



“Can Fin Homes Limited

Investec roadshow - 11.08.26 to 12.08.26 (4)



Gokul 0-End

Questioner:

Let's follow through micro thoughts [inaudible 0:00:02] and then we jump into a few things business. One is that if you look at the housing loans as a whole at INR44 lakh crores. You see gold loans are INR20 lakh crores. Personal loans are INR17 lakh crores, INR18 lakh crores and mortgages is not growing. And globally if you see mortgages is the biggest factor. The other observation was INR25 lakhs, growing INR70 lakh people were growing even more, below INR35 lakhs just low growth over the last 2, 3 years.

So what's going on. Because if mortgages is going to grow at 9%, 10%, 11%, 12% or if INR70-plus lakhs is growing that is, [inaudible 0:00:51], it's not mortgage market it's financing market of, working capital market rather than mortgage market. So what's your sense from over the years of experience of affordable to now?

Management:

See affordable per se is huge but unfortunately it is a market where the developer if I am not very keen under serve the [inaudible 0:01:18]. If you see also we started affordable housing way back in 2003 but it didn't really pick up that much in the time the government came in with CLSS and the incentives were given. [inaudible 0:01:31] in a larger scale the builders started coming in and by switching in with the business people that is where the incentives came.

Otherwise you know [inaudible 0:01:41] is a lower growing product. Unless genuinely people will not buy, people will not do it just for the investment sake like you have in a [inaudible 0:01:53] So it's only a need based kind of a thing so if there is an incentive, then there will be a supply will come in and that is you know you can expect people to also invest in it. Post CLSS you see again the incentive has been taken out of this whole thing. The segment is therefore not going today [inaudible 0:02:16] affordable form. Because that is a slightly slow moving product that is something that you can't...

Questioner:

Margins are not high, then holding inventory period, so the returns are much lower?

Management:

That is, that is the main thing where it will be an issue. Secondly, in our case, what is also happening is, it is also to some extent specific to the states like for example [inaudible 0:02:42] it is the same 5 states where development has happened nearly. If you see you know Karnataka, Tamil Nadu [inaudible 0:02:51] rest of the country, it has been much lower.

Only now you have a little bit of Rajasthan growing, UP growing but still if you look at it, many parts where there is a real demand like Bihar, Jharkhand, Orissa, West Bengal, still the state governments have not done any major thing to boost or give a boost to housing. And the real demand or the housing shortfall in that segment is prevalent in these states where there is not much.

So, we at least one good thing was some of the states like Bihar or now Orissa for that matter is looking at doing something in that space. Hopefully, there also something will come. Because

the other states which have developed have also developed because the state laws in terms of the transfer of property, in terms of the stamp duty, everything has been very well put in place.

The other states, they need to still sort out those issues for that, like today, people are already scared to go to some of the pockets [inaudible 0:03:55] because they don't know, their land, whether it will be a fraud or you will not be able to detect it because the site machinery is not digitized properly or the land records are not so very clean.

So, those are the issues why it is happening. As far as the first question of your [inaudible 0:04:15] housing mortgage is not growing. I think we really need to do something. Today, the availability, the speed and everything at which the gold loans are happening the [inaudible 0:04:31]. On the mobile also, you are able to do it. But when it comes to mortgages.

Questioner: It is a long process. And this is true asset creation versus consumption of gold. [inaudible 0:04:45]?

Management: So, that is also the reason why the documentation and process knowledge very little of innovation has happened. Today also, if you want to do a registry on mortgage and you want to do a Cersai search, today Cersai has been in place for more than 10 years now. Today also if you go and do a Cersai search, you will not be able to get your record.

It will just show you a 20 pages of report will come and you select whether the property is there or not. It is not even like a simple property ID or a property number across the country. So, till these issues are sorted, mortgage as a percentage of GDP will really go up. It will not go up to that 20%, 30%, 40% like in other countries.

Questioner: So, it is a nominal GDP plus?

Management: When I entered, when I was, I started, it was around 8% or 9% today, it is around 11%.

Questioner: Nothing has changed. Nothing has changed. It is going slightly ahead of nominal GDP. And that is the constraint. The second thing is that if you look at urbanization, it is a concentric circle. Those 30-40 centers, the interesting satellite imagery thing, you get the data and the same things are just increasing?

Management: Correct.

Questioner: New centers are not coming. And in urban centers, getting for INR10 lakhs, INR15 lakhs, INR20 lakhs is getting impossible in a city like Indore or Lucknow also so that's why everything is INR35 lakhs, INR40 lakhs plus. And then if you do that math of 10 times income for mortgage, does that still hold and that is also a constraint?

Management: No. When like for example, when I started off, it was, I remember it used to be 3 years of annual income. That was the kind of multiplier for annual income. Let's say you are earning, you will be able to get 3 times your annual salary as your...

Questioner: Now, it has become 10 times?

- Management:** It is better than.
- Questioner:** Not 10 times?
- Management:** Not 10 times. You will get about annual salary. Three times annual salary. It may be little more than that 4 times. 3 times-4 times. So, it is not grown by that much because eventually the logic is still the same. Whatever is the [inaudible 0:07:16], or else the tenure of the mortgage it is not going to make much of a difference.
- Questioner:** Understood. And lastly, on this macro picture, because organized housing is not coming, as you are saying, builders are not interested, people live in dwellings. And I was just reading this extremely interesting book, Land as the Oldest Asset. And it just talked through 17th century, how monetization of land has been the biggest credit creator to invest in business. So, it comes to LAP, because if you can't have a mortgage, you have still built some structure.
- And LAP becomes the alternative because if you want to invest in your business, not everybody will have some asset has to be there. And that should be the largest segment there. Would you think? Then why would we be so averse to LAP that it should only be 20%? Logically, LAP should replace the mortgage for business loans?
- Management:** There is no this thing like that you can't do LAP. LAP you can do and nobody is saying no. The Housing finance companies they have [inaudible 0:08:27] BBC criteria. NBFC don't have a BBC criteria. So, they can do LAP to an extent. There is no restriction. Only thing is, because a housing finance company has BBC criteria and is specified as a segment.
- Therefore the, we are in capacity. In terms of rate of interest, when you borrow from banks or from this, it will be a little better compared to what you would get if it was an NBFC. So, there is an advantage of that. Because you are genuinely creating housing in a place for a segment where there is a need and there is a housing shortage. So, logically, LAP should become bigger.
- Questioner:** Than the mortgage market, not just smaller?
- Management:** Today, there is not much of a differentiation between HFC and bank or HFC and NBFC price. So, the arbitrage that is there is not there. So, already some of the housing finance companies have surrendered their license. They will still continue to do housing and more of LAP and operate as NBFCs.
- Questioner:** Or they could do more of LAP and then send it down or put on the balance sheet and manage accordingly. That is also possible?
- Questioner:** Logically, because of the construct of the economy and the inefficiencies, LAP becomes the go-to product than mortgage. Because formalization and all of those issues. So, that is the part of the problem?
- Management:** And also it is easy lending. Because you don't have to do all the new construction, stage wise, whether it is constructed. Here you already have a ready-made property of it. You can straight access it and give a loan.

- Questioner:** And in a better interest. So, LAP being less than the gold in open book, it will grow?
- Questioner:** Again, it doesn't make logical sense?
- Management:** LAP actually would be a large one. It's got INR13 lakhs-INR14 lakhs of housing balance.
- Questioner:** That's only housing finance. Fair point. That data we don't have. We just been looking at the data to how to make sense of the whole thing?
- Management:** There is a restriction [inaudible 0:10:48] on the usage of housing. It has to be 4 houses and 60%.
- Questioner:** Just on this disbursement point, we were looking at the data. Below INR35 lakhs, it is not growing, disbursement is not growing. Your AUM is flattish for last 3 years. Still, all the affordable housing companies which normally operate at INR15 lakhs-INR20 lakhs average ticket size they continue to guide for 20% growth. How should one think about that?
- Management:** See already you have seen the growth rate have shattered the players who have grown in the affordable space have started giving lower growth to the market because obviously [inaudible 0:11:34] Regulation of the economic rate is high the similar thing which was happening in that industry. It is also slowly getting regulated, getting approved. It's a big endowment.
- Questioner:** It will be tougher and tougher.
- Management:** In the long run, I think it will still be better. It will be, it is good if it is regulated growth rather than unregulated growth classification of the loan itself. Non-housing loan was classified as housing. You have given a loan for a house where after 3 years, it is taken over by another company by valuing it higher and higher amount is also given. Obviously, that money has not gone for new house creation. It is only a valuation game.
- Questioner:** Valuation?
- Management:** Then that classification was wrong. It should not have been classified as a house.
- Questioner:** So it's a circular thing which was going on for valuation purpose in the stock market or pre exit?
- Management:** These are some of the things which the regulator is now following.
- Questioner:** Wow. Understood, understood. Then moving from there to us. Let's say we are at INR40,000 crores-INR42,000 crores. So how much distribution and how much liability will play a role if we want to become INR1 lakh crores? Because we have the opportunity given the AAA versus so many and we have a deposit taking license at some point. How to think about both of these aspects to really scale our business?
- Management:** See I think liability is not so much of a concern now. Right across the, even in the affordable space, the players I don't think they also have liability as a concern. It is a rate I guess they will have to borrow at a higher cost. We will have to maintain a higher yield. Liability per se is as much a problem today as it was [inaudible 0:13:31] years back.

Today it is available. Money is available. Capital is available. That is also not a problem. The constraint in our case is more that we have to really push for a consistent growth which in the past, of course, has had its ups and downs. That is where the challenge is or where we have now been working on for the past years is to ensure that we have a wider network. We have a more sourcing avenues or sourcing channels. We have more connect with the customers because that is also something which was, we needed some work as to how we can balance it.

It is no more the kind of customer who was used to 10 years back. It is no more the kind of customer who is coming today. It is definitely not going to be the customer who is going to come tomorrow. So it is more like a cycle. We are used to giving loans. We have so far given loans to people who are probably so accustomed to standing in there, they have stood in the queue for everything. For taking an application form also, they stood in a queue. To buy a car, they stood in a queue.

Questioner: That was the economy.

Management: It is only 10 minutes. [inaudible 0:15:05]. All those things have to be done. That is what we are slowly putting in place. Because that is not the reason.

Questioner: Once you are there and you are able to provide those kind of digital journeys for the customer?

Management: If you are able to give them everything at the press of a button [inaudible 0:15:25] taking the loan and servicing it. I think the channel is not there. It is possible. Definitely, taking it to a INR1 lakh crore book is not something which we should be thinking of and we are thinking of it.

Questioner: How to think about branch economics or DSA? The distribution part of it. Each branch is doing about INR40 crores of maturity right now. The young branch are not doing. The new states are not doing. This INR40 crores can go to INR60 crores. We need to have INR1 lakh crores divided by INR40 crores to get the number of branches. How to think about it?

Management: Definitely not. Now with the IT that we are implementing, I think the scale can be definitely a different scale. You need not have the same like today you have a simple math of how many customers can be serviced. How many kind of people are required to be discounted. It will have to be reworked now with the new IT center.

It will have to be reworked. Efficiencies are definitely improving. And therefore, today what was done by say 10 people, the same thing can now be done by 5 people or whatever. That math will have to be reworked and accordingly you will have to redistribute your workforce right. Simple thing.

Just to start with today, the moment our IT gets implemented in October, we will see in a couple of months of benefit where we will be able to pull out 50-60 people from the job list. Today 30% of the work of the branches is going into servicing the customer. Customer boxing, we have to take a printout, give it to the customer. All that has to be done. And it has to move in that direction.

Questioner: So that 40 could easily become 60. I am just putting a number and that 60 has to go to 80. And of course, the number of 20-25 branches have to be opened as well?

Management: The simple thing that today if you keep on adding branches, you are adding fixed cost. Fixed cost is something which will have to be worked on. There is, the capex has to come down. The biggest problem, this is something I keep telling you. You know, the successful, even [inaudible 0:17:47] was successful, because opex is under control. If you look at their NIM, and their ROFB, their ROFB calculation, opex.

Questioner: Because credit cost is minimal?

Management: How much can you bring it down?

Questioner: Home loan, lease, 20 basis point, you can't, if anything it has to go up. Absolutely. So opex is the key. HDFC used to operate at 8%, 8%. You are at 19%-20% right now because of opex. So that is not, it should come to 14%-15%?

Management: And for that, you know, you will have to re-look at how it, whether to, you know, it's good that, you know, to say that we are having, this year we have gone up 50 branches, 100 branches, but you know, it definitely adds to the cost. It's cost to do opex.

Questioner: It's cost, but you have to get the productivity now?

Management: You need to have at least 3 people to run the branch.

Questioner: Absolutely. Absolutely. So how you improve productivity using technology, and the right balance of branches, and people, and everything else, will be the most critical thing to scaling. Liability for us is not going to be an issue for our macro. That means we need to grow disbursement at 20%?

Management: More than 20% consistently.

Questioner: Consistently to be able to get to that INR1 lakh crores.

Management: To be able to do a, you know, to reach AUM growth 18%, 18%. How to do it and then in about 4 years, 5 years, we can say 4 years more, we can, so we can double that.

Questioner: Yes. That doubling is. But this BT of 17% is very high?

Management: BT is actually only 4%-4.5%. 17% is including the amortization, including the part settlement. Today our biggest challenge is the part settlement. And I'm not saying it's a, it's a, it is what it is. Today, it is high also because we are not having any restrictive practice in our country. Like for example, we don't have the rule that after 20th we will not accept prepayment.

We don't say you can only make 3 EMI's, not more than 3 EMI's in a month. We don't say you cannot do more than 2 settlements in a quarter. We don't have any such restrictive practice. Which others are following, but it is not in our system.

- Questioner:** Understood, understood, understood.
- Management:** And in spite of that today, 17% is not the problem. 17% that we have as a rundown is lower than most of the other players. The problem is that we have to consistently grow at 20%. And to grow at 20% in between, we have had ups and downs. Which we have to consistently maintain. Last year we have done. This year already we have done well. We have to continue to do it at more than 20% growth if possible.
- Questioner:** And for that, it is about productivity, rolling out new branches, frontline space. And it's just about the opportunity is there to grow at 20%, even if the housing market is nominal GDP plus only, which will be like 12%, 13%, 14%. We need to get into newer areas, newer geographies. That is the crux of the problem understood. And what else is a constraint to grow at 20% plus growth?
- Management:** Today we have to, I think, I don't think minimum manpower is a problem because getting people is, there are enough people in the market. I mean, at our base, I don't think, right now, 20% disbursement growth is a challenge.
- Questioner:** It is 13%, 13.5% this year. It's 20%, it's INR15,000 crores, INR16,000 crores, and then INR18,000 crores, INR20,000 crores, which is, it's not a very large number relative to the, pace in?
- Management:** In fact, so far we have not done, no low hanging fruit in terms of yield. We have done some of the things to see that the, now that the Indian space, we have to just, you know, do the multiplier. We have, I mean, we will have to have, a more aggressive sales team. We have to do more of, now that in IT will be in place, we will be able to do data mining, more of, lead generation and lead the other teams. So all those things we will have to do.
- Questioner:** In competition from the banks, because banks are very aggressive, or Bajaj?
- Management:** Bajaj and LIC yes. Obviously, if you ask them today, our biggest players in place is Bajaj. Not just in the banks. Banks are still, banks are mostly in the, you know, INR25 lakhs, INR40 lakhs, INR50 lakhs. Banks cannot work in the, lower ticket size. Affordable housing in banks is not possible. Not many, banks have rights to do affordable housing.
- Eventually they have, gone into [inaudible 0:22:59]. But we define affordable as INR15 lakhs. If you look at that, that kind of, ticket size, up to INR20 lakhs today, we have [inaudible 0:23:11]. So we should be classified as an affordable housing firm. But we are not. Because affordable nowadays is being ticketed more as [inaudible 0:22:23]. Nowadays where you are doing appraisal, you are having a 5% spread, minimum 13% yield, that is affordable housing.
- Questioner:** And, the yield, within everything varies. It's a range of yields. The super prime is, very, very low spread business. And then salary, self-employed, affordable, every definition. But the yields are like, very, very different?
- Management:** The yields are different.

Questioner: What is a go and what is a no go for us? Like how do you think about this yield, mix?

Management: See one thing we know, I will say is, Ensign, because of its, approach, and transparency and all those things, I think, Ensign may not be operating in an area, I don't think where you will be charging profits. Like doing something with a 17%, 16% I don't think you will do it.

Questioner: These kind of things are where risk is high. Otherwise, you cannot do such things?

Management: Overcharging the customer that as a principle also is not something which is, in our area.

Questioner: Absolutely?

Management: If our DNA is to do things where, you know, we are fair to the customer, and we are doing things, by the reasonable spread. Yes. So maybe, you know, 3%, 3.5% spread, I think that is the, good kind of a thing. Some ticket sizes, we may have a little higher, some will have a little lower.

Questioner: As I told you..

Management: Today we are at 2.8, I think, you know, 3 is also very, very, very good to have.

Questioner: Sustainable 3 is a sustainable spread?

Management: And a good to have spread.

Questioner: If you, look at the last few years, we are growing, at a, like above INR30 lakhs, disbursal price. That is the, higher growth area for us. That is the focus area for us, right? Below INR20 lakhs, the growth is, like, lower?

Management: It has zeroed the market.

Questioner: So, also, we didn't think about the yield, as you, keep growing your portfolio, as you, focus more towards, INR25 lakhs-INR30 lakhs price, there will be some yield, the reference. Right? That is not.

Management: See today, there is a, there is no differentiation, perhaps, between what we are offering, and what banks are offering. I am saying, proper PSU, and banks are offering here. So, there is a, there is a scope, to slightly have a differentiation, in terms of the product, in terms of the segment, that we get yes.

That is something, we will have to explore, so that we can, look at something. Without, taking too much of a risk, obviously, because that is not, the kind of, you know. But definitely, some kind of a different feature, in terms of the segment and we can definitely, be looking at.

Questioner: If you look at, last two years, we have grown INR20 lakhs-INR30 lakhs, plus loans, at a higher rate. But at the same time, we have changed the mix, from, say, non-HL, slightly higher?

Management: Partially.

- Questioner:** And self-conferred, is marginally higher. So, that has helped us, to maintain, those kind of ROAs right. So, from here, what are the other triggers? So, if you keep growing, at say, like the higher, higher tickets, or even this, slightly lower yield, even at 10-20, versus point difference, would then, have some impact, on the, overall?
- Management:** I think, it is better to operate in a below, INR40 lakh segment, and, have a little wider, segment, self-employed.
- Questioner:** That kind of managing scale still be able to do for next 3-5 years, can be useful?
- Questioner:** Right. Then, opex this year, because of the tech trend, and the branch, 19%-20% is where, 19% I guess. And then, short term, you did mention on the call, that September, you will give an update, on technology, but, do we see any hiccups, in the early, 2 weeks only, so?
- Management:** No, no. July we did it, we did 5 branches [inaudible 0:27:37]. Some, leading problem, above this, I mean, first time, it all happened, then we have done, another 75 branches, in first week of August, they have also, gone smoothly, number of problems are less compared, to the first lot, because, some of the problems, we encountered, we resolved them, so now, the same problems, are now recurring, some problems, have taken a bit longer, to get us through there, next month, in first week of September, we will do another, round of 75, I expect further, it will be less, I think, there have been, not a single, first offer, in the, implementation, so far.
- Questioner:** So, any big disruption is unlikely?
- Management:** Little bit, like for example, the 5 branches, that we did, in the first month, okay, June they have done, INR26 crores, July, when we implemented, they did, they were able to do, about INR18 crores, but again, this month, I think, they are all, within 10-15 days, they have, the boys, have been able to, get the hang of the system, so they are now, able to do it, I think this month, they will be, back to the, old number, the second round of 75 branches, I expect that outfall will be, even lesser, because as a percentage, some of the problems, are not going to be, and we have also.
- Questioner:** INR13 crores, INR13.5 crores of disbursement, is not at risk, given how the technology implementation is that, because of technology, implementation, should not be there?
- Management:** I don't see the problem.
- Questioner:** Because of technology, it should not be a problem, there can't be any other, okay, cost may go up, some disruption, here and there, which is okay, part of the game, but, nothing more, that's not a problem, and once, the implementation, is through, then over the next four years, if you are able to grow, at 20%, this 19%, has become to 15%, will or somewhere?
- Management:** Yes, yes, will have to start coming down.
- Questioner:** Percentage point and something, we have to do that, to maintain the ROE, because the spreads, may narrow a bit, credit cost, is in a bad, so, we should be able to, just to maintain, that same

16%, 17%, ROE, 2.2, 2.4, kind of a range, that cost to, income ratio, which is at 19.5, that should slide down, because there could be, some?

Management: Today, if you are, able to maintain, a minimum, of about, 3.75-plus, given that our, credit cost, is about 10 bits, given that our opex ratio is what it is, is a little bit, of higher also, I think, we will be able to, still reach ROE, of about 17%, to 18%, not be a problem.

Questioner: So, then we should be much, higher ROE, maintaining ROE, is not the, target then?

Management: So now the only scope is, we have to bring down the opex, and slightly work on preliminary, so if a 2.8% spread can be 3%, and a 3.8%, can go to around, closer to 4%, and we work on, that is where the ROE, expands.

Questioner: And there is a potential, to expand ROE, rather than, be thinking about, contraction, all through the cycle?

Management: The next I think, what process is to see, whether we can take it from, 3.8% to 4%, the next 2 to 3 years, if we take it from, 3.8% to 4%, is the, is the way forward, this is what we, have to think of, and what, we are doing.

Questioner: So one thing, on this, if you look at, the other income, or pay income, for us, is just 0.1% of AUM. If you look at Bajaj it is 0.5%, if you look at other housing companies it is like, 1% to 1.5%, I know, we are not doing, some core innovations, or, selling down, of the books and, also one thing about, those right, I mean PAT is a, one of the bigger lever of, your ROE's, for some of the other, housing finance companies?

Management: That is true, we can improve, right now, our [inaudible 0:31:37], insurance market that is the only thing, I don't think, you know, there is a need for us to sell down, from the, book out, or anything of that sort, I don't think, it is necessary.

Questioner: Rather hold the portfolio, better IRR.

Management: But yes, there is a little bit, fee income, and, this, you know.

Questioner: Cross selling of insurance, is another?

Management: Fee income, I think, already, there must be, everywhere, the segment that we are talking about, there is not much of a slope. And anyway there is no scopes, even if. So, insurance, is one area, where, you know, otherwise, not to, not as a, as a, fee product, but more as a, security aspect of the customer, I think also, it is a good, and there is a little, split which we will work on, our attachment today, is about 42%, 40%-45%, I think, we would definitely like to take it up to, 50%, this or the, next year, so, that is a little, boosted up basically.

Questioner: But there are enough levers, to improve, ROE, rather than, just maintain, or see it decline, because other housing finance, companies, like 14%-15%, is, unless you are, into that 5%, 6%, in business, just, opex, is going to be, the biggest one?

Management: Opex, yes, and NIM, as we have, some, some NIM.

- Questioner:** So, let us say, you get to 80-90, [inaudible 0:33:18] what sort of an, opex ratio, should be, ideally?
- Management:** We are on 15%, so, we should look at, 15%, we are looking at, a [inaudible 0:33:34] ratio.
- Questioner:** We have to be 15%, so, most of the, funds, will also increase, like if you look at, Bajaj, when they were at, [inaudible 0:33:42], with same, kind of a AAA kind of a rating they are like, 20 or 25 basis points higher than us, it could be, because of the mix, but the ability, to raise, energy is at that price would have some, right?
- Management:** Definitely, definitely. Today I think you know, in terms of, the cost, we are at a, the lowest, at 7%, cost of borrowing, 7%, it is, it is a dream.
- Questioner:** Absolutely, absolutely.
- Management:** And, for the banks, point of view, also today, you know, we have been able to, we have been able to, you know, you manage well, and, banks are really, very, very supportive, but I think, that then also, they are under pressure, at this rate, they are also under pressure, so, how long, they will be able to sustain and up to what level, they will be able to sustain, I think at INR40,000 crores, up to 60%, is coming from banks, and INR24,000 crores from banking sector, at this rate, is one thing, but INR80,000 crores, from the banking sector, it will be something else, Yes, it is, so some of the, NIM, and I was talking, about some of, the yielding, will have to be done, even to ensure, that we don't complicate, our, our credit venture, and involvement, so, on the asset side, you have to.
- Questioner:** Then would deposits, get more, and more important, as you think of, INR100 crores?
- Management:** Yes they will.
- Questioner:** So, when do you start, because deposit taking on the, different technology?
- Management:** We have already started, right now it's not because it's on a small basis, small improvement but definitely it's because it's with me.
- Questioner:** Then talk about digital sales that is one area we have fully developed our [inaudible 0:35:42]?
- Management:** We have from first of all, you know, you've got a master to have seen our annual report as well as in our investor presentation we started talking about our master. We're trying to use that master to deliver it on that and looking at it to have more.
- Questioner:** Brand awareness?
- Management:** And visibility. And you might be like, you know, the moment, know, the way we are using the same master, all our communications everywhere. Over a period we expect to get a little more leverage out of that master. So we have launched something like called and the master is doing educational.
- Questioner:** So that generates people come read about and you know that this lead can be...

- Management:** [inaudible 0:36:43] we are doing the same master we are using for a couple of campaigns like a venture revolution. Okay, then we are using the same master to do some, basically carrying on the products like, you know, do top on our this PMA vice product, all those things for that also, we have kind of the same master to the different based on the fact that we are thinking of doing it on because we get to get more and reinforcing on that.
- Questioner:** Understood. You have to be content creation. So people come read, you know that these people may be interested in how we and that lead generation starts to find those help out in order to be able to find it this opportunity is significantly. This year, growth numbers are there. opex will be slightly higher. NIMS maybe 10, 15 basis point lower than last year?
- Questioner:** Last year we ended 3.85 or something?
- Management:** For the full year.
- Questioner:** Full year 10 basis point. We have actually added for 3.75. But you won't see any surprises?
- Questioner:** So the EPS growth is just the opex issue for the current year which is an investment for the future. Productivity for the future. So that's an aberration and once we get to the cadence of 20% let's say, then a 15% growth is very sustainable at 16%, 17%, 18% ROE. EPS growth will be slightly higher because of the opex starts to come through. So this can become a very consistent play which used to be 2008-2015 was like a high cadence producible. It should be. It's like a utility business?
- Management:** I think you know it should have a consistent between the 16%-17% that number you know. Just like HDFC added 20% somewhat 20%. Same way something like that we must get into that.
- Questioner:** All of this could be but the constraints is what sort of keeps. But then INR40,000 crores to INR1 lakh in a INR44 lakh crores-INR45 lakh crores market is kind of nothing. For a company it's a AAA cost advantage?
- Management:** Yes.
- Questioner:** It's just execution and the right strategy. And the technology platform. Otherwise it should be it's a game for banks subsidiaries with another AAA. Bajaj which has got in to stay?
- Management:** [inaudible 0:39:46]
- Questioner:** No, no. Exactly. So for all the other housing finance companies, it's a very tough game. But you have to find your niches which is away from the banks, direct competition and still safe because of the cost of fund advantage which gives scalability INR1 lakh crores is?
- Management:** It should definitely. We are in fact in general we are we have given exact targets for [inaudible 0:40:18].
- Questioner:** The vision is there now. So tech is there now. The distribution and when it gets into a cadence then it becomes like a winning formula sort of thing?

- Questioner:** So, not the CT, but overall, which we talked about from annual to quarterly. So how that will get stuck with me or is it a new normal?
- Management:** Yes, it has slightly elevated we have done internally some analysis and some work we have been doing with the fetching and another quarter down there I think this not seen there. So, I do not want to mention about the branches right now because somebody initiated it. We have analyzed what are the readings, what are the internal areas, some operational strategies and all. Let us see how it pans out.
- So I think in a quarter or so [inaudible 0:41:19]. Because right now there is one more reason is of course the rate differential is high. But at the same time you know there are also as I said you know we don't have any respective practices then customers come and make payment which you know I mean in other places also maybe that flexibility was given the rates would have been much higher.
- Questioner:** Then this quarterly reset will really help us when there is a change in investments. Then we will get the benefit of say 2 or 3 quarters we will get a reprise?
- Management:** Like previously when the rates were going up rates got compressed and came down to as low as 0.31.
- Questioner:** Because your borrowings got reprised and then asset side?
- Management:** Asset is a longer, longer time.
- Questioner:** So the more of a duration we how do you match the ALM. So these are in a very narrow bag because ultimately for a long term asset the ALM matching becomes, you can't take interest rate risk on the books as you keep growing?
- Management:** [Inaudible 0:42:23] very necessary. Today, I mean last year we started the year with around 71% of our assets on a basic basis which by the end of the year we were able to bring it down to 14 percent. So now the risk of interest rate is reduced substantially.
- Questioner:** Substantially reduced?
- Management:** And obviously we were benefited by the fact that during that entire one year there was no rate increase or anything if there had been a rate increase customers would not have even agreed to it they would have said no or let it be there.
- Questioner:** And the industry norm is quarter based?
- Management:** Everybody is on quarter.
- Questioner:** Why take that interest rate risk despite it being a long term product, you can't match duration 7 to 7 or any of those things are not right?
- Questioner:** I think you mentioned this on the call as well but we don't have the impact of some affordable companies having an impact on debt handover to debt realization so there is no such impact?

Management: So there is only one new guideline which says that some BDs which get cancelled in the next quarter, like BDs which are getting cancelled in the same quarter, that's one quarter, you are already cancelling it, your AUM has already coming down. But some of the BDs which are handed over in the last, sometimes they get cancelled again, in our case for the last full year we analyzed it was less than 1% impact overall, that also in the disbursement, in the AUM it was hardly anything.

Questioner: So in some basis 0.13%?

Management: In the AUM it was 0.13%, in the disbursement it was.

Questioner: 1.28%?

Management: Hardly anything.

Questioner: Geography also, things that arise in the issue that we had?

Management: It's not 100% but I think what is there is there.

Questioner: That's the base we can grow at 20%?

Management: This year already we have started Karnataka has started to growing.

Questioner: So most of the segments would contribute to the growth and then the new branches would be more into non-seventh state. So those will be no and then we'll add sales team, so those are the leaders?

Management: Exactly, all the branch expansions and new branches are delivering in the sales team.

Questioner: Going forward we will have to keep on adding people in the sales team one of the calls, maybe last quarter or quarter before that, there was an observation that the total write-off over the years has been a very miniscule number, so the credit culture of the organization it's not just near term, it has been a very, very good credit culture which is sustained over the site?

Management: Absolutely, so basically is the prudence or the conservative approach, so sometimes growth is glamorous but at the same time it has definitely helped it has ensured that the write-offs are zero unnecessary pressure on the board, so many other things are also there so you have to manage it, so I think it is better to stay and stick to the core and ensure that you don't compromise on that.

Questioner: So it's just been getting the execution engine to fire up?

Management: Yes.

Questioner: And technology being added and vision of growth of how it should be architected and then it's about just execution, because it's a very simple single there can't be too many complexities which we are trying to deal with and it's long tenured, so that stability is there so if we can get to 15%-16%?

- Management:** Consistently.
- Questioner:** Consistent growth AUM and 17%-18% EPS growth because of the opex, if the credit cost remains sort of in a bad it becomes a great utility part of the business, because mortgages should be like that?
- Management:** Yes, I agree, it has to be, we cannot be looking at quarter-on-quarter. We are in a long term business, we have to look at growth.
- Questioner:** If in 4-4.5 years you can get double that's the opportunity right size, right ingredients, liability, AAA it's all execution?
- Management:** I keep saying in our business, boring is good.
- Questioner:** All finance details and if you aspire for 25% growth you become troublesome so except Bajaj, consistency has been very difficult?
- Questioner:** So looking at 3 years-5 years-7 years-10 years compound has been at 19%-20%, so from here you get to that 19%-20% 17%-18%?
- Questioner:** EPS is a great outcome but a nominal GDP of 12%, if it grows faster obviously things change for everybody that's exactly what we have been talking about because it's a long term business people can see the runway for growth in this without any and I feel that even in the next 10 years this industry has a long run it has to it's like I, everybody intuitively knows when I was telling you about the book, like every economy without that property ownership, the wealth effect and the income effect doesn't happen, how much paper wealth can come down to the masses.
- But if it's property ownership is there, then the risk taking ability is far higher for growth so it can't be any different for India also if it has to really, really grow, so it's an interesting space to be in, from a very darling of the market to housing finance now being questioned as the array so 12%-13% utility with growth sort of a thing, we can still deliver because of our opex cost advantage and a higher leverage because of our [inaudible 0:49:45] which is added leverage we are at 7x 6-0 is the average, we are at 6.29 and if this were to go up to 7.15?
- Questioner:** You don't really need to sustain this ROE and growth, you don't need to dilute for?
- Management:** I agree, at this rate I don't think India will add on to it.
- Questioner:** Unless you get a 2x book or 2.5x book and then you dilute it makes sense otherwise these valuations to dilute is like right?
- Management:** Now that is not required right.
- Questioner:** And what do you think of Bajaj housing just your personal opinion because they talk about 25% growth, across straddling across technology everything so you know from a 2.5% market to 5% market of a growing market, is it that the consolidation in housing finance banks and a very few housing finance companies will be there or it will remain a very fragmented network?

Management:

No, I think they have been one of the very few cases where they were and now probably even Aditya Birla is looking very they are the ones who are the they have the space and the passion to again reach that kind of level, otherwise you know unless there is this kind of a passion for a group to do it you will do it.

Questioner:

We have all the ingredients the only risk which one sees and sorry but PSU leadership changes happen then the vision changes and that is the biggest risk to that longevity one sees so '28 of course you are there then either succession plan happens much more smoothly or you continue that is the only unknown in this entire story today. How do you solve for it if you are building all of these things as a team together how do you solve for it that it gets to that INR1 lakh crores or you know there is?

Management:

No we are actually investing a lot in terms of our every level you are bringing in the proper the proper even in the plans what is the level of the how we are going to do it we are investing in terms of training and those things we are definitely doing we now have a proper training center those things are definitely happening a lot of work also in terms of we are trying to template a lot of things so that you know the system is there to even if you know the we are always working.

Questioner:

Okay. Otherwise the organization can't deliver thank you so much we are shareholders we keep sort of adding as we see the opportunity market but we thought it's good to be thank you so much.