



“Can Fin Homes Limited

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Questioner: I run Globalization Market Securities, been there for about 40 years now. I'm an Interface Investor, so me and Brandon have been managing those for over a year now, as investors. So about me, I've been in the manufacturing industry for about 6-7 months. I've experienced about 12-13 years in the industry. Last year in August, I've been working here for about 6 months. So, we have the larger NBFCs into our coverage.

We also have coverage in affordable housing plans. I think some gaps were the guys of Can Fin Homes or maybe larger HFCs like LIC, or [inaudible 0:0:37] Housing. Again, PNB is something we do cover. So, we're just trying to cover that gap. And since when we talk to clients on affordable, so a lot of questions keep coming on Can Fin. So, we've been tracking Can Fin for almost 2 years. So, we thought maybe this is the time we should take it ahead. So yes. So, we can start. I mean, how do you want to go? Do you want to give a brief or we can just straight away should...

Management: Do you want to brief about the company or do you want to brief about just the performance and then we start? How do we go, whichever way you want, we can start.

Questioner: First is since you've taken over, what has changed? You know, there have been two fraud cases in the past. So, what is it that you've changed in the systems too? Second is, on the growth, I mean, not only for this quarter, but overall. You know what, we follow Kaveri portal and we look at it that 1st April, May and June till date. The numbers don't seem very encouraging. At least what the portal is reflecting.

Management: In terms of?

Questioner: Number of registrations that are happening. So that's like one of the data points that we keep tracking. And when we interacted with a lot of HFCs we got to know that e-Khata issue is still kind of there and especially at the Panchayat level, GP level it's kind of not sorted. So, what's your assessment when this would get done and how do you see the numbers panning out in Karnataka?

Similarly, Telangana disbursements are still lower as a percentage of our disbursement mix. So whether we are recovering back in Telangana, that was another. AP, I mean, when I look at the presentation, I see Telangana, I don't see Andhra Pradesh. So, we don't have any business in AP?

Management: We have in Andhra Pradesh. It is part of East Zone. So, if you see East Zone, we club it as East Zone.

Questioner: Okay. And Tamil Nadu again, we hear a lot of players saying that there is a lot of competition.

Management: So we have it as part of East.

Questioner: Okay. So basically this margin guidance which you want to contribute that earlier we thought maybe this year we'll kind of move back to 13%-14% kind of AUM growth. So that kind of rough calculation implies a 20%-22%-23% kind of disbursement growth. So where are we

getting that from? So maybe just about you starting with what are the changes and maybe to the growth part then.

Management:

See, so first of all, since you mentioned these two things, frauds that happened. First was I think in 2020, early 2022, 2021-2022, where there was some complaint and based on that it was felt it was a large one. But and Canara Bank also did some, carried out some audit and audit teams were sent across to all the branches. Eventually it turned out to be just about 58 cases in one particular branch of Bhilwara, where so it was something it was I think something which was blown way, way out of proportion.

It was only one branch where 58 cases, where also property was intact, everything legal was clear, but in customers had probably given wrong income documents just to get a higher loan and to get a lower rate of interest because under salaried segment they would have been under a different and a lower rate of interest. So that was the only thing that was found out at the end of this whole exercise and there also if you look at it, today I believe there is only one loan which is still in our books.

57 loans have been closed. No waiver, no write-offs. Many of the loans have been taken over, a couple of them even by State Bank of India. So that goes to show that there was nothing major in those cases. That customers were genuine, the properties were there, very much intact, legal was clear, title everything was perfectly in place. It was only a matter of probably either the branch giving a loan, wanting to give a quicker this thing, therefore giving a wrong punching and a wrong classification scheme selection, or customers' documents were also therefore slightly shown on a higher income side. So basically, that was the only thing. So that was major one.

The second one was also an internal failure, where, which was a large one, which was that Ambala fraud which happened in July 2023 immediately after I joined. And that was actually going on from 2021 and from 2021 onwards this thing had been going on in the system where because of some control in the reconciliation and the branch manager and the staff being involved in giving wrong reconciliation statements, it was something.

So basically, there was a problem where the branches were writing checks and they were showing as under reconciliation process and this number was continuously being shown as this thing. So, it was a internal fraud only and it was also a lapse in internal control. Post that what has happened is we have strengthened the systems, we have strengthened our internal control, we have strengthened our all our assurance functions, risk, compliance, audit, legal. We've centralized our disbursements.

We have introduced a department for CRM. It was there of course, but it was only looking at a select branch where branch managers were not having sanctioning power. So, it was more of a centralized sanction kind of a thing. We expanded that and said that every branch irrespective of whether they have sanctioning power or no, whether they have been done by a higher authority or no, whether they have been done by head office also or no, this department will do 100% screening of all the sanctions that have been done. So, it's a second check that is happening.

So, we introduced centralized disbursement. So, all the check writing powers of the branches was taken away. All the expense powers also of the branches are now either centralized or are automated through this thing, through the apps we have taken something. So that is also done. We have tied up with Zaggie Payment for our expense management.

We've tied up with a centralized accounting software, reconciliation software for all reconciliations, auto-reconciliation. Okay. We've tied up with Canara Bank whereby the directly the statements come into the system and based on that the reconciliations are happening so there is no manual intervention.

We've also subsequently the company at that time did not have a dedicated legal. It was more of branches which were doing legal, basically LSRs and outsourced reports as they say. We did have a separate audit operations department. So now a separate operations department was set up which is looking at all the things like CERSAI, CIBIL reports and all those things, automation of all those things, PPOs, KYC, re-KYC, all PAN collections, verifications and all.

Then we've also tied up with Perfios, earlier it was Karza, now it has been taken over by Perfios, for our verification of Aadhaar, PAN, ITR, and then we've also tied up with the bank account aggregator for bank statement. So basically, all these automations have been done whereby the chances of any such thing has been kind of eliminated or reduced drastically.

So those kinds of things have been done plus the audit team has been strengthened. We have a very robust team, compliance, all those things in terms of team strength also have been strengthened. In terms of our legal department also, we've strengthened both at the branch level, also at the head office level, we've strengthened the teams.

And another thing we've done was the company had a two-tier structure, branches and there was a head office. In between we had cluster managers, but the cluster heads were basically individuals who were overseeing the functions. They didn't have a proper team; they didn't have a proper administrative wing to handle all those things.

So, we have introduced a middle layer of zonal layer, the zonal offices. We have six zonal offices. Those offices are adequately staffed. They have about nine staff each including the zonal head and the assistant zonal head.

And we have people who are supporting or having a better oversight in terms of operations, sales and marketing, credit, in terms of accounts and audit, in terms of legal and compliance. So basically, we have manager level or deputy manager level people at adequate staffing in the zonal offices also for oversight. And the six zonal offices we have done in this we had given the composition of the six. And mostly this is also based on the state grouping as well as in terms of branch asset size.

So, we have Karnataka as a separate zone, we have Telangana as a separate zone, Tamil Nadu including Tamil Nadu branches, Kerala and Puducherry is the third zone. Then we have East Zone which covers AP, Odisha, Chhattisgarh, Bihar and West Bengal. We have North Zone which is Punjab, Haryana, Himachal, Uttarakhand, Delhi NCR and UP. And West Zone which

covers Maharashtra, MP, Gujarat and Rajasthan. So that's way, so these are some of the things that have been done to it.

On top of it, one more major thing that we have done is that we've undertaken a complete IT system overhaul which includes all three, security aspects, infra components and application software. So, there's a new, there's going to be a new LOS, LMS, a new an accounts finance and accounts package, a new deposit package, plus there'll be additional new packages which were not there earlier like HRMS was not there, it was manually being managed.

We've done a new software for Workline is the service provider. Then we have a DMS for document management, Aadhaar Data Vault. Then we have a separate business banking, treasury, borrowing and ALM software also which is being taken. So, all these things plus DMS as I mentioned. So, these are the things that have been in terms of the IT overhaul and that is something which is going to go live in this particular quarter. We are almost ready. Yes, we are almost ready. In fact, we might be doing it on the 1st of July. So that will be for pilot six branches.

Okay. So, these are the changes that have been done. Additionally, that is in terms of the controls and thing. Other things that we have done is we had a very high, first of all, we had a in 23 May itself we had a strategic meeting of the board and we set down a, laid down a strategy for Vision 2028. So, there are four key pillars in that vision document. What one is that we were at that point in time, that is in March 23, we were about 73% was only the four five Southern states of Karnataka, Tamil Nadu, Kerala, Andhra and Telangana.

And so we said we will have geographical diversification where incrementally we would like to have 60-40. We would like to because incrementally also incremental business was also roughly 70%-75% was coming from the five southern states. So, we said we will move to at least a 60% 40% composition so overall there's a little more geographical diversification. Now that we've already kind of achieved, we are already at 60% 40% in terms of incremental business and overall business today if you look at it probably it is a little it has been coming down to around 65%-66% would be south-based. In term that was the first thing.

Second thing we said was we were having around 89% of our loans were housing, and therefore from the point of view of slightly improving the yield and slightly changing the segment mix, we thought we will --- the Board approved a 80-20 mix for the housing non-housing. Today we are at 84-16. So, when we say non-housing includes LAP which was only about 5%. Today we are about 8 to 10%, we've improved increased our LAP composition, top-up loans and plot loans mainly. These are the things. So that was the second pillar.

The third one was in terms of our customer segment. We again had about 72% salaried segment. We said we'll go up to 65-35. So incrementally now we are doing about 45% approximately is the business that is coming from self-employed. So, the mix is slowly being changing. Today we are somewhere around 68-32. So, we still have some scope to improve to 65-35. So, this was the third.

And the fourth one was one where we are still yet to move towards that. But that is where we had an 80% was business was being sourced only through the channel of DSAs. So, the

document laid down that we should move to 60-40, where 60 will be DSA and 40 will be non-DSA. Now obviously a lot of that depended on the fact that we needed to have our own sales team because we didn't have any sales team.

So, June 24 onwards we have started setting up our own sales team. Last year with just about 82 people we were able to get about INR870 crores approximately from the sales team which is about 8% of the incremental business. So going forward this year we are targeting that INR1,500 crores will come from that so around 12% we will be able to inch it up. And of course, there's direct walk-in business and all.

The third part of that source sourcing mix was digital. And that in fact will start only once we are done with our IT transformation so that has not even commenced. So at least on that particular front of sourcing mix, we are still quite far from what we had set down as a target. But these were the four major things.

So basically, what I'm saying is that one for the geographical mix we have opened branches more in the North and the West. So today we have 249 branches. This year we are targeting another 28. So that will make it to 277. And again, we will majority of the branches have been opened in the North and the West and some in Tamil Nadu and AP. But last three years we didn't open anything in Karnataka or Telangana. So that's that would help from the point of view of meeting our geographical diversification.

The second thing is the sales team that we have said that is from the point of view of reducing bringing down our reliance on the DSA channel. So, these two are the main pillars now which are driving the growth. That is our new branches that we've set up and second is the sales team that we have set up. So last year the between the two of them they were able to -- we were able to get about INR1,500 crores in the new branches and the sales team.

Going forward we will have in FY27 we are targeting that INR3,000 crores will come from these two verticals. So, a majority of the growth you will see is coming basically from here. And so, we've put in place one is the...

Questioner: INR3,000 crores that is going up from INR1,500 crores to INR3,000 crores?

Management: Yes. INR1,500 crores to INR3,000 crores. Doubling it. And so basically on the on the foundation front we have done all the strengthening of the assurance functions, putting the IT systems in place, a lot of centralization of activities. And on the business front we've done the two things which is branch expansion and sales team.

Questioner: Can I just take a few questions before we move to the next part? On the DSA part, so what you mentioned, you went through some document also 80-20 but when I look at data Q3 FY25, I think you were at 76% in terms of the DSA and again I think it's kind of inched up to 80-81% for the quarter?

Management: Yes. For last two three quarters.

Questioner:

So why I mean we are putting in direct sales team, so why are we still depending on DSAs? That is one. Second, what, at least my numbers suggest is having a DSA, at least in terms of numbers it looks better because what is happening under Ind AS is maybe you can answer this more but you kind of apportion that expense amortization over eight years versus when you're doing it through a direct sales team the employee cost is fixed, right, which comes or which hits your P&L in the very same year. That is where we see that affordable housing finance companies, they have higher cost to income or opex to assets as compared to guys are depending more on DSAs. So how are we looking at opex part also from that perspective because we'll be focusing a lot more on direct sales teams?

Management:

Sure. No, that's a that's a very valid point. See, first of all this sales team that we have done, basically we have not expanded our team strength. I mean, whatever expansion we have done is more from the new branches that we've opened because we need to have three people in the branches. And to have to strengthen our centralized functions like operations we had a separate operations department, strengthen our legal, strengthen our risk, compliance and all those things.

But if you look at the branches, we have a standard template which is not changed. What we have done is because of all these automations that we've done, because of all this tech improvements that we've done, we've been able to extract people from the branches only for the sales team. So now there is no additional staff cost because of this. That is the point.

Because today we have a standard template like we have small branch, medium branch, large branch, extra-large branch and so on. We have a standard template for the staffing of these branches. We have not altered that. We have not -- the sales team is not over and above that particular matrix. It's the same thing, but we have been able to free some of the people, some of the resources because we are bringing in this automation.

With a lot of things getting automated like PAN verification, Aadhaar verification, bank statement verification, ITR verification, bank statement analysis, reconciliation, centralization of a lot of expenses and all, a lot of workload is getting reduced in the branches and that same workload is now getting transferred in the way of staff getting relieved or carved out for the marketing and sales team. That is point number one.

But the second point is while there are there are the amortization of cost is one point of it. But the second thing is DSA the BTO percentage is a little higher in case of this so that is one additional point.

The third point is that when it's a DSA driven business, there is a there is a less of a choice that you get in your customer selection. Because what the DSA brings is what business you are able to do. So, it is more like the DSAs drive the kind of segment that you want to select. Whereas if it's our own team, we can do our own customer selection, we can focus more. Like for example, the team sales team, the ticket size is slightly better.

Two, the sales team is also having tie-ups with builders, the APFs. We have now almost 300 APFs. So, the APF focus is also coming in, and therefore the -- if you see the average ticket size is now almost around INR30 lakhs for the business which is sourced by the sales team. So that

is the additional point in case of the sales team versus the DSA thing. And of course, when it's the sales team productivity and everything we can we have -- it's been fairly decent. The stickiness of the portfolio is also there.

Questioner:

Another part, when we are talking about kind of strengthening all the compliance, risk, other functions what is the strength of the team of compliance, how many times in a year does the internal audit happen with these branches wherein somebody from the branch or from the head office went and did audit? How has it changed right now? And sorry, I missed that part, reconciliation you've got some software from Canara Bank?

Management:

No, not from Canara. We have got a software from the market called RhythmFlows. That software, only thing is all our banking is with Canara Bank so I mean the bank statement comes directly which gets goes into the system plus our LOS LMS is already there from where and our accounting package is there so all the entries that is -- reconciliation is happening.

Yes. So, the software we've taken from the market, it is a software which takes the -- so it could be instead of Canara Bank if our banking was let's say with SBI or with PNB or with HDFC Bank, we would have got the statements from there. It's just to say that the statements are coming directly into the system, there is no manual intervention. That is what I was trying to say.

Questioner:

And what is the strengthening of the state compliance in general audit? What has really changed in the last few years?

Management:

See, in terms of our internal audit, we've increased the scope of the property visits, the scope of the checklist of the audit teams has also been changed. Of course, we had a software but we've done a lot of upgradations on the software also. In terms of the risk team, we've increased the number of OTMS alerts. So, the number of OTMS which was around 18-19 earlier, now almost we have 22 alerts which are OTMS alerts which are coming. So OTMS has been increased.

Then of course risk team is also helping in the ALM if you actually look at it today over a period we have changed the ALM mix a little bit. In the sense that now our reliance on short-term is much less compared to what it was earlier. Earlier at a point in time almost 11%-12% of us was a CP borrowing.

Today our CP borrowing has come down considerably. Short-term borrowing otherwise has also. So therefore, we are in terms of our LCR liquidity coverage, we are in a much better position today. So, risk has helped in all those things plus between risk and between audit RBI, we are doing a lot of thematic audits are also getting done analysis of how the so that is also coming in very very helpful.

In terms of risk, we also have now RCSAs have been done for a lot of activities, we've done that. Another thing is in the last two to three years we've done a lot of new SOPs have been laid down, a lot of manuals have been reviewed and updated and upgraded now. So, all those things have also happened with this thing.

The legal team that we have set up now we have a separate -- so earlier it was only doing the basically the LSR or the search reports and title flows. But now along with that we also have

now that was the non-litigation part. We've started a separate litigation vertical has also been done.

Third is a separate document vertical has also been created where the maintenance of the document, centralization of the controls and scanning of all the documents, property documents, which was all in physical condition, that is also been done. So that plus we've also taken a SARFAESI software. So, monitoring of the SARFAESI actions that we are doing has also been implemented.

Questioner:

So legal is completely done in-house and technical?

Management:

Not in-house. So, in legal what happens is we have external empanelled advocates. The advocates give these LSRs. What we've done is, of course, one is we've introduced the vetting report part. So, there's a vetting report which happens which the advocates again have to advocates are doing.

Then what we do is we've added one more layer, where after the disbursement is done within a timeframe we have laid down depending on the property type and the loan type, that within that period again a third party, not the empanelled valuer, another company, let's say they have a separate software is also there, they come and verify the original documents collected, whether they are in line with what was stipulated in the LSRs, whether the execution of documents, that is the loan agreements and everything has been correctly done.

And after that it is docketed. Then we've strengthened the legal team in the zonal offices which scans all these documents and then it is sent to the centralized document storage centers. We were earlier having three CDSCs what we call centralized document centers; we now have six. So, zone-wise the documents are then after scanning sent to the CDSCs and are stored over there.

So, one vetting report we've added, two this external agency we've tied up with a company called Maatrum which then has its own empanelled valuers. So, there is an advocate which is who is doing the search and title flow. There is another agency which is now coming and verifying whether documents collected are in line with this or not. So, there's a double check on the document collection and the security component in our case. And the control over the branches also and then only it is goes to centralized storage. So, this is what has been done.

And in case of technical, yes, in case of technical what we've done is we have got a tie-up with a company called Velocity. All our ex there also we have external advocates. So, it happens at both. Our staff also does the technical, that is we call it there's the PSDR and PSIR and then the advocates the valuers also who are empanelled, they also do a valuation. So, depending on the things, either one or two valuations are done. Like if it's an under-construction property, then before the disbursement and before the last disbursement, two external valuations are taken.

If it's a say for example a LAP case, there'll be only one valuation because it's a single shot loan. There'll be one valuation by the external valuer. Now that valuer -- all our valuers have to exclusively I mean have to do their entire valuations on this Velocity software. They have been trained for it. So, what happens, there's a uniformity in terms of the valuation. You cannot skip anything, all the mandatory fields, documents, everything have to be there.

The second thing is the there is auto-allocation of the valuation also. In the sense that the branch or the DSA cannot decide who is the valuer or who will give the valuation. The moment the business is punched in, the system will decide on a random basis which valuer will get the valuation report. So, what happens that that has also been there. It not only removes that you know, that nexus if any can if it is there or anything. And second thing is we are also able to entire process, the speed, the everything is also standardized.

Plus, because of this auto-allocation, we are also having equal distribution. So there is no single valuer who is getting more business or who's giving back more valuation. There is a panel and everybody gets an equal distribution. So equal distribution is also ensured plus there is an independence of the valuer is also ensured.

Questioner: Who does the technical?

Management: No, internally of course the branch managers have to do it. But external when it comes to them, it has been done.

Questioner: Any impact of this West Asia crisis and the layoffs and all that we are hearing in the news for people?

Management: Not really actually. You know, business if you look at it, we have guided for INR2,500 crores in Q1 and we'll definitely be meeting that because today already if you look at it in April plus May put together, we have had already reached INR1,640 crores. So basically, we are very much in line for INR2,500 crores plus kind of business in Q1. So that's not a problem.

And again, this growth also is coming across. You touched upon those two points of Telangana and Karnataka. So yes, you're right in a sense that Karnataka the Gram Panchayat areas still we are facing problems.

You know, there is customers are executing the or taking the sanctions and everything but they are not getting the dates because the e-Khata issues are taking time. So, Gram Panchayat areas it is resulting in some delay. So, I would not say that Karnataka is back to where I mean had there been had this issue been resolved or if there had been no issue probably, we would have been doing INR300 crores plus per month in Karnataka.

But right now, we are still doing about INR250 crores, which also is with a change in the mix. Earlier it was very little of LAP but now our LAP percentage in Karnataka is slightly increased. Mainly because e-Khata issues are there. So definitely I wouldn't say that Karnataka is where it should have been. There is two years into this also we are still almost as one our entity alone we are we're losing about INR75 crores business every month, INR50 crores to INR75 crores every month.

You can imagine the amount of revenue loss the government would be having. But still, it is there. It is what it is. So that is there. But still last year, that is FY26, Karnataka had done INR2,700 crores total disbursement. We are talking about INR250 crores. So even at this rate we will be around INR3,000 crores, so that is a growth.

And obviously H2 is always better. So, it'll further pick up from where we are today. So definitely we should end somewhere around INR3,500 crores is the target for Karnataka for this year. Which will be a 20% plus growth in Karnataka.

As far as Telangana is concerned, now we are what we are seeing is there was a price correction, there was a sentiment was affected particularly after Hydra. But now slowly and we also had some internal issues, we had to change our entire top management there, some management changes, some staffing issues, some all those things were also there. So having resolved all those things and with Hydra only for the last one year I post to one year I suppose now there are no demolitions, nothing of that sort.

So now I think market is also looking a little more stable and prices are also looking starting to look up in Telangana. So particularly Hyderabad mainly. So basically, we are last year we had done about INR1,147 crores in Telangana for the full year. This year we are looking at around INR1,500 crores from Telangana.

Questioner: What was the mix between Greater Bangalore and Gram Panchayat in FY23 disbursement prior to e-Khata?

Management: We are almost 40% of the business was coming from Gram Panchayat.

Questioner: Okay. Earlier.

Management: Earlier. Okay. And now of course it has come down. It's not that all Gram Panchayats are not doing it. And so, it's still a problem. We are able to get it but not as much. So that's where today I think it would be much lower.

Questioner: 10%-20%?

Management: Maybe 20%-25%, but I'll the exact figure I don't have, but definitely it has come down.

Questioner: And what was the mix between home and HL and NHL?

Management: Now in fact almost 10% is LAP. 10%? Earlier it was very less, 5%. It was below 5%. So definitely LAP is increasing.

Questioner: And in case of e-Khata portal, it shows number of applicants pending. So, it is cumulative pending or pending for the particular?

Management: I will have to check. I think you'll be visiting the branches; you can check over there the how what is it showing and what technically it would mean that you can probably check at the branch and so on.

Questioner: Last one, you have tightened your policy also, no, probably. So when we talk to others there's certain segments which they've disallowed especially after this interest rate hike and so on.

Management: See, so only things we have -- we had a very small percentage of NRI loans where we have just -- not I wouldn't say tightened, we've become a little more cautious. That's it.

- Questioner:** Any customer segment that you've kind of for last six to nine months that you've restricted?
- Management:** No, not really. We haven't done that. Because see, if you if you look at our profile unlike some of these affordable housing finance companies who are more of self-employed, assessed income, in our case it was always documented income. We have one product NIP which is without income proof. That is about 1 or 2%. Other than that, it's if it's salaried, it is based on salary slip and credit in the bank account.
- If it is a self-employed also, we are not giving for appraised income. It is based on two-year or three-year ITRs. So basically, it is it is purely documented income segment only. So, there we are not facing. I think the thing would be more about MSMEs or people working in that segments and some of the locations which have been more affected because of this. In our case since it is still documented, we have that cushion and that is how we are doing it.
- What we have done as I mentioned earlier was that this Karza which is now become Perfios, we are our IT returns earlier we were doing a CA certified IT returns because we didn't have the IT this thing. But now with Karza tie-up what is happening, the IT returns have to be downloaded from the portal only. So that at least you cannot have any manipulation or anything of that sort.
- Questioner:** Just one question on the when you're doing self-employed or salaried customer segment, so how is the competition over there? Because if you look at likes of Bajaj or any other players, they also talk to -- they classify it as affordable but somewhere up to INR25 lakhs to INR30 lakhs which is our segment basically. And also, the BTOs have kind of increased over last three four quarters, three quarters.
- Management:** See, the thing is competition has always been there. I've been in this industry for more than 25-28 years. Okay. Always the face of the competition changes but they've always competition intensity has never come down. If X is slowed down, then Y becomes aggressive. If by the time if Y has for some reason slowed down or tightened something, Z picks up.
- There is some new entity comes up, they are they make a noise. You know, this has never changed and I don't think the next 10 years also you will after 10 years also if you meet me, you will have the same question competition is has increased. Okay. Now everybody has to fight for that in the market and you have to have your own USP, you have to have your own segment. So, we have our own segment where we are trying to do our best and something which has worked for us and that's what we will do.
- Now our segment is a little below the banks. We so we don't have the direct competition with the banks. Two, within the non-bank category if you look at it, pricing is a is a solid advantage that we have because our cost of borrowing is the lowest in the sector. So that's a solid advantage that we have.
- Questioner:** Yes, so on the competition part we were discussing. You said pricing is a solid advantage but BTOs have kind of gone up?
- Management:** So BTOs have gone up, that is also because see earlier before the rate cuts had started, our best rate was 8.95% and banks were at 8.4%. Okay. Banks are 100% on external benchmark linked

pricing. And all the banks I believe to my knowledge are have their prices linked with the repo rate. The repo rate has come down by 125 basis points so the 8.4 has come down to 7.15. Incrementally also they are giving for new customers at 7.35, 7.4.

Now we have passed on as an intermediary, we don't get the direct benefit of repo or anything. We have to depend on banks, we have to depend on NCDs, we have to. For us the cost of borrowing has come down by 50 basis points which we have passed on to our customers. So today 8.95, I would say my best rate is 8.4%. Okay. So obviously that gap today is almost 100 to 125 basis points which was earlier just about 55 basis points. Okay. So obviously this gap is quite large for a customer who is INR30 lakhs-40 lakhs customer, it's quite large and it can have a fair impact in the EMI.

So obviously or the eligibility also. So therefore, it is there. Now if the rate cycle reverses then obviously on the reverse side also the if say for example 100 basis points increases there, then the rate will again come back but I will not increase by 100 basis points. I will increase by around 50-55 basis points. So, the gap will again come back to 50 to 75 basis points. I don't think is much of a difference, we can easily manage. Of course, if it goes on to 100-125 basis points, then customers we can't explain to the customers, it's difficult.

Questioner: When you talk about private salaried and self-employed, so which segment or where are they employed? What would be the average income?

Management: Our average income is around roughly between INR50,000-INR60,000 per month family income to about INR1-INR1.5 lakh per month. That is our segment that we cater to.

Questioner: And in private sector, I mean, typically what would be the sectors whether its people employed in?

Management: See, when we are saying we are our segments are those where direct bank credit is there, salary credit. So obviously the people who are working with very very small MSMEs and all don't generally are not there. Because they generally get either cash salary or they don't get bank credit. So, it's a different this thing. So, when we say we have our salaried segment INR50,000 to INR60,000, they are fairly mid-sized corporates or companies and established having some track record where they are working.

Questioner: Just trying to understand because this is the segment where even banks are present. So, you have to I mean, see, you're offering at 8.95.

Management: Banks are offering at 7.4. That is correct. So, I mean, so you would want to go to a bank. But place yourself say in a place like Hoskote where the branch manager of a bank is more interested in getting tractor loans and farm loans and doing Jan Dhan accounts, you will be definitely wanting to come to a HFC or an NBFC which is going to give you in 24 hours or within three days we will be able to give you a sanction.

Questioner: That is about three days. And for self-employed?

Management: Self-employed also we can say maybe one or two days more. As I said it's still documented income, it's not very different. Only thing additional is that we need to have this business verification. That is there.

Questioner: There is one trend which we observed, other expenses they change from fourth quarter to first quarter, they fall significantly from four to first quarter. This has been the trend I think over last four five years. So just wanted to understand how does it change? Is it only because of disbursements or?

Management: Other expenses.

Questioner: [inaudible 0:42:02]

Management: Disbursement of course is one of them.

Questioner: But this trend looks a little high. 359 to 231.

Management: That is because we have started the amortization in Q1 of '26.

Questioner: Yes, but even prior to that if I look at 23, 256 to 201, so there is almost like a 20% drop here. 412 to 223, so this is like almost 50%. So, 277 to 163 million. So, what really explains this?

Management: Is it also because of depreciation in Q4 we used to have that management overlay also?

Management: Depreciation would not be there, that is separate.

Questioner: Depreciation is captured separately. Employee separate, depreciation separate and other expenses separate. So, this is the trend I couldn't really understand. 10-15% drop I could relate it to disbursements, but I'm not able to relate this number to anything.

Management: I will get back to you on this.

Management: Disbursement also is a fairly large part of it that still happens. I mean, if you look at the disbursement in Q suppose you say Q4 of FY23, the disbursement in Q4 is INR2,500 crores. Q1 of FY24 is INR1,966 crores. Now Q4 of FY24 is INR2,300 crores. Q1 of FY25 is INR1,500 crores. Okay. Q4 of FY25 is INR2,435 crores. Q1 of FY26 is INR2,000 crores. So, there is a definite 20% to 25% drop in the business in Q1 compared to Q4.

Questioner: But there are certain areas where we see a 50% drop.

Management: I will get back to you on the other things.

Management: But still we will see. I mean, basically most of the things.

Questioner: I've been building my numbers so there I mean some anomaly is coming that how to build this number.

Management: We will give you a little more detail.

- Questioner:** So, on employee benefit expenses, how does it really work, you know? I mean, do the employees get hike every year? Because last time I think in the call you said like there was a wage hike provision that happened.
- Management:** Yes. So, what happens is we have a once in three-year kind of an earlier it used to be once in five years, now every three years there is a rate hike, I mean the salary revision where we look at all the components and the revision happens. Other than every year also there is a rise in the sense that we have a basic plus DA. So, the DA component increases which roughly translates to about 5.5% to 6%, anywhere between 5.5% to 6.5%. Annual increase is anyway there because the DA hike happens.
- But other than that, once in three years we also take a review of the salary. Last year when we took the review in in effective April 2025, at that time the jump was we did an actually compensation benchmarking exercise we got it done by Aon and then we reviewed on at each of the layers, that is officer right up to the President level, we reviewed the comparison benchmarking with the industry and then we did a hike. So that hike almost translated to around 22% to 23% on the overall salary costs last year. So that was a one-off this thing happened which happens once in three which will now happen once in three years.
- Questioner:** So next will happen in 2027?
- Management:** 2028. Effective April 2028.
- Management:** Yes. From April 25 we did, so from April 28 we'll do.
- Questioner:** And DA is fixed?
- Management:** Every quarter there is a DA revision, I think.
- Management:** Every three months from Feb to like that. It is not quarterly; it is based on the index released by the government. So, every three months, for example, right now we are in that cycle of May to July, May to July we are in that cycle. From August it will be a different slab then again.
- Questioner:** So, every six months?
- Management:** Every three months. Yes. And based on that whatever is there, that will be sanctioned for.
- Management:** So roughly if you calculate it is about 5.5% to 6.5% annual increase that is standardly there.
- Management:** Plus, the staff intake.
- Management:** You would have taken some accruals in the March of those two years for GST and for some.
- Management:** Those things are there, you are analyzing it, we don't let's not jump just like that.
- Management:** Okay.

Questioner: How many I mean if we look at your branch typically how many employees would be there and what functions would be present?

Management: See, right now we have a branch-led model. So, we don't have a separate kind of a break-up like okay this person is for two people for sales, one for marketing stuff like that. It's a branch only everybody, but of course we have people who are stronger in credit, some who are stronger in sales, stronger in recovery. That way it could be done but it's a branch concept. What we do is our average staffing per branch we have 249 branches, roughly about 1,050 or something is the number of staff who are in the branches. 1040 or 1050 is the staff who are in the branches.

So roughly that translate to about 4 to 4.2 people per branch. That is the average. New branches and branches which are small in size in terms of having a book size of less than INR100 crores, we would be having three people. And branches which are having more than INR500 crores AUM would have nine people. So, we have a gradient and it is linked to the AUM.

So, depending on the AUM, we do it plus roughly we know okay if this many staff are there, I mean this is the AUM, then roughly these many customers would be the customer base. So, to service that we at least require certain number of people. So based on that calculation we have the staffing which has been finalized.

Questioner: And in case of disbursements, so the branch the person sitting at branch, he'll scan the documents and send it to the system whether there is a centralized team?

Management: No, so the branch sanctioning is there, branch is people who have fairly been in the system and good would be having up to INR35 lakhs sanction power. Okay. And beyond that it comes to the zone. Then beyond the zone it comes to the head office. So right now, if you look at it about 75% of the sanctions are happening at the branch level only. Around 23% would be happening at the 23%-24% at the zonal office and just barely about 1% or 2% in the head office. And just to ensure I mean there is nothing that goes wrong at the branch level. So, do you have any business rule engine?

Management: Obviously we have our system. Obviously, we have our system.

Questioner: And if there's a deviation only then it goes to zone?

Management: No, no. It's also linked to the amount. Sanctioning amount or if it's a case of product. So, there are various combinations where it goes to the zone. Of course, deviations also we have all laid out in the system that accordingly it will have to go to the zone. And as I said we have this CRM, credit review monitoring, which goes through every file all the documents are anyway scanned and uploaded, so they are able to see the documents. They are ensuring that this process whatever deviation matrix whatever business rule engine is there is being followed.

Secondly all the documents are collected, calculations, sanctioning everything is proper. Plus, we also have the audit -- RBI audit department which visits the branches minimum times in a year. Now the branches are done every month because they are large branches, there are some branches which are done quarterly and then there are 50%-60% of the branches which are done once in six months.

- Questioner:** How big is the CRM team?
- Management:** CRM team right now is about I think 14 people.
- Management:** And you also mentioned that now the checks are prepared centrally. So, there is a cut-off time.
- Management:** So, the branch once it completes everything, logs in the disbursement. The disbursement is then scheduled; there is a maker-checker at the branch. Once the checker at the branch clears it and recommends it, it comes to the centralized disbursement department CDD. The CDD also the same day does the verification. So, there are a lot of checks that they do as to whether the beneficiary is correct, whether the stage of construction has reached, whether minimum depending on the product the minimum set of documents have been collected or not because those are also scanned and available.
- They check all those things, the amount is correct, the recommended amount is correct. All those things and then they also have a maker-checker. That is also approved from there. Once it is approved, then it goes to Canara Bank because we have our banking with Canara Bank everywhere. So, all the centralized this thing goes, except through Excel file it is uploaded.
- From Canara Bank the instructions are given and the branch then collects the DD at the local from the local Canara Bank office. So, if today you have a cut-off is 3:00 o'clock, so any disbursement which are punched in and approved by 3:00 o'clock, the DDs will be delivered the same day. If it is after 3:00 o'clock, the DDs will be collected by next day.
- Questioner:** And how long does the CRM team takes to verify the entire thing?
- Management:** CDD as I said the same day they are giving it. Max max you may have some discrepancies where the bank customer name entered or the recommended name entered in the approval is not matching with the name as per the bank statement or the bank account or some name in the discrepancy between the vendor instead of a vendor there. So those kinds of things. Or else some particular file where the recommendation for progress of work has not been uploaded so then that CDD will reject it and say that the stage of construction has is not uploaded. So basically, these are the kind of -- same day it does.
- Questioner:** LOS LMS that we are using?
- Management:** Right now, we have something called Ansia. Ansia earlier was Theme Pro Technologies which is also operating in Cholamandalam Finance, ICICI Home Finance. They are using the same one. But the one we are moving to is Pennant, which is operating at Bajaj and also at LIC Housing Finance, and I think also at Shriram City.
- Questioner:** Pennant Technologies is the body basically. The LOS LMS and ERP would be same in the new?
- Management:** No, so that is a I mean right now we have everything in Pennant only. We have a separate reports package which is Shepherd, is there for reports package.

- Questioner:** Just one question if I look at your average other income seems to be very low as compared to certain other housing finance companies. So, what are the steps that you are taking maybe as a forward thinking in that direction that we start cross-selling insurance a lot more?
- Management:** We do have insurance, but we don't compel the customer to take insurance. You know, there is no it is not mandatory, we don't give those kinds of targets to our boys also that you have to do it. We don't have like in some of the other companies that if the insurance is not tagged along then the case will not be sanctioned. We don't do bundling of products. We don't have any of those so in terms of that transparency with the customer, we are very very clear. So, our attachment ratio is below 50%. In fact, it is 42% is the attachment ratio of insurance.
- So, on the one side yes, our non-interest income is less, but in fact for a housing finance company there are very few avenues, insurance is the only other thing. Now we also there also limitedly we only do life insurance which is not mandatory. Only property insurance is mandatory, which is a very very small amount. Okay. Life insurance is not mandatory, it is only 42% attachment as of now, and we don't do compulsory critical illness, health insurance and medical verify checking, health checkups, all those things we don't sell much.
- Questioner:** So, what would be the processing fee that you charge for salaried and self-employed or for LAP cases?
- Management:** Our processing fee is around INR7,500 to INR12,500 more or less for salaried segment, for a self-employed it's up to INR2,500 more than this. So basically, a processing fee frankly speaking is not an income source for us. It is only basically reimbursement of the expense. We have about INR6,000 we have to pay to the to the advocate and valuer. Then there are some fees we have to pay for the CIBIL, the CERSAI and all those kinds of things. So basically, it is all those things only.
- And about INR100 is the per file processing fee for this verification and all those kinds of things. So, I would say the INR7,500 that we are doing actually is just about in fact in fact INR7,700 is the actual cost to us. That INR7,500 we are actually out of pocket. But that's hardly not a very major thing. So, in terms so if you look at our insurance policy, if you look at our processing fee policy, I think we are absolutely customer friendly in that sense. And there is no...
- Questioner:** I mean is there a plan to kind of increase this?
- Management:** I don't think so because if you today look at what is the stance of RBI on these matters, I think it is exploring our strategy to be absolutely correct.
- Questioner:** And how are the incentives to the employees given? Is it based on sales target or collections also happen?
- Management:** We have an incentive program for the staff up to the level of chief manager, that is below the level of Chief Manager, where we have these parameterized things where almost I would say 40% is for sales, 40% is for collections, and 20% is for audit, back office, customer grievance and all those things. For the grade above chief manager and above, it is purely stock options.

Questioner: We just doing we did some back of the envelope calculations for your guidance for this year. So, you're guiding for lower NIMs this year, slightly lower NIMs and spreads, INR40 crores additional in terms of opex. Okay. So, net-net what I end up with is about 14% AUM growth and probably no EPS growth. So, I mean does that match with your...?

Management: There will be a little impact on our ROA this year. It'll from about 2.5 something we have done we have said 2.2 to 2.4 will be our ROA this year.

Questioner: Okay. Got that. And debt to equity has come down, maybe because we are not even growing, but what is the comfortable debt to equity?

Management: See, up to seven and a half times I think we are absolutely okay because I think rating agencies up to eight times are fine for a triple-A rating. Beyond that I think they will have a little bit of discomfort and may may impact our rating. So I think seven and a half times is something up to which we can comfortably go and before we even start thinking of any equity infusion in future or anything.

Questioner: I have a few. So, you've started this APF project way back in 2023. So how has?

Management: Not in 23, 20 after we started the marketing sales team, after June 24 only we have started.

Questioner: So how am I mean what's the difference between EDF emerging developer financing and this APF project financing in the corporate sector?

Management: We don't do developer finance. Okay. So, when I say APF, it is purely that we do the legal and credit of the project. Once it is approved, so when a customer comes from the project, we only have to look at the customer's credentials and we can sanction the loan. Legal and technical is already done.

Questioner: Okay. So today it's around 300 approved projects?

Management: About 300 projects are there.

Questioner: And how has it moved since the time you started it?

Management: See, last year only practically we started it. So, while we had the sales team, the APF we had to obviously train our people, we had to put the policy in place, we had to get it approved from the board, I mean internally and all we had to get the approvals for how we are going to do it, what is the SOP and all.

So basically, last year we started it. Last year from zero we were able to bring it up to 271 approved projects by March 26. So, in 12 months we were able to almost take it to 270. This year in Q1 we have done about 25 plus, so I think we would be 300 plus by end of this quarter.

Questioner: And what is this emerging developer's segment, what ticket size?

Management: We don't have any developer finance. We don't have it. I think some other companies would be having it, we don't have any.

- Questioner:** So just for on the LTV, so what is the LTV that you give for the customer?
- Management:** See, up to 80% is what we branches have the sanction power and but this is on the documented portion of the. Now what happens is we have one is the purchase case where it is a complete purchase from the developer or a ready purchase from a developer or a ready constructed property. So there up to 80% would be there. But then we have a large component of customers where it is a construction only where the land is already available with them.
- So, there we give only up to 80% or something of the property or subject to 80% of the construction value. So, what happens is this land comes in as a collateral so effectively that brings down our overall LTV. The third thing is in LAP what we are doing, it is further down, we don't go beyond 60%. So technically on the entire blended book if you look at it, it is below 70%, it is around 65%, 66%, 67% would be our LTV.
- Questioner:** And the FOIR would be 50% that you prefer?
- Management:** No, we do consider for higher also, but that is at a higher level. So, if it is done by a for a larger income segment and zonal offices have up to up to 60% also. But branch-wise it is 40%.
- Questioner:** Okay. Branch has only 40% and still they are able to do 75% cases I mean. Yes. Okay. Can you give me an idea like how many logins are done and how many move to sanctions and how many move to disbursements?
- Management:** See, today that data I cannot share too much I cannot share much because 80% of our business comes in the DSAs and most of the DSAs are well trained and been with us. So, what happens is whatever they are bringing is already screened and everything. So, when they bring the case, 98% 99% it gets sanctioned because they know what will be what will get done at Can Fin, what will not be possible. So, I don't, I mean, I cannot actually tell you what is the kind of the funnel that is happening.
- But I can definitely say that for the limited amount of cases where we are getting leads from the from the from the market or from this, there we have about I would say about 20% -- a lot of a lot of cases are not doable because they are not coming into our norms or they are a lot of inquiries that come on the net which come on the portal and all those things, they are for loans.
- When we look at it, it is also sometimes for personal loan, for vehicle loan and all they just look at loan and then they apply. So, if I remove all those kinds of undesirable or things which are not available in our thing, then I would say roughly about 60% to 70 60%-65% would be doable.
- Questioner:** ALM if we look at the data today, it's improved quite significantly over last five years. But even in one year, less than one year bucket ALM seems to be a little negative for the data we refer to, maybe this numbers ALM is negative. So earlier until FY23 we saw it up to five-year bucket. So how do we see this? I mean, I think RBI allows up to minus 10% until one year, but about how I mean, how do we read these numbers whether this will improve because there is a trend for improvement.

- Management:** For us there are no mismatches breaching the 10%. We can share this number. I have these numbers.
- Questioner:** It's from the annual report. I'll share this sheet with you.
- Management:** See, we have anyway, that's. We have about 8% is anyway our short-term this thing. But the comfort is till last year, we were not considering our prepayment into our ALM. This is in fact one suggestion which NHB has given to us that why are you not factoring in the prepayments? Because as you know this has been one major factor and we have prepayments coming in. We are only going by the today if I look at -- we are doing about INR900 crores plus kind of a disbursement every month.
- INR800 crores to INR850 crores are the collections that is coming in every month to us. And that includes the prepayments and this early part prepayments and BTOs and all those things which we were not factoring into our ALM. So now when we look at it, I think definitely it will.
- Management:** I will share the ALM returns which we have filed because that is from the annual report it is the maturity bucketing of.
- Management:** Yes, because we had our NHB inspection somewhere in September-October '25 and that is when they also commented that why you are not considering. So, two things we were not considering. One is this prepayment which is there and second is deposit also they said we are not considering that also. So that deposit anyway is a very small component for us, doesn't move the needle much. But in terms of this, there will be a good impact and that I think they from December '25 onwards the returns that we are filing, we have started incorporating that because that was one of..
- Management:** The behavioural aspects of it also.
- Questioner:** Which numbers should I look at? The one which you give out in the presentation or the one that comes out in the annual report?
- Management:** So, as I said, the annual report up to March '25 is was based on that. This year the annual report will also reflect the behavioral aspect. Yes, because as I said around September or October we had our inspection, they pointed out this point. So, I think from the return from December '25 onwards when we are when filing with NHB and this thing on the Cramis portal, we are filing with the assumption of or the actual assumption of the last 12 months what has been experienced prepayments, that percentage we are considering and we are factoring it into our repayment.
- Questioner:** And what is the risk weightage on CRE? So CRE basically I think in one of the calls you mentioned that this is basically a third house.
- Management:** Yes, more than two if it is there, it becomes.
- Management:** So, we are treating it as non-housing loan and 100%.

Questioner:

Yes, I think I have few more, maybe I can connect with you which are based on modeling. Those kinds of questions. But I think Yes, broadly we've covered all of it. Yes. Thank you so much for your time, really appreciate it.

Management:

Thank you. Thank you so much for taking time out and coming all the way here and I'm sure you will have this thing at the branch also as you plan for next one hour. I think we've already kind of overshoot. But that's okay, we can the branch and then we can definitely talk.