



“Can Fin Homes Limited

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Management: Yes. Please you can start.

Questioner: So, if you can just give us some outlook on the housing finance segment right now, which we are seeing a lot of competition. Just [Inaudible 00:00:10]?

Management: So, with respect to the housing finance this thing definitely the competition is there and it is not just about pricing, but also regarding the segments and sectors where they are trying to operate in. While we say that we believe that there is no dearth of demand. The demand for new housing and all the things are there, we have also been seeing this across we have experienced this growth in all the zones, all the six zones where we are operating. So our business have grown.

So, that is not mostly on the demand side but more into the pricing and the segment. Segment by meaning that whether people are trying to do housing loan or non-housing loan or LAPs, commercial real estate that is the thing. So, and which is more of a classification issue and the type of rate which we are trying to charge.

You must be aware that the regulatory is also coming up with many such guidance and advisories these days every now and then, we are getting a new advisory from the NHB or RBI. Since the regulatory part is being taken care of by RBI and NHB is a supervisory thing. What we feel is that RBI is trying to bring in line and in parity with other NBFCs not just the HFs like in terms of the rates which we can charge, the disclosure, the fair practices code, fair lending so that we protect the interest of the consumers and we should be fair to them.

So, many of these competitive things and all those issues I think will be addressed once more and more guidance and advisories are also coming. Till such time we will have to deal with this pricing pressures, BT-Outs and all those things.

Questioner: How much is the BT-Out [Inaudible 00:02:17]?

Management: For the, on the opening book for the year our total run down is 17% out of that BT-Out is 4%, just 4%.

Questioner: [Inaudible 00:02:32]?

Management: This includes other parts like pre-payments, early payments, normal amortization.

Management: Yes, advance payment.

Questioner: Main issue was like part payments were your main issue?

Management: Correct, correct.

Questioner: If 17% we say run down is only 4%. So, no major issue comes part payment and we need to settle [Inaudible 00:02:54]?

Management: BT-Out is only 4%.

Questioner: [Inaudible 00:02:56]?

Management: So see it depends mostly on the liquidity and the consumer behaviour. So, we do not want to, neither do we want to practice some restrictive practices that you cannot pay 3 payments, which is not the way the regulator wants us to do. So, we are aware of this and when we say that our 17% is our, this thing, we also see that this is not the largest thing amongst our peer group. So, the number is at the moment hitting our AUM growth, but not that we are experiencing the highest pre-payments or run down in the industry amongst our peers.

So, the only thing which we can do is we can focus on our disbursement growth. That is the only lever which we can pull. So, we are chasing more and more of disbursement growth targeting to achieve more than 20% disbursement growth consistently. That will, the AUM growth will follow. I mean it will come with a lag and as and when we do it consistently, we will achieve a AUM growth of 15%, 16% in the subsequent years. For the year, our AUM growth target is guidance is 14%. We are sticking around that with 13,000...

Management: I can pull that, I will add one more thing here regarding the BT-Outs. We have also made arrangement with our CIC company. Whenever our customers who are there, if they are asking that is triggered, in that case that message we are receiving. So, our team automatically they will be calling. So, that we have started last quarter only. So, things that results in the future.

Questioner: That is helpful.

Management: Yes, it will be helpful.

Questioner: What CIC sorry?

Management: Credit information bureau.

Questioner: Credit information You are saying when you see them...

Management: If they hit, somewhere if they hit.

Questioner: If they hit, they are hitting [Inaudible 00:04:51]?

Management: In that case, automatically the trigger will be there because we have tied up with them.

Questioner: What did you say, sorry, your downs are, your book?

Management: Total [Inaudible 00:05:01] 17% on opening book for the year. And out of that, 4% is just the BT-Out. And just what like sir mentioned, that is, this will give us an alert. So we will reach out to the customer saying that do you need anything, some support or something. Not that we will do some restriction, you cannot prepay or you cannot we can take our measures, but not to...

Questioner: We get better hedge because other companies like [Inaudible 00:05:33] all are giving 7%, 7.5%, 15 rates. But we are charging 8%?

Management: We do not give discriminatory rate to anyone, just to hold them back because our total, our incremental yield and yield on book is almost the same.

Questioner: What is that?

Management: 9.81%, the yield.

Questioner: And what is your average ticket size?

Management: Average ticket size is INR25 lakhs.

Questioner: How much is the top-up [Inaudible 00:06:01]?

Management: The top-up disbursement you mean to say our laps and all those things, right? It is less because our non-housing loan total itself is 16%.

Questioner: No, I talk about top-up to the existing customers?

Management: No there is no, there are second tranche of disbursement depending on the construction and all those things. No, no top-up loans. No, mostly not. If it is there, it is part of our non-housing loan. So, that is what I was trying to communicate in the beginning of this call like what the competition and the peers, the growth of some companies, these are mostly driven by top-up loans. In BT-Out also, we know that the cases are being posed with a lower rate, with a lower teaser rate. But again, they are giving a top-up loan with a high rate, thereby blending the revised cost of fund to be much higher than what they are paying us now.

Questioner: Right. How many branches have you rolled out this new tech implementation? I think six was mentioned in the call?

Management: So, immediately after our earnings call, we have said in Q1, 1st July, we have rolled out six new branches in the Pilot. Five.

Management: Five. In the 1st week of July, we went for five. And then again, in the 1st week of August, we went for further 75. In the meanwhile, we opened eight branches, also new branches. So, new branches, of course, we have opened in the new platform. Again, we propose to take around 70-75 branches in the 1st week of September. The balance remaining branches, we want to conclude it by 1st week of October, but we are keeping our internal deadlines as 15th of October, that all the migrations will be there in place.

Questioner: Have you seen any impact on disbursement because of that?

Management: No, so far we have not seen. Rather, you can say, this first five branches, what we have migrated in the 1st place in the month of July, they had disbursed something like INR25 crores to INR26 crores, maybe in the June quarter.

Management: In the month of June.

Management: In the month of June, sorry. Then in the month of July, they had done around INR18 crores to INR19 crores around. So, there was a INR5 crores to INR6 crores here and there, because anyway, that was a quarter-end month and this was a normal month. So, that was also there. So,

much impact is not there. Initial teething issues were there. So, that has already been dealt with. So, that's how we went for the 2nd rollout of more than 75 branches.

Questioner: Any quantification of savings you have [Inaudible 00:08:51]

Management: So, there is no direct quantification as such, but we are sure that with the IT systems in place, it will release some capacity and which can be directed towards our sales team or in-house sales team growth.

Management: Moreover, it will also be having that ease of doing business. Because right now we are dealing with multiple channels, multiple applications here and there. So, once integration happens definitely, ease of doing business will be there. And once you are having that, your productivity is going to go upwards only.

And of course, regarding manpower and all, of course, it is going to, we are going to see that manifestation in the 3rd quarter only, because when we complete the rollout, and most likely say, for example, we will be releasing many people also from here. So, that we propose to have that channelized in our sales team. So, there also we will see some value addition will be there.

Questioner: How is the competitive landscape? I mean, has it reduced now? The banks, have they got less aggressive especially the PSU banks?

Management: The banks are very aggressive. They are leaning at their lowest possible cost.

Questioner: When we look at the banking results, the growth in home loans seems to have reduced vis-a-vis the peak, like the last 2, 3 years, they were like high double digits. Now, they have come more, I would say, to high single digits to early double digits. So, they have come down a bit. So, has that helped you all a little bit in terms of the pressure or?

Management: Since everyone is competing, everyone is chasing their own growth. And that is leading to competition. But in our case, we do not compete with banks. The segment in which we operate or which we deal, is a ticket size of INR30 lakhs, INR35 lakhs. The banks mostly do not operate into those ticket sizes.

Questioner: Who is the main competitor?

Management: LIC, Housing Finance, PNB and Bajaj.

Questioner: And in terms of your competitive edge versus LIC, PNB and Bajaj, what would say is your competitive edge?

Management: Local sanctioning power. So, ours is a branch model. And the best thing is, which helps in the faster sanction and certainty that the loan will be sanctioned in the minds of the borrowers is local sanctioning. And definitely on service mindset, the personal touch with the customer and the connect with the customer and all our DSAs, and right now our 81% of the AUM is DSA source. The DSA team is also very old and very experienced.

Questioner: 81% is DSA source?

Management: Yes.

Questioner: These DSAs would be working with multiple NBFCs and banks, right? So, they know that this particular type of deal campaign is more likely to be approved. It's like that. What is the payout you are giving to the DSA?

Management: 0.4% to 0.5%.

Management: 0.5% on an average, you can say.

Questioner: And mostly these DSAs are like full-time job is DSA or they are like doing some other business and they are like running a hardware store or a connector type model or is it like they are usually like sole selling agents?

Management: DSAs are mostly DSAs only. They may be having some other, that we do not know, but rather we have done some due diligence also on that. We did not found out any other activities pertaining to them.

Questioner: So they are full-time DSAs?

Management: Full-time, mostly they are DSAs only. So, we have eliminated some same PAN number or husband doing on behalf of wife, all those things we have eliminated also that we are not entertaining. Secondly, we have also introduced this connector model also. So, they can connect to that also is there. That is separate apart from DSA that is there.

Questioner: The connector model, your sales officer has to be more involved, right? Because that is not as, the file is not as, I would say developed as somebody else?

Management: DSA you get a readymade file, whereas connector just connects you. That's the difference.

Questioner: [Inaudible 00:13:01] you given incentive?

Management: Yes.

Questioner: Same 0.4%?

Management: No, no, not 0.4%. For that average cost will be around 0.15%. 0.10% something like that.

Management: Depending on the sales like you do approval this much?

Management: For even DSAs, we have pulled that. Minimum threshold should be there. So, we do not have any inoperative DSAs in our list.

Questioner: Yes but tell me one thing like if your business model is basically getting leads from a DSA, 80% of your business?

Management: [Inaudible 00:13:28].

Questioner: [Inaudible 00:13:32] Raising money from capital markets or whatever sources like banks, etcetera. And then lending, what I mean? What is the comparative edge you are bringing like, potentially, I mean, there is no mot, right, to your business like, what is the mot to your business?

Management: [Inaudible 00:13:54] our cost of borrowings are at the lowest.

Questioner: Yes, like what 7.2% or something. What is it?

Management: 6.9%. So, that sort of thing. And with the DSA, that cost, we are like taking as a processing fee also the customer that the DSA explains and there are certain regulatory expenses.

Questioner: Getting processing fees?

Management: Like that too, there are actual...

Questioner: For example, if I am just a middleman, I am taking files from him, I am taking capital from you, versus another person who is actually sourcing the files himself. Isn't that a better business model than the person? I mean, maybe cheaper to get from a DSA, maybe more efficient from a cost point of view. But, what is it like? There is no mot, right? Tomorrow, suppose Bajaj says or PNB says instead of 0.5%, I will give 1%, right?

Management: So, that we are diversifying in the sense, you see, right now, say, for example, last year, our sales team, we have developed in that way. So, first year, they did something, business, let's say, INR200 crores. Last year, they did around INR800 crores. This year...

Questioner: Disbursement you are saying?

Management: Yes, disbursement. And this, no, this is AUM. AUM growth contributed by them was that INR800 crores. This quarter, if you see, it is INR276 crores. We are targeting something like INR1500 crores for a full year. So, that additional revenue we have opened to the similar channelization we have done through new branch opening also. So, this year also, we target something like INR1500 crores of AUM growth in that or disbursement growth we will be seeing in that. And, last year, again, it was again in the range of INR700 crores to INR800 crores.

Questioner: [Inaudible 00:15:40]?

Management: Which one?

Questioner: This in sales team?

Management: Sales team?

Management: Last year, we have achieved a disbursement of INR800 crores.

Questioner: INR800 crores. Yes. And before that, the year before?

Management: It was the new team started from June.

Management: [Inaudible 00:15:52] INR200 crores or INR169 crores.

Questioner: His priority for him when he joined. The same guy is still there.

Management: Yes, [Inaudible 00:16:00].

Questioner: So his priority is to I mean to get the sales team in house and focus a bit more and change the split. So, that plan is...

Management: Still on. Very much, it is there.

Questioner: But has it...?

Management: It has worked for us. It has worked.

Questioner: Has it lost momentum?

Management: No, last year we are with 37 people. This year, we are at 85. Again, this year, before we close, I think we will be at around 150. So, this year, we are targeting INR1500 crores and next year, maybe we are targeting INR2500 crores. So, this is one important channel that...

Questioner: [Inaudible 00:16:33] your target?

Management: Now, this year INR1500 crores. 150, maybe our sales team will be having the strength of 150.

Questioner: [Inaudible 00:16:39] say INR2500 crores for disbursement or AUM growth?

Management: That is '28, not this year. This current year, we have INR1500 crores.

Questioner: [Inaudible 00:16:46]?

Management: So, our target sourcing mix, see the, it is not that we will be discontinuing the DSA thing because to answer your earlier question also, the DSAs are important to achieve that scale because this...

Questioner: Cost effective for you?

Management: Correct.

Questioner: 0.1% great cost effective. Right?

Management: Correct. So, our target sourcing mix for the year long term will be 60%, 20%, 10%, 10%. 60% DSA, 20% sales team, 10% digital and 10% customer walk-in.

Questioner: This digital, I mean, if I look at your websites and all and only [Inaudible 00:17:31], it is not really user friendly or intuitive, I mean, really is digital working? Like how much would digital be today?

Management: As of now, it is nothing. It is just beginning. Like, once we are these IT transformation things complete.

Questioner: Obviously, spend some money and get some proper agency. It still gives a very like, government thought of [Inaudible 00:17:54]?

Management: We were working in a very old system. A system in which we are still working.

Questioner: Yes?

Management: Of course, except for the branches that we have migrated. It is a 2011 model system. Of course, with little bit of.

Questioner: These branches have migrated. [Inaudible 00:18:07] talk about to what technology we migrated?

Management: Right now, we are migrating our system. We are talking to CBS right now. Along, where we are packaged service application is from Pennant. System integrator is IBM. So, we are migrating. So, basically, in the old platform, you cannot have that integration of the new systems in place. The digital thing, marketing, it requires at least appropriate platform.

Questioner: CBS is core banking system. What is [Inaudible 00:18:33]?

Management: CBS is core banking system.

Questioner: Core banking system you are moving to Pennant you said?

Management: Pennant.

Questioner: And it got to your LOS, LMS?

Management: Both.

Questioner: Both?

Management: So, it's a integration of multiple things.

Questioner: You are making it into one?

Management: Into one.

Questioner: I have never heard of this Pennant?

Management: It's used by LIC and Bajaj. Pennant lending factory.

Questioner: Okay. A lot of people are on sales force, especially the affordable housing finance guys. And then some of them have built in-house stuff?

Management: But since our plan is to grow big, so we have almost taken clues from LIC is using Pennant with that kind of size, more than 1 lakh crore of AUM. And Bajaj is also using Pennant. And this we have given to IBM like which is the I think they have done the RFQ and brought all the best OEMs.

Questioner: Now like LIC has an advantage because it has all those agents right as a channel. You all have the Pennant in your Canara Bank. Canara Bank is also doing home loan like keeping it on its own balance sheet. There is no help that you are getting apart from maybe a lower higher credit rating?

Management: No. We do not have any such formal arrangements with Canara Bank for sourcing of the loans. They are in a different zone we are in a different zone. Rather if you see their target average ticket size for us say it is INR27 lakhs, INR28 lakhs where as their average ticket size will be much higher.

Questioner: What is your range of ticket size?

Management: Average it is INR27 lakhs, INR28 lakhs.

Questioner: No. The range?

Management: Range is there like [Inaudible 00:20:15] everything is there.

Management: Everything is there.

Questioner: What [Inaudible 00:20:15] do you start like?

Management: INR5 lakhs to INR1 crores also. So the percentage the number of loans will differ. And because of that [Inaudible 00:20:28] there is one benefit in our credit rating as you are mentioning so if that Canada Bank support is not there may be our rating can drop by one notch right now we are enjoying the triple A maybe we will be developing this.

Questioner: What is their holding right now?

Management: 29.99.

Questioner: They are not talking about decreasing it right?

Management: Now it is like completely behind us now not in the reasonable foreseeable future once that overlapping thing is settled now more or less settled there is no such thing at least not being discussed.

Questioner: How is there an overlap though because of the ticket size or because of the geography?

Management: Because of the fact that we are both are doing housing loans that was the concern of the...

Questioner: From the RBI?

Management: RBI.

Questioner: That company is he is not talking about it?

Management: Correct.

Questioner: Three stock they were doing [Inaudible 00:21:21] get affected?

Management: We can't say.

Questioner: I think recorded.

Management: Yes. We will take that out.

Questioner: Well, anyway I think they are not saying that any it got affected. Got it. You are adding branches?

Management: Yes.

Questioner: What is the goal in terms of number of branches you want to reach?

Management: 300 by FY28. Right now we are at 258, 259 we will end there by 275.

Management: 277. This year we will be at 277. Next year we propose to take it beyond 300, 300 to be at least.

Questioner: When you are having your own sales team versus DSA. So DSA you know it is 0.4% right but there is obviously some office involvement sales team guys still has to be involved right because even the relationship with the DSA must be via the sales officers right?

Management: No branch head is also there [Inaudible 00:22:26] it is a localized team for us.

Questioner: When you are doing your own sales team what is the difference in cost you are saying is it cost advantages or disadvantages?

Management: Basically if you see if they achieve in the range of say INR80 lakhs plus because INR80 lakhs basically the payout will be something like INR40,000 in case of DSA right. INR1 crores mean you will be paying something. Your sales team does anything about INR80 lakhs to INR1 crores it adds up per month that is so it will be adding up. So average tick size for us is say with 85 people we have done around INR276 crores in a quarter so if you add that it comes to nearly more than INR3 crores per sales guys.

Questioner: Yes.

Management: On an average is a beneficial thing for us because...

Questioner: This is per quarter so comes to you are saying for the same that could got?

Management: Yes INR1 crores or INR1.10 crores is the average right now something like that INR1.20 crores. So going forward also since we are targeting something like INR1500 crores so still if you see with a little bit of increased manpower also.

Questioner: How is the sales team originating what are they doing?

Management: Meeting with customers. We have API projects.

Questioner: All the walk-in customers?

Management: API projects, approved projects are there. So they will once project are approved, when the legal screening and all those things. Then they will meet the customers and they will get it, it completely different with what DSA is doing? Maybe the customer is working, they are local guys, they will have their connects meeting the customers.

Questioner: What percentage of your book or it would be like flats versus book like houses constructed on plots?

Management: So our 58% is construction okay so thereby flats purchase of flats are less not that high.

Questioner: 58% is construction of homes?

Management: Constructions of home. Individual construction...

Questioner: Parts of plots owned by [Inaudible 00:24:21]?

Management: Flats also there but 6% to 8% but they are also when we say construction of flats because mostly these are all individual owned houses

Questioner: [Inaudible 00:24:38]?

Management: Flats.

Questioner: [Inaudible 00:24:43] you are saying we have list of approved projects but that will only help on the flats side right. Not on the...?

Management: Construction is 58%, flat is 6% then resale 4% and all. So major portion is construction. So that construction of under construction flat will also come as a part of construction only construction only.

Questioner: [Inaudible 00:25:02]?

Management: Yes

Questioner: [Inaudible 00:25:05]?

Management: MOT, LAP top of other non-housing loans only.

Questioner: [Inaudible 00:25:17]?

Management: Yes. Mostly which is little bit of mixed here and there.

Questioner: [Inaudible 00:25:25]?

Management: No, no, whether it can be or cannot be straight away classified as construction or LAP or top-up or flat something

Management: No, here basically you can add that CRE suppose one guy has taken a load so suppose he is constructing because as per RBI norms we have to count as per the number of kitchens available

so once it closes to it will be automatically a CRE thing so it will be a housing load but housing load we classify it as housing in CRE.

Management: Others include site loans, loan against receivables.

Questioner: [Inaudible 00:26:01] so is the yield is better over there in banking?

Management: No. So far we are getting the approval on those projects. So last year it was 270 now it 330.

Questioner: [Inaudible 00:26:21]?

Management: Approval.

Questioner: [Inaudible 00:26:23]?

Management: No, from our side internally from our pay it and legally we are okay to do this thing but now we will fund individual flats we are yet to do that so it will take some time in order to get traction and getting a housing loan from those projects that will happen maybe 4 or 5 we would have done but till now the projects are approved we are keeping those things approved as if...

Questioner: Your sales guy gets what INR20,000, INR25,000 plus incentives?

Management: INR40,000.

Management: INR36,000 to INR40,000.

Questioner: No but that is fixed or that is how does it work?

Management: We have worked on that incentive part that will be rolling out maybe from 3rd quarter.

Questioner: Right now it is fixed INR36,000 to INR40,000?

Management: It is fixed INR36,000 to INR40,000. Depending on the cadre they are working. That is the minimum lowest cadre INR36,000 o INR40,000.

Questioner: So right now there is no incentives?

Management: It is already in the plans right now we are doing that point wise things we are doing, adding some points to them. How to take it forward that in the any inswing meeting we will finalizing it because it need some approval internal approval also. That we will mostly we propose to either in the maybe next month some board meeting or in the 3rd quarter

Questioner: Any change in funding further [Inaudible 00:27:52] or change in the rates you will be offering to just cater to the...?

Management: Funding mix will remain mostly in line with what it is today in Q4 as well as in Q1. We are still in line 65% of our funding borrowing is from banks, rest is NCDs 15%, NHB 10% and [Inaudible 00:28:16] around 7% just for the working capital management and since the rates are not improving in the NCD thing, so we are waiting to come that in to our fold. So far we are only,

we have repaid one NCD in May this year, the next tranche will be repayable in January, January 27, INR500 crores of NCDs.

Questioner: [Inaudible 00:28:45]?

Management: No, we have got additional loans from, we had unveiled sanctions of long term loans.

Questioner: [Inaudible 00:28:58]?

Management: Rate offerings, we are still at the most competitive thing and whatever incremental cost of borrowing, incremental borrowing will come with a more cost but there are some savings also like whatever CPs are outstanding that we will be able to refinance and lower it like 7.7% CP which we took is refinanced at 6.4%. So that arbitrage we have. So, little bit here and there, our cost of funds will remain mostly, we ended the Q1 with 6.98% and maximum it can go up to 7.03%. So, thereby we...

Management: Quarter 2?

Management: Quarter 2.

Questioner: 6.98% is a cost of funds or cost of borrowings?

Management: Total cost of borrowing on the book.

Questioner: Not cost of funds, does it include equity?

Management: No, that is not working capital, that is not cost of capital.

Questioner: Okay, 6.98% cost of borrowing. Got it. And your lending is 100% floating rate, right?

Management: Lending is 99% floating, 1% here and there because of some staff loan or two-wheeler loans or something.

Questioner: And it is linked to your internal MCLR or linked to some external revenue?

Management: Which is lending?

Questioner: Yes.

Management: Lending is our internal PLR. PLR, Prime Lending Return.

Questioner: Okay, and how often do you reset the PLR?

Management: Once in a year.

Management: 88% we have done for quarterly [Inaudible 00:30:37]?

Management: No, that is about annually distributor contributor, but PLR is ...

Management: You are asking about the loan book part or the internal PLR that you are asking?

Questioner: No, no. So, like suppose I take a loan from you all and you have given it to me at 9.81% based on your PLR today. How often do you reset it?

Management: Yes, it is on a quarterly basis for 88% and remaining 12% to 13% it is there, that mandate we have not received. So, that is an annual reset.

Questioner: And you will be resetting your PLR also how often?

Management: Once in a year.

Questioner: No, no, you will be, your ALCO would be meeting or someone will be meeting?

Management: That will be there. Whenever some rate changes are there, because that ALCO meeting happens on a monthly basis.

Questioner: So, PLR is usually updated once a month or once a quarter?

Management: We review it.

Questioner: Okay.

Management: Review it regularly. For example, last two, three months there has not been any changes in the rate. So, we have not done any changes. Right.

Questioner: Accordingly, it is based on only when there is a change, but it is reviewed monthly?

Management: Yes, we review it.

Questioner: So, technically it can change monthly?

Management: Yes, it can change.

Questioner: [Inaudible 00:31:43]?

Management: So, anyways, we can continue.

Questioner: [Inaudible 00:31:55] which are about to come from April 1st and regarding the quarterly resets, putting all the loans on quarterly reset and changing the rates as well every month. So, does that affect resets?

Management: That does not, that is what I was saying, we have been always very transparent with this. There was only one PLR. Now, the draft circular has come. We have not gone into the fine prints. We will get it, we will implement it. But so far, whatever PLR which we are maintaining is backed up with a proper calculation, our weighted average cost of funds, our cost of capital and our risk spread and all.

Thereby, we maintain that one PLR and according to the various grades of credit and special discounts and other things, the ultimate rate is to come. [Inaudible 00:32:46] coming to the other point, sir was trying to tell us, he, since they are on quarterly reset, we have converted them to

quarterly reset and we, all our borrowings, mostly all our, 65% percent of our bank borrowings are linked to repo and TBI. So, whenever there is a increase in repo rate or a change in TBI rate, that portion, like 60% of our borrowing is linked to repo. So, for every 1% increase or decrease in the repo rate, we, we give that much of reset to the customer. Either it is a benefit or it is a cost?

Questioner: But you all have that form. I mean, basically the law says that the formula should be defined?

Management: Yes, yes.

Questioner: And should not be changed?

Management: Correct.

Questioner: [Inaudible 00:33:36] already doing that?

Management: Yes.

Questioner: So, I think that is fine?

Management: Yes.

Questioner: This, sort of coming back to the sales team and this mix 60%, 20%, 10%, 10%. So, we are only getting 10% walk-ins today or that is an estimate?

Management: It is 9%.

Questioner: So, it is almost there?

Management: We are almost there.

Questioner: So, it is digital, I do not think it is going to happen. It does not seem like it is?

Management: Well let's see. We are trying. We are just keeping it, our option open. See, going forward, if you see in other banks also, some fraction is there. It is not the way it should be. But right now, digital is the.

Questioner: More like loan mela and all that stuff?

Management: No, no, no loan mela, we are not doing that.

Questioner: You are not doing, you guys do not do that. And this sales team, you all can make it like, I mean, target like a 60-40 kind of split or something. I mean, we can grow faster also. Like, do you have a limit on your AUM growth that you have to, you can only grow 20%. You have enough capital adequacy, I would think, right?

Management: Yes, 20%.

Questioner: Sorry, how much is it?

Questioner: 23%?

Management: 23%.

Questioner: 23%. So, it is not that high also. But why not grow the sales team more aggressively or, I mean, you need to do it on a calibrated basis to make sure you are getting the productivity also from that?

Management: That is better, know, slow and steady. So instead of just rushing into things, because we are very mindful about the compliance part also.

Questioner: So, they bring a roughly productivity 4 or 5s?

Management: Yes, more than that. If you see on a monthly basis, yes, quarterly basis, it will be more.

Questioner: And what is like when you talk to your sales team, like what is your target, like what target you give them?

Management: Targets are already assigned, whoever you are in the sales team, no.

Questioner: Is it a value-based target, is it a file-based target?

Management: No, value.

Questioner: Value. And the targets will be different for different people?

Management: Yes.

Questioner: Based on the caliber and the...?

Management: Caliber, yes. Caliber, place.

Questioner: Okay.

Management: You cannot expect the same thing in Ajmer as you can expect in Noida or maybe Gurgaon.

Questioner: If you could just describe or predict like a typical branch of yours. So, there will be a BN?

Management: Yes.

Questioner: And then...?

Management: So, basically, we are having this small branch is there, which is below INR100 crores, medium branch INR100 crores and above to below this INR200 crores. Then we have large category up to INR300 crores, means above INR200 crores to INR300 crores. Then we have BLB, that is below, I think, INR500 crores. Beyond INR500 crores, we have ALV. So, here, if you see the staffing mix will be something like, in the ELB category, it will be nine staff, including the branch head. There is a branch head...

Management: Extra large branch.

Management: Extra large branch or you can say extra large, whatever you want. So, basically...

Questioner: And that is what you tell over 500?

Management: Over INR500 crores. So, over INR500 crores, in that case, technically, a senior guy will be there. We post something like AVP a sort of person in that, who is quite experienced, quite senior in this level. And in VLB cases, normally, our head will be chief manager and above level.

Questioner: Let's say that you want something new branch?

Management: It will be a small cadre. So, there will be starting with two people to add with. And as soon as that business mix grows to something like INR25 crores, INR30 crores, adding one more staff to that.

Questioner: [Inaudible 00:36:02]?

Management: No, one will be the branch head, one will be the manager. All of this branch will be headed by a scale two people only. That is a scale two, I said. Basically, we have three cadres below manager. That is officer, assistant manager, deputy manager, and then a manager. So, manager will be the head of the branch, even in case of new branches. And one person to assist him will be there.

Questioner: Okay. So, this is mainly DSA, right?

Management: Yes.

Questioner: So, his job is just to connect with the DSAs there and then start getting business?

Management: Suppose, in case we are having in city, we are having sales guys. Say, for example, we are opening some branches in Pune. Our teams are already there. Say, we are opening a new branch. Right now, of course, it is not. For example, Bombay, Bombay, we already have four, five branches.

Questioner: [Inaudible 00:37:24]?

Management: Yes. So, of course, the sales team is going to supplement there also.

Questioner: What about the credit underwriting happens, you said, at the branch? So, the same guy, the same BM only does it?

Management: Yes, he will be doing it. Of course, up to a delegated power. Say, for example, a typical scale two manager will be having around INR35 lakh rupees power. Beyond that, the chief managers will be having a little bit more power.

Questioner: So, it will not look like BRD or like a central processing that happens?

Management: No, no, no. Checkpoints will be, disbursement happens centrally.

Questioner: Okay. So, before disbursement, there is somebody review?

Management: Yes. Right now, we have not gone into 100% review. Once our integration is done for this IT transformation, after that we will be going for 100% review. Because that is the process inbuilt in the system. And right now, we are going for some additional checkpoints before disbursement. Say, that is, that we call as CDD, wherein before disbursement of that amount, some checkpoints, they have to submit in a scanned copy. So, that they submit and based on that only, that disbursement takes place.

Questioner: Got it. And collection is done also by the BM?

Management: Collection, basically, we are having around 92% is NACHS covered already.

Questioner: No, but in case there are checkboxes and all?

Management: They will be connecting to that. And moreover, we are having a dedicated call centers also, who will be contacting our parties who have defaulted, wherever that NACH bounces are there. So, they will be, it will be contacted by our this call center guys.

Questioner: Income assessment you all do? It is all salaried maybe?

Management: No, salaried. All assessment are done. Without that, we do not do anything.

Questioner: So, you do not do any? No. You do not take any calls?

Management: No, no. All will be documented, will be there. Yes. That only, it will be verified also. We have a connection to, we can verify the IT returns, everything we can verify. So, based on that only it happens.

Questioner: So, they would have credit bureau scores and all?

Management: First part, what you said? First sentence. Definitely, if it is not there, that CIBIL score is already defined for that, maybe minus 1, minus 2, whatever, if they do not have any credit history. And then we can verify the credentials in terms of say IT returns or whatever. And the place of work that they do, what place that they are, if they are a business class, then what the business they are doing? All those things, verification will be done, due diligence what you call. So, once we are done, it is not that new to that sector, financial sector, they cannot avail, it is not like that. It can, it is very much there.

Questioner: Right. And as we are moving towards the higher ticket size, I am seeing that we are targeting higher ticket size customers, what the yield or [Inaudible 00:40:10]?

Management: No. Our average ticket size, if you see, still today, it is INR27 lakhs to INR28 lakhs. So, we are more concentrated on that legally. Of course, here and there, if we get, we are not too close to that type of purpose, it is very much there. But average ticket size somehow for us is that below INR30 lakh only, as on date.

Management: So, the shift which you are maybe witnessing or seeing is not because of we are moving to a higher ticket size, maybe just because of the normal increase in the cost of the properties.

Management: Increase will be there. The same property you are buying for INR10 lakhs, maybe cost of construction have been given if you are a self-constructing guy. So, maybe that prices have increased by 6%, 7%, 10 years, maybe 2 years down the line, it is 10%. So, INR10 lakh you constructed in maybe 2024. Now, if you want to construct, it may be around INR12 lakhs, INR13 lakhs. So, price will go up.

Questioner: [Inaudible 00:41:00]?

Management: No. Same thing.

Questioner: Sir bounce rate is what? Cheque bouncing rate?

Management: We do not take cheques as per say, we take NACH.

Management: Our collection efficiency is more than 95%.

Questioner: 5%. And so in this 5% which bounces, first your call center will call them up?

Management: Yes.

Questioner: And then in the event that it is a sticky like the guy is keeping on bouncing or he has some problems, then any collection person is there or the BM will only do it?

Management: In the branches, of course, in a small branch that you referred, there we do not have a recovery guy. But anything above that, media branches, there one dedicated recovery guy will be there. So, he will be contacting them for that recovery thing.

Questioner: And what about this legal technical outsource or?

Management: No, it is in-house.

Questioner: In-house?

Management: So, basically, we are having six zones. All the zones we have provided with a legal person. Moreover, say for example, we are sitting in Mumbai. For Mumbai dedicated, since we are having 4, 5 branches to take care, to serve the branches here, we have also appointed one legal person, who is in our roles.

Questioner: Technical?

Management: He is talking about the search report, legal and technical search and all?

Questioner: Legal, you explained? Technical?

Management: Technical means?

Questioner: Technical means the property verification?

Management: That is through this now. We have already impaneled this, evaluers.

Questioner: Evaluers?

Management: Our convers are there for valuation. For legal approval of the documents, we have empanelled advocates are there.

Management: Mataram.

Management: Mataram, through that we manage, means equal distribution of the work is there, auto-allocation of the work is there. So, it is not that, even though you are a branch manager, you just cannot pick X and Y and you want to get all the valuation, that you cannot do.

Questioner: I am a branch manager. I get a call from a DSA. This file is there for you, right? Does a DSA have any way of sending me the file digitally? Like, like a portal or any app or something like that?

Management: Like that we [Inaudible 00:43:06].

Questioner: No. So, I will, he will give me the physical...

Management: Physical file.

Questioner: Yes, and I will then, I log it into my system on my computer or an app on the phone?

Management: App will be there, know? In the app, they will be logging it because that login, that sourcing of that file also will be required because that DSA ultimately has to be paid out also.

Questioner: Right, I log it into my app, all the details of the customer, correct? Then once I log in, does there automatically an alert go to your legal team that this file has been logged? I will check, or your technical team, this file has been logged. They will check?

Management: No, the legal thing we have not automated so far. Legal thing is the next phase, most likely we will be automating that. Right now, only valuers have been automated in the system. So, basically in, typically in a small branch also, we do have four to five, this valuers. Of course, in a large branches or a big cities, we will be having more number of those people. But their total, that is what I was talking about, that it will be, it is run through a dedicated portal of Mataram.

Yes, so their auto allocation will be there and they will be auto assignment of the valuers will be there. And it will be on an equal basis, it is not that somebody will be getting more or less on a rotational basis they will be getting. And once they get it automatically, that valuation, they are going to submit it in the application itself.

And then, here we, through that application, we get many, multiple type of information regarding that property also. Like, for example, how many queries have been done? What is the most

valuation, most increased valuation or decreased valuation? What is the average valuation being extended for that type of property? Everything will be available, lot of MISs we are getting.

So, similar way we want to take it for our advocate allocation also. So, same way as, because we have already discussed it and most likely we will be doing it, taking it forward.

Questioner: [inaudible 00:44:57] is it helping our NIMS or is it helping our BT-Outs as NPAR payment solution?

Management: I think, I would like to answer it in this way that, increasing the ACNP is definitely getting us the right kind of mix in that NIMS spread. So, it is not increasing. Maybe, since our housing loan portfolios are very competitive and in this rates are also sometimes increasing, sometimes in the housing loan we have to lend at a lower rate to competitors, to that increase will help us to get that balance.

Questioner: So, you are getting balance basically because of your ACNP plus...

Management: To some extent.

Questioner: Is it BT-Out and part payment will also be helped because of the tendency because they won't be getting much of...

Management: I don't think so. So, that BT-Out is all happening also in that ACNP these things. BT-Out is happening mostly in the housing loan segment. So, that number is remain unchanged.

Questioner: So, you think BT-out is happening in the salary segment?

Management: Yes, mostly and if ACNP also it can happen. So, what I meant to say that there is no connection between if you are doing ACNP more than it will help us to control our BD outs because our ACNPs are all documented income proof type of customers. So, they are all very good credit scores and all those things.

Questioner: I want to make sure that the BT out target is 100% that will be preferable for our presentation. So, is there any target that we are keeping in mind or would we let it go like as per what naturally BT-Out? Are we controlling BT-out?

Management: So, just I think beginning sir said that we are devising some new mechanism, some new alerts to check whether the customer needs any help or any kind of solutions from our side. Not that we will try to control that or adopt any restrictive practices trying to discourage the BT-Out or stop the BT-out. We will try to, we will try all our things to so that the customer remains attracted to us, attached to us but to overcome that the only solution which is that we have to focus more on our discussion groups.

Not this year, it will be this year or maybe next year it will remain around 19.5, 19. After that once the next year and once we will start reaping the benefit of this IT migration in terms of quantifiable metrics right. Right now the release of people will be happening, they will be directed towards the sales team and other this thing staffing and all those things will be. Yes. So, over the period of 2-3 years we will again reach back to 18% cost income reduction.

Questioner: [Inaudible 00:48:19]?

Management: Yes.

Questioner: You all have incentives I mean like the senior management are there any ESOPs or incentives?

Management: ESOPs and incentives are there. Yes, ESOPs are there. ESOPs are there.

Questioner: So, only for the online sales people you have to figure that out?

Management: No, something is still there normally reward recognition it goes hand in hand. Okay. That is already there in place. Only additional benefit because of the volume that is sourced for that we have done.

Questioner: When you compare yourself with someone like say about the Bajaj Finance or a pyramid right what, what do you like about their systems or their processes which you would like to incorporate in at Can Fin?

Management: So, see ultimately you understand what is the market like and how it behaves and based on that only we have taken a consensus call that we will be focusing more on this direct sales as well as that digital onboarding also which you said it is a little bit difficult or somebody else said I do not know and this new branch expansion. So, this is the, these are the things which is ultimately.

Questioner: In terms of your processes, innovation?

Management: Processes right now whatever we have adopted we see because we do have a parentage from Canberra Bangalore system and procedures have been time tested for more than 100 years now. And even in this case whatever new things are coming since we are interacting every time from the industry what are the latest developments. So, basically these things you will get to tighten this, this our systems processes through Canberra Bank maybe little bit because I hail from Canera Bank only.

I have a reputation to this as a DMV. So, I know the processes in Canberra Bank and plus how they are working our headquarters is in the same place. Canberra Bank also has a headquarter in Bangalore. I also have, we also have our headquarter in Bangalore. We know the processes and what are the best practice for that needs to be implemented. So, all those things are very much there. That is why you will see so many the layers have been created without compromising on the speed of delivery. What is that time? Typically, on an average if you say it is 3.

Questioner: 3 days?

Management: Yes.

Questioner: How long you have been with Can Fin?

Management: I have been there for since April you can say.

Questioner: What is TAT?

- Management:** 3 years.
- Questioner:** So, process TAT implementation what will be the TAT?
- Management:** TAT see basically here you deal with valuation legal things. So, TAT I told average. So, little bit where about that legal things are there. It will be little bit more only. Say in case of some pre-approved projects are there maybe in a total society same type of properties are there where you have done the preliminary legal thing the TAT will going to reduce. But it is a fresh thing all the documents have been given to you based on the local inquiries or little data that your advocates or your panel valuers are going to give it to you.
- It will be around 4, 5 days also in such cases in case it is a fresh thing. Otherwise, in the existing say for example, APFs you will have average TAT of 3 days is also more there you can finish it in one day because that preliminary work has already been concluded.
- Questioner:** Sir, how much leverage are you comfortable with?
- Management:** Right now we are at 6.18 and we can go up to 7%. The rating agencies will allow us to reach up to 8%.
- Management:** Okay. So, we can go to 7 or somewhere.
- Management:** We will with the with the kind of distribution growth and AUM growth we are planning we will be reaching kind of 7 times number.
- Questioner:** When say leverage you mean assets to equity?
- Management:** What?
- Questioner:** Assets to equity or debt by equity?
- Management:** Debt with equity.
- Questioner:** Sir, so then will be ROE will be higher in the growth of say 15% or 16 %. We get we do not need any fundraising for a long period of time right?
- Management:** Right now we do not need for next 3 years for sure. But once we will reach a AM growth of around 17% 18 % and our ROE is up to 18% then net of dividend will fall short. So, that time we might need.
- Management:** Right now we have leverage also as a revert from 6.1% we can get to 7. So, at least for the next 3 years as you said we would need.
- Questioner:** Maybe at that stage we might consider. Sir, ratios for how long like his term?
- Management:** He is there for the last since 23 he is there. Right now his term is up till I think 28 March something.
- Questioner:** So, all the ease of investing is then for him let us say and that in 2028?

Management: That thing is there like 60%, 40%, 20%, 20% that band is here.

Questioner: Sir, the entire tech upgradation by when should we expect?

Management: 15th October.

Questioner: 15th October say when everything sort of normalization?

Management: Means sir we plan to migrate all our branches by that by that point of time.

Questioner: Things slowing down because of tech upgradation?

Management: No.

Questioner: So, this year 14% and hopefully then coming years we could be faster.

Management: This year 14% forecast.

Questioner: Sir, 14% disbursement will be what growth is?

Questioner: [Inaudible 00:53:39] 15% AUM growth will be?

Management: 14% is AUM.

Questioner: Board is very happy with Mr. Suresh?

Management: Yes, of course.

Management: Sorry?

Questioner: I am asking what is very happy with Mr. Suresh?

Management: Yes.

Questioner: Sir, what has he come and changed a few things maybe if you can say that with me?

Management: Popping the.

Questioner: Yes.