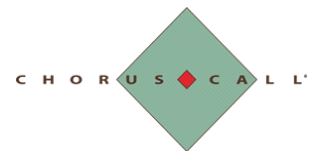




“Can Fin Homes Limited

May 27, 2026



Questioner: The idea for the meeting was that we've known you guys, and we've known this company also in the past. Of late, maybe we have to get a little bit more updated on this point, and we met you very consistently as well. So the point was just to understand, like, you have a rich experience working in a very long-gestation company which has done really well.

What stage you have already reached with respect to changing, improvising the current company's culture, structure, and maybe the path which is going to change to become something what you would want this company to be looking like? So that is one big question.

And definitely, Himanshu has brought up a few pointed questions on your growth and outlook on growth as well as margins and the basic questions. But big picture, we wanted to first understand is that how do you look at this company now? You've spent reasonably many quarters, in fact, more than one and a half years, two years now, right? Three years.

Management: In fact, three years is my second tenure has started.

Questioner: So I think a lot of it has already been in your control with respect to changes you would want to have made. Then where have we reached that milestone basis if you can explain? And what you would want to do further?

Management: Sure. See, in terms of the major things, first, thankfully, the moment I joined, there was a 5-year strategy plan which was due, and therefore and that itself, I put forth the points, which was accepted by the board.

So the 4 pillars or the areas where something was required was one was that geographical expansion or a diversification was required, okay? Because it was very much south-concentrated. And in fact, that very soon hit us also because then we were affected both in Karnataka and Telangana.

So before that itself, thankfully, in May 23 itself, immediately after joining, I pointed out and this was also, I decided that we will eventually want to shift to a more diversified geographical presence and a portfolio presence.

So that now, in fact, we have consciously followed in the last 3 years, we have opened 54 branches, most of them in the north and in the west, so that now almost one-third of the book is coming from these two zones.

And slowly from a 72% kind of a business coming from the incremental business, 72% to 74% coming from the 5 southern states, now it has come down to around 59%. So definitely in terms of the diversification, that has been one area.

The second thing was we wanted to have -- the company was purely a DSA-driven sourcing model was there and there was no own sourcing channel or anything or basically there was no

other channel other than the DSA channel. So that was also another thing which was deliberated and agreed that we want to diversify so that we have our own sales channel.

Now that we started in June 2024 with a small team first and then slowly we have expanded. So this year, that is FY26, this sales team which was just about 80 people, 90 people was the approval, we were at the end of the year 82 people, was about what has -- sourced last year, that is financing sourcing, it is sourced and disbursed INR868 crores, that is almost like something like 8% plus of incremental business has come from the sales team.

And that we are slowly increasing. So this year from over 90 people, we want to take it up to 150 people and for the entire year, that is FY27, we are trying to have almost more than INR1500 kind of crores disbursed by coming from this sales team. So that is another thing was, you know, one was geographical diversification, second was this sourcing team.

Third challenge was that, you know, in terms of rating or in terms of the technology, the company that is Can Fin was far behind what competition was offering and what was available in the market. And many things which industry was having for even more than 5 to 7 years were not available here. So there was a need for a technological upgrade which was very, very necessary.

That also we went to the board, we got the approvals and now we have gone for a complete overhaul of IT, which includes both infra, whether includes all three, infra, security as well as application. So that was a total INR300 crores project, finally the board has approved and we got IBM to do that and we are almost at a fag end of it, where except for LOS, LMS, everything else has been implemented and reports also -- only the report which basically comes with LOS, LMS for which we have a tool for it.

So everything else, I mean, security has been improved, the upgradation has happened, the infrastructure upgradation has happened and the application stack, many of the applications like deposit, our accounting package, I mean, HRMS package, our treasury borrowing and the ELM package, all those things have already been implemented also.

Questioner:

To what extent this tech, tech changes has already implemented and how much is going to...

Management:

Except for LOS, LMS, all those things have happened -- like for example, if you see our presentation, you know, on the functional applications, risk and ELM, treasury, finance and accounting, HRMS, our Aadhaar data vault, document management, DMS and deposits have all been implemented.

On the technical and security side, the cloud setup has been done, we are completely on cloud, then maybe then collaboration, then SOC, NOC, SIEM and all those things, everything has already been implemented. And what is left is the LOS, LMS and the reports which come with it, okay.

So, other than this and that also is at the fag end where, you know, we are expecting to complete it in this first quarter, where we will go live with about 6 pilot branches, okay? So, the entire

thing is the INR300 crores project which was also taken up and has now on the stage of completion.

So, one is on the sourcing model, second was on the technology stack and third is the geographical expansion and of course, there were lot of few low hanging fruit in the sense that, you know, the company was having 83% -- 89% was including CRE was housing and there was very little of non-housing in terms of salary and self-employed, 72%-73% was salary. There was a scope to also improve the yield and therefore, the spend, so that also we have done it. So, basically these are the things which have happened.

In terms of, of course, another thing was that all this thing comes with the fact that, you know, all these have to be implemented, also has to have a proper ring-fencing and ensuring that the company is protected and all. So that would, you know, it was also necessary to strengthen the assurance function, so that also we did in the first year itself. And it was also in fact had to be accelerated because we had a mishap in the first year itself, where we detected a problem within 3 months of my journey.

So, that also we had to, let us say, we put the entire, you know, we have strengthened the assurance functions of the risk, compliance and audit, internal audit and legal and operations, so all those things have also been strengthened and implemented. So, in terms of the journey if you look at it, while there was a mishap in the beginning and we had to slow down and from what we have done it, but then whatever that helped in the sense that we were able to put the critical functions upfront, get it done, technology upgradation almost on the verge of completion, sales team and geographical expansion, which is branch expansion, we have initiated.

So, now what has happened is in this year FY26, out of the INR10,500 crores disbursement that has happened, around INR870 crores has come from the sales team, INR820 odd crores has come from the branches which were opened after I joined, which is after March 2023.

Questioner:

How much after you've joined?

Management:

INR820 crores of business has come from the branches which were opened after I have joined. So, basically last year almost INR1700 crores of business has come from, because of the changes which have happened, which would otherwise would have been a little difficult, it would have -- the old model would have continued.

So, basically one is, we have got it future ready by virtue of the technology stack and the ring-fencing and assurance functions and all those things, we have reinforced all those critical functions and we have got the IT team in place and the sales in place. So, basically we have got it future ready for the next journey, the next leg of the journey.

And now if you look at it today, if I were to see the position of the company, I think in terms of the liability profile, in terms of the yield spread segmentation, in terms of the training, we are ready for everything. And the only I think area where we need to still deliver maybe for one more year to give the confidence is that we need to have one more year of consistent growth. This year, of course, whatever guidance we gave in terms of growth, we said we will do INR10,500 crores, we've achieved that.

Quarter-on-quarter also almost whatever we achieved, we have achieved, we delivered those results also. So, for another 2 to 3 quarters, if we are able to demonstrate and show that it is happening, then I think that will show and clearly prove that whatever changes or whatever we have done is now in and the ball is now rolled in and we can consistently look at it AUM growth on a 15% to 17% consistent basis.

Questioner: On the pre-payment side, what is the trend over there, because it slightly higher than expected before, as you said. So how do see it now?

Management: Yes. So basically, the rate revisions which happened because the repo rate went down and market everywhere the rates went down. So, obviously the gap which we have in terms of our rates compared to what the banks and all have slightly increased. Second thing is we had almost 80% -- 72% actually in the beginning of the year portfolio, which was at an annual reset.

Now, obviously, the annual reset, there will be a lag in the transmission of rates. So, while we have reduced, you know, as and when the repo rates went down, we also kept on reducing the rates and we have actually passed on 50 basis points to our customers. But the annual reset customers will get it only when it comes for a reset.

So, there was a bit of an issue there and we realized that maximum pre-payments were happening in the annual reset portfolio, because customers were not aware that the rates have gone down or they are likely to go down. So, then have taken a corrective position and we accelerated that aggregation annual reset to quarterly reset. We approach the customers, contact them, took their consent and even if required to change a policy, we did that also.

And finally, effective April, almost 85% of our portfolio has moved from annual reset to quarterly reset. So now, even in the future when the rates, say for example, there is a reverse interest rate reversal, the gap between the transmission on our asset side will be much less.

So, the spread will not be -- will be protected. Otherwise, you know, in the past, in 2022-2023 when the rates shot up, at that time the majority of the portfolio was on the annual reset. So therefore when the rates went up, the liabilities side, the costs went up, but on the asset side, it did not. And because of that our overall spread came down from 2.78 to 2.31 at a point in time. From there now we have done the corrective step also, plus slowly we have worked on the spread also. So, now we are back to almost 2.86% .

Questioner: So, now when the experience of...

Management: This year -- because of this year, it was a little higher. But now that we have finally from 1st April converted them, I think, the prepayments is slightly moderate. In fact, in Q4, normally in Q4, it is always higher because at that time every competitor is aggressive and taking over -- takeovers are happening, DSA shift the portfolio. Our portfolio comparatively costs not affected as much in Q4. So, that is there, also the data that we share.

Questioner: Just coming back, I mean, given you journey 3 years back, we have seen a very large dull phase of the growth, 10%, 11%. And you have already identified some of these things, like when I met you one and half years back also, you admitted that the tech was on a weaker front.

Management: Correct.

Questioner: You admitted that there is a heavy reliance on the DSA, which also triggered higher repayments. You need to build on an in-house sales team. But you took a much longer time frame to get all these sorted and implemented. What are the resistance basically you faced and why it took so much longer time?

Management: Just to have to idea.

Questioner: Because you have identified all these things long time?

Management: That is correct. See, one thing is, IT transformation is not something which can overnight happen. There is a process. It is such a large project. You have to be transparent with the whole process. We first came out with our RFP in 2024. Okay. There were only 2 bidders. And those 2 also, there were quite a bit of an issue. And in terms of the price, it was very large RFP where we tried to put in everything.

So, that cost was also coming to be a humongous cost, almost INR500 crores. So, then we said that is not -- let's -- and we had to withdraw that and we had to redo the RFP with us with a slightly lower or a smaller mandate. And then we also got 6 large bidders, IBM, Accenture, KPMG, Deloitte, TCS, and one more was there. So all of them bid for it. And eventually, we were able to finalize on IBM. The project cost was much smaller. It was about INR500 odd or whatever it was. It has come down to INR300 crores including the infra as well as the security and whatever.

So, that we have now implemented. Plus, this whole thing also, evaluation of the vendors, the bids, evaluation of the bids and then giving the contracts, documentation. And then the whole process also, it is almost a 12-month project. So, it has its own. Such large projects and the entire transformation of IT is not something which you can do overnight. There was a 12-month period for which it is there. So that is the reason. And now over a period, we have implemented it also.

The second part as regards the sales team and all, well, there, you know, since one the company has always been on a single kind of a thing, there is a mindset issue also. And people are more comfortable or they are obviously more comfortable with -- there was no sales structure, there was no other thing , because it was all purely dependent on the DSAs. And DSAs obviously come with readymade pakka file where you just become data entry if required or a little bit of checking is required. Whereas everything, the policy is known to them. The go-no-go is known to them. They all bring in the good quality customers and everything. So, your job is much easier.

The moment you say, you have to be on the field, its obviously sales is not a job which anybody and everybody can do. So, there was obviously the mindset issue was also there. Let me admit it. And then second thing is, in terms of an organization which has not had a sales team. There was also a little bit of this thing or concern whether it will be successful or not from the board.

So, we had to first do a pilot. We do it with a small 30 odd people for a year. Show them, demonstrate that, yes, this model can work, productivities are better, and we can still do better

either with a lower cost than DSA channel. And then the board also get confident to increase it from a 30 to 90 people. Basically, that is what it is.

Questioner: This year, FY27 will be one where you see a significant pillar from the 80-90 to 150?

Management: Yes. So, basically, today we are looking at about 90 people which will go to 150. And our branches, what we've opened 54 branches, this year we are looking at 26 branches. So, basically, these two models, the sales team as well as the new branches which are opened, they will contribute about INR1,700 crores in FY26.

The same 2 channels, we are expecting them to do close to INR3,000 crores in FY27. Because they are already delivering, the model is set, and the confidence is there. We have also demonstrated to the board. So, the team is also there. Some small, small mistakes in them, we've learned and we have developed it.

So, now it is a model which is, both these things are now working. So, easily, I mean, this year for FY27, we can expect both these 2 channels or these two streams to deliver about INR3,000 crores of business.

Questioner: Which one?

Management: The sales team and the new branches we've opened up. Okay. And the older branches which are already there, they are already working, not that there, they will also obviously continue to contribute a little more. So, INR13,000 crores is the disbursement target. Yes, INR3,000 will obviously come from here. INR10,000 will come from the existing branches which have already delivered INR8,900 in this financial year.

Questioner: Sir, given in last 3 years, we have opened cumulative branches close to 50 or 55 new branches. So, close to we can say almost you are targeting 20 branches. Now, this basically year you are planning to have 26, 28. Its not a very big jump in terms of the thinking change if you wanted to have aggressive branch. Given this augmentation, if you look at this, still the AUM size is close to INR40,000 crores. So, not a very good size.

How to get this comfort if we can have a very sustainable growth of 20 to 22, maybe 20% to 25% disbursement growth for this franchise, not just one year. Because if you look at FY27 is also a phase there you can deliver around INR10,500 to INR13,000. It's a function because last 5 years, if you look at, you got stuck between INR8,000 to INR9,000 and then this year with 10% around close to INR10,000 -- INR10,500 basically.

It's not major basically, complete stagnant phase first 4, 5 years. This year basically you have planned because obviously some things of the base, supported by based on looking at 20%, 25% disbursement growth in INR13000. But on a sustainable phase of 3-5 years, what are the levers required or what are the plans for you to deliver 20%, 25% disbursement growth on a very sustainable basis?

Management: See, on a continuous basis, the branch expansion will have to continue. So, this year we are looking at 28 branches. Next year again we will look at another 20, 25 branches next year also.

Questioner: 20, 25 branches, plans are enough to deliver this kind of...

Management: I guess yes, it should be okay, because if you look at it -- as I said, 25 branches -- this year what we opened, they will deliver for half a year. But then they will be the base for the next year, because next year they will be functional the whole year. Okay. So, that is how every year we'll have to keep on adding. So, this one thing will have to continue.

Second thing is, simple, you have to keep on adding people on the field. That is another thing. Sales, we'll have to keep on increasing. It's a simple, both these things have to continue. The third thing that we'll have to be done is, today once the technology stack is in place. We don't have that digital journeys, digital, all those things.

So, digital will also start contributing. We will be able to add a lot of features on the digital side which will also start getting us business. So, that is the thing which will have to be done. As regards, you know, this continuity is concerned, I myself, it's the first year where after all these 2 years of laying the foundation where we have actually delivered.

And I in your opinion also would say probably another 2 to 3 quarters. Then only I would also get the confidence to do it. Fair enough. So, but once it happens, I think this is what where the...

Questioner: Given that now branches are already opened, sales team is in place, tech is in place, now it is time to slightly go aggressive and build that size?

Management: So, can we have something in 2027, 2028, 2029 as a phase where we can have a very sustainable 20% - 25%. Anything less than 15% AUM growth would be travesty after putting all this in place, it doesn't happen. And I believe it will definitely happen because if you have to do that also, we have to on a consistent basis do more than 20% disbursement growth.

So, now as you said, INR10,500, we will go to INR13,000. That's a 22%-23% growth in the disbursement. From there, we will have to move to and then maybe INR15,000, INR16,000 crores and then INR20,000 crores. So, what it means is we will have to keep on adding the branches. We will have to keep adding the sales teams and delivering that project.

Questioner: So, just to ask, I mean, you mentioned tech implementation gets done by the current quarter and basically on the LOS and LMS as per the slide. And since you already now tested what are with respect to 90 odd people could have delivered in INR900 odd cores of disbursements last year. If will double that, so over a period of time, 100% tomorrow itself, but that can give you faster results?

We wanted to understand that is it that our branch opening strategy, is it still too not -- not very conservative? Mean, point number 1. Point number 2, if I look at the projections you made somewhere, I saw one of the slides on the business front, that mix is not going to change further, means, you've already achieved 60/40, close to that and you want to keep that.

So, then for that, what has to happen is that your, say, first 12 branches or maybe South, if I have to consider as well as home branches, is supposed to also grow in the same speed in times to come to keep the number at 20% plus on disbursement and 15%, 17% plus on the loan book

outstanding basis. So, is that something that is conscious thought process? Because these two are different in that sense. I would have maybe liked this 50-50 in the next 2-3 years.

Management: 50/50 in terms of salaried self-employed?

Questioner: No, no, in terms of South and other geographies?

Management: See, we have taken up a journey for up to 2028. Correct? And what you said is that, there is no harm in going beyond that. We have set a target for 2028. If you have achieved the target, there is nothing wrong and if the other geographies are performing well, we will continue.

In this year also, having already reached this figure also, still we are talking about, you know, what do you call this -- branch expansion coming in the North and West only. So, in all likelihood, we may cross this target also. It is just a target we had put for 2028, which we have already achieved in 2026. So that doesn't mean that we are not going to stop.

Questioner: Okay.

Questioner: 60%.

Management: 60/40.

Questioner: Okay, 60/40. So, then, all the group transfer though is base on South?

Management: Not all of them. Like in our 2-3 years, we did not open any branch in Karnataka and Telangana. But now that we are out of the woods, I would say, in terms of at least the E-Khata issue in Karnataka almost. And Telangana is slowly picking up. Now, we are looking at expansion in Karnataka also. And this year, we are, I think, identified 3 branches in Karnataka. Same way, we have identified a couple of branches in Telangana also this year.

Questioner: Sir, is that, one thing, just because we want that clarity, is that when this event shows up happened and when we will joined. Is the board wants to have a medium pace growth between 10% to 15% pace of growth and then wanted to have a very strong control on the risk. Earlier where we have seen much higher phases of the growth as well.

Is that the conscious like the board is being like, you deliver medium sort of a growth which can be range between 10% to 15% and you deliver that on consistent basis that is fine with us or you wanted to have this franchise delivering, because INR40,000 is still a very much low pace. Or can we have this like 18%-20%? This was -- I just wanted to understand that how is the mindset.

Management: Yes, the mindset I will tell you is very clear that if the industry is growing at 12%, we should be growing at around 15%. Today, if the industry is growing at 15% and we say we have to grow at 25%, I think that is not the kind of mentality where we take extra risks just to have numbers, just to achieve a particular number.

So, its an institutional building kind of a mechanism, not a PE kind of a mechanism where we in 3 years want to double and exit at 3x or 2x. That is not the mentality. We are here for the long run. We want a consistent steady growth without any hiccups, without any this thing where after

3 years you have to again slow down and start from and have a mishap and all those things. Basically, that is the whole idea. We want to have a neat, clean franchise with what is the point. And if the industry is growing at x, we should be growing at x plus 2, x plus 3.

Questioner: As given Telangana and Karnataka is contributing 40% in the disbursement currently broader on FY26 maybe what I've seen. So, when I look at 14%, 15% growth, so can we say that 16% of the base is expected to grow at 25% and this 40% of the base will grow at 15%. So, probably then we have cumulative growth around 20%.

Management: This year, I would say yes. Maybe next year, even that 40% will grow faster. Because as I said today, Telangana, we have just stabilized and we are coming out of it. So, this year, we also don't want to push it back to the same 25%-30% growth. We are fine with it, you know, so that we recover and fully stabilize the things and then grow. Karnataka, this year also, although we had this issue, we are growing at this 7%.

So, next year we should be growing at 15% to 20% in Karnataka also. Actually, next year for Karnataka, we are targeting close to INR300 crores as a run rate on an average. So, we should be doing about INR3,500 crores for the full year.

Questioner: So, we can build around 20% sort of a disbursement over next 2-3 years.

Management: Yes.

Questioner: With 15% repayment and 15%-16% repayment, which gives me an implied growth of to 17% because of higher repayment that we faced this year. So, I need 15% to 16% repayment trend, which will give me a blended growth of 14% to 15%. Is that the right map?

Management: FY27, yes. Next year, if I continue to grow at 20%, then in fact, my growth will go up to 16 odd percent.

Questioner: FY27 will be an AUM growth will be around 14%.

Management: 14% for FY27.

Questioner: Sir, how much of the tech cost of INR300 crores is already visible in the P&L? In this INR300 crores, how will the incremental opex be seen? Plus enough steam which you wanted to take in, branch expansion. So, all that basically can help us.

Management: See, this INR300 crores is the project cost for the entire 5-year tenure of the project, 7-year tenure of the project, sorry. Okay. 15 months of implementation plus handholding and remaining period of implementation. So, it is not that INR300 crores is one-time and then over and above that there will be opex coming every year. No, this INR300 includes the opex. So, basically INR100 crores is capex, 200 crores is opex.

INR200 crores spread over 5 years will be approximately INR37-INR38 crores or something it comes to on an average it is 5 years and some months. So, it comes to around 40 approximately, INR40 crores is the every year annual cost of opex which will come. And this INR100 crores which we have spent as capex currently out of that I think INR50-INR60 crores or something

has already been spent, which is already showing us capital work in progress. That will start getting converted into depreciation and come into the P&L and over the next 5 years. So, that will be another INR20 crores a year.

So, that is how we are saying, INR60 crores will be the cost per year which will come out of the whole thing. And unless we go for another round of some more upgradation, some more implementation, some more, then that is a different thing. But with the current project that is there I think it includes both the capex and opex and that will be approximately INR60 crores coming over the next 5 years 60-60-60-60.

Currently our existing IT what we are spending with the current vendor is approximately INR20 crores. So, that will be kind of removed, means, once this new project is implemented that will be sunset. So, that cost will stop. So, net is the increment of INR40 crores that every year we will have.

Questioner: And this DSA team branch expansion, how much that?

Management: See once the IT implementation happens we expect efficiencies to come in. We improve improvement in productivity, TAT and everything. So, that should free some people. That is exactly what we are looking at to be channeled into our sales team at least in FY27. Then we will probably beyond that need to keep adding people as and when we want.

So, at least we expect another 50-60 people to be freed from the business or to be freed because of this IT implementation and who can be channelized into this thing, because there will be efficiencies and improvements which will happen, this is what we're looking at.

Questioner: So, given in FY27 50-60 people today working in which...

Management: Across -- we will be pulling out across, like for example, we have branches which are having 9 staff, which are having 8 people, which are having 6 people.

Questioner: So, they predominantly will be able to be trained or move to sales or there would be some other means?

Management: So, even now the 37 people out of the 90-80 people that we have, where 50% of them are converted from our existing team only. And some who left we replace them with the people from the market who have sales experience. So, practically it is not that we have actually even these 80 people have come from, means, have been added burden on the overall costing.

The existing teams only we have extracted and put them over here. Some of them are people who have been with us for 5, 10, 7, 10 years. Some of them have been you know when the replacement came we replace them with people from the market with the sales background.

Questioner: Yes. Sir, any ESOP scheme that you have implemented for the -- and have you implemented in FY26 at ESOP?

Management: It was started in 2024. So, we first implemented in 2024, and the first grant for about Chief Manager and above level only we have given, its about 30 odd people came. So, that many

people. We got the first grant in November 2024. The first vesting 20% of that grant vested in November 2024. And the second branch of the thing -- the second grant again happened in November 2024 for the same, Chief Manager and above level. Second grant has happened in November 2025. The first vesting of which will happen. So, each grant that we give will vest over 4 years 20, 20, 30, 30. And every year they will get additional...

Questioner: New branche that I doesn't know.

Management: Yes.

Questioner: So at the end of fourth year you have 4.

Management: Four stuff, correct.

Questioner: So, the ESOP, typically a business guidance something has been shared. What is the broader guidance being shared by the board to you guys? Because its a target oriented basically. ESOP, has also been largely target oriented.

Management: We obviously, we have not done any target in terms of the share price. Obviously it is...

Questioner: What is the business target you can get in 2030?

Management: Because we had a INR80,000 target even in 2028. But we lost 2 years because of all those things we had to redo and all those things. So, maybe even if I easily, INR80,000 crores by FY30.

Questioner: So, this 1 year of opex should see very high, because in the base of 1 year, because this IT cost of INR40-INR50 crores will come. As in last year you delivered cost of INR310-INR320 crores. In that net addition of INR40-INR50 crores because of this will come. Net addition 360 plus some bit of employee cost and expenses. So, 1 year we should can see a growth of opex of 20% and 25% . And then potentially that will drift towards. Because then it will come in the next base.

Management: Correct.

Questioner: That will be more like a employee cost and everything.

Management: Absolutely.

Questioner: So, can we say 10%-11% sort of a growth then.

Management: Correct. I think that will be fair. That is correct. That is fair.

Questioner: And that we can deliver over the next 2-3 years phase. Okay. One thing because where we have seen this journey and we have been questioned again and again. This tech transformation journey because that has happened in even in Awas also. But somehow those productivities has not came in. What is the confidence that you are saying?

Because generally what happens? This is also one of them. Because we have seen in a lot of players where the entire team would take time to settle, to understand the new framework, new LOS, LMS. Ultimately, in coming of logins. How much in conversion from logins to TAT.

We you see that the tech productivity. Where do you think? What improvements can be made in logins? How much TAT can be improved in the process of our login to sanction. TAT sanction to disbursement may take time to improve also. Can you just give us some why you feel that tech journey can have a better outcome?

Management:

See, I will tell you. Simple fact, some of the things that are already implemented and how they are impacting, okay? Like for example, starting simple things like Aadhaar, PAN, ITR. Aadhaar and PAN were directly coming -- were being handed over. They were verifying manually with either UIDAI or with other this thing. Now, it is directly coming. The moment you scan and the Aadhaar number, you will upload the number.

The system automatically, technology will get you the API integration. It will give reference to the number. No physical work is required. That work is best. ITR, through OTP verification the ITR directly uploaded on the ITR website, income tax website will be downloaded and will come to us based on the PAN number which is given.

Account aggregator is there. So, we don't have to collect the thing, analyze the ratios or anything. The account aggregator also through OTP verification. With the account aggregator platform, we are able to directly get the bank statement from a customer. Now, all these are manual work that was being done, which is now eliminated.

Bank reconciliation, which is again a manual reconciliation. Now, it is a day-end automatic process which happens. Your just get a report. These are the things which are already direct. These are the ones which are pending, so I don't have to do the bank entry. So, that effort gone. That's one of the things. Another small thing like, you know, we have now payment gateways available. BBPS coming. Those kind of things.

NATCH was a manual process. Physical form were collected, uploaded and all those things. Now, there is a E-NATCH that is implemented. That's two-minute process. So, things like that, when you look at it, the amount of work that was done at the branches has come down considerably already.

Now, when we are going to further implement it, there will be again further additions where it will happen. Like, today, CERSAI, we have done online. Our CIBIL and Experian reports which are getting happening -- are happening online. So, you don't have to go and do for it. The moment you are processing, automatically this will get come. It will be generated and pulled from the platforms.

So, these are some of the efficiencies which have already come in. Going forward, when you look at it, you will have other efficiencies coming in like, you know, your insurance entirely will be through API guided, whatever insurance is happening. There are many other logics which are manually currently happening.

Our entire rate revision exercise is being manually done. That will get automatically done. So, there are so many other such points where efficiencies will come in, okay? Our one of the tools that we have implemented, you know, based on the legal report, the legal search report process where there is a capacity of one person being able to do or maximum review and approve 14, 15 maximum legal search reports in a day.

Now, it is straight shot of 50 just because of AI tool that has been implemented and we have been able to do part of this. Now, if you look at it, small, small changes have taken place even in such tech, you know, involvements that had happened or reduce the work on many, many fronts.

Questioner: And LOS and LMS being the most critical part of it, so while you said you go live, but already it's running on pilot as of now on two branches?

Management: It is already in a where entirely delivered, all the models have been delivered. We have --the unit testing is complete, the functional testing and the migration is going on. In fact, migration also we have done partly for the functional testing portion, it has been done and delivered.

And once the functional testing process is over, by 15th of June, we should be able to at least complete it and then simultaneously we've also initiated the process of all that, you know, VAPT, what you call...

Questioner: Sir, one thing if you can just help us is where is the conservative in the guidance where we are - - because when I just implement some of those things basically, so how typically I'm just coming to it. You are delivering 2.9 plus spreads right now. Endeavor is to -- because of the recent rate cuts which you have taken, you believe the spreads to be managed around 2.8% or margins from 3.91 towards 3.75 is the guidance, right?

Management: Last year also we have given a guidance, we have delivered more.

Questioner: Absolutely. Opex we have already sorted out between how the things are. Credit cost, what you deliver 10 basis point from -- guidance is 20. Can we retain at 10? Possibly you have no challenges faced last year, but I'm sure this year also could be similar. But ultimate profitability what you have delivered, if I implement that the numbers will come around the similar. Because some bit of opex rise, spreads compression which you typically have guided. So how we should think around it?

Management: No, so as I said, we have given a conservative guidance which I always do. We offer and check it. Yes, we have guided for 15 bps credit cost, but current year also was 10 bps, and we also don't see challenge in that it will be 15 bps. But yes, we have still given conservative guidance.

Same way we have said 2.8 today as a spread. We have delivered 2.86, but yes, there is a scope to end up with a bit better also, but we are on a conservative basis clearly frequent that currently it is 2.8 to start with.

Questioner: But why not the spread should ideally what you said that you have an in-house basically from which you can potential and your endeavor is to get more in the self-employed segment relatively

improvement over there. Plus non-housing also you wanted to increase the proportion in the non-housing as well. So why not potentially the spreads ideally can remain at the current level or it should ideally improve when the mix...

Management:

It can. As we said when I'm saying a conservative, it's like, you know, if it is 2.86, then why not 2.88? If it is 2.88, why not 2.9? Obviously, there is a scope and we -- our endeavor also will be to achieve something better than what we have given. So it is better to give you the conservative picture and then deliver better than this, and that will be our endeavor as well.

Questioner:

Correct. Because about rate that has already pass-through. From here we don't see even the banks or the competition will also decrease the rates. So ideally rate -- because of rate pressure should not ideally decrease now.

Management:

See, last year we started with a spread guidance of 2.5, 3.5 NIM. We eventually increased it to 3.2, 2.75, 3.75, and we actually ended up with more than that also on both fronts. We gave a guidance of 15 basis points, we ended up with 10 basis points, which also you can see we have increased our PCR. So that way we have been conservative at the same time we have delivered better.

So this year also we have given a guidance accordingly, and our endeavor will be to do it. Everything is not under our control, so we have given a conservative guidance. If everything goes and we are able to manage things well, I'm sure we will be able to deliver better than that.

Questioner:

Sir, basically we have seen that ideally how banks become more competitive versus NBFC because the cost of fund rise for banks is slower because of CASA and in this scenario housing finance especially when salaried is predominant, it becomes very competitive with banks. So we are possibly at the beginning of a rate cut scenario. What's your experience?

Management:

I would put it the other way that, you know, when the rates are going down, like when the rates went down, the banks passed on a full 125 basis points to the customers because it is all external benchmark pricing. Whereas HFCs and all have done it in varied levels. We have 50 basis points because 40% of our liability side was linked to the repo rate and all floating rate, and we have therefore benefited on that 40% of the liability side, which we have passed on to our customer. So 125 basis points is only 50 basis points.

So today, you know, prior to the rate cut cycle, we were offering our best customer 8.9, banks are offering 8.4. Today banks are offering 7.15, we have already come down to 8.1. Okay? So basically what I'm saying is that if the rate difference has widened because the rates going down, when the rates start going up, this will again compress. So again, you know, either one is you can, you know, say that -- we have actually been negatively impacted on this rate when the rates have been going down because our prepayments had gone up.

If the rate difference actually compresses, our prepayment should also come down. So it's both ways. I think, when the rates start going up, we will pass on to our customers some rate increase, but again we will be very and very transparent, and your 25 basis point increase in repo will not result in 25 basis point increase in our lending rate. We will increase by equivalent 10 or 12, whatever is impacting us. That's it.

Questioner: Sir, given now you have the tech in place, now you have the in-house also, why you are not thinking on the lines of getting into affordable even many of the -- not just one, many of the peers where the yields are better. I'm not talking about the micro-housing, but somewhere because you have a blended of around INR30 lakhs. You can get into the ticket size of 10 to 20 as well, which is still a better yielding with tech into implementation, with account aggregator provision put in place, e fraud checks are there.

Management: There are two things. Affordable or you are talking about unpriced income segment? Because if it is about affordable, then INR17,000 crores book out of INR42,000 crores is actually less than 20 lakhs in terms of ticket size. So we are affordable. But what you are...

Questioner: No, no.

Management: There is nothing like we are affordable. Affordability is below 20 lakhs, we are below 20 lakhs. INR17,000 crores is my outstanding portfolio which is less than 20 lakhs.

Questioner: What is the 12 to 14% yield?

Management: No. I am in the affordable space in the -- what you call the documented affordable -- income affordable space. In documented income affordable space I am there. In undocumented income affordable space there are other companies who are affordable companies.

Now the question is whether I -- so I am already there in affordable. The question is whether I will move to the undocumented income segment where I can charge more. That is the question. That is will require not only a technology upgrade, that will also require a mindset change, which I believe will take a little longer time.

Questioner: Given the experience only...

Management: I have, but my team doesn't have, and eventually they have to learn.

Management: So why are we, I means, not been able to think about that because, say, a big picture thinking if I have to tell you, the moment you reach INR75,000 crores, then to build some business like this of INR4,000-5,000 crores will never appeal to even a CEO in that sense that it is never going to become a 15%, 30% of the portfolio mix, and it never adds a lot of tickle to the yield and manage everything.

Because one year you will have cyclical problems where everyone will start and the board asking, what you have done, you have done et cetera But at a place where we are today from a size perspective, and I am just looking at this. So it is very easy and I think you turn it very nicely in that sense that you manage across size. But this is going up in that sense.

And what Himanshu is asking you is to keep increasing this. So that they might have high yield. That is the thinking. Today may not be coming at higher -- lower risk. So where there would be inertia from your team or your side that whether these guys are the same who will be able to deliver?

- Management:** The team has to be ready to appraise that kind of a customer. That is the challenge. It is not about the technology. Yes, our technology will be ready to deliver this thing. But the question is whether our teams will have the ability and the mindset to do these kind of things. I think that present team may not. We'll have to look at other team. And yes, that will have to be slowly, you know, we will keep tweaking our...
- Questioner:** Sir, point is you have to reach or reach 2.5 of desirable Roa in some years' time. Opex not a big because ultimately you were very fine-tuned here earlier. Credit cost not would better than this. 10 se 15 basis point it itself is a very dreamy state which you are delivering. Opex will inch-up little bit. Now here you have only one lever, so for ROA expansion you should improve your spreads. How that improvement is going to pin?
- Your guidance is conservative. But if you say its 2.,5 ROA, not in FY27, but are we thinking that FY28 or 2029 can we reach to 2.5? Because leverage is beneficial to you. The parent is so good, everything is in place, and there's no problem with the rating agencies about taking on 7-7 fold leverage. So you can deliver ROI of 16-18%, if you can close to 2.5 ROA. How that is going? Is that in the picture, not in the picture and how?
- Management:** That is obviously is something which we will work towards. If you see, you just look at this slide. Okay? You just look at the spread how it has improved from 2.56% to 2.86%. Page number 36. Okay? Same way if you look at 3.75% growing up to 3.93%. So I think, it is already happening. Now how it is happening, obviously, we are tweaking a little bit in terms of our segment, we are tweaking a little bit in terms of our housing/non-housing. Correct? We are doing it.
- So I think, you know, that is a journey which overnight is not going to happen. You cannot move from a 3.93% to 4.15% or 4.2% in matter of a day. But it will happen. Slowly we are working towards looking at pockets where we can do a little bit here and there without taking any very drastic thing of doing a undocumented space or something like that.
- Questioner:** Sir, I have a confusion in this that these spreads can be artificial, right?
- Management:** Why?
- Questioner:** Look, your 85%, you explained, my 85% was on book annual reset. So this means that whatever benefit you are getting in borrowings due to your rate hike today, you are getting that benefit in yield, there is not that much compression in yield. So, you'll see that your 10.10 basis point yield declined by only 10.02 basis points over three quarters. You've seen a major cost benefit. For example you move to a quarterly reset and that is why your yield are now compressing. Even in beginning of 1st April, your yield are 9.8%.
- Management:** Correct.
- Questioner:** How will you improve the spreads then basically?
- Management:** You look at the next page where you see my cost of fund also is 6.99% opening. My spread is still 2.81%. I'm saying even after passing on the conversion benefit of the entire 50 basis points

for the annual reset to quarterly reset, after passing on the whatever impact of that 15 basis points I announced in January to the customers in April, because it is on a quarterly so there could be some one small portion in the third month also. After impacting that also, I'm having a 2.8% spread.

So throughout the year when the rates were going down, the question was always asked that, you know, that is fine, you are announcing the reduction, but when the annual reset moves to quarterly reset, would you be able to maintain it? And then we said we always used to say that we have done our working and we are confident that we will still be able to do it even after the thing happens. So that's why we have said that all the data has happened, this is what is the correct picture. So as on 1st April, this is the picture if you see it is clearly...

Questioner: Correct. So this guidance of 2.81 to 2.75. Now you have to take this to the other end. The lever you have for this, I understood, is the book mix change to more of the housing/non-housing and self-employed segment. Is that the -- or how much portion that can change? Because even there your guidance is only 1% or 2% change?

Management: Yes. Today my self-employed is today incrementally -- today we have said 65/35 we can do. Today we are almost at, you know, 69/31. Right? If we are at 69/31, we still have some scope there. We are almost at, you know, we said 80/20 will be the housing/non-housing. Today we are at about 72-73 to this one to 27.

So now if I, mean, up to 17. If I look at it, both I have a scope of 2% to 3% in the one year. Now this I am talking about it from the current strategy paper. Once that happens, we will again set a new benchmark, we will review that. There is no -- it is just that, you know, we have to have a some goalpost. And that is what we said in by 2028 we have to reach this.

One or out of the four pillars, one of them I have already achieved ahead of time, two I am very much on course to achieve, and one probably is a little lagging behind. Now obviously, we will reset the goalpost once we reach there. That's absolutely not a problem.

Questioner: To but moving from -- see, one is tech-based, second is implementation, and moving from annual to quarterly. Does these things benefit you with respect to having lower transfers, means to other housing finance companies or to bank companies wanting to take away basically pay out your loans? Or does it actually help your employees to stop the BT-outs?

Management: BT-outs, I think, you know, I don't think BT-outs is the major thing except that, our direct sourcing had a little impact on our -- will have a huge impact on our BT-outs. Because when we ourselves source the business, then there will be a little more sticky, because generally DSAs are known or whatever, at least some of them, to keep shifting their loans same loans from one to the other so that they can repeatedly keep earning out of it.

But other pillars like self-employed and non-housing are more to for business generation or increase in our business volumes rather than to have the BT. BT, I think, will be benefited now that we have passed or moved most of our portfolio from annual reset to quarterly reset. I think that is where the, you know, BT-out will be slightly benefited. Going forward, I expect that, you know, we might slightly this BT rates that we have shown slightly moderate.

- Questioner:** Don't take me wrong for it, but given your term has got already approved till 2028. Goalpost is also there to reach a milestone of INR80,000 crores of a book size basically by FY30 potentially, FY22 to at least that landmark to reach basically deliver those. Is your personal professional objectives are being getting achieved by that timeframe also if the management sees that?
- Because what happened, we have seen lot of management changes which has happened where because of better opportunity, better something. So is that the board has given the enough incentive once you reach those goalpost and everything, you get a desirable? So I hope you got my question.
- Management:** No. I fully understand your question, and I don't think that is a thing which I want to answer right now. Because today at least, it is very clear. I have taken a 2-year. My past track record you will see that I have at least honored my commitments wherever I say. So right now my commitment is there, it is there 100% I mean.
- What happens at a later date, I cannot say anything about it right now. But as of now, you can say that, even in my Gruh or in my Bandhan, whatever commitments were there in terms of tenure, stay, objectives, that have been delivered and then only I have taken a call. But Gruh was never a call which we took, it was thrust upon us. But having said that, Bandhan whatever even there, whatever commitment was there, I have stayed. So there is no issue.
- Questioner:** Sorry to just...
- Management:** No, no, fair. I can understand, but, you know...
- Questioner:** And what about the -- means -- currently there is a vacancy for Chairman because the bank also doesn't have any MD at this juncture?
- Management:** Yes. Currently, you know, the -- our Chairman was the MD of Canara Bank, so right now, yes, that position is there.
- Questioner:** So he takes it over or nobody takes it over?
- Management:** Right now, though, obviously since we have not had a taken permanent decision on that, we -- the board has been choosing a Chairman for every this thing for every board meeting. We'll take a call, I think, anytime.
- Questioner:** Mr. Raju is not the Chairman now?
- Management:** No, by virtue of his superannuation from Canara Bank position, he is obviously out, he has resigned.
- Questioner:** And just a feedback here. You could have any influence, any -- I know it is very difficult and limited in that sense, but we've spoken even in Canara Bank in the past that we do not see maybe a change in the board the way it should reflect in the current environment, times, maybe I don't see any big private sector guy, ex-private sector guy on the board.

Means definitely nothing against Ms. Panse and Ajay Kumar or all these guys we've met, I am in my past. They were MDs or EDs of the bank. But generally, we've not seen people from say different genre in the board, whether it is from the IT or tech or any other segment other than the PSU banks to financial services and more PSU only. So anything like this you could see change happening or it is above your purview in that sense?

Management:

No, no, as and when the board positions are there, we do discuss and obviously, I think the limited scope of people appearing is also from PSU side. Therefore, I think that is what is there. But I don't think there is any resistance or any particular kind of what you call, reluctance to get anybody from the private sector of that sort. And let me tell you even some of our board members have also been on the boards of private sector entities also. It's not like that also.

So they also bring in that perspective is also brought in in some way. But there is no, I mean, at least there is no, frankly speaking, last year also when there was some one particular position was getting vacant because of a tenure getting over and at that time also Raju sir was very clear that let the board take a call and board will do it.

Incidentally, it just happened that, you know, we got a banker from a private sector only. We have the last board member who came in was from Yes Bank, a board member who has experience -- entire experience in private sector banking only. But yes, it was from the banking side, but from a private sector banking only. It was not from the PSU.

Questioner:

And who is your current competition like? Means, I'm sure it is not all these small affordable housing finance companies, but who is the real competition plus people who would want to just -- I think we had close to INR400 crores of BT-outs.

Management:

Crores of...

Questioner:

BT-outs?

Management:

In last quarter, yes.

Questioner:

Sorry, last quarter. So how do you look at this matrix and where is it going largely?

Management:

Majority is going in LIC or Bajaj.

Questioner:

Okay. LIC banks and Bajaj. And they are your competition or someone, means, who is our...

Management:

Banks primarily, PSU or private sector banks are not probably the ones who are doing. Maybe in 1 or 2 pockets, 1 or 2 branch maybe a particular branch manager of a PSU bank or a private sector bank may be aggressive, that's a different issue. But other than that, by and large, I don't think the banks are coming much into the segment that we are having, 20, 25, 30 lakhs segment that we are having. I think the bigger thing would be the LICs and the Bajaj and the PNB.

Questioner:

These are the bigger competitors. And when would be the right time to understand that the business coming from DSA on a cost-economics basis and business coming from our own sales and in-house channel, including digital, including the other marketing and on-field sales, what

is the conversion rate, TAT, and the cost-economics across parameters looking far better than, say, DSA? When will you be able to cross that?

Management:

I can tell you this. See, the sales team that we are recruiting. Ikay, I'll put it this way. The DSA whom we are paying, our average payout is about INR0.50. So on a INR1 crores kind of a business, we pay about INR50,000 to the DSAs. Okay? We are doing about INR1 crores of business, they would have got a INR50,000. Blended I'm saying, somebody would have got whatever.

In case of my staff today, they are doing -- 80 people are doing about INR100 crores per month. Okay? Which is more than a crores. So as long as the cost of the staff is less than INR50,000, I'm in profitable. It's a better proposition to have sourcing done with my own team rather than go through the DSA.

So today at the entry level, the people whom we are recruiting, we are having at an average of about INR36,000-INR37,000 plus salary pay-out, plus whatever extra little you say, you can top it up by another 10%-15%. So you can say the cost to the company is about INR45,000 or something.

Obviously, if I recruit higher grade people, then obviously instead of INR1 crores, they will have to deliver INR1.5-2 crores or whatever to be able to earn more than what we would have otherwise paid to the DSA. That's the economics that we work with to start with. Because it is not only a matter of cost X versus cost Y which is beneficial.

There are many other angles also, because you're, you know, rather than the DSA, they will choose what business to give to us. But my staff can pick and choose a customer we want to work with, okay? The DSA will get business which there is a risk of it being moving out once supposedly they do something with the DSA or the DSA gets a better payout elsewhere, they will want to run a contest elsewhere, they will want to take my portfolio out so that they can qualify for that contest.

In my case of my staff, I think that risk is much less. I'm not saying it is not there, if the staff leaves, they will have the data of who all they've brought, they can do, that's a different thing. But at least the risk is less. So, there are many other events which I cannot calculate and find out. But otherwise, if you ask me, I think, if an entry-level person is doing a crores plus, I think we are better off or cost-wise it is lower than what a DSA would source.

Questioner:

But where the second part of the question was stickiness and everything understood, they bring in the segment which you want, it would be better on this matrix also and definitely brings you more long-term ROE rather than the short-term. But when do you believe that this can materially shift to that portion from a sourcing of business point of view? Means...

Management:

See, today if you ask me, the cost is not a major component.

Questioner:

No, no, I'm trying to understand from the cost perspective. Like when do you take this big step of -- you've already taken a transformation step, right? I'm just searching for the slide actually where the DSA and everything is taken into.

Management: You're talking about the page 30?

Questioner: Yes.

Management: This one, amount of business that is coming from the...

Questioner: Roadmap.

Management: Okay, roadmap.

Questioner: So what I'm trying to understand is today also if you look, this is DSA, right?

Management: Correct.

Questioner: Which is mostly old branches or wherever sales staff is not to that extent which you would like. When we see this getting materially lower? So that revamp maybe as you said you will refresh strategy and you will come out whether it is March 2027 or whenever next.

Management: This is one aspect where we are going a little slower than what we would have expected or we would have wanted. The movement shift from a DSA sourcing to a non-DSA sourcing. Okay? That is, you know, as I said, we are still increasing our staffing, we had to 1 year the first question that he asked as to what are the bottlenecks or the thing was that we first wanted to demonstrate that, this model can work.

Questioner: When do you think that Yes, now we have done it, we have done it on a very large scale.

Management: Every year we are going to increase. Like I said, this year we have done INR868 crores or something from the sales team. Next year we are doubling it almost, and we are expecting it to be more than INR1,500 crores to come from the sales team in FY27. The year after that, obviously from there we will want to take it up to INR2,500 crores from the sales.

Questioner: And for us, all our branches whichever we open break-even in first year itself?

Management: No, we have 18 to 24 months is what we say. There are 1 or 2 branches, I'm sure, which are slightly deviate beyond that also for some reason, but by and large we are able to do it.

Questioner: How's the line of the management specially besides you [inaudible 0:67:00]?

Management: See, we have given the this thing, we have given our team also over a period on page 8 also we have given. So that is also getting strengthened as well as diversified. Diversified in the sense that now we are getting people from across even lateral talent is coming in at that level. We've had people coming from outside.

Second thing is, you know, not only at that level, what we've done is, at the branches as well as at the head office in all these departments also second line what we are talking about, like a Zonal Head will have a Assistant Zonal Head. Every department head we have developed a second line with the Chief Manager and above level also where a second line is also getting

developed. So that kind of, you know, it is not only -- as I said, it's a institutional building kind of a thing that we are working on. It is not a transactional activity that we are talking about.

Questioner: But are you able to attract that talent from the top HFCs or you believe people or something from the support of the Canara Bank or something where people...

Management: We've not taken from Canara Bank much. We have, of course, some of fellow, this thing makes sense. But by and large, if you look at it, we are taking from either NBFCs or smaller HFCs. We are taking, we have been able to get at the Chief Manager and above level, AGM and DGM level or rather AVP and VP level also, we've been able to get some people from the market also.

Questioner: Is it better than what it was?

Management: Depends. Like, you know, if you are taking from, I mean, obviously if you ask me, many of the people may not be able to take from the PE fund the advance, definitely not, because they are able to do it. But some of the smaller players, we are definitely look at.

Questioner: But what are your top-five hirings, top-level hirings you've made in the last few years. Where these people generally came from?

Management: So, he was been -- he has come from Valder Financials. We had the Company Secretary who came from Kotak AMC. Then, we had our HR Head, the AGM level, who has come from -- we have very recently taken a Credit Head. We have taken Zonal Managers who are in the AVP levels who have come from the market. So I think they are all come from...

Questioner: They are all from customer business?

Management: But I think the Zonal Head, both of them, Laxman has come and this...

Questioner: [inaudible 0:69:41].

Management: [inaudible 0:69:41] also fine. I'm saying, even he is senior to him, isn't he? So I'm telling, they are at the AVP levels. In AVP level we have taken them. Muniraju is our AVP. He has come from -- he was ex-MD, something in the last company he was in IIFL Group, I think he was there. He's come from there, he's Head HR.

Then we have taken the Zonal Head for Telangana and Zonal Head for East, both have come from the market. Now we have taken recently somebody from Kotak, our Chief Manager we have taken.

Questioner: Sure. Thanks for the time.

Management: Sure. Wish you all the best.