



“Can Fin Homes Limited
Elara Capital - 01.09.26 (3)
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MANAGEMENT:

MODERATOR:

Management: Yes, please.

Questioner: Can we just start with your brief on the competition that you are facing from banks, considering that, say, Bank of Maharashtra or even LIC Housing Finance, they have quoted rates at 8.5% and similar numbers? How are we facing? How are we trying to manage our margins in this situation, or are we also going down?

Management: To start with, we have given a guidance of NIM and spread of around spread of around 2.75% to 2.8%, and NIM of 3.75%. We still continue to maintain that guidance. We are on course to achieve that in this -- in the upcoming Q2 also, and going forward also, we will remain in that zone.

With respect to the competition our main competitors are NBFCs, especially Bajaj Housing Finance, LIC, and PNB Housing Finance. We don't compete with banks because of our ticket size. We cater to the ticket size of INR30 lakhs to INR45 lakhs, which is our sweet spot, while banks are there more into the prime part of the business.

Also, with respect to geographies, we cater to the customers in the peripheries of Tier 1 cities, mostly Tier 2 and Tier 3 cities, outskirts. Thereby, we don't have that competition with banks. Again, with respect to NIM and spread, we are holding on to our guidance of-

Questioner: How are you able to hold this guidance, is what's my question?

Management: There are two parts to it. One is that we are making some gradual shift into a very little shift into our product mix, both in terms of housing, non-housing, little bit of non-housing is increasing. Also, with respect to customer mix also, customer segment also, we are gradually increasing our self-employed, SENP. Coming to the rate pressure, if you are looking into the rate pressure and all, then by the end of Q1, I think almost more than 85% of our portfolio is under quarterly reset. So if there is any further repo, further rate increase, we will be able to pass on that to our customer.

Questioner: What is the yield difference when it comes to, say, non-housing and SENP versus the housing and salaried?

Management: For a good customer with a top-credit customer, it will be half a basis point -- 0.5%, 50 basis points.

Questioner: For both, SENP and...

Management: Yes.

Questioner: Okay. Why would a customer come to you versus going to LIC Housing or PNB?

Management: As you know, around 80% of our portfolio is sourced through DSAs. Those DSAs play a very active role in this. They know the needs of the customer, the customer profile, and they will bring the customer which is more suited to Can Fin Homes with respect to our underwriting and documentation and all. That is there, and our service, our connect with the customer is a little better. While PNB Housing Finance or LIC can be big players, but we think, sometimes, rate is

not the decisive factor, only decisive factor rather. The customer might need some guidance, some help with some ease of documentation and something like that.

Questioner: But with this INR300 crores transformation that is going on, I think our DSAs should go down, considering we are looking more internally sourced loans. Then how are you planning to get the loans? Because if you say DSA is the mode that we are able to get the clients?

Management: With respect to competition, with respect to the point where why a particular person will come to us and not go to the competition...

Questioner: So DSA is making that difference. Now we are having IT transformation

Management: IT transformation is mostly more related to increase of productivity, more compliance, and more enabling us to do more research and more analysis and all these things. It has nothing to do with DSA as such.

Questioner: DSA will remain same?

Management: DSA will remain same because our for our Vision 2028 document, also, we have seen that said that our target sourcing mix is around 60, 20, 10, 10. 60 coming from DSA, 20 from our internal sales team, and 10% each from our digital channels and walk-in customers.

Questioner: What are we incentivizing them? How do we get clients to Can Fin and not clients are not going to a competitor, even if they are offering better rates?

Management: We are giving them a commission of around 0.4%.

Questioner: This is upfront one-time?

Management: Yes, upfront one-time.

Questioner: Okay.

Management: While we record it in our books and amortize it over the tenure of the loan, but it is paid to the DSA upfront on disbursement.

Questioner: These people also be having a DSA model, other competitors?

Management: They are having, and our DSAs are also not exclusive DSAs for us, but we are getting business from them, and they are our old, very old DSAs, very loyal. Not that everyone is new DSAs and all.

Questioner: I just want to understand why a client should come to Can Fin. This is my only question. What is the big factor if I'm buying a home?

Management: The biggest win the market factor for us is our local sanctioning. That gives us a very competitive advantage or advantage over the competitors. Our sanctioning is very fast. Once the DSA can identify that this loan can get through with Can Fin Homes, they will immediately get to our

branch, get it sanctioned. Within two days, I think almost everything is done. What is left is just the completion of the document -- documentation, the transfer of...

Management: Chair is not there, no?

Management: Chair is not there.

Management: But that's okay, fair enough. Somebody from our office, we can ask them just get one chair. Extra chair is there. Yeah, you have it. Two chairs are there, no? You can occupy, one he can occupy. Please come, this side.

Questioner: Can you hear me?

Management: No problem.

Questioner: The speed of processing is one thing.

Management: Local sanctioning, I think, is very unique advantage for Can Fin.

Management: Customers get a decision very fast. Whether it is a doable case or whether it is not doable case, that decision will be made upfront at the branch level only. Moreover, since we have a very old relationship with our DSAs, in that case also it helps, because they know our parameters, what are the other things we are looking at, and which type of proposal will be going ahead with. So those helps.

Questioner: Considering now we are planning to expand in other parts other than Southern India where more concentration as of now is, it's a very different geography. It's a very different -- everything, I would say, is very different when it comes to Southern part of India and other parts of India. How are we planning to expand, because this is a very new territory for us if we were to look at? What is company doing?

Management: To just to answer the first point, we have always been present in North and West. Thereby, it's not a new territory or unknown territory for us. Just that we are increasing there increasing our footprint there to have more growth in disbursement, to cover more and penetrate more into that market. Pan-India is same.

There is no differentiation, and we have not seen any major difference between the customer profile in South someone, a salaried customer in South vis-a-vis a salaried customer in North. The parameters are same, our underwriting -- and our underwriting principles are also same. Sometimes we see that in SENP, in North and West, we have more SENP customers, and in South we have more salaried.

That is there, but once we are there, it's all the same, and we don't have different parameters to underwrite someone in North and South. That is one part. As I mentioned, we were always present in all our -- they are our old branches, and our zonal heads are also veteran in that industry. Our team is quite experienced. The West head, zonal head is almost 32 more than 20 years. All the zonal heads are having more than 20 years of experience.

Questioner: Okay. The rate at which we start a home loan is somewhere around?

Management: Our benchmark rate is 9.15%. Thereby, each improvement in credit grade and those S1, S2, we are credit we get discount, and...

Questioner: The lowest rate that we offer is?

Management: 8.5%.

Questioner: 8.5% is the lowest. Okay. We are not going to go below it just because there is competition?

Management: No, we don't do that. We don't follow that discriminatory that some customer will give at. Everything is coming through a scorecard, and the moment it fit into that scorecard, it is the rate.

Questioner: In northern and other part of India, are we able to get such DSAs -- business from DSAs? Considering that the Southern part of India, you would have, like you mentioned, relation- age-old relationship with DSAs, and hence, they are able to get the customers. How are we able to cater this part of business?

Management: In North and West also, we have DSAs. In Andhra and East also, we have.

Questioner: We are able to grow that?

Management: Yes, yes. We are growing there. In North and West, if you see, our disbursement growth is more than 30%. In West, it is 43%. Of course, I know the base was also small there, but in all six zones, we are Getting DSAs are getting us the business. Also, we have introduced two new things, new in the sense over the past, last one year, in the last financial year, we have been doing that, our new sales team and our expansion of branches. So that is also adding up to the disbursement growth.

Questioner: On this transformation, if you can just give some color on that, that we have I think, the software was live in some 50 branches, and it was we were able to we were planning to do to cover 250 branches somewhere around September. Are we on track, and have you been able to see some gains which we can put in numbers? INR300 crores is a big amount. If you can just shed some light on what led to this decision of spending INR300 crores?

Management: I'm just covering the amount part little. In that INR300 crores, INR200 crores is opex, and INR100 crores is capex, right? Not everything will come into one year and all. That will have -- that will go into the opex part. With respect to, definitely, it will improve, as I mentioned, it will increase our productivity, efficiency. It will also release some capacity.

Questioner: Productivity in ?

Management: The way -- the manner in which we are doing business, or processing the loans, or recording the loans, origination within integrated, within an integrated environment with more outside vendor softwares being used for valuation, for legal search, for -- improve the entire workflow. Coming to how to quantify that in numbers, I think that is little too early to translate that into a number.

But yes, what we can say right now is that it has, in fact, it will release our product some capacity, and which we will be directing towards our in-house sales team. Earlier...

Questioner: Capacity has been manpower?

Management: Manpower.

Questioner: Okay, and deployed more people in your sales team?

Management: Yes.

Questioner: We are on track of deploying this IT to all the 250 branches?

Management: Yeah, yeah. We are very much on track. As last time, some of you were there. Last time, we went for that pilot of five branches in the first week of July. Then that took except for that initial teething issues, we didn't face any roadblocks in that. So that was a good, smooth transition towards the new system. Then in August, again, we went for 75 more branches.

So that also, for the last one month, that has been working well for us. This month, again, we are going for 77 more branches, as we speak. And the remaining whatever branches will be left out, that will be rolling out in the first week of October. So we are very much in time, and added to that, around 20 branches we have so far opened out of the proposed 28. These 20 branches have been opened in the new platform only.

Questioner: Okay. And we are seeing efficiency with that, like...

Management: Yeah. See, basically, what this system does is we were working in a very old legacy system wherein we didn't have much of a integration. So basically, all the systems were working in silos, right? So here, in this package, what we have done is everything is available in a single stretch. One workflow process flow is there.

In that, we have integrated with our, say, valuation valuers, say, legal reports, say, field visit reports. You can say IT returns verification. So all can be done in the system only through API integrations with the different type of our service providers. So it is a means you can say, more or less, one-stop solution for all our needs.

That's how we are going to it is going to provide that ease of doing business for our people operating in the branches, and hence, that turnaround time, whatever they were investing in, say, multiple type of standalone systems or different type of applications, so that will get reduced.

Questioner: Okay.

Management: And for us also, what it gives to the head office sitting for us is it will add value to us that whatever controls are there, that we can monitor on a regular basis, as and when. Because without that proper approvals or for any deviations also, that will not allow. So system and procedures are also being taken care of, compliance part, as well as ease of doing business for the branches.

So automatically, what it is going to have impact us is it will release some of the manpower that we are already having in the branches. So those manpowers we propose to shift to the sales, maybe in the coming quarter. Because by first week, we will be completing our entire transformation. All the branches will be migrated to the new applications. So in that case, that we can plan.

Questioner: In this INR200 crores. I think INR40 crores...

Management: INR40 crores is the impact...

Management: Net impact.

Management: It is considering opex. So opex will be spread across the period of those licenses and AMCs and all.

Questioner: Which is?

Management: 7 years. Somewhere 5 years, somewhere 6 years, somewhere 7.

Questioner: Overall, at a company level, what sort of AUM growth, disbursement growth, and NII growth, the big picture, you can share some? And are you all growing market share in certain markets? Are you going faster in the market? If you could give that feel also, as you're entering into new markets?

Management: With respect to disbursement growth, we have been consistently delivering more than 20% disbursement growth quarter-on-quarter, as you can see. We'll continue to focus on that. We will continue to the target and the plan is to continue having this kind of disbursement growth. Last year, we AUM growth was 11%. Quarter-on-quarter, it was 11%, and in March, it was 10%.

For the financial year '24, the guidance is we are giving is of 14%, and we are on course to achieving that despite our IT transformation and all those things. With our disbursement growth, we'll achieve this. For the next year, we'll continue to push our disbursement, and we are giving we are we'll have an AUM growth around 15% to 16%.

Questioner: And NII growth?

Management: With respect to the new markets, as I mentioned, we had little bit of concentration more in South, like the portfolio was 70-30 kind of thing. So they are not new market as such. We are penetrating more, opening more branches there and increasing our coverage there in those markets. So it's growing. If you see our current numbers also, the growth in Q1 with respect to this North and West is more than 30%, 40%.

While there is no such target of, like you mentioned, having more concentration in this particular market, yes, diversification is definitely required. So that we are doing so that we can deal easily with any such issues like e-Khata in Karnataka or HYDRAA in Telangana, so we don't want to remain dependent on one or two pockets of the country. So it's more the idea is to get in getting into a pan-India franchise rather than something which is dominant in South only.

- Questioner:** And it will be more in the metros, in North and West?
- Management:** It is nearby the metro cities. It's not in the metros, but in the peripheries and outskirts of metros.
- Questioner:** Typically, your branches will be attached to a Canara Bank outfit, or yours will be always separate?
- Management:** As a company, as an as an entity, we are separate entity. They definitely are our sponsors, but many a time, it may so happen that they are near the within the same premises. Many a time, it may not so happen like that. So there is no rule as such that it will be in the same premises. Wherever we like we are opening 28 branches, so we are giving advertisement, looking for properties. And if it suits us, it suits us, and we open the branch there.
- Questioner:** Do you get any sourcing from Canara Bank as well? Let's say, a customer comes to Canara Bank and, let's say, that profile doesn't fit for them. Do they pass on the customer lead to you?
- Management:** Practically, it's no, and as a rule also, it's not There's nothing like that. If now if something is in the same building and you walk in there and you come ground floor and you enter into this thing, so that is that is merely a coincidence. But as a practice or as a template, it is not there.
- Questioner:** Sir, in March sector, as the real estate sales for the top eight, nine -- top eight cities to be exact, top eight cities have come down for the last quarter by around 6%, are we seeing such demand compression in our demands as well, or is it not affecting our segment?
- Management:** In our case, as you as I just by the close of this Q1 quarter, we have not seen we have not faced any such demand or any stress there, and disbursement growth was there, and demand was also there. Same goes with Q2. So far, we have done we already done 900 -- more than INR900 crores in July. In August also, we have closed a good number. I don't have the number right now with me. But to answer your question, we have not seen any such stress with respect to demand in our segment or the kind of ticket size and customer base which we cater to.
- Questioner:** And sir, on an incremental disbursement basis, how would be a composition of the new purchase of the flats directly and the resale?
- Management:** New purchase of flat?
- Questioner:** New flat purchase and the resale of flats, how would that be in the incremental?
- Management:** Mostly, it will be construction of flats. What we know is it's more into construction of flats. There is flat purchase also, but that is a little on the lower side. Not that we don't do in -- don't finance for purchase of flats, but what we know is that mostly they are construction of own house, own home, where someone has a plot or a site, and he's building his own house.
- Questioner:** Okay. And sir, one more question on the similar segment NBFCs. Our main competitors, if we see, would be a PNB Housing and LIC Housing, if I look by segment and their aim basis. Both of them are going into the affordable segment or low-income segment advances. Why are we not moving into that segment when it's a higher-yielding segment? But as well as the cycle is turning in that favor, then why are we not going there?

Management: Because in that affordable segment, I think if you're talking about only about the yield and all, with respect to the ticket size, we don't see there is much demand in that segment. Okay, and in the with respect to yield and all, we are going to the SENP, just that we are not classifying that as affordable.

When you talk to talk about the competitors, they are many they are doing loans of about more than INR20 lakhs, ticket size is more than INR25 lakhs, but they are classifying that as affordable. We are not classifying that as affordable in that true sense. So that can be the criteria, but otherwise, you can see our SENP portion is incremental disbursement we have increased in SENP portion, and our disbursements are also growing, so.

Questioner: Sir, you said APNP?

Management: SENP, Self-Employed Non-Professional.

Management: It will be half 0.5% to 1% more than suppose, the same customer, equal customer, but on every footing, credit footing and all, if he is salaried versus SENP, there will be half 0.5% to 1% increase.

Questioner: On the similar growth part, if I look at your numbers over the last two quarters, if I look at the disbursement growth, it has been around 30% in 1Q and 21% to 22% in another. Just trying to understand a big chunk of that, is it because of the lower base because last year same time, we had all these e-Khata related issues and all? How much of this particular growth is sustainable over the medium term, that's what I...

Management: This growth is quite sustainable, and if you are comparing Q1 of '24 versus Q1 of '23, by then the e-Khata was issue was more or less over. e-Khata was more of a concern in '23, '24 and that time that period of time, right? Here, we are achieving more growth, more disbursement growth, or rather strong disbursement growth because of two factors.

One is our introduction of our in-house sales team, which is adding helping us to gain more disbursement. Just to give you a perspective, last year, we have achieved close to INR900 crores of disbursement through our sales team and also similar amount through our new branches. So we have been opening new branches over the previous last two, three years, right?

In three years, we have opened 51 branches. This year also, we are opening 28. Once these branches mature over a period of time, like maybe in time of 12 months, something, they get more into the market, and they start giving the results. So with the same principle and same approach, we are continuing to open new branches in this year also.

And our in-house sales team, the strength of which was 85 by the close of March '23, we are planning to increase that to 150 by the end of FY '24. And with these two new sourcing channels, we are targeting incremental disbursement of INR3,000 crores, INR1,500 crores each from new sales team and new branches.

Questioner: Fair point, but then when you are saying that you're focusing more on increasing new branches, you're adding new inhouse people, how do you see it going?

Management: So that's what we have been mentioning that due to our IT transformation, there will be much release of capacity in terms of manpower at every branches. The turnaround time will be less, the processing will be faster, the time required on the desk doing pushing the files here in the system will be much lesser. So those team -- those people will be directed towards the sales team.

Management: So currently, our cost to income is 19.5% because we have started absorbing some of the IT costs now. So it will continue to be remain at 19.5% for the rest of the year and maybe one or two quarters next year, but over a longer period of time, our cost-to-income ratio will be around 18.5%.

Questioner: Yeah, I'm talking about more from a medium-term perspective. If I have to put some number...

Management: Around 19.5%. 19.5% is the upper maximum, I'm saying. 19% to 19.5%.

Questioner: Can you talk about the stress in the book? How are your early signs looking up in terms of bounce rates, in terms of cash collection or not cash collection, but in terms of your collections, etcetera? Is there a build-up in some pockets? Are you seeing some signs?

Management: Our collection efficiency remains strong. It is much, I think, still above 95% -- 94%, 95%. We are not seeing any stress over there. Similarly, you can see our GNPA's, they are continued to remain below 1%. In fact, if you see quarter-on-quarter, last year, at similar time, we had 0.98% GNPA, but this time it is 0.85%. So from delinquency perspective also, there is no such major challenge. Rather, if you see compared to March also, our SMA-0 and SMA-1 + 2 is lower than what it was in March. Till now, we don't see any stress or concern in this.

Questioner: And on your old overdue book, you're seeing continuous improvement, as you mentioned. This trend is continuing this quarter, also?

Management: Correct.

Questioner: Okay. And from a disbursement point of view, should we see a step-up now, let's say, going into a Q3 quarter, now that things stabilized and your tech is now kind of stabilized, etcetera.? So should we see a step-up in disbursements?

Management: Yeah, so we are holding on to our guidance, what we have given earlier. It was 2,500 in Q1, 3,000 in Q2. Remaining once the Q2, as sir mentioned, by the first week of October or first 10 days of October, all the all the branches will be going onto the new platform. Initially, what we have experienced so far is that whenever first time these branches are going there, there is initial teething issue or initial hiccups of for, let's say, 5 to 10 days.

But as and when they are getting stabilized, so we also see a bounce back and a spring back of performance. Just to give you a perspective, for the first five branches when which we piloted in July, there was a little bit of dip in in business volume in those five branches as compared to June. But in the next month -- in the subsequent month, when things were more stable and operational, it has it has done more business than what it has done in March.

So this is kind of a By Q2, everything will be over, and definitely, to your point, we can see some step-up there. I mention all these things because in Q3, automatically, the business is -- because of the cyclical trend of this housing finance business, every way every time, irrespective of the irrespective of the system migration or anything else, Q3 numbers are higher than Q1 and Q2. And similarly, Q4 are higher than Q3.

Questioner: Yeah, so now that the tech journey is on the way, probably you mentioned already 70 branches for this month have gone live. Now, the next batch of 70 -- 77 branches will go live. For the bulk of your branches, that would already go live in terms of what teething issues they would have faced this. It will happen in Q2, right, sir? Whatever issues have to come, that will happen in Q2. In Q3, you will start in a much better position, on a much cleaner slate, that is what I was trying to interpret?

Management: In Q3, some branches, in first week of Q3 is going, no? Some 80, 90 branches are going in first...

Management: Remaining branches will be going in Q3 only. Sorry. First week of July.

Management: First week of October.

Management: October, yeah. Technically, as I told you, basically, we had some initial hiccups during the first pilot branches only. Second batch of branches when we migrated in the month of August first week, that much of a problem we didn't see. Of course, some hands-on issue will be there because people were used to that old application and now here new application has come up, so some will be there.

Like you said, around, say, two, three days, maybe five days. Somebody will take little bit more also, but on an average, we see that within a week's time, everybody is well comfortable working in that particular application. Going forward also, what we see is that system anyway application is not an issue for us anymore, and once we migrate all the branches, then we will see how it is ultimately shaping up, because it is still premature.

Because we have still around more than 50% of the branches is still to be migrated. Rather, we have done only so far, if you including new branches if you see, we have only 99 branches working in the new platform. Remaining around 150-odd branches are still there in the old system. The entire thing we will be coming to know once it is done.

Anyway, for this 100-odd branches, we will be see we are seeing the results. Nothing negative is there, all positive things are there in that. Going forward also, we expect.

Questioner: Is there a large software vendor or there are multiple vendors?

Management: Our system integrator happens to be IBM. We have onboarded them as a system integrator, and our service provider, this application, they have onboarded from this Pennant. Pennant is one of the leading software provider for this.

Management: It is a full basket of all those There are different different applications and...

Management: Various applications.

Management: For each function like risk and ALM, treasury, Salesforce.

Questioner: Is it an Indian company, Pennant?

Management: Pennant is an I think, Indian company only.

Management: LIC and Bajaj Housing Finance is using Pennant only.

Questioner: Which you said? LIC and Bajaj?

Management: LIC Housing Finance and Bajaj Housing Finance.

Questioner: Just coming on to the margins. Basically, if I look at the numbers for FY '23, you were at 3.8% sort of margins for the full year FY '23. This quarter as well, you're at 3.8%. But when you guided in the beginning, you are saying you are targeting margins for 3.5% sort of margins?

Management: 3.75%.

Questioner: 3.75%, all right, all right.

Management: 2.75% versus 3.75%. 2.75% of spread and 3.75% of NIM. That was on a conservative basis. We knew it will be a little higher than that.

Questioner: Sir, in terms of cost of borrowing, if I look at the commentary which your peers have given is that the deposits, the cost of incremental cost of borrowing is currently inching up because of all these macro-related issues -- the bond yields have inched up. So for you as well, is it the case the incremental cost of borrowing, is it relatively higher than what your overall book cost of borrowing which is currently?

Management: Yes. Our cost of borrowing at present on the book is close to 7%, 6.99%, say 7%, and incremental borrowing will come at 7.25% to 7.5%. But that will not change the total cost of borrowing, because that incremental borrowing will be less, and we do have some -- we were using till now, we were using some existing sanctions, which were at a lower rate. And in the meantime, we also got that NHB refinance sanction. So close to INR1,350 crores of NHB refinance, which comes at a lower rate of it's lower than 7%.

Questioner: Plus you highlighted that you're going -- being more focused on, on let's say, LAP, or you're focusing more on a self-employed kind of a customer of late, just to tweak your product mix. Is it going to be yield accretive for you? If yes, what sort of yield accretion do you expect from this product mix shift over the medium-term?

Management: We are not focusing more on LAP. We can LAP is still less than 8%, and it will remain around that level only with respect to the total AUM. Yes, we are gradually changing the mix little bit to a certain extent. Not that we have started focusing more on self-employed. We are increasing the mix little bit shift. There is a shift in mix just to keep our yields intact and spreads and margins.

Questioner: Also, when you go to new markets, in a way, you might be forced to look at non-salaried also, no? South, you all were there for 100 years plus in Karnataka and all. If you go to North and all...

Management: 39-year-old company.

Management: Heritage of Canara Bank would have helped, no?

Questioner: So when you go to North, you'll be forced because all the salaried, they will be doing banking with, for their housing, also with somebody. So you will be, in a way, forced, forced to look at self-employed and new?

Management: It's more on the customer base which is there. It's not about we being new or old there. Like as I mentioned, in South, it is more salary-driven. The customers are more into salary with respect to our customer, and in North, we get more SENP than salaried. Not that we are not getting salaried customers there. In our business, in our company, our SENP category comes more from North than South. There. But again, I would say the same thing that these are not new territories or new geographies for us. We have been present there for quite a long time. I think we have very old branches in North, West, Mumbai, and all those areas.

Questioner: Broadly, our NII growth will be in line with the disbursement growth?

Management: Sorry?

Questioner: Our NII growth, net interest income growth?

Management: Yes, yes. It should be in line with the disbursement growth.

Questioner: But what about BT-outs and prepayments?

Management: So, BT-out and prepayments are there.

Questioner: Then NII growth cannot match the disbursement. If you have...

Management: Sorry?

Questioner: Then NII growth and disbursement growth cannot match if you have prepayments and BT-outs. Then how...

Management: No, no. Sorry?

Questioner: It will be more in line with AUM growth rather than disbursement?

Management: Disbursement is growing at 22%, 23%, so NII will not grow to --that's what I'm saying.

Questioner: It will still be below 20%?

Management: Yeah, saying we will hold on to that NII of that 3.81%. In terms of percentage, we will be sticking around that number, the spread and the NII. Income, if you see March also and June

also, it's just in absolute amount, it is just ₹5 crores here and there. It's exactly the same number. So we are holding on that.

Questioner: It will be around 2%, 3% lower than the disbursement?

Management: Correct.

Questioner: Because AUM is growing only 12%, 14%, no?

Management: That's right.

Questioner: NII, I think, is growing around 18%, 19%?

Management: And whatever rate cut benefits which we have been giving, that also we have passed on till Q1. That advantage we will also have if there's a further increase. So that also needs to be factored in.

Questioner: What is average LTV of our total portfolio company-level?

Management: 75%.

Questioner: 75%. Why are we able to maintain cost to income somewhere around 18% to 19%? A lot of peers or it's affordable are having 30%, 25% of cost-to-income ratio. What differentiates us?

Management: Our staffing and all those things, because we work on a very lean branch. Two or three people in branch, and branch sanctions are also there. And it's not like our branches are not like having each separate department. That kind of structure, we are not following at all. Most of our branch, they have their autonomous -- autonomy up to certain level to sanction certain level of loans. Then it moves to zonal, then it..

Management: Basically, branch structure comprises of all type of activities. It includes recovery, it includes sales, it includes you can say documentation, credit sanctions, field visits. It works as a team, technically. So it is not a separate vertical as such in the branch. Same way it works.

Questioner: Canara Bank?

Management: Canara Bank? Zero.

Management: Zero. We don't source anything from them.

Questioner: And sir, how has the login-to-sanction trend has been? And how was it last year or maybe last quarter?

Management: With respect to DSA, what whatever is being sourced through DSA -- 80% is through DSA now. There the percentage is quite high. I think there is no much rejection, because all our DSA are very old, and they know what kind of files will get through this what is required here. We receive a complete file in login, and it's very high number there. And with respect to our sales team and all, it is around 70%.

Questioner: And how was it for sales team, it does not change for you, that's new?

Management: New team, yes.

Questioner: Has there been any significant change from DSA files changing, or the quality of the files generated by DSA to us?

Management: In the sense of? I'm not getting you.

Questioner: In the sense of let's say the earlier if there were 20% or 10%, 15% of the rejections coming from us to the DSA, has that trend or somehow changed over the year, or is it in the same?

Management: No, there is no such change in that trend. But that change would be What is the trigger you are looking for? Due to what it will change? Because of the IT migration or IT system?

Questioner: Yeah, IT migration?

Management: No, no. There is no such change in that, because this IT migration is only for the login, origination, sourcing, and the workflow thereafter, right? And integrating with more controls like how will we get the valuation done, where it will trigger the -- to which valuer it will trigger, then LSRs, then checking the Karza -- integration with Karza portal, Perfios, and all those things. So that is there, but that is internal aspect.

Questioner: How is the TAT impact we are expecting because of that?

Management: TAT is will remain within 2 days. It will certainly improve. As we say that the sanction is very fast at branch level, and documentation and everything is done. From our end, the sanction is given within less than less than two days. Thereafter, it is only about completing the title registration, documentation. And since these are construction loans, so the borrower will always want to complete the construction to his satisfaction before he hands over the DD or the final cheque to the...

Questioner: And sir, there was a news I was getting from the ground level checks that in Karnataka, though the e-Khata has problem has been subsided or being done through. There has been a limit at each of the government offices that only X number of files can be passed through or walked through in a day or a week through that branch. Has that been happening, and is that somewhere impacting our growth or the overall industry growth in anyway?

Management: I have not come across this thing. Like I have not witnessed or heard anything like this.

Management: We didn't have any issue of that sort reported to us so far. As you know, Karnataka doing good sanctions now.

Questioner: Of course, in affordable branches at ground level, they were saying some sort of problems have been there on that end?

Management: That problem is that e-Khata issue, what you are referring to, I believe that is regarding that Gram Panchayat and all. Where that is still to be completely sorted out. Other than that, in e-

Khata issue in Karnataka, at least has been sorted out so far. Gram Panchayat and all, that I think that is what, I think, you are referring to. That's what the last conversation that we had with you.

Questioner: Just a quick question. How does the cost structure vary? Let's say if you are sourcing a loan internally versus when you source a loan through DSA, how does the cost structure vary between both of these options?

Management: To our DSAs, we give a commission of around 0.4%. And for our internal sales team, which are on-roll people, their salaries around INR36,000 to INR40,000 fixed, so it's not depending on the number of cases they are doing. So just to compare, for a INR1 crores business, if you are paying INR40,000 to a DSA, the moment this internal sales team can disburse three or four files, which will be equal to INR1 crores disbursement, so we will be breakeven vis-a-vis the DSA and the internal sales team. That's how we are comparing.

Questioner: What is usually the kind of average files being?

Management: More than four files, more than five files.

Questioner: Internally, it's beneficial for you?

Management: It's beneficial, and it's RoE accretive. Yield accretive for us. It's saving our cost to that extent. And with more and more experience, it will only grow only. It will not come down.

Questioner: Will we be getting more loans from NHB? Is there a cap to it, because you said it is lower than 7% for you in NHB? So how this figure?

Management: We file for an application every year with refinance, and they will, viewing our existing loan, these are very long tenure loans, right? So still 16% -- 15%, 16% is already there in our total borrowing. So they will sanction on the basis the pool and all. It's 1:1, it is backed by our receivables, right? So they will sanction. They will also not want to take more exposure on us. So this year, they have given 1,350. Probably, this year, we will not get more, maybe INR100 crores, INR200 crores.

Questioner: So, this is the basic affordable pool? Is there a criteria that, okay, you if you give more loans towards affordable and you will get from NHB, and is there a cap?

Management: It's a blend. There's a ratio. 60-30 or 60-40, which they keep they tell us before every drawdown. So the overall limit is...

Questioner: Affordable?

Management: LRS, normal pool.

Questioner: Okay. INR1,350 crores is what we are looking for this year? So you said that incremental borrowing is at 7.25%, so we plan that we are -- we will be able to pass it on to our customers and able to maintain NIMs. Are we comfortable, or do we feel that prepayments and BT-outs ?

Management: Support with the incremental borrowing?

- Questioner:** Yes.
- Management:** But what will -- everyone will not go with that passed on, because there are other components to it. Our total borrowing is INR38,000 -- INR38,000 crores, INR39,000 crores. Even if you borrow, say let's say, INR2,000 crores, which is very high number, I mean, that's not going to happen. In that INR2,000 crores also, there will be a mix of CPs, there will be a mix of NHB sanction, there will be a mix of other existing sanctions. So that will not grow very fast.
- Questioner:** Okay. So you feel that the NIMs can be maintained because the incremental pool is low?
- Management:** Yes. The impact in the overall cost of fund on the this thing will We are we are comparing book-to-book, right? The entire increment yield is also same. 9.81% is not just the incremental yield, it's the book yield. Cost is also like 6.98% is the total cost. So maybe it can go up to 7.03%.
- Questioner:** I'm talking for a short-term, I'm talking for, say, like, next 2 years. When deposits are not coming to the banks, the bonds are only going to go up. Historically, it might have happened to you that, when banks take up your share market share or other competitors take your market share, so do we feel that that kind of stress happening?
- Management:** No, rather that is the reverse for us, because when the interest rates goes down, our gap, that delta between our rate and the banks -- at the rate which banks give increases. So we are less competitive here, but once the rate increases, that gap reduces, because suppose there is a 1% increase in repo rate, bank rate will increase by 1%, but in our case, we will only increase by 40 bps. On the reverse, it is -- on the contrary, it is reverse like we will give a benefit of only 40 basis points, but they will give 1. So...
- Questioner:** Higher rate is better for us?
- Management:** Higher rate is better for us.
- Questioner:** Just a structural question. As you said that the share of your LAP is still at 8% versus like home loans is remaining 90%, 92%. If I look at your peers, the peers are having a much higher share of LAP, because anyway, the regulator allows you to have 60-40 kind of a split. What usually NBFCs are doing is that they are taking the benefit basically by disbursing more of a high-yielding LAP, which is kind of a margin-accretive for them. For you, I guess, that is not the strategy for the What's the sense behind that, yeah?
- Management:** We don't want to chase growth or profitability by changing or increasing this LAP, because, consistently, we have been delivering a portfolio quality of where GNPA's have been less than 1%. So we don't want to do good in bits and pieces, like in two, three quarters we did well and sudden the delinquencies keep on...
- Questioner:** RoA falls, right? Risk-adjusted RoA I understand you want linearity in the number?
- Management:** Not linearity in the number. We don't want the NPAs to go up.
- Questioner:** But sir, if you are being compensated by the yields, and you make a risk-adjusted RoA or even better RoA than what you are doing, then why should we not do that business?

- Management:** That's the metric. We can we can show the RoA and RoEs in -- that is in one place, but the portfolio quality will not improve, right? The portfolio...
- Questioner:** the numbers for other NBFCs, the credit cost for the LAP segment is not materially different from that of a home loan segment. What they've been doing is that let's say if you keep your LTVs relatively lower in a LAP segment, and if you are getting a yield which is 1.5% sort of higher than what your HL yields are.
- And then let's say if your credit cost -- what your peers have been highlighting is that there has been a 30 bps sort of a difference between, let's say, a LAP credit cost and a home loan credit cost. Have you seen a different trend with your 8% of LAP book? Is it performing relatively inferior to how the home loan book has been doing in terms of asset quality trends? You must have done that analysis?
- Management:** Yes. It's not that our GNPA's are coming more from LAP or something like that. It's certainly not the case. But again, as we want to protect our core the like what Can Fin Homes have been doing with respect to housing loan, the criteria is in all those. Till now, whatever is the strategy is that we will change a little bit of mix between SENP and salaried, and little bit of housing loan and non-housing loan.
- So the non-housing loan will increase, right, from right now, it is 83-17, it will go to 80-20. So, little bit of LAP will increase, but what I meant earlier was that when you were saying that our focus is on growing LAP, so that is not definitely not the focus. There are other non-housing loans like CREs, plot loans, and other things.
- Questioner:** Are you focusing on builder loans sort of? Let's say if you are targeting a disbursement growth of 20% plus, is it going to be attributable to, let's say, a big project coming up and you've been financing that particular big project loan as well?
- Management:** That is there That is there in the cards, but nothing as of now. So it is on discussion stage and all, very nascent stage. We are not doing any deep builder loans now. I'm not saying that we'll do it in the next quarter or the quarter thereafter. But in future, if the board permits us and the policies and the strategies are in place, we can do that.
- Management:** Or within '28, FY '28.
- Questioner:** 2 years. For project loan, let's say if I have to consider the yield differential versus a typical home loan?
- Management:** Sorry?
- Questioner:** For a project loan, CRE kind of a loan, if I have to look at the yield differential versus a typical home loan product, so you said the typical yield for a home loan would be what? 8.5%, 9-odd percent? For CRE kind of a loan, what would it be?
- Management:** In CRE, we don't do project loans. CRE is the third unit of the house -- commercial real estate. We are not doing project financing. For us, commercial real estate, CRE means like suppose if

you are buying third house or fourth house, then the third and the fourth unit will be termed as non-housing CRE.

- Questioner:** Okay, but it is again a retail kind of a loan only, not a project loan?
- Management:** Not a -- Yes.
- Questioner:** Just project loan is not the focus for now?
- Management:** As of now, no, yes.
- Questioner:** And that is not even the plan for let's say for FY '27, '28 in the over the medium-term, right?
- Management:** I will not say about '28. FY '27, it is little unlikely that we'll be starting project financing and all. While the discussions, the draft policies are there in place, so and we come to you every quarter, right? So, the moment if there's any...
- Questioner:** APF ?
- Management:** These are APF are the pre-approved project funds. So if there is a project coming on there, there we are getting pre-approvals. In those buildings, we will fund units, retail.
- Questioner:** Housing?
- Management:** Housing units only.
- Questioner:** but again, will we be getting anything incremental or it is just to get better housing demand? Like, are we getting any better yields in this APF loan?
- Management:** No, it's I think it's a way to increase the disbursement.
- Questioner:** Okay, there is incremental ?
- Management:** Because anyways, these are highly competitive areas, no? In like if suppose if you are going to calibrate these projects, there will be always already there will be a lot of competition with banks and all.
- Questioner:** The guidance which the RBI is giving details in over the externally benchmark PLR, last time there was no clarity on that. How is it going to affect?
- Management:** We are already on the lending side, right? You're talking about the lending side?
- Questioner:** PLR has to be linked to a benchmark, an external benchmark rate?
- Management:** Yes, yes.
- Questioner:** Is it going to affect positive or negative?

Management: We are already following that kind of principle. We already have a PLR, it is maintained. So we are computing that just that we are telling it to the regulator once in a year, now we will do it every...

Questioner: Because if we -- in BT-outs, normally it is different rate which is given to the customer?

Management: It definitely to help us, and it will help us in BT-outs, and there we are maintaining that transparency. We have a well-defined mechanism or calculation in support of our PLR. So any rate change, any movement is there, we are able to demonstrate it to the regulator. There are many competitors, I know, which I cannot take the name of, they are not able to pass on the benefit also, because they can give percentage, but they're not able to substantiate on what basis you calculated this, this much benefit you're passing on, whether it's...

Questioner: Actually under the guidance, does everybody have to?

Management: Yeah, yeah. Yes, yes.

Questioner: That is basically to help you?

Management: Definitely, it will help us. And there are many things. While we keep talking about BT-outs and competitive pressures, what I feel is that it's more of regulatory and compliance-driven things. So if you see in the last in the past one year, so many guidance, advisories and things have come from NHB and other RBI also. So if you are following that, we'll be able to do better business and more business in the coming quarters and years to come, rather than we will not fall into those entangles and answering questions why we are not able to do this or that, or...

Questioner: Your other competitor, I think, Repco, very small, but again, they are now getting aggressive in Southern India is what -- like what we have heard. And again, Tamil Nadu is the main territory for them, so do we feel that we face competition from Repco?

Management: I mean, it might be true that Repco is doing. There are already so many players, so...

Questioner: One player is again more Southern territory...

Management: It doesn't work that way, because there are already LIC, PNB Housing Finance. So they always-competition was always there. It will always remain there. The face might keep changing, but just because Repco has come, and it's not a Coke versus Pepsi war, right? There are already so many companies here.

Questioner: though our cost of borrowing is less?

Management: So we are more into housing. Our housing portfolio...

Questioner: so is LAP can have that kind of...

Management: If required, in a long-term strategy, definitely, you might think that it is the LAP, but for that, there should be a lot of a lot of other changes required like training the team...

Questioner: can get a bit aggressive to spread a bit?

Management: So far, we have been able to protect our -- whatever guidance we have given, and I think we should be -- I think we are, at least we are proud of that, our GNPA numbers continuously and great cost of less than 10 bps. So in that RoA tree, the more yield and although NIMs and all, we will see and increase, but there will be a credit cost and extra provisioning coming up to balance that.

Questioner: top-up loans?

Management: We are giving. Not that we are not giving top-up loans, but there are top...

Management: We classify as non-housing loans. So for us, not everything not every non-housing loan is a LAP. LAP is specifically a LAP only, and there are a lot of nuances to it, a lot of regulatory concerns are there like whether there is really any acquisition of property, there is a like under-statement of LTVs and all. All those things are there, so you want to trade very cautiously there

Questioner: Just one question on this NHB funding for the cap. Is there a regulation or it's just recent regulation or slightly earlier by NHB that is a certain amount of borrowing that the NHB does, they have to come on the board?

Management: Yeah, yeah. If the total borrowing is more than some INR20,000 crores or...

Questioner: Or as a percentage?

Management: And a percentage of total loan...

Questioner: So that's crossed, then they have to compulsorily come on the...

Management: Both, it's a mix like for many a small company, 20% will it -- will cross 20%, but the quantum in absolute amount also, it's a mix. It's a dual condition.

Questioner: That is that is a newer thing, right, which is because the NHB funding also down, right, for a lot of...

Management: We are already -- not reaching there. So but we are aware of that regulation, so if that is more than there has to be one representation of NHB in the board of directors.

Questioner: Also, in the call, there was a mention that when you change to the quarterly reset, there were some issue regarding more amount going towards principal and then your aging being exhausted. What -- so quarterly resets have already been going on. So what have you done to curb that, that we achieve that 14% also?

Management: So for now, we are reaching out to the customer. Our call center team is reaching out to the customer saying that you can change your EMI, you can reduce your EMI with rate cut benefits. Don't keep the EMI same. If you have surplus funds, please keep deposits with us rather than keeping money in the...

Questioner: payment?

Management: Actually, we have tied up with credit information bureaus as well. Like say CIBIL, etc. And there we -- once our customer hits there for any other bank, if they hit there for any loan requirement. In that case, the matter automatically gets escalated to us through them. And in that case, we contact the borrowers through our call center.

And in case of any branches are there, then we will be directing it to the branches to just have a chat. For example, a couple of days back only, we got one, some person was looking for some additional finance, maybe some a little bit of top-up loans. So that anyway, it was under our policy. So that part..

Questioner: been curbed?

Management: Yeah. I can say, yeah. Some advance payment, whatever parties are making, so that also we are working on that. So most likely, not this quarter, maybe next quarter, we will be trying to arrest that.

Questioner: Next two, three years, what is the AUM growth are we internally targeting? We have grown very like typically in double digits all these years, and that has been very good. And we started from INR20,000 like a few years back, we are INR40-odd thousand in five, six years. We have doubled the AUM. So what is that internal target considering the competition is a lot more now from everywhere? And I'm sure that it is not is always there. But then, how are we targeting growth for next 3 years to 5 years?

Management: For FY '27, our AUM growth will be around 14%, and next two years will be around 15% to 16%. It's not gradual increase in the AUM.

Questioner: So disbursement is much higher, and we are figuring that even after all the prepayments and BT-outs, we'll be able to maintain 15% kind of growth?

Management: Yes, 15%. It will reach up to 16%, 17%. That is the -- right now, our long-term strategy, that we don't want to go beyond 18% as of now.

Management: No, additional growth is like coming...

Questioner: And the ticket size has been INR30 lakh?

Management: That is because of the composition of the loan only is changing, right? So that ticket size only is increasing. The price of properties are getting increased, so.

Questioner: Our INR30 lakhs?

Management: Yes.

Questioner: Banks are like catering towards higher?

Management: More than INR50 lakhs kind of INR1 crores customer.

Questioner: Okay. Thank you so much sir. If we have to connect you other than this quarterly meeting can we drop a mail?

Management: Sure, please do.

Questioner: So we are...