



“Can Fin Homes Limited

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Management:

So, sector if you ask me, I think the fundamentals are still there, there is no issue on the fundamentals in the sector because in terms of growth, in terms of demand, in terms of everything, there is a -- everything still is there. To some extent of course, growth in the affordable per se -- standard of affordability is slightly come up.

But otherwise in terms of the project launches, in terms of the demand, in terms of urbanization and all those things, the story is very much intact, so fundamentals I do not think is much to worry about, we still see a long runway for the industry and all. Over a period -- in fact, if you see the general delinquency levels have also, in fact, improved across the industry, if you otherwise look at it because in terms of the internal -- the way the internal policies, everybody has been looking at it, lot of other tools like risk tools and all those things that everybody has been adopting and things have been improved.

So, across the board, if you look at it, the delinquency levels have also been there. I think the only couple of issues are that one is regulation wise things are -- because one major change that happened was that regulation moved from NHB to RBI. So, since then RBI has been looking at it from a different kind of a thing and RBI obviously with its experience of having regulated banks and everything, they look at the regulation a little differently.

So, some of the things in terms of regulation which was, I would say, not in line with the banks, some of the things therefore are coming up and are being raised and lot of correction is happening. So, that's one of the reasons why overall as an industry there is some kind of negative sentiment or a lot of issues keep coming up. A couple of small, small HFCs have also had issues.

So, that is also there. So, but in the long run, I think it is only good for the industry because if you look at it some of the regulation that is coming up will overall strengthen the housing finance companies in terms of -- just to see that housing finance companies are doing more of non-housing activities. Therefore, the PPC criteria had to be brought in.

Housing finance companies were just overcharging the customers. So, the customers were obviously -- so that slowly is coming in. Then insurance packaging and compelling customers to take insurance and that too not one but multiple. So, all those are the things which regulator is pointing out. And in the overall scheme of things, I think in the long run, it is only better.

And the industry will only come out stronger in this side, I feel, because for those who are actually doing pure housing, who are in a regulated space and who have not strayed too much from the regulatory aspect, I think there is no problem for them basically. Today, for example the last two years, I am sure there would have been about eight or ten new circulars or advisories should have come.

I don't think even one sleepless night, we've had that kind of thing. So, I don't think things like that are also for people who have been literally following the guideline. There is no issue, frankly speaking. And in the long run, some of the players where this has happened will eventually come out stronger because, as I said, fundamentals of the industry are there is no problem. Okay.

Other challenge has been in terms of the, so has been in terms of the yield and the spread, which in many cases they have. So, that, of course, is one area where there is a bit of a challenge some

of them are facing. And to maintain this kind of ROI, ROE is a bit of an issue because there was a time when the gearing ratio is to be very high, the short-term borrowing and ALM mismatch used to be high.

Now, all those things have overall changed. That is also one of the things why now to have a 20 -- an ROE of 20 and all on a sustainable basis is not something which is very likely.

Questioner: But what is the highest leverage that we have?

Management: We are now at close to six. We were at 6.4 in March.

Questioner: And what is the level we have?

Management: See, up to 8, even the rating agencies do not have a problem. I think...

Questioner: We deliberately want to?

Management: No. So, right now.

Questioner: But only for parentage, so new and LIC housing, they are fine.

Management: That is fine. I agree.

Questioner: But for real housing, it is four times only.

Management: I agree. I agree.

Questioner: Because they benchmark with microfinance companies?

Management: I agree. So, there is a difference. In our case, I think we were double A plus when I charged it 23. At that time, the discussion was that 8 is something. So, we showed that we will be keeping it below 8. And that's the -- within a year, we'll bring it back. And that was the comfort we had with the rating agencies. And since then, we've always kept it below that.

I think, therefore, anywhere when it touches 7.25, 7.5 is when we may have to look at something of an equity or something. But as of the moment, we are well below that. And right now, to your question, answering to your question, why we have kept it low, it is more because today we are out of AUMs have been at around 11%, whereas our ROE is around 18.

So, net of the increase, even after dividend we have about 14, 14.5, which is the accretion to the book. So, the day we start growing beyond that is when the gearing will start going up. Right now, I know gearing is...

Questioner: We are going below that, sir.

Management: Right now. But the way we are projecting, because we had a couple of years and now in the last six quarters, if you see growth is back, we are -- last year we grew at around 23% the whole of last year in terms of disbursement. And this time also disbursement is at 29%.

- Questioner:** So, net effect, sir, 35,000 and FY24, FY25 was 38,000 and FY26 was 42,000. So, net is only 10,000?
- Management:** That is last two years. It is correct. That is correct. But that is the years when we have a growth was also restricted. And now the last six quarters, we are having a good growth. The AUM growth is also picking up. So, we were almost below nine. Then we reached us nine, then 10.4 last year. There's now first quarter, we are at 10.8 and it will slowly pick up.
- Questioner:** Sir, I mean, I think the biggest concern for the market also is the growth thing, because we used to grow at 15%, 20% and then it came to 15%, now at 10%, right? So, LIC trades at 5% growth. So, it trades what, 0.5x, 0.6x more. So, that growth is the single most important thing, which is kind of missing. Can you give us more? I believe that Karnataka issues are behind this?
- Management:** Karnataka is almost, I wouldn't say 100%, but it is almost like we are now stabilizing at INR230 crores to INR250 crores even now. By the end of the year, we should be -- this is around INR3,500 crores for the full year in Karnataka, which would be 20% growth. Whereas last year we did a little less than INR2,700 crores.
- So, from there, INR3,500 crores will be a 20% growth. That is what we are targeting. So, Karnataka is -- after all the issue is back. Telangana also is now almost sustaining at INR100 crores plus continuously for the last say eight to nine months. So, there also we are looking at improvement. And this year, first quarter, all the zones, including Telangana and Karnataka, were also positive.
- Last year, in fact, Karnataka and Telangana started with a negative and then slowly picked up and end of the year, Karnataka turned positive for the full year, but Telangana was still slightly negative. This year from first quarter, all the zones are in positive. Even the thing, so growth, as I said, so last year we had a 23%, which was 10.4 and our AUM inched up from 9 to 10.4.
- This year, again, we are looking at a 25% growth, around 23%, 24% growth this year also. We are targeting INR13,000 crores disbursement as against INR10,500 crores last year. That's also 23% growth. So, therefore, this will again help in our AUMs inching up and AUM comes with a lag.
- Questioner:** What is the BT out, sir?
- Management:** BT out per se is only about 4%, 4.5%. Last Q1, total BT out was around INR408 crores.
- Questioner:** So, then what is the bridge, sir, that 25,000 -- 25% becoming 10%?
- Management:** So, I'll just give you the break up, see last. See, this is how it is. We had in Q1, INR1,837 crores was the total run down. This included amortization, part repayment, loan closures as well as BT out. So, BT out was only INR408 crores.
- Questioner:** So, overall was 4.5% was the...
- Management:** 4.5%

Questioner: Was the outflow.

Management: Yes. Then customers who have sold their property or they have moved one, sold and taken another one or some of the cases where surface EV have also sold some, all those put together was INR377 crores. The major component is INR1,072 crores is where customers have either amortization or where customers have made part repayment and the loan is still live with us.

So, basically it is a customer is taking a very conservative approach. Any excess money, they are parking it, they are reducing their liability.

Questioner: After one year, we allow full payment or?

Management: We do not have any kind of blockage on the company.

Questioner: Even next month, if I have, let us say somebody's bonus comes?

Management: That is what, so we have been very, very...

Questioner: But is it across the industry, sir?

Management: So, there are restrictive practices in the industry, which the regulator does not allow actually.

Questioner: No, [HDFC 0:09:53] does not allow it?

Management: So, there are such practices, which we do not. All private ones, when it.

Questioner: What is the [Inaudible 0:10:01] fixed rate, if there is [Inaudible 0:10:04] charges, which they can [Inaudible 0:10:08] But floating rate, they should ideally not, but they do discourage?

Management: So, it is something that there are practices like you cannot do after 25th of the month or after 20th of the month, no repayments will be accepted or you cannot make more than twice or in a quarter, you cannot make more than 3 MIs in one go. So, all those kind of things are there.

Management: There are sources of funds.

Management: So, those things are there, which in fact, regulator recently had raised this point also in one of the meetings that these practices are not good, you must stop it before it comes in the form of regulation. I am -- we are advising you to review your practices and take a look. So, this was already highlighted. So, I think if something more comes up in the industry in another 3 to 6 months, it could be on this also.

Questioner: So, then, so just talk about the 25% is my disbursal growth, 4%, 5% is the BT out?

Management: Overall about today on the opening book around 17% is my total rundown, including amortization, including prepayment.

Questioner: 17%?

Management: 17%.

Questioner: So, 25% minus 17%, 8 % we are left with?

Management: No, no, but 25% is on the disbursement, not on the opening book. So, today if I look at my INR42,000 crores, I am targeting INR13,000 crores, that is not...

Questioner: That is 30%.

Management: More than 30%, Yes.

Questioner: But, so because, but there is such a large outflow, that is why the net is only 8?

Management: Correct. But if you look at it that way on the opening we have 17%, which also if you look at the industry in terms of the -- because we have been very transparently giving this figure that, this is the rundown on a monthly basis, on a quarterly basis. We have been giving it for the last so many quarters -- for the last, I mean, more than two years we have been sharing this data. So, this kind of data if you look at it, the same rundown for other companies, I think 17% is not out of line.

Questioner: No, but then, but then most people are growing at 15%?

Management: They are growing at 15%.

Questioner: Probably they are able to disburse?

Management: That is because the disbursement has been there, which now we are picking up, which our disbursements are now picking up.

Questioner: The best case we can go to 15%?

Management: So, this year about 14%. Next year, I think we should be targeting more than 15%, because again next year we will be targeting more than 20% disbursement growth. So, if this year we are targeting INR13,000 crores, I am sure next year we will be targeting close to INR16,000 crores in terms of disbursement.

Questioner: So, that is the challenge for us?

Management: So, we have to continue the growth and disbursement have to grow at more than 20%, which is what we have demonstrated.

Questioner: What is the steps that we will?

Management: So, today there are basically two major things which we are, I think the driver. One is the new branches, because in the last -- post COVID, the branch expansion had completely stopped, which we started again in '23. So, in the last three years, we have opened 62 branches. This year we are targeting 28 branches. And of course, we close some non-productive branches also.

Net-net, 54 branches – 44 branches were added in the last three years and now another 28 net will be added. So, this is how it is. So, branches which are added new are obviously contributing

completely, because there was no waste. So, whatever business they do is a growth. The second thing is we have actually set up our own sales team.

And therefore, the idea was to expand our sourcing or diversify or improve our sourcing channels. That has also started giving results. So, just to give you a picture, like this is what it is. Last year, where the growth came from, we did 23% growth. If you see the growth last year in FY25, out of the INR8,500 crores, we had the new branches we had set up, they are just beginning to start delivering.

So, they had only done INR128 crores. And the sales team, which was only about 37 people and was an experiment started in June 24, that had done only INR183 crores. Last year, the same sales team has contributed INR868 crores, when the staff strength only increased from 37 to 82.

Questioner: What do you mean by sales team sir?

Management: Means our own people, otherwise it was entirely dependent on the DST -- DSAs. Now, they are not exactly DSTs, but these are all our own staff. They are on our rolls and they are...

Questioner: They are permanently employed or...

Management: Permanently employed. So, that has been a big change. The second thing is a new branches. Now, the branches obviously, they take 6 months, 18 months to break even and so on. Those branches last year have contributed INR863 crores. Now, just to give you a perspective in this year, in this quarter FY27, the same new sales team without -- I mean, we are still to add this team, the 82 has become around 84 or something only, has contributed INR276 crores in first quarter.

So, we are targeting INR1,500 crores to come because another 70 odd people we are going to add. The recruitment has already gone, some of them have started joining and things like that. So, entire of second half, we will have those additional 70 people also and we are looking at around INR1,500 crores coming from the sales team.

Same way, the new branches, they have added close to INR300 crores in the first quarter. So, there also we are targeting around INR1,200 to INR1,400 crores coming from the new branches also. And in the first quarter, they have, in fact, added more -- close to INR300 crores they have added. So, these are the two channels which are driving the growth and the branch expansion as well as the sales team increase will continue.

So, this will keep on getting -- giving us a result. So, the basic drivers for the -- where the growth is coming from, is from these two things.

Questioner: Eventually, sales team will become 400 people?

Management: This year we are targeting 150, next year it is around 250. So, these are the two major issues which will drive the -- will continue to drive the growth and of course, not to mention that we are diversifying, so now all the zones, like we had an issue with Karnataka, we were heavily dependent on Karnataka and Telangana.

They were almost doing close to 50% of the business and both the states had simultaneously had the problem at the same time. One had the issue, the other had this demolition and all those issues were there. So, we had to face this problem, but now with diversification, we, if you see our non-South business itself is almost now 40% is coming from the non-South geographies which were at a point in time used to be below 30%.

Questioner: So, in terms of geographical expansion also, sir, we are on track?

Management: Yes, we have, like for example, now we have a [Inaudible 0:17:19] we have now mostly North and West, we have added this thing [Inaudible 0:17:36], so we have a fairly good mix now.

Questioner: [Inaudible 0:17:42] number of branches the first pie chart. So, non-South in your target, you have said you want 40% non-South?

Management: 40%.

Questioner: As of now, sir, what has been it?

Management: As of now, in fact, incremental business, we have already more than 40% is coming from non-South and overall on the book also, I think it is almost that. 63%, 64% is South and rest is.

Questioner: So, now the new branches will be equally distributed or you will be more non-South?

Management: So, 3 years we did not open anything in Karnataka or Telangana and even in Andhra Pradesh and Tamil Nadu, we hardly opened few branches, but now we are now therefore out of the 62 branches that I mentioned, most of them would have been opened probably in the North and West only. Now, in fact, we are opening in other geographies also. So, this year we are looking at 10 branches in Andhra because we are seeing a lot of growth coming there. It is a very stable government, very positive decision making is there and we are looking at some expansion in Karnataka.

Questioner: Can we switch here to which one you want to put it?

Management: No, no.

Management: I need power. I have backup.

Management: Charging.

Management: We can put it in a backup. But suddenly it might not stop. I'll ask somebody to connect.

Management: No problem.

Questioner: So, just in terms of, if you look at the entire market also, I think that I am talking about entire housing mortgage market, that has marginally slowed down versus fast. Fast, it used to go 18%, now it's about 12%, 13% I believe. Some segments are growing only 7%. Less than 30 lakhs ticket, but it's growing only 7%?

I think that's 8 lakh total size and total 44 lakh houses also growing at 12%, 13%. Within this, we are seeing PSC banks are aggressive across. They could be affordable or higher ticket sizes. 40% is with them only, sir. Whatever the data shows, 40% of the segment is with them and the remaining is occupied by NBFCs. Private banks are very limited.

So, my point is, if you listen to the latest commentary of PSU banks, they continue to be aggressive on mortgages, gold loans and SME. So, then there are twofold implications. Unfortunately, reports are not going up, despite pressure in liquidity and bondage going up. Even though you are not benchmarked with reports, somehow in the market, it will be percolating.

You will not be so free, even though you have your own cost of funds and you try to maintain the spread. So, that is one. If not now [Inaudible 0:21:19] Even though you are free to charge, this is your cost of funds. It will be determined by the price set by SBI. The second thing is, the growth should not be spurred, sir.

That was the main concern for the entire housing finance. Most of the managements could not make guidance, for some reason or the other. I mean, there are genuine reasons and all of that. But, if it is in spurts, again, valuations will be a overhang for valuations. On the other hand, PSU banks do not seem to be slowing down.

Somehow, on a roll, they are able to grow mortgages. Fantastic growth. So despite having the agility, connects of VSAs and being able to process fast, has changed in favor of PSU banks. Housing finance companies have lost that edge. We have seen LIC is going at 4%, sir.

Management:

I agree with you. The basic thing is...

Questioner:

HDSC Limited, that book, is going 6%, 7%. ICICI also 3 lakh per book, that is also going single digit. Somehow, traditional guys have lost out?

Management:

That is, see, I will tell you. Today, prior to the rate cut cycle, our best rate was 8.95. SBI was offering 8.4. PSU banks and banks per se are mandated to have a EBLR in pricing. Yes, and all of them practically have linked it to the repo rate. So, when the repo rate went down, they had to or were compelled to pass the entire 1.25% of 125 basis points to the customer.

So, that 8.4 has become 7.15, the lowest. In our case, since we are an intermediary, and ours is not linked to EBLR, we passed on 50 basis points. And let me tell you, among the HFCs, we have passed on the highest. We passed on 50 basis points to our customers. Whatever benefit we got on the borrowing cost, we passed on to our customers.

So, now what has happened is our 8.95 has come down to around 8.4. That is the lowest we are offering. So, today, if you look at it, the gap, which was about 55 basis points, has gone up to almost -- today it has gone up to almost -- we are at 8.4, we are at 7.15, it has -- 125 basis points. That is the gap, basically.

So, that is where the PSU banks and everybody is completely -- that is where the PSU banks and all are completely benefited. Now, when it comes to private banks, they are also offering at the

same rate, because once upon a time HDFC used to -- and I think this is not working now. So, once upon a time, HDFC used to decide the rates. But now it is SBI deciding the rate. Whatever rate SBI decides, accordingly everybody has to fall in line, including the LIC and including the bazaars.

Questioner: Actually, one more advantage is all the PSU banks are 1% plus ROI. So, they can price it very finely.

Management: Correct.

Questioner: And still make that ROS. There is no asset quality issue?

Management: So, that is the basic difference. Earlier, this gap used to be 65 basis points for us. Whereas now it has gone up to 125 basis points. That is the biggest advantage that the PSU banks and all are having. And of course, that is why PSU banks are no longer having capital issues or having any issues of that sort. Today, in terms of everything, they are absolutely fine.

The only thing is, if the rates, there is a slight reversal, then there will be some impact where this gap will further reduce. That will become slightly beneficial, probably, or it will become a little more competitive for players like us. Because otherwise, today, if you look at it, today, we do not give for the assessed income.

We do not give the surrogate income category. So, basically, our assessment and everything is very similar to what the banks do. We are also doing only documented income category. So, therefore, it becomes very difficult to have a differential other than the rate. So, a little half of 50 basis points, 75 basis points, we can still manage.

We can convince the customer because of the speed, because of everything else, but 125 basis points is quite high. But having said that, still, we are, because we are in terms of the ticket size lower than the banks, because most of the banks have 35 lakhs, 40 lakhs average ticket size, including -- all of them for the private sector as well as PSUs. So, therefore, we are slightly below the radar. So, for us, prepayment from the banks is not a major issue.

Whereas LIC and all, I think, because both of them are in the, again, 40 lakh, 50 lakh ticket size, average ticket size. So, they are directly in competition with the banks. So, it is easy for the banks to straight poach the book. Whereas, in our case, it is not as much. Today, if you ask us, our prepayment is not from the banks. It is more from the, from LIC and Bajaj. And that is it.

Questioner: If Can Fin were to sacrifice little bit on spreads, 2.8 to let us say 2.5, can the growth significantly be better? Can it make a difference or not much?

Management: It will make somewhat of a difference. But I think overnight, I do not think it can make a major difference. It will make a difference. It will definitely have an impact. I think because as I said, 10 basis points cannot make so much of a difference because 125 basis points is a lot. But having said that, today, we are not actually competing with the banks.

Banks are at 40 lakh, 35 lakh, 40 lakh, 45 lakh average ticket size. We are not in that business. But in our segment, I think we are pretty well placed. And I think once our -- this IT transformation, which is another month or so away, once that is also done, I think we will definitely have a bigger impact.

We will definitely have more people on the ground because we are looking at about 78 or people which will be able to pull out from the team and will be able to put into the field forces, direct sourcing. So, this 1500 that I am talking about, all those things will definitely be visible then.

Questioner: There is a bold policy if new disbursements are being given at certain rate, let us say 8.2 now. Old also have to be repriced?

Management: Yes, we do it. We have been, in fact, that is why I say we did not have a single **Inaudible 0:28:37**. Just imagine our incremental yield blended is 9.84. Our book yield is 9.82. So, when we passed on 50 basis points, we passed on to the existing customer and to the new customer. A new customer who gets a rate today and an old customer having a similar profile will also be actually enjoying the same rate today.

That is the kind of transparency that we have maintained. Which customers, of course, we -- our customers may not be really understanding it in that sense. But if you look at it, it is absolutely clear. 100%. Whatever we have passed on to the new customer, we have passed on to the existing customer. There is no change.

And another thing was when the repo rate went down by 125 basis points, 40% of our book was linked to repo rate on the liability side. So, therefore, we experienced a 50 basis points benefit. We passed on the entire 50 basis points to our customer. So, that is a absolutely transparently we have done that.

Questioner: Just one observation, sir, in terms of -- it is not a big number, but loans to sites, just observed during quarterly call, marginal increase, around 200 or so?

Management: I will tell you what is that. No, it is not more of a risk, but let me tell you. Basically, I will tell you. There is a guideline that if in construction, if you are taking a plot plus construction, then within 36 months, the peak of the output. He asked, I think he gave also. So, the guidelines is that 36 -- within 36 months, you are supposed to start the construction.

And earlier, when 36 months was the guideline, our policy was in 18 months, if the construction does not commence, then we will convert it into a site loan. And at that time, just like in earlier, there is a guideline also allowed that you could convert it from the original date. So, from the backdated, we used to convert it into a site loan and charge a higher rate of interest.

Thereafter, there was another change in guideline, which says that any change can only be prospective, it cannot be retrospective, even if it means there is a change of receipt. So, we then said that instead of 18 months, we let us make it 12 months. So, now, after 12 months, if the customer does not commence the construction within 12 months, we convert it into a site loan.

Customer can obviously come back to us whenever they start the construction and then from that day, we will convert that portion into housing or whatever we are doing for the construction portion now. But till that time, we will convert it into a site loan because classification loans has to be very, very clear.

Questioner: So, Can Fin has to provide higher also site loans?

Management: Yes. It is considered as a non-housing category. So, we are providing 100%. Risk weightage 100%. So, and in spite of that, our non-housing category is only about 17%.

Questioner: Yes. Right. Just last year also, I believe initially, the expectation was INR12,000 crores [Inaudible 0:32:04] FY26 initially. FY25 was ending?

Management: We were planning to have with INR12,000 crores. Yes. But eventually, when we went to the board and we had the plan and everything, it was toned down. So, I think from the first quarter itself, we said that now it will be INR10,500 crores.

Questioner: Yes.

Management: Originally, we would have wanted to do it that way. But of course, other discussions and all overall, now this is a little more realistic. Let us not push too hard for -- so, we toned down to INR10,500 crores.

Questioner: But now all those IT implementations, the equipment, everything is done, right?

Management: IT implementation, we have the first pilot happened in July, first week of July. Barring some teething issues, it went smoothly. Then another 75 branches, we have gone live in this month begin. Another 75 odd will happen next month. And last lot will happen in the first week of October. So, everything so far is fine. We have not had major issues. It is only because we need to hand hold the branches, we need to do the training. So, we have kind of done it in a staggered manner.

Questioner: Okay. So, fair visibility on the disbursement guidance?

Management: We are still confident. Year-end, we will be achieving INR13,000 crores. This month also, July, we have done INR900 crores. We have crossed INR900 crores.

Questioner: And how are the disbursement yields behaving?

Management: Disbursement yield is sustained at 9.8 plus.

Questioner: But assuming there is no rate hike this year. Then how do we see? Let us say this year RBI is like on a pause. And next year, if at all, there is a rate hike. So, our current spread, you see that getting better? It will stay here?

Management: At least, it will not go below 2.75, which is our guidance. That is for sure. Because we have also worked out that even if all the incremental loans we get at say 7.5 or something, say for example, whatever, the way we see it, our cost of borrowing will not see any major change beyond another

5 basis points to 7 basis points, which we will be able to compensate by way of a slightly better yield.

Because anyway, our slight mix is also anyway changing from little more self-employed, little more non-housing. So, as part of the Vision 2028 strategy, we are anyway slightly doing a little more of self-employed, so I think that whatever 5 bps to 7 bps will be managed from that itself. So, if that also happens, we should be able to maintain a 2.75 plus spread.

Questioner: Can there be improvements sir?

Management: Yes...

Questioner: What is the bottleneck in this sense?

Management: In growth or in...

Questioner: In -- first the spread, can there be 5 bps, 10 bps, 15 bps? Any delta is possible in the operating leverage? You said because of higher growth. No, you could have higher 10%, we could be 15%. So, will that lead to some expansion in margins?

Management: So, we are -- obviously mix is changing a little bit. So, we have a little bit of a scope to -- look at it. We believe that I think 2.8 is something we should be able to maintain. That is what we are looking.

Questioner: Which is last year's?

Management: Last year was -- Yes, we ended with 2.83.

Questioner: The same. Then what we get is the loan book growth. Loan book growth? Effectively that will be -- P&L will grow by loan book growth. So, there is no -- so, then it will be like between 10 and 15 or 14, like you said, somewhere around that number. Because there is no additional...

Management: Yes, because credit cost, there is not much of a change.

Questioner: 85 bps we have. That is where we will keep it.

Management: Sorry.

Questioner: Last year credit growth 85 bps, right? Last year. No, no, sorry. That was gross. [Inaudible 0:36:27] So, 85 bps.

Management: 85 bps. Yes, it is 0.85.

Questioner: And credit cost will also be 10?

Management: No change. We do not expect.

Questioner: We are very steady. The only thing...

Management: Not more than 10 bps.

Questioner: The only thing missing is the growth part, sir

Management: It is. So, as I said, the foundation for the consistent growth in terms of disbursement are now in place. And we are already seeing it for the last five to six quarters. It is consistently coming. The whole of last year we grew at 23%. This year also Q1 has grown at 29%. So, I think that this is there. Now, we have to build on this in the sense that we have to continue the branch expansion strategy.

We have to continue investing in our sales team. And we will have to, therefore, and that should continue to get us a 20% plus disbursement growth, which will slowly reflect in the area in [Chennai 0:37:25]. And if the rates actually the repo rates start going up, it will go down by a little. This 125 points -- basis point might slightly reduce because on the flip side also, the 125 basis points will probably pass on 10 bps to 12 bps only to our customers.

Today, like we said, 125 basis points translated into 50 basis points for us. Same way, 25 basis points will work out to 10 bps to 12 bps only increase for us. So, the 125 basis points gap, which is there, will slowly come down.

Questioner: So, probably by FY28 and [100 points 0:38:13], the young growth might near by 20%?

Management: It will be about 15%. Now, whether 20 is like 20, we are already -- FY27 talking about 14%. So, maybe it will be around 16% by FY28. If we continue to go by 20%.

Questioner: Just on the industry, any concerns of this lack of jobs [Inaudible 0:38:36] Hyderabad or Bangalore. Not for Can Fin but...

Management: We are also hearing that there are people losing jobs. Yes, there are job cuts, but they are also getting placed elsewhere. So, it's not that people are sitting at home. That is, I don't think the case.

Questioner: We have not seen any stress as such from that tech people. Even LAP portfolios also?

Management: In fact, our delinquencies in absolute value have been coming down.

Questioner: For Can Fin, yes, but for the industry also there is no concern on LAP portfolios? Only that less than 5 lakh, I think there is some stress?

Management: Small ticket LAP and small ticket loans, yes, there is a slight concern because that is absolutely assessed income where there is no stability and all those things. So, that is a concern, but we don't live in that segment at all.

Questioner: So, we are looking at priority growth. So, last year we were like 1080, 1085. So, ideally whatever is the growth in this thing, topline, eventually and the credit growth and all is very stable. So, that should get passed on?

Management: Around INR40 crores I think since it is getting hybridized.

Questioner: So, is there a special IT expenditure this year?

Management: No, last year the...

Management: Earlier it was capitalized.

Management: That is one part in this year and last year also there was one of in the previous year financial in the pact, income tax refund benefits and some DTA benefits were there to the extent of INR60 crores. So, that you have to remove from there.

Questioner: So, this year '27 also we will have that INR60 crores additional.

Management: No. No, INR60 crores additional will not be there.

Questioner: There is some extraordinary this year also, sir. This year, Yes.

Management: Earlier IT expenses were capitalized this year they will expense out. So, people are getting impacted. There is a positive impact. IT will depend. So, INR100 crores of delta.

Questioner: Which was our group in?

Management: Yes, exactly. Which should have been the core people. That is not coming.

Management: So, we are looking at flattish kind of...

Questioner: That is the...

Management: Yes.

Questioner: In terms of next year all this will be out of the base. So, in '28 it should be a completely normal year? [Inaudible 0:41:18]

Management: Yes.

Questioner: There is no wage revision and all pending?

Management: No, we have already done that in '25. Effective April '25. So, last year itself that impact has already come. Last year that impact has come.

Questioner: And this [Inaudible 0:41:34] which will go up because of the site expense by when will it nullifies?

Management: So, after that, that figure is going to be kind of stable. So, thereafter, as the book grows, this actually percentage will -- it will come up. It should again start coming down to closer to 18.5 kind of numbers. What will be 19 plus? Probably come back to 18.5.

Questioner: From AI perspectives a lot of your peers keep telling us very interesting things about how they are offering [Inaudible 0:42:06] interventions. Of course, for you, there are not many cases, but converting leads to actually much of the paperwork is being handled through these platforms.

Management: So, there are a lot of things that are.

Questioner: The entire thing is to reduce the data?

Management: No, there are so basically there are three areas where this will come into play. One is in terms of compliance in terms of regulatory aspects and risk mitigation and all those things. There are a lot of good tools available and that definitely will help better MIS, neural analytics and as well as early warning signals.

Now, AWS and all is also very -- good packages are available and they do a lot of things with AI also embedded in it. So, those is one aspect. Second is as you said bringing productivity improvement like tools which will give productivity improvement like self auto-filling forms, auto-filled up forms, a lot of work reduction in terms of integrations API integrations and all those things reducing the work.

So, those things are there and the third will be in terms of business generation. So, all three aspects are in some way to a small or to a larger extent being looked at by us also like in terms of the first aspect in terms of AWS we are looking at a very good AWS package that will help us plus in terms of compliances also we are a lot of things are now integrated in terms of Aadhaar, PAN, ITR, account aggregator, all those kind of things.

The second in terms of productivity yes, there are tools like a lot of things which were manual allocating into the system. So, that also we have put as part of our IT package and the third in terms and there are like tools for legal vetting -- legal LSR vetting and also those kind of tools are available with -- a lot of AI tools are available.

We are looking at that also and for business also like for example what to say, of course we have not gone for those bot calling for recovery and all those things we have not done that. We have also not done bot calling for new customer leads and everything we still have a manual this thing only because we feel you can immediately recognize when a bot is calling.

So, the response at least we are not comfortable and I am not comfortable answering to a bot I do not expect my customers to be comfortable so we are not doing it frankly speaking but in terms of bot assisting our telecaller in sentiment analysis that is happening we are also doing that. So, bot will help us in sentiment analysis whether the customer is interested, not interested, based on the customer's question supporting the telecaller in answering the customer those things we have also initiated that work is going on at our end also.

Questioner: One thing from annual report I think DTA has now become DTL is it?

Management: No, DTA has not become DTL we have taken impact of DTL in our CRAR ratio you are not recognizing that is why we have given that note. For transfer to special reserve we are required to create DTL but India does not want us to create that so in order to comply with the NHB requirements we have taken the impact

Management: Only for the CRAR

Management: Only for the CRAR

Questioner: Yes on the insurance income etcetera, how much is it for us?

Management: It is not much and again; we do not compare our customers property insurance is mandatory life is not so probably we have the lowest attachment ratio in the industry, right now we have only about 40% -- 42% attachment because we do not compel, it is not a mandatory condition for availing the loan. Right from the beginning even before -- now the consent management and everything has come into -- IRDAI has introduced.

But in our case right from that time I remember we have been taking that consent form from the customer. If one of the customers says I am not interested in taking insurance, that also is taken as a part of the documentation for us.

Questioner: So the current term policy can be attached to that?

Management: That can also be given or else they can, if they say they want to do it, then only we will do it. If they say no, I am not interested in insurance that is not a preferential.

Questioner: Property insurance means fire insurance?

Management: Standard fire policy that Bharat Griha Raksha policy that is a 10-year policy we are taking

Questioner: Right sir, thank you so much.

Management: Thank you

Questioner: [Inaudible 0:47:19] capital is this year right? Leverage is quite comfortable?

Management: Leverage is comfortable, capital adequacy is comfortable, ROE is there so even...

Questioner: Actually, more than leverage [Inaudible 0:47:32] straight rating raised after leveraging because some of these [Inaudible 0:47:38] 40% project but if leverage is crossing 4 times [Inaudible 0:47:44]

Management: We very comfortable with upto 8, we are at 6 now, 6.4 in March. [Inaudible 0:47:49] in June.

Questioner: And can dividend get increased? I think that...

Management: Last -- couple of years back [Inaudible 0:47:59] 20%. I think they have brought it to 20%. I think we have to stabilize and not go beyond that.

Questioner: So, 20% dividend they have...

Management: Roughly. Closer to that.

Questioner: What are the major pushbacks sir actually it is quite disappointing to see Can Fin at less than 1.5 -- 18% ROE. Growth is the only thing which is missing?

Management:

Growth is the only thing which is -- on a consistent basis if the growth, which should come as I told you I believe that the building blocks have already been put in place. Growth, it comes with a [Inaudible 0:48:38]