



“Can Fin Homes Limited

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Management: Yes, sir.

Questioner: No, I think many things seem to have improved for all HFCs in general, and I think for you, I think the disbursement goals have kind of reached up. But one thing which seems to be a bit of a concern, which is, I think, generally for all lenders in the private housing kind of a space, where I think we are finding that one, of course, the competition is quite intense. So, how do you think about lending deals and the ability to kind of maintain spreads?

And the second is this BTO which are, I mean, whatever the repayments also seem to have kind of heightened a bit. So, if you can kind of think, give us some perspective on this aspect. So, that what is driving BTO or there is something else to it, if we can get some perspective on the AUM growth. I will, I mean, the disbursement growth also you can get some outlook, but AUM translate, I mean, the disbursement translating to AUM, how do you kind of see that?

Management: So, I will cover all these things one by one. So, first, thanks for acknowledging the disbursement growth, which has actually been our best Q1 so far in comparison to all Q1s in the previous year. So, it was a record Q1. And just a moment please.

Questioner: Yes, sir.

Management: So, the volume growth was there. And with respect to the yields, needs and spread, we will continue to maintain our guidance of 2.75% of spread, more than 2.71% of spread. Accordingly, achieving a NIM of 3.81%. So, this we can say that initially we, there were some headwinds regarding increase in cost of fund and all those things. But whatever we guided at the end of Q4, we have achieved, we have guided for the cost of funds of around 6.99, what we delivered or what we achieved rather is 6.98. And we also accordingly maintained our needs and spread. Thanks to our, so thanks to the bank sanctions and long-term borrowing sanctions, which were unavailable, that was available with us. So, going forward also, we are capable of borrowing.

In fact, we raised some amount of money at 7.25%, while the incremental bank borrowing has increased to 7.5%. But again, there are some set-offs available here and there because we can borrow at 7.25% also. Some of the CPs, which are currently there in our books at 7.7%, we will be able to refinance that at 6.45%. In fact, we raised one CP 2 days back, it is 6.45%. So, by a mix and all those things, the worst case or the upper case cost of fund will be 7.03%.

And with considering the yield part of our lending this thing, we have a slight increase in our incremental disbursement. If you see for that matter, there is a slight increase in ACNP because it is yield-accretive. And housing loans are also there. Both of them are growing, but the mix has changed a little bit to have the right kind of mix for the right kind of spread.

And further, throughout the last year, throughout the previous year, we have been converting our customers from annual reset to quarterly reset. So, by the end of this quarter, almost 88% of the customers, more than 85%-88% customers are already there on the quarterly reset. So, if there is any rate cut, if there is any further rate increase, we will be able to pass on that rate.

We will be able to charge that rate to the customers. Thereby, it will help us to protect our NIMs and spread. So, for the future also, we will be guiding a NIM of 3.75.

Questioner:

But that will be no meaningful. Dilutive. So, last 4 years, you have been very steady in your market. Many others actually saw a meaningful dip in the market. And we were under the impression that at least because of your annual reset, you had a bit of benefit. So, maybe you might get hurt this year as well. The general concern here. What you are saying is you may not get?

Management:

We have taken that decision on a timely basis and we do not chase growth by compromising on margins or something. Rather, coming to the next part of your question, where you say the decision growth is not really translated into AUM growth. For that also, we have analysed and we have seen that the data is also there in front of you that our disbursement growth are more than 20%.

In fact, if you do a comparison of Q1 to Q1, it is 29% growth over last Q1, 26. But at the same time, we experienced on a full year basis, a rundown of 17%. But out of that rundown, when we analyse further, the BT portion is not that high. BT out portion is just 4%. So, that BT out is happening because it is a fair industry. It is open.

The regulator also does not want us to put some restrictive measures that will not give them the foreclosure request or will not tell them to pay the EMIs. So, this BT out will be there. So, it is not a very alarming number for us.

Yes, at the moment, it is eating away our AUM growth. But it is not that if we compare ourselves with our peers that we are the highest or we are facing highest BT out, that is not the case. So, in order to achieve the AUM growth, the one lever which we have is to increase our disbursement growth.

So, thereby, we are focusing more on disbursement growth. And how are we achieving it? We are achieving it by increasing or improving our sourcing mixes. Like you must have heard in our previous calls last year that we are developing or investing in our own sales team, in our sales team. So, that has been, that has come out little successful for us. And while in the previous financial year, our sales team, strength of 85, 70, 80 people delivered a disbursement of INR800 crores.

In Q1, those 85, 87 people have delivered INR276 crores of incremental disbursement. Similarly, we are also working on our expansion to address our geographical concentration. In that pursuit also, we have opened new branches last year.

You have been hearing that we have been opening new branches, 2025 branches we have opened. In fact, in the last three years, we have opened 50 new branches. So, now all those branches have also come up to the maturity level and they are also contributing to the incremental disbursement.

So, in order to achieve our growth story for FY27, the new sales team or in-house sales team will generate INR1,500 crores of disbursement. And accordingly, our new branches also will

contribute INR1,500 crores of incremental disbursement. So, our overall target disbursement for the year is 13,000 out of which 3,000 will be achieved by these two measures.

And in continuation of this, we are still opening new branches. The plan for this year was to open 28 new branches. And unlike other years where it was opened sporadically or spread out into staggered towards the end of the year, this time we have consciously taken a call that we will open these new branches in H1 itself. So, while we speak, eight branches are already opened. One was opened in Q1 itself. It has opened in July.

Management:

This month, we propose to open around 10, 15 more branches. So, we will be left with remaining 4 or 5 branches maybe for the September month. So, as we speak, we can say that even tomorrow, for example, we are opening two more branches. And by 2025 of this month, remaining I think 10 to 15 branches more will be there. So, whatever are left over because in all the premises, work has been carried out. So, all those will be materialized into the ground by say first week.

Questioner:

What is the kind of type of locations?

Management:

Actually, we are spreading as you know that previous couple of years, we are not spending much in the south and southern area. That was a well-taken decision by us. But this time, we have also included in southern areas or southern states also.

For example, we are opening two branches in Karnataka that we have already opened already maybe last week. And then similarly, we are opening some branches in Tamil Nadu, out of which two will be opened tomorrow. Some we are opening in Andhra Pradesh, some we are opening in Telangana.

Now, more this time out of this 28 mix, I think 15 odd branches will be in the northern central side. Say for example, we are opening three new branches in Chhattisgarh area, some branches near Delhi, some one more branches in West Bengal. So, we are expanding our geographical reach more or less and opening the branches in the area where we were not earlier operating.

Except for a few cases here and there. For example, say Pune, Pune we have already had a couple of branches there. So, one more we are opening. So, it will be total I think we will be having four branches in Pune. So, Pune branch is also in the pipeline and most likely we will be delivering on that by this month.

Questioner:

Right.

Management:

So, we are trying to cover as much of the area that is concerned. So, that we get the required.

Questioner:

Its in Tier 2, Tier 3?

Management:

You can say Tier 2, Tier 3, Tier 3. Some are in the metros also like say Pune, like say some branches we have opened in and around say Bangalore we have opened a couple of branches in the outskirts where the new area are coming up because Bangalore is also expanding.

Questioner:

Airport side?

Management:

Airport, Yes little bit ahead of that. Airport we already have a branch there only we already have in that place. So, right now we have gone little bit ahead because there are lot of construction activities are happening.

So, basically if you see collection of the branches of the locations are based on the reports that we get based on the scientific study we do, how many places we are getting, how many hits are there for that known enquiries are there or how many people are attracted to that is buying of the properties in those a locality. So, convenience then basically we are going in those areas. So, this 28 all of these branches are taken care according to that.

Like say in Tamil Nadu we are opening some Tier 2 cities also. But again they are having a good growth potential. So, those are the criteria based on which we are expanding. So, this year we will be ending up with something like 277. Again next year we propose to take it across 300 branch level that is also there. And to get the full value that is a very idea was to if you open the branches early we will be getting the full mileage. Some contribution also will be there in the top line, bottom line. So, that was the idea that we have opened mostly in the next one.

Questioner:

Now, this just to close this point on the run down rate, in this 4% is BPO and overall 17% is the run down.

Management:

Promotization, part payments, early repayments and all those things. Correct. Excessive run down.

Questioner:

Correct. So, this early repayment rate that has gone up versus your historical trend. Is that what you have seen?

Management:

Little bit that has also gone up as per historical trend because liquidity, the customers are more conservative. They do not want to run. That has been the case always. So, since now the book is growing. So, accordingly that the vintage is getting older. So, they are trying to close the loop.

So, that is one part. The other reason which can be attributed to this is while the interest rates were falling down and we are giving the rate cut benefits, the EMI remained unchanged. We have not changed the EMI. Neither the tenure. So, the tenure has come down and the principal part, principal component of the repayment was more. So, that has also resulted to this.

But with respect to the larger strategic objective, we do not feel that or we do not see that we will be able to control this or we want to control this by putting in some restrictive measures. Because it is not the way, the regulator also does not want that way. So, the only thing which we are left at or the lever which we can pull is our disbursement.

So, for that we are already working like new branches, sales team. This year, our sales team sales will be 150. It is generating INR1,500 crores. Next year, it will again increase. New branches we have opened in H1. Next year, again we are opening branches.

So, that will fuel our disbursement growth. And you know, once the disbursement growth is in line, like we are consistently delivering that, the EOM growth will automatically come with a lag. May be in this year, we are guiding for 14%.

Next year, it will be 16-17. By 28, it will be 17-18%. Beyond that, we are also not guiding because we want to have overall sustainable AUM growth with all boxes being taken, no compromise with respect to the segment or the contracting quality or the portfolio quality. Sure.

Questioner: And this BT out of 4% is in line with past years?

Management: Yes. It is percentage wise if you see now, because since asset under management has increased. So, this is in absolute terms, it will be little bit more. But if you see historically, even though our loan tenures are say 20 years, 30 years of that range, but average duration of any loan is hardly 78 years. That has continued in the same fashion. So, that behavior has not changed.

Questioner: Got it. But in general, the perception that in the prime segment competition is very intense that is still continuous. I mean all banks are still very aggressive?

Management: Banks are aggressive and the good part here is that we do not compete with banks. Our so called peers or competitors are PNB, Housing Finance, LIC and Bajaj only. Because the kind of ticket size we are catering. We have more than 50 lakhs plus. Yes, yes. So, that we call that as the prime customers.

And in our case, 30%, 40%, 40% of the book is with a ticket size of below 20 lakhs at the time of sanction below 20 lakhs. So, other players are competing now. The way we look at it is the price, the pricing impact is definitely there.

But it's more, more something to do with the kind of loans they are doing in the segment like they are doing laps, commercial loans. So, we being a conservative player, a more compliant one with our parentage and pedigree, we don't want to break those ethics and all those things. So, while we report that what we do and we don't want to do a commercial loan and still continue to declare them as housing loans or do a BTE or adopt some discriminatory pricing strategies that new customers will give at lower rate.

And our existing book is on different. So, because just to say that our incremental yield and our total yield on the book is exactly the same. So, that way it will happen. So, all said and done, the only thing which we can focus on right now is disbursement growth for which we have these two things developed. And of course, other old practices are also going, growing. The existing DSA team is also working. So, these things are going on disbursement.

Questioner: The non-housing share now would be like how much?

Management: 16%.

Questioner: 16% of the non-housing. Okay. And how much is the yield kicker on this book versus the...

Management: Maybe 1% extra.

Questioner: And this makes you intend to kind of keep it longer. They have spoken about 20%?

Management: Yes, 18-20.

Questioner: 18-20 is the top, the maximum that you got.

Management: So, right now I will propose to have that sort of in the -- In the vision 28 document. And self-employed is about 30%.

Questioner: 32, currently the break up is 68-32.

Management: Okay. And we can go to 65-35 we propose.

Questioner: Self-employed will become 65?

Management: No, self-employed will become 35.

Questioner: 35?

Management: Salaried will remain at 65. So, 65-35 is the next [inaudible 0:18:06].

Questioner: And what is the yield gap between these two? Self-employed and...

Management: So, here the blended rate is 9. Our PLR is that 9.8. We had a full yield. Our, sorry, our PLR is 8.5. Yes. And depending on the various civil scores and credit classifications, this rates will keep on changing using here and there or some discounts will be given. So...

Questioner: Aggregate level salary would be at what rate and aggregate level...

Management: It will be like, suppose similar kind of loan which I am giving at 9.5, maybe same thing if it was self-employed will be 10%, 50%.

Questioner: 50-50?

Management: So, both of these can be at the margin slightly more beneficial. It is 32 going to 35 and that 16 going to 18 to 20. It can be a yield kicker to a small extent. It is not very meaningful because here there is a 50, but there is a 1% gap. So, but that said it does not mean that our yields and all will grow with this change because we will have to deal with the other competition also on the housing side also, right? So, that will sort of keep the balance is the right mix to achieve our guidance on the NIM and spread. So, that will continue to remain around 2.8 spread, 3.8 NIM. So, that is the number which we are working and few basis point here and there.

Questioner: And like you said the borrowing environment is slightly conducive to this. So, now that should continue but now with FCNR and also?

Management: Relativity is there. We are yet to see some reductions or easing out or softening on the rates. They are still hardened, but we have started seeing that this thing, but the main thing is when the policy makers will come up with the niche rate revision. So, that way we are seeing some improvements in CPU market, but in terms of NCDs and incremental bank borrowings. I think we are waiting and because of the incremental bank borrowing the rates are 7.5% as I told you in the beginning. But how it will unfold for the rest of the year and how this uncertainties around the geopolitical tension and liquidity thing.

Questioner: Now, what would be our next on the borrowing side?

Management: 65% is our bank borrowing out of which everything is linked to repo. Almost everything is linked to repo and T-bill or repo or T-bill and 15% is NCD, 15% is NHB and a very small part of short term loan is CP which is for our working capital departments and that is it.

Questioner: Okay. And today the NCD rate would be how much higher than bank rate for?

Management: On our book or the new one?

Questioner: Incrementally?

Management: Incrementally we are getting at 7.98 NCDs and bank borrowings are 7.5 to 7.25 to 5 depending on the risk apparatus of the different banks.

Questioner: Sure. From a productivity standpoint when you look at per branch metrics or we talked about sales people per person kind of metrics, how are they tracking for you? I mean are you seeing improvement in all those kind of measures or you are seeing some stagnation because for some period I think there was a stagnation in those metrics?

Management: Initially we started with a new team and it has to get into the grooves of the thing right. So that was there and now I think the productivity is there and as compared to if you want to compare with the same kind of sourcing versus a DSA or a sales team. So normally we give our DSAs brokerage of around 0.4% to 0.5% on an average. So for a 1 crore loan our DSA will get 40,000.

Questioner: Yes.

Management: Right. So similarly in order to remain competitive and to rather to break even first compared to the DSA the sales team must do 3 to 4, 5 basically 80 lakhs to 90 lakhs rupees of loan. Then they will be yield neutral, cost neutral with that respect.

Right. So if they do more definitely it will add on to the, it will be ROI accretive for us because we will be saving that cost, it will be cost saving size. Apart from that there are other benefits also in terms of productivity, not just productivity but from the qualitative aspect then the cases which our sales team will source will be better cases, some new cases because right now we are completely dependent on the DSAs to whatever they are bringing we have to choose amongst them only.

But now since it is our own team we will get some good cases and it will definitely increase the stickiness of the portfolio thereby reducing the chances of BT outs because sometimes the DSAs will want to re get the commission on the same file by. Yes.

Management: And we will be eliminating that consultation. So right now consultation to DSAs is a key part.

Questioner: Yes.

Management: So that we actually plan to bring it down. So in that case that will help us in going forward to take our assets. Going forward maybe 2-3 years down the line we propose to have this at 60

DSAs which is 81 right now and then sales team directly we will propose to have around 20%, 10% of course direct walk-ins will be there, 10%. Pardon me.

Questioner: The sales team will want to take?

Management: 20.

Questioner: 20%, currently it is 10%.

Management: Currently it is 10%. So this is double that. Right. And then the walk-ins will be there around 10, right now it is 9%.

Questioner: Correct.

Management: And then. 10% will be digital. Digital thing will be there. So 60, 20, 10, 10.

Questioner: Now?

Management: Digital we are in a very small way negligible figures are there in the last quarter it will say quarter 1.

Questioner: And then walk-ins will be through other third party?

Management: No, no through website log-ins and some apps or something like this.

Questioner: [inaudible 0:25:27]

Management: No, no, no, not that. Anyway that is again at DSA. So that we have to look at that. So even if you as we talk first quarter if you see to our this type of initiative though it has not got full fledged [inaudible 0:25:43] It will stretch to for the last couple of branches or maybe just one set of branch will be completing by in the first week of October though we have given as per our guidance we propose to have it before 5th of October. So right now we have not gone full fledged for that type of digital marketing.

But still whatever we have initiated as we did it around INR60, INR70 crores we have got. It is a negligible figure per se because we have had.

Questioner: INR60, INR70 crores in a quarter. Last quarter?

Management: Last quarter. So that was the development that we have. So going forward we propose to take it to 10% or so. But it will take little bit time. It is not that overnight it can happen. It will take time, but it is in place. And with this technology other things adaptation to those things and then limiting it in all the across the branches. You feel that it is something which we should already adapt to and because this new generation people they are mostly we cannot leave that important aspect of distribution kept aside. We have to be very mindful of that. So there we are targeting it to take it forward 10% going forward. But we are there in that space. In all these spaces whatever we discussed we are very much already there.

Questioner: And what kind of today for instance when you look at the number of files that your sales team does per month or?

Management: On an average it is more than 3 files. Like the average this thing is 3 crores, 3 crores is disbursement.

Questioner: Per month, per quarter?

Management: Per quarter, 3 quarters, 3 crores, 3.24 crores. So 276 crores, 85% on an average it is. So there will be some guys who will bring less, some guys who will bring more. So there will be.

Questioner: Average is about 3 crores per quarter.

Management: Yes, yes.

Questioner: And that is about 6, 7 files.

Management: Yes. More than that.

Questioner: 10 files or less.

Management: 10 files.

Questioner: See that side. Right side.