



“Can Fin Homes Limited

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MODERATOR: MR. RAHUL

Questioner: So, I and Rahul, we run a fund called First Principles. We have been invested in Can Fin Homes for more than five years now, so we have been a steady shareholder. Before that, I was based in Mumbai, I was with a fund called Warburg Pincus. I don't know if you, you might have actually, your old team might have met them because I know Canara Bank has off and on tried to sell its stake. I think Warburg was one of the funds that had looked at it.

But I was with Warburg from 2010 to 2017, so about eight years, and have been investing in India for 15 plus years now. And before that, I was in the US doing consulting and banking and stuff like that. And I went to IIT in the mid-90s, so that's my history. Rahul, we are just starting with introductions, so I was -- and we have the DMD and the CFO with us. And Rajesh might be joining us.

Management: Hi Rahul. Good morning.

Questioner: Good evening.

Management: Good evening, Mr. Rahul.

Management: And Rahul has a similar background, right? He was in IIT around the time I was there in the 90s and did consulting, worked in Citi, and started investing in India about 15 years ago as well. So, we, like most investors, love the housing finance space and have tracked it for a long time. But should we wait for Suresh to join or should we start the discussion?

Questioner: We can start. In the meanwhile, CEO, sorry MD sir will join in a couple of minutes.

Management: We can start; we can go ahead.

Questioner: Sure. Just a quick apology upfront. I'm on the road, so I might have to move the call to my phone and be on the road, so I might be off-camera in a little bit. But yes, we can go ahead. I'm here for now. Okay.

Management: Sure, sure.

Questioner: So, I guess the first backdrop I should give is we tend to be long-term investors. As you know, we've been invested for five years, so we are more concerned about or more, we care more about what's going to happen, you know, over the next three to five years and less about quarter over quarter variations. I guess the first question, and we've gone through your earnings call and your presentation.

The first question is, you know, first of all, congratulations. It looks like the growth has at least come back in the last couple of quarters. But as we look at the last three years, right, it seems like the business has grown assets at about 10%.

Management:

Hello, Rahul. Good evening. Sorry, apologies, just got a little delayed. We had an RBI meeting, so we just had a -- sorry again, we had to postpone it from 4:30 to 5:00. You know, we had a RBI meeting, so we just had a...

Questioner:

No problem. First of all, thanks for doing this. RBI is always more important, but thanks for speaking to us. I don't know if you recall, Suresh, we spoke about a year back and then I think we met in Bangalore three years ago or so. We've been shareholders now for five plus years in the company. So, I guess, as you think about -- first question is -- and we tend to be long-term investors, so we're thinking more about what's going to happen three to five years from now. As we think about the industry, it seems like growth has come back in the last couple of quarters at least on assets and disbursements.

But more broadly, I think the loan book for the business has gone up about 10%, let's say give or take, in the last three years or so. As we look at the industry, many players have grown faster than that, right? Including the affordable guys have obviously, maybe at a lower ticket, grown at 20%. But even Canara Bank, I think at 16%, 17%.

So just wanted your perspective of what is the target, what happened, right? And what's the outlook going forward? I know you're projecting INR13,000 crores next year, which is a 20% plus growth in disbursements. So, is that a one-off? Is that the next trajectory? Or how do you think about the next three years or so?

Management:

Sure. See, actually, you'd be aware that in 2023 we had a little setback in terms of the issue that we had at Ambala. So that had required us to actually reset our internal controls, our processes and everything. So that's actually the reason why 2023-2024 and 2024-2025 to some extent was a little more of an adjustment phase. But now if you look at it, our systems are in place. We had to go through an IT transformation which is mostly done, only the last leg of it is pending. The IT transformation has happened.

In terms of our branch expansion which we had stopped somewhere in 2019-2020 post-COVID, that has started and now that has started to get the business. And third, even in terms of our sourcing strategy, we have made some changes. So, if you look at it, the two major pillars in terms of why the business have come back on track this year and why this will continue is that, one, our branch expansion strategy has again is back in place. Last year we opened 15, so basically in the last three years we have opened about 54 net branches. And this year also we are looking at 28 branches.

So basically, every year the expansion and that geographical penetration that was one of the key pillars is now back in place. And year on year, we are looking at it. This year we are looking at 28 and probably next year also we will be looking at around 25 odd branches next year as well because we have a plan that by FY28 we have to take it to 300 branches. We are 249 as of 31st March 2026. 28 this year, so we will still require about 23 next year also. So at least that much we will be opening.

And the second thing is that, we have also expanded or diversified our sourcing mix. So basically, it was only dependent on the DSA channel, and the DSA channel has certain

limitations in the sense that their tendency to move the book also is there, plus it is also a matter of what kind of segment they want to give to us is what we end up doing. So, we have now started our own sales team.

And just to give you some numbers, so last FY24, I mean we started our sales team in June '24 with a small number. Last year we were able to do INR868 crores of disbursement through this sales team, which is just about 82 people. The year before that, the same equivalent number was just about INR170 crores. So, if you see, the sales team which we last time ramped up from 37 to 82 has helped us bring this increase in disbursement from INR170 crores to INR867 crores. Same way, we had about INR128 crores which we had done in terms of the new branches opened prior to up to March '25.

Last year with the focus, the new branches also plus all those old branches now coming and getting to do more business, becoming more profitable. Now this year, that is FY26, the same branches plus what we opened in '26, they were able to contribute about INR820 crores. So basically, almost INR1,500 crores to INR1,600 crores business has come from these two new channels which were not there previously. So, the sales team as well as this.

Now this year, the same two things if I have to extrapolate, we are looking at the new branches contributing somewhere close to INR1,400 crores in FY26, and of which already in April and May if I look at it, INR89 crores have come from the new branches and INR111 in the month of May. Same way, if I look at the contribution from the sales team, what they did INR870, already in the two months they have crossed close to INR125 crores, with April being a slow month, but May they have already contributed INR90 crores.

And with additional staffing that we are planning in the sales team, this year the sales team will easily do more than INR1,500 crores. So, this is basically what are the two major changes which have happened after we corrected our internal controls and everything. So, this is something which will continue to give us the growth. And what we'll have to do is we'll have to keep on adding branches, we'll have to expanding our base, and two, we'll have to keep strengthening our sales team.

So today we are at around 82 people as on 31st of March. This year we plan to take up the team to 150 people and next year to 250 people. So that way, the additional team will also bring in more business plus the productivity also.

Questioner:

Suresh, just to understand, about INR3,000 crores will come from the, let's say INR1,500 crores each from the sales, INR10,000 crores still comes from DSA channel, right? And then you also had this direct channel that you're targeting by FY28 of 10%. Is that kicked off or is that still like a year away from being kicked off?

Management:

Yes, so that's kind of started. We have started our -- I mean of course the final thing will happen when we go live with the last leg of our IT transformation. But in the process, we have already put in place our own call center. We have already put in place our own sourcing lead aggregation platforms, we have tied up with a couple of them and we are still expanding that also.

So, we will be getting the leads from these platforms like this Spoctree and stuff like that. And we mean these are agencies, we are going to acquire leads and that is going to be handled by our teams. So that is already initiated, that process has been initiated. We have not still got too much of business from that, that will come in the next year and this year, part of this year.

Questioner: And that's going to be like the DSA channel in the sense that you have a third-party distributor, right? Unlike the sales team and the walk-ins, which is direct sourcing.

Management: Not really. So, I'll just explain. See, if you go to our website, we have a voice chatbot. It's a multilingual thing where we are getting leads. We are also getting leads from our website, people are going other than the chatbot they are doing it. Plus, we are also getting leads from these aggregators, and we have this team which is connecting with the customers. They are helping them in getting the documents and files and everything ready, and then finally when they are also forwarding it. So basically, the last mile connectivity will happen when my sales team will go and collect and pick up the file from them.

But the entire process of converting these leads, talking to them, following up, repeated calls, because on the ground if we have to put people, they will also be either calling up or meeting the customers. So, what we're doing is, this is a support channel where all the leads are getting there. Plus, this LOS LMS that is getting implemented, there we will also be going to get the leads where self-filled forms will get prepared and all those journeys are also going to come up in the new system.

Questioner: Understood. So, this is still -- this is getting kicked off in FY26.

Management: Yes, the 10% is yet to happen. Yes.

Questioner: Got it. And it might be early days, but this INR3,000 crores of business, how is the behavior in terms of the performance, in terms of credit or balance transfer or compared to the DSA channel, right? I don't know if it's too early to comment on that?

Management: It is a bit early, but still, what I can say is that two things. One, this sales team is also doing builder tie-ups. Not exactly that we are funding builders, but we are doing builder tie-ups to do the APF, legal and technical is getting cleared. So already as on 31st March, we have 271 approved projects. And in this year also we have done almost in April and May 25 odd additional projects have been approved. So, we are close to 300 approved projects. So, our sales team is getting the leads from these approved projects also.

So, these are already projects which are approved, which are CAT B kind of builders, decent properties, so the values are also known to us. So that is slightly getting us a better-quality customer, I would say. Second thing is, the ticket size of the business that we have got from the sales team is a little higher than the ticket size that our DSAs have brought. Our average ticket size is roughly 30 plus in -- our own sales team has brought, that is a little above 30, whereas our overall ticket size is INR27 lakhs. So, it's a slightly better-quality customer.

Questioner: Right. And are you also thinking about the INR10 lakhs to INR15 lakhs because that's where we see a lot of the affordable housing finance companies play and grow fast, right? And I don't

know if that's too competitive a segment as you think about your business or a totally different segment compared to where you are?

Management:

No, it's a little different because currently our staff, they are all tuned to only doing the documented income customer. So, this is slightly, if you look at that INR12 lakhs to INR15 lakhs and that kind of a segment, it could be a lot of customers could be appraised income, surrogate income, they could be this bank, in bank balance product or there could be the average multiplier product or it could be the GST product. So those kinds of things we don't have right now. So, our team will require some level of learning to do and some training and all those things.

But what we have done is, we are at least setting up a separate small team we are working on that, which will do with some of these government projects. Like for example, Maharashtra has come with a very aggressive policy for where they have this MHADA and CIDCO and all those things doing business. So, we are trying to tie up with them. We have already tied up with MHADA and CIDCO for some of their projects in Vashi side, there is one project in near Pune. So, all those projects we are already tying up with them.

Secondly, NHB, along with NHB, we have also been visiting and looking at UP and Odisha, where the state governments are also quite positive about the affordable housing. Both these states, in fact, the meetings were very fruitful. The state governments are taking very forward-looking decisions in terms of activating the local bodies and housing boards and all those things. So, we expect some at least mid-sized construction to come up over there which we will be able to cater to.

So at least we are looking at that, although we may not be able to do the surrogate income through for the appraised income customers in those properties, but at least this small ticket mid-ticket size at least wherever there is a government salaried or some salaried segment, we may be able to tap those customers.

Questioner:

Understood. So, the core business would remain the INR25 lakhs to INR30 lakhs plus customer, right?

Management:

Correct, correct.

Questioner:

As appraised income. The other thing I noticed was you also increased self-employed. Do they also typically have documented sources and similar yields?

Management:

Yes. Currently yields are better, but the segment they are having documented income proof, they are having ITRs because we are going based on the ITRs only. So, it's not the appraised income. The self-employed segment also has ITRs. But the yield is better. So, in fact, our blended yield if I have to share, our salaried customers in the housing category would be somewhere around 8.5% to 8.7%, that is the range in which most of our customers are coming.

But our self-employed category is roughly around 10.5% to 11%. So that is where we are getting a blended yield of around 9.8%. That was the kind of yield. Of course, it's more towards 8.7%

that we are getting and here we are getting around 10.5% to 11%. So, our blended yield is coming to around 9.8% incremental is 9.8%.

Questioner: And is that -- I mean is there a long-term target for how much self-employed versus salaried you would do? Because you're already at 32% for self-employed right on the book basis.

Management: That is correct. So, when we sat down for this FY28 vision document we had laid down in '23, five-year strategy document, at that time we had said that self-employed we are okay to go up to 35%. So, 65/35 was something we are almost at 68/32. So maybe this year or we might even touch that target a year ahead of the schedule.

Questioner: Right. And that would be then your current year yield will then become your kind of target yield, right? In the sense the yield adjustment has happened.

Management: Yes, yes. We may slightly be able to a couple of basis points here and there we may be able to improve on the self-employed, yes.

Questioner: Understood. And then the other question I had was on the non-housing products, right? I mean you're pushing LAP as well as that and other products. So can you give us some color on that because that's probably a high-yield product as well. What's the current mix versus the target mix and what products are you looking at? Are you only doing that in Karnataka or are you doing it in other places as well?

Management: So actually, we were 89% was housing including CRE and 11% was non-housing in March '23 when we sat down for the strategy laid down the strategy document. And we had said that we would be okay with 80/20 by March '28. So again, here what has happened is we are now including CRE we are at 84/16. We are already at 84/16.

And again, that also in fact is going a little ahead of schedule only reason being that in Karnataka we had to do more of LAP because we had this e-Khata issue, so new registrations for properties was slow. So, to cover up for the business, we were doing a little more of LAP. So that has happened. So there also the Board has laid down an 80/20 kind of a mix that is to be reached by FY28. We are at 84/16 right now.

Questioner: Right. And what's the yield difference on that? The housing versus non-housing?

Management: So non-housing, if it is, as I said LAP we are getting even 11% we are getting in LAP also. Again, it's a LAP, as I said 10.5% to 11% for the self-employed housing, 11%, 11.25% would be for the self-employed non-housing.

Management: Right, right. Understood. So that yield benefit you will get as well as you mix the change from 84% to roughly 80% going forward.

Management: Rahul, any questions you have before we move on?

Questioner: Yes, so I want to step back on the branch expansion and direct sales a little bit. I think you were targeting, if I'm not mistaken, somewhere you stated that INR80-INR90 lakhs a month from your direct sales channel, right? That's sort of what we're targeting. Do we also have some sense

of whether the ROEs, the entire build-out is going to be better, worse, about the same for both of these branch expansion as well as direct sales network compared to where we are right now?

Management:

See, in case of our direct sales channel, the ROE would be if we are able to cross, because I'll just give you the calculations. Our staff when we are looking at it, we are taking them on the rolls, so we are not having that DST model where we pay INR15,000 fixed and then incentivize them for everything. In fact, it's a direct what we give as salary. So, our officer, the entry level who are mostly the guys whom we take for sales, they would be coming at an average monthly pay salary of about INR40,000. INR36,000 to INR40,000 would be their salary.

So today for a DSA, we are paying a 0.5% as the average payout. So, if I have to do a INR40,000 salary, then in fact I will have to do around at least INR90 lakhs or INR80 lakhs to INR90 lakhs business per month for them to be otherwise it will be -- beyond that only I'll become cost effective. So basically, that is the target. Today we are already there and we are also pushing them a little better so that we can further improve over here. From INR80-INR90 lakhs, probably we would like to take it up to at least INR1.25 to INR1.5 crore. So there once we do it, we will start getting some benefit in terms of the cost wherein compared to a DSA we will be saving a little better in terms of the payouts.

In terms of the branch expansion, I don't think there is much of any benefit except that it helps in getting business. But one thing I could say is that the new branches we are opening in mostly Tier 2 towns, so places like Pali, Bikaner, then we have in Saharanpur, Meerut, Jhansi, not Jhansi, Mathura. So basically, when we are looking at those places, the rents are a little less, but I don't think that is making much of a difference. So, in terms of the branch expansion, it is more for growth, but sales team it is one for quality and two for slightly better if we are able to continue or sustain or improve our productivities.

Questioner:

Okay. So, the branch ROE, the incremental branch ROE is not necessarily higher or lower compared to the existing?

Management:

Correct, correct.

Questioner:

And then the on the staff side, that ROE has a little bit of operating leverage in there if you can push a little more product?

Management:

That is true. But however, having said that, what I would say is see in terms of the current branches that we have opened, we have opened more in the West and the North where at least in the West we have a higher slightly higher percentage of self-employed compared to if we had opened somewhere in Karnataka or Telangana, there our profile is more salaried. So here at least the portfolio because of the selection of the locations is there is something like this.

But of course, if today Karnataka is back to normal, if we are now this year looking at three branches in Karnataka, we are looking at a few branches in Telangana also, those branches again will become salaried. So today it has not helped much unless we do a choice of branches separately, then it will help a little bit because pockets like Tamil Nadu and West particularly have a little higher percentage of self-employed.

Questioner: Understood. And back on the staff productivity, I know you're targeting slightly higher than where you are right now in your product or at least the product that they are targeting, right? The mix is slightly different for the own channel versus the DSA channel. What do you think is the ceiling in terms of how much product can be pushed by a staff member?

Management: I think if I have to see, we started about a year and a half back. So slowly when I'm looking at it, there have been at least out of those 80 people, probably there are about eight people who have already crossed a number of INR2 crores. But of course, what happens is there's always a bottom half which pulls down the average.

So as and when people work and they stick to us and then they deliver, that aging brings in a little bit of benefit. So today we have almost eight out of the 82 who are doing more than INR2 crore who did more than INR2 crore per month in a quarter in last quarter Q4. So, we'll have to push more people have to come to these higher buckets and then it will improve.

Questioner: Understood. Okay. Suresh, going back to the branch question, you said you're opening more branches in the North and West. But as I was looking at your geographic projection, it seems like South will still be about 60% of the mix. So, can you share some little more color on that? Is that intentional that I think FY28 you're still projecting South to be around the similar mix as today FY26?

Management: No. So right now, if you look at it incrementally, three, four years back if you look at it, the total South book per se book as a whole was 72%, 73% of our book was in the five Southern states. Incrementally if you look at the incremental business which is coming, we have almost 42% of the business, around 40% to 42% of the incremental business is coming from the North, West and the other states other than the five southern states. So incrementally this mix is slightly changing.

We have almost 58% to 59% of the incremental business coming from the five southern states and 41% coming from the other states. Today North zone and West zone last year both have grown at 40% plus. Okay. Whereas if you look at the other states, Telangana was almost flat, Karnataka grew only at 7%, Tamil Nadu also grew at 30%.

So basically, the growth is more from the North and the West obviously because we also opened branches there. And from the 73% which was on the book, at least incremental is now 59/41. So slowly this 72% probably will come down to 70, right now it has already come below close to 70 now.

Questioner: Right. And is Telangana and Karnataka, are they saturated or the issue is the e-Khata issue behind us? Or what's the -- is the growth going to revive there as well or is it really going to be from North, West and maybe Tamil Nadu?

Management: This year we had about INR2,700 crore coming from Karnataka. So next year we are targeting INR3,500 crores and I think it should be very much possible because the e-Khata issue is mostly behind us. So, it may not be the same 35%, 40% growth like North and West are doing, but definitely from INR2,700 crores we expect it to go to INR3,500 crores and that should be very much possible.

In case of Telangana, we did about INR1,147 crores last year, that is in FY26. This year we are expecting around INR1,500 crores. So there also the growth will be higher, but obviously the numbers are a little less, smaller, so growth may look a little like 30%. But there we will definitely should be able to reach about INR1,500 crores.

Questioner: And Suresh, if we step back, your next year targeting about INR13,000 crores of disbursement. What's the -- if you look ahead a couple of years, how much would be FY28, FY29? Just roughly if you have any kind of current guidance?

Management: Sure. We this year in fact it will be INR13,000 crores, we are targeting a 14% AUM growth. And going forward at least a 15% AUM growth is something we would definitely be pushing for. And therefore, next year, keeping in mind our target, we will have to do INR16,500 crores in the year after that, that is in FY28.

Management: Rahul, do you have any questions? I just need one second, I'll be back.

Questioner: Yes. Suresh, just very quickly on the comparative intensity. I know that there was some mention of it was increasing over time, there were top-ups and things that you could not offer, others were offering. Where do you think, again not today's view, but in the next three quarters, four quarters, maybe even longer down the line, where does it settle? Like where does the comparative intensity settle in your view?

Management: See, there was one reason why this slight increase in our prepayment ratio if you see we have been giving for the last three years. If you look at our prepayment ratios, it used to be around 3.75% to 3.80% roughly for every quarter. That increased to around 4% to 4.25% in the last year, at least in the last three quarters of last year. And mainly because if you see when we used to offer our rate of interest, our best rate prior to the repo rate cuts was around 8.95%.

As against that, SBI and the other banks were offering 8.4%, so the differential was only 55 basis points. Now today when we look at it, we have come down from 8.95% to around 8.4% or 8.25% is the best rate we can offer. Whereas if you look at it, the banks have offered the entire 125 basis points has been passed down. So, they are offering at 7.15% the best rate. So, if you look at it, the differential has increased. Now if the rates again start to move up or something, then in that case this differential will again slightly squeeze.

So basically, I believe today the prepayment ratio of about 4%, 4.25% every quarter that we are looking up, maximum that would be I guess the rate that will be there. So around 18% is what I believe will not -- it will not be beyond that. And this includes part prepayment as well as our amortization. So, I guess 18% that we are looking at should now be the highest because I don't think rates there is a further differential possible. And if at all it happens, it will only get squeezed a little bit.

Questioner: Okay. And then the BT out to some of these other relatively aggressive housing finance only players, is that something that is under control now or like what's going on there?

Management: No, so basically it has been LIC and Bajaj. So, Bajaj has been slightly slowed down because they are almost close to the PTC criteria, so they give an attractive housing loan but which is

very competitive, but at the same time they give an aggressive top-up and therefore they are able to slightly have a better yield on a blended book. But we were not able to match that.

But because they are so sometimes it slows down and when they are closer to the PTC criteria and then they play accordingly. LIC has consistently been a little aggressive in terms of pricing. In fact, their cost of borrowing is slightly a couple of basis points higher than ours, but still, they are offering the same rate as the nationalized banks at 7.15%, 7.25% and all. So that continues to slightly be aggressive.

Questioner: Okay. Understood. And is there a -- like is there a difference in opinion between you and them? You think they're just being slightly irrational or does the market sort of settle at some point where they step back? What do you think happens two, three years down the line?

Management: See, I today in terms of rating or in terms of cost of borrowing, I think we have a better cost of borrowing. A little bit here and there is definitely possible. Like today if the rates go up, LIC might slightly be better off because they are 50% fixed rate borrowings, so which will not go up, whereas our 60% is floating rate borrowing, so our borrowing cost might go up. So that little bit of difference here and there might happen. But having said that, I think in terms of the spread, I don't think at least I am surprised LIC is consistently maintaining such high aggressive rates because it's not sustainable to work on such low spreads.

Questioner: Yes. Is it just not good for the business or where does it come bite them you think in four quarters, five quarters somewhere where they have to slow down or there's really no need for them to slow down if they don't want to?

Management: Well, I think they are also having a very high prepayment, so I think there is more of it is more of a pressure to at least maintain the book because even after offering this rate, the growth has not been very, very high. In fact, it has been very, very below 5% kind of a growth rate they have because they are also having a very high prepayment ratio. I think it's more of a challenging, I mean it's not LIC head would not be the position I think desirable kind of a thing, but it's a very tough thing I think they are going through in terms of managing the spread as well as maintaining their book.

Questioner: Yes. Suresh, the 4.25% you said the quarterly run-off. What's the -- that's elevated you're saying, right? What's the normalized number I guess when the through the cycles?

Management: No, looking through the cycles, I think this is slightly elevated because the spread differential is high. However, in our case, we continue we have projected our calculations everything is based on the higher elevated 4.25% per quarter prepayment or run-down only. And that's how we said that because basically what happened was in FY25, if you look at it, we had a INR5,400 crores -5,500 crores as a run-down from the numbers if you see.

So, when we looked at FY26, we thought we a INR6,000 crores number in terms of a run-down was a fair number. That's how we projected and in the beginning of the year itself we when we were meeting investors, we said INR10,500 is the disbursement target, INR6,000 crores will be the run-off, so basically, we'll have a INR4,500 crores addition to the book. But unfortunately, this was around INR6,500 crores.

So, this year when we are calculating, we are looking at a INR7,000 number for our entire year. And we have done the projection based on INR7,000 crores. So INR13,000 crores disbursement, INR7,000 crores run-off and INR6,000 crores addition to the book.

Questioner: Right. Now as you think about the next few years, right, is that number going to come down to like closer to 4% or something like that? Or is this the new normal, right?

Management: I we obviously we have analyzed that and we are working on that, but I think for the for on a conservative basis, I think we would work continue to work with that number as the base now as a new norm. But we are working on it. We have set up a team internally for cases where customers our own customers are making inquiries in CIBIL elsewhere.

So, we have a call center now which we have started the calling and all so that as soon as they make an inquiry elsewhere, we'll get to know and we call them try to retain the customers and see what is the reason why they are. So, all those things we have started, but let's see.

Questioner: Right. And I know you mentioned it's early days, but hopefully the direct sales BT will be less because at least the DSAs, I'm assuming they get a commission again, right, if they move the book to another entity.

Management: Yes, they get it from the other entity obviously when they move the book there, they get it there.

Questioner: And everything is upfront, right? There's no trail commission on what stays on the book.

Management: No, everything is upfront across the industry.

Questioner: But you amortize it on your books, right?

Management: In the books it is amortized, yes. It is amortized.

Questioner: And it also gets accelerated when you have the BT out, I guess.

Management: Yes, so whatever is the whatever is the unamortized portion, we have to book as expenses in the year in which the portfolio moves out.

Questioner: Right. Okay. Could you share a little bit more on the IT progress? This quarter is the last leg of implementation, the loan management system is going in, right, with Pennant. Is that -- it seems like treasury and the core banking and the document management, all that is in place already. Is this the last system that goes up?

Management: Yes, this is the very last one. So, LOS/LMS is the same vendor Pennant, so that's the last one and whatever reports come with it because we have the reports which are otherwise in terms of all other things that was there as part of our RFP, we have implemented. The entire security suite, the entire infrastructure piece, as well as the rest of the application modules, which is the HRMS, the treasury and borrowing module, the deposits module, the ADF that is Adhaar Data Vault, the DMS, everything has been implemented. Only this is the last leg where we are looking at targeting this month-end for the pilot.

Questioner: So, when you had moved in, you'd said this is the one thing you had identified that needed a overhaul. And congratulations, it seems like you've done that. Now is that mostly hygiene that the housing finance company had to do, or do you think there is some tangible benefits in terms of either faster disbursements or better -- how do you think about the benefit from this?

Management: See, the benefit is obviously there because while it was absolute necessity and our old system was way beyond its date, but this was also in terms of the benefits, it will be that a lot of productivity improvement will happen. In fact, let me tell you this new branches, sorry new sales team that we are actually bringing in, we are not actually adding staff for the sales team. These are all basically staff who will get relieved or will be able to pull out from our existing branches, and will be able to go on the field for sourcing because that productivity improvement will be visible in the field. So that is one thing.

A lot of activities get automated, a lot of things, duplication of work that was happening in various things gets taken care of. And there's a seamless integration, so there's a single sign-on, there's a single database which talks to everything. So, we have a lot of other benefits coming in. We've been able to add a lot of additional third-party applications also which was not possible in the old system. So that also is possible in the new system. So that advantage is also there.

Like for example, the PAN verification, Aadhaar verification, the linking with the account aggregator, the linking with the IT portal from where we are directly download the IT returns, plus CIBIL integration, SARFAESI upload integration, all those things are happening directly without having to go a manual without any manual intervention. So therefore, definitely there are benefits in terms of productivity and plus additional features which this new system brings in.

Questioner: Right. So, is there like, for example, if you look at inquiry to approval, right, time or approval to dispersal, is there metrics you measure and are there things that are changing or targets you have when the LMS goes live?

Management: So, we have done the time and study for a lot of at least top 20 critical functions which normally happen. So, there we have definitely timed it and I think there are advantages. Plus, connectivity advantages are also there. Today our when we are looking at we have a DCDR with an enhanced connectivity and size of this thing. So, we have those advantages are also there.

Plus, in terms of our MTTR, MTTRD, which is basically the time for security part of it to detect any new intrusion or something, there also we have right now in fact whatever testing we have done, it is less than one second for both. So that way those parts also there's a good amount of improvement that we are able to see.

Questioner: So, what's the -- like if somebody has a loan inquiry or a DSA gives you a file, how long does it take for you to approve that loan today if it gets approved or rejected?

Management: See, if the file is like -- today if a customer walks in, obviously there's a much more interaction, customer may not come with a ready-made file and all those things. But if a DSA comes in with a file and by and large the file is completely ready, all the papers are there. So, if in that case, a complete from start from doing the data entry, creation of the customer to the time of

disbursement scheduling, I think it is possible in about two hours' time one staff can do from A to Z it can be completed.

But obviously otherwise but what happens is in the system it is not like everything is readily available. We have to put it through the system; the data entry will take a time and then the file gets auto-allocated to a valuer. The valuer will take its so basically the time taken will still be about five days because the valuation will take about one or two days, the thing will take. But otherwise, if you look at the time, suppose everything is ready and you have to just punch in a file, it can in two hours' time it can be from A to Z it can be done.

Questioner: Yes, I was talking about the overall the five days' time because including external valuation and legal and technical and whatever the process is. So how does that compare to -- sorry, go ahead.

Management: So, I'm saying this auto-valuation, auto-valuer allocation and everything is something which the system automatically does. So, it's nothing like the moment it is the details are punched in, it will allocate to a valuer. There is no intervention, manual intervention. So that ensures that there is no specific connect or there is no DSA and --

Questioner: But you're still dependent on the valuer to act on it and get back to you, right, in terms of how long they take?

Management: That of course is there, but by and large if they don't do it, they also know we have an annual renewal process, so if they are not fast, then obviously we will not renew them or we will not continue. So by and large they are quite okay. So that's not a problem.

Questioner: How fast is that compared to peers and do you lose business because you're taking maybe longer than or not really?

Management: Not at all. In fact, if you actually look at it, this is one of our USPs because we have a decentralized sanctioning. So, our branches are able to everything is in the branches, there is nothing where they have to depend on head office unless it's an any this thing. So, the branches are able to sanction and able to give a commitment there itself based on the preliminary inquiry or discussion with the customer. So, I think that is actually our USP where the speed of giving a loan is quite fast.

Questioner: Right. And what's the approval rate of the total files as you get from DSAs compared to the number of loans that get approved roughly?

Management: In case of DSAs, right now it is almost I would say full because the DSAs are all old DSAs, they know the process, they know the system, so they know what cases will be done. So, I would say probably 95 out of 100 cases that the DSA brings actually get done. There is of course initial interaction, they the staff is immediately able to look at it and say sorry we can't do this, so then that's not a question.

But if it is there, then I think by and large 95%. In our own cases, it is still I think direct inquiries which we get from the website or we get from there, there is a lot of rejections because a lot of

wrong false inquiries also come where they not actually fall into our norms and we have to say no because we just not there.

Questioner: Got it. And are you not doing the surrogate product at all? Because for that the rates are much lower typically, right? So, you need high inputs.

Management: Correct.

Questioner: Understood. Rahul, any questions? Sorry, I know you're on mute, but --

Questioner: Yes. No, no. I don't have questions. I'm on the road; I am listening to you. If I have questions, I'll jump in.

Questioner: Sure. So, I think I didn't have any other question on the business. I did have one question on the relationship with Canara Bank. Canara itself has a loan book which is almost like I think triple the size of your loan book. So how are you guys competing with each other or where do you collaborate? How does that work?

Management: See, in terms of collaboration, we don't have any collaboration because as two separate entities at arm's length we are operating. Of course, in about 30-40 branches, I think the Canara Bank and Can Fin would be in the same premises or in the same building, so there could be some connect. Other than that, there is no formal arrangement and there is no lead sharing or anything of that sort. By and large, the difference happens in terms of Canara Bank's portfolio is predominantly focused into the bigger cities and the smaller towns the book size would be less.

So, if today they have a INR1.25 lakh crores housing book, then I think a predominant 80% of them would be in the urban centers only. Whereas in our case, we also have a lot of the business coming in the deeper pockets. The second difference is that Canara Bank's average ticket size is close to INR40 lakhs, whereas our average ticket size is INR25 lakhs. So that's also a major difference. The third difference is that Canara Bank has -- most of the business coming a majority of the business coming from their own customers, whereas in our case 80% is through DSAs.

Another point difference is that today when we look at it, almost 80% of the customers who have taken a loan from Can Fin are not Canara Bank account holders. So, whereas Canara Bank will give a loan mostly to or even if they give a loan, they will have to open an account with Canara Bank. In our case, there is no such requirement and what we have seen is that 80% of the customers close to 80% is are those customers who are not actually having a banking with Canara Bank today. So, this is actually adding to the to that in that sense.

Questioner: Right. The fragmented market and going after the non-Canara Bank customers. What's the -- I mean again maybe a shareholder level question, but if you have any insight. What's the -- off and on Canara Bank has thought of selling this the holding, right, and ensure of capital they benefits that the bank level as well. What's the latest thinking on that?

Management: Sure. See, actually, it's a fact that Canara Bank has gone in the market twice in 2017 and 2018. But I think that situation was different. At that time, the bank had some, obviously it was prior to the recapitalization was before the bank mergers. So, there was also a regulatory pressure to

kind of sell off from the subsidiaries and bring in the capital back to the business and strengthen the balance sheet. But that phase is over, that is point number one.

And point number two, there was an ambiguity in terms of the RBI stance also. But in November '25, RBI has come out with a master directions have been brought out. In that master direction, there was a thing that certain functions including housing a bank can do along as a subsidiary or a group entity also, so there can be multiple entities. And there were certain requirements which were put or laid down in that particular master direction wherein there has to be some overlap of business has to be clarified, like what I just points I just mentioned.

And the second point was that the Board of the bank has to pass that resolution saying that this business is also being operated through the subsidiary or associate company and these are the overlap conditions that are being complied. So that has already been complied. We have met all the requirements. It also required that subsidiaries or associate companies or group entities of bank-led group entities who are into housing finance business automatically become an upper layer HFC. So therefore from 1st of this thing, we also became an upper layer HFC, and by 31st March we had to ensure the compliances of all the guidelines applicable to upper layer HFCs.

So, we have done that and we have given the certificate to NHB and RBI. And same way, Canara Bank also at its Board has passed that resolution for overlap of business and continuing a business through a group entity and that certificate has also been given to RBI. So now the matter is settled. Canara is not required to or there is no pressure on Canara Bank from the RBI or regulator on Canara Bank to sell the stake in Can Fin. So, I think that is something which is now behind us.

Questioner: Which is settled. So that's great. Is there benefits the HFC gets in terms of rating or funding rates because of Canara Bank involvement?

Management: See, rating agencies definitely give a base rating and there is a add-on rating. So, the add-on rating obviously is about one notch whenever there is a large parent. So that advantage yes is there for Can Fin that because of Canara Bank's parentage, we get that strong backing and therefore there is at least a one notch up.

So, putting it differently, if tomorrow Canara Bank were not to be there, it was some other smaller or a separate entity, then looking to the size, the rating agencies may have given us a AA+ but not a AAA. But because of that, we are now you can say a AAA, so that advantage in terms of the borrowing cost would translate to somewhere around 20 bps. That's quite a bit.

Questioner: Right. I remember that was the discussion the private equity firms were having that there'll be a 20-25 bps increase in funding.

Management: But that will phase over a period obviously that will have to be evened out.

Questioner: But all that is behind us, right?

Management: As of now, that's behind us absolutely.

Questioner: Perfect.

Management: I didn't have anything else. Rahul, I don't know if you had any other questions.

Questioner: No, no. Nothing from my side.

Management: This is very helpful, Suresh. Sorry we couldn't meet you. We were in Bangalore two weeks back.

Management: I know. I think you were there the day of the Bangalore Titans versus Gujarat match, Tuesday night, Wednesday. I think you were traveling, but we will keep in touch. We are shareholders, we intend to remain shareholders. We think the company should trade at a higher --

Management: Thank you so much. My apologies we couldn't meet actually.

Management: But we'd love to look you up when we're in India two-three times a year, but just post so maybe next year we'll look you up when we're back in Bangalore.

Management: Sure.

Management: Perfect. Nice meeting you.

Management: Thank you. Thank you so much. Bye-bye. Thanks Rahul, thanks.

Management: Thank you. Okay, bye.