



“Can Fin Homes Limited

Investec Roadshow - 11.08.26 to 12.08.26 (3)



Management:

Make sure you fix that. Nobody wants to hear me talk a million things.

Questioner:

Theory about the prudence I think this is data based?

Management:

So, I mean, PGIM is essentially Prudential, but by some weird coincidence, there are two independent Prudentials globally, both are 150 years old, the Prudential of the UK, which is also 150 years old, even India, of course, because of their commonwealth heritage, or that's the ICICI JV, but the largest insurance company in the US and the 10th largest asset manager in the world is Prudential of the US, okay, and we are 100% subservient, even in India, much shorter, six years now in the current data, and we're also spread in America.

Fast-growing, small AMC, \$3 billion a year, primarily good and small-cap focused. The one thing that probably differentiates us from a lot of asset managers that you meet [Inaudible 00:01:04] is that we are relatively lazy investors, so we like to buy fast-growing companies, so growth is our core fundamental thesis of why we own companies, but once we buy it, we just like to sit for a long period of time, so probably not see us on quarterly calls, even if we own a company, we typically don't like to meet them more than once a year, because we understand businesses can go through their ups and downs, but broadly, as long as the fundamentals are in place, we're probably as bothered by it, India is a fast-growing economy, what is the point in moving around from there to there too much?

So, just to introduce myself, my name is Utsav, I manage the small-cap fund, I actually lead our staff financials analyst, and Vinay is also joining us as our CIO. So, that's a bit about us, happy to answer any questions in case you're having them. Just this thing, we're shareholders, I've been involved in a reasonable amount of time, we're keeping in track with all the numbers, so the idea of meeting you at the end of the meeting was to just sort of understand a little bit of the overall landscape and how you all are thinking of your own positioning within that, because I think over the last 10 to 15 years, the space has gotten crowded, but you guys have clearly not been bothered by that, or continued your linear trajectory through that. So, we wanted to understand how you all intend to keep doing that, what have you all changed, and so on and so forth.

Management:

So, obviously, since you already mentioned, we are basically promoted by Canara Banks, so by and large, the DNA of the company is to be a very conservative lender, just like a bank. And that's why the choice of the segment and the choice of the product that is there, like even within housing finance companies, where everybody is going after a lot of LAP and a lot of cost of growth and things like, we have stuck in the core area of funding for new construction, purchase.

And stuff like that, which is for the first house in the family and also for, [Inaudible 00:03:23] that's why we've selected to stick to our main purpose again, which is the new construction purchase, which is the housing, and also in the documented income space, just like it is in a bank or an RBI kind of a thing. So, we do not have any, basically the affordable housing, while we are doing a lot of loans in the less than 20 lakh segment, we have almost a 16,000 crores book in a below 20 lakh ticket size.

But we do not do the affordable in the sense that we do not do the appraised income or the processed income or surrogate income with the bank, average bank balance product or the

multiplier product or things like that. So, basically, although we have a very large book below 20 lakh ticket size, we still are considered in a regular player, not an affordable player. But then that prudent approach has helped in the sense that we have never had a NPA, GNPA more than 1%.

In the last 10, 15 years, I think our GNPA has never crossed 1%. And this also is after considering that we do not have a write-off policy. So, it is not even that we have written off loans and that is why our NPA is less.

But even without any write-off policy, without total, our NPAs have been less. If I were to just give you a picture, in so many years, I think our total amount which has written off for things like there was some power or there was a case where we have sold the portfolio and we have some short balance which we have not. All those put together has been about 18 crores in the entire 38 years of the company.

And even in case of the cases like fraud or something like that, we continue to show that in our books as a NPA for whatever balance amount that is spending. Therefore, our NPA today or PC also is actually including all those things. Had we excluded or had we written off that small, small amounts or after sale of portfolios and all those things, probably our NPA would have been even lower at around 300 crores, 320 crores a year.

So, that is the kind of thing. So, in terms of growth, we have, of course, because we have been mainly focusing on these areas, we had a steady growth. And we generally prefer that we would like to be growing at a pace slightly higher than the industry rather than running too fast or trying to be the top of the, we would like to be in a steady player.

That is where we have seen over 38 years, we have seen every cycle. We have seen the 2008 crisis, we have seen the 2018 crisis, ILFS and VSFL and all those things. We have seen natural calamities, we have seen slow growth rate, everything, but we have continued to have a continuous growth.

So, that is basically the thing. Now, in the recent past, what we have looked at is that in the recent past, we obviously from the growth point of view, we have worked on two things. One is we have had a branch expansion strategy because we were predominantly a south-based player till some years back.

So, we wanted to have a little more broad-based kind of a thing, geographic concentration we wanted to reduce. So, we have also expanded our network in the west and north and all so that we have a more balanced kind of thing. So, now at least from that 72%/28% south, non-south mix, we have almost come to a 60/40 kind of a mix.

Incrementally, definitely we have reached a 60/40. On the book also we are almost would be around 64/36 kind of a thing. In terms of the second thing we have done is we were more focused on a single sourcing platform which was a DSA. Almost 87% of our sourcing used to happen from the DSA channel which we wanted to slightly bring down.

So, that is why we said we will also work on our own sales team. So, there we have kind of set up our own sales team. Now, at least incrementally more than 10% of the incremental business comes from the sales team and going forward this will further improve. We want to take it up to around 20% up to be from the direct sales team and the DSA percentage should come down to around 60%. That is the plan we have. So, the last few years we have done almost 60 plus branches we have opened.

This year also we are opening 28 branches and that will continue. Second thing is in terms of sales also we are increasing and one more thing which we observed was that on the IP side we were a little lagging behind. Therefore, there was a need to upgrade our entire IP system.

So, in '24 we came up with RFPN and IBM was appointed as the system integrator and then we have also entirely changing our IP setup. There is a new LOS, LMS, NHRMS, Agar Data Vault deposit package and new FNA package. So, everything entirely is being revamped and that the IP implementation has just gone live.

So, we had the pilot implementation in five branches last month that is in July. This month we have again another 75 branches have gone live and by October 15th in fact all our branches will be live and the two months that we have experienced we have seen that you know barring obvious premium issues and some issues we have not had any showstopper, we have not had any by and large it has been going smooth. And I think keeping that in mind also we expect to have about INR3,000 crores disbursement in this quarter and for the full year we are targeting about INR13,000 crores as disbursement which would be around 20% plus growth.

Questioner:

I have a few questions regarding, protecting the chain. You talked about few things like which is changing your own sales by getting more business. So, what is the right to win? Are you targeting purely only prime customers? How do they source clients, customers?

Management:

See there are two things in that. One is of course they do from the market which is not normally BST or BNB does. And the thing is that we are also doing project tie-ups that is APFs, approved projects that we are doing.

We now have more than you know 300 approved projects, close to 325 approved projects which also they will be target, they will be meeting the builders and trying to get sourcing from there. So, basically there are a couple of challenges with the DSA in the sense that one is you know DSA will when they are bringing the cases you know we do not get to choose. Whatever they bring is what we from where we can choose.

So, our you know choice is a little restricted. Second thing is DSAs they also over a period they have the same limited customer base. So, they would tend to churn the portfolio and prepayment risk generally has been a little higher in case of DSA sourced book. That is the second thing. And of course we felt that you know it reliance only on one channel, anyway you know risk was always there. For high performing DSAs move out then obviously it affects the brand you know.

So, instead it is always better to kind of de-risk it or minimize it or reduce it by having alternate channels also. So, basically that was it.

- Questioner:** So, your entire book is prime book is it or?
- Management:** Not necessarily prime in the sense that we generally operate in the 50,000 to 1 lakh income segment that is broadly what we would say. So, you also we also have people like today 51% of our customers are working in private are salaried but in the private segment. So, they may be working in small, small companies also. So, not necessarily the real prime customer who would be you know.
- Questioner:** So, what is your acceptance criteria or rejection criteria?
- Management:** See when it since it is still you know almost 80% of our portfolio comes from DSAs they normally do the screening. So, once they bring a case normally it is not rejected because they know what is our kind of selection criteria but roughly other than that if I have to look at it I would say our rejection ratio is easily around you know today when enquiries come I would say 30% gets converted from us, 70% gets rejected because yes we do have you know many times customers may cause they are not necessarily looking for a housing loan.
- Sometimes you know norms are there. We have civil scores the rejections happen. So, all those people I think 30% of the customers would be eventually [Inaudible: 00:12:16] get converted.
- Questioner:** So, is there any specific thing which you are looking out to reject in the sense what type of customers would you reject or what type of customer do you attract? What is your right to win in the market? Because it is a very competitive space let us say.
- Management:** So, our right to win I tell you there are two things. One in our case we have a branch sanctioning powers unlike most of the cases where it is centralized. So, our branch manager and we have a fairly stable team.
- So, basically they are all quite you know aware of our policies, products and all those kind of thing and we have sanctioning power up to 35 lakhs even to the branch managers who are with us for a fairly long time. So, almost 75% of our sanctions today happens at the branch level where branch managers are able to immediately meet the customer and give the sanction. So, the sanction and what we are able to give comfort to the customer is very, very high. So, that is one major, major benefit that we have.
- Questioner:** But isn't that once again liable to small frauds? Because they have a check in and balance on the branch manager?
- Management:** No. So, we have that way we have quite a few internal checks and things like that. Like we have most companies they go for you know random audit or they go for a certain percentage, 20% gets audited and all.
- In our case 100% of the cases are reviewed by a CRM credit review monitoring department. So, while the branch sanctions it there is a CRM which you know always checks at the back end everything is there.
- Questioner:** Only if rejected by CRM which has been approved by the branch manager?

Management: So, we have certain no go trial methods. So, if those are there then the CRM.

Questioner: That would be limited?

Management: That will be mainly the critical ones. Other than that it is more of a you know somebody who is checking and saying these are the things you please take care of these, these, these things have to be taken care. So, by and large you know rejection we -- it is not a overriding kind of a thing you can see it is happening on the side.

Questioner: Then there has been instances of frauds in the past which was more at the branch level right and then what then it is the same process which is running, but maybe individuals are part of it?

Management: So, Yes. So, this CRM we have implemented only in '23, '24. That is when there is so many the frauds were there. After that only we have implemented this CRM where it now they are simultaneously checking all the cases and it is happening. So, earlier our disbursement was decentralized and our sanctioning was 100% decentralized, but now what we have done is disbursement is centralized because there is a you know double checking happening and the centralized DDs are getting this thing. So, we have withdrawn the check signing powers and all those things it is there and CRM we have implemented in '24 only October '24.

Questioner: But why not centralize your sanctioning department because that completely tightens the.

Management: Correct, but there is a lot of you know local related thing and once you meet the customer you get a lot of comfort which you know sitting somewhere you do not get. Many times that is also there.

Questioner: But you are anyway lending to prime customer right? Reasonably prime because you are not operating in the subprime space where this comfort is the most important criteria?

Management: Correct.

Questioner: You are not charging as well. So, then what is the point?

Management: But I mean even otherwise that is just as fast. I mean even if it is a centralized somebody sitting somewhere you know there are too many processes.

Questioner: From the point of avoiding frauds it is purely from that point of view avoiding frauds doing your own due diligence checks and whatever other checks you would want to do that just ensure that your underwriting is actually spick and span because in this business you will not know about problems long after they have happened?

Management: So, I was just explaining that you know even right now totally if you were to look at the portfolio of frauds and the portfolio of cases. It is a very, very small number. Number I mean in over 38 years if you look at it, it has been a very, very small number. So, it is not that you know because as I said the most important was the choice that the product and the segment that we have chosen itself is eliminates most of the -- a lot of such issues.

Questioner: Okay.

Questioner: The disbursements have been very strong for the past two quarters. But the repayment or repayment data at 17, 18 how is that hitting us?

Management: If you look at the overall industry I think 17% on a stand alone basis is not very high. Today also if you look at the same like we give this you know figure to our in our presentations. Okay? The same calculation is a simple math. Okay? If it is to the same calculation of you know what is the open book disbursement and run down and which is simple you know figure.

You will find that you know this percentage is not very different from the industry actually. What is however impacting is that you know we have had a -- you know in terms of the disbursement we need to pick up which now for the last five to six quarters consistently we have been growing. So, last year we had a 23% growth in disbursement from 8,500 it went up to 10,500 and this year from 10,500 again we are targeting a 23% odd growth in the sense that we are targeting 13,000 disbursement. So, disbursements are now consistently growing for the last five to six quarters.

Questioner: Is it correct? It is my understanding that it is an industry phenomenon we are seeing it in case of your CSIP or BO NAVAS or anybody I talk about even private sector banks. But is it that now some competitive intensity especially from PSUs are coming down or is it that some rate for which they were doing are they deepening now or is it?

Management: See to some extent there is a rate differential. That rate differential has become higher like you know before the you know repo rate cuts our best rate was 8.95 SBI was at 8.5. Today you know for the repo rate cut SBI has gone on to 7.15 whereas we have only come down to 8.4 because we are as an intermediary can only pass on what we get the benefit in terms of a cost of product. So, we have done that whereas SBI has had to pass on the entire thing.

So, today the gap is 125 basis points which earlier was only 55 basis points. So, that is there but again SBI or most of the banks are operating in the 35 to 40 lakh segment. So, out of my total run down that is there our BT out is only about 4% to 4.5%. The biggest you know chunk of this money which is coming back or the run down is happening because customers are making part repayments while continuing their loans with us. So, today what is happening is you know we are we do not have any restrictive practices on our repayments. We are not telling the customer that you cannot make a repayment after 20th of the month.

We are not saying we will not give you a statement of account. We are not saying we will not give you the balance confirmation or that you cannot take more than 3 EMIs in a month. So, none of those restrictive practices are there.

That is why customers are making more you know part payment whenever they get some surplus they are parking and you know reducing their liability. So, that is why you know this numbers is on the higher side but having said that you know if you look at it from the customers perspective I think we are being most transparent and we are we are actually giving the flexibility in the exact way RBI or the regulator wants it to happen. So, today like for example a month or so back there was a meeting where the regulator pointed out that you know there are these kind

of restrictive practices and we are urging all the HFCs not to indulge in those kind of things. But in our case we are already following. We are giving the full flexibility to the customer.

Questioner:

From this EMSILA, NUSEDAM quarter which we did which actually took place this quarter we heard the call we did our analysis as well. But just wrapping my head around one I know you have explained in the call but what was the need of it and what is the incremental inflation come because of that?

Management:

See actually what we have done is we had a 125 basis point reduction repo rate. 40% of our liability on the side was linked to repo from the bank term loans. So, we got on 40% of the book. So, therefore we passed on 50 basis points to the customer. Now, if you go back in time we had almost 70% plus of our book was again on the annual reset basis. So, when the rates actually were going up at that time we had a problem because on the asset side we could not reprice them on the liability side the rates went up.

So, we had our spreads were impacted. So, there was a need to do the matching in terms of our reset. So, we had to convert our portfolio to a quarterly reset which is also the industry standard today.

Now, that is what we did in first of April. Now, we were offering it to the customers when the rates were coming down but obviously customers were somehow it was not and for the last one and a half year it was remaining stable. Had it been coming down they would have rushed to us but now since it was not happening they were not coming forward.

So, we had to write to the customers take the consent and all those things which we did and therefore in April we have done it. The good part is now when the rates are going to go up we will not have the problem otherwise you would have had to it would have hit us now when the rates were going up because on the liability side it would have gone up we would not have been able to change for our customers. So, in fact from the -- you know matching point of view it is in fact it was the right thing to do and in the going forward it will help us.

But whatever it was you know what we have done is we have protected the spread. If you see we have been given a guidance 2.75. So, even after this reset we were able to you know ensure that our spread remains at 2.8 which in this quarter also up to the full impact. So, we started last year with 71% of our book being on annual reset on the asset side. At the end of the quarter we have brought it down to below 14%.

Questioner:

Sir, from a picture point of view what is the competitive advantage you get from your parentage? Be it in the form of cost of funds or in the form of you know in support from the parenting plan in net laying or utilizing that branch network?

Management:

So, that way we do not get a benefit. I mean it is a purely a transparent we operate both bank on bank and network. What advantage we get is one because of the parentage and their continued support as a shareholder and promoter and shareholder.

We get an advantage in the sense that today we are we can operate at a 6.6 -- 6x plus leverage which in the industry is not possible that is one advantage. Second is obviously we have a triple

A rating for all our you know long term short term and everything and I believe you know if tomorrow the backing of Canara Bank were not to be there I think you would probably be downgraded by one notch. You might probably be about double A plus because I know with the size and everything the rating agencies would not give a rating beyond double A plus.

So, I think you know these are the two major advantages plus the fact that we have the experience of Canara Bank on our board. We have you know of course now after Raju sir's superannuation we have that one position which is vacant. Other than that one ED anyway is on our board, Hardeep Singh Ahluwalia he is on our board and we have the BNB coming from Canara Bank on deputation. So, we have one staff coming from Canara Bank on deputation he comes with the as a BNB.

Questioner: Got it. So, leverage you can go beyond what is your maximum cap is the 7x or 8x?

Management: I think the rating agencies were comfortable with anything below 8.

Questioner: Below 8 got it.

Management: Below 8. So, we had -- we were still double A plus even with the Canara Bank backing we were still double A plus when we were 8x above 8x.

Questioner: Got it.

Management: Now when so we did have a chat and they said we will bring it down over a period and that is when they said okay fine if it is below 8 we will -- that is when the rating also upgrade happened. Now we have consistently kept it below 8 and I think anywhere if it is around 7.25, 7.5 till that time we will not be worried. If it touches that then we will have to look at some.

Questioner: I have seen that mostly the returns on equity have been pretty stable and in fact very robust and your growth is slightly below that which means you generate more cash than you can use. Why not step up dividends?

Management: I think we would rather increase our growth and try to achieve at 15%.

Questioner: That is not in your hands?

Management: No, I mean if you look at it in the next I think by FY28 our growth rates AUM growth should be about 15% because this year we are looking at a 14% growth and the reason was that while we were doing the reset in terms of our you know all those you know changes in fact policies and processes we were basically it impacted our growth. Today for the last five to six quarters consistently we are growing at more than 20% in terms of disbursement. So, the AUM will come with a lag and I think this year we should see a the AUM.

Questioner: But you do not target any growth right? This is we if there is a growth in the market is there a customer available you will take it otherwise it is?

Management: No, so we will not you know grow for the sake of growing. But if the market is growing at x we would like to grow at 2% to 3% above x.

- Questioner:** How do we do that? How do we take our market share from them?
- Management:** So, we do have a pricing advantage where definitely you know it is you know barring the banks if you look at it I think we have the lowest cost I mean among the HFCs I think we have the lowest cost of funds. It is just that we do not work on a 5% and 6% kind of spread we have chosen to operate in a fair kind of a 2.75 plus kind of a spread. So, keeping that mind we therefore are able to lend at 9 our blended yield is 9.8 which I think among the lowest barring by Bajaj or a LIC probably. So, we are able to pick and choose a customer.
- Questioner:** That is the reason you are able to take. And your 100% book is basically retail book. Do not do any developer?
- Management:** We do not have. We do not have any developer.
- Questioner:** And there is no plan also.
- Management:** No. So, it is not that we cannot do. In the past we have done some taken some small exposures. It is not that we cannot do. We may even look at it, but as of the moment we do not have. That is correct.
- Questioner:** That is that comes with risk which cannot be identified upfront?
- Management:** That is correct. So, that is why even if at all the board.
- Questioner:** Initial sales?
- Management:** See, today also even if the board decides to do it, I am sure they will not go beyond 2% of the book as developer banks. Or maybe 100 crore.
- Questioner:** It is like our investors they are telling keep a small speculative portion in the portfolio. Initially it is 5%. If that portfolio delivers good returns that 5% can go up to 15, 20 because it is done well. So, only in the wrong time it shows up?
- Management:** That is true. But then you should see that even when the whole market was going is going at 20%, 30% percent LAP, we have restricted it to below our total non-housing portfolio is below 20%. It is just 17% in the book today. Even after all those things. So, I think that way the board and the conservative approach of the bank and the board is quite feasible.
- Questioner:** That is your USP. So, I am just saying do not change your USP because the market is like that?
- Management:** Even if at all it happens, it will be solely because I will tell you today there is a both ways you can look at it. Today we are doing this APF approved projects. We have more than 300 approved projects. So, yes, we still are not able to penetrate that because we do not have we do not fund with our developers. So, that is there. Now, obviously, the appetite for builders is unlimited. So, we cannot, we do not say we will be able to meet all of them, but Yes.

- Questioner:** Within the rest of India portfolio which is so good and your self-employed versus salary. So, how does the RO will sort of change between the two in terms of are your spreads sort of better in one rather than the other? Or is the costly sort of disperse that higher than one of the other?
- Management:** No, opex wise I think there is no difference in that, but in terms of the capital requirement for non-housing obviously is higher. Housing by and large I think for us is in the 35% risk weightage. I mean because our ticket sizes are below 50 lakhs and very, very small portfolio would be having a 50% quoting, but non-housing entirely comes with 100% risk quoting.
- So, capital requirement is more. But in terms of risk again slightly it is higher, but it is not so high also that it is prohibited. And as against that we are charging about 0.5% to 1% higher in terms of the yield.
- So, therefore, we are more than compensated by doing that portfolio even after considering the impact of the higher capital requirement and the higher credit cost.
- Questioner:** So, broadly sort of you are changing the mix that you are targeting across three verticals right, which is south, non-south, salaried, non-salaried, housing, non-housing. So, broadly your ROA structure could not materially change?
- Management:** No, no. In fact, I think whatever little change has happened has only been to the positive side. We are seeing that our rate has only helped a little more in terms of improving our yield and I do not think that is enough. And going forward also I do not think we have materially changed beyond what we have now said. Whether in 80/20 or 60/40 is I think fairly.
- Questioner:** And on the non-housing side typically sort of what are the products that are going in the process right now and what are those individuals within non-housing?
- Management:** Non-housing.
- Questioner:** Non-housing. What are the products in that?
- Management:** LAP. LAP is the biggest.
- Questioner:** LAP. And typically what is the end-use that you like to approve within this category?
- Management:** We have also approved where it is for consumption. So, it could be for some you know medical bill exigency expenses or it could be for some marriage and family or education. But you know large chunk is also for an alternate investment. Like they buy Indi khata land or they buy some plot of land which we do not fund. But we will take some other property and give them a LAP so that they can buy the other plot of land. Something like that is also there.
- Questioner:** But is this something that you are attracted of launch?
- Management:** We do have a you know we do capture the use, end-use of it as to what is the purpose. Not from the entire book we may not, we do not have it because we started tracking it for the last you know two years. So, at least in the recent portfolio we know how much goes for what purpose.

- Questioner:** What do you do if it changes?
- Management:** What we do if?
- Questioner:** The purpose or the reason for this role. I mean if they use it for consumption you cannot do anything about it right any which ways?
- Management:** In a way we try to at least verify then whether there is a justification for it. If they are buying a land we would generally ask for some.
- Questioner:** For your own satisfaction.
- Management:** Yes.
- Questioner:** If you cannot do anything.
- Management:** So, that is the reason why you know LAP we have always kept it not a very high percentage. Today also it is just 8% of our book is LAP.
- Questioner:** So, one more one bigger question I mean talk down the Canara Bank holds 30% and they also have their own home loan business. So, is it a very complex relationship? I mean it would be far simpler let us hypothetically Canara takes 75% percent stake in this company and does all home loans through this and they also give them some space in their branches. Your size goes up. I am not able to understand this relation right now?
- Management:** So, first of all you know as a regulatory thing there has to be you know we have to have both are listed entities we have to have related party transaction whatever norms are there we have to keep in mind. So, today we cannot actually have a tie-up exclusively with Canara Bank and say that we are going to do it unless there is some advantage. On the other side Canara Bank cannot give us some extra advantage which is it is not giving.
- So, today even on a term loan side when we are going to and raising funds from Canara Bank they cannot give us a lower rate than what they are giving to a similar company of a similar rating and size and all. So, that that RPT norms applied that is point number one. Point number two is today you know Canara Bank for that matter has an average ticket size about 35 to 37 lakhs our average ticket size is 25 lakhs.
- So, we have a slightly different you know segment although both of us are doing documented income, but that is one thing. Second thing is you know technically speaking this this challenge which was there that has been partly addressed by way of this you know overlap of business guideline which RBI has come out with it came out with in December '25. It came out with this revised master directions where they have allowed this overlap of business guidelines where a bank can have a subsidiary or a group entity which is also in the same line provided they are meeting certain guidelines. So, that has been partly addressed.
- Questioner:** But has this been considered I mean just to consolidate both entities housing business merge it into one and then just one entity?

- Management:** So, I. So, actually in 2017, '18 in fact when the banks were not in a very strong position you know in terms of the capital and everything. At that time in fact the RBI had insisted that the banks should exit from the subsidiaries that is why we you know even Canara Bank reduced its rate from 45% to 35%, 30% and at that point in time there was also a pressure from the regulator to offload and in fact there was a instance where not once twice where you know Canara Bank had looked was looking for a to add somebody to offload a campaign. But of course things changed and it was more of a regulatory pressure rather than a.
- Questioner:** Intent was not there?
- Management:** Intent was not there it was more of a regulatory pressure. So, as soon as you know that passed you know they stopped it and since then they do not have and now that this overlap of business criteria has been clarified by RBI I think now the matter is settled.
- Questioner:** Understood.
- Management:** So, they do not intend to do it and in the end at the end of it you know we are only having a larger presence directly or through the group entity.
- Questioner:** In terms of your digital investments are they broadly sort of done and sorted or are you expecting to see another step up in?
- Management:** So, by and large you know most of it is done the only one piece one major piece a small thing will keep happening one major piece is that we need to also look at a CRM. So, in terms of the overall thing LOS, LMS and everything else it is already done. The CRM is a small piece which will be plugged in, but it is important piece that will be that is the only thing which we are now going to start, but that is a incidental thing really.
- Questioner:** Is there going to be a disruption because we have seen in other housing finance companies that whenever the IT system or subsystem has been implemented, however it tends to slow down to a couple of quarters?
- Management:** So, we implemented you know pilot in July. In June the same five branches had done about 26 crores, in July they have done 18 crores, but that was because it is a first month and it was only five branches. So, a lot of small issues which came up were handled. So, now in the second month when we have done 75 branches the same problems have not all come up, there has been a little less.
- So, now you know the impact will be further less and there has been not a single you know what you call a showstopper, it has moved cleanly no problem. It is only because we need to have a larger team for training for handholding support that we have actually broken up into four parts.
- Otherwise, today you know the way our implementation has gone, I think October 15 will be done with the whole implementation and I do not think we will have much of an impact. With all the training, all the you know requirement that team getting pulled out for implementing still in the month of July also we have done 900 crores.

Questioner: We know you have clarified it on the call, because Piramal created a little bit of disruption in the sense the IT there is a stress. So, I am just trying to wrap my head around why is that they are able to see some stress and none of us like neither you neither Bajaj housing is confirming. Seeing that stress. So, why is that?

Management: See IT I think you know implementation has had an impact in certain players no doubt about it. But you know when in fact I have mentioned this also when we went for a implementing we were very clear that you know the maximum disruptions have happened where the LOS and LMS players have been different because there is always a integration issue. Okay.

So, in our case we made it very clear that the LOS and LMS service provider will be the same. So, we have chosen Pennant which is also having an LOS and also an LMS. So, our LOS LMS so therefore the integration issues have been very much minimized. I mean they have been I mean we have not had a I mean I can safely say I mean two months of implementation 80 branches 86 branches gone live I do not we have not seen any disruption in any of those things.

Leading issues will always happen. So, I think the other issue which is happening is you know there have been of late a lot of things in terms of the you know cyber attacks and all those kind of things which is another issue which can happen to anybody. I mean.

Questioner: [Inaudible: 00:39:34]

Management: So IT, I do not think it is you know we will have a -- we have done through two months and we should not have a problem.

Questioner: So, a little bit again on the macro side. So, you know historically our ROAs have been quite stable like 2.8. So, that is what we typically call it. And you are seeing the mix is now beginning to stabilize although there is some headroom to go in terms of all the various categories. I think you have moved to the quarterly resets. So, I think you have sorted on that.

Is there any hindering factor where pulling ahead also your ROA should not gradually trend upwards? I understand ROE should because your leverage still has some headroom to go before you raise more capital. But your ROAs, I am not asking for a specific guidance but just business mix wise understanding your ROAs as per me at least I just put it on paper should ideally go upwards unless you intend to reinvest it back into maybe you know giving it at a more attractive rate or maybe reinvesting back into creating an infrastructure or whatever it is. So, how should I be structurally thinking of your ROAs?

Management: See in terms of our credit cost, I think we are at probably the lowest credit cost. So, there is no further scope for any progress on human labor here. In terms of opex, there is a little bit of a uptick which will happen only in this one year because we will have a little, the impact of this IT transformation will come, will kick in in this one year.

Afterwards, it will slightly kind of get absorbed. So, if ROAs have to go up, I think the only thing is we will have to increase the yield which to some extent there is a scope because we are having a little more scope in terms of our segment and our product and all those things housing, non-housing, salaried, self-employed and all a little bit.

So, we will have to look at something to improve our yields to further take it beyond our 2.4 to 2.5 that we are having right now in terms of our ROAs.

Questioner: So, from what I am hearing from you is as a management, you are comfortable with this range. Ideally, you would like to stick to this range. So, even if there is some excess money that is generated above and beyond that, you would like to reinvest it back into the expansion?

Management: So, that is something the expansion in terms of this, some more in terms of IT investments and all will continue. So, those things are there. Of course, our endeavour will be to see if we can improve the yield so that we can have a slightly better ROA. But in terms of cost or in terms of credit cost or opex, I do not think there is much scope or in further scope. Of course, our endeavours will continue, but how much scope we have, it is up to us. It is not much of a leeway we have over there to improve.

Questioner: And in terms of liability mix, broadly, is this where we are today is what we are now targeting over the long term or it is going to be a little bit more opportunistic than that?

Management: If you are saying opportunistic from the point of view of whether we will do more CPs and all to bring down the cost, I think we will not do that. In fact, I think there is a logic to our bringing it down from a 12% to a 7% of borrowing mix as CPs. And the 2500, because we on an average get about 800 crores as collections every month. So, 2500 crores in a quarter we have a CP book, that is fine. That is the kind of logic. So, I think it is more of a, we have kind of, yes, there is a template to this calculation, there is a method and that we would like to stick to that method.

Questioner: But how about NCDs?

Management: NCDs actually today we are not able to get at a good rate. If the rates come down a little bit, we will definitely want to take it because when the rates go up, then we will be at a fixed, it will be fixed. But today the differential I think is quite high. Today, if we are getting a term loan at around say 7.25, 7.5, we are getting an NHB below sub 7 blended cost. Then in that case, NCD, if it was around 7.5, 7.6, I think it would be attractive. But if it is at 8, I think that will not be.

So, that is the thing. If it is a, at an opportune time if it comes down, yes, we would like to, so we have an enabling provision where we have taken a shareholder approval for up to 5000 crores by way of NCDs. So, if the rates come down, yes, we will be able to take it and block our and fix our rates.

Questioner: Because that would be a very attractive way of doing business, especially with interest rates going up.

Management: Absolutely.

Questioner: What is your sense on interest rate? [Inaudible:00:45:18]

Management: I mean, a little bit yes, but I think if it happens, it will be good for us, the spread will come down. Right now it is 125 basis point difference between our best rate and the bank's best rate.

- Questioner:** In at least your prime markets, and I understand South is relatively more organized than the rest of the country. So you will have may be a -- just an industry question. Are you seeing lending practices deteriorate over the last sort of few years? And this is obviously nothing to do with the company. And I know you'd have to be a little bit diplomatic?
- Because see, from our perspective, right, we're seeing the entire lending ecosystem reporting probably their best ever NPA and provisioning numbers. And then we see data points where non-housing sort of personal loans are at an all-time high. And I'd say with Indian household debt, non-housing as a percentage of GDP is probably amongst highest it's ever been.
- So, we just can't seem to marry. And then we see these new SPS lending out on apps at 17%, 18% and people lapped up. We hear a story that is going into stock markets. Somehow can't seem to marry everything whether?
- Management:** So, I would put it a little differently that the regulator in the last at least two years has been very, very proactive. They have tried to bring a lot of quite a bit of regulation and controls. So, some of the things that at least guideline in terms of PBC criteria, current classification of loans into housing, non-housing or growing LAP as takeover plus top-up, top-up also be classified as housing. So, some of those practices are getting fertile. To some extent, yes, that is also one of the reasons why our growth overall has slightly come off.
- But I think in the long run, it is a good thing that the regulator is taking all those kind of decisions. Like as I recently said in about a month back, the regulator mentioned in a call up to all the housing finance companies about this restrictive practices in customers taking over the loans or making pre-payments, then not giving statement of accounts and stuff like that. So, those are kind of things one from the regulation point of view and two from the customer benefit point of view. I think the regulator is taking some tough actions, which in the long run will be good.
- Management:** Any other questions? So, just to summarize, we are going to be continuing with this, at least attempt to obviously no forward-looking guidance, but this last 15%, 17% ROE, 15%, 17% growth, that is our comfort spot and that is what we target for.
- Management:** ROE 17% to 18%, ROA 2.4, I think that is something we will get on to and spread not below 2.75 is what we will definitely need.
- Management:** And growth should also be there and growth.
- Management:** That should grow as quickly as possible.
- Management:** So that we do not keep diluting ourselves.
- Management:** Correct, correct, correct. That is true. That is true. Thank you so much.
- Management:** This was wonderful. Thank you so much.