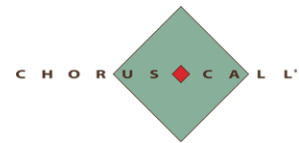




“Can Fin Homes Limited

Emkay Global Conference - 13.08.26 (5)”



Management: [Abrupt start] We will be around 10 to 12 files minimum.

Questioner: And this is 3 to 4 files accepted in the system?

Management: Correct, we are talking about accepted in the system.

Questioner: Accepted in the system.

Management: Yes, so this 276, last part we did 276 files, so same, so this 83, 85 people whatever we have, so we did around 276 for this burst count last part, so this is as per the actual.

Management: And this is actually those not log in or something, this burst count we are talking.

Questioner: If you are sourcing like 5 files and you are selecting 3 files out of that or it will be?

Management: No, so may be logins there will be more, we at the time of login probably the reaction, the success will be say 30%, 40%. But once they are moved to, moved from that stage to the sanction thing, then there will be very, very high percentage of getting it through. Because then only the documentation and the availability of the customer with the documents and right kind of search reports and all, because we will not be getting it anymore. I think it is...

Management: Except for that technical part, say if some property is having some issue legally, not in those cases will be, it will be rejected. Other than that, if you see in the first tranche itself, mostly when we are going for that on selection of the clients, in that case, prima facie document will be available to us. Say for example, somebody has checked in and they have logged in without seeing their IT details or other credentials.

We have not had, we are not having the capability. In those cases, rejection will be more. But once we pass this Stage 1 level, in that case, the rejections automatically will be less come. Because very less chances will be there that somebody is buying a property without any due diligence. So rejections are the latest, second stage what we call. So basically, it will be a lesser.

Questioner: But the first stage rejections will be lower for your sales team versus the DSA?

Management: More or less. It is like not like that, because both DSAs are also very experienced and old. So probably rather we can say that the DSAs will be better. Because once the file they bring, it is almost 100% because they know what our company wants and they will get, they will be better to just answer your question.

Questioner: Do you plan to meaningfully increase this IT number in the next 2 years?

Management: The sales team.

Questioner: If this has to become 10 to 20 or is it more productivity driven?

- Management:** Since it is delivered so far, it has been successful. Last year, we achieved INR800 crores of INR878 crores of disbursement through this team. Here now it is 300% with the kind of disbursement growth we are looking to, we will take this number to 150 this year with INR1500 crores of disbursement and next year also we will be.
- Management:** No, they are already right now, mostly we have shifted from our branch. And again, whatever we are going to add around, we can say 50, 50 or 50 to 65, whatever you are going to add to make it a 150 team. Basically, since we are going for full automation, so right now there will be surpluses in our branch.
- So, that mileage we will be deriving from here also. So, it will not be any fresh, maybe here and there one or two, it can decline, but other than that, mostly it will be a existing team members only will be shifted directly to the sales team without having any other adverse impact.
- Management:** You got it.
- Management:** It helps in two ways. Basically, if you see, they will be, they are already experienced in processing and they are working in our company since maybe some, for some time at least and so they know the rules, regulations, the procedure systems and procedures, they are very much aware. So, in that case, quality also we can source and that retention of employees also will be there.
- Management:** But mostly they will be all local people. So, that local touch will also be there, understanding of the local market.
- Questioner:** But they have been traditionally been people sitting in the branch, now they have to go feet on straight like they have to?
- Management:** Yes, Yes. So, they are already doing that because see ours is a branch model only. So, we do not have, we do have a central sales team, but all the sanctions are, we do have a delegated powers for the branches for sanctions.
- So, they will be doing the sanctions, still they are doing the same thing. So, instead of doing the processing thing, marketing thing or registering thing, they will be dedicated to the sourcing thing also. We can also employ them in some other productive work which as the case may be required, but they need to their respective files which is the source.
- So, that also going forward it can be done or other it is being done also. So, basically it avoids your concentration rates more than sales rate. Because right now you cannot have a concentration of only one source of activity or disbursement in any of your portfolios.
- Questioner:** Sure. Yes, IT thing you spoke about, this IT transformation, is it like now state is almost complete. I mean, firstly, what else there is, I mean, this is like a sales force kind of a model that we have?
- Management:** No, no, no sales force. So, basically earlier we were having that is called actually with the 2011 what is the name of that company, IBS?

Management:

Ancia.

Management:

Ancia, Ancia was our service provider since 2011. So, basically it was it has already outlived its life. So, we are going for a new system where IBM is the system integrator. So, with that we are going for complete revamp of our IT system, many of the machines are also in the progressory and now we will be working only in a single platform for all our services whatever we can do. Now, this like for example, this LMS, LOS is being given by Pennant, which has also given the same thing in LIC housing finance as well as Bajaj. So, that is also one point.

Second thing, we have started this pilot project in the month of July for five branches, first week of July we went for that. Instead of that the teaching problem is initial whatever it was, we did not face any problem as such. So, again we have gone for 75 branches in the first week of August.

Again, of course, whatever eight branches we have opened, they have also been, we are opening in the new package only, new application. It is not that we are continuing with the old ideas. So, going forward, first week of this September again we propose to take 70-75 branches because this is that just even the application is fine, the training part is also there because first people should be having complete thoroughness of their system so that they can navigate all the whatever things are there in the system.

So, that we propose to have the remaining bunch of branches whatever is remains. So, we will be taking them in the first week of October. So, that is what we have kept an internal deadline for us at around 15th of October that we should be completing this transformation once and for all.

So, here we would be getting a lot of manages, a lot of leverages will be available in the sense that since automation will be there and many dependencies which we have. Right now, we are having different type of packages for doing the same sort of things here since all the integrations will be there in place. So, that issue.

Questioner:

So, all your reports will be there?

Management:

Everything, everything. Yes, yes. Yes. For example, if you see our valuation also we have integrated in the system. So, that valuation gives you multiple type of threats of information in that like how many inquiries have been done, whether anybody has increased the valuation for the same property. So, lot of checks and balances are in place and all that MISs we are getting already.

So, once it is there. So, in that particular file if you click you will be having all the information. So, that is how it will first automate the entire processes, eliminate any type of further risk, add value to the decision making. Third, of course, it will render some of our sub surplus also. So, that is what we are talking about.

Questioner:

But this was primarily a capex kind of a thing or it is an opex regular opex. So, now on a regular basis you will be paying I think something?

Management: So, the overall project costed us around INR300 crores out of which INR100 crores was capex and INR200 crores is opex which will be like licensing and AMCs and all across the period of 5 years. So, once we capitalize this, whatever we have spent so far is parked into the capital WIP. Once we roll out totally and we like sort of go ahead, put to use thing is done, then we will start absorbing the depreciation.

Questioner: That will be about INR50 crores, right?

Management: No. INR40 crores -- 40. See, right now, total impact will be say around the 60, but 20 we are already paying. So, this net impact will be 40.

Questioner: The 20 you are doing on capex basis because of the INR100 crores?

Management: Yes.

Questioner: And the remaining INR200 crores you will do in opex. Yes. INR100 crores. And the similar quantum you expect or in people cost savings or it is an additional cost is INR40 crores?

Management: No.

Questioner: So, this INR40 crores?

Management: Yes, 20.

Questioner: Other IT used to have 20. 20?

Management: So, for this breakup, for this.

Management: No, total capex plus opex, it is not a 1. INR100 crores is capex. Yes. Yes.

Questioner: 200 you are saying to spend over 5 years. So, INR40 crores each year?

Management: Yes.

Questioner: And this INR100 crores, you have already capitalized it?

Management: No, INR100 crores it will come say INR20 crores, you write INR20 crores. So, total is 60 and then we will be saving on the existing IT cost also. 20. 20. So, net is net increase is 40. Again, we do have people savings.

So, there is no direct savings like this because of the additional INR40 crores only we have increased our cost to income ratio of from 18% to 19.5% that will remain for 2 or 3 years like this. And then, this system development automation will lead to release of excess manpower or productivity, unlock the value. No, the benefit will come after some time. So, that will do it immediately, maybe in 1 or 2 months. But that people will deploy and then they have to simply releasing the thing will not give the benefit.

Questioner: It will.

- Management:** Although that will happen gradually, right? But to gain that benefit, it will happen gradually. It will not happen that the INR30 crores started contributing this much of profit.
- Management:** Even depreciation also is there mostly we will be getting in the next financial year. Because this year our goal from goal I did only it will be capitalized. Goal I did will be something in the month of October. Correct.
- Questioner:** But now that lot of people are saying that this itself will get very quickly outdated. And people are talking about these AI platforms which are coming into play and some of the banks that we speak to they are directly moving to AI platforms which are they say much more advanced in terms compared to those is fast kind of platforms which are around here. So, do you think that 5 years is something you can run with this or do you think that there is a case to be made that in 2 years, 3 years?
- Management:** No, it is there to continue.
- Questioner:** It is there.
- Management:** And see the way we look at it is first that our old systems were very old and they were very old legacy. So, it was imperative on us to continue with the new migration new system. So, what happens in the future we will come to that.
- But as on date there was no other choice but to do this. And further improvements if any like you say AI or whatever can only happen if there is a well laid down process or existing system is good. Now, everything is manual and AI cannot do anything right. AI will work on some system at least right.
- Management:** But here also if you see the platform that we have purchased right now. So, basically it is having a capability to adopt to any further changes including inclusive of including that AI platforms. For example, say NCRM you can do it now.
- Questioner:** But you would not own the IP for that. So, it will be with IBM. You have not, you do not own the software. Right now the software is owned by in a way IBM right?
- Management:** No, IBM is a system integrated aggregator. What? We are the licenses we are then only we are supplying.
- Questioner:** But I am saying that see when you talk about AI platforms it is the code itself you are kind of coding?
- Management:** So, you are not worrying about that AI we do not know right as of now.
- Management:** No, basically in this scenario what you have to see basically is whether in the platform that you are onboarding whether it has the capability of onboarding further any this any other software yes or no. Because see even if you say for say if you ask me that evaluation thing that we are done already automatically thing we have done. Maybe tomorrow some further improvisation will be there in that. Sure. For them developments will be there. So, maybe we will have to adapt to that. So, your system platform should be basically adaptable.

Questioner: Right.

Management: So, right now and see basically housing loan for a matter of that even the channels you may change and that is for customer acquisition only. So, once it is there in the system how you send the reports to them that only is what for something matters. Once it is there in the so, basically there is a platform for us where we will be how loan as a manager how loan origination is being taken care all those things only will be there.

So, based on that for you need AI for customer acquisition or maybe study the internal data. Internal data. Yes, how what segment of customers is behaving in what direction. So, that is what AI is all about. So, it does not have a new data of its own. So, basically we deal with the data that you have already having. So, that way it can be used.

Management: No, no, no. So, to ask that question we have done the. Yes. We have done the complete thing and it was there for 5 to 7 years. Anything I do not like sir said can be complementary to this for....

Management: See any data if you say any application you take the cost will be there. Right. But of course, since it in case you are having outdated system. So, entire thing you have to go afresh. So, compared to that if you see in this case what happens since you are having a compatible system.

Questioner: At least that cost?

Management: That cost will remain.

Questioner: Fair. And affordable housing you do not intend to kind of take into account?

Management: I mean the thing because depending on the government policies some favorable thing we get here and there. So, of course, we are open to it, but right now no such thing with that.

Questioner: That is too cold.

Management: Average ticket size is 30.

Management: 27, 28 you can say.

Management: Minimum is 5 lakh also there. Less than 20 lakh ticket size is 30%. 39% of our less than 20 lakh ticket size. So, in less than 20 lakhs there are 5 lakhs, 6 lakhs, 10 lakhs all those things are there. But that so called affordable which is linked to some government schemes and very high rate and that is very little I think not there.

Questioner: Most of your lending even at that below 20 lakh happens at the same PLR. The customer segment at the same PLR actually?

Management: Documented all this documents also in appraised architecture.

Questioner: Great sir. Thanks a lot.