



“Can Fin Homes Limited

July 25, 2026



Management:

And the pipeline that we are setting, I think we are very much on course for the figure that we guided of INR2,500 crores disbursement for Q1. And if you compare Q1 of last year, we had done about INR2,015 crore. So, compared to that, INR2,500 will be a 25% growth. And the more, I mean, beyond INR2,500, anyway, it will be more than 25% growth

So, that's in terms of the on-ground position, that is what it is. And this has been across geographies. It is not limited to, say, one or two geographies which are doing well. We have seen this positive thing across all geographies, including our Karnataka and Telangana. In fact, Karnataka and Telangana also we have --we should be positive in this year from day one.

Because last year, if you see in the first quarter, we had Karnataka was 12% negative, then it went down to 10%, then 3%, and in the last quarter, we ended up with a 7% positive. But here, from the first quarter itself, it will be positive. Same way also for our Telangana, which last year started off with 33% negative in Q1, and then while the negative figure reduced, we were almost flat by the end of the year, but we couldn't show positive growth. This year, from Q1 itself, it should be positive. That's what the numbers are showing.

Questioner:

Got it. And sir, I think we are also looking to -- we are actually also undergoing an IT transformation. So, just wanted to understand how is that progressing, one, and by when we expect the impact of -- like, because I think usually that is associated with some decline or some disruption on the ground. So, if you could just share a little bit of that and how long does that extend? Like, what is the length of the IT transformation and when we expect the impact?

Management:

See, actually, in terms of the IT implementation, barring the LOS, LMS, and the reports -- reporting engine which comes as part of this thing, everything else has already been implemented. We are already online in all the other activities, that is the deposit module, our DMS, our Aadhaar Data Vault, our borrowing, treasury, and ALM module, and everything else.

The LOS, LMS, we are going live with the first pilot branch, six branches in the coming week, that is on probably from 1st or something of July, we should probably be going live. As of now, we are -- everything is on course. We are very much in line to implement it. All the background work in terms of the data migration is done. In terms of our creation of the DCDR, in terms of our infra setup, in terms of the masters creation, all those things, even our VAPT and everything which we have to do before we go live with the pilot, we have already kind of done.

So, basically we are almost on course. Once that six branches go live, we'll probably in the month of July -- I mean, sorry, in the month of August, we'll probably go with another batch of branches. And in Q3 itself, we -- I mean, for in Q2 itself, we expect to complete the entire migration activity.

And by 30th of September, we want to complete this entire activity and be on the new system so that we can do a sunset of our old packages. So, the disruption when we are saying, yes, there

would be some impact in terms of the branches which will require some training, which will require some kind of modification, some support, and technical issues will come up and all.

So, we do expect something, but still, keeping that in mind, we have guided or will be guiding for only INR3,000 crores disbursement target for Q2 and not more than that. And already we are, therefore, I mean, whatever -- we are not looking for a very high growth compared to what we did this thing.

So, that's the kind of thing we expect that in about 10 days to 15 days' time, the, cut-off should be possible into the new system. And we would not have much of an impact. Whatever happens, we will be doing it in the first part of the month. So, even if we have to stretch a little bit and push the disbursements in the second half of the month, we should probably be -- we'll be trying for that.

So, that's the kind of planning that we have in place. Of course, fingers crossed, but as of now, we feel that we should not be having a big impact beyond that. And we might still be -- we expect to do a INR3,000 crores disbursement in Q2 of this year.

Questioner: Got it. So, basically, the 25% disbursements Y-o-Y growth, that comes off to around 18% because of this IT implementation. And then that is the end of it. After that, there will be no other tech transformation?

Management: No, after that the -- this is over. The entire RFP, whatever was there, in fact, we have given that item-wise status. And everything else, including on the -- at least on the security side, everything has already been implemented. On the infra side also, everything has been implemented.

Only on the application side, we have these two applications, which is the LOS, LMS, which are from the same single vendor, and the reports that come with it. Then there are some, of course, additional things which we want, which we don't have, and we will keep enhancing. Those things will keep happening. But these will be very minor things. Nothing major is there pending for this thing.

Questioner: And this should be IBM software, right?

Management: No, IBM is the system integrator. The software, they are bringing a suite of various OEMs or applications. So, like for LOS, LMS, we have Pennant. For HRMS, we have Workline. For deposits, we have Kia. For finance and accounting, we have Infor. For our -- this DMS, we have one more -- some one other thing. Then for our borrowing, treasury, and ALM, we have Knight Fintech. So, those kind of things are there.

Questioner: Got it. Got it. Sir, I think we had also guided for adding -- I think we are looking at adding around 30 -- 28 to 30 branches?

Management: 28 branches. 28 branches, correct.

Questioner: And I think two or three could be respectively in Telangana and Karnataka. And there's also some 150 people being added in sales in Karnataka itself. So, if you could—

Management: No, 150 is the total staff strength for our sales vertical. Currently, we are having 82, and this will be spread across the country. It's not that in Karnataka we'll be adding sales people. We'll be adding totally 150 people we plan to have in the sales vertical by the end of the whole thing.

Questioner: So, currently we have 80, that will increase by around 70 by the end of this year?

Management: Yes. Yes.

Questioner: Got it. And this model, basically, I think I've been to a couple of branches to understand—not majority of the people would be there as we normally see. This is the pure feet-on-street model, or how exactly is this?

Management: So, this is basically, yes, the people who are having -- the purely for the sales vertical only. They will be feet-on-street plus they will be also managing the APF module where they will be identifying projects, getting their legal everything done, and giving the APF approvals.

Questioner: Got it. And sir, if you could just share the vision regarding APF? I think that's something which we have been maybe speaking for about like eight to ten quarters, but maybe has not materialized in a very large way?

Management: No, I mean, no, we have got about -- 31st March last year, in fact, we were -- four quarters we have been talking about it, and gradually our size has increased. Now we have about -- we had about 271 approved projects as on 31st March. And now we have about -- another we would be crossing 300 by end of this quarter.

Questioner: Okay. And sir, how large would be the disbursements or maybe the AUM through these projects?

Management: No, so we are not funding these projects in the sense that we are not funding to the developer. We are just approving the projects and we are getting inquiries and leads from these projects. So, that will happen over a period of time. But it -- because these are long-term. Today, the builder when you are doing, they -- it is not that these builders don't have an APF tie-up already.

We are normally in all the projects that we are going, we are the third, fourth, or fifth, or maybe the even the seventh lender to enter into it as an APF partner. So, they are already having a lead partner to whom majority of the cases go. In many cases, it is one of the big four, that is SBI, HDFC, ICICI, or Axis. And then we also are there.

So, what happens is initially we, when we do the tie-ups and everything, it is one or two cases which come to us. And then, but as we give the services, the confidence builds and over a period when the next project is put up, they will again definitely consider us and so on. So, it's a long-term kind of a thing which will start giving us yield or benefit over a period of time.

But at least last year if I have to speak, it was -- most of these 271 projects happened in the second half of the year. And we have done close to INR50 crores of business has happened from these approved project cases only. Cases in these approved projects, I am saying.

Questioner: Got it.

- Management:** So, that is in FY '26.
- Questioner:** Got it. Got it. Fine. Got your point, sir. And sir, just on the I think Karnataka and Telangana, the issues were there in FY '25, everything is sorted now? Like, we are seeing growth in Karnataka...
- Management:** No, no. Telangana, I would say, is roughly almost done and we are kind of -- HYDRA is still going on, but at least demolitions have stopped. And whatever were the issues, we are now taking extra precautions. So, there is no issue under this. Sentiment has slightly stabilized. Prices are starting to look up.
- So, I think Telangana, I would say, is almost over. It is just that now business improvements and numbers will start to show. Karnataka is not that simple. In fact, in Gram Panchayat areas, we are still not getting the E-Khata and therefore transactions are issue -- are impacted. There are delays in sanctions they are there, but not converting into business.
- There are business which are booked, but then later on customers come back for cancellations. So, these are happening. E-Khata issues are still affecting us. Had everything been sorted, probably we would have been doing a run rate of about INR300 crores plus per month in Karnataka, but we are still just at around INR250 crores.
- Questioner:** Around 2.5 to 3% in terms of...
- Management:** What it should have been there, yes. It should have been definitely been more than INR300 crores per month in Karnataka.
- Questioner:** Sir, any update over the E-Khata? How are you seeing the situation? Can we expect in Q2 or maybe there's a kind of steady state which has been reached in that market as well?
- Management:** I think there's a steady state which has been reached and from Gram Panchayat areas, I think will take more time. Government keeps giving promises, they keep assuring that things will be sorted out, we are doing X, we are doing Y, but on the ground, it is still not happening. But the majority of it, that is the city, we have already sorted, resolved.
- Now it is not very difficult to get E-Khata if the paperwork is clear. So, therefore it is just a matter of a maybe a week's time when it takes to additional to for the customer to arrange for the E-Khata. So, it's broadly done. I think if it happens, good for us, we will be able to push more. Otherwise also even if the status quo continues, today we are doing INR250 crores average run rate.
- So, that works out to around INR3,000 crores for the year. Obviously, H2 will be a little better than H1. That's how the trend is. So, definitely INR3,500 crores that we are targeting from Karnataka will happen. And this will be against the figure of around INR2,700 crores that we did in FY '26.
- So, the growth will definitely be there and it will be a decent 20% plus, 20% odd plus growth in Karnataka alone. But I am saying that will be keeping in mind that Gram Panchayat we have not factored in that thing. If it happens, that's a bonus, we can do much better.

Questioner: Got it, sir. Got it. Got it. And sir, just a bit on this asset quality impact from this -- from HYDRA and from the Karnataka thing. Has there been anything for us?

Management: Karnataka, there is no impact on asset quality. Telangana, we had other issues in FY '24 and there were some frauds and we had deactivated a lot of DSAs and all. These were individual frauds, one-off things like that. We had tightened our DSA network. And then the HYDRA also happened. So, in fact, there was some increase in our delinquency, but now I think we are -- that's behind us. From here, it will only be -- we should start seeing sale of the property some through SARFAESI. We should start seeing some numbers in terms of delinquency coming down in Telangana. I don't think that there is any further pain coming from Telangana now for us.

Questioner: Sir, how large is the Telangana painful portfolio, like whatever DS...

Management: No, today if I have to look at it, probably we have a total INR370 odd crores of NPA pool, of which about INR100 crores would be from Telangana. But now if I consider that INR100 crores on the overall portfolio of about INR7,200 crores, it is not a very large number. It is just about 1.25, 1.3% or something.

Questioner: Got it, sir. And how much can be the recoveries from this?

Management: Recoveries will happen. I mean, we will recover. I don't think even in a steady state, today my gross NPA is 0.85. So, it would have been about INR60 crores, INR70 crores would anyway have been there as an NPA on a INR7,200 crores portfolio. So, this is about INR30 crores, INR40 crores more, which is not a very large number spread over entire 19 branches.

So, and to some extent, it's also because, as I said the prices came off. There was a correction of about 20% in the property prices after HYDRA. So, that is also accentuating the problem. And I think once the prices also start to look up, I think some recoveries will anyway happen and some of it probably we may have to sell and exit.

So, another INR15 crores, INR20 crores, INR30 crores, I guess we can recover from this even in the immediate future, notwithstanding that regular NPA of INR60 crores, INR70 crores would anyway be there.

Questioner: Got it, sir. Got it. Sir, any thoughts on the competition among the BT-outs? Because I think last three quarters, BT-outs have been slightly elevated. I think you should give some mix of how it has been for part-payment versus somebody is taking away a loan. But if you could just touch on that and competition in this segment in general?

Management: See, competition, I think, is always going to be there, but I think we have a big enough pie for everyone. I don't think there is a problem in terms of growth or competition impacting our business potential or business growth in the coming years. I mean, it's going to be there. We also have to, fight it out in the market.

We have to work on our strengths. We have to push our boys. And that's fine. I -- that's not a big concern right now. The second thing is in terms of the BT-outs. See, BT-outs today is also a

factor of the pricing. Today, we, prior to the rate cut cycle, we were about -- our best customer was at 8.95. The banks were offering at 8.4.

So, there was a 55 basis points differential or delta. With the entire banks' portfolio being linked to EBLR, External Benchmark Linked Pricing, most of it or almost all of it is linked to repo. So, the entire 125 basis points benefit has been passed on. PSU banks and some of the bigger banks have passed on the entire thing almost on their existing book as well as, the new book also they have been competitive and are being and are offering 7.25 to 7.4.

As against that, we have cut our PLR or our rates for our customers, existing and new customers, with 50 basis points because that is the impact we had experienced on our liability side. So, today our best customer gets 8.4, whereas the best customer for a bank or for the private and the PSU banks is around 7.25 to 7.4.

So, that differential, which was earlier 55 basis points, has increased to 100 basis points. So, that's, in fact, one of the reasons. And LIC has also been equally aggressive in its pricing and they are also offering. So, while banks have done it, banks are still not the major competitor for me in terms of BT-outs.

It is LIC. Because whatever banks have done, LIC also has reduced the rates by an equivalent amount. So, their customers also are being offered 7.25 and 7.4 for new customers. So, that is where it is happening. So if the rates start moving up, I think the gap will again further come down and that should help it.

Questioner:

Got it, sir. But sir, this -- I think this EBLR regime is, I think, here to stay. And I don't know how to feel about for LIC itself, but is it fair to assume that the growth rate for the industry or maybe for us has pretty come off or maybe steady state growth rate would not be more than 14-15%? Of course, I remember I think we never grew at 25% at a slightly larger book, of course, FY '15 was a different story. But should -- is that assumption correct that 15% is broadly the steady state kind of growth rate for us?

Management:

No, I would say rather than 15% or an absolute number, I would say 2-3 percentage point above the rate at which the industry is growing is where we would like to position ourselves. I mean, we don't want to rush into some big numbers and just look at 25% or 30% or those kind of glamorous numbers. If the industry is growing at 11%, 12%, 13%, I think 15% is something we would like to grow at. Tomorrow, if some incentives happen and tomorrow industry grows at 17%, then we will want to grow at 20%. So, I would say 2 to 3 percentage points higher than the industry growth rate is where we would like to see Can Fin.

Questioner:

Got it, sir. Sir, if I could just look at the ticket for us for five years, I think the CAGR for loan ticket size between INR20 lakhs to INR35 lakhs, which is I understand the sweet spot for us as well, INR25 lakhs, INR26 lakhs, has been around 10%. So, that's -- and if I'm just extrapolating the same going forward as well, that would actually imply like a growth of around 13-14%, which is also in line with FY '27 guidance. So, would that be the steady state?

Management:

No, I think if the industry -- yes, if the industry grows at 10 to 12, 13%, and I think 15% CAGR is something we would be comfortable with. And I think that is something we have already built

into our projections, which is something which we have built into our staffing, which is something which is built into our sales thing. So, I think 15% CAGR is something definitely possible. Of course, then can -- there are there are a few other levers which we will want to activate. And let us see if we can we will try to do better than that. But yes, 15% is something definitely possible.

Questioner: Got it, sir. And sir, going back a little bit in time, I think that when you joined, the numbers then we were expecting was, I think, around 18%. And now, I think, of course, you have revised the guidance down a bit. But what has led to this change in maybe cutting out by 3%?

Management: See, no, so actually if you look at that particular point in time, in fact, industry was growing at a better rate. In fact, in the last two years, the rates have come down. Affordable housing particularly has come down. What was growing at around -- affordable housing which was growing at 15%, today is in the single-digit numbers.

So, there has been a little growth which has come off in the overall industry as well. So that is one thing. And second thing is, of course, the incidents that happened, we had to slow down more than that. I mean, had that not happened, we would probably have continued to grow. But anyway, that was actually a -- I would -- in hindsight probably I will say it is a positive thing that happened because we have definitely strengthened our foundations and internal controls and policies and processes, substantially in the last three years. So, going forward, I think it will be a much more comfortable kind of a growth that we will have at 15% to 17%, whatever.

Questioner: Got it, sir. Sir, but what I've also observed is I think the at least over the last four quarters, the average ticket size continues to go up. I think we were at 2.4 million, that is now at 2.7, 2.8 million. Is there a change in strategy or is this because I think this is slightly higher than inflation, if I were to consider just this year, not the five -- last five years. But what is the view going forward? Like, would it continue to increase at a similar rate or maybe two years out, where would be the ticket size?

Management: No, I think there were two structural changes also which we did. One was we did not have a LAP product per se for new customers. So, whatever LAP or top-up loans were happening were only happening for existing customers. Now top-up obviously is only for existing customers, but LAP as a product, so earlier NHL, the average ticket size was only INR8 lakh, which today now is much higher.

Incrementally, if I look at NHL, my NHL is having a almost similar ticket size as compared to what it was for HL, maybe a little less. So, that is one of the reasons why this has been a little on the higher side. Because earlier whatever NHL was happened was INR8 lakhs was only top-up based on the whatever increase in the property value.

So that is one structural change. And second structural change, as I said, is that we have slightly gone for our own sales team that is what is happening, plus the APF tie-ups and the business we are getting from APF, the ticket size is slightly higher because we are targeting Cat B builders where the property values and the location of these marketing staff is also in the larger cities to start with.

Because when we started this module, we did not start that across the board. Wherever we realized that these sales team can only function and succeed in the bigger cities. Smaller cities, wherever we appointed the sales staff, they were not very successful because they could not generate that kind of a volume in the smaller ticket -- the smaller this thing because we -- our expectation was that each of them should be doing at least a crore to more than that per staff per month.

And obviously, smaller places the sales staff could not do it. So, we had to change the strategy. So, today also the sales staff are more in the bigger towns where the productivity is also higher, but the ticket sizes are also therefore higher. So, these are the two structural changes. Going forward, I think since that has now almost adjusted, I think going forward the steady state would be about 5% to 7% inflationary increase in property values which we will experience in our ticket size as well.

Questioner: So, basically, we are looking at around 5%, 6% increase in the average ticket size and then around the 10% increase in the branch count, which is the 28 branches broadly?

Management: That would also come from that and the increase in staffing for the sales.

Questioner: And increase in staff. So, should the growth not be a little higher? I'm just adding these numbers arithmetically, it's coming to around 16%?

Management: Whatever, see, this year we will be doing 14% because there is a -- it comes with a lag. And next year also we are targeting, like last year we grew our disbursements by 23%. This year also we are targeting almost 22%, 23% disbursement growth from INR10,500 to INR13,000. So, that's also 20% plus.

Next year also, I think we have built in a sales team and everything which can deliver a 20% plus disbursement growth. So, keeping that in mind, I think yes, slowly it will inch up to around 15%, 16% would be the inch up in our AUM growth. As of this year, definitely it is 14% because we are catching up, but next year, I think yes, you can say it will be around 15%, 16%.

Questioner: Got it, sir. And sir, I think branch opening plans for FY '27 are there, but for FY '28, any thoughts? Would we continue with a similar number or would we again...

Management: No, we will look at around 20% -- 20 plus branches because we will be reaching -- we are 249 today. We are 28 branches, so we will be 277. And if you look at our document, vision document -- Vision 2028 this thing, our plan is to reach 300 branches by FY '28. So, which means at least 23 branches we will be opening in the next financial year also.

Questioner: Got it, sir. And in terms of the geographies, like tier-wise and then state-wise, like South versus non-South?

Management: See, this year we have already done it and more branches are obviously in the North and West and in AP because we see a good amount of growth coming in Andhra Pradesh. But this year, after the first three years we did not open anything in Telangana and Karnataka, this year we are

looking at three branches in Karnataka and a few in Telangana also. But still out of the 28 branches, I would say a majority, 50% are in the North and West only. More than 50% are there.

Questioner: Got it, sir. And sir, just on the ticket sizes across the different states, how is Karnataka different compared to these geographies? And secondly, how's the asset quality experience there? Because what we have observed in case of some other South-focused players or maybe regional players is that as they move outside their geographies, that tends to hurt a little bit initially?

Management: See, Karnataka and Tamil Nadu, Karnataka and Tamil Nadu for us have been a very, very strong obviously. In fact, the two states even otherwise, I'm sure for other lenders also, have had a lower delinquency. So, in our case also, if you look at the NPAs, both these states are having a below company average NPA.

Of course, Telangana as I mentioned because of this we also have had a little bit of a -- slightly higher at INR108 crores, INR110 crores NPA on compared to a INR7,000 crores -- is about 1.3% or something. West also is slightly higher for us, obviously also because we had some couple of incidents, but that is very old cases and all.

But I think by and large incremental business even with a one-year lag when we are looking at the business which has been done in North and West, I think we are comfortable. It's not showing any stress. Even with a one-year lag if I look at the portfolio.

Questioner: Sir, how material is the difference in ticket sizes?

Management: Yes, ticket size-wise actually Bangalore and Hyderabad, both these locations our ticket sizes are slightly INR30 lakh plus, definitely. Both these city branches, whatever we have been doing, they are INR30 lakh plus. Other than that the ticket sizes are fairly INR20, INR22, INR23.

Questioner: Got it, sir. But like, does this INR30 lakh plus ticket size mean that that is the area where we are more prone to poaching by the likes of LIC etcetera and other large players like a Bajaj Housing Finance?

Management: So, Karnataka, Bangalore, if you look at INR30 lakhs, I don't think that would be a major issue, but because frankly speaking toda these are very much on the outskirts of the city. Okay? And we also have banks -- so banks are not much over there. And all of branches also today or the business that is happening is also happening almost on the periphery of the city rather than the city.

So, even our branches like Koramangala and Jayanagar and all, they are sourcing business from outside the city only. So I don't think that is banks and all have so much of a competition that we expect from there. And it is not reflected in our prepayments also. As I said, it is a more of LICs and the Bajaj which will which will have a prepayment. BT-out will happen more to these players rather than to banks.

Questioner: Got it, sir. Got it. Got it. And any sense on the repayments going forward? How should we look at this 17% repayment rate? Should it normalize to 15% or will it continue at?

Management:

See, we have factored in this year also the same. We will see -- we have taken some internal steps. We'll see how it pans out and maybe we will look at it. And as I said, it is also today because the delta or the difference between our best rate and the best rate in the competition has widened. Maybe if that comes down, that will probably help.

But for the current year, I think we should factor in the same number. We have done about INR7,000 crores is what we have anticipated for the full year in terms of run-down. So, I think for this year at least, that is what we would factor in. If the rates now the gap reduces or something, then maybe we can look at some improvement. But I guess even at 17%, our run-down rates are much better than most other players.

Questioner:

Right. So key competitors would be LICHFL, Bajaj Housing Finance, and also PNB?

Management:

PNB also to some extent would be a -- would be a third would be PNB HFL.

Questioner:

Got it, sir. Got it. Got it. Perfect. Perfect. And sir, what is happening is I think we're growing at 14% and ROE is somewhere around 17%, 18%. So, that is leading to a decline in the leverage. Uh, any thoughts there, like...

Management:

See, if it grows at 14 today, I think we will be almost neck-to-neck because 17-18% is there, but that 18% also if you look at our ROE, then net of our dividend payout which is around 20%, I think 14.4% thereabouts is where is the accretion to the book. I mean, to our reserves. So, I guess if the growth rates go beyond 14 is when we will start seeing the gearing inching up a little bit. And we do have a scope to take it up to around -- from a current 6.4 to around 7.5 times before we start looking at something.

Questioner:

Got it, sir. Got it. And sir, you've shared this guidance for of 2.4% plus ROA and 18% plus ROE for this year. Could you please take us through the NIMs and within that, how does how does the yield and the cost of funding for us for FY '27 and '28?

Management:

See, we are currently we have given the figure now that our spread will be around 2.8%. And I think in this quarter also, we should be able to retain or maintain that 2.8 spread for this quarter as well. So, we'll start with the NIM, so as I said we have on the declining interest rate scenario, we've passed on the benefit whatever we have experienced on the liability side with maybe a month or two lag to the our customers.

Same way when it comes on the when the rates if they start moving up also, we'll have the same strategy. We'll pass on an equivalent only to the customers. So, for a for example, like a 25 basis point reduction in a repo rate translated to a 10 basis points reduction for our customers.

I think when the rates move up, I think it will be around 12 basis points because now slightly the mix has changed. We have now a higher concentration of bank term loans. So we may have a higher of floating rate borrowings. So, in that way today if I have to make an equivalent figure, it would probably come to around 12 to 13 basis points. So, for every 25 basis points increase in the repo rate, we will have a 12 to 13 points percentage -- basis point increase in our rate for our customers. So, thereby we will protect our spread. Yes, sorry.

- Questioner:** What would be the incremental cost of funds for us for a 25 basis points increase in repo?
- Management:** That's what I said. So, if that happens, around 25 basis points, the increase in our cost of funds would be around 12 to 13 basis points only. That much we will pass on -- to our this thing. So, basically, we will ensure that the 2.75 what we have guided, around 2.8 or something, the spread will be maintained, which means our NIMs will be around 2 -- 3.8 or thereby. Now 3.8 if you look at it, our credit cost is just about 10 bps.
- Last year it was 10 bps, we've guided for 15, but I don't expect it to be very high. Last year also if you see our coverage -- our PCR or this thing has provision coverage has improved and today it is -- it was around 50%, now it is around 64% or something. So, basically last year also we have been a bit conservative, but otherwise if you look at it, our actual credit cost was -- guidance last year was also 15 basis points, but even with this higher provisioning, we have kind of kept it at 10 basis points.
- So, this year also we don't expect that there will be any pressure. At least Q1 results data doesn't show any kind of pressure. So, credit cost this this this time also should be benign. So, 10 basis points on that. Taxation, of course, is there. And there will be a little increase in our cost. Because we have this INR40 crores additional cost coming in because of our IT implementation. So, because of that, we have said that I guess at 2.53 which was our ROA, we should probably end around 2.4.
- Questioner:** Got it, sir. Sir, I think this non-interest income for us is very small at less than I think 10 basis points or probably seven. Any thoughts there to increase that, maybe any low-hanging fruits which we don't have?
- Management:** Frankly speaking, there are our low our non-interest income is only from two things: One is the fees and charges, and the second is from the insurance. In terms of our non-interest our fees and charges, today, I mean, if you look at the what the RBI has been talking about in that you have to be justify your costs and you cannot be overcharging your customers.
- So, from that point of view, I think in letter and in spirit, we have been following that and I don't think we would want to increase our charges or anything from the customer because I think whatever is there is properly justified against the cost. Actually speaking, if you see what we are charging from the customer as processing fee is actually just a reimbursement because we are charging starting from INR7,500 as flat processing fee.
- As against that, today INR6,000 is the cost that we are incurring in terms of our legal and technical panel valuer and panel advocate charges, some for CIBIL and CERZAI and all those things. And some administrative cost for the -- this Karza, Perfios, account aggregator and everything. So, practically the cost itself is INR7,700 and whereas we are charging INR7,500 for one segment of customers. Then it is INR10,000 and INR12,500.
- So, basically our fees and this thing is just about what we are experiencing or what we are being charged. So, and that, as I said, is in line with the RBI and NHB's guideline of that we have to be absolutely justified in terms of what we charge, we cannot be overcharging our customers.

The second thing is in terms of insurance. It is insurance is a good-to-have thing as far as our thing is concerned because it has a bearing and we have had NPAs because of death and everything. But still we are not, compelling our customers. Our attachment ratio today is just about 42%. And that is all that we would want to keep.

Of course, there is a scope to slightly increase. We will -- we do try to educate our customers. We have seen that customers nowadays are a little more open to it, but I think we will still continue with our focus of to not force or compel our customer to do life insurance. Property insurance, however, is mandatory because it affects the security that we are taking.

Questioner: Yes, sir. And this 42% is of the incremental business?

Management: Incremental business, yes.

Questioner: And what would be the in the AUM overall?

Management: In the AUM, I think it would be even further lower. It would be much less because last -- this also over a period has moved from almost nil to 42%. Last year it was 37% last to last year actually. Last year slowly from 37% to 38% and to 42%. So, it's not been a very large thing. So, overall on the entire book if you look at it, probably it would be below 40%. Definitely below 40%.

Questioner: So, maybe an effort to try and leverage the call centers and all to increase that?

Management: We have set up a call center because it does, as I said there is a little bit in, but again, as I said, it is only purely if the customer is willing. It is not a bundled product. It will not be a bundled product. And it is only if the customer gives that consent. We have right from the beginning we have followed a practice of taking a letter from the customer that they are interested or not interested.

Because we've also had cases where customers after the death, the spouse comes and starts complaining why you did not take it, it's an industry practice, you have not done it, you have not done a correct lending. But I mean, we always have had a support in document to show that your spouse did not has given in writing that they are not interested in taking insurance. So, I mean, that's what it is.

Questioner: Right. Sir, just last two quick questions from my side. One is on the opex guidance. I think we are tracking at around 70-80 bps on cost to assets. I think last five years that number was 50-60, but then that was because we were also not expanding. Now that we have started expanding...

Management: And plus a plus a increase in salary cost last year, which was a substantial. We had a 22% increase in salary cost here.

Questioner: Okay. Okay. And how do we look at this number over the next two to three years?

Management: See, this year it will slightly go up because as I said INR40 crores will be added. So, slightly it will go up a little bit in translated into this numbers, probably could be what 80 bps?

Management: Less than 80 bps. It will be around 75 basis points.

Management: 75 basis points or something it comes to as per our calculation. Maybe max you can on a conservative side look at 80 bps for that and for the IT cost. And thereafter, as I said this INR40 crores that is the incremental for the IT would not year-on-year increase. So, next year onwards, it will start to slowly taper off because the book will increase. Book will grow.

Questioner: And we'll be back to the number of 50-60 in five years?

Management: May not be that much because frankly speaking this geographical growth and branch expansion is here to stay. It is just that last three years from '19 onwards there was no branch expansion, so the costs were not there. But otherwise if you look at it, we have done that. Another thing is in the last two years we have at least if you look at the -- we've shifted branches the look and feel of the branches also we have spent because we've improved on that quite a bit. And that is here to stay. So, I think it may not go down to 50 bps, 55 bps, but it may probably be around 70 bps at least.

Questioner: Got it, sir. And this last question from my side. I think you've been here for around three plus years now and of course you'll be there for more time. What have been the key hits and maybe some surprises for you in terms of positives and negatives? Maybe we leave out the fraud incident which happened, but otherwise.

Management: No, I think, the biggest thing was the IT -- status of the IT in the company, which obviously was also the reason why we had these issues in July '23 going on from '21 onwards. Because the IT was definitely something which was which required a complete overhaul. I think with this particular IT transformation project that we have done, I think we are very much in line with the market.

Arjun, you are there? Yes, I think you're there. So I'm saying this was a major issue which was there. I think in terms of other thing which was -- which I think was surprise or which -- not a surprise, which had to be done was the in terms of our sourcing, where I think we still have some work to do because we've not been able to bring down from a 80% our sourcing.

While we have brought down the incremental sourcing, it's still on the book it is still continues to be high. We had gone up to 87% in terms of incremental sourcing, which has now come down to around 77%, 78% and of course between 76% and 80%. But now with the sales team now doing better, I think there we will see some drop now coming.

And one more aspect was the digital sourcing, which is we expect to chip in over there. That has not yet started because our IT transformation project is still yet to kick off. So, I think this is one area which is still some work needs to be done and this thing. But we are almost at the fag end of our IT transformation and so we should start looking at that.

Definitely in terms of a success also, I would say this IT transformation, successfully, managing the IT transformation and getting this entire overhaul of things done without affecting with this, I think is definitely one of a positive which has happened, a success. Another success, I think, is

the sales team because today if you look at it, the growth mainly is coming because of the sales team and the branch expansion that we have done.

Just to explain if I tell you, see, FY '25 where the sales team had just been set up and we still had not seen a great number in terms of the sales team contribution and also the branch expansion wherein most of the branches were opened in the last February-March period only. So, in FY '25, if you look at it, the sales team as well as the new branches had contributed only about INR300 crores.

As against that, in FY '26, the same branches and the sales team has contributed close to INR1,500 crores. In fact, it has been almost INR1,600 crores. So, today that has been a big definite thing which we started off as a strategy, we implemented, and the results are now beginning to show.

And this year, if you see the extrapolate this into what will translate this year, the sales team and the new branches that have been opened after '23 and which will open this year will contribute almost INR3,000 plus crores in this financial year. So, that is again definitely a strategy which took a little time to implement, but now the results are visible. And this is something which is here to stay because we just now need to keep adding the numbers into our sales team and keep adding our branch expansion strategy on and this will continue to deliver results.

Questioner: Sir, the 70 personnel addition for this year, will that continue next year as well? Like 70 next year? So, maybe three years out, that number which was 70 last year can actually be closer to 300?

Management: 250. So, this year we are taking it from 82 to 150 is the plan. Next year we plan to take it up to 250. So, FY '28, March '28, we should be having around 250 people. And the same INR1,500 crores that we are expecting from the sales team this year should next year probably be around INR2,500 crores to INR3,000 crores will be from the sales team alone.

Questioner: Got it, sir. Perfect, sir. I think I'm done with my questions. Perfect, sir. Bhavin, do you have any questions? No? Perfect, sir. Thanks a lot Suresh Iyer for all your answers.

Management: Thank you. Thank you Abhijit. Thank you Bhavin.

Questioner: Pleasure interacting with you. Thank you so much. All the best for the next quarter. Thank you.

Management: Thank you.