



“Can Fin Homes Limited

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Management: Latest from the transparency point of view, Yes, it is much better because everybody knows what is discussed, earlier or wherever. Yes, many times the questions are also repeated, so in a way, they -- you get an answer to whatever has been asked. And in fact, many times we have -- already used to see that, you know, some of the people would ask us, okay, anything that we have not asked, if somebody else has asked? So in a way, this is what it is. You can see if anybody has asked a question, it will be here in the transcript and you can go through it.

Questioner: [Inaudible 0:00:33]

Management: Sorry, after -- it's almost -- the testing is going on. In fact, unit testing and everything is done also. Functional testing is right now going through, and migration also simultaneously. We -- because, you know, that was a more appropriate thing to do, a March kind of a migration. So March data also, migration is going on. This quarter at least, we will go with the -- we've identified pilot branches also. The training also has been initiated. So pilot branches will happen in June. Immediately after that, or we'll see whether to do it in one shot or in two shots, but.

Questioner: [Inaudible 0:01:08]

Management: When we do it for everybody, there will be a little, I believe -- because in terms of the logic, in terms of products, we've not introduced any new product, we've not introduced any new scheme, we've not introduced any new, you know, process change, except for of course the UI/UX will be the major one which will be changing.

So UI/UX adjustment, I don't think will take much time. So we have anyway, you know, in this quarter if you look at it, you know, we've considered a 2,500 crores as the target that we are giving for disbursement for this quarter. Keeping in mind that there will be some, you know, training, some impact of all those things. Last quarter we had initially thought, but when we decided to push it back, we therefore increased the disbursement also accordingly, proportionately. So this quarter also, if, you know, we have considered a little 200 crores to 300 crores lower disbursement, considering that there will be an impact.

Questioner: [Inaudible 0:02:06]

Management: It will -- no, no. This we have considered only six branches. And I think overall it will be, you know, we'll ensure that 13,000 crores is something which will definitely not be a problem. Anyway, the first half is the slightly slower half. So.

Questioner: [Inaudible 0:02:26]

Management: So you would have seen our presentation. In fact, we've been always talking about, you know, the rate benefit that we've been passing on, whether it will be impacted. So that's what now we have given that additional slide where we have clarified that clearly, you know, even after giving the impact of all the 50 basis points that we've passed on, after taking into impact the conversion

from annual to quarterly, the final spread also will be around 2.8 after everything, the beginning of the year.

So that way, in fact, it can only, you know, there's no -- it's like, you know, the scope of it going below this is not there. We may still try to see if there can be some improvement.

Questioner: [Inaudible 0:03:12]

Management: No, not really. Because today also we are getting around 7 and below in terms of bank term loans. Q4 actually we had a slight increase in the rates, NCD rates and the CP rates, but Q1 again it went down and we picked up 500 crores at 6.35, right? 6.45. 6.45 we picked up a CP, which was going at around 7 plus in the Q4.

So, you know, whenever there's an opportunity, we take it up. Otherwise, we have, you know, unutilized sanctions, bank term loan sanctions, which are at 7 and below. So the cost also, if you see the incremental cost in Q1 also will not be more than 7%. In fact, our on-book is 9.8 and our incremental is also 9.8. So in terms of the transparency to the customer, there is no differentiation between an existing customer and a new customer.

So whatever normally is the concern in the industry or of the regulator that, you know, existing customers get a different rate and new customers get a lower rate, existing customers don't get the benefit of, you know, these rate cuts and all, That is not there in our case. We've been absolutely transparent and uniform policy for both.

Questioner: [Inaudible 0:04:30]

Management: Yes, 7. 6.99, Yes. And we are getting at -- like for example -- Yes, so we will actually be raising at below 7 during the quarter. We in fact have, you know, raised CP as I mentioned to you. NHB sanctions will be at -- if at all we do it, it will be this. Bank term loans are the highest cost is 7 today for us. We are not drawing anything which is more than 7.

So CP, bank, and NHB if at all, will all be below 7. The only thing that will be if we go for an NCD raise during the year, then it may be at around 7.35, 7.4 if we go for a three to five to year NCD. But that as of now we don't have a plan. We might as well continue with this. And in fact.

Questioner: [Inaudible 0:05:18]

Management: No, that we had said we will draw it in Q4. So 1,500 crores we had received last year's sanction. We had taken a drawal of 500 crores in Q3, 1,000 crores we drew in Q4. And that is why we did not have to go and raise NCD or higher cost CPs or anything in Q4, and we could do with the 1,000 crores NHB sanction.

Questioner: [Inaudible 0:05:45]

Management: See that is, you know, tranche-wise. As and when we do -- we have withdrawn the money, at that time based on that, the resets will happen. So there is some small portion of NHB funds where we still have to get some, you know, rate benefit.

Questioner: [Inaudible 0:06:03]

Management: I don't expect. At least for the next two quarters, this 7% borrowing cost should sustain. If at all something happens and there is a spike, that's a different issue.

Questioner: [Inaudible 0:06:16]

Management: See, we had sent around 1.8 lakh customers were pending in annual reset. About 1.2 lakh odd have already come and some more have subsequently survived. So right now there are, you know, very few customers who are in -- less than about 40,000 customers who are in annual reset. Many of them have opted not to move, because that's why we did not shift them. And some of them, they may come over a period of time. We try to contact them, they have not responded or anything. So basically, you know, we don't know when it will happen.

Questioner: [Inaudible 0:06:52]

Management: Automatically anyway it will happen. So the last rate cut was in December, so maybe by December maybe some as and when those are there will -- may get. But a majority of them have already got the full thing in.

Questioner: [Inaudible 0:07:08]

Management: We've guided for 15 basis points, but I don't think it will be there primarily. Recoveries are happening now. In fact, our, you know, last fifty quarters if I look at our flow also, it has been lower. Our -- quite less. So that way, and our delinquency also has been coming down, and I still see some scope for further reduction in our delinquency pool. Credit costs I don't expect, and anyway you would have seen that, you know, Q4 also our actual PCR has gone up.

Questioner: [Inaudible 0:07:56]

Management: We have been increasing it. We have been a little conservative, yes. In our assumptions, we have been conservative. We would like to be conservative, but I don't know how long we'll be able to frankly maintain it because we'll have to bring it back. At least the management overlay now we -- I mean, going forward it will be very difficult to maintain a management overlay. But we'll see.

Questioner: [Inaudible 0:08:34]

Management: Q4 was slightly better because if you recollect in Q3 we had indicated that our analysis showed that 80% of our BT outs and this thing was happening in the annual reset portfolio. And that was probably because we only failed to communicate to our customers. So in Q4 we did that. In January itself we sent across communication to all our customers, got in touch and all. And then so basically, you know, in Q4 you would see that normally while everywhere the prepayments goes up in Q4, for us in fact it was almost kind of flat.

1691 in Q3 run down, which was only 1730 in Q4. So we didn't see much of an impact. So going forward I hope that, you know, now with all the customers, you know, reducing their rates coming down and moving to quarterly reset, I think now it should slightly be better. Because we

also analysed frankly, you know, more than 50% of our customers are actually having a rate which is lower than what was sanctioned to them. So I mean, that clearly shows.

Questioner: [Inaudible 0:09:47]

Management: As I mentioned, LIC is one which normally, you know, does because they offer very attractive rates. But we try to educate the customer, Okay, see this is a quarterly rate. They will increase it after a quarter. You know, that's what we have observed, that's what we hear from them -- that's what they do. Whereas in our case it is not like that. We give a -- whatever rate we give, it is a standard rate unless the customer's rating changes. Like for example, if there's a check bounce, if the CIBIL score goes down, or if there are, you know, some delays in payment, customer -- all those cases, then the rating of the customer will change, then only the customer's rate will change.

Otherwise, they will maintain the same rate. So in our case, even if we are offering INR0.10, INR0.20 more than the -- what LIC or somebody is offering, that rate will -- remains the same for the customer unless the customer's quality deteriorates. Whereas other cases it is like after one quarter it will change to the card rate and then, you know, customers get stuck. So we try to educate, let's see.

Questioner: [Inaudible 0:10:58]

Management: Yes. We've made it very clear when the, you know, 25 bps could translate to 10 bps for us. Okay? Same way we will probably say that if 25 bps goes up, maybe we'll increase by 12 now because what has happened earlier it was only 40% of our loans were linked to repo and T-bill. Now our percentage of, you know, bank linked term -- this thing, borrowing, has slightly gone up. So maybe to that -- so our thing is very clear. Whatever is the increase, equivalent whatever impact we will experience, we will pass on to the customer. We'll be very transparent.

Questioner: So that is what you also not necessarily only on customer rating change. But if interest rates go up?

Management: It's a floating rate trend. So obviously floating if it is floating, then whenever the thing goes up, repo rate goes up or whenever the borrowing costs go up, we will have our.

Questioner: Which for others you are saying is more arbitrary also. I mean, without anything they change.

Questioner: If you have your card rate and book rate same, for other people it's different, which is why they keep changing.

Management: That is true. And I think that is something which even the regulator has been talking about very strongly.

Questioner: [Inaudible 0:12:13] BT outs, I think there was that relation that you also keep mentioning, right? When the rates are getting cut, people are trying to attract the business more and once the rate cuts are like to the door, then it eases out. So are you seeing that easing out now?

Management:

See, as I said Q4 has been lower. Normally Q4 -- if you see our, you know, this table also, normally Q4 it goes up, right? But in this year in fact our Q4 rates have not gone up much. Last, Q4 FY25 it went up to -- it crossed 4% for the first time. Q4 FY25 again it was a spike from 3.59 to 3.74. But Q4 FY26 it was 4.26, it has continued at 4.24. So that has not happened, that spike which normally comes in Q4. Because that is the quarter where everybody is aggressive. And a lot of BT outs happen and instead of new housing, it is more of BTs which actually push the disbursement.

So in our case this quarter we've not seen. And as I said, our data also showed that, you know, our 80% -- while our 50% portfolio was linked to annual reset, among the prepayments, 80% was from annual reset customers. Because the customers had not got the benefit, so there was a kind of a, you know, concern from the customer's point of view. Now that we have passed on and 85% have moved to quarterly reset, that at least they have seen that they have got the benefit and in Q4 they actually saw the benefit, so.

Questioner:

Do you, if theoretically on a construct believe that an HFC client base is like 18%, 20% now just because -- this is a larger picture question, because this is just too good a number right?

Management:

I don't see a reason why not. See there is a bit of a -- this thing on the newer HFCs what happens is it takes time for the rating to come and once their rating improves the gearing possibility or opportunity for gearing, improving the gearing also you could say. And roughly, if you see almost all of everybody is working on a NIM of around 3.5 plus. Almost everybody is working on 3.5.

So, if you manage your credit costs and your opex, then I think where people go wrong is on the opex side. The opex is where it is very high. And that is where usually people end up with a lower ROA and then coupled with gearing, it becomes a lower basic. But if you are able to manage your OPEX, credit cost by and large, everybody is in the 10 bps to 25 bps.

Questioner:

And what exactly is the pitfall of this opex, where can somebody end up over investing? Because I think you are also changing things to DSA, DSA say you want to bring it all in-house, so that actually is more inflationary on the opex, right?

Management:

No, why do you say that? Because when it comes to, frankly speaking, if you look at the DSA payouts, it is about 50 bps that we are paying. So, today my team is doing on an average about 1 crore disbursement per month per staff, the sales team. So, ideally, I would have paid about 50,000 to the DSAs as a commission for that kind of a one growth business. But as against that, today, I am having a cost of about 38,000 to 40,000, which is the staff salary cost.

So, I mean, if we are able to improve that kind of productivity and maintain or improve the productivity, then I think it is beneficial only. The cost will be lower than what we would have otherwise paid as a DSA payout, not to mention the fact that we will be able to manage the prepayments in BT outs, because it will be a little more sticky portfolio.

Questioner:

[Inaudible 0:16:23]

Management: No, no, industry depends on the DSA type, like we still have DSAs, we call them DSAs, but basically they are connectors. So, we are paying 0.4% -- 0.4%, 0.5% percent to 0.7%. Whereas industry, if you look at the, you know, any of the bigger corporate DSAs, they all are charging 1, 1.25, 1.5, depending on the product.

Questioner: [Inaudible 0:16:49]

Management: Right now 80%.

Questioner: And that you plan to bring it down?

Management: Yes. We will bring it down.

Questioner: 80?

Management: 80.

Questioner: [Inaudible 0:17:00]

Management: No. At least not our portfolio, even April, Normally, we are not saying that.

Questioner: But what is your view that can have an issue? Like, are you already gearing up to it? Are there certain industries, maybe in somewhere Gujarat, where you think there can be an issue? And will be due to discover anything?

Management: No, we have not, we are monitoring it, but we have not seen any stress whereby we need to be concerned about. I have heard that, you know, as I was mentioning a little while back that, you know, some of the other people, you know, CEOs, other colleagues in the industry, they have been talking about some stress in the small ticket market. But we have consciously moved out of that slightly. Our ticket sales are now more than the 25 to 30 segment. And our less than 10 and 10 to 20 also have been coming down. So, I do not see, at least as of now, at least there is no much pressure. If it sustains or anything continues, that is a different issue, we will have to see. But at least as of the moment, there is no.

Questioner: You do not see any disbursements also, like the re-calibrated geographies. [Inaudible 0:18:18]

Management: Now, in fact, incrementally, it is about 45% to 70%. At the book level, it is around, you know, it is about 30% to 31%.

Questioner: But there is also no stress, there will be like restaurant owners or something?

Management: Because, see, we do not have a product, which is, I mean, there is a tool, we call it a NIP product, but that is just about less than 2%. So, 98% of our customers are those who have a documented income group. Either it will be IT returns, so even self-employed, SEMP, we are talking about, they are filing returns.

So, it is not the surrogate income group, assessed income group, those who are doing a multiplier or a bank balance, average bank balance NIP product, all those things we do not have.

Questioner: [Inaudible 0:19:06]

Management: True, as I said, it is.

Questioner: Somewhere like Morbi?

Management: We do not have in Morbi.

Questioner: You do not have?

Management: We do not have in Morbi. Surat portfolio is very small. Tirupur is there, but Tirupur again, we have not, again, it is not that big also. So, what other, I mean, what I have been hearing.

Questioner: [Inaudible 0:19:28]

Management: Today, I mean, our Tamil Nadu portfolio on a 7000 crores book is having around 18 crores NPA, total Tamil Nadu. That is about a 0.25. No, these are the small MSMEs are there, all the same. They have a big export, and mainly for all those, you know, Vizarean.

Questioner: [Inaudible 0:20:20]

Management: I guess there are two components to the GVTO. One, of course, is the rate of interest, which is what is mentioned, Manav mentioned, that is correct. That now that there are no further rate cuts, you know, there will be some stability. Maybe, you know, an X would have become X plus Y in terms of people's, you know, BT out ratios, but now the X plus Y will remain constant because now there are no further rate cuts. That is one point to it.

The second point to it is, you know, what is the aggression that people are showing? And off late, you know, I mean, this has been an area that people have been talking about growth rates, which are unreasonable. To be very frank, when the affordable segment itself is growing in the single digit numbers, and it has been coming down consistently over many quarters, you know, you still have players operating in that segment talking about 20% growth. Obviously, it is a little difficult to believe or rather it is not sustainable. That is the point. So, if they still have to continue achieving those numbers, I believe they will resort more to BT outs.

Of course, it does not affect us because they will still be doing more assisted income. They will not obviously be able to pick up a nine and a half or a 10% and a 10.5% rate loan, but within the group, there will be prepayments will be there.

Questioner: But on this second part, the growth rate was low for the industry. It has already been coming down. All players, all housing finance players across different customer cohorts, prime, sub-prime, we have seen a moderation everywhere in the last five, six quarters. How much of it was regulatory? How much was it macro? And are things changing? Should we expect a pickup in housing as a whole because that segment has been negative over two years?

Management: See, there has been a regulatory push definitely in terms of the regulatory push. The NHB has been a little tough on and has been looking into quite a few new aspects also in terms of the regulation. And therefore, like for example, check handover, so that impacted growth because

earlier it was more on check being prepared and handed over after some time. That was stopped. So, a lot of players got affected because of that. Then there are also ELR audits happening. So, that is also there. There was also something on, you know, classification of loans as housing, non-housing. That was also looked into.

Then this DVC criteria was there. So, if you look at the last one and a half years, you know that definitely there has been a lot of additional regulatory tightening that has impacted the industry, but insurance mis-selling. So, these are some of the areas where the regulator has become more active and aggressive in terms of regulation.

That has also impacted. But overall, if you see, I have been, I mean, I have always been saying that, you know, ever since PMAY stopped in 2021, that inertia continued for a little while. But after that, definitely the impact in terms of the affordable segment was going to happen.

And this I have been saying for the last almost one and a half years left or rather around the time I have come that, you know, after the CLSSs, definitely there is going to be a slowdown in affordable segment, which is what is happening now. PMAY slightly, there is a little improvement, not much, but it is slight improvement is there because, you know, some of the guidelines have been relaxed. And now even the regulator has started doing some marketing and permission was PMAY.

So, hopefully if that improves it will slightly support growth a little bit, but still it is not, you know, happening to the levels that were happening in CLSS 1. Still much lower than that.

Questioner:

[Inaudible 0:24:37]

Management:

No, so there are, there is a change in the PMAY 2 guidelines as compared to PMAY 1. Like for example, it was 2.67 was a max benefit. Now it has been reduced to 1.8 lakhs. Earlier it was upfront full payout was there. Now it is staggered over five years. So, basically in a year, the customer gets about INR30,000, INR35,000 only as a benefit, which is equal to about one or one and a half EMI. So, it is not a major benefit where people can look at it.

Three, in five years, if you shift the loan, then you lose the benefit. If you default, you lose the benefit. So, basically, you know, what has happened? Some of the small areas where people were benefiting in CLSS 1, the government has stipend and tariffed. That is point number one. Point number two, yes, the procedure has been increased considerably. So, in terms of the process requirement, there is an app.

You have to go and do the visit and upload the photographs on that app. There are approximately about, you know, 140 odd things that you have to capture in terms of, you know, additional data points. Not of course many of them were there in the application form and all, but then there are about 140 data points which have to be captured. So the data entry and the process has also been -- has increased. So there is an operational issue also as well as there is a, you know, product issue also where CLSS 1 and PMAY are completely different. There's a lot of change in that. Product issue also and operational hurdles also, both things are there.

Questioner:

[Inaudible 0:26:19]

Management:

Yes. Because see last time, I mean, just to give a -- last time in CLSS 1, you know, certain states were very aggressive, like you had Gujarat, you had Maharashtra, you had Tamil Nadu. They -- the state governments also took a lot of initiative. But by the end of CLSS 1 itself, like for example in Gujarat also if I have to -- if you ask me, you know, there were -- government was coming out with construction, but there were few takers because eligibility -- most of the people had already availed the benefit and, you know, it has to be a first-time home buyer.

It's basically for a first-time home buyer. So therefore the states like Gujarat, the states where the housing is doing really well, there, you know, already the gap has reduced considerably. So unless, you know, the states like, you know, Odisha or West Bengal or a UP or an all of them do -- take up the thing, PMAY 2 if it has to be successful, then these are the states where the gap is still there. They have to do much more. West Bengal, Odisha, Bihar, UP. And yes, the government is doing -- I mean, the regulator also, I mean, like for example a week or so back I was -- a few HFCs and NHB had organized a meeting with the Odisha government.

Before that, some time back it was there in the UP, they had done something. Before that they had done in Assam. So obviously the regulator and I mean, NHB also because it's a primary, you know, institution, they are also trying to talk to the governments and improve the supply side of it for PMAY to be more successful. But let's see, the states also have to contribute. They also have to come in with the guidelines.

Questioner:

[Inaudible 0:28:02]

Management:

There is a, you know, these states definitely that I mentioned, there is a definite, you know, demand side there is no problem because there are, you know, a lot of first-time home buyers and the gap between the supply and this thing is also quite high. So there is a good opportunity available in these states. But yes, the supply has to come in, the state governments have to do it. Like in the CLSS, the state governments also did a lot, took a lot of initiatives.

You know, the state governments came up with the -- activated their, you know, local government bodies, housing boards, all those kind of things, and construction also happened. And with the incentive also, the private sector also came in. This time in fact, if it -- I believe if it has to happen, then the government only will have to do it because private sector may not find it very lucrative to come with only 30,000 incentive or this thing. There is not much of an incentive for the private sector to come in. The government only will have to come in with the supply if PMAY has to be successful. And efforts are going on for that.

Questioner:

[Inaudible 0:29:07]

Management:

In Gujarat, Maharashtra, and Tamil Nadu you're talking about?

Questioner:

Gujarat, Tamil Nadu, Maharashtra, MP.

Management:

I mean, at least for us it is a little less. So far it is a little less compared to what we were getting.

Questioner:

So it is addressable market I think.

- Management:** I believe yes, the addressable market is now has shrunk because, you know, they have already been provided the housing. And therefore, you know, wherever there's a gap, that is -- those are the states which will now have to, you know, take the advantage of PMAY.
- Questioner:** So for our geographies, like the states. []
- Management:** No, UP we have actually -- we had only 10 branches in the last two, three years, we've opened 12 branches in UP. So we definitely see UP -- we've done, I mean, across but more so in the northern part of UP closer to NCR and all those places we have done more branches there. But we've opened 12 branches in UP. So definitely that is one state we are looking at. Chhattisgarh we are looking at three more branches this year.
- Questioner:** [Inaudible 0:30:12]
- Management:** Chhattisgarh is a very small market for us. We have only.
- Questioner:** For the industry?
- Management:** For the industry also it is there, but then there is a scope there. There's a scope there, but more than that, I think the bigger markets would be I think, you know, West Bengal, UP, and Bihar and Odisha. These states can do well.
- Questioner:** So there you would have to incrementally open if you see a traction?
- Management:** Yes. As I said, among all these four states, we chose first as UP.
- Questioner:** In general, those markets are wholly owned?
- Management:** UP not so much, UP there are quite a few things, but the other three states, yes, I guess there are less housing finance branches out there.
- Questioner:** So your own distribution can take a lead there. I mean, does it have to be an HFC or can other institutions also?
- Management:** If you're talking about a bank, I don't think a bank will do affordable. I don't think any bank has successfully done affordable housing. It's only the HFC industry, you know, which is interested. Okay? Last mile connectivity will happen with an HFC or an NBFC only. Banks I think are more either by the kind of regulation with the kind of RBI guidelines and everything. I think banks will be more keen or will be more -- I mean, the formal sector will be more suitable for banks. And last mile connectivity will be only through HFCs.
- Questioner:** You have allied state government but we have had in the success states also. It has not always been allied with state incentive house right? AP was a success story, Tamil Nadu was a success story.
- Management:** See, the CLSS 1 there was a lot of private sector also which came in because 2.67 lakh was upfront available. Okay? So of course, therefore there was a, you know, it was very lucrative.

The government for that segment, you know, the sale would happen fast because they would get it immediately the money would come, the benefit, lower LTVs, everything.

Questioner: Without central government introducing a lucrative scheme, can there be state-specific schemes which makes it very lucrative?

Management: It is also a factor of the, you know, the state has to, yes, definitely. The state governments also otherwise have given a very conducive environment today. Documentation for one is one thing. Let us say, you look at all the five states, top five states, Maharashtra, Karnataka, Tamil Nadu, Gujarat, and Telangana, and NCR Delhi.

All these places, plus Rajasthan and all, documentation is absolutely clear. When you move to the East, yes, documentation also there are issues. So the state can definitely play a big role in those kind of issues also. Clarifying in terms of the stamp duty, getting the digitization of records, getting the, you know, proper RERA implementation. So those things can definitely help.

Questioner: Sir, you might have covered, if you break your assets into different kind of rate regimes, how would it look like? The early repo link, something linked to your.

Management: In terms of our asset side?

Questioner: Yes.

Management: In terms of asset side, we don't have any repo linked. We are not required.

Questioner: How would it require to be actually moved?

Management: We don't have the, you know, external benchmark link pricing applicable for housing finance companies. We have our own something which we call as a benchmark rate. We call it as the benchmark rate.

Questioner: Would there be discount though?

Management: So both ways. It is both ways. So 7.75 plus CIBIL score plus, you know, some this thing, we have a lower than that benchmark rate also. Our current benchmark rate is around I think is 9.1. Okay? So what we do is it's a -- we have a proper interest rate policy which has all the elements of, you know, cost of borrowing, our cost of capital, opex, plus credit premium, credit CRP, credit risk premium, and then we apply the BSP, that is the strategy premium over and above this depending on when and where we want to push in.

But otherwise it is very, very clear. So according to it, you know, our CRP has not changed much because, you know, our -- it has been a very stable credit cost and our stable performance in terms of our delinquency and this thing. In terms of our opex also it has been very much under control, so that is also not much of a lever which changes it. Maximum thing that changes it is our cost of borrowing. And cost of borrowing, as I said, we have about 40% earlier was our portfolio on our borrowing side or on our liability side which was linked to repo or T-bill.

So effectively a 25 bps repo rate cut would translate to a 10 bps reduction and we have transparently 125 basis points reduction in repo has happened, we have passed on 50 basis points to our customers. Going forward, again if there's a say 25 bps reduction, probably we will again be in a position to pass on, maybe with a one or two-month gap lag, we may be able to pass on about 10 to 12 bps to our customers. Flip side, if the today our, you know, this goes up by 25 bps, again 10 to 12 bps we may be able to increase on our -- we will have to increase on our asset side on the entire book to ensure that, you know, this entire thing gets covered.

Questioner: So this 9.1 is has been stable or it has moved with the benchmark?

Management: So we were 9.6% before the rate cut cycle started.

Questioner: Before 125, you were 9.6?

Management: It was 9.6%. That's what we have given if you see our table also, we have given on page 37. February '25 was the first time we did a rate cut of 10 basis points. So it was 9.6, so it became 9.5. Thereafter we did one in July. So therefore it was Q1 also it was 9.5% only, but in July we reduced so therefore another 15 basis points, it became 9.35. Thereafter in December we gave another 10 basis points, it became 9.25. Then January we gave another 15 basis points, January '26, so it has become 9.10. That movement also we have captured in that slide.

Questioner: And what is your reset period for existing loans?

Management: It's quarterly. Now it's quarterly. I mean, there is some -- less than 15% portfolio which still on annual reset, but otherwise everything is quarterly.

Questioner: So fresh loans are all quarterly?

Management: Fresh loans are all quarterly.

Questioner: [Inaudible 0:36:31]

Management: 50 bps.

Questioner: [Inaudible 0:36:43]

Management: 10 basis points, 10 to 12 basis points. Yes, because now what has happened is earlier we had a 40% of our liability side was repo or T-bill linked. Now, you know, we've reduced our CPs, we've reduced our NCDs. So now slightly that 40 has gone up to around 62%, 60%, 61%. Repo or T-bill. We don't have anything linked to MCLR. So therefore it is now 60 basis points. So effectively on the -- now it goes up today, we will have to give.

Questioner: T-bill also has gone up basically, your cost has -- T-bill linked cost would have gone up.

Management: Yes, slightly, yes.

Questioner: [Inaudible 0:37:18]

Management: We took a conscious call to change '23, we did that. '23, '24, we took a -- we had about at that time 40% of our bank borrowings were linked to MCLR, 40% to repo rate and 20% to T-bill. That entire 40% we moved to repo rate at that point in time.

Questioner: How much of this 60 would be private banks?

Management: Private banks, we have quite a few private banks. We have HDFC is there, we have Federal Bank is there, we have South Indian Bank is there. We have.

Questioner: Would you put it about one-third, one-fourth?

Management: About one-third.

Questioner: Who are the parties concerned?

Management: One of the?

Questioner: Parties while they are still there and they are aggressive BT outs, doing business below cost.

Management: I mean, I cannot say, I am sure they will be having their own profits for doing what they do. I do not want to comment.

Questioner: But are there players who are doing specifically on that?

Management: I think some of the pricing, I think is a little irrational, at least at least one or two of them, I believe is a little irrational, I believe.

Questioner: You would know the things but relatively better than before or it still happens?

Management: I guess now it's definitely, you know, a little more people are a little more conscious about their spreads in fact. That thing has definitely maturity has come, no doubt about it.

Questioner: And anything that the regulator is thinking about BT outs? Because that is something they spread every time.

Management: Not BT out per se, but I believe it is more to do with the, you know, they are more concerned with the valuations.

Questioner: LTV?

Management: LTVs.

Questioner: That is the main reason why people have shifted?

Management: Rates also is a function, but Yes, valuations was also a little concern which the regulators have been pointing out.

Questioner: [Inaudible 0:39:32] in the last two three year we saw say lot of LTV, private equity, affordable housing. So a lot of capital came in. What, how has the industry changed? In terms of asset

quality, aggression and are we seeing lesser money coming now because those rates have gone down?

Management:

No, I don't think, you know, there is still a long runway for the housing sector and today also like I'll just give you -- today we were in Odisha last week. Odisha the state government is talk -- is saying that they have a 19% present level of urbanization and they want to by 2036 or 2037 I think they're planning to take it up to 40% urbanization. So that's the state government's, you know, objective or that's the dream they are working on that is the kind of thing they are working on. It may not be 40, it may still be from 19 to 30 also, but that's also quite a big jump.

So I think, you know, state governments are also looking at that thing and -- so therefore there's a good runway for the industry, that's what I'm trying to say. That, you know, you know, there is a good thing. Plus slowly if you look at, you know, UP is another market. So while in the last 10 years I would say Maharashtra, Gujarat, Tamil Nadu and all were large markets, today probably, you know, we will also have other players, other states like UP, Odisha, hopefully West Bengal, they're all also now you will see a lot of coming in.

So runway is definitely there. So I don't think, you know, that PE is coming in is going to slow down or it's going to stop over here. Even now I think it's there. What has happened is, you know, with PEs coming in, yes, there is a little bit more on governance, there is a little more on, you know, at least a little aggression of course no doubt about it, a little more of aggression. And overall it is definitely helping.

Questioner:

Growing into newer markets is the problem, like with MFI what happened is holding only one market you keep following.

Management:

No, that's precisely the point. So if you see now, I mean after long time you see now the regulators also like, you know, they are also having a dual function I would say. Regulator of course I shouldn't say regulator, I should say the NHB. Because regulator is now RBI, I'm sorry. It should be more of -- so NHB basically is now also talking to state governments to see how, you know, they can also bring in more, you know, housing, supply and all. So that's a good sign.

So rather than, you know, that's where the expansion of the market is likely to happen. That's actually a positive thing. And you're right, you know, only the same five states, you know, I also would be a little concerned because I feel, you know, Maharashtra maybe there's a little over-leverage already. So I would also be concerned. But this is a positive thing that, you know, now other states are also slightly realizing and coming in, yes. And NHB is also talking to them. And if it really happens and it will be there. Like I -- last two or three months back we had a meeting in UP where, you know, the state secretary and housing had also come.

They were also talking about, you know, a lot of focus they are giving on reviewing the policy. As I said, the state governments can play a role if, you know, they are looking at the FAR policy, if they are looking at the, you know, policy in terms of how much you can -- what is the, you know, mixed housing policy that they're coming out with, what MP had come out with. They are looking at, you know, how they can, you know, reactivate the housing board and the state

this thing machinery. So, you know, those are the things which can really -- which can increase the supply.

Questioner: 8th pay commission, what is the impact? You see anything, I mean, of course, it is still down the line, but.

Management: Any time it happens, it always helps.

Questioner: Where do you see the money going, like getting allocated? I mean, you would have seen the earlier one, 7th pay commission also. So, what is, in your experience, where does that money get allocated? In the consumer's matter I mean, you buy a house first, then a car, then a.

Management: See, I will tell you, in case of, like, developed states like, you know, Gujarat, Maharashtra, Tamil Nadu and all those things, as I mean, as I said, you know, the housing is something where most of the people have a roof over their head. So, there would be some amount which will go into better housing or more of this thing. Definitely, yes.

The first thing will be buy a better car or. Maybe they would be now more into, you know, consumption link kind of thing or, you know, spending related thing. But when it comes to the other states, definitely, it will help. So, if by that time the state also is ready with a good policy and all, it can really, really give a good push. But there housing is a -- and frankly speaking, you know, you talk to any housing finance company, they'll tell you, they have seen -- you've seen the lives change with a house, you know, the lifestyle changes, the confidence in the family changes, everything changes. So, it's a big, big boost.

Questioner: And how far do you think it is in terms of implementation or.

Management: I do not know.

Questioner: And sir, in your company, sir, what is the development on the ESOP scheme, etcetera?

Management: ESOP we've already implemented.

Questioner: Yes, so what kind of people have gotten ESOP?

Management: So we have a policy that all the senior management that is basically executive level, chief manager and above, that is where we have the ESOPs are there. Right now it's about 70 odd people, top 70 who are.

Questioner: Out of 2,500?

Management: Out of 1,360. Out of 1,360 about 70 odd people are there who are eligible for ESOPs. And the - we have right now earmarked 1% of the equity for that. And obviously we will be doing it every year, the ESOP will be -- the grants will happen every year. And that scheme and everything has already been -- so every year based on that thing, the NRC is the committee which approves it. Every year we'll do it.

So for the first round happened in the month of November 2024 for the executives, then the second round happened, the second grant happened in November 2025. So that has happened and that is now an annual.

Questioner: What prices do they get allocated market rate?

Management: Obviously yes, whenever is the higher of the two stock exchanges, whatever is the -- that is the price hike.

Questioner: So, how much of that guy's renovation gets linked to ESOP?

Management: See, right now, you know, it's a less for our, the price increase has not been much. I don't think, you know, in terms of that, it will be there. But it is more of a ownership. It is more of, you know, ESOPs, how it works. You have to be, you need to have the patience of five, six years to see it grow. And, you know, even if we say it had been, you know, two lakhs as an incentive, vis-a-vis, you know, a stock option equivalent to 50,000, that two lakhs will get spent in a year. But if you hold it for five years, that effectively will be around five lakhs or whatever, how the company grows.

Questioner: It's a different thing.

Management: But at least, you know, in the long term, people will have more ownership. And that's what it is.

Questioner: And, sir, any conversation with Canara Bank, because I think that final circular came, so that the group entity thing.

Management: No, no, that, you see that the January, you know, guidelines which came on, sorry, on December 5th of December, the new RPA guide. There, was a requirement that one, you know, bank sponsored, you know, group entities which are there, which are in housing, they will have to, you know, they will automatically go to an upper layer HFC. So we have become an upper layer. It's a matter of fact that we are at just 42,000 and not 1 lakh. But still, we are upper layer.

Questioner: So we have had to change anything?

Management: There were a couple of changes we had to make. There were basically three changes. One, we had to undergo some changes, make some changes in our policies, which didn't make any impact. But we had to incorporate certain things and change and all. That was one. Second, we had to do was, we had to, you know, especially the -- earlier, the fraud identification committee was headed by the, it'd be headed by the MD, CEO.

But now, because it's an upper layer, it has to be a separate committee with two independent directors minimum has to be there. So that we have formed and that is there. And the third was, you know, this CCO guideline that was there. We were again compliant. So there was no much, not much of an issue that it has to be not more than two levels below the CEO. That was also not a problem.

The fourth one was that the parent bank had to pass a policy that they are okay with two entities and there being an overlap or no overlap between the multiple entities, the same group doing the

same kind of business. So, you know, that impacts ICICI bank. They have a subsidiary group company, Canara Bank, because they have Can Fin and PNB because they have PNB HFL.

So all three, I suppose, have passed their parent bank boards have passed that resolution. And before the deadline expired on 31st of March, we have submitted that thing. Wherein clearly we have said that, you know, we want to continue. And these are the areas how there is, you know, minimal overlap in the business. And accordingly that has been submitted.

Questioner: How do you justify that? You say geographically we are separate, the target customer is separate.

Management: Okay. So the most important thing for us, I think would be, you know, like if it is a bank, the bank, obviously all the housing bank customers are having a bank account with them. In our case today, it was less than 15% of our customers are actually Canara Bank customers. And so irrespective of the ticket size and everything, if you see less than 15% of our customers are also Canara Bank customers. Therefore, the Canara Bank would not even have considered them for that one. Of course, they would have made them open a bank account. That's a different thing - issue. You should not always cross and all those things.

Questioner: They would not have got halted by Canara Bank.

Management: But they would first, you know, they therefore were not approached by Canara Bank. They were only doing so. This is one major, major thing. Second thing is, you know, Canara Bank, most of the business is happening, you know, for their existing customers and very little of new thing is happening because their DSA percentage is very, very less. In our case, it is purely, you know, DSA driven.

Questioner: So, their DSA is very less?

Management: It is less, much less. Internal sourcing is much higher in our case. So, basically the, you know, newer markets, this is where we are doing. The third thing is that, you know, between the two segments, we have a differentiation in terms of, I think their cutoff is around 700, we are doing 650. So, there is a CIBIL cutoff also difference which is there.

Questioner: But nothing very obvious here.

Management: You cannot say today if a customer comes, I mean, it is illogical that, you know, customer, sorry, I cannot do it. You go to my parent bank, even go somewhere else. It will not come to both, you know, I think. So, you cannot actually say that there will be zero overlap. But at least there has to be a clear, some kind of, you know, mechanism.

Questioner: But that whole thing is not settled with RBI. It is not like, you do not expect RBI to come back and say, oh, why this, why that?

Management: No, I do not think so. I do not think so. Otherwise, they would not have come out with this policy. So, the fact that they have come out with the policy.

Questioner: So, the requirement is just give Canara Bank board to, or the parent bank board to just pass a RBI, agreed, this is how.

Management:

And what is the, obviously, whatever I have told you, the same things, I think we also shared with the bank and they also would have put up in their board notes. And that is what their board has taken into consideration. So, I am sure they will monitor every, that, you know, it does not happen tomorrow that today it is less than 15%. Suddenly tomorrow, you know, 15 percent of the customers are Canara Bank customers. Obviously, you know, that will be not in the right spirit.