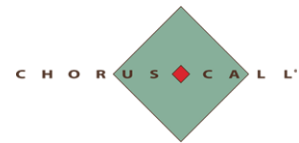




“Can Fin Homes Limited

Emkay global conference - 13.08.26 (1)”



Questioner: So, maybe I mean, the company used to be not highly valued in the past. What has caused the derating accordingly?

Management: See the derating, I would not say it has been derated, yes, in terms of the book to value...

Questioner: Valuation wise.

Management: So, to start with, I would say the company has been dealing with some issues -- some operational issues. You know about the fraud in 2023, which demanded a lot of improvement in the internal controls and other control machineries throughout the organization and its processes.

So, we have started that, we have tightened the process wherever possible. Our systems were old legacy systems in '23 itself we got the approval to do the overall -- entire overall of the IT systems, we got the approval from Canara Bank and our chairman, it was a INR300 crores mega project.

Questioner: Yes.

Management: For that, we invited bids from various things, IBM got the bid for the system integrator, they in fact, helped us to arrange all the OEMs. So, the good part is that now that project is at the verge of completion, a successful completion, I would say.

Questioner: Yes.

Management: While we speak today, our 80 branches are all already into the new system.

Questioner: What was it at the end of Q1, when you had the con-call, it was much smaller, right?

Management: At the end of Q1, we said that phase-wise we will start on 1st July, we did five pilot branches.

Questioner: Okay, five?

Management: On 1st August, we did another 75.

Questioner: Okay.

Management: Eight new branches got opened in the new system itself.

Questioner: Okay.

Management: And now...

Questioner: And everything is running smoothly for these 80 branches?

Management: Except for some teething issues initial.

Questioner: That will happen.

Management: Which is getting heads on.

Questioner: Nothing big.

Management: Nothing big. We have been able to book business also in those branches.

Questioner: Okay.

Management: So, now...

Questioner: This is loan orientation system, what are the various things that we are doing?

Management: Everything, I would say everything in the ecosystem, bid, HRMS, expense, LMS, LOS, emailing system, data storage, SOC, NOC, security.

Questioner: So, there is nothing else that will come after this?

Management: Yes.

Questioner: So, essentially, I have done one then I will do another now then third and all that because we need to complete the package.

Management: We have taken some time, but it is -- once done, it will just like -- it will be -- so, we have kept this page in our investor presentation, covering all the IT.

Questioner: Yes, exactly.

Management: Yes. So, coming back to the point. So now, after extending our internal controls, putting the systems in place, our expansion, our growth, filling up the leadership team.

Questioner: So, just on this, what is the plan of rollout? By when all the branches will have the new system?

Management: By the time we come for our Q2 earnings call, before that, it will be...

Questioner: Everything will be there?

Management: Everything will be there. Internally, we are targeting October 15th.

Questioner: Okay. By October 15th, you are targeting, let's say October end was case but by October 15th you will be pretty much done with all the branches on new system.

Management: Yes.

Questioner: And are you seeing any benefit of the new system in terms of efficiency, in terms of turnaround time? What are you seeing?

Management: Definitely, efficiency is there, better efficiencies are there. I would say people were tired of working in the old system. So, they are also getting used to it slowly. And the major part of the TAT improvements will come little later once everyone is getting used to it. And apart from

those operational things, compliance will be better. We will get reports, we will get reports for analysis, MIS, many things. In fact, TATs have improved multiple times or significantly in terms of getting the -- fetching the reports from IT portals, Sibyl, Redux and all those things. So, definitely it is a...

Questioner: So, you are seeing, okay. So, it will, I mean, you are not yet started to see it, but you are expecting that you will see it. It's actually what you are saying. And the other thing is that the loan growth has been a lot muted. Why is that?

Management: So, loan growth is muted mostly because of prepayments and run downs or run downs. But that has been the story throughout the last financial year. We have been telling this, the prepayments are high, the run downs are high and to tackle with -- and when we say that, it is not that in comparison to industry, our run downs are very high. I think it is probably lowest among other players.

The only thing is that we have to do more disbursements. We have to chase our disbursement growth to make up for the prepayments and achieve that desired level of EVM growth. So, when we do that, again, I would link it back to our systems, processes. Once the whole stages are ready, once we have all the guardrails and we have reinforced the entire system, we will definitely chase for higher growth.

And our -- we have done 20%, more than 20% disbursement growth in Q1. In fact, it was 29% as compared to June '25. This year, we have done 29% growth. So, throughout the year, we will -- quarter-on-quarter, we will do more than 20%. And our EVM growth target for the financial year '27 is 14%.

Questioner: But it can accelerate from here, from next year or?

Management: Yes, if we continue to achieve disbursement growth of more than 20% and disbursement growth -- EVM growth comes with a lag. So, maybe down the line one or two years, it will automatically reach 16%-17%. But that's the sweet spot for us. We don't want to say that we will be growing at 20%, 25%, something like that. This year 14%, later 16%-17%, by '28 maybe 18%.

Questioner: Got it. Because I think given your ROEs, which are around, let's say 20%?

Management: Around 18%.

Questioner: So, 18% growth, you don't need any capital?

Management: Correct.

Questioner: Assuming you are not giving any dividends, right, you are retaining everything. And I would always recommend to any financial company, retain everything. Because your capital is your raw material. If you keep giving capital as dividends, then you don't have enough raw material to grow, if you have that growth rate?

So, if you don't have that growth rate, you are lower, then you should give dividends because then your capital will keep building up over time, right. So, it seems like at least in the next few

years, you will be in a position where your ROE and growth will possibly be matching. And so, you should not really be giving any dividends.

Management: So, right now, as we said, Kiwi will definitely improve our EVM growth. So, now we are into that position because our ROE is around 18% and our...

Questioner: What is your capital indication?

Management: 23%.

Questioner: And what is your plan? Do you want to maintain it above 20%, 15%?

Management: Yes, it will be above 20%.

Questioner: And capital indication of 20%, 22%?

Management: 23%.

Questioner: Mostly all of it is Tier-1 now?

Management: Tier-1.

Questioner: Everything is tier 1?

Management: Tier-1. So with that growth question and everything. So, our ROE is 18% and we are growing rightly at this moment at 11%. So, the delta is a little big. But once we start reaching at 14%-15% of growth, and as you rightly said, 18% ROE, less dividend will be again matching this. So, maybe four- five years down the line, we will evaluate that whether to reinvest, whether to keep the money with us and do...

Questioner: So, one of the things that I am seeing is a lot of the home finance companies have been deleted. And I don't understand why. I mean, it's a good business. It's a pretty secure business. Your credit cost is low, your ROE is 18%. Are you seeing a lot of competition from home finance companies? What is going on in the ecosystem if you can give me some flavor of that?

Management: So, what we believe and what we understand, our firm and MPs also have been saying this for a series of forums like this. Definitely competition is there. The pricing competition is there. And the concern which you say is mostly related to affordable things. Because many housing companies, I would not like to take the names, are like focusing more on labs, more on commercial loans, rather than the so-called real housing loan per se.

House building, owning a new house or house construction. So, that has given -- 8%. Because we still want to remain that housing finance company. We have some part of CRE. If you take overall, our 84% is housing loan and remaining 16% is non-housing loan.

Questioner: I am assuming your interest better yields on your LAP, lab and commercial real estate than on the housing finance?

Management: That's right. So, that's used very judiciously only as a yield accretive measure or just to offset the -- to attain the desired mix to achieve our splits and margins.

Questioner: Do you have issue with -- like you know sometimes commercial real estate or just when you are doing developer loans or whatever. Sometimes that could become a big challenge. You don't have any issues there?

Management: We don't do developer loans as such. Till now we haven't done. This is the third unit. Suppose if someone is buying a house and the third unit or the fourth unit...

Questioner: Which is there for tenant?

Management: That is the regulation, things like that. It's a deemed kind of non-housing, I think.

Questioner: And you will classify that as a commercial real estate?

Management: As per regulatory, we have to classify it as a CRE. Suppose you are constructing one house, maybe ground plus two. So, it is counted as per the number of kitchens you have. If it is more than one kitchen means it will be that. So, maximum as per IBA guidance you can have two. And then the third unit automatically it is classified as a CRE. If it is an individual, you can buy only two house.

Questioner: I see. Only two kitchens are a home loan. Anything above two is...

Management: It is a housing loan only but classified under...

Questioner: Understood. But effectively you are saying up to two kitchens is a housing loan. More than two is a CRE.

Management: Yes.

Questioner: Understood.

Management: We also classify the highest rating there in terms of our CRAR calculation and we assign the weight of 100% to that on the CRE portion.

Questioner: And the lap also is the same?

Management: Yes, lap is also 100%.

Questioner: And for housing loan what is the...

Management: 35% and 35% to 50% depending on the LTVs. Loan to value.

Questioner: And so, maybe just a good lesson. So, 35% risk weight is for what LTV?

Management: Below 75%.

Questioner: Below LTV less than 35% is 35%. And then anything above that is...

Management: So, we do not do more than 80%. More than 85% we do not do. 80% something around that is 50% of...

Questioner: 45%, 50%?

Management: 0.35, 50 and then 1.

Questioner: I see. So, 75% to 85% is 50% risk. Okay. So, if you have too much LTV, then it is no different than a lap or a CRE?

Management: That is right.

Questioner: What can you tell me about how the housing finance market is? Not just a competition. Anything you can talk about?

Management: So, the housing finance market is looking good. There is no dearth of demand. As you can see in all our six zones have done good business. We have grown everywhere in all the six zones. So, demand is there. You also know that now NHB is playing the supervisory role. The regulation has gone back to RBI. So, RBI is monitoring it very closely.

And they are trying to bring in line all the NBFCs, the rules and regulations are being every now, every alternate day. We are getting some new circulars, some new advisories, new guidance. So, that compliance environment that compliance little bit of creating a stir people are settling down.

And maybe once the regulatory is stable and the rules are stable, the companies will do good. And yes, we have to -- the other players have to remain more transparent in terms of the PBC criteria.

Questioner: What is the PBC criteria?

Management: The principal business criteria like in order to be qualified as a housing finance company, 60% of AUM should be housing loan. Which we are very conservative. Ultra conservative we're like we say 70% but in fact we are 84%. And our ticket size, we don't call ourselves affordable. Where in more than 39% of AUM is less than INR20 lakh loan.

Questioner: And what is affordable?

Management: Affordable is anything between INR15 lakhs -- INR10 lakhs to INR15 lakhs.

Questioner: INR10 lakhs to INR15 lakhs, less than INR15 lakhs is affordable.

Management: At least we think like that.

Questioner: Is there a regulatory?

Management: No regulatory, it's not a regulatory definition. It's just like this is the town, small town. You can go to the literal meaning of whatever it will a INR10 lakhs, INR5 lakhs loan. But it's hard to

believe that we can build a house anywhere in India around today with the kind of construction cost and all those things.

So, below INR15 lakhs is so called affordable. But what we have seen in the industry that people are doing INR30 lakhs loan and calling themselves affordable. So, this kind of environment, the regulators have to step in and make it little consistent across the board so that the investors, the public at large, the house buyers...

Questioner: Consistent meaning?

Management: So, you just know yesterday itself there is an interest rate circular from NHB. So, they have mentioned that the interest rate, it is a draft as of now. So, once it is implemented, so there cannot be any opacity around what kind of rate, what kind of PLR rates you are maintaining. So, it has to be backed up with a proper calculation and proper benchmarks.

Questioner: What is the processing charge and all that?

Management: So, we have achieved a yield of 9.81. Our spread is 2.81 and our NIMS are also around 3.81.

Questioner: Processing charge?

Management: We do take a processing charge which is basically a loan origination income. Thereby, we try to recover the actual money which we have spent on the various actual processes of decision like legal search, valuation, DSTs or something. It is not an idea to make profit out of it but just to recover our genuine expenses which we have incurred.

Questioner: So, you basically, you have done your own work. You said, listen, for getting out a loan, here are the expenses and that is what we charge. So, it is not actual, it is just based on what your analysis says and then you pass it?

Management: Correct. And that is amortized over the length of the loan in terms of -- in the accounting this thing.

Questioner: I see.

Management: That is not put as an income upfront. It is as per the regulatory.

Questioner: Expenses are put or assumed upfront?

Management: No, they are also...

Questioner: Both are matching.

Management: Matching.

Questioner: That is a normal thing from accounting perspective. It is not like you are earning the repressed amount?

Management: Yes.

Questioner: Okay. Understood. And then typically, the tenure of the loan is?

Management: Tenure of the loan is 20 years to 30 years but the actual duration per se on the books, it is 7 to 8 years.

Questioner: And when you have -- when you are doing borrowing, what is the typical duration of your borrowing?

Management: We are matching according to our duration of the book. So, 5 to 7 years. Some loans are of 10 years also. Of course, when we go for NCDs, when we issue our papers, they vary from 3 years to 5 years duration. And a little portion of -- a little portion of our borrowing short-term also for the working capital management.

Questioner: Okay. What else? When, I mean, if I look at your metrics, they are very good. And of course, there was some sort of a headwind that you had because of that fraudulent behavior that happened and then you have done a lot of control and I guess your MD is very highly regarded as well. Right. So, all that is there. Is there any risk that Canara Bank will sell the stake? Anything around that?

Management: So, not in the near -term future. Not even in the near long future, I would say. There was one overhang of that circular, of overlapping circular, but that also is adrift. That is gone. So, that is behind us. So, that is also more of a settled thing. It is behind us now, no one even talks about it. So -- and we enjoying the parentage and pedigree of Canara Bank. The aforesaid are independent company, we were the down land. All the things are there but supervision and some kind of benefit is definitely there in terms of parentage and pedigree at least.

Questioner: Why would Canara Bank want to monetize the estate?

Management: See, it is a one of the -- I would say, prime listed housing finance company of Canara Bank which Canara Bank has nurtured and grown over the years. We have also come out successful. And as on today, we operate in a different ticket size, different geographies, mostly.

I would not say it is completely, there is a compartments like this but by and large, we operate into the ticket size of INR20 lakhs to INR30 lakhs, mostly, into the Tier-2 cities, outskirts of Tier-1 and some towns and all. Whereas Canara Bank operates with the prime segment of the customers, with builders, with high ticket housing loans, their loans -- their loan book is in fact more than INR1 lakh crores.

Questioner: INR125 rather. 125 for the housing loan?

Management: Correct.

Questioner: Okay.

Management: So it is beneficial for both. As of now, we do not see any...

Questioner: So you remember the previous MP of Canara Bank said listen once it reaches four digits you will worry about it?

Management: Yes, but that is long back actually. So that time, even prior to that, there were some kind of discussions going on and the regulator wanted at that time to reduce the stake. So now there is no such pressure from the regulator and as we just discussed, that overlapping thing is also gone now. So at least in the near long term, this thing. There is no particular discussion as of now.

Questioner: I mean, when people talk to you and say why should we invest in Canara Bank versus so many other options, what do you tell them?

Management: So it's our consistent story. We are very unromantic people.

Questioner: You want to become romantic then?

Management: We want to give sustainable growth. So we do not want to show some rosy pictures, sudden spike in growth and falter down after 6 months or maybe 18 months. So stay with us and we will help you grow and I think this has been the story so far for us.

Questioner: I mean, when you look at sort of other people who are -- like your valuations are not as high as some of the other home finance companies, right? And so you would be asking your investors why aren't we valued higher? What are they telling you?

Management: So they are believing in our story. Rather, we are telling -- we are not asking for the investors to value us. We will create the value for them. That's why we are working very hard on that. Very consistently, not with any kind of a zingoism, very fast. We have been doing it in a most strategic and planned out phase from -- as I said, internal controls, building all the blocks, expanding, expansion, bringing the right team, the experienced team.

Now all the blocks are built now. The only place from where we can go is higher now. The only thing we have to do is chase more than 20% of disbursement growth and AUM growth will follow. You know our delinquencies and NPAs have always been at the record low level. So we never experience, even though we continue to give guidance on credit cost of around 10 paisa, 10 bps, but it is always less than that. So spreads, NIM, income, there is no challenge.

Questioner: What allows you to have such low credit cost?

Management: Our underwriting.

Questioner: Tell me about your underwriting. What exactly are you doing?

Management: So our -- first of all, this thing is based on local sanctions and we take the cibil scores very seriously. So our underwriting, we do the necessary screening in terms of whenever we do any self-employed non-professional cases, we don't do on appraised income basis. We always go for a documented income proof.

Questioner: How much is the salary?

Management: Salary is 72%.

- Questioner:** What about for the others? For salary, you can get the salary slip or you can get the bank statement and you can see the salary. For the remaining 28, how do you appraise the income?
- Management:** Income tax proof, income tax returns.
- Questioner:** Everybody will have an income tax return.
- Management:** Some return or some document. That's what I said. We don't do on appraised income. I will check your EPI credits and this and that and all. And we have done that PSVR thing. Our team goes and visit the property, visit the employment place, visit the residence of the borrower. So four checks are there.
- Questioner:** What employment, employees, where they are working, where they reside, what else?
- Management:** If he has a business place, then we go to the business place where he is doing the business.
- Questioner:** And what about the fourth one? I thought we said. Fourth one you can say, for example that the IT returns, what they are paying. The veracity of it that also we verify to the side. That enabling thing we are having. So everything is verified.
- So I am assuming for all your borrowers, you always have income verification through the tax return because everybody will have the tax returns. If they don't have the tax return, you don't give them.
- Management:** Correct. Yes, well, either it's an income tax return or a GST return but some document for a business, you know salary is there. And our -- there is 100% check of all for the new cases. All the documents are verified through a professional vendor.
- Questioner:** Some companies do this where they say they register the property saying that there is a mortgage against this property. Do you also do that?
- Management:** Yes, so for a flat purchase and all and construction, we have our remote DD. That's why we give the DDs, we hand over the DD. So once the -- we give the DD only once the registration and the transfer of title or the execution of the title deed is complete.
- Questioner:** I see. So because -- and so these guys, I mean, I would have expected that your delinquencies or your credit cost will be a little higher, but it's very low as you pointed out. So, I'm assuming these guys are very good credit, obviously, right. But then you also have some good processes as you defined. But is there something else that others are not doing that you feel differentiates you?
- Management:** See, others are chasing growth widely, I would say. And see, by doing all these things, we have maintained everything steady. And that's why people are asking this question, where is your growth? We will do the growth only after re-fencing the entire thing. After making a robust process, not compromising on these grounds. Like, more than 75% of all these things have scores of 700 cibil scores.

Questioner: Okay. So, I mean, I think that story I understand. And frankly, that is a very compelling story that your credit cost is very low and your return on capital is very good. And I always thought you were highly levered, but now I know why, because your risk weighted assets the 35% that you are having is why you can have so much of leverage and that to equity. If I look at it, it's pretty high. And that is because you have good quality loan book, right?

Management: And when we say high, right now our leverage is 6.18 and the rating agencies, there is no written document, but rating agencies are okay up to 8. So, we can still, there is scope for us to take it up to 8. So, as we chase growth, as we have disbursement growth and all in the upcoming years, we can see that our gearing ratio reaches up to 7.

Questioner: I see. Got it. But beyond 7, you won't?

Management: We don't want to. Even though we can go up to it, we will not take it up beyond 7.

Questioner: I see. What else? Anything else that we should cover or you think we have covered everything?

Management: So, just one part, I would like to bring to your notice that we have also -- we have been working on our sales team. So, there was a question, in fact, every quarter that we have also asked this, we are dependent on DSTs. So, we have told, we given the guidance last quarter also that we are working on our sales team; our sales team is successful now. We have been able to achieve 270 crores out of, by using 85, our independent sales team staff, our own sales team.

Questioner: So, when this was 276 crores?

Management: 276 crores in Q1, out of 2,609.

Questioner: Okay, 10%. And so, what is your plan there?

Management: So, we are planning to increase the number of staff up to 150 and for the full year FY'27, we are planning to achieve a disbursement of around 1,500 crores.

Questioner: That's fair, but as a proportion of the total disbursement, how much will be from your sales team?

Management: So, our total, this thing is 13,000. So, out of 13,000, 1,500. So, roughly 10%, -- 10%-12%.

Questioner: But, do you have a number in mind over the next few years?

Management: Yes, it will continuously grow. This time it is 1,500, maybe in FY'28, it will be 2,500 because it is a successful model for us now, which has given us good results. And, like I said, we will be chasing disbursement growth.

So, one aspect is in our sales team, another one is expansion. So, we are opening new branches. And, recently, in the previous year, in the last few years, we have been opening branches sporadically throughout the year. Sometimes towards the end of the financial year now, but this time we have taken a conscious call that we will open all the new branches in H1 itself, in the first half itself, so that they can start contributing to the volume growth.

- Questioner:** I see, got it. And so, can you tell me, suppose you go through a DST, how are the economics of that versus having your own sales team?
- Management:** So, for DST, we give them a commission of around 0.4%.
- Questioner:** That's it?
- Management:** That's it. And for our own individual sales team employees, we have -- we pay them INR40,000 as a fixed salary. So, there is a break-even point, like, if that sales team is doing less than three files or less than INR1 crore per month then the DSTs are better off. But our team will definitely, once they acquire more knowledge, more experience, they will definitely do more than five files.
- So, that is again ROA accretive measure for us and from the qualitative aspect, I would say when we are depending on the DSTs, we have to completely rely or depend on them what kind of files they are bringing in. But, when we have our own sales team, own guys on the field, then we can get better files and with our developed relationship with the employees and the customers, that also increases the stickiness of the portfolio because DSTs may sometimes want to earn more commission on the same loan, right?
- Questioner:** So they might actually shop it around, right?
- Management:** Correct. But, once it is our own -- sourced through our own channels, the files will be better, there will be new cases, incremental cases and definitely stickiness of the portfolio will increase.
- Questioner:** So, you said INR40,000 a month is your DST, direct sales team sort of compensation. Do you also get them variable?
- Management:** No, that is the total.
- Questioner:** So, the INR40,000 per month is not the..
- Management:** INR40,000 is the fixed part of it and if they do more and more according to higher bands, they might get some additional benefits.
- Questioner:** That is once a year or every quarter or how is that?
- Management:** That variable is not necessarily in monetary terms, we have R&R for them, rewards and remissions and other these things but that is a great comfort for them, like INR40,000 straight away you do something or do nothing that is a very...
- Questioner:** But you are then not incentivizing them, what if somebody is not giving you 1 crore a month of disbursement?
- Management:** No, they will do because they have to chase the further growth and all.
- Questioner:** But suppose one person is doing 2 crores a month and there is half of the amount just waiting here, right. The person who is doing 2 crores a month he will he or she will he will see that listen

I am not -- I am working so hard, why should I be working so hard if the 0.5 crore per month also is getting the same?

Management:

That can happen to one or two months, right, it cannot -- it is an organization, it is a performance driven organization, so not to talk about sales team or any other team, maybe it is an account department or back office staff. If they are not performing they will have to...

After maybe June or maybe just in the month of June we devised one program to incentivize our sales team. So right now on a pilot basis we are doing it up to September or after September based on the performances suppose we are doing something like 75 plus the bonus marks will be allotted to them.

Right now, it is -- we are not giving them any monthly benefit up to September because unless and until we take appropriate approvals from our board we cannot go for that but that sort of thing is already there that we have put in place so in that case -- in case the performances are there and we have seen good traction also after launching of that.

So many of our sales that you rightly said somebody is more than 2 crores, somebody is more than 3 crores also. On an average, ticket size, if you see right now our breakeven -- our sales point 80 lakhs and on an average they are going for 1.1 crores. So once they are going for 1.1 crores on an average so definitely our cost of that getting certain number one. Two you can say more or less and the concentration that we were earlier having that also we're addressing.

Questioner:

Okay. So you think DST, I'm just saying as a sales team that you have, they are -- this particular experiment is successful and so you intend to keep growing it. But what will be the proportion? DST will primarily be the biggest proportion?

Management:

Our long-term target -- long-term sourcing mix will be 60, 20, 10, 10. 60 % DST, 20 % sales team, 10 % digital and 10 % working customers. This is our vision.

Questioner:

And what is the current state?

Management:

Current state is 81% DST.

Questioner:

So, 60% and right now it is 81%. And then sales team is?

Management:

Sales team has just started. So 10% of the disbursement, right? It will take a little while to...

Questioner:

10% after borrowings?

Management:

10% we talked about. That is 9% remaining.

Questioner:

So, between the website and the walk-in is 9%?

Management:

Yes. The website we have just started more or less...

Questioner:

So, it does not?

Management: Here I am having hardly INR60 crores to INR70 crores. So, that is the negligible figure.

Questioner: Walk-in right now is 9% and website is a new initiative?

Management: New initiative. That has already started actually per se. But once we go for that 100% this month, for example, as I told you last quarter at least we have done around INR60 crores odd through this direct marketing channels and all those things.

Questioner: So, you are also advertising?

Management: No, we are there. From there some traction we got. So, that is how -- this is a very you can say negligible beginning that we have. But at least we have. We have to start somewhere in the right direction. We have started that. So, most likely going forward, we will like to further capitalize that.

Management: And the other aspect is around this phase along with the system is our new branches. As I told we have opened 28 new -- we will be opening 28 new branches in H1. And what we have opened in the last year all these things have also contributed equal amount. So, while I said 1,500 from sales team. There is another 1,500 from the new branches which we will be targeting in FY'27.

Questioner: When you say new branches means direct sales not through the DSC?

Management: There will be incremental business.

Management: So, definitely we are going to have some share again our share in those places.

Questioner: And typically how long will it take for your new branch to bake in?

Management: 18 months.

Questioner: And then -- so, once it matures how much of like how much business are they doing? How much profitability are they doing?

Management: So, once they achieve 2 crores.

Management: No. 20 crores, 25 crores.

Management: Then till that time we have three people.

Management: Till that time yes. Initially, we have two people. See our basically this matrix is already defined. Less than 100 crores we have with two people. Once our business reaches say in excess of 50 odd crores. Then maybe we additional staff will post 100 to 200 medium branches. Then according to 300 large branch all those things. And then 500 crores we are having we call it as exceptionally large branches. So based on that our staffing pattern is already defined. So, say in ALB you can have maximum of nine people in the branch. So, that is the USP that we have.

Questioner: Some of the finance companies talk to specific branches like once it becomes too big so that there is not too much concentration. You guys also do anything like that?

Management: So, far we have merged some of our branches. We aligned some of our branches opposite consolidate.

Management: But I know at least I have read a few of them. Some finance companies they say this and if it becomes too big I have a concentration risk. If something happens it is so big I do not even realize this is some fraudulent behavior. It is very big. It can have an outsize impact on my business.

Management: So, right now we do not have any branches.

Management: See our internal controls right now as I said we are staying that much. Our internal controls so we have a strength and flexibility. So, right now everything even you see whatever sanctions we do not have any powers at the branch level. They do not have any check writing facility or any check issuing facility they do not have. Of course, sanctioning powers they are having. But all the sanctioning powers are also subject to review by our head of it.

CRM department is there. CDD is there. Where the DD is getting checked. Going forward in the next maybe this year we plan to introduce 100% CRM checks before any disbursement. Right now we are having certain points which are checked after that only...

Management: No more decision is taken.

Management: No more decision is taken even DD issuance for that matter. It is done. After certain type of checks and balances are ready in place and going forward we plan to take it to that. So, that type of activity that you are referring to God bless God forbid we do not expect that to happen in our case.

Questioner: But you are saying right now you have check writing authority at the branch?

Management: No. We do not. We have withdrawn all the checks. There is no power at all at branches.

Questioner: For distribution you get the customer and then submit the file to the credit?

Management: Processing they will be doing. They are having certain type of delegation of power for sanctioning of the loan.

Questioner: Okay.

Management: The sanction versus disbursement I guess...

Management: Disbursement again it is centralized.

Questioner: But if you have sanctioned the loan then you are saying there is another check at the central office?

Management: General office and at central level both places.

Questioner: And where they will review the file again?

Management: Yes. They will say certain check points are there. For example, what is the status of the property as you were saying PSVR all those things. And what is the status of compliance in that terms of that proposal. Once in four, five months you are complying in that case then central team will issue the DD. It is 100% outsourced to any PSVR.

So, that DD will be issued only branch can go collect the DD. They cannot change anything. Beneficiary, amount, place whatever you say. So, that sort of thing is the branches basically for their petty expenses also it is something we have arrays of software we have arrays for that and that is also approved on a critical basis. So, everything is now under control of our head office.

So, as a branch that concentration risk as you were referring to is quite not possible. But anyway something if they want to do but to whatever if anything comes to that definitely we will be taking care further also. It is not that it is the end for us. That whatever reforms we have done or whatever systems and procedures we have put in place. May be going forward if something new comes then definitely we will put a check. But right now we have conceived more or less. So, we do not foresee as such.

Questioner: Understood. And then how are the branch managers incentivized? So, they do not have -- as you said the disbursement authority they have the sanction, but they cannot issue the cheque. But if they do more business in a branch do they get more compensation? How does that work?

Management: This is the PLI is there. Performance incentives.

Questioner: Yes. And that is true at what level? What seniority of the organization?

Management: Branch level and above. When he is a branch manager he also has to look into the sales team, the DSTs and all those things. So, he -- it is a complete -- it is not just like a he is a sales guy he has to manage the branch also, the credit guy is also there.

Questioner: So, a branch has what all people? So, there is a credit guy...

Management: So, branch manager itself is performing the...

Management: He is overall in-charge. He will be having good knowledge of marketing, sales as well as recovery, credit whatever you call. Dedicated people will be there for say processing of the files. There will be a dedicated guy for say recovery purpose following that recovery things.

Questioner: Legal will be there?

Management: Legal will not be there. Legal we have in general offices. I mean rather in say some sense suppose our general offices are far off in that case I mean one big center say for example, Mumbai. Mumbai we do have a local legal guy here. Even though our -- this falls under west zone which is headquartered at Jaipur. So, here also we have a legal guy. So, all these centers apart from it we are providing with a legal person but not all the branches.

Questioner: Makes sense. That is logical because you may not have that many...

Management: That may be a requirement will not be there.

- Questioner:** Yes. But you are saying for a branch we will have obviously branch manager who can do all the jobs. But then you will have a sales person, you will have a collection person?
- Management:** So, three we will have. Three is the minimum and then as sir said with the size of the branch extra-large branch or....
- Questioner:** Makes sense we will keep adding. What other things that you feel people do not understand about the company or something unique that you are doing or anything else that you think we should talk about?
- Management:** The only thing I would I would reiterate that we value growth. We will also achieve growth, but we will be -- once we achieve when we achieve it will be a sustainable one and till that time we are working on our all those guardrails, ring fencing and the system the building all the blocks in place for that once we start this thing.
- Questioner:** E-khata issue is all behind it?
- Management:** Yes.
- Questioner:** There are no issues now?
- Management:** In the cities it is not there.
- Management:** Panchayats you can say still it is there. So, it is only a Karnataka -- it is only E-khata is a Karnataka issue.
- Questioner:** But are you seeing similar issues?
- Management:** That is how we are not seeing.
- Questioner:** Well, they were trying to digitize all these records in other places as well but you are only seeing here.
- Management:** That is only in Karnataka as of now.
- Questioner:** In other places there is no such headwind?
- Management:** No.
- Questioner:** So, in Karnataka also you are saying cities and what is your business distribution Tier-1, Tier-2, Tier-3?
- Management:** Mostly in outskirts of Tier-1. In Tier-1, outskirts of Tier-1 and Tier 2 or 3.
- Questioner:** What was the disbursement in outskirts versus Tier 2 or 3?
- Management:** There is no such division between Tier-1, Tier-2 and Tier-3 like this. Not there in Tier-1. What I meant to say that is hardly here and there. Even though we have branches. We are only doing it outskirts.

- Questioner:** But the reason I was asking is you are saying that in cities we do not have E-khata issue but in Tier-2 and 3 we have still...
- Management:** In the villages and gram panchayats we have. Not in Tier-1, Tier-2. Cities means cities like wherever these things are there it is more or less there.
- Questioner:** So, wherever you guys are there, they are going come?
- Management:** Correct.
- Management:** So, in Karnataka we are having branches in country places also we are having in Karnataka. So, there in gram panchayat issues are there. But wherever it is a metro area or say urban area in those types of areas somehow it has been taken care of. So, there we do not have that much of an issue.
- Questioner:** So, how much of your business is impacted?
- Management:** See with E-khata issue was at its prime peak. Then we just fell down significantly. Now, we are back to 234 crores of business per month even though our peak is 250 crores and 300 crores kind of number. So, last year it fell down below 200 crores per month. But in '26 -- in FY'26 also we started achieving more than 200 crores in '27. So far we have been doing 240 crores, 236 crores per month.
- Management:** So, more or less we have regained that.
- Management:** Regained that. But we are yet to reach our peak once everything is settled. When it is completely little bit of overhang will be there. So, our so called target number is INR300 crores per month for Karnataka.
- Questioner:** And when are you expecting that?
- Management:** By the end of this financial year. Means gradually in Q2, it will increase further, in Q3 it will regain more.
- Questioner:** Got it. Understood. That's fine. And then there was also in Telangana, one of the states there was one other issue.
- Management:** Telangana hydra issue was there. Properties were getting demolished. So, that story is also behind us now. And there also we are treading very cautiously even though there are no more demolitions of buildings or something.
- Questioner:** So, what exactly was it?
- Management:** It was some urban water and encroachment kind of issue.
- Management:** Development aspects was taken care because of creating more space for all those.

Management: So, while there were no demolitions, but some delinquencies had increased in those anticipations. So, we were trading cautiously. Now in Telangana also we have regained that more than 100 crores business per month. We have been doing it consistently throughout the previous financial year as well as the current one. And there also we are not trying to hurry to reach to that 160, 150 kind of peak. We are happy with 125, 130 as of now and gradually...

Questioner: We are currently doing 100?

Management: More than 100. 125, 130.

Questioner: You have got 200.

Management: But our peak there also like in Karnataka we said 300 crores per month. There also we could have done up to 170. But still we are trading cautiously there.

Questioner: So, again the peak will be around?

Management: 170.

Questioner: By the end of financial year?

Management: Yes.

Questioner: And any other place where you are seeing either much better performance or you are seeing some headwind in terms of growth?

Management: No headwind as such. But we are seeing opportunities in other geographies. Sir also mentioned we are opening new branches in new geographies. In fact those geographies are not new. The cities where we are not present. In order to -- because we have to -- our main thing is that we have to achieve disbursement growth in order to compensate for the BT outs and run downs and all those things.

Questioner: What is your prepayment, repayment as a percentage of the year?

Management: Total run down is 17%.

Questioner: Including BT out?

Management: Including everything the amortization of the prepayments, part payments, 70 % out of that, BT out itself is 4%.

Questioner: So, total run down is 17% of which BT out is 4%?

Management: Correct.

Questioner: And the rest is prepayment and repayments?

Management: Yes.

Questioner: 17% per quarter?

Management: No, 30% full year.

Questioner: 17% of the opening year?

Management: Opening year.

Questioner: And how does that compare to other housing finance companies?

Management: I think it's probably on the lower side. We are on the lower side only.

Questioner: I see. Got it. And now 17% and then 4% of this is BT out. And you are saying this is lower given how old your vintage is. Because obviously the longer the vintage, higher the run down, right? Because it will be coming close to the completion of the loan. Okay. Understood. So, if you are having, you are also doing BT-ins?

Management: We don't have a policy for that. Maybe one or two. So, there is strict no to that also.

Questioner: Yes.

Management: But there is no such deliberate attempt to do BT in or something. We believe in organic growth. We want to develop by having new business, generating new business.

Questioner: But if your run down is 17%, then your disbursement as a proportion of AUM has to be like 30%-40%, right?

Management: So, in June 1, we are...

Questioner: What is the disbursement as a proportion of AUM?

Management: Disbursement as a?

Questioner: Proportion of AUM.

Management: Proportion of AUM. So, it's a 13,000 crores on...

Management: AUM 42,000 was there for 2,600. So, you can say...

Questioner: Quarterly?

Management: Quarterly. So, 13,000 is the annual.

Questioner: 13,000 disbursement is annual and AUM end of '26 is?

Management: 42,000.

Questioner: Okay. So, 42,000 divided by 13,000. So, that is around 30%. Around 30%, right? So, you are -- so, 30% is what you are disbursing approximate. Just to understand, right? Or which is 17 is

going away because of the repayment, prepayment and BT outs. So, your AUM growth is around 30 approximate?

Management: Correct.

Questioner: I see. So, you do not expect run down will come down. So, your disbursement has to go up.

Management: Yes. So, in the sense that run down will also come down. Because see we have been giving rate transfer benefits to the customers. So, when we give that lower interest rate benefit, we have not changed the EMI.

Questioner: Yes. So, now I think you have moved everybody on the quarterly reset?

Management: Quarterly reset.

Questioner: Okay. So, that should, especially in a falling rate market, you would have more BT outs, I guess. Or maybe is it BT outs or prepayments? What happens?

Management: In the falling rate markets, we have experienced more BT outs because in competition to banks, our gap becomes very big. Becomes very big, 1.25%, 125 basis point. While the same, when there is a higher interest regime, the gap narrows to 40% because bank has been increased full 1%.

Questioner: But that -- I mean, your steady state difference between you and the bank is?

Management: 40 basis points to 50 basis point.

Questioner: That is not too much. And I am assuming your service is much better than the banks, right?

Management: Yes.

Questioner: So, what is your turnaround time?

Management: Two days.

Questioner: Two days, you will not be able to -- from the time a person comes, you do the checks and give them a cheque.

Management: There are two scenarios actually. For example, we do have APS also, project approvals. So, right now also, if you see, we are having 325 projects which have been approved. So, due diligence have already been done including the LSR and legal approval of that particular property. In that case, our TAT will be, you can say, more or less two to three days at most. In case, suppose fresh legal and maybe evaluation is required, in that case, it will be little bit more. But on an average, our TAT has been around three days.

Questioner: That is very good.

Management: Our TAT is three days.

- Questioner:** TAT, average TAT is three days means that most of the housing loan that we are giving are for pre-approved projects?
- Management:** That is also there, but here our share of self-constructed houses more.
- Questioner:** There you don't have any pre-approvals then you are really turning it everywhere?
- Management:** So let me add some perspective to it. So when we say turnaround time, we will source the file, we will do the necessary checks and all and we will give the sanction and then what time it will take for the valuers to value the legal, the search department to do that. Till that time we can say turnaround time, right? So once they have -- it depends on the quality of the documents, the quality and the availability of documents with the borrower. So that part cannot be computed as our TAT. So as soon as he does that, we can...
- Questioner:** For the thing you're doing around time is from the time the borrower has given you all the documents?
- Management:** Required documents.
- Questioner:** All the required document. And then people will go through the document, visit the property, visit wherever the person is, give it to your central department?
- Management:** No, it will be all. Up to this time, it will be all local place only. All the branches are equipped are provided with legal advisors. Means you can say advocates as well as the values. All of the system are driven only values especially system driven. So out of all location will be there to the system. So, everything will be done instantly. So, once the paper comes they will verify the veracity of the documents. A valuer who give the values whether this is genuine valuation or not.
- Questioner:** So turnaround time is from the time you got the documents to sanctioning the value?
- Management:** Yes.
- Questioner:** It's not a disbursement of the loan. Because you still have more checks that need to happen.
- Management:** And that of course will depend on so many other things. So once that is also done, we will immediately go to our CRM and CD and maybe another one day.
- Questioner:** In one day you will get from the sanction to the disbursement?
- Management:** Yes. It is not a big thing. Even suppose we are having this disbursement time, suppose four o'clock in the evening. A little bit later also because anyway through our arrangement whatever we have it is a fully automated one. So suppose even if we upload the file at 4 p.m. then also they can get the required detail because they need a banks operate up to 5 p.m.
- Questioner:** I see. The basically then really a zonal office is doing basic checks as they are doing basic thing.

Management: Basic thing is done. They have submitted the required docs in that case. You can say within say 20 minutes -- next working day within a one or two working day the every time will be settled.

Questioner: Okay, got it. This is good. It helps me understand. Is this typically what most housing finance companies do? Like what you have seen?

Management: I think this local sanctioning power is unique to us. In the housing finance so far as I know.

Questioner: So that means everybody has consolidated in the zone around here?

Management: They can say head office, can say no.

Questioner: I see it. So therefore your turnaround time is much smaller?

Management: Much smaller and these are also like in the market...

Management: This isn't making this fast because of the local guys available that they have gone. If the comfort suppose we are having a head quarter in Mumbai sorry in Bangalore and suppose somebody is financing say in a place called Pali or maybe a place called Darbhanga in that case we will not be knowing the geographies. So man sitting there. He has been trained He can take a call and he sends the proposal fully complying with the guidelines issued of the company.

Questioner: Is that your big advantage?

Management: Yes. These are when the -- it is our USP.

Questioner: I was trying to figure out what your USP is? Apart from the fact that you are not that expensive as compared to banks. I think one is that your cost is reasonable. I mean the cost of ordering -- so that is the biggest.

Management: Okay, sounds good.

Questioner: Okay, it's the time is over.

Management: Yes.

Questioner: All right. It's wonderful. Good meeting you. I got a lesson into housing finance. That's what I was hoping for. But I think you guys are doing fantastic. So keep up the good work and keep getting some money for us.