



“Can Fin Homes Limited

May 27, 2026



Questioner:

Sir, overall, Can Fin, when we look at the history, before you took over, it was growing somewhere in the mid to high teens number, and obviously after you took over, there were some incidents also that happened and you overarched in the strategy with respect to scorching, etc. So, the growth came down to, at some point in time, low double digits, and then it started to pick up again.

So, as a player, when you look at Can Fin, how do you see the company, what is the way forward, what kind of a differentiation? You think over the next 3 to 5 year period?

Management:

Thank you. So, see, in terms of Can Fin, if you see, being part of a, Canara Bank Group, a very conservative lender, I know the Can Fin also has the same kind of thought process that we are a prudent lender. So, when it comes to our policies, when it comes to our ITB norms, when it comes to compliances and all those things, we are absolutely, compliant in that sense, that is what, how we operate.

In terms of the customer segment and everything, the Can Fin has always been, segment which is a little above the affordable or you can say the INR20 lakhs, INR25 lakhs, INR30 lakhs segment mainly. But we have been in the more, higher civil score kind of a customer base, where it's more of salaried segment, more of customers where, the documented income is there. So, today, I would put it as, Can Fin is the affordable Housing Finance company in the documented income space.

Today, we have INR17,000 crores of book, which is having a ticket size less than INR20 lakhs. Okay. So, if you look at the affordable segment of our business, we have INR17,000 crores, which is almost 40% to 45% of our loan book is in the below INR20 lakh segment, which is purely the affordable segment.

Only difference is that we are not in the assessed income, we are not in the, appraised income segment where we do surrogate income proof or we look at, average bank balance product or stuff like that. But we are in the affordable space in the sub INR20 lakhs segment, it's a large chunk of our business. Incrementally also, if you look at it below INR20 lakhs, if you see, we would be having about 35% to 40% of the incremental business also coming in the sub INR20 lakhs segment.

Okay. So, we are there. And of course, the larger, the remaining portion, majority of it would be in the INR20 lakhs to INR50 lakhs segment. So, today a lot of affordable Housing Finance companies who have probably half the book size, have more loans in absolute numbers of more than INR50 lakhs value than I have.

But they claim to be in the affordable segment because mostly, people are confused affordable with, appraised income. So, appraised income customers are considered to be affordable, whereas if you look at the ticket size wise, we are affordable Housing Finance company.

Questioner:

Sir, if I did it right, some of these affordable housing companies which are branded like affordable housing, in terms of the property calls and in terms of the customer calls, see you have to take a call, otherwise a bank will do business. If it is a perfect customer and a perfect collateral, then you will seek the best rate, right?

And so, in their mix, let's say it will be 50-50 customers, like they've taken a call on customer versus by way of income assessment and 50% in terms of property, which are bank property. In your case, it will be close to 80-20 in terms of you will do more property calls than our customer call, right? Is that the...

Management:

See, customer calls, if you ask me, today almost 80% of our kind of our customer base would be having a ticket, would be having a civil score of 700 plus. So, in terms of the customer call, we do not have much of a customer call. As I said, we have always been very prudent lender. So, therefore, we will always look at a pick and choose policy in case of our customer call segment.

So, we are not doing that for having the, we are purely in the documented income space. Within that, what is the advantage and why a customer would come to us answering to your question and not go to a bank is because, we are -- if you look at the majority of the banks, they are all in the high ticket business only.

Very few banks have tried, you know, targeting the appraised income segment or targeting the smaller ticket line, but it is not viable. For the kind of operations that they have, it is not there. And a simple thing if I have to answer you, if you look at a bank, you know, the urban centers, the metro branches of the banks have housing target, they have a four-wheeler target and they have, but the moment you go deeper, those branches are having the, you know, agriculture income target, the financial literacy target, the farmer farm loan target, gold loan targets, all those kind of things.

So, a bank has to have a target achieved in each of these segments. So, the urban centers are the ones who take care of the secured lending in terms of the housing and the, you know, four-wheeler loans and everything. So, now when we are present in say outskirts of the cities or in tier one towns, there the pressure of the banks is much less.

Because those branches are running more after the farm, farmer, farm loans, agriculture loans, you know, Jan-Dhan accounts and all those kind of things. So, therefore, you know, when we are targeting 20 lakhs and all those kind of tranches, the tier one towns, you know, deeper pockets of the bigger cities, we don't have the main banks coming. Yes.

Today, if I were to say I want a customer base in proper Bangalore, I will not be able to compete to the banks, period. But if I go, say, 30 kilometers outside Bangalore city, if I start looking at Hoskote, if I start looking at Jigani, if I look at Anekal, if I look at, you know, Devanahalli, if I look at, you know, Doddaballapura, if I look at all those places, then I stand a chance of, you know, doing, picking up the good customers in those pockets because there the banks are focusing more on other products.

- Questioner:** But given that, you know, you are taking absolutely good customers and you are not taking calls, at some point in time, customers will seek a better rate and may be?
- Management:** Yes, they will have to go to a bank, they will have to, you know, you know, those branch managers will have to be interested in, you know, meeting their target. Their targets for housing loan is not much. So, they will not, you know, the target will be much higher.
- And today, you know, my prepayments have slightly gone up because the differential between our rates and the rates of other banks is slightly increased because the rates when they went down, banks for the first time were offering rates linked to EBLR. So, therefore, they had to pass on the full 125 basis points. And today, if you ask a real banker, I think, you know, they are bleeding in the housing product.
- At 7.15, it is not sustainable for them, but when they were offering 8.4, you know, and the EBLR regime came, at that time, nobody anticipated the rates to go down by 125 bps and that the entire 125 bps will have to be passed on to the customer. Okay? So, I think, you know, pricing will be a little more sensible going forward because, you know, now they have seen the other side of the rates going down also so sharply.
- If the rates again start moving up a little bit, this differential, which is about 125 bps today, will again come down to 50 to 60 bps like it was prior to the February 2024. So, at that time, you know, it will be easier for us to retain our customers because for a 50 to 60 bps differential, I think easily we can retain a customer for what it is.
- Our service for the kind of TAD that we offer, we can easily, you know, match up to the banks also if we are having a 50 to 60 bps differential. Yes, if it is, you know, 100, 125 bps differential like it is today, it will be difficult.
- Questioner:** Got it. So, sir, what is the rate on a blended basis for home loan that we?
- Management:** Today, our rate starts from 8.4, which is for the best customer, okay? If it is a CIBIL score of 775, 800 or something like that, 750 plus or 775 plus and a housing customer salaried, buying up your housing loan for a purchase construction, we would be able to offer around 8.4, whereas a bank probably might be offering 7.4 today.
- Questioner:** Got it. And this differential before the rate cut began was around 50, 60 bps?
- Management:** Yes. At that time, the best rate in February or January '24, if you look at it, I think the best rate available in a bank was 8.4. We were offering at 8.9. In fact, 8.95, not 8.9. 8.95 is what we were offering.
- Questioner:** So, basically, you have brought down rates by, let us say, 40, 50 basis points?
- Management:** 50 basis points, yes.
- Questioner:** Got it.
- Management:** The banks have brought them down by at least 125 basis points.

- Questioner:** Which is the reported?
- Management:** Which is the reported.
- Questioner:** And sir, going back to the earlier question, in terms of differentiation, where do we create that differentiation to be able to, you know, gain market share or gain up, you know, pricing, premium pricing such as a bank?
- Management:** See, today, you know, our, I mean, if you leave us at the, you know, PSU banks, today our, this thing would be that, you know, we are, I mean, our rates, highest rate would be around 12.5%. Probably the rate at which the rates start for an affordable housing finance company. Okay? So, when it comes to affordable housing finance companies, all of them, the rates that they offer, they are nowhere comparable because we can give the rate which they cannot.
- Questioner:** Yes.
- Management:** They are absolutely not. So, who is our competitor other than the banks? It is LIC, Bajaj, and to some extent, PNBHFA. Okay? These are the competition.
- Questioner:** Right.
- Management:** We do not have to worry about the Aadhaar or the Aavas or the Aptus or the Shubham or whatever, India Shelter or the HFFC or whatever, because their rates start at 12 and above.
- Questioner:** Correct.
- Management:** Yes, the ticket sizes are also different.
- Management:** So, our niche would be, we have to remain below the radar of the banks. If the bank's average ticket size is 35 lakhs, 40 lakhs, we have to go below that. Below that, we do not have a problem because the banks will not be. And we have to be more on the outskirts of the bigger cities and in the tier 1 towns. So, if I start opening branches in Mumbai, I do not stand a chance.
- If I start opening a branch in Delhi, I do not stand a chance. If I start opening a branch in Bangalore city, I do not stand a chance. But if I open outskirts of the cities, if I go to tier 1 towns, then definitely, you know, the intensity is much less compared from the banks.
- So, if you see all the branches that we have opened, we have opened in Pali, we have opened in Bikaner, we have opened in Saharanpur, we have opened in Gorakhpur, we have opened in, you know, Rajamundry, I mean, sorry, this Rajapalayam, we have opened in, those kind of places we have opened.
- Questioner:** Got it. And sir, within this pack, LIC, Bajaj, PNB, how do we compete?
- Management:** See, LIC has been offering very aggressive rates. They have to also, you know, retain their book because their ticket sizes have been a little higher. So, they have a direct competition with banks. So, banks are, I guess, taking over a lot of their loans. So, they have to offer some rates into that.

Now, what happens is, you know, Bajaj has a cost of, in fact, all three of them for that matter today have a cost of borrowing higher than ours, higher than us.

So, obviously, they are, I believe, compromising on spreads to maintain that higher, you know, disbursement growth and even growth. Whereas, in our case, slightly we have, you know, not only maintained our spreads, we have actually improved our spreads a little bit because we have also simultaneously done a little bit of, you know, adjustment in our mix, slightly increased our non-housing, slightly increased our self-employed. So, basically, because of that, our spreads have slightly improved compared to what it is.

So, even if that had not happened, today we would have at least maintained our spread because we do not want to, you know, compromise on the spread part of it.

Questioner: And sir, if there is a choice between growth and spreads, so how you look at it?

Management: See, today we have at least, you know, triggered all the levers for growth. So, I do not think growth, we would want to compromise on one as compared to the other, but we will not compromise on the spread. We will, if tomorrow there is a pressure on our prepayments, we may have to push for a little more growth.

We may have to probably take more people, put more on the sales team, we may have to open more branches, but spread we will not want to compromise, 2.75 something we will want to maintain. So, if there is a pressure on prepayment like it has happened last year, then we will push growth. And I think there is a good runway also available to us.

Questioner: Right. So, you are saying basically there are enough and more customers in that segment, you need to find them?

Management: Yes.

Questioner: Those customers by reading your distribution?

Management: Yes, correct. So, last year, you know, the sales team that we have set up, the branch expansion that we have done, last year we have seen that, you know, consistently quarter on quarter actually we have almost met the, whatever guidance we have given in terms of disbursement. We had for the full year 10,500 crores disbursement target, we had, we ended up with 10,531. So, we have actually achieved the disbursement target.

Yes. AUM we had a little bit of a, you know, pressure, but we did not compromise on our spread and already we were growing at 23. So, we did not push it beyond that. This year also we are looking at a disbursement of 13,000 crores, which is about 20% plus in terms of the disbursement growth from 10,531 we are looking at 13,000, which is more than 20%, 22%.

Questioner: Yes. And sir, if I look at in terms of channels, I think there has been a focus on the internal sourcing and it is touched around 4% or 5% of disbursements?

Management: You are talking about the sales team?

- Questioner:** The sales team. Internal sales team. So, how that number will grow? It was 4%, right, for FY26?
- Management:** No, last year we did about 870 crores coming from the sales team out of the total 10,500. So, it is almost 8%. Incrementally, it was 8%. And this year we are talking about 13,000 crores and we are looking at, you know, almost 12%, 11% to 12% coming from the sales team. We are targeting 1,500 crores to 1,600 crores coming from the sales team. So, it will be now the 8% also will go to around 11% to 12%.
- Questioner:** And what is the strength of this team?
- Management:** See, one is, you know, we have also, it is not only the sales that they are doing, we are also supporting them with, you know, lead sourcing which we are doing. And we are also having APF tie-ups. So, one more thing which last year we did was, you know, APFs.
- We have tied up with, as of 31st March, we had 271, you know, projects with whom we are tied up. And last year, you know, since most of it happened during the year and we, you know, majority of them happened in the second half. So, they did not generate as much business.
- But the entire 271 projects are available this year plus whatever we had this year. Now, last year, almost close to 50 crores of incremental business came from these projects that also we had approved, 271 projects. So, those, I am sure this year will be, you know, close to 100 crores business will come from the approved projects only, which our sales team is getting.
- So, the sales team does, you know, sourcing from the market. They are, you know, servicing these approved projects also. And they are also attending to the leads which come online.
- Questioner:** Sir, just a question. I am not too aware of the peer sets. But is this 8% to 10% sort of proportion? Is this how the industry, your peer sets also work or the ratio seems to be lower for us?
- Management:** Depends. Like, for example, you know, if you look at it, there are DSAs normally are about 60, very close to 60% give and take, some 55, some 70 and all. I think 60% comes from the DSA channel.
- Then, you know, DSTs many people are having. There, you know, like for example, a couple of the players are having the subsidiaries or the exclusive subsidiaries for sales. So, there, you know, this percentage will be higher.
- But somebody who does not have a subsidiary like, you know, as an HFFC does not have, we do not have. So, there, you know, this direct sales team would be around 10% to 20%, which is what we are also targeting that a sales team should eventually bring about 20% of the business.
- Questioner:** Okay. Okay. For LIC, what will be the contribution?
- Management:** I am not aware LIC. But HFFC, I am told 77% comes through connectors, then DSA. So, the sales team is less than 10% actually.
- Questioner:** So, 100 crores is, last year 50 crores was from APF. And what will be the business from directly online leads?

Management: Online leads, it has been less, not much. I will probably 2%, 3%. We will probably get more.

Questioner: So, majority of, if they did 870 crores, majority of it was maybe 800 crores was their own sourcing, right? Teams on sourcing?

Management: Teams on sourcing, yes.

Questioner: So, how they go and source the customers?

Management: So, we have a mobile app, we give to them, they are on the field, they visit, they have -- we push them to every day meet 4-5 customers at least, wherever projects are coming up, we try to tie up and make a visit. So, 271 projects, they have already got the business APF tie ups, but there are many which they would have at least attempted to get which would be another equal and another 250-300, where -- from where also they may not be have been able to get the APF project.

But at least they please go and meet. So, they are on the field from doing that. And then we are also doing tie ups, basically lead aggregators, we are taking in, those leads are also being passed on to them. So, basically, that is how they do it.

Questioner: So, and what is the overall headcount in this?

Management: It was only 80 people, 82 to be exact as on 31st of March, but approved team was 90. But as on 31st March, there were 82 people in the sales team.

Questioner: And what was last year?

Management: Last March '25 was 37, 37 people. So, around in July, we added it and increased it to -- closer to 90. But as on 31st March '26, it was 82 people were on the roles in sales team.

Questioner: So, roughly, if there are on an average, let us say 50 people available during the year, they did around INR800 crores of disbursement, right?

Management: Roughly, it would be, I would say, per person productivity is closer to INR80 lakhs, INR85 lakhs per month per person.

Questioner: So, basically, 2 to 3 transactions per day?

Management: Yes, kind of.

Questioner: And what will be spent, let us say, next 1 or 2 years?

Management: This year, we are trying to push it up to 150 and next year, we would have 250 people in the sales team. That is the plan. FY28, we will have 250 people.

Questioner: And so far, why the company -- you have come recently, but historically, why they are not invested?

Management: Yes, so, up to 2018, if I have to tell you, I think there was a 50-50 breakup between Direct and this thing because I think there was a lot of walk-ins coming in and there were builder tie-ups

and all those things. But it was there, not on paper because there was no something like APF kind of a thing.

But there was a good amount of presence, the direct walk-in to the branches. It is after the COVID probably where suddenly the movement outside to the field stopped. And I think that is the time when it completely became BSA driven because up to 2018, it was 50-50 almost. Then, basically, COVID time started moving up and then once everything was coming directly, ready-made business coming -- DSA is coming with ready-made files. And it was only data entry so that I think it spoiled things and -- too comfortable. So, that is where we had to shake it up and again have a separate -- those things.

Questioner: And, sir. So, sir, what is the economics of the DSA versus having on-sales? So, let us say, how much do we really pay out?

Management: Correct. So, today we are having an average payout of about 50 bps to the DSA, okay. So, that is what we are doing. So, today when we are getting the staff, we are the junior most at the entry level. If you look at the staff who are coming at the entry level, their package would be around INR36,000 to INR38,000 per month. So, roughly you can see all additional things put together would be around INR45,000 you can say. So, if, -- assuming this, that INR90 lakhs is just a breakeven. We are not actually, it is not actually cost....

Questioner: Accretive?

Management: Accretive.

Questioner: But 90 lakhs is a breakeven?

Management: Is a breakeven. 80-90 lakhs is a breakeven, I would say. Yes, we are at the breakeven point. The good part is within three months we have been able to see that the team that we are able to bring is able to actually reach this kind of a level, okay. Like for example, in the month of March '25, 37 people did about close to about INR41 crores or something they did in the month of March 25, 37 people.

So, that was a little more INR1 crore. Q1 also it was roughly around INR85 lakhs, INR90 lakhs was the average per person. The moment we added people, it went down to around INR60 lakhs because obviously the new people came, their first 2-3 months they are not able to do it. But in Q3, the team of around 85-87 roughly in that range was there. They were able to again bring it back to around INR85 lakhs, INR90 lakhs average ticket per month per staff.

So, basically what does that mean, the new people that we are adding, within the three months we are able to actually assimilate them into the system and they are able to deliver up to INR80 lakhs, INR90 lakhs per person. And as I said, up to INR80 lakhs, INR90 lakhs, I think it is a breakeven for us because it is not cost accretive or anything. But if they are doing better than that, then yes, it is better.

Questioner: And you think it is possible to do better?

Management:

Yes, it is. Because what has happened is we have also seen the trajectory where initially most of the people -- today out of 80, I would say about 20 odd people are doing even more than INR1.5 crores. So, there will be at the lower end, there will be people who will come, not be able to do it, they will move out.

So, at the bottom, there is always a chunk which is not able to deliver. But as and when they -- we are able to pick and choose the good people, they will be able to hold on. Now, the thing is how well we are able to hold on to those people who are delivering the INR1.5 crores, INR2 crores and above.

If we are able to hold on to those people, it is good. If they start moving out, we will again -- it is like, you do 10 people, one will emerge who can, out of that remaining 5 of them will be average, 4-5 will have to move them out, we will have to chuck them out and so on.

Questioner:

And sir, in terms of Karnataka, how has been, I think there was some business lost in FY25. So, we have recouped most of that and now it is on a normalised rate?

Management:

So, Yes. So, we were doing about 2,500, sorry, 250, 200. Before this e-Khata issue happened in 24 September, we were doing about, we had in that particular quarter Q2 of FY25, we were doing about INR275 crores average business. Okay. Before that, the peak was around INR2,300 crores -- INR2,200 crores to INR2,300 crores is what we had done in FY24. So, FY20...

Questioner:

So, it is quarterly business?

Management:

Quarterly. No, no. Per month I am talking. Run rate per month. 275 we had touched. 2,300 approximately we had done in FY24. Okay. FY25, first two months, it was able, we were able to take it up to INR275 crores per month run rate. So, we should have done, ended up around INR3,000 crores for that year, but we didn't because September, October 1st, 27th or 28th of September, we had this e-Khata circular which came out and then we had a drop.

Q3, it went down to INR150 crores run rate also. Okay. And then slowly it has picked up. Now, last year we have done INR2,700 crores of business in Karnataka. So, it is almost back to INR250 crores number and we were able to beat the previous best. Okay. This year, we are targeting INR3,500 crores.

So, we should be able to close to do close to INR300 crores per month is the kind of run rate we are looking at. So, INR3,500 crores is the target we are looking at for Karnataka in this year and INR2,700 crores what we did last year in FY26 itself is a, we have already beaten the previous year numbers.

Questioner:

And in terms of branch openings, how we are looking at new branch openings and what share can the new branches?

Management:

See, FY23 till before that after -- from COVID time, we had stopped the branch expansion. In after March 23, we again started the branch expansion. We have about 62 branches which have been opened in the last three years. Last year, FY25, these new branches which are opened, they contributed about INR128 crores.

Last year, FY26, the same branches plus whatever we opened last year contributed INR820 crores. So, in this last year, a lot of these branches we were able to reach that optimum level or at least reach a very decent number of INR1 crore, INR1.5 crores per month number. This year, the same branches plus this year, FY27, we are targeting additional 28 branches. We have identified 28 branches. So, those 62 plus 28 branches this year should be able to contribute around INR1,400 crores is the number we are looking at.

Questioner: And what will be the contribution of these 62 in this 1,400?

Management: So, none of the new branches have been opened this year as known. They will mostly be opened in July, August, September. In April, they have done INR89 crores. So, effectively, if I have to extrapolate that around INR1,100 crores, INR1,200 crores will come from those branches only.

Questioner: From the 62 branches.

Management: Yes. So, INR820 crores they did in the whole of last year, okay, which comes to an average about INR70 crores -- less than INR70 crores per month. In April alone, these 62 branches have done INR89 crores.

Questioner: So, let us say, it will take about close to INR2 crores per month -- INR2 crores per branch. That is the...

Management: INR1.5 crores actually, 62 branches and INR89 crores, INR1.5 crores.

Questioner: Okay. Got it. And on the, on these new branches, how the sourcing is working? They are also having higher DSC contribution? Are you trying to, at least there you have more control?

Management: So, the newer branches, we are trying to incentivize them more for direct business. Yes. So, there at least in the newer branches, we would like to start with not more than 60% coming from the DSCs.

Questioner: Got it.

Management: Not all of them are able to keep it below 60. There are some who are having higher, but yes, our incentivization, everything is keeping in mind that the new branches should have at least 60% only, not beyond that.

Questioner: Got it. Got it. And, sir, most of our, not let's say most, but the growth in LAP has been higher versus the home LAP. So, how do you expect the relative growth?

Management: See, last year, we were also compelled to do it because and particularly in Karnataka, where the e-Khata was happening and registrations were not happening, we had to also look at it. So, it's a combination of both. One, we as a strategy also wanted to slightly work on our spread.

So, we thought the LAP will help us. So, that was also there because if you see our five-year strategy plan, we have planned that our LAP should go up to around 10%, which was around 5% or something. Second thing is, last year, because of the circumstances, Karnataka had to push for a little more of LAP.

So, both have helped. Now, other than Karnataka, if you look at it, across the state, our percentage of growth in LAP and a percentage of non-LAP has been almost same. So, housing has also grown by -- if the state is, say, for north zone or west zone or east zone have grown by around, say, 30%, 40% or Tamil Nadu has grown to 30%, 40%.

Then in that case, our housing has also grown by that percentage. So, it is not that LAP. So, the LAP focus or the increase in LAP has been mainly because of Karnataka, where it was more of a compulsion for us.

Questioner: Got it. And sir, logically speaking, like LAP gives you maybe 200-250 basis point delta on yields. I do not know...

Management: Not so much. Not so much. No, not so much. LAP would give us about 125-150 basis points increase on yield.

Questioner: But on tilt cost, it would not be that much of a delta?

Management: No, no. Not so much.

Questioner: So, it is logical to do more LAP. What is the risk in doing more LAP?

Management: See, end use is one issue where it is going for business, if there is a business loss. So, today if I have to look at a delinquency level or, I mean, non-housing, I mean, LAP, I would not have a separate number for LAP, but housing, non-housing, if you look at it, a housing NPA would be around 60bps-65 bps, whereas a non-housing delinquency would be closer to 1.7.

Questioner: But eventually, credit losses will not be...

Management: Will not be much. Will not be much.

Questioner: Then, like, one should maximize LAP business, right? What stops you from, let us say, like you said, you will restrict it to 5 going to 10. So, why just 10? Why not 20 or 30? What is the risk in taking it higher?

Management: Nothing in that sense. Yes, I mean, credit cost, it is for 100 bps, 125 bps higher spread. Yes, it is beneficial. But, by and large we have been focusing only on housing. So, we had, and in March 23, we had 89% of our loans were housing, including CRE, okay, 89%. Only 11% was non-housing, which was LAP, plot loans, top-up loans, everything.

That we said by FY28, we can -- we are okay to go up to 80-20. Now, come FY28, we will again revisit our strategy and we may probably make it 70-30 also. It is a different, that is the call. As of now, when we sat down in March 23 to lay down a strategy, 5-year plan, we said we will be 80-20.

Questioner: So, this proportion is of the disbursement plan? Or the book?

Management: Book. This is of the book. Disbursement thing we have said is only on the south, non-south. We said we will have 60-40 incremental business.

Questioner: Sir, what was the issue you were saying in terms of end-use?

Management: No, so end-use is not actually for purchase construction. And by and large, if you look at it, the company was also set up for increasing the housing stock and first house purchase customers. So, it is more from that point of view. So, predominantly the company was only focused on house purchase construction cases because that was the objective.

Questioner: Got it, got it. Sir, on the spreads part, I agree you have spoken that you want to maintain it at a stable level. But yields due to the competitive pressure look like it should come down or you are very comfortable to hold it. And similarly, for cost of fund also, we are seeing rates.

Management: Cost of fund, yes, it is going up. So, we will have to -- so one avenue is, of course, we will have to increase our rates. And this quarter at least we do not anticipate that because, we do not expect even end of 30th of June also we do not expect Q1 cost of borrowing to go beyond 7%. So, we might be able to maintain it because there is a churn in our liability also.

We have repaid some high cost borrowings also. So, net even if some higher slightly -- rates drop, we will still be able to overall blended have a cost of borrowing of 7% approximately in Q1. We may be, at least April has been definitely below 7%. May also so far looks to be around 7%. So, I think we overall for the full quarter will be able to keep it at 7%.

Going forward, yes this continues. So, one option is if the repo rate goes up, of course, we can also because on the liability side 60% of our borrowing is bank borrowing, where it is linked to repo and not linked to MCLR. We do not have MCLR linked borrowings. So, once the rate goes up, our liability side cost of borrowing will go up.

So, straight we will also pass on for every 25 bps, we may pass on about 10 bps to 12 bps to our customer. So, that is the kind of thing. The second thing is, yes, if without this also, because of our other cost element on our non-bank lines also our cost of borrowing is going up, we may have to slightly pass on some to our customer.

We will look at that. But that again will be somewhere closer to July.

Questioner: Sorry?

Management: Closer to July, not in June.

Questioner: So, 60% are linked to repo and 40% are fixed.

Management: Yes, you can say that 60% of 62% of our borrowing is bank term loans, that is purely linked to either repo -- 80% of that is linked to repo, 20% linked to T-bills. Out of the remaining 40% also not entirely everything is fixed because we have 17% of our borrowing is NHB. Out of that 17, 50% that is around 9% -- 8, 9% is actually linked to the NHB PLR.

Questioner: Of the 40, 17, so basically...

Management: Out of the 40, 10% is floating.

Questioner: Okay.

Management: So, net 30% you can say of our liability of housing is fixed, which is NCD, 15%, deposit 2% and the 10% of our fixed rate NHB borrowing, which is a affordable housing fund.

Questioner: And on the asset side, it is entirely...

Management: Entirely floating. Okay. Barring staff loans or whatever, which is less than 1%.

Questioner: Okay. So, you do not need to pay as much as on the loan side.

Questioner: Okay.

Questioner: So, which is why you said that.

Management: For a 25 BIFS.

Questioner: For a 25 BIFS.

Management: I will pass on 12 to 15, 12 to 15.

Questioner: Roughly half of it is what is?

Management: So, when the rates were coming down at that time, our bank borrowing was 55%. Today, it is 62%. That time it was 55% and below. So, for every 25 bps downward revision in repo rate, we reduced by 10 bps. But now, since that percentage has slightly moved up to 60, 67, 60 odd percentage -- 60%, 65%. So, probably instead of 10 bps, we for every 25% increase, we may make a 12 bps or 13 bps -- 12 bps increase.

Questioner: And sir, given that last year, you had alluded that requirements were higher because you could not reprice customers in time. But now, that customer will get repriced, so there will be pressure on this year.

Management: No. In fact, it will be better because had my loans been linked to annual reset and the rates have started going up, then on my asset side, there would have been a considerable lag in me getting the benefit. So, it would have impacted my spread. It would have adversely impacted my spread because my liability cost would have gone up, my asset would not have gone up because it would have been at an annual reset. There would have been a lag in passing out. But now, because it has moved to quarterly, in fact, it will only be limited to within a quarter.

Questioner: So, now, all customers are now on quarterly.

Management: 85% plus customers are on quarterly now. We were 70% was annual reset. Now, it has come down to below 15%.

Questioner: And most of the rate hikes have been passed on?

Management: Everything has been passed on.

Questioner: Okay. Got it.

Management: So, the entire movement of that 70% to 15%, that 55% odd people who moved, they got the full 50 basis point benefit.

Questioner: Got it.

Management: And everything was done up to 31st of March. So, my first April, that is why in our presentation, we have given after passing on everything on 1st April, I am still working on a 2.8% spread. Okay. And we have guided for 2.75%. Got it.

Questioner: And on asset quality, you do not see anything from this war, etcetera. Right now, the balance sheets and repayments are?

Management: April and May, we have not seen much. I mean, April, of course, has slightly seen a jump, which is a normal thing. Every April, we see.

Questioner: Okay.

Management: Every Q1, we see a slight increase. Because March, you put too much pressure. So, obviously, we have to relax a little bit in April.

Questioner: So, credit cost will continue to remain behind. Yes. And some debt transition, just wanted to understand what is the status. Is there any, it is now getting implemented?

Management: This quarter, in the next 15-20 days, I think we will be going live with 6 branches. We are almost there. Unit testing is over. Simultaneously, functional testing is going on. Data migration for those branches and all is also happening. We are tallying it. The DCDR, the -- this testing -- all those things is going on.

Questioner: Okay. I am sorry. So, most of the transition will be done this quarter or next quarter also?

Management: So, 6 branches will go live. If everything goes well, then next quarter, we will have the entire Big Bang or whatever. So, but at least by September, we will be 100%, we will be, we should be able to move.

Questioner: Any impact on the business?

Management: We have already actually factored it. So, this quarter we, that is why we said INR2,500 crores and next quarter INR3,000 crores disbursement. The majority chunk will happen in the second half. 7,500 out of the 13,000 will happen in H2.

Questioner: And sir, what will be the one time recurring cost implication of this?

Management: See, we have a fixed cost of INR100 crores and INR200 crores is the opex. So, most -- INR200 crores and that is spread over 5 years. So, basically, annual spread -- annual spend would be around INR60 crores, the depreciation plus the opex put together annually, which currently is

around INR20 crores, INR25 crores. So, net, net, that will be a INR40 crores increase in FY27 in terms of ITC.

Questioner: FY27 onwards, every year it will be there.

Management: But then this year, once it is factored into the. Yes. The next year, it will not be, the delta will not be 40. It will not be 40, it will not become 80. 40 will remain 42, 43, maybe. I mean, 60 will become 62, 63, maybe.

Questioner: Got it. So, FY27 will be a one time.

Management: Will be the blip after that it will stabilize.

Questioner: Got it. Got it. Sir, that is it from me.

Questioner: Thanks for attending.

Management: Pleasure. So, I will just.