there. They are very, very aggressive. Whereas in our case we could be a little more conservative. So, there is a possibility that there may be some couple of good cases also we might be losing out because of

our conservatism. But when it comes to that, it becomes very, very competitive. And of course, cost is a major component in this because corporate DSAs, as I said, 1% is the payout.

Interviewer: So, what was the ROE in that case or ROA in that case?

Interviewee: Obviously, today Rs. 0.50 we are paying, and whereas if it moves up to even 100 --

Interviewer: So, 10 basis points per year basically on average?

Interviewee: Not 10.

Interviewer: If you upfront it, then it will be higher.

Interviewee: No, no, it has to be amortized. It has to be amortized because on an average and 50 basis points means about Rs. 0.05 to Rs. 0.07 will be lost because our average tenure in the books is about eight years. So, if you look at it that way, about 5 to 7 basis points could be impacted because of that, the payout. And currently, retail DSAs, we have a little more say in terms of ROE.

Interviewer: So, only 0.5% ROE?

Interviewee: So, that will be a little bit of an impact, yes.

Interviewer: Right, that is it.

Interviewee: That will be of an impact.

Interviewer: I think if you can have a 0.5% of ROE impact, but growth accelerates by 5%, I think it is a very good trade-off, unless of course you cannot manage the growth because there is a lot of work you guys have to do if this growth comes to you, right?

Interviewee: See, the other thing as you just pointed out is, it will also be an issue because today we have a branched-in model. Our total staff strength is only about 1,300 people and that is the model we have chosen to operate with in the sense that we do not have that verticalization model where everything is centralized and all the loans are sent to a centralized standard.

Interviewer: Still, after all this tech changes?

Interviewee: See, after this tech changes, it is possible. Right now we have centralized some of the activities like our disbursements. Our disbursements, 100% of the disbursements are now centralized in the sense that the branches originate the disbursement, but it is vetted by the head office, the papers, all these things are checked.

Interviewer: The disbursements are centralized, centrally monitored?

Interviewee: Centrally monitored and approved. So, there are some basic documents which are verified before the disbursement is approved by the head office. Second thing is, we have also centralized our credit review monitoring, 100% of the cases because we have a branched model --

Interviewer: Credit underwriting is basically centralized.

Interviewee: So, that is also something which is --

Interviewer: Only servicing is not centralized.

Interviewee: Servicing is decentralized. In fact, sanction is also decentralized. The review of the sanction is done by the head office, credit review monitoring department, all the loans are reviewed. But at least the sanction is localized. So, at least 70% to 75% of our sanctions are done by the branches only.

Interviewer: So, if you do centralized sanctions then that will leave some time for them to service some extra loans. And if you centralize the sanction, that will probably be better, I am guessing, you can use more tech?

Interviewee: That is possible. So, presently the system that we will be moving to with the DMS also there. Earlier we did not have a DMS, but the DMS will be there. All the documents now are also getting scanned and uploaded. So, centralized sanction is possible. In the new system that is very much feasible.

Interviewer: But will you try to, is there a strategy?

Interviewee: We will take a call. Once the implementation is done we will probably review our entire business model because that will be required.

Interviewer: That will have to happen after FY '28?

Interviewee: Not after '28, we can look at it before also. Implementation I think will stabilize by December '26 because the implementation expected in the coming quarter, that is in the Jan to March '26 quarter. So, maybe another six to nine months we can say --

Interviewer: It will be from what?

Interviewee: The IT transformation, the entire LOS, LMS implementation is in the Q4. HRMS and deposits will get implemented this quarter and LOS, LMS is for next quarter. So, basically another six to nine months, max for stability of the new LOS, LMS, and then I think we can look at it.

Interviewer: So, LOS transformation by Q4 and what will happen by Q1 or Q3?

Interviewee: The HRMS that is our HR module we have taken Workline, and for deposits we have taken Kia. So, these two modules will be up and running or rather that will be ready by now, already started.

Interviewer: So, it is possible that we can do this or is it part of your strategy or it just occurred to you because I am telling you? Did you think about it before?

Interviewee: See, some of the centralization we have, in fact, these are two operational matters, so I am not mentioning it. But some of the things centralization over and above this also we have planned in our '23 to '28 business model. But our first requirement was that we need to migrate our IT systems then we will look at it. So, therefore we have not gone in a very big way into our --

Interviewer: And what was the reason for centralization, is it also growth or something else?

Interviewee: One is growth, more than that it is control. Because a lot of things when it is there and IT now allows for it, so we can streamline our operations. Efficiency and productivity improvement will also come once we are centralizing.

Interviewer: Sorry, going back to the original model.

Interviewee: So, we plan to first of all have our own in-house sales team because in an in-house sales team we can pick and choose the customer which we want to, we can also select the segments or the markets that we want to operate in.

Interviewer: Can I interrupt for a second?

Interviewee: Sure.

Interviewer: So, these guys are actors. I was looking at them, and it seems like they are saying 100% in-source model. How are they going to do it?

Interviewee: No, I mean, obviously for the kind of scale that they are talking about definitely that is not a this thing, they are in a particular very, very niche segment because they operate in I think average yield is around 18%, this is the kind of yield they are operating in. So, that kind of a market, plus they also have the NBFC, basically it is an NBFC and also has a housing arm.

Interviewer: So, you are also an NBFC, HFC?

Interviewee: We are an NBFC, HFC but they are also doing other products under the NBFC arm. So, with the HFC license we --

Interviewer: They are not HFC?

Interviewee: That is what I am saying, they have an NBFC also.

Interviewer: They have HFC and they have other businesses.

Interviewee: If you have an HFC license then you will be classified into NBFC, HFC only. But if you have the HFC license, then you also have to follow the PBC criteria and all those things where 60%

of your loans have to be for housing, new house creation and things like that. So, that criteria of course will apply. In their case, they can also look at other customer, they can also look at other product, but that will be booked under the NBFC.

Interviewer: Their growth is much faster; they at least claim that their tech will digitize a lot of things. I do not know how far that is actually true but that's what they claim. So, I am thinking do they centralize or do they do branch model?

Interviewee: They have a branch model, but I do not know how much of it is centralized because it is a different segment so we do not have any direct this thing nor do we have any people moving to and from where we can get that MIS.

Interviewer: So, in-house sales team you want to expand?

Interviewee: Yes, we want to have our in-house sales team and at least 20% of the business we want to bring in through this sales team. Already we have reached a point where approximately 88% of our incremental business is coming through the sales team. It is still a very small team.

Interviewer: There's a lot of disbursements.

Interviewee: Our incremental business is coming from our own in-house sales team. It's just now a small team of about 90 people only.

Interviewer: What is the capacity to disburse?

Interviewee: Capacity to disburse right now as I said 90 people are doing on an average about Rs. 70 crores to Rs. 75 crores per month disbursement. So, that comes to an average of Rs. 80 lakhs per staff per month.

Interviewer: 80 lakhs?

Interviewee: Per staff per month.

Interviewer: And what is the salary on average total cost?

Interviewee: Total cost, most of the people whom we are recruiting we are trying to bring them at the officer level which is the entry level. So, there their monthly salary would be around Rs. 38,000 to Rs. 40,000 rupees.

Interviewer: Including everything?

Interviewee: You can say Rs. 50,000 all inclusive when you look at their PF contribution and this and that.

Interviewer: So, I am thinking Rs. 50,000 is like Rs. 0.5 lakhs.

Interviewee: Again, the same, yes.

Interviewer: So, no difference?

Interviewee: So, in terms of the payout, right now between a DSA and this, there is no difference. So, if you have to look at this thing, we are looking at this team to be eventually reaching --

Interviewer: It is more than 0.5%?

Interviewee: It is more than 0.5%. It is just the beginning. We started it last year only. So, they are still reaching. In between, in fact, with a smaller team when we started with about 37 people last year, they crossed Rs. 1 crores per month also. Then we have added people. So, obviously, the newer people will take a little more time to get adjusted, three to six months. So, that is why it dipped. And now again it has started picking up. It went down from about more than Rs. 1 crores per staff per month in March last year to when we added people in July, it dipped down.

Interviewer: So, it is just a strategic call, it is not going to lower your cost. I mean, if it lowers the prepayment, maybe it will.

Interviewee: That is one, and the choice of our, because the average ticket size of the segment that this direct sales team is able to bring is a little better, that is one. It's a little higher, yes.

Interviewer: No, but you looked at it, is it same?

Interviewee: I am saying the ticket size.

Interviewer: I know. I am saying that the ticket size is higher, but then the cost is same.

Interviewee: Right now it is the same. But eventually, as I said, with a small team, by the time from June when up to March, they were able to bring it up to more than Rs. 1 crores. Then we added people. So, the new people again, it came down, it has started picking up.

Interviewer: I am saying even if it is Rs. 1 crores, Rs. 1 crores is still 0.5%.

Interviewee: Yes. It is the same.

Interviewer: So, not much difference basically.

Interviewee: Cost wise not, but we get to choose the customer, we get to choose the profile. We have this APF tie-ups also, so whenever we are doing the APF tie-up, our people are able to.

Interviewer: APF tie-up?

Interviewee: APF is the builder tie-up. We do a project approvals and then whenever the builder gets some inquiries, that business is done by us. And obviously, since we have approved the project for

legal and technical, therefore, the processing becomes much faster. We just have to appraise the customer and we can go ahead.

Interviewer: APF, what does APF stand for?

Interviewee: Advanced Processing Facility.

Interviewer: That is the builder basically?

Interviewee: Yes. We approve the project.

Interviewer: So, that turnaround time is faster.

Interviewee: Turnaround time is faster.

Interviewer: How much is the turnaround time?

Interviewee: See, there it is only a credit call because legal, technical, whatever time we have to spend on getting the legal LSR or the technical reviews and everything, that completely goes. Plus, if in a project we get 10, 12 units also, then in one single shot we can do a technical visit and a review also. Because when the project gets developed, the entire slabs for the entire floors get done. So, accordingly, in single visit we can appraise more customers. So, our cost also will eventually come down, and processing will be faster.

Interviewer: So, what is the turnaround time for this?

Interviewee: Here, we can in fact sanction in two days. In two days we can sanction the cases. And normally, the builder said they will give the file of the customer. So, legal, technical is already done. We do not have to trigger a fresh legal, we do not have to trigger a fresh technical.

Interviewer: So, two days to sanction, but you have to review the builder also, right, that will take some time?

Interviewee: That is a one-time activity. The upfront when we have done the project review, that will take about 15 days' time. But once the project is done, that will be at the very nascent stage and the building is going to come up. We review the RERA approvals, we review the papers, we take the legal documents and get it vetted by our advocate. And then we look at the project details are already given, the layout plans and everything. So, all those are reviewed and upfront approved. That one time takes about 15 days' time for a project approval. Once the project is approved, then we just have to look at the customer.

Interviewer: And in one project how many loans normally you can get?

Interviewee: Depends on the size of the project. See, we are now getting, we have started from smaller projects because larger builders are already tied up with most of them. So, we started with CAD-B builders who come with roughly about 40 to 100 units in a plan.

Interviewer: So, 10 basically.

Interviewee: So, you can say about 5 to 10, yes, 5 to 7 also. That is the plan. We have just started. We have got about 115 as of 30th September. We had about 115 projects which are approved. The plan is, by the end of the year to try to touch 250 approved projects. And eventually by '28 at least we would like to have about 250 people in the sales team. Right now which is around 90, we would like to take it up to 250.

Interviewer: Okay. Understood. So, normal turnaround time is how much if you do not go through, if you go to like a regular guy?

Interviewee: If it is a regular guy, then our legal itself takes about three days' time once the customer submits all the documents. And what happens is single project details, collecting all the legal papers, it sometimes can be longer. It can take seven days or two weeks also because we will get whatever customer submits the papers, we will go through it. It may not be sufficient; we will have to call for more documents.

Whereas if it is a builder, what happens is they have a complete file. Many times they just give you a CD or a pen drive and say here are all the papers, all the approvals are there. And then once the RERA number is there, we can download all those things from the RERA website also. So, legal is one thing which takes actually more time in an individual case because more paperwork may be required.

Interviewer: For a builder?

Interviewee: No, I am saying any individual case if an individual comes.

Interviewer: Because they may not be compliant.

Interviewee: They may not have got all the papers; they may not be having with them. So, we will have to again ask for the document, we will have to go back, get it from their house.

Interviewer: Okay. So, in-house team, what is the next one?

Interviewee: Next is, once our IT this thing is done, from I think first quarter of next year we should be able to start more of getting more data, lead generation and digital onboarding and digital thing can also happen.

Interviewer: And what is the advantage in digital? People will submit documents online?

Interviewee: That is also there. And even otherwise, we can also right now get leads from the market, pass it on to our sales team, we can all have a customer submitting online if we have all these things. So, appraisal can also be done. So, that will be faster.

Interviewer: So, if suppose somebody made a request online, then the sales team converted it. Will it be considered digital or your marketing?

Interviewee: See, right now, since most of the work is done by the staff only because they are going physically collecting and everything. But once the customer does most of it online, then the only thing that will be required is a personal discussion. For that, we will not consider it as a sales team effort, it will be a digital effort only because everything will be submitted online, all the papers, all the income documents for work can be online submitted.

Interviewer: So, what is this direct walk-ins?

Interviewee: So, we have existing customers, we have some advertising. So, all those things will directly come to the branch.

Interviewer: So, walk-ins will go down once you do digital, is it what the idea is?

Interviewee: Walk-ins could also go down or whatever, I mean, yes.

Interviewer: Because you said 14% will become 10%.

Interviewee: 10%. So, yes, some of the customers, obviously, with the people also nowadays preferring to directly deal through online channels, that will eventually come down.

Interviewer: So, once you do 250 people, they will be able to source 20% of the disbursements?

Interviewee: Yes, they should be able to do 20%.

Interviewer: Almost 3x.

Interviewee: Yes, definitely.

Interviewer: And this will happen 250 over three years, right?

Interviewee: Yes. At least this year we have about 90.

Interviewer: So, if you do digital, how does it impact your cost or speed?

Interviewee: Digital, the speed will be lower. We can have all our processes inbuilt, reminders going, asking for documents, verification, all those things. And then we can have some decent. Digital needs can all be approved centrally also, so we can release the people on the ground to do more of field work, to do more of marketing efforts.

Interviewer: But I am thinking from a customer's point of view, they may not have time or energy to go through all the forms, fill all the forms digitally. Maybe they will ask the DSA to do it from

them. And then they will just sign whatever in the end. So, effectively, it will become like a DSA?

Interviewee: Not really. Actually like for example, suppose they upload the Aadhaar, just for example, Aadhaar, the data addresses automatically get picked up from there. The OTP gets verified; it gets populated into the system. So, the form, as they start processing, gets filled up automatically. At the end of it, once it is done, it will be done.

Interviewer: So, DSA takes 100% just for filling this form?

Interviewee: No, no, they also get the customers to us. So, it's not that they are not only for filling up the forms. And many of the DSAs are not only housing loan DSAs, they are also kind of financial advisors. So, they also have their savings, they also help them in their insurance, their policies and all those things, they also sell insurance policies. So, they are generally the go-to man for the local small time customers.

Interviewer: Suppose you get this digital through the likes of this Policy Bazaar, I do not know, they probably do not sell the loans, maybe they have a loan arm also.

Interviewee: They do have, that is a corporate DSA basically.

Interviewer: That is a corporate DSA and that you will not like with digital?

Interviewee: So, if they have proper pricing, we can look at it.

Interviewer: Right now, they are 1% currently?

Interviewee: So, if it is a feet-on-street model for them, yes. If it is only data sharing where they generate online, because there are a lot of lead aggregators who get the leads where the customers can upload some data. Some of the lead aggregators also have inbuilt processes or some form of application where they can verify through OTP, Aadhaar verified, PAN verified, all those things also they do. And then they submit those basic documents to us.

So, depending on that, the pricing will happen. So, if you are just taking a name, phone number, email ID and loan requirement details, probably you can get a lead for Rs. 10 or Rs. 15 also. If you are getting a verified lead where all these things are verified, like income or the CIBIL report is also pulled and things like that, that lead will probably cost you about Rs. 150 to Rs. 200. So, it is all about how much is the service that you want.

Interviewer: That is not much.

Interviewee: It is not much, but the conversion ratio is about 2% to 3% only. So, if such leads come also, we will eventually have to call up the customer. And these kind of people do not give it only to one vendor. So, if there is a lead aggregator in the market, then the pricing is like, okay, I will give

you a lead, but it is not exclusive to you. Then in that case it will be Rs. 150. If you want an exclusive lead, they will ask you, I will charge Rs. 2,500 rupees or something like that.

Interviewer: Somebody has to process all those information, who will do that? That is a lot of cost.

Interviewee: That, our obviously in-house team will have to do it.

Interviewer: I mean, how will they process.

Interviewee: So, right now what we have done is we have tied up with some of these lead aggregators where they give some small level of certified leads. Some things are validated like the Aadhar, PAN and all these basic things they validate and give the leads to us. They also give the location, the approximate income of the family, what is the qualification, education. So, they have about seven, eight fields which they give, which is a more qualified lead. So, there we are buying it for almost Rs. 150 per lead.

And that lead when we call, but it is not exclusive, if you were to get the same lead as exclusive, they will charge us Rs. 2,000. Now that Rs. 150 lead that we are buying, we are immediately giving it to our staff who calls up and then does it. Invariably, when we call up, we have also seen that at least 50% of the customers they say that I had given this lead a week back, I have already got seven calls. So, they would have given it to some other lenders also who would have processed it faster or who would have probably got it two days in advance. So, these kind of things also happen.

Eventually, the conversion ratio of that lead, of that particular thing is effectively only 2%. So, if you look at it, then it is not actually Rs. 150 rupees, it is actually much more than that. The cost of an acquisition becomes almost 50x exactly.

Interviewer: Into Rs. 100 if you have to do.

Interviewee: Rs. 7,500 or Rs. 5,000 if it is Rs. 100 rupees.

Interviewer: But then you have to process it. I mean, this is only the cost that you pay to them. This is not the cost you incur to review them.

Interviewee: Exactly.

Interviewer: So, that will be, I do not know how much.

Interviewee: So, eventually you go for X model or Y model. It eventually works out to be the same. Our average cost of a lead if you are able to --

Interviewer: What is the cost to review a lead?

Interviewee: So, I have been saying, for a cost of lead, cost per acquisition, if it is less than Rs. 5,000, Rs. 6,000, then I think it is a good model for us. That is what is the industry working on.

Interviewer: The Rs. 7,500 is what you pay to those guys.

Interviewee: Correct.

Interviewer: But what is your cost to review?

Interviewee: That cost I think would be common. We have not evaluated. Because whatever comes we have to look at that. But I am saying roughly for a lead cost –

Interviewer: Let us say one guy, how many leads can you give?

Interviewee: They can give any number of leads.

Interviewer: Suppose you have a person to review all the leads, okay, you hired this guy, Rs. 50,000 monthly. How many leads do you think he can review and filter?

Interviewee: If they are just talking to the customer, then our target is we look at about 10 cases per day they have to log in, meet customers, talk to them and then log in the lead. Now, out of that lead, obviously if a person is physically, personally meeting them and talking to them and trying to convince them and then logging into the lead, I think the conversion ratio could be a little higher. But still it will not be more than 5%.

Interviewer: The reason it is 2% is because we are rejecting 98%. The rejection is happening because somebody is reviewing it. So, I do not think conversion is going to improve in that way. All I am saying is that, that is the additional cost. If one person can review 10 leads per day, that means he can review 250 in a month.

Interviewee: And we are looking at about them giving about five to seven cases in a month.

Interviewer: So, 250 leads per month for reviewed. And conversion would be about 5 to 7 cases. And then this guy is charging, actually it is not bad, because earlier he was doing only one case per month.

Interviewee: No, right now Rs. 80 lakhs if they are doing, it is almost about three to four cases they are doing because our average ticket size is Rs. 20 lakhs to Rs. 25 lakhs. So, they are doing about four cases today. Three to four cases is what our sales team is already doing. Now, this can be about five to seven cases.

Interviewer: So, he is just reviewing it, then there will be somebody to do deep dive and process it, right?

Interviewee: No, once it is given to a marketing staff, they will have to get everything. Rest, centralized sanctioning and branch doing the data entry, all that is common for everything. Once from the

funnel of leads to it gets converted into a hot lead and gets application form, then everything else is common. Then up to that only we have to consider as a cost as to which source is better.

Now, today what happens is, I will tell you, average ticket size is Rs. 20 lakhs to 25 lakhs. A DSA when they bring a file, invariably they have already done all the processing, they have done the hard work. So, once they bring the file, invariably 95 out of 100 cases get processed. So, therefore if they are bringing a case of Rs. 25 lakhs and we pay them about 0.4%, 0.5%, Rs. 12,500 is almost the same.

Interviewer: I mean, to be honest with you, these initiatives are nice, but they are not necessarily going to give you a lot of growth, maybe slightly more growth. Because instead of three, four cases you will do five, seven cases, but digital is still remain 10%. I think you should somehow find a way to grow your DSAs.

I do not know, maybe not retail, do corporate DSAs. Your ROE will not change much. I am saying even if it changes by 1%, because some great cost, let us say, is higher, I don't know. And then little bit more your cost. Even if your ROE goes down to 17% and if you are able to grow your disbursement by instead of 15% by 17%, 18%, I think the economic value created will be much higher.

Interviewee: That way, yes, but for that our preparedness was required. We have to have the IT, we have to have the ability, the team.

Interviewer: I am saying that in your strategy I do not see that, that you will have corporate DSAs.

Interviewee: Corporate DSAs, we have consciously decided not to go for corporate DSAs because, one, the cost is very high, the kind of aggression and the kind of push that comes with it that could affect the quality that is there. And prepayment definitely will be higher in case of a corporate DSAs because basically corporate DSAs also churn their portfolio, they also know that they have to keep selling, they have to keep earning out of the same thing. They also do data analytics and all those things, so it is definitely going to increase.

Interviewer: So, if I talk about your targets for different years, what kind of disbursements you target for FY '25 or FY '26?

Interviewee: For FY '26, we are looking at this year around Rs. 10,500 crores disbursement. We have already done Rs. 4,500 crores. For Q3, we are looking at Rs. 2,800 crores that is this quarter, current quarter, Rs. 2,800 crores. And plus Rs. 3,200 crores.

Interviewer: So, it will accelerate.

Interviewee: It will accelerate, yes. Because Q1 we just crossed Rs. 2,000 crores. We were Rs. 2,015 crores or something.

Interviewer: Because Karnataka is becoming better.

Interviewee: Karnataka is improving. Telangana is also improving. For the last two months, consistently, we have been doing more than Rs. 100 crores. And we will be slightly improving month on month also. We have been seeing that also. In fact, this entire year, every month Telangana has done better than the previous month. Although, it has not been a slow this thing.

Interviewer: Still much lower than previous year.

Interviewee: So, last year, we had about Rs. 1,198 crores in disbursement in Telangana. This year, we will definitely do better than that.

Interviewer: No, Rs. 1,198 in which year?

Interviewee: In FY '25.

Interviewer: But that problem started in FY '26?

Interviewee: No, the problem started before that. Actually, at one point in time, in Telangana, we were doing almost Rs. 160 crores in a month. We had reached a peak of Rs. 160 crores per month in a month.

Interviewer: So, Rs. 1,900 crores?

Interviewee: So, in FY '23 we had done about close to Rs. 2,600 crores we had done in Telangana alone. It was almost Rs. 160 crores average is what we were doing.

Interviewer: INR 2,600 crores is more than 200.

Interviewee: No, that was the kind of thing we were doing. 160 is what we have reached. I am sorry, INR 2,200 crores. From there, it came down. It went down to as low as INR 60 crores in a particular month. INR 65 crores or INR 66 crores or something in a month, that is the bottom it reached. And then, slowly it has started picking up. And now, we are crossing INR 100 crores consistently for the last few months, couple of months. And the way the pickup is happening, it is gradual, but it is definitely happening. So, we will definitely end up better than INR 1,198 crores for FY '26. Karnataka, in this quarter itself we will be in positive. In Q3 itself we will be about 4% to 5% positive.

Interviewer: So, what was the Karnataka in FY '23? When was the problem started?

Interviewee: Karnataka problem started in September 2024.

Interviewer: Okay. So, FY '24?

Interviewee: Yes.

Interviewer: What were they doing in FY '24?

Interviewee: FY '24, in fact, Karnataka in FY '24 did about almost INR 2,600 crores.

Interviewer: Okay. And what are they doing now?

Interviewee: Last year, they ended up with just a marginal this thing of INR 2,700 crores in FY '25. In spite of the fact that it was doing much better. But because Q3 was very poor, we did almost about INR 150 crores only on an average per month. It came down to INR 2,700 crores. Now, it is again picking up. And this year, we are already moving up.

Interviewer: What's the per month?

Interviewee: We should be ending up around. Now, we are close to 250. In September, in fact, we touched 270 also.

Interviewer: So, what is the target?

Interviewee: We are looking at around INR 3,000-plus crores in Karnataka.

Interviewer: So, what impact happened?

Interviewee: No, it went down and again, it started picking up.

Interviewer: No. If you just look at yearly numbers, it doesn't tell you. Unless you see quarterly numbers.

Interviewee: It has to be quarterly numbers, exactly. Because the way we were going, we would have crossed INR 3,000 crores last year itself. But because of the dip that happened, almost INR 452 odd crores, we kind of lost business. So, we ended up with INR 2,700 crores. Now again, with Q1, Q2 slowly improving, we are looking at around INR 3,000-plus crores this year.

Interviewer: So, I mean, disbursement will be fine. And for FY '27?

Interviewee: FY '27, we are looking at INR 13,000 crores for disbursement for the full year.

Interviewer: Really? 25% growth?

Interviewee: 20%, 25% growth. In fact, this year also if you see INR 10,500 crores, last year we had done INR 8,500 crores, INR 8,567 crores.

Interviewer: So, you can grow 20% at least?

Interviewee: Disbursements 20%, yes. And once we look at, AUM growth or fall comes with a lag.

Interviewer: That will be 15%, 16%.

Interviewee: So, this year we will be around between 12% to 13%. Next year we are looking at around 15%. If you do INR 13,000 crores next year, then we should be touching around 15% AUM growth next year.

Interviewer: So, I noticed the NIM expanded a bit, is it because your latencies are floating? Is there any other reason?

Interviewee: One is that. We got some benefit in the cost of borrowing. Our cost of borrowing was around 7.55%. It came down to around 7.57%.

Interviewer: Because of interest rates.

Interviewee: Yes, interest rates.

Interviewer: But your assets are fixed more.

Interviewee: Assets actually are also floating. On the asset side everything is floating. But earlier till 2024 it was annual. And then from 1st January 2024 we have mandatorily moved to quarterly reset. But for the older loans, the transition is not happening as fast. So, as of now also if you see, as on 30th of September, 59% of our loans are on annual reset.

Interviewer: Because they do not care.

Interviewee: Not that they do not care. But in the sense that from last year, from February '25 that the rates started coming down. So, there only after that customers are coming forward to do it, otherwise it did not matter to them. It did not matter. Up to February '25 it did not matter whether it was quarterly or annual. It is just the reset difference.

Interviewer: So, basically once they come in, then your NIM might go down a little bit.

Interviewee: It will be impacted when those 59% also move. But against that we still have some scope in our liability side, so I think that will be offset. That is why earlier we used to give a guidance of 2.5% spread and 3.5% NIM. Now, we have slightly increased to 2.75% and 3.75% basically.

Interviewer: And then, cost to income ratios are going up.

Interviewee: This year we had a major staff salary revision in the beginning of the year.

Interviewer: That happens once a year, once 10 years.

Interviewee: Once in five years. But we have changed it to once in three years now. So, earlier it used to be once in five years. But this year when we changed it, we not only gave slightly higher increment, but we also changed it from five to three years.

Interviewer: But are we expecting any better performance from them?

Interviewee: So, we are in a better position to recruit from the lateral hiring quality, because now it's a little more competitive.

Interviewer: The salary will be higher for them.

Interviewee: Because obviously the salary bands have gone up. So, in terms of lateral hiring, we are able to attract good talent. So, that is what we are looking at strengthening the middle management and that level so that we have a good number of people.

Interviewer: So, it will remain at this level then basically.

Interviewee: Now it will be remaining. Next year, there will be a slight increase because we have the entire cost of IT transformation which will start hitting in next year. So, maybe 1 percentage point, maybe 19% or something will be the cost to income ratio next year.

Interviewer: '27?

Interviewee: FY '27.

Interviewer: What will be in '26?

Interviewee: The same 18% what we are talking about. No change. Because now whatever cost had to come, it is already inbuilt. And if you see in Q1, it was slightly elevated because also when we made the transition --

Interviewer: So, IT transformation, right now you are capitalizing the cost.

Interviewee: Yes, because it is the implementation stage right now. Actually, the project cost is INR 300 crores. INR 100 crores is CapEx and INR 200 crores is the OpEx. Now, the INR 100 crores what we are spending right now, eventually is getting capitalized and that will convert in the form of depreciation.

Interviewer: So, FY '28 also will be the same.

Interviewee: The cost will be the same, but then with a larger base the percentage will start getting absorbed.

Interviewer: So, I noticed your credit costs have gone down for some reason, what is the reason?

Interviewee: No, actually for the three quarters in a row we have been able to bring down our overall delinquency in absolute value.

Interviewer: What is the reason?

Interviewee: Well, initially we had that, of course, it was in '23, '24 we had the portfolio coming out of restructuring and that portfolio started moving into SMA 1, 2 and all those things. But now that

completely it has been absorbed whatever was the portfolio, and we are starting to see some improvement there. And of course, there was also one regulatory change where earlier we could have about three EMIs we could keep as advanced EMIs. But then from October 24 that changed, the regulation came that you cannot have any advanced EMI. Whatever it is, you will have to give the credit to the principal. That we adopted in April. So, slightly that took away that small --

Interviewer: How does that help you? It increases the delinquency chances.

Interviewee: Not delinquency chances. What happens is like, for example, if there is a cheque bounce. Normally, customers, they see all the cheque has bounce, they get a message from the bank, they will go and make the payment. But they will make the payment of the EMI only. For them, they do not pay immediately with the charges and all. Now, if we have some small amount as excess lying where they have paid some EMIs, then that amount can be adjusted at the end of the month so there will be no overdue. But now, nothing is there on the advance, so whatever that INR 500 rupees that is charged, INR 590 for the cheque bounce charges, that will come as outstanding.

Interviewer: So, that is what I am saying, so that will lead to delinquencies.

Interviewee: So, that is why it had gone up. In December it had gone up. As soon as this came, in December we had almost INR 770 crores increase in our delinquency in SMA 0 because of this particular change. But from December onwards, we worked on that, we increased our reminders to the customer, we started doing pre-NACH intimations. We started contacting the customers, phone calls, we put in a tele-calling team for that. So, then in March quarter we were able to bring it down, that INR 770 crores almost we were able to reverse. And then subsequently, the same impact that we have continued, it has further come down. So, June delinquency was lower than March.

Interviewer: So, just because of that, nothing else?

Interviewee: It's purely because of that. Our efforts and all those impact that we have done, all those changes are resulting in a lower delinquency. In this quarter also we are expecting that it should further come down a little bit. So, if absolute value of delinquency is coming down, delinquent portfolio, then obviously the requirement for provisioning will also be reduced.

Interviewer: So, where do you see ROEs trending over the next few years? Similar to what you have explained.

Interviewee: ROEs, yes, I think we can look at it. Because our gearing is also coming down.

Interviewer: Yes, why is it that?

Interviewee: Because our growth is lower than the rate at our ROEs. So, once our growth picks up, obviously, we will have to increase our gearing. Once we increase our gearing, it will start having an impact. It will look better.

Interviewer: And ROEs will be better.

Interviewee: Yes, it will be better. Today, we are at around 6.6 is our gearing.

Interviewer: Yes. It is about 8 times, right?

Interviewee: It used to be above 8. In fact, peak has been much higher. But I mean, rating agencies are also comfortable up to 8. But obviously, we do not want to go that close. 7.5 at least is something we also internally will be comfortable. Up to 7.5, I do not think there will be.

Interviewer: Currently, it is 6.6.

Interviewee: It is 6.6.

Interviewer: I mean, you will never reach there because your growth will be 15%.

Interviewee: 17%, 18%.

Interviewer: But the ROEs are the same.

Interviewee: Basically 20% dividend payout. So, net is only 14% addition to that.

Interviewer: Maybe then, maybe some increase.

Interviewee: Yes, yes. So, we were actually having a very low dividend payout, at least now we have taken a call, we will at least maintain somewhere around 20% as a dividend payout ratio. So, 18% ROE, 20% dividend payout ratio means around 14.4%.

Interviewer: All right. Anything I am missing or I should know?

Interviewee: No, I think we have taken most of the credit cost, OpEx growth. So, this year, I mean, even Karnataka, even Telangana will be positive. So, according to us, I mean, the way we have been monitoring all the state-wise --

Interviewer: Has your experience in non-southern states been better or worse so far? Is it too early to say?

Interviewee: No. I do not think it is a new entry for us because we were already there in the west and northern markets. Our Jaipur branch, our Borivali branch, Vashi --

Interviewer: How is Jaipur branch doing? Jaipur people are paying on time, right?

Interviewee: Yes, our experience in Jaipur is very good. In fact, our delinquency there is also very, very low. We have four branches.

Interviewer: Pre-payments?

Interviewee: Pre-payments also is not that much. In fact, our pre-payments, when we analyzed this year, the little increase in pre-payments that we experienced was almost 45% of that was in one single state of Telangana.

Interviewer: Anything else?

Interviewee: Delhi also, we have had almost, it is a 35-year-plus branch, old branch for us. Jaipur is also a very old branch for us. So, it is not that we are not present in these markets. It is just that we are now expanding to the near, I would say, micro-markets closer to these bigger branches.

Interviewer: All right. Thank you so much. Pleasure meeting you again.

Interviewee: Same here. Absolutely.