



“Can Fin Homes Limited Conference Call”

December 08, 2025



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Suresh Iyer:

East zone which is one of the smallest zones for us is also growing at 50% now with the change in the AP government and the sentiment improving. Tamil Nadu which includes Tamil Nadu, Kerala and is growing at around 25% so also is the west zone. So, Karnataka and Telangana were the ones which were slightly affected because of this Hydra and because of this e-Khata whereas Karnataka is likely now stabilizing and we are able to do about Rs. 250 crores kind of per month. So, by the end of this quarter YTD we will be again turning positive in Karnataka as well and by the end of the fourth quarter we should be probably around 10%, 12% positive in Karnataka also. Telangana we might probably end up flat for this year, we may not see a growth while the business is picking up for the last three months we have been able to consistently do more than Rs. 100 crores per month, but by the end of the year probably we will end up flat only in Telangana. In terms of the segment that is growing our self-employed today we are doing about 40% of the incremental business is coming in the self-employed segment. If you see our directional this thing also we have guided that we want to move from a 70:30 to a 65:35 in terms of the book by FY'28 that is 70% is salaried and 30% in the self-employed by FY'28 we want to make it 65:35 on the book. So, that is why incrementally we are doing about 40% of our business is coming now in the self-employed. So, slowly the 75 will start coming down and we will probably end up at the whatever we have guided. In terms of the ticket size we are getting slightly our ticket size are inching up. So, we are Rs. 25 lakhs already is there and our below Rs. 10 lakh segment is really reducing now we are not getting much because now property prices have also gone up even in Tier-two towns if you look at it property costs are around Rs. 20 lakhs, Rs. 20 lakhs is the kind of property you will not get below that even in a small 30, 20 site also if you see 600 square feet there also if you go for a construction 600 square feet, 800 square feet the cost comes to around Rs. 20 lakhs. So, I do not think that is going to be below Rs. 10 lakhs is going to be much for us. So, that is basically the segment and what we are getting.

Interviewer:

So, where do you think FY'26 will end in terms of loan book and FY'27?

Suresh Iyer:

See, we have just crossed Rs. 40,000 crores in this month and by end of this year we should be Rs. 42,000 crores to Rs. 42,500 crores is what we are looking at. By end of this FY'26 because we are guiding for about Rs. 2,800 crores disbursement this quarter and next quarter it should be around--

Interviewer:

Rs. 42,500 FY'26 and FY'27

Suresh Iyer:

Sorry? So, next year we are looking at about 15% because this year if we are doing about Rs. 10,500 crores of disbursement next year we should be targeting around Rs. 13,000 crores to Rs. 13,500 crores.

Interviewer:

So if we go by your EPS growth because EPS has been restricting it only to 25 for past let us say from 2018 to now I mean sorry in 2018 it was Rs. 18 lakhs then it moved to--

Suresh Iyer:

Rs. 22 lakhs for a while and now Rs. 25 lakhs for the last five years. Yes.

Interviewer: So, this EPS movement even the property price is going up certain sector the segment that we are targeting is moving up the change still our EPS is not going up.

Suresh Iyer: That is correct. See actually what is happening is today the incremental business is coming one because of our expansion, geographical expansion and second we have also set up our sales team, and which is also doing direct sourcing plus tie ups for APFs and other things. Now when it comes to the sales team and when it comes to the APF business that we are getting leads from the APF projects approved projects and all there is the ticket size are slightly you know higher than 25 currently that is a trend, but the new centers that we are opening if you look at the locations we are opening these are smaller Tier-1 towns or Tier-2 towns like for example we have opened in (Inaudible) 4.23, we have opened in Saharanpur, we have opened in Bareilly, Bikaner you know so all those places obviously the ticket sizes are little, are around 20 so that is why basically it is still around 20. We have not opened in fact in the last two and a half, three years we have not opened any a single branch in Karnataka or in Telangana and these are the locations where our ticket sizes were generally on the higher side. We have had about Rs. 35 lakhs to Rs. 40 lakh ticket size in some of the branches in Bangalore and Hyderabad. So, we have not opened any new branches. So, whatever we have opened the ticket sizes are get that are getting incrementally added are a little lower, but our APF in this business is ensuring that we get a slightly help and frankly speaking you know we are comfortable in this Rs. 25 lakh kind of a segment because we are still below the radar of banks, we are not in direct competition with banks, and we are able to actually cater to the customers who are first time home buyers because first time home buyers even in Bangalore cannot afford in Bangalore. They always will prefer to go to Kengeri or to Bidadi or to Ramnagar or to Hoskote or things like that or Devanahalli types because within the city you do not get the properties with this kind of value. So, obviously that is the segment we are also comfortable with.

Interviewer: (Inaudible: 05:44- 05:49)

Suresh Iyer: No, see there is a difference, we are talking about 15% AUM growth, disbursement growth will be higher. If you just imagine last year we had Rs. 8500 crores, now this year we are talking about Rs. 10500 crores, Rs. 2800 crores this month, this quarter, Rs. 3200 crores next quarter. So, that will take us around Rs. 10500 crores of disbursement and that is more than 20% disbursement growth. Now from Rs. 10500 crores if you are targeting Rs. 13000 crores that is also more than 20%. So, disbursement growth will be higher, but AUM growth will, it always comes with a lag. So, it will be around 15% in FY'27 is what we are talking about.

Interviewer: Can you talk a little bit about the (Inaudible 06:29) because 80% is DSA sourced book or what other, how do you see this trending? What are the commission payouts on DSA sourced book if that is different across products? Number two, what is the commission or payout sales and incentives to the balance 20% which is your FOS and do they get commissions on the DSA sourced book also? And third case is how do you manage FOS attrition because as you start

becoming larger, FOS or front line attrition is becoming very difficult to handle. So, how is that and how is productivity across FOS?

Suresh Iyer: See in terms of our DSAs currently we are having about 80%, but this is slightly will reduce. We have said that we would like to have bring it down to around 60% by FY'28, but at the rate at which it has been coming down it is not at the desired place at which we would like it to be, but fine we are still working on the sales team. Currently, we have about 90 odd people, 87 to be precise people in our sales internal in-house sales team, 87.

Interviewee: 87 people, 87 staff--

Suresh Iyer: Only that many people in the sales team because we have just started our in-house sales team last year only. So, we are slowly ramping it up and we would like to eventually have about 250 people by FY'28. That is the plan.

Interviewer: So, how many per branch?

Suresh Iyer: No, it is not like per branch, we only have in select branches. We have 249 branches and we have only 87 people, so it is not per branch we have and things like that. It is an experiment we have started last year, and we are ramping it up. So, it is still a work in progress for us and so payouts what we are giving to the DSAs is starting from about 40 paisa to 40 paisa onwards, 40 paisa, 45 paisa and roughly it goes up to 70 paisa that is 0.7%, 0.4% to 0.7% you can say. Roughly our payout on a blended cost most of the DSAs are in the lower buckets, so our actual payout would be around 0.5%. In terms of our direct sales team today if I look at the incremental business month on month the contribution or the percentage contribution of the direct sales team has been improving. Like this month we have almost done a 9.5% of the incremental businesses 9% to 9.5% is coming from the direct sales team. So, eventually we are moving towards reduction in our DSA sourcing, okay. In terms of the payouts, so what we have done is we have not gone for the DST or DME model, where we pay a Rs. 15,000 or Rs. 18,000 fixed cost and then everything else is by way of a incentive. It is in that model where the attrition is very high. In our case what we have taken a very conscious call that we will go for sales team also on our roles. So, just like a normal staff in entry level if a person is coming in the sales team at the entry level and that is the officer level they would be getting around Rs. 38,000 to Rs. 40,000 as a salary. So, therefore, the attrition for us is much lower than what it is for the rest of the companies. Because there when it is Rs. 15000 and in one month also suppose that their performance is a little weak they will not get any incentives. So, obviously, then it is not sustainable. That is why they even for a Rs. 500 increase they are ready to jump and that is what has been the case. Whereas, in our case we have consciously decided to go for a on role model. So, obviously, the breakeven point is much higher unlike the DST model where even if they are doing Rs. 35 lakhs you know at least they are earning their salary and then the rest is incentive which is okay. In our case since we are paying Rs. 38,000, Rs. 40,000 is a starting salary therefore, they have been able to do around Rs. 80 lakhs, Rs. 90 lakhs per month as incremental

business which in the one year, one and a half years that we have done this experiment we have been able to demonstrate that it is possible. Boys who are in the sales team have been able to do about Rs. 80 lakhs kind of a per month business.

Interviewer: (Inaudible 10:52 – 10:58)

Suresh Iyer: Three to four files yes.

Interviewer: (Inaudible 11:00 – 11:03) this would imply may be eight, nine files per month.

Suresh Iyer: May be yes. Or in fact if you look at it, if they are doing calling then the actual conversion will be even much lower. So, effectively if you look at the amount of leads that we channelize to the sales team and from that if you look at the conversion it is much-much lower. But of course, you cannot take a considerable lead. What you have to see is how much of it is doable lead and from that how much is the conversion and how good they are. But yes, right now they are have been able to at least demonstrate about Rs. 80 lakh kind of a per staff, per month productivity, the sales team.

Interviewer: (Inaudible 11:47 – 11:48)

Suresh Iyer: No. Just like what it is for the rest of the staff. Year-end incentive whatever is there.

Interviewer: (Inaudible 11:55)

Suresh Iyer: No.

Interviewer: (Inaudible 11:56)

Suresh Iyer: Rs. 40,000 fixed and whatever other benefits we have contest and other things that is a different issue but that we are giving for the rest of the team also. So, we do not have that.

Interviewer: (Inaudible 12:07 – 12:26)

Suresh Iyer: No, all the other zones as I mentioned are continuing to grow and last year also if you see north was growing at 30% and Tamil Nadu was growing. Last year east was kind of flat for us which this year has turned around because as I said change of government and sentiment has improved post that. So, we are seeing good improvement in Andhra also. So, that is helping us and of course it is smallest zone, so the base is also small. But notwithstanding, our growth there has started to come. Karnataka after going down from a peak of around Rs. 275 crores per month run rate that we were doing in Q2 of last year, Rs. 260 crores, Rs. 275 crores we went down to as low as Rs. 150 crores in Q3 last year and then slowly stabilized from Rs. 175 crores, Rs. 200 crores. Today we are roughly around Rs. 250 crores you can say would be the run rate now in this quarter you can say. So, therefore while this e-khata has still affected us because otherwise

Rs. 275 crores that we were doing should probably have reached to Rs. 325 crores today. But at least we are back to the Rs. 250 crores kind of levels. So, whereby this year still we will be able to have a positive growth of 10%, 12%. And going forward probably you can say this is the base from here we will grow.

Interviewer: (Inaudible 13:44 – 13:54)

Suresh Iyer: How much?

Interviewer: (Inaudible 13:56 – 13:57)

Suresh Iyer: I said we have to do about Rs. 13,000 crores is what we are targeting. So, it should be around, but normally that it is a trend in the sense that 45% happens in the first half, 55% in the second half. So, normally budget is also what we do is 13,000 so we will say 22% first quarter, 24% second quarter, 26% third quarter and 28% fourth quarter that is how normally we ramp it up.

Interviewer: (Inaudible 14:23 – 14:28)

Suresh Iyer: No, we will keep it linked to our EBL.

Interviewer: (Inaudible 14:34 – 14:36)

Suresh Iyer: There is a mix like we also have short term loans from banks, and we also have long term. Long term is seven to ten years is what we are getting.

Interviewer: (Inaudible 14:46 – 14:49)

Suresh Iyer: Almost 100%. Only staff loans and all of those things.

Interviewer: (Inaudible 14:52 – 14:55)

Suresh Iyer: Sorry.

Interviewer: (Inaudible 14:56) in the range of interest immediately or with a lag.

Suresh Iyer: It is a quarterly reset. So, experimentally what we have done from January 2024, we have moved to a quarterly reset, but the old portfolio the customers have to shift to annual from annual reset to a quarterly reset, they have to do some documentation. So, many customers have not yet come forward. So, there are still, we have about 55%, 58% in as of 30th of September, we had about 58% of our loans which are under annual reset. We are now trying to push everybody from annual to a quarterly reset and we are sending messages, we are calling up customers, we are trying to do something for that also because then only we will have an equal matching because this rate is right now going down, but when the rates start going up, whenever it happens at that

time if our rates continue to be assets on an annual reset basis our liabilities will get reset faster. So, that will be a negative. So, therefore, we are trying to use probably by March our objective is that by March we should try to get all our loans into quarterly reset. So, that there is a equal matching in terms of our assets and liabilities.

Interviewer:

(Inaudible 16:10 – 16:13)

Suresh Iyer:

Asset quality we do not, it has been quite for us in the last three quarters actually our delinquencies have been coming down you know from 3000 I mean Rs. 4800 crores was a total delinquency in December of course, part of it was also because of a regulatory change, but from there in March that was in December in March'25 we brought it down to 4266, June it came down to 3979, it came down to 3849 in September. We expected that there is still some scope for improvement in the absolute delinquency value loan. So, we are targeting to at least bring it down to somewhere around 3750 in this quarter. So, which means our credit cost in Q3 may not be very. In fact, whatever it will be for probably for growth kind of a thing otherwise in terms of credit quality since the absolute value of delinquency is coming down our provisioning may not be much.

Interviewer:

(Inaudible 17:18 – 17:22) How do you evaluate your borrowers? How do you profile them? Do you depend on some single type of obvious things or to do some internal evaluation it is a cash flow based or **(Inaudible 17:37)** one?

Suresh Iyer:

We have only documented income proof customers, we have salaried customers where it is there on the salary. We have for self-employed also we are only doing where there is a ITRs have been filed. So, we do not have assessed income or cash flow based funding products. We do have one product where we have launched, but we have not seen any much of a traction because our boys are not used to that kind of appraisal. So, nobody is promoting it frankly internally also, but we do want to explore that segment. So, we have launched a product called Can fin Vishwas which was I think six months back or nine months back wherein we are going to consider the credits by way of UPI transactions or by way of or supported by GST filings and to assess the income or the cash flow and then we will give it based on that. But so far we have not seen any loans frankly speaking almost it is been six to nine months the boys have not pushed that product much. We have not got any loans into that, but so therefore, you can say that when we say salaried segment 70% it is all salary where the credit is in the bank account and we have documented the salary slips. We have self-employed, which is 30% incrementally 40% which also is supported by ITRs which are filed which we through OTP based verification we directly check from the ITR website itself. So, basically we are purely on the documented income segment only.

Interviewer:

(Inaudible 19:11 – 19:16)

Suresh Iyer: Yes, as I said we have this product some of it I am sure will come in that, but it will be a very small percentage because the way the traction has been, the last six months which is actually nil I expect that it will not be more than 1% or 2% even if at all.

Interviewer: (Inaudible 19:34 – 19:58)

Suresh Iyer: See when the before the rate cut started that is in up to January'25 if I have looked to look at it the banks are offering 8.4 for the best to the best customer, to the best customer we were offering 8.95 okay. So, there was a 55 bips difference. Today with 100 basis points cut banks have passed on the entire 100 basis points to the customer therefore SBI HDFC and etcetera and all are offering 7.4 whereas, we have been able to pass on only 35 basis points. In fact, we have passed on 10 bips from December earlier it was 25 bips only 10 in May, 15 in July and now another 10 from December. So, 35 bips. So, today our best customer would be getting at around 8.6. So, if you look at the difference it is 120 basis points which earlier was around 60 basis points.

Interviewer: (Inaudible 20:53 – 20: 57) So, from going ahead if there is a 25 basis points further rate cut is it good to assume there is 150 basis points of differential would sustain going ahead also?

Suresh Iyer: Yes, if there is a 50 basis point, I mean 25 basis points further rate cut then there will be 25 basis points which will be passed on by banks we will pass on probably 10 basis points because only 40% of our overall borrowing basket is linked to repo rate. So, on 40% of the total overall borrowings we will get a 25 basis points benefits. So, therefore, on the total book it will be about 10 basis points. So, 25 basis points will translate into 10 basis points for us.

Interviewer: (Inaudible 21:36 – 21:38)

Suresh Iyer: Increases and then when the rates again go up then we will probably be coming down to around 60 basis points differential.

Interviewer: How are the BT-out scenario in both the cases?

Suresh Iyer: BT-out has increased. In fact, Q2 was a little higher for us around Rs. 200 crores higher than Q1 and this quarter it has been the same trend I mean at least October was less, but November is back to the same what was in Q2. So, I think obviously, the differential is higher. So, there is a little bit of increase and BT-out is in fact, BT-out is one aspect which will probably slightly alter our calculations otherwise we were expecting that our normally our run down has been in the range of about Rs. 470 crores was the prevailing run rate. Now, it has obviously, increased to around Rs. 550 crores to Rs. 575 crores per month. So, almost you can say about Rs. 75 crores to Rs. 100 crores per month extra outflow is now getting witnessed and while post Q2 we have initiated some steps and all those things, but still November also shows that it has not actually come down. So, right now you can say roughly it is about Rs. 550 crores to Rs. 575 crores is a run rate, monthly run down.

Interviewer: It includes 200 (Inaudible 23:14) BT-out and balance even as well.

Suresh Iyer: Yes. So, that is it includes amortization also it includes part payments where the customers continue their loans with us, and it includes BT-out and loan closures.

Interviewer: (Inaudible 23:25 – 23:27)

Suresh Iyer: BT-in we do not have as such any BT-in strategy because I mean obviously, we cannot compare with banks and take out take away their portfolio. When it comes to affordable housing finance companies we are not able to take much of the loan because most of it affordable is on appraised income and which we do not as a policy do. So, if they are filing ITRs and all we may be able to take over that little bit of a portfolio, but most of the affordable housing finance companies are doing appraised income customers. So, which we are not able to do. So, BT-in for us is a very small amount.

Interviewer: (Inaudible 24:03 – 24:07)

Suresh Iyer: 80% is from the DSA.

Interviewer: (Inaudible 24:09 – 24:12)

Suresh Iyer: No as I said even if the DSAs bring a case the customer is on appraised income. So, it does not fall in our policy that is what I am saying.

Interviewer: So, from a strategic loan perspective we have (Inaudible 24:29). You said you also launched one of that products. But from a two to three-year perspective how are you looking at from a very high level strategy level what are you thinking if there is a category you want to continue to focus on. One of course is increasingly self-employed segment apart from that what are the key strategies (Inaudible 24:53)?

Suresh Iyer: See eventually maybe in another we may look at inorganic growth also. We may also look at developer finance, but that is not at for the moment. I mean these are all options available as I said the low hanging fruit initially for us was the self-employed segment and you know this non-housing because we were having only 11% as non-housing 89 was housing including CRE. So, these are the two low hanging fruit which we have decided to first target. We also have in the long run other options, but as of now in this business strategy we have not targeted either a developer loan, or we have not targeted this thing co-lending or DA or all those things. We have not at least planned in this, but those options are always available. And as regards, affordable housing segment yes, there is an opportunity not at the moment because I have been saying right from the beginning that the moment CLS is stopped there is the slowdown in this segment is witnessed. I have been personally saying that the incremental launches in the affordable segment have been slowing down. There is no incentive for builders to actually build on a large scale in the affordable segment because first of all it is a slow offtake. So, given that if they are not able

to join their book faster they would not be very keen to do it and only such incentives like the CLSS can actually push growth in the affordable segment. So, we will have to wait and see when it when it picks up. And we have launched this as a initial product because affordable housing overnight cannot grow. Now even at Guru Finance we started in 2003 and I remember we built by 2018 over a period of 15 years. I mean we were able to take it up to a Rs. 5,000 crores book Rs. 5,000 crores to Rs. 5,500 book. So, it is not something which overnight can happen because launching a product is one thing, but then you need the correct skill set also in your team to be able to appraise that segment. And so, overnight I cannot expect that the people who have been for 10 years, 15 years, 20 years giving loans to salaried segment only looking at salary slips and bank credits and then to appraise the customer because if we do that it will go wrong. So, it has to be built over a period. So, that is my belief. So, even if at all it happens it will happen slowly.

Interviewer: That was one of the reasons for the non-housing share to be significantly lower (Inaudible 27:33).

Suresh Iyer: That was non-housing of course, that was one of the things plus earlier what happened was non-housing was happening, but obviously, then today if you see there are more number of taxpayers more ways to assess the income, ITRs we can assess from the website also. So, those kind of things are slightly improving, the situation is improving. So, we are able to do a little more plus second thing is if you look at a typical markets today within the states if I have to do the break-up of salaried versus self-employed Tamil Nadu has a slightly higher self-employed say also is the west segment, north also is more salaried. So, today Karnataka, Telangana was a bigger chunk of our business. So, therefore, our self-salaried was higher. Now that we have started expanding in the west a little more we are getting to see more of self-employed because that market also has a little bit of a higher percentage of self-employed. So, today once we again say for example, tomorrow start opening more branches in Karnataka, Telangana then again salaried will increase because this markets are typically more salaried whereas, if you go to Tamil Nadu or if you go to west it is more self-employed.

Interviewer: (Inaudible 28:53 – 29:00)

Suresh Iyer: There is no break I mean we do not have a separate in fact, I have missed that point, but we do not have a separate payout structure for salaried or self-employed or for housing or non-housing, it is all the same.

Interviewer: (Inaudible 29:15 – 29:31)

Suresh Iyer: No. So, non-housing frankly speaking I had mentioned somewhere around in December'23 or somewhere around that time we actually we did not have a LAP product for mostly it was happening only to, or it was happening only for the existing customer. So, if an existing customer comes for a LAP we used to give it on a standalone basis LAP was not there. So, that is one of the changes we did that in LAP we said we can just when we said that as a strategy we want to we are open to take it from 89:11 to 80:20 housing, non-housing then we said and we can look

at a LAP as a standalone product also that is what we opened up almost a year or year and a half back. So, that is the one of the changes otherwise if you see prior to that our non-housing average ticket size was Rs. 8 lakh which has now gone up to Rs. 13 lakhs, Rs. 14 lakhs. The main reason was that earlier whatever non-housing was happening was basically existing customers who are coming for a little bit of a top-up loan. Now we have opened up as a LAP as a separate product. So, we are getting Rs. 15 lakh, Rs. 20 lakh, Rs. 25 lakh LAP cases also that is why our average ticket size has also gone up to about Rs. 14 lakhs now for non-housing.

Interviewer: So, one is launching a product now that it is available. So, because (Inaudible 30:52) also going out and.

Suresh Iyer: They are that is why as I said our incremental LAP has gone up and that is why from 5% it is almost 6%, 6.5% now LAP and our ticket size has gone up from 8 to 14 that clearly shows that we are getting now existing customers are still there, but we are also getting new standalone LAP enquiries.

Interviewer: So, one is non-housing, second one is (Inaudible 31:22). So, general apprehension is that for affordable you need to open branches, more the number of branches you are able to garner AUM. This is from the Can bank side, is the regulation or the approvals for opening more branches restrictive (Inaudible 31:39)

Suresh Iyer: Canara bank has no say, does not comment in this, they do not direct, we have a separate independence board. We are opening branches, as I said we have opened almost 44 branches in the last two and a half, three years. So, branch expansion is definitely happening. In fact, we have a plan to take it up to 300 branches by FY'28 which means today we are at 249, means in the next two years we need to open another about 50 branches. 300. We are at 249 right now.

Interviewer: So, the target to reach to 45% by 28, but then other end was that you guys are not looking at actual cash flow. I mean for the segment that we are probably actual cash flow is more supportive to the documents.

Suresh Iyer: No, even at this rate if we are doing 40% incremental business is coming from I think we will be self-employed and whatever 40% is coming today is coming with documented income profoundly. So, at this rate also if we continue 60, 40 incremental business by FY'28 we will be 60%--

Interviewer: With processing fees what would be the login-fees?

Suresh Iyer: Login we just charge a Rs. 1000 non-refundable login fee other than that our processing fee is about 0.5, but there are caps and there are there are special offers which are there. So, you can roughly say we have a cap of about 20,000 even otherwise. So, even if it is a Rs. 75 lakh loan I mean it would not be more than that.

Interviewer: So, part of it say for example, Can Fin Vishwas as you mentioned your team has not seen any traction. Are we looking at hiring something or from industry or taking over something which can help Can Fin taking self-employed a little bit more higher or with a better--

Suresh Iyer: No, see traditionally the our core portfolio if you look at it we have maintained a GNP less than 1% that is mainly because of the segment that we have chosen and the product that we have been pushing. Obviously, a little bit of change in mix in the segment as well as the product mix will bring in a little higher risk. So, we have to calibrate it and see how it goes. So, right now with zero incremental business coming under Vishwas we will not be able to take a big leap for this thing. Idea was to start it examine how it is coming whether and slowly build on it. So, it will be a gradual process as I said I do not want to rush into this because it requires a separate skill set.

Interviewer: (Inaudible 34:37 – 34:41)

Suresh Iyer: Because let me tell you sorry I will just answer this because see let me tell you one thing today on the ground people are very, they are very smart they know if I have to get a Rs. 20 lakh loan what is the cash flow I need to put on paper, how I need to calculate it, reverse working is available with all the DSAs with all the chartered accounts. So, I think we need to be a little different today because to be able to do it and I think we have to be a little more careful in assessing that segment. So, I would be a little more careful. While I am very passionate about that, but I would because 20 years I have spent in that industry. So, I know in group we have built a book of that thing, but I think things have also changed. So, yes sorry.

Interviewer: (Inaudible 35:33 – 35:40)

Suresh Iyer: We have a target spread and NIM in mind and the objective is to keep our costs and this minimal. So, that we can still maintain a 2.2 to 2.3 ROA and a 17 to 18 ROE. So, we will basically see that we do not want, sorry, we are right now our guidance is 2.75% spread and 3.75% NIM.

Interviewer: (Inaudible 36:08 – 36:10)

Suresh Iyer: So, we right now have a slightly, the next year we are going to have a slight increase in our OPEX because cost to income ratio because we have a IT transformation. So, once that comes in FY'27 will see a slight spike in our OPEX. So, right now our idea is to see that we maintain a spread and NIM and this is incidental. So, we will have to do it.

Interviewer: (Inaudible 36:36 – 36:39)

Suresh Iyer: Our total project cost is around Rs. 300 crores, 298 point something. So, it is that is the total cost Rs. 100 crores approximately is the CAPEX Rs. 200 crores is the OPEX spread over seven years. One year of course, is the implementation period wherein all this thing will be there. AMCs will start kicking in after one year which is from FY'27. So, basically you can say this Rs. 300 crores

has to be spread over about five to five and a half years. So, that is why approximately Rs. 60 crores per annum will be the annual.

Interviewer: (Inaudible 37:15 – 37:20). So, this transition should happen before Diwali.

Suresh Iyer: Not Diwali we had originally planned around December January and maybe there is a I mean it may slightly spill over to maybe a 15 day, one month extension in which case therefore, if it is into February then we may probably you know we are deliberating whether to implement it in February or then pull along for a month and not impact the business and do it from April. So, that is a point otherwise the scheduled date is around 19th of January, but if there is a little bit of 15, 20 days delay or something and it spills into February we will take a call at that point in time. But as of now infrastructure components it is already implemented security aspects all those things are already in place in the sense that we can hold out. SD-WAN setups have been done all the branches MS office upgrades have already been done. HRMS package has been implemented our treasury borrowing ALM module has already been implemented. Our Aadhaar data vault and our DMS is also, it is also done. Deposit is almost in the fragment of testing. So, it is working as per the schedule. Only the LOS, LMS, which requires a huge amount of data migration from the old system to the new system is something where there could be a little bit of a delay. If that happens then we will probably, which is the only thing which will actually affect the on-ground staff. So, if at all disruption can only come from the LOS LMS implementation that is why if it goes into February we might take it into.

Interviewer: But that was the main worry in fact in one of the conference call also this was one of the main elements. So, if the one may try to push it or because it might impact the disbursement.

Suresh Iyer: Exactly. So, that is what is the point. So, we are aware of it. So, we will see if it is February, mid-February, end February then might as well wait for another month and maybe in fact it might give us just give us a little that little extra to do a little more thorough testing and but. So, right now it is only the LOS LMS data migration and testing which is there and there also the testing has commenced actually.

Interviewer: (Inaudible 39:34)

Suresh Iyer: Sorry.

Interviewer: (Inaudible 39:37 – 39:38)

Suresh Iyer: Obviously, we will have to go for a third, we have we are going for Pennant. Pennant is the, no I mean that it is mixed a lot of people right now I think you know LIC and Bajaj are using Pennant quite a few of them are using Sales Force and.

Interviewer: (Inaudible 39:56)

Suresh Iyer: Yes. LMS is also we in fact that was one of our important conditions that LOS and LMS have to be of the same vendor OEM because that will reduce the amount of whatever issues we would have had of integration and all those things.

Interviewer: Despite this and mostly it is the LMS system we are confident of (Inaudible 40:24 – 40:25)

Suresh Iyer: Next year. See first quarter if it is implemented then anyway first quarter is a little slow quarter. So, I think even if we know it happens, but even otherwise I think the way it has been happening like our HRMS has implemented a lot of other things are implemented and this also the way we are planning it I think we are not looking at a very large kind of impact. The only impact could be a couple of days of downtime some teething issues obviously you cannot help it, but go to. So, the bigger chunk of the this thing is more likely to be the time that will be given for training pulling people out for training, the extended sessions of handholding, all those things. And otherwise we had last year itself carved out a separate team for all the testing we had pulled out people; we had given them replacement. So, all that planning was already done last year itself where we had almost a 20 member team for all these activities was already done, whatever in the IT side also we have to give for infrastructure and security aspect that also separately was done at head office. So, from the branch point of view we are only looking at about 20 people whom we will have to pull out for the testing, which will be one place where we will have some impact, and the second thing would be the training. Otherwise I think by and large it looks the way it is.

Interviewer: (Inaudible 41:53)

Suresh Iyer: Max, max I mean we should be ready when this quarter the only thing is depending on the timing we will say whether to you know switch or we will do it in the first phase. That is the only decision we will have to take.

Interviewer: (Inaudible 42:08 – 42:13) because there was (Inaudible 42:14) earlier, but they were not talking to each other.

Suresh Iyer: So, yes, we actually, our interaction with them they have also been sharing some of their experience. So, it helped us in that is why we chose that we will go for a single vendor for LOS LMS because that is what we felt from the discussions and everything is where the maximum disruption was happening to different OEMs providing different solutions and with them integration issues happening. So, that is one thing we have tried to you know take care in our RFP. We made it very clear that it has to be there. There was obviously, if we had allowed a different LOS LMS service provider we might have received more participation, but we still got pretty decent participation we had six people who bid for the RFP, all the good names were there. So, I think fine, still okay.

Interviewer: (Inaudible 43:20)

Suresh Iyer: The benefits obviously it is, in terms of technology.

Interviewer: (Inaudible 43:25 – 43:32)

Suresh Iyer: See that in terms of the sizing we have provided for a quantum this thing in terms of the size plus we are on a purely a cloud based architecture is there and it is with AWS. So, anytime if, even in say month end year end there are pressures and there is extra load we can always ramp up the requirement and it is on a per use, on a whatever is the usage based on that only the cost will be there. So, that kind of redundancy that kind of availability and all those things has been factored into the calculation our architecture and planning and everything. As for the business growth of course, it is not only a matter of how much the system can take it is also a matter of how much we increase our branch network, how much we increase our staff strength, how much we increase our product clients and all those things that we are anyway in a gradual manner to a 15% kind of a growth definitely we are planning. So, that definitely is there it will be supported by the system and there will be definite benefits in terms of productivity improvements, there will be turnaround times and all which the new system will bring that we are aware of.

Interviewer: Because that was a legacy system so anyway.

Suresh Iyer: Yes. So, there were some challenges there in the legacy system which now obviously are.

Interviewer: It was (Inaudible 45:01).

Suresh Iyer: No. The old system was with a vendor called Ancia. Ancia, it was basically Team Pro Technologies Private Limited earlier which has now changed to Ancia. I think they are still operating in a couple of other vendors other players like ICICI Finance all those things. Now, we are moving to a Pennant system of course, Pennant is a OEM, the system integrator is IBM. IBM is bringing all the OEMs together and delivering us the module package.

Interviewer: This has been a very big discussion topic for.

Suresh Iyer: I know. Any kind of IT transformation it is something which you cannot avoid you need to always upgrade yourself and keep yourself updated on IT, but at the same time keep (Inaudible 45:57).

Interviewer: (Inaudible 45:59 – 45:07)

Suresh Iyer: Thank you.