



“Can Fin Homes Limited

July 25, 2026



MANAGEMENT:

MODERATOR:

- Questioner:** Can you start by telling me actually what kind of segment you want to get at and why this company was started in the first phase? What are you trying to do here which you cannot do from the bank, Canara Bank? Yes.
- Management:** It is an NBFC. Yes, it is sponsored by Canara Bank with respect to its parentage and pedigree and all. But I think it is one of the oldest NBFC in -- this thing, and I would cover more from the past few years.
- Management:** Maybe when there's change of guard, which happened with the new CEO coming in after Girish left. Focus on that, that would be a good point to understand what has happened in the business for that matter.
- Management:** So that will be more relevant because why this NBFC was created is, I think, it's a housing finance company originated by PSUs which is similar, quite similar to PNB Housing Finance. At one point in time, it was having more than 50%, then RBI or NHB wanted to bring down the stake. All those things are quite long back, quite old things. Now there is, now the stake of Canara Bank is 29.99% and there is no pressure or requirement from the regulatory side, as such, to bring it down. As long as it is more than 25%, it's a management stake.
- Now coming to the point what was mentioned just now, that in 2023, our new MD, CEO came and immediately after that, there were some little bit of issues with respect to control. There was some problem, there was a fraud in 2023 in one of our branches, which was again, not a credit fraud, but more of an operational lapse or something. So, thereafter, the company made a conscious decision of strengthening the internal controls and processes, having more layer of checking, maker-checker, strengthening the various risk and control functions, assurance functions. So that all we have been doing.
- In this process, we have also identified that our IT systems were very old, so it was imperative on us to adopt a new system. We decided to have, to embark on the digital transformation journey. While we speak today, I think around 90%, 99% of our digital journey is complete. We have made a complete overhaul of entire IT platform in the sense that every solution, be it emailing solutions, HR, risk and ALM, treasury, LMS, LOS, everything is changed, and also with respect to the security aspects, the SOC, NOC, the DRs, web services, everything.
- Questioner:** Before getting into financial numbers, let me spend some time in this operational thing only itself, that you are pointing out. So what were the issues that was unraveled after the session? You had mentioned some issues that came up with this which you have resolved. What were those issues?
- Management:** There was some...
- Questioner:** Maker-checker is something very integral to all the banks. So that may not be missing, right?
- Management:** No, it's not about maker-checker. I am saying with respect to system and all, everything, and...
- Questioner:** That is the IT part, but before that, you were saying something, some problem...

Management: There was some issue with, in some Ambala branch where there was some process lapse. As we know, it's a kind of fraud...

Questioner: How big was the issue? Did you figure out the root cause of that?

Management: There were some BRS-related entries where some wrong entries were posted in BRS, reconciliation statements.

Questioner: How did the system did not catch this?

Management: It was in some, at a branch level, some, something, some wrong activity was done, so it was quite old, so I don't...

Questioner: So, what changed after that? One is the IT thing that you are saying, that how much have you spent on IT? What is your IT spending?

Management: This is a total project of around INR300 crores. So this is the total project is getting live now and with respect to that issue, now there are many centralized the bank reconciliation. The reconciliations are done centrally, the disbursements are done centrally, we have moved to issuance of DDs, the DDs are coming printed through banks and...

Questioner: So those are normal what tech people use the word run the business and change the business. So those are typical run the business kind of IT spending you are doing. Are you doing anything which is to modernize the tech aspect of your business? Something on lines of AI, using AI to improve your finding out the credit quality, etcetera?

Management: Yes, so definitely. We are using AI now, and we will be -- we are building our systems which are capable of consuming AIs in the future also. So right now, it is an integration of many applications, many software's. As I was mentioning...

Questioner: Can you give any name, any project that you're doing, or anything that you've implemented with respect to AI or machine learning, etcetera?

Management: We have a very, very small one, very basic one. We have a Vani chatbot which can connect with our customers and guide them what how to navigate, and what are their queries and all. So that is there, and there are more integrations with the Karza, the Perfios, and all those things, which are online integration, automation of many things.

Questioner: Those are all automation?

Management: Automation. Once this entire platform is going live, and it's up and running. There will be more AI. The capability is there. We will be using AI into doing further analysis and further data.

Questioner: That is with respect to customers. I think we should be doing something for your sales people and collection people. Doing something for them? To improve their collection efficiency or selling efficiency?

Management: Till now, we are not using any AI for that, other than calling in different languages, call centers, it can understand the different languages and pass on the call to the various departments where it is required.

Questioner: Got it. The last question on the IT part. Tell me the absolute number you are spending in technology other than the people who are who are working in that department, and what is this percentage of your AUM?

Management: AUM? So our AUM is...

Questioner: Not AUM, how much are you spending in technology other than spending on the manpower in the tech department?

Management: Okay. It is with respect to our cost-to-income ratio, our cost-to-income ratio is around 18% without the IT part. With a new IT part, it has come to around 19.5%. So 1%...

Questioner: 1.5% of this 1.5%, is the people cost also involved?

Management: No, no. Only the IT part. Only the new IT platform, the depreciation, the opex, the licenses, the AMCs, and all these things.

Questioner: How much of this would be, let's say, hardware or software in that differentiation in that way?

Management: No.

Questioner: Are you spending on the computer systems, laptops, iPad, whatever to people in, right?

Management: It's all about the software. It's all about the software and the it's all about the depreciation and the AMCs and the license cost of the new softwares, not the laptops and all.

Management: Capex is around INR100 crores in fact, and INR200 crores is the opex in that. INR300 crores is our cost for the new application that we are onboarding.

Questioner: INR100?

Management: Yes. So INR100 crores are that capex part.

Questioner: Out of INR300 crores.

Management: Total INR300 crores over a Yes. Capex, anyway, it is upfront, more or less. Once we go live, we will have to...

Questioner: What would be your AUM?

Management: INR42 crores, INR43,000 crores.

Questioner: For other similar size companies, etcetera, are you not under-spending on technology?

Management: See, this is first step in changing our legacy system and all, right? So as I say that once the entire processes, the entire system, all those things are ready, it will be open to consume further AI inputs and all those things. Then we will have more integrations with other digital applications which are more pertinent for our business. That we will keep on adding, but as of now, we are doing the complete thing.

Questioner: Got it. No more questions on IT?

Management: Yes.

Questioner: Moving on to normal this one -- business, you operate through your own branch or you operate through Canara Bank branches?

Management: Own branch.

Questioner: All 100% of it?

Management: Yes.

Questioner: And they are all Can Fin Homes employees, nothing no sourcing from Canara Bank, etcetera?

Management: No, there is no sourcing from Canara Bank. All Can Fin Homes employees. Right now, we have 257 branches. 250, 249 was the...

Management: We have currently, this year, actually we had planned to open 28 branches, out of which 20 we have already opened. We started with 249. So right now, as on date, we are at 269.

Questioner: And which part of the country are you Pan India?

Management: Pan India, it is open.

Questioner: Primarily South?

Management: No, no, no. This time, we have focused if you see 28 branches, around 11 branches, 10, 11 branches are in the Eastern side. Eastern side it comprises of our you can say Andhra Pradesh, our Raipur, Chhattisgarh, actually.

Questioner: Now, you call Andhra, South India, I think?

Management: South India. But, yes. But since it spans up to that Visakhapatnam, Vizag, part of the state, so you can say. And Raigad we are opening sorry, Raipur, Chhattisgarh. Chhattisgarh we had three-odd branches, and one branch we are opening in that West Bengal, Siliguri. So that is yet to be opened. Apart All these 20 branches are in this geography.

Of course, after two years, we have opened some branches in Karnataka also, some branches, four five branches in this Tamil Nadu, some branches we have opened in -- three branches around in Telangana. It's spread.

Questioner: Roughly at 14%, 15%? You give any guidance for AUM growth?

Management: AUM growth you're talking about? Last year for Q1, the AUM growth is 11% and the guidance for our FY27 is around 14%.

Questioner: What are the other apart from AUM, what other guidance's you'll give?

Management: So, we give guidance on disbursement growth and like...Credit cost. So, for credit cost, it is around 10 basis point. Disbursement growth more than 20%, like...

Questioner: Last year, 20%? And how much is the repayment? Your average year would be what? 4, 4.5 years?

Management: 7 years.

Questioner: 7 years?

Management: Hmm.

Questioner: Then why is the AUM growth only 14, 15?

Management: Because there are prepayments,

Questioner: How will it be? So, if you're putting prepayment, you're still at 4 7 years you mentioned, right?

Management: Hmm. There are BT outs also. Prepayments, BT outs, bank balance transfers like...

Questioner: INR42,000 crores at 7 years, 6,000 run rate goes, right? You're doing 20%, so 9,000 addition?

Management: No, no. I'll give you the numbers. INR42,000 crores is the opening AUM. We are targeting disbursement of INR13,000 crores, out of which INR7,000 crores will be prepaid and amortization.

Questioner: But that should be 30%?

Management: Disbursement growth, he said.

Questioner: Last year would have been?

Management: Last year was INR10,000 crores.

Management: Yes.

Management: INR10,500 crores. INR10,500 crores was the last year disbursement.

Questioner: In the range of 14, 15 that AUM growth, right? Your branch is expanding by 10 8% to 9%, right? Where will the remaining growth come from?

Management: New sales team. We have a...

Questioner: You can take the branches or the same?

Management: There are two principal approaches here, two levers to achieve this disbursement growth. We have been creating this strengthening our sales team. Last year, it was it has helped us to achieve more than INR826 crores close to INR850 crores of business from the new sales team, and similar number from the new branches, expansion of new branches. With a strength of 85 people.

Questioner: No, I can take only one thing. Either we'll take the branch expansion or take the people expansion. Otherwise, it will become double counting, right?

Management: No, no. It's not that way, sir.

Management: I'll tell that. What happened is last year actually started with a small sales team of around 35 people. Sales team is, of course, attached to the branches only.

Questioner: Okay, 25 people?

Management: Yes. We started at 25.

Management: It's a DSA model.

Management: I was coming to that only. So, yes. So we started 25. We closed at around INR130 crores only for that financial year 2025, and then last year, '26, we closed at around 883. So this, from the sales team, right now, we are having a strength of from 35 we have increased to around 85 today.

Questioner: DSA?

Management: Yes. DSAs share is around 80% of our total sourcing.

Management: Average ticket is only that 10%, 20% it's increasing.

Questioner: No, no. I'm saying What is the average ticket?

Management: It is INR30 lakhs sir. INR33 lakhs.

Questioner: 10%. Then your growth should be much higher, no? If a 10% growth would come from average ticket size itself on a back-to-back basis, right, when you're doing a business, right? And then we're adding more people, more DSAs, more branches, then your growth should be higher?

Management: See, if I'm if that -- this working on that same number again, INR42,000 is our opening AUM, INR13,000 crores of disbursement as against INR10,500 crores of last year. Right? So in that 20% growth, some percent will be due to increase in the cost of the property. Right?

Questioner: No, that's what you said 10%, right?

Management: Yes.

Questioner: So that is 10%. Yes. The inflation bit, right?

Management: Correct.

Questioner: The cost of the increase in cost of property is inflation, right? Which is similar to your ticket size, which is 10% or 20%, which is?

Management: 10%.

Questioner: Okay. But how much did you say that annual run-off or quarterly run-off that happens?

Management: 4% per quarter. INR7,000 crores.

Questioner: Actual?

Management: Like in this quarter, there was a total rundown of portfolio was around INR1,800 crores, out of which INR400 crores was BT out.

Questioner: And this is gross or net?

Management: This is net BT out.

Questioner: Some BT-in would also happen?

Management: No, that we are not factoring in here. It's gross BT-out. So it's a phenomenal. 9. our yield is 9.81 on the book is 9.81.

Management: Two things are there; I'll tell you. Basically, our BT outs are happening through two financial institutions, that is one is your LIC Housing Finance, another one is Bajaj. LIC Housing Finance,

Questioner: At what rate? 7.5%, 8%?

Management: Yes, at 7.5%, our rate is higher. There of course the rate differential is there. Second thing, like other companies are doing some teaser loans also. So first year because technically our asset quality is very good. So, because of that, once any proposal comes from CanFin, so technically they will take. So first, teaser loan they will be giving at a lower rate of interest. First, because we don't practice those things. So first year, it is happening like that. So that's why little bit you can say basically, from these two companies, our BT is a little bit higher.

Questioner: Understood. What is your, this one, credit rating?

Management: AAA.

Questioner: AAA. Cost of, cost of borrowing?

Management: Cost of borrowing is 6.98. Incremental what we are getting is...

Questioner: 6.8?

Management: Less than 7. Cost of borrowing, right?

Questioner: Yes. And your Tier 1 capital adequacy ratio, how much is that?

Management: 23.15.

Questioner: So, your cost of fund roughly would be it will come below 6, right?

Management: 5.5. 1/4 less.

Questioner: 1/4 less, correct?

Management: Around 1, 1.25. It will be around 5.75.

Questioner: 5.75, it should be, right?

Management: I mean, so our cost of...

Questioner: Cost of borrowing is 7?

Management: 7. Cost of borrowing is the cost whatever is cost of capital?

Management: When you borrow from market, at what coupon or at what interest rate you are raising money from market?

Management: Right now, recently the that number has increased over this quarter, the incremental borrowing what we that will be at 7.25% to 7.4% depending on the various banks, banks' MCLR.

Management: But average is around 7.

Management: But on the book...

Management: Yes, net worth has 30%, so he is saying taking that.

Questioner: So, when you price your product?

Management: But our cost of fund is 6.98.

Questioner: No, he is taking that point. If you consider it as 0 cost, that 30%, if you add that, so it will come to, so the overall cost of fund will be?

Management: In AUM, they are adding cost of borrowing. In that case, they are reducing point 1.25 in that. In around 7%, that's what you are arriving.

Management: Yes, got it, got the point, got your point.

Questioner: So, when you price your product, as you said, 9.25% and above, right?

Management: 9%. 9.15% is our PLR rate, then there are various categories.

Questioner: So, we have...

Management: Kept above in the sense there are...

Questioner: Have you kept it much lower than others, but?

Management: No, we have kept it lower than many. We are not there that we have kept it at the top or at the...

Questioner: There is nothing right or wrong, right? I mean, do you want to work at 3.5% gross spread? Is this a starting point?

Management: Our spread is...

Questioner: How much 3.5%, 4% spread, do you want to consider?

Management: The spread we want to work is 2.7%, 2.8%.

Questioner: Okay, 2.8% is the spread we want to consider on the borrowing part, right? But your NIM becomes higher, no?

Management: NIM becomes 3.8%.

Questioner: It comes due to your own borrowing requirement, right?

Management: Yes.

Questioner: So, do you start with the spread in mind or NIM in mind? When you price your product at 9.15%, do you have in mind that spread should be kept at 2.8%, right, or do you calculate in some other way, how much to keep, based on market?

Management: Basically, when we set our PLR, when we set PLR, then within that our weighted average cost of capital, cost of fund, we take that, risk cost we take, processing cost, opex we take,

Questioner: And then keep spread?

Management: And then keep spread.

Questioner: So how much spread do you keep?

Management: 2.75 minimum.

Questioner: So that much you definitely need, right?

Management: Yes.

Questioner: So, the question here is that you have AAA rating. Your actual cost of borrowing will be one of the better, better will be. Your capital adequacy ratio is pretty good. So your cost of fund is also low. And you are not keeping a very high gross spread, then why is your lending rate high? Lending rate. If you compare with LIC, LIC is giving at 8.75%, right?

Management: LIC gives at 7.5% also.

Questioner: How are they able to give? They are also AAA rated. Your 6.9%, their cost of borrowing will not be less than 6.5%, right?

Management: No, what you are saying is correct. But see, we have, there is still demand. See, for repayment we don't have that much of problem. What happens with us is excess payment happens. Our 1,800...

Questioner: That happens for everybody, then only it becomes 7 years, 6 years, right? That is the Indian borrower's tendency.

Management: Mindset is that.

Questioner: Mindset is that. So for that, you cannot do anything. My question is that when your 9.15, and you have thought that we need only this much profit, we don't need profit less than this, whether my growth is slow, or whatever it is. No, that means you, like if you keep nine, let's say PLR, then maybe your growth will increase from 14 to 16?

Management: Hmm.

Questioner: It can happen, right? More people will come, less people will go outside. If INR400 crores don't get BT-out, then also your growth will become so strong. So, what are the competing things that is your thinking when you do this?

Management: Our sustainable portfolio growth with profitability, both. It's not that we will chasing growth abruptly by compromising on the NIMs and yields, neither that we will have more yields and NIMs by compromising on the portfolio quality, thereby having more credit cost at a later stage.

Questioner: But have you paid attention that because you want to grow only -- you are growing 11% and we want to go at 14%; your ROE is declining every year?

Management: ROE?

Questioner: Return on equity and return on asset is declining, not by much, few decimal points only, few basis points only, but is declining. You are at close to 19% ROE. If you grow at this pace, you possibly become 18% next year?

Management: Yes.

Questioner: So, with that, your price-to-book will come down, right?

Management: Price-to-book will come down, then we will have -- we will improve our gearing. Right now, we are at 6.12, then, and we have capability or like the rating agencies are okay.

Questioner: But rating agencies, up to what point are they okay?

Management: 8.

Questioner: 8? But technically, if Can Fin to get AAA, they don't want to go to the bare minimum. They want you to have a lot of cushion, right?

Management: Yes.

Questioner: So, what have they said? Up to what level you can bring down your capital adequacy?

Management: With respect to gearing ratio, they're okay if you are they are up to 8.

Questioner: Currently, you're around four?

Management: Currently, we are around 6.2.

Management: Because affordable housing has risk weight of 75, not 100.

Questioner: Right.

Management: So that is why capital adequacy looks higher, but if you look at the leverage, the system is already at six times.

Questioner: Tier 1?

Management: Capital adequacy, because it has risk weight, and in risk weight, your denominator got reduced because you multiplied by 0.75.

Questioner: How much is your capital?

Management: INR6,000 crores.

Questioner: Capital plus net worth?

Management: INR6,000 crores, INR4,000 crores -- INR5,000, around INR6,000 crores. If you go up to 8, then your rating

Management: We won't go up to 8. We will go up to 7, 6.5, 7. We can go up to there. So...

Questioner: Normally, 6 or less than that, right? If you go slightly above 6, rating agencies will start shouting. You should understand that you can go up to 6, 6.25, not more than that?

Management: If that is the case, then our...

Questioner: Another question?

Management: Parent's support is also there, Canara Bank is also there. That's why probably we...

Questioner: Canara Bank?

Management: Canara Bank parentage, pedigree, the sponsor is Canara Bank, 29.99% is their stake, which is going to stay. There is no discussions or talks about...

Questioner: No?

Management: No comfort letter, no.

Questioner: You have an ROA tree running, right? I think that will take care of a lot of things?

Management: Yes.

Questioner: So, your yield, your other income, your cost of fund, your cost-to-income, tell an ROA tree normally what it remains. What is your average yield? 9.25%?

Management: 9.81%.

Questioner: 9.81%? Okay, you also have to go to lower segment, that's why?

Management: 9.81%, 9.81% versus 6.98.

Questioner: Okay, fine.

Management: 9.81%, 6.98%, your...

Questioner: So, your spread comes, 3% NIM comes?

Management: 3% 3.8% NIM comes.

Questioner: 2.8% spread, 3.8% NIM?

Management: 3.8% NIM comes.

Questioner: Okay, 2.8% to 3% is your spread?

Management: 2.8% is the spread, and NIM is 3.8%.

Management: Right. 3.8% NIM.

Management: 3.8% is the spread and 10 paise of credit cost.

Questioner: Other?

Management: Other income is there, that if we take, then it will become 3.89%, our...

Questioner: That's it. It's 10 basis points, not much. Processing fee, etc., is not a big number, right?

Management: Not a big number.

Questioner: Okay, and your cost-to-income is 20%? 19% you are saying?

Management: Cost-to-income is our cost-to-income ratio, but that is here we take the opex ratio. Opex ratio will be around 0.7%, 0.73%.

Questioner: Earlier, you said cost-to-income is 18%?

Management: That is cost-to-income ratio, and this is opex ratio computed on

Questioner: The 3.8% that is being formed, this is being formed on asset?

Management: This is on asset.

Questioner: Logically, you should calculate 18% of 9.8%, right? You will calculate 18% spend on income, and this match is being formed on ROA tree. And this is being formed on ROA. CI is cost-to-income?

Management: No, no. This...

Questioner: Cost-to-income. They calculate cost-to-income, right? On what are you calculating? Okay, sorry.

Management: Cost-to-income is expense versus income. That is cost-to-income ratio. And this in for the purpose of ROA tree, we will have to take the assets as the base. Whatever we are doing, credit cost, expense, everything is on opex is on asset.

Questioner: See, that 3.8's 0.72%, that 0.7 is 19% of that, that's what it is?

Management: Yes.

Questioner: Okay, fine. 3.1 became your PBT before provision?

Management: Yes. PBT.

Questioner: PPOP. On PPOP, how much credit cost you take?

Management: 10 paise.

Questioner: 10 paise. So three, 3 became the PBT?

Management: Yes.

Questioner: And then post-tax, 2.25%, 2.3% became the ROA?

Management: Correct.

Questioner: 2.25%?

Management: 2.3%.

Questioner: 6%?

Management: 6.2%.

Questioner: 18%?

Management: There, this your, the ROA that is coming is around 2.4%. 2.4%, 6.2% will be right.

Management: Right, but something is happening in the future years, somewhere, because that's why your ROE is coming down. Your growth is not compensating for the reinvestment that you are doing. You can take it that way also.

Questioner: You said that you balance growth and profit, right?

Management: Right.

Questioner: Okay.

Management: Both are important, and because AUM growth comes with a little bit of lag, so and we don't want to, as you're saying for BT-out, in BT-out, we don't follow any restrictive practices also, that we will not give the SOS or we will not give these things and all. In order to address that, we are focusing more on disbursement growth. That's why we are adding this new two sourcing channels, sales team, new branches, geographical expansion.

Questioner: Any particular reason your credit cost is so low, 10 basis points, given that 80% of loan is sourced by DSAs?

Management: So irrespective of DSAs and non-DSAs, our overall credit cost is low only because of our underwriting practices. We don't like...

Questioner: Please expand on that. What do you do apart from checking CIBIL score, account aggregator, and all that? What else you do to improve your...

Management: First of all, sourcing a good quality customer only, because 80% of the portfolio is having more than 700 CIBIL score. When we go for an SENP case, self-employed and non-professional cases, there also we don't do on basis of appraised income. We always go for documented income proof.

Questioner: But if a customer has got 750, 800 CIBIL score, and if you think that he is going to repay, he will also look around, no? Why will he come to you? I mean, he can go for somebody who is giving me 8% loan or 8 and 1/4 or something, or may be better service. What additional thing you are doing to attract those customers?

Management: So here, sir, a little bit of customer base is also important. Like you said, that ticket size is also important, and this geographical location is also important. Like those customers which are there in the outskirts of the city or Tier one, Tier two cities, they will probably not go to an ICICI Bank or some other...

Questioner: That's a good point. Out of 269 branches, how many branches are, let's say, non-metro?

Management: All the branches are catered mostly to the non-metros. Like even if we have branches in Bangalore, or in city like Jaipur, they are catering to business 30 km, 40 km away from those branches.

Questioner: You do not want to compete with HDFC and others?

Management: We don't do like none. Not even with PSU banks.

Questioner: Who is your actual competition?

Management: LIC Housing Finance, Bajaj Housing Finance, PNB Housing Finance.

Questioner: No. Aadhar, Aavas, Home First, Aptus, they have a different segment?

Management: They are in different segment. They are more into other like affordable, and LAP, and all those things. Our core is like construction of own house. You have a plot, you have a site, you construct own house. We our DSAs will -- the old DSAs will like experience...

Questioner: The basic requirement for this kind of loan is ability to understand the title of that particular land. But since you're doing it through DSA, are they doing that effort, finding out who is the actual owner of this land?

Management: We are also doing that. Through system only, we are doing that LSR and all. We are our empaneled advocates, our valuers, we...

Questioner: If two brothers are fighting for that property, how...

Management: Two brothers are fighting for?

Questioner: That property?

Management: So the loan will be given either both of them will become co-borrower, co-owner or...

Management: That people will our branch people will be going there to the site. They will always be making that local inquiry. DSA will bring the proposal to you. They will be sourcing the proposal. Due diligence we have to do. Be it your LSR, be it your valuation, be it your geo tag location, whatever it is, or IT, ITR return, whatever it is. That thing -- we have due diligence is our part.

That is what we do at the at our end. Suppose if I am financing for any say this property, I am financing. Definitely I will ask that whether this is yours, this is yours, it's fine, is there any problem in this. So that due diligence should be there. That is part and parcel of the processes.

Questioner: You mentioned 80% is through DSA, so how many people are there to do this?

Management: In our branch? Branches, we are having four type of branches, that is one is small, medium, large, and very large, and then one more is there, that is the ELB, extremely large branches, depending on the asset they manage. In this, what happens is that the lowest size of the branches, that is initial branches, is manned with two staff. Well, the business is negligible, you can say INR25 crores, INR30 crores. Once it crosses INR40 crores, INR50 crores, in that case we add also.

Similarly, the top end branches will have nine staff minimum, including the branch head, who will be in the rank of chief manager and above, maybe AVP etcetera. rank. So, in that case, what they are doing is there are people earmarked for visit also in this branches. Of course, where you are having two branches, either of the people has to go. Maybe branch manager will go, or the second line will go. And in case of say large branches, anybody, out of these nine people, anybody can go there.

And they can go and do the due diligence, because site visit is must, including what we insist upon is that geotagging has to be there in our record. Without that, and when it is a stage-wise disbursements are also there, then also we go and see, verify. Our people will be going there, and along that, again, that geotagging will be there.

Questioner: At every stage you have to put the photo and...

Management: No, we had that from before itself. We had that from before itself. This latest concept that we introduced about two years ago, this geo-tagging was not there earlier. So that time, only whatever you see from your naked eyes, only those things you could account for. So now we have added that, and that is in the system also, it will be there. It's not like that that you can just say that I have gone there. We are having an application. What is the name of that application? Geotagging one? Some application.

Questioner: It can happen from Google also?

Management: No, no. We download it in the application, sir. Permanent record is maintained.

Questioner: This is in large branches, I know.

Management: No, in small branches also, it's the same process.

Questioner: How far is the city, the value of it? Let's say, like in Ambala?

Management: Ambala, see, the Ambala fraud, it was employee-induced. I mean, that was not a credit fraud. That fraud is of '23, so that is not a credit fraud. That was your reconciliation fraud. Right now, after that, company has learned the lesson. For last 3 years, after that Ambala incident, we have the disbursement of the branch or cheque writing, the powers, we have ended that. Now, branches don't have anything to do. They can't even spend through their direct sources INR1. Cheque issuing cheque power itself ended. Everything is disbursed centralized. See, sanctioning is done by the branches.

At the same time, they inward that file, the sanction it, send the new some four or five type of documents are there, which includes a sanction of valuation report or maybe some due diligence application, geo tagging, etcetera. Based on that, it comes to our CDD department, that is centralized disbursement department at our head office. From head office, we have a tie-up with Canara Bank. With Canara Bank collection and payment services that we have, we send, pay through that DD part, in case it is a first disbursement.

In case of second disbursement or subsequent disbursement, we can -- we are having arrangement even to this transfer this money through NEFT or RTGS, depending on the amount. So now branches are not...

- Questioner:** First is through cheque only, first?
- Management:** Registry, where registration is involved, then we have to give by DD, because that in the sale deed, that...
- Questioner:** They take it there and then registry happens?
- Management:** Yes, exactly. If there is no sale deed, in sale deed, because they need that...
- Questioner:** DD number is written?
- Management:** Yes, that number has to be written. That is how this business comes.
- Questioner:** The approval process is, once an application is sourced either by DSA or by our own branch, underwriting happens at central level, or with the branch manager?
- Management:** Branches are delegated with the powers, depending on the size of the branch. For example, the minimum power that we have is around INR35 lakhs. Anybody who is a branch manager, he can sanction INR35 lakhs. Suppose he's a chief manager, it's a little bit more will be there. And suppose some deviations are there, like say for example, normally what we do is we sanction in any project not more than 10 cases we don't sanction.
- Suppose the 11th case is there, just now that issue also came, that's why I had gone out. So suppose that some deviation will be there. So, when 11th case is there, it will come to the higher authority, maybe at zonal office, or maybe at the registered office.
- Questioner:** But disbursement happens centralized?
- Management:** Disbursement will be centralized. So, right now, branches, even for expenses matter, so we have an arrangement with Zaggle. So, that whatever is there, they have to upload the bill, and then again, it will be approved by our central team. So here right now that branches don't have any access to money. That is what was all about that that Ambala problem.
- Questioner:** Okay, so a problem that I have seen in the last 2.5 years, our aspirations of growth have not been met, right? Clearly, I understand you were going through an overhaul where you were aligning the system, technology, maybe apprising people how to conduct business in a more appropriate fashion, but even if you look at aspiration of this year, it is still relative to your PSA on the lower end?
- So that is probably where Nirupal is also coming, that if it is only because of the higher yield, because of too much focus on profitability, does it make sense to dilute that or you believe this is as per your business understanding, is the best mix of profitability and growth?
- Management:** Yes.

- Questioner:** Okay, great.
- Management:** So, the growth is appearing muted only because AUM growth is appearing muted only because of BT-outs and all.
- Questioner:** That's the that the ground reality, no?
- Management:** That's the ground reality. Let me complete. So we are to address that, we are chasing more disbursement growth. We have disbursement growth in our hands, like expansion, sales team and all. If we are continuously doing more than 25% or 30% disbursement growth quarter-on-quarter, with a lag, the AUM growth will also start going beyond 16%, 17%, 18% towards the next financial year.
- Management:** But again, the aggression towards disbursement also means relaxing either norms in terms of underwriting or making your yields more competitive. In my mind, these are the only two ways you can have better disbursements.
- Management:** Or changing our mix little bit and increasing our sourcing, because we are entering into new geography.
- Questioner:** But that should only give you 8% average expansion of footprint is a given. You're getting 28 branches, average branch available in a year is 18. On a base of 250 branches, that's a number of about 16 6%, 7%?
- Management:** 28 branches 28 branches on 250 branches.
- Questioner:** And you're available not available through the year, I have to use the average number then. Right? And then your average ticket size, as you said, is about 8%, 10% growth. So these two numbers combined give you 15% disbursement growth, I can understand. For anything further than that, you have to either go, as you said, target a lower yield so that you can you can disburse more, or you have to dilute the underwriting?
- Management:** It's not only about 28 on the 250. Over the past 3 years, we have opened 59 more branches. That will come with some kind of lag. That growth will also come. So after say 12 months, 13 months, that branch will become more active and start contributing to the this thing. In that sense, you have to see close to 80 branches for this year.
- Questioner:** But realistically, 15% AUM growth at 2.5% ROA, this is what I should take away from this meeting. Right?
- Management:** 2.2%, 2.5%. This is 2.4%.
- Questioner:** Directionally, they want to move towards 2.5%. Today is what? 2.3%, you said?
- Management:** 2.4%. 2.4%.
- Questioner:** So, this expansion in ROA even if 10 basis points, it cannot come from It will come from where actually? Because of technology, maybe. No, so that's where we are spending?

Management: Because of cost-to-income.

Questioner: 0.7%. It has come down?

Management: No, no. 0.7% will be there. 0.7% will be there, and with little bit of change in mix between SENP and salaried and little bit of housing loan and non-housing loan.

Questioner: So, yields will go up from 9.8% to a little bit more, right?

Management: Yes.

Questioner: Okay, then. And okay, related, but may not be related, I was anyway going to ask, your credit cost is 10 basis points?

Management: Hmm.

Questioner: If you do that, and even other ones also, credit cost of 10 basis points is so low that it has to go up?

Management: Yes.

Management: Most While we say 10 basis points, it's still a little conservative because we have always been giving a guidance of 10% and 10 basis points. It is always 0.06%, 0.09%.

Questioner: I know. And you are absolutely right. And I should also add that, it is the trend that we have seen with most finance companies these days, they are exceeding the expectation on the credit cost?

Management: Hmm.

Questioner: Maybe that everybody wants to repay, I don't know what is happening, but only genuine problems are becoming NPA. Historically, for last, don't take 30 years when I have been following financial sector, the credit cost has not been this low, at least since 1994. Right? Take any bank, take anything?

Management: In fact, in 2021, our cost was still lesser, I believe.

Questioner: No, no, credit. In the whole system, credit cost, somebody has 30, 40. Those who used to have two, there has also reduced to one. Those who used to have 50, has become 25. So it's less for everybody. It's less in the system. So, because of all business cycle is there, it has to go up. Are you making some extra provision, are you ensuring that when...

Management: We have already -- in this also, we have I think INR59 crores of management overlay is there. Some COVID-related restructuring provision, which is around INR49 crores, still there.

Questioner: So, you're not used? That is also the story at other places?

Management: Yes.

Questioner: That's why I'm asking. So should it not go up, number one? Number two, even if it's not going up, then shouldn't one make provision and keep more for the future?

Management: I think it's already too much, I think.

Questioner: Provision is there?

Management: Yes. I would not say too much. I think more than adequate. It's actually too much.

Management: More than adequate. Adequately provisioned, I can say.

Management: With respect to that yield and all, and if you concern of rising interest rate, all our customers are on quarterly resets. Now if the rates are increasing, if we are worried about the spread and all, so we will be able to pass on that rate to the customers. That is also I think something which you should factor in.

Questioner: Okay, who are your major shareholders from institutions?

Management: HDFC, sorry, Canara Bank.

Questioner: No, no, that's Chhattisgarh Power Finance?

Questioner: ICICI Pru, many names are there?

Management: ICICI is there, Axis is there.

Questioner: Is there any pressure from them also in terms of no pressure?

Management: FII is also there.

Management: I will give the list, sir. I don't remember now.

Questioner: I mean, anybody who keeps on meeting management more often?

Management: Are they all like keep hitting us?

Questioner: Backseat drivers?

Management: Keep hitting us, directly, indirectly.

Management: We are a little less romantic stock, it's a steadier and more stable kind of performance, as you can see.

Questioner: Less adventurous?

Management: Less adventurous.

Questioner: No, no, I am meeting for the first time, that's why I asked so many simple questions?

Management: Yes, but If required, we can meet once again, sir. You can ask the complex. I think they will be more simpler numbers.

Questioner: In Bangalore, we have?

Management: Yes. Our head office is in Bangalore, right.

Management: So, we will close the recording now.

Management: Recording closed.