



“Can Fin Homes Limited

Investec roadshow - 11.08.26 to 12.08.26 (1)”



Management:

[inaudible 0:03]

Questioner:

So, we were generally seeing the penetration of housing loan itself is a little bit lower in Indian case, but despite that, we do not see much of growth in industry itself, industry itself has grown at 11% , we have also grown at 11%, so I was just wondering at least industry growth, if we can beat and we also wanted to understand why the industry itself not growing?

Management:

Sure, industry growth at least at 11%, we should see that change because our disbursements if you see, our disbursements for the last six quarters have been doing well, but last year we had a 25% plus growth in disbursement. This year also we are having a good growth 29% in first quarter, we have had, and so AUM growth with a lag, so it will now pick up. In fact, we had gone down to almost 0.9% and then it has been picking up last year we ended with 10.4%, Q1 we have had a 11%, 10.8%, so in fact it is picking up.

So, we should see the growth rate or AUM growth picking up in the coming quarters. And in terms of why the industry is not going, first if you look at it, the mid-segment which is still continues to be decently growing, whereas affordable which used to be one of the key things that the PMAY, CLSS now are there, which give a good boost for housing, that actually has not picked up, in fact affordable housing per se if you look at below INR15 lakhs, below INR20 lakhs, even I think, that is one segment which is actually now in the single digit growth numbers. So, that is one of the major reasons why overall industry and so forth is there.

Secondly, one more thing is housing per se is something which was now that quite a few players are focusing more on LAP. So, housing per se is not the one which is, even some of the numbers which some of the players are showing, it is inclusive of LAP, if you exclude the LAP then housing has been growing as you rightly said around 11% and that is what it is like NHB only looks at the housing, it excludes all the LAP and the non-housing categories, and it gives a number, and there it has been last year also growing at 12% -15%. So, whatever the 20% -30% growth numbers that some of the players have been doing that is because mostly because also the LAP segment has been growing more. In our case, of course, the non-housing...

Questioner:

But 11% number is without the LAP... the industry or without the LAP?

Management:

Without the LAP. And some of the players who are having more LAP focus have been growing at a better rate and in our case of course, our LAP percentage has always been very low. In fact, today also our housing is about 83% . So, in fact, our non-housing which is including LAP, including fraud loans, including Top-up loans, everything is only about 70% . It is very less. Now, focus has been mainly on housing only.

And in our case, as I said, our growth in terms of disbursement has been picking up again remaining and we are looking at 20% plus number this year and going forward also in terms of disbursement. So, as that continues, our AUM growth will pick up. So, this year also we are targeting around 14% and that should be net addition of about INR6000 crores to the book. So, from INR42,000 that we had last year, we are targeting INR48,000 plus to end the year in terms of our AUM.

Questioner: So, what you are saying is, if you improve the headline numbers, the advances of the home growth number, then we have to do what? We have to increase our LAP?

Management: Not necessarily. I mean without having that focus on LAP, our numbers are now disbursement are growing. So, here of course, this year, we are planning around INR3,000 crores as disbursement, and based on the track record, our rundown of the portfolio, which is BT-out, loan closures, part payments and amortization, all these will be somewhere around INR7,000 crores. Because in the last year Q4, we had about 17, 30 as our quarterly rundown number. So, assuming that kind of a trend continues, we are looking around INR7,000 crore.

So, there are two things. One, either we can push that INR13,000 crores but that also, last year we had INR10,531 crores as a disbursement. So, INR13,000 crores itself is a good 20% plus growth, 20% growth in terms of the disbursement. So, we do not want to run too fast also, whereby there can be a problem later on.

So, that is why INR13,000 crores is a very achievable number, and still can give us a good growth. And then we have to second thing is we have to restrict our rundown. Now, rundown even in the Q1 has not come down, although we have just initiated some steps to arrest our rundown or BT-out and all these things. But that number is still in Q1 also has been a little high, and we expect that in another quarter down the line, we should start seeing some improvement in those numbers. That is the rundown should start to come down.

Questioner: So, if 10 goes to 13, it is a good growth. But what is actually coming to 7? Is 7 an increase over 5 or a decrease over?

Management: So, last year, I think, you can see our full year number, we had about 6,500 approximate is the number of rundown numbers we had last year, which we have projected to be 7. So, we have that in our Slide and you see that Slide. Last year on a quarterly basis, we had 1,459, 1,660. So, from second quarter onwards, if you see our amortization plus prepayment, which is the fourth column has been around 1,661, 1,691, 1,830. So, that we have for the full year projected around 7,000 growth, which last year if you see was 6,500.

Now, here also if you see the breakup, this number looks high and but as a percentage 16% to 17% of the opening book is actually not high compared to the industry.

Questioner: Okay.

Management: I mean, if you look at the other players, this number is higher than 17%. For us, it is around 17%. For the industry, it is actually higher than that also. But still for us, it is a figure that matters.

And a further breakup of this, you see 6,500 or 7,000 that we are projecting this year, that 17% if you break up our actual BT-out and loan process is about 4% to 4.5%.

In our case, one number which remains high is, the part prepayment where customers continue to have their loans with us, but they are still making some extra payment over and above their EMI, that is a high number.

So, in this quarter, if I have to just give you the breakdown of this quarter, we had a total of Q1 FY27, this corresponding number was 1857. Now, out of that, the BT-out and loan process is only 408 BT outs. Then there are customers who have either sold their property or closed their loan from their own funds, which we track, that is 377.

Still the highest number out of 1857, 1072 is part repayment and amortization where the loans are continuing with us. So, the customers have not closed their loans, loans continue with us, but they have made extra payments. This number is a little high for us.

Questioner: 1,072?

Management: 1,072 out of 1,857. So, basically, the customers, it is just reflective of the conservative approach of our customers as well, where they, whenever they get excess funds, they are parking and reducing their liability.

Questioner: So, you need to, it's a trade [inaudible 8:57]?

Management: So, one is what we are doing is, this segment, BT outs is 4% is I think something which is very much in line with the industry or in fact, it is nothing too concerning actually. So, this part payment which is there is a little concerning. So, what we are doing is, for that we are trying to, obviously, if the customers are conservative, they want to make a payment, we cannot say no.

And in terms of the RBI guidelines also, you have to give full flexibility and freedom for the customers to pay. So, we do not have any of those restrictive practices that you cannot make more than three EMI, you cannot make more than two payments in a quarter. We do not have all those kinds of restrictive practices.

But we are at least trying to identify those customers and see if they can put, place a deposit instead with us, so that they get their tax benefit also. But at the same time, that their corpus remains same. So, that is also something we are trying.

And for whatever little BT that is happening, we are trying to tie, we have tied up with CIBIL and CRIF Highmark, where we are getting alerts whenever a customer makes an inquiry, and CIBIL or CRIF Highmark report is full, we get an alert and we try to contact the customers to see if they want to retain or they want, maybe it is for a top up they are going, maybe it is for a better grade. So, we try to just talk to the customer.

Questioner: Is it for the existing or for the fresh customers?

- Management:** This is for the existing customers, we get alerts. This we have just started. So, that is why I said maybe one more quarter, then we should see some improvement in this, because right now we have just started these alerts. So, we are now following up with the customers.
- Questioner:** You will say for the additional loan to be given when your existing customer looks for a CIBIL score, you get some mitigation then?
- Management:** No, for example, any of my existing customers, if they are making an inquiry elsewhere, then we get an alert. It is a paid service you have to take from; they will not disclose as to which company or where they are going, but at least we get an inquiry and the inquiry type. So, whether it is a personal loan, whether it is a gold loan, if it is for something like gold or something, we do not do much.
- But if it is anybody coming for housing loan, property loan, mortgage loan, any of those categories, then we contact the customers and we try to explain, understand, why they are making an inquiry. If it is for another property, it can be an additional lead for us for a new loan. If it is for a takeover, then we can talk to the customer, maybe it is for a top up, maybe there is a poor service issue. So, we get an idea and we try to convince the customer. We expect that, that should help a little bit in terms of, you know...
- Questioner:** In terms of this color of growth, we are seeing that housing growth quite subdued compared to non-housing in India. So, now one of the reasons could be the higher repayment, as you said, but let us say if we have to see from the disbursement angle last couple of quarters, how does this housing loan disbursement growth has been for us?
- Management:** The housing growth has been positive only. In fact, we have the breakup of the housing loan growth this quarter in an earnings call also I have given the list up. So, our growth in terms of housing as well as non-housing, both is growing.
- Of course, non-housing slightly grew a little higher at a higher pace, but our growth, housing growth also grew. In terms of a salaried and self-employed also we had a growth like housing if I have to do Q1 versus, corresponding Q1 of last year, the housing grew at 28% and non-housing grew at 32% . So, net-net we are at 29% ...
- Questioner:** The last one, but I am saying in terms of trend for the last 4, 5, 6 quarters, the number probably you are saying is in this?
- Management:** Has been growing both, has been growing for both. So, we have done a salaried and a self-employed also, we have done a housing, non-housing also, on both, on 4 quarters. Only this quarter onwards we have started giving the numbers also, because we always used to have a number thing and the general feeling was that because our non-housing slightly on the AUM side is growing.
- Questioner:** As a percentage?
- Management:** It is all coming from non-housing and things like that.

Questioner: As a percentage, 16%?

Management: Yes.

Questioner: Versus 83% housing and last year first quarter we were, well, versus 87%?

Management: Correct, So, that is why this feeling was that maybe it is, the growth is all coming from non-housing and housing.

Questioner: Absolute housing. So, we have actually at INR35,000 versus INR33,000? So, it has grown, that is what we are saying?

Management: So, not 28%, 5%.

Questioner: It is a...

Management: No, no.

Questioner: Disbursement?

Management: For the full year, this I am saying for the disbursement for the you can break about this thing. So, what is happening is the prepayment obviously, since our non-housing is more of a newer portfolio book for us, prepayment orders, it depends whatever are coming is in the housing. So, on the book, it is slightly reflecting differently. But if you look at the disbursement, our disbursements have also grown 28% in housing.

Questioner: But what will be the average tenure in non-housing for 15 years?

Management: Housing also is the same. We do not have any separate. So, we are also giving up to 15 years. Housing we give up to 30 years, non-housing we give up to 15 years. But anyway, if you look at the average tenure in the books, it is roughly around 8 years.

Questioner: But non-housing, what is the duration?

Management: Duration also, it is almost the same.

Questioner: 15 years?

Management: 7 to 8 years.

Questioner: And this is basically for painting the house, repairing, etcetera, etcetera.

Management: No, depends. Like if it is a LAP, it could be for other purposes also. If it is a top-up, normally, yes, it is maybe some work in the house and all that. And plot loans also are there for us, because earlier we used to have, as per the guidelines, 36 months is allowed. Within 36 months, the construction has to start. In our case, we used to right from the beginning have 18 months. Now, we have reduced it to 12 months. So, if in 12 months, the construction does not start, then in that case, we convert it to a plot loan and we charge a higher rate of interest.

- Questioner:** So, how is this number versus the industry you mentioned? 17% BT-out is the standard, we are better than the industry. But in terms of disbursement growth versus advances growth, if I compare myself with the top four players in the industry.
- Management:** So, 17% is not BT-out, 17% is a total run down, out of which BT-out is around 4%, 4.5%. So, if you compare the industry today, I think the overall industry in terms of AUM growth is roughly around 14% to 16% is what the industry is moving. If you look at the overall industry, we are slightly lagging behind in that in terms of the AUM growth.
- But the last two years, if you look at it, that is last year FY26 and Q1 of FY27, then I think in terms of the disbursement growth, we would be in the top five probably, because we have grown at 29% this year, last year we grew at around 20% plus. So, in terms of the disbursement growth, I think we would be in the top five, because we have been growing well in the last six quarters.
- Questioner:** So, you mean to say in terms of disbursement, we are better, but in terms of AUM growth maybe we are...
- Management:** We are lagging behind; it will pick up. So, we should again see that.
- Questioner:** So, maybe we are selecting where the credit profile is much better, and that is why he is playing back faster?
- Management:** No, for example, I will just tell you this quarter just to give a -- one of the players has had a negative growth in terms of the disbursement compared to Q1 compared to last year Q1, it is a negative growth. But the AUM has still grown at 18%. So, basically the AUM growth always lags. So, when the disbursement starts slowing down, AUM remains high, but will come down. When the disbursements pick up, the AUM comes up after a while. So, the momentum is a little more...
- Questioner:** And can you give some sense on where are we in terms of Karnataka and Hyderabad now?
- Management:** We are at 45% share. So, Karnataka is doing around close to 230-250 growth on 100. So, we are kind of stabilizing now. It had gone down, now it has again picked up, we are back to this. And I would not say 100% e-Khata has been resolved. Bangalore, rural, still the e-Khata issues are there, but it is still, we are slowly improving. And now at least we have reached back to stable numbers of 230-250 growth. We are doing close to 250 also; we will catch no problem. In terms of Telangana, we are now at around 100 plus consistently for the last 7 to 8 months. We are now doing INR100 crores plus every month.
- So, what we are targeting this year is around INR3,500 crores to come from Karnataka and INR1,500 crores to come from Telangana for the full year. So, we are very much on track for that, should not be a problem. Last year, if you have to give your corresponding numbers, Karnataka had done around INR2,700 crores, INR2,680 crores or something, INR2,700 crores approximately was the disbursement in Karnataka for the full year.

As against it, we should be touching around INR3,500 crores for the full year this year. Last year, Telangana had done INR1,147 crores. As against that, we are targeting around INR1,500 crores. So, both states will be around 20% growth, it will be there for the full year.

Questioner: But sir, if you look at the share of the region-wise disbursement, there we see even on a very wide basis declining in the share?

Management: No, as a percentage of the share, yes, it is less. As a share, it is declining. Because today, if you see, last three years, we have opened 62 branches.

We opened in '23, '24, '25, '26. Out of those branches, I would say 80% of the branches were on the North and West. So, today, North and West, which were earlier doing much less, are contributing much more. So, as a percentage, the percentage will come down. Today, if I have to go back in time, I think Karnataka was doing INR200 crores, INR220 crores, INR224 crores earlier also. Now, it has touched is at INR230 crores, INR254 crores, because the e-khata, which went down, again, it is back to where it is.

But if I have to look at West and North zones where the branches have been opened, today, they are contributing almost INR150 crores, INR160 crores for both, individually. North is doing INR150 crores, INR160 crores per month, west is doing INR150 crores, INR160 crores per month. So, basically, what is happening is their share has gone up.

Questioner: So, is it fair to assume that, let us say, our dependence on, let us say, the states like Karnataka, Tamil Nadu, will incrementally go down?

Management: That is an intention, because we were having 73% of our business on the books as well as on the incremental disbursement in March 2023, only from the five southern states. So, we said we want to make it a 60%-40% mix, 60% from the South and 40% from the rest of the country. So, that is a stated objective for us also to kind of, otherwise, you just imagine when this e-Khata issue hit, we had almost 30% to 38% plus coming only from one state of Karnataka.

And Telangana, at the same time, was also doing around 20% at that point in time, was doing around 160%-180% also. So, two states together when they were hit, it made a big impact on us. So, that diversification is a necessary thing for us.

Questioner: So, you learned from the e-Khata issue?

Management: No, in fact, we wanted to do it. In fact, incidentally, in March 23, when we laid down the strategy, [inaudible 0:21:19] strategy, Vision 2028, at that time, we had actually said that we want to make it a 60%-40%. And then e-Khata happened in 2018.

Questioner: So, in the industry, what we are seeing is that many of the players changing their strategy, going to the, let us say, lower ticket size category instead of all these affordable to drive the growth as well as protect the spreads and margins. But in our case, when we see the more than 20 lakhs ETFs, that has gone faster compared to some 20 lakhs ticket size. So, how we are looking at this and how we should see this, because ultimately, there it will put some pressure because theoretically, the yield should be slightly lower in that?

- Management:** See, actually today even affordable if you are looking at a small one-room kitchen or a small in a Tier two town when you are looking at a construction, the construction costs are INR10 lakhs to INR20 lakhs is the average house construction cost. So that INR5 lakh, INR10 lakh, INR8 lakh and INR12 lakh loans that we were talking about is, I do not think even the smaller affordable housing players are working in that segment. There would be a few who are still there.
- But I am saying by and large, if you look at it, if you are looking at a proper unit, housing unit, I think the cost is INR15 lakh plus only today, even in the Tier two towns, even if you have to look at a small place like Nagar or if you are looking at Baramati or if you have to look at a smaller place like Nanded or if you have to look at Pali, the property cost will be that much. So, I mean, it is very natural that today your average ticket sizes will go up. So, that is not a, we do have below INR20 lakhs also. Today also, if you look at it, we have having on the roll of INR20 lakhs also, we are doing the reimbursements. But yes, by and large, our ticket sizes have slightly moved on to the INR25 lakhs.
- Questioner:** How about housing? How much is affordable?
- Management:** Sir, affordable?
- Questioner:** INR35,000 crores of core housing book?
- Management:** Today, if I have to look at my book, almost INR16,000 crores of my book is having ticket size less than INR20 lakhs, as not as the outstanding value, but on the sanctioned loan amount I am talking about. So, technically speaking, yes, we are very much affordable housing financing. We are having a sizable affordable portfolio.
- But today, I mean, if you look at the industry per se, the perceived affordable is the appraised income segment only where the yields are higher, they consider that as affordable. So, even though we are doing more in terms of affordable as a partner, we do not come in that bracket.
- Questioner:** Category?
- Management:** But we do have loans below 20 lakhs, we are still doing.
- Questioner:** And in terms of the mix, we have now increased more of self-employed?
- Management:** We have; we are doing. So, today also incrementally around 42%, we are given take 1% or 2% on a monthly basis is what we are getting self-employed. So, I would say it is about 57%, 42%, roughly incrementally.
- Questioner:** And this is a stated objective?
- Management:** We want to increase our self-employed more. So, even that as part of the strategy, you see, we had to see our standard, 44 things, our mission, our, we have in that part of the year. If you see roadmap 2028, we had indicated that we would like to slightly have a SENP, we would like to make it a 65%, 35%. We were at different figure. In March 23, when we started up, it was almost 72%, 28%.

- Questioner:** Okay.
- Management:** From there, we said we will be able to do up to number 65%, 35%.
- Questioner:** Yes. On the loan side, you want to? So, I think the construct of the book is changing slightly. We are saying non-housing versus self-employed. So, that is what we are thinking in context of, let us say, yield and the corresponding asset quality of the collection agency. Because this we are not saying for you guys, but across all the even affordable housing case we are seeing, Bajaj we are seeing, the non-housing book is growing at a very faster pace and spreads in the housing are under pressure. That is a given fact. So, in this light, how we should see our, let us say, the spreads and the asset quality, because we are maintaining our rate cost guidance, which is in itself is a very low number. But do you think that this guidance can be met, let us say, on a steady state basis as well with this change in the construct?
- Management:** We do not see that as a problem because even the self-employed that we are talking about is not the appraised income, is not the surrogate income or the various products that are in the market like average bank balance product or multiplier. We do not have any of those. So, even our SEMP segment that we are lending to, they are the ones where IT returns are available.
- So, two years IT returns are there and either we go by the cost basis or the, so it is based on the ITRs of data. So, even if it was to say, for example, as SEMP guide where we are having the one shop, Kirana shop, they would be filing returns and we would be based on that only assessing the income. So, that way, even there, we find that it is not having a very different delinquency.
- Questioner:** So, I would like to ask the question other way around, is the poor housing demand actually going down, and that is why we are going more for the kind of non-housing? Are you seeing that happening?
- Management:** No, I think in our case, our PBC criteria, which they have said, in fact, we are very, very comfortable in terms of our PBC criteria because we have 80% plus, which is housing. Non-housing was a very, very small number. To some extent that height increase also happened more because when in Karnataka, we were hit with our e-Katha, our Karnataka branches did do more of LAP because otherwise registration for new properties was kind of slowed down.
- Questioner:** Correct, correct.
- Management:** So, we had more of a, it was more of a -- either a compulsion or more of a responsive, they seem to do more of LAP in Karnataka. But otherwise, we have been more focused on housing. We still believe that even going forward, there is a good demand for housing.
- Questioner:** Your focus is fine, but on the ground, is there demand?
- Management:** There is demand for housing. There is demand for housing. Of course I do not think some of the 20%, 30% kind of growth, maybe as some of them, one of the players, but by and large, if you see 12% to 15% growth on a consistent basis is there, very much there, not a lot. Because there are still like for example, Orissa state, for example, I keep hearing that example. Now, they are

talking about urbanization, where we are expecting that the current urbanization is around 19%, they want to take it up to 37%.

So, I mean, the kind of population shift from the rural and all those things towards the urban centers is definitely going to happen, which is going to require more housing. So, maybe some of the newer states and newer geographies will have to also tap, but definitely there is a good amount of demand for new housing.

Questioner: Last two, three years, we have been talking about this project, Indian portfolio and the progress, but somehow we see the progress has been relatively slow compared to what we took, we were guiding, let us say, two years back. So, is there any pushback for that strategy?

Management: No.

Questioner: Do we have any constraint?

Management: No, we already have 300 plus APF projects, approved projects. So, it says that we have not been sharing the numbers separately. But today, in this year itself, we were 271. We had actually said that by March 26, we will have about 250 approved projects. We ended up with 271. This quarter alone, we have had almost close to 45-50 approved projects in Q1 of this year alone. We have more than 300 approved projects we are having now.

Questioner: But in terms of, let us say, share in disbursement, what is that?

Management: So, disbursement share is a little less. In fact, last year, we had about close to INR4 crores to INR50 crores coming from the approved projects, where we have done the projects and we have got units in those projects. So, it is not a very large number. But definitely in terms of the number of projects, the builders were associating with us and now slowly the trickle is beginning to come.

Questioner: This and builder tie-up is same?

Management: So, we are not doing builder funding, but we are tying up with builders and approving the projects and we are. So, now, in fact, as I said, we have almost 325 projects we would be having now. And this July also there have been additions. So, it is something which definitely we will have.

Questioner: But we believe that the share in disbursement will be low even for, let us say, this year?

Management: It will take time. It is a long-term strategy. See, if we have tie-up is more of a -- like today if we associate with a builder, they already, we are not the first mover. Definitely not. They already are two or three big players. Almost most of the player projects that we are doing, there would be at least three other players who are there.

Two, we do not do builder funding. So, basically, we will not be the first choice for the developer, because they would obviously want to give the first right of recourse to the lender who has given them the funding. Then based on that, we will be doing it.

So, we will get one, two projects, units we will get. But the thing is, once we build the relationship with the builder, when they move to the next project, we will also move with them. And slowly we will have to gain the confidence and do more units over there.

Questioner: So, over a period of time I mean, it is the same builders who are there in Bengaluru types. For example, we have the Prestige and the Swabhas and the Purvamkaras, etcetera. And now the builders are slowly saying that things have stabilized. So, it is time for one to go to some other city. For example, Lodha has come to Bombay. Purvamkara is also in Bombay. And sorry, ZAF has come to Bombay. Purvamkara has come to Bombay. Lodha has gone to Bangalore.

Management: Correct.

Questioner: And things like that. They are saying things have stabilized, etcetera. So, my point is, is it possible for us to also look at funding builders? Because at least let us say top three builders in the country, Hiranandani, Raheja, etcetera. So, what is the risk?

Management: No. So, frankly speaking in 23, when we sat down for the 5-year strategy, at that time, the objective was a little different. At that time, the first priority was to one, diversify our sourcing mix. That is why we set up with our CST, APL, all those things, and thereby bring down this thing. Second was geographical diversification, product mix and all those things, because we also have to work on this, on the spread and even.

So, we have worked on that as a strategy. We have on that path; we have already reached where we are and we have been displaying that also. Now, we are in a much better position in terms of our diversification is there. Our sales team now is doing almost on a consistent basis, at least more than 10% of the incremental business is coming from our sales team. We are now it is a well-set structure. We are expanding that.

So, going forward, that is also going to grow. In fact, this year, from INR800 crores and INR70 odd crores that we did last year from the sales team, this year we are targeting INR1500 plus crores coming from the sales team.

Questioner: Our own?

Management: Our own sales team. So, definitely that is something which is achieved now. Next, we will be looking at it. At that point in time, we felt it was probably not the right time to immediately look at it. We may look at it. I mean, we have not said no.

But since you mentioned about Lodha, when you mentioned about BLF, you mentioned about the same at point, at a point in time when the builders were very small we have also funded the Prestige and the Shobha and all those things or rather funded as in we have funded units in those, this thing. But now, of course, they are in a different segment.

Questioner: But SPV, I understand that they are weak?

- Management:** SPV, yes, but then effectively today they are at the rate at which they are borrowing, getting loans. I do not think it is cost attractive for us. It does not make sense, because if we have to give to them, we will not be earning much. So, it is better to go for other smaller lenders.
- Questioner:** They will be getting 7%-8%?
- Management:** Today, our blended yield is around 9.8%, 9.8% to 9.84%. So, if we have to give it to them, I mean, if it is a good higher rate, then it makes sense. And so, therefore, no CAT B builders? CAT B builders where we can earn maybe higher? It is something we can.
- Questioner:** I am just saying, if you do one or two SPVs of theirs, where even some job will get 9.8% only. But our share in the retail when they actually sell these units, there instead of 5% share in that building after 3 years when the building comes up, we can maybe have 25% share if we fund the building?
- Management:** Sir, these builders when we they also negotiate, they also want their customers, they also know their segment of customers. So, they are saying that my customers expect 7.4%, 7.25%, 7.35%.
- Questioner:** Sir, I don't think everybody is getting it. Salaried people...
- Management:** In Prestige, today, I think HDFC has a tie-up, they are offering at 7.25%. Canara Bank is offering 7.15 to 7.2% for a Prestige tie-up.
- Questioner:** Sir, just on the hygiene side, how is our IT things?
- Management:** IT, it is going on. In fact, we implemented our first five pilot branches in the month of July, first week of July. They have all stabilized. Teething problems were there, but no major issues. This month, we have gone with another 75 branches. So, 80 branches are now live, plus the new branches we have opened, 8 branches already we have opened.
- So, the newer branches, 7 of them, which are all on the new system. Next month, that is we are planning another 77 branches we have identified, but 75, we will definitely go live another 75 branches. And October 1st week, we are planning the last leg with another 100 of branches.
- So, basically, by 15th of October, we will be done with all the branches, we will be live. And the first two sets that we have done, first week of July and first week of August, it is gone quite smoothly. Teething problems are there, but no showstopper, no other issue. It is more from the so that we can manage the training, we can manage the support to the new branches. That is why we are going in a staggered manner. So, we are on track. By October, we should be done with.
- Questioner:** That is the two, both the parts, origination as well as?
- Management:** LOS, LMS, both. And some of the other things like the HRMS, the treasury bank, borrowing module and all those things, ALM module, all those things are already done earlier. We did it Q3 of last year.
- Questioner:** So, by October 15, this year, all branches.

- Management:** All of them.
- Questioner:** And what is the kind of induct team that I need, do we have some assessment, what level of disbursement could be impacted?
- Management:** See, first month, there is a little bit of an impact. Second month, it all covers up. Like for example, I will tell you the first five branches, which we did in July. INR26 crores is what they have done in the month of June, those five branches, approximately. In the month of July, the same five branches, because the new system was impacted, they could go on INR18 crores, because there are teething issues and all those things. This month, they will again be back to INR26 crores or above. They should be able to cover up.
- The second lot of branches that we are doing, so the first branch, they are almost 30% impact or 25%, 30% impact in the first month. The second lot, I do not think we will even have that much of an impact, because some of the problems which we had, the teething problems, they are already taken care of. So, we have, in the second lot, we are covering up all those kinds of issues. They will also be taken care of. So, in fact, if you look at it, the impact will be for a month, but again, from the next month, it is picking up. So, that is not much of an issue.
- Questioner:** When we are saying INR3,000 odd crores, this is considering any possible impact?
- Management:** No, we are saying, considering all the impact, we will be able to do INR3,000 crores. And in the month of July, we have already, you have done more than INR900 crores. But of course, it was only five branches. So, I cannot say that. But by and large, we are on track.
- Questioner:** It is on the same subject, because we are doing this to gain something of it, cost and all. So, when and how we should see the benefits of this transformation that we have done last month?
- Management:** See, first, there are a couple of benefits, I mean, broad areas of benefits that we see. One is of course, in terms of the compliance, in terms of regulation and everything, there are a lot of benefits that will come, but will not be visible in the immediate future, because these are all hygiene issues. In terms of the process, in terms of some additional controls, in terms of the processing and all those things, there are a lot of additional benefits that are going to go, which will not be visible.
- Second thing is in terms of the TADs, in terms of the lot of manual processes where are getting automated and all those things. So, the benefit that will immediately kind of be visible is that without adding anything to the staffing, we will be able to take out another 70 odd people from the regular business to sales. Today, we are having 80 people in sales. We are planning to take it up to 150. We are not changing the structure. So, we are not saying that sales that additional 70 will come with additional staffing, no.
- Whatever additional staffing we have considered is only for the new branches. But we will be able to pull out people for sales and everything from the team, because we will be able to see some benefits in terms of the processing and productivity improvements. This is the second benefit.

The third benefit is going to be in terms of the MIS, because we have a much stronger MIS and analytics layer and all those things. So, we will be able to see some benefits in all those, which obviously will help us in decision making, in risk, managing the risk and all those things that we will see.

But as I say, the immediate benefit will be straight, I can pull out 70 or people without adding. So, we have a structure that depending on the AUM of the branch, we classify the branches and we have a template for staffing. Without adding anything to it, we will still be able to pull out people for sales.

Questioner: And the new branches, when you open, because of these new systems, the planned manpower will be much lesser compared to?

Management: No. We will be having this, because minimum we start with three people, three is the bare minimum, we cannot go below that. So, any new branch, we start with three people only. Only when they cross INR100 crores, we give them an additional staff. Till INR100 crores AUM, they have to, they work with three staff only.

Questioner: And these systems are completely scalable or?

Management: Absolutely, absolutely scalable and it is all on the cloud. So, basically, anytime we want any additional space or any kind of any connectivity, everything is on the cloud only. It is not even that we have to worry about infrastructure becoming a bottleneck or anything of that sort.

Questioner: So, this package is the same, which is actually we, do we have any comparable housing finance company?

Management: We are going for an LOS, LMSS with Penent. Penent is the same one, which is implemented in Bajaj and also in LIC.

Questioner: So, it is handled with OLS and that. So, decent quality, if you could dwell upon, because there is substantial improvement in three states to, what is the case and is the underwriting been good or what is the case?

Management: No. So, underwriting is of course, always, never had a GML more than one person. So, I do not think that that is of course there, but I think there are other thing also we have to look at, like in terms of follow-up mechanisms, in terms of NACH, E-NACH, we have increased the even old book where we did not have a NACH, we have tried to bring them on.

So, those kinds of things we have done and closer follow-ups and we basically tried to cut from the bottom. So, basically, the flow was there. So, we have tried to at every level cut the flow. So, that is what basically has something we have done. And that is what we have seen for the last 6 quarters, if you see overall stage 2, stage 3 has been coming down.

And going forward, I think, you earlier also asked this question about our, whether we will be able to sustain this guidance of 10 bps for credit cost, I think we should not have a problem. We do not have a problem, because I think we, it will be well within that company.

Questioner: In the, let us say when we access the underlying cash flow for these underlying borrowers, we have seen some challenges on the ground, let us say in terms of increasing field prices, supply chain disruptions, at least on the business front. But when we are looking at the numbers, we are also very positively surprised, the pain is seen nowhere at all, any segments, we are not seeing pain anywhere for any companies. So, how we should look at it? Is it like just in, let us say in next 1 or 2 quarters, we will start seeing some pressure, because so far nothing has been visible at least on the ground?

Management: I do not think, there will be much of this, there are some very short periods where there were some blips in the, that you could not see and all those things because of the pressure. But I think by and large, companies have been much, much more resilient, and they have been quick to respond also. And I think, I do not see like even if you ask me, do you see stress as a concern?

No, I think the bigger challenge is going to be, one in terms of sustaining the spread, because rates are already at a rate at which now we will have to manage how it is, which some of them will have already witnessed increasing their foreign cost, which thankfully in our case, it is not been much in the period to sustain for another 1 quarter, 2 quarters. So, interest rate is one, if at all there is a, if you ask me what is, I will be worried about first thing would be interest rate and second, I think would be in terms of the compliance.

Compliance in the sense that today, cyber security in terms of phishing and I think, all those things are also there, we have to protect them against those things. So, those are also things, which I think we would be looking at. So, at least now, it has been very timely that we have come up with this new CBS platform. So, in terms of that, we have actually given a lot of this thing on security.

So, the SOC, the NOC, all those things we have completely looked at it, even monitoring in terms of the dark web, what is happening, what are the kind of things, everything we have done. That is another area where investments we have done. I think that is also an area were going forward some of the areas can still have impact. But otherwise, I do not think demand or delinquency is an issue which would be too much of a concern right now.

Questioner: You mean to say that there can be some compliance related cost?

Management: Compliance related cost, yes.

Questioner: So, rate cuts, we think for our case, at least the spread is improved. But normally, let us say, at this point that we are sitting now, we are expecting some bit of compression in this year going forward. So, but thankfully, the keyword we saw is slightly lower compression compared to the expectations. So, how are we assessing this spread compression for the full year? How are we looking at the spread number for us?

Management: We are confident we should not, we will not go below 2.75 spread, because the way our liability side we have modified or we have managed in terms of the liability side, I think we are much better off, I would say. One, because we took a very timely decision in early 2024 to shift all our loans from MCLR-linked, EBR-linked, so basically to the repo-linked. So, in fact, whatever

borrowings that we have on the banks, everything is either linked to repo or linked to EBR. So, that way we have a much, it will be less volatile or in that sense, that is one thing.

Second, in terms of our mix, we have a, we have also worked on our short-term borrowing, because that is one thing which can have an impact where you have a -- where you can, liquidity can be a little bit of a challenge and you may have to therefore pay a higher price. So, we have reduced our reliance on short-term considerably, if you look at it.

We were at a point in time almost 11% to 12% of our borrowing was CPE, which we have now come down to below 7%. Our internal benchmark also we have put that we will not go beyond, go beyond 7% of our borrowing to be CPE-linked. So, that we have been constantly looking at it.

So, that is another thing we have done. So, that is on the liability side, we have kind of done some changes, modification, whereby we believe, even this quarter for that matter, we have, even the worst case scenario, we believe that if our borrowing cost, which is around 6.98% may max, max go up to 7.03% in the worst case scenario for this quarter also, because that also may not, may not happen, that it is a different thing, because we are constantly churning our liabilities also.

Questioner: It is duration, but you keep the duration max, though you are looking at taking advantage of lower cost in short-term, duration is always?

Management: And we also have almost INR4,000 crores, INR4,500 crores at any point in time as sanctioned, unavailable limits we are carrying.

Questioner: For that you will need that?

Management: We are carrying that also, plus this CPE also that we are talking about, if you look at it today, including our EMI, including our prepayments and everything, on an average, on a monthly basis, we are getting somewhere around INR800 crores as the collections. So, we are also seeing that at no point in time our CPE is more than INR2,500 crores, that way, so that effectively we are also seeing that that way we are quiet, equity wise it is not a challenge.

Questioner: Sir. the bank has how many directors?

Management: Right now, bank per se has one, one because there is one vacancy or an MD of Canara Bank and [inaudible 52:10] after that, then a new MD, it took time and then now of course, that position is still vacant. But otherwise, we used to have Raju sir was there and one other ED from the bank.

Questioner: Two of them were there?

Management: So, technically of which currently one is vacant, then we have the DMD who is on a, comes on a deputation from Canara Bank.

Questioner: Bank has how many DMDs, sir?

Management: The bank has 4 EDs.

Questioner: 4 Eds?

Management: 4 EDs, MD and 4 EDs.

Questioner: And any attrition issues with the numbers?

Management: We have about less than 15% is attrition, this is including the sales team and everything.

Questioner: So, net monetization expense around 15% advances top line also?

Management: This year we are targeting 14%, this year we are targeting 14%. And then next year we should slightly inch up also.

Questioner: I think that the advances, I mean the long growth of 14 and the repayments pushing back will be the poor?

Management: Yes, that is true, that is true. Today, in fact, on the liability side or anything else, we do not see or the delinquency or we do not see. So, growth and our inspecting is that whatever is the predicament, we will ensure that if required we have to push forward, there is a scope to push forward. So, that we will at least maintain a steady hold.

Questioner: And when do you think this bank rates will actually go up? Because 7.15%, 7.25% as you mentioned is too attractive. Unless that actually goes up by 50 basis point, are our people migrating to banks?

Management: Our biggest BT-out is first to LIC, highest amount of LIC housing because they are also offering almost equivalent to, like banks at least are on the ticket size a little higher in terms of the ticket size. So, banks are not the first, LIC is also there in our segment of INR25 lakhs and it is also offering almost a similar rate like banks.

Questioner: How is the LIC then? We are also AAA right?

Management: We are also AAA.

Questioner: Borrowing cost should be the same for both of us?

Management: So, I think they operate at a lower spread.

Questioner: Because that is the...

Management: We are having around 2.8%, to 2.83% kind of spread in the operator in the 2.8% plus marginality of 2.8%. And they are I think what the 2.35% or incrementally probably little lower also.

Questioner: Thank you so much.

Management: Thank you so much.