



“Can Fin Homes Limited

Investec Roadshow - 11.08.26 to 12.08.26 (6)



- Questioner:** We are recording for internally. Internally, we are putting up on our website. We are uploading all the transcripts. Quite some time we have been waiting. On the IT side, I think the question is more to do with -- okay, we expected that the transition will happen in first quarter, first quarter gone by. We have moved some bit of the branches, but there is still a large bit of the branches remaining to get transitioned. Any thoughts as to why we chose a step approach rather than just moving all together?
- Management:** So what we have done is as I said, we did 5 branches in the first month, that is July. So that we get a fair idea as to what are the issues. And...
- Questioner:** In April?
- Management:** No, we did it in July only. We didn't do anything in Q1. In Q1, it was more of training, more of all those things. Migration, everything happened. In July, we have got 5. 75, we have done in August. So far, there has been no issue. Even in July, we have done INR900 crores plus. We have done disbursement.
- This month also, the way it is going, I am sure we did not have a problem. And this quarter, the 75 branches also which we have done now, have also smoothly moved. And there will be, I mean, we don't expect even going forward any issues in the remaining branches also.
- So, I think transition is not going to make an impact. In the month in which we do the transition, it takes about 10 to 12 days, 15 days for the branches to get a hang of the system, the flow and all those things. That is the only thing it takes. So the one month, there is a slight dip. Then again, next month, it goes back. And it's up, so no issues.
- Questioner:** So as of now, you are saying we have done 5 in July. 75, you are doing in August?
- Management:** We have already done.
- Questioner:** Okay, it's already done?
- Management:** It's already done.
- Questioner:** Then the remaining will be happening in September?
- Management:** September end.
- Questioner:** And you are saying that barring some teething issues, there is no disbursement in practical sense?
- Management:** No. All the branches, just for the first month, the 5 branches that we did, they have done 26 floors in the month of July. They did 18 floors in July.
- Questioner:** Okay.
- Management:** There was a little bit of a gap, but that was because that was the first slot of 5 branches. There were some teething issues. Now the same, when we went for the 75 branches, some of the problems are already taken care of. They did not face that much of a problem that the first 5

branches faced. So that way, that is why it is there. So IT transformation, I do not think it is going to make an impact. But this quarter also, I think we will be able to do the 3,000 that we have targeted.

Questioner: If you think about the reason why growth was slightly lower, obviously you mentioned on the call, it is because of higher repayment rate. But this is a trend which is very peculiar to us in this quarter specifically.

We have seen large guys who are in either ticket sizes that are equal to or larger or probably even slightly smaller than us. I am not saying the purely affordable guys. But the large guys, they did not face the issue of repayment rate. So what are we seeing...?

Management: I think today also, if you use a simple way method, we are showing some of the run down in the portfolio, including amortization and [inaudible 0:03:16]. I think that 17% is [inaudible 0:03:21] after that, next? Who will be there next? For the next meeting, you are not clear?

Questioner: Yes. No. it might be the same.

Management: No, no. Somebody will be there with us when we go to the next meeting. Okay, we will be there. Thank you. Sorry. So 17% that we are seeing in the run down, I think is something which is there in the industry. You can do the same match for other players also. You will find that their run down is also almost 17% or above that only.

Questioner: But sir, in our case, last quarter was I think, fourth quarter was around 16 points something. This quarter, it stopped even more.

Management: Yes.

Questioner: Right.

Management: This quarter, actually, if you look at it that way, it looks that the repayment has gone up. But we have also stepped up the disbursement. So we have targeted INR2,500 crores disbursement and 1,750 as the run down. Okay. Our run down from 1,750 went up to 1,857. That is INR107 crores more. As against that, my disbursement, which we have targeted 2,500 was 2,609. That is INR109 crores more.

Questioner: No, sir.

Management: Okay. Net whatever we had projected as would be the increase in the book for the quarter. I mean, it has happened. There was a little run down. We have stepped up the disbursement also.

Questioner: So, okay. So maybe my -- so my question is not in terms of, you know, as missing the guidance or any of that sort. My question is more to understand that the rate is stable from the two quarter. There has not been any change in the headline record, right. We have also taken actions that were there in our hand in terms of moving people to quarterly. Right.

And it seems whenever we do channel checks, it seems that the intensity or the pricing, for the lack of a better word, pricing bore, that was going on the ground has sort of fused out a little bit.

And in all segments, not just prime, but even below prime and affordable, in all segments, what are what pricing sanity are.

So in that context, could we or are we seeing this repayment rate normalizing to say 16, 15.5, 16-odd, which would then sort of lead to slightly better growth. Because we are doing a good job on the disbursement side. We are doing that. I think from the last two quarters, the only reason why the growth has not reached the level that it could reach is because of higher repayments?

Management: Definitely. Correct.

Questioner: Obviously, something, some bit of it is not in your control, obviously?

Management: Correct, correct.

Questioner: But whatever is in your control, you have done it?

Management: No. Whatever is in our control, I am not saying we have completed it. We have certain things which we have initiated, certain corrective steps or certain analysis we have done and we are taking some corrective steps. I think one more quarter down the line, you will start seeing the results also.

Questioner: Could you give us a sense of what are these steps which we can stop?

Management: Sure, sure. There are two things basically. First is out of that 17% run down, only 4.5% is actually BT out. So that is not the major concern. Our concern is basically that out of INR1,857 crores, INR1,072 crores was customers where part repayment has happened. They are still with us. But they have paid more than their normal EMI.

Questioner: Okay.

Management: So one of the things is when we moved them from annual to quarterly, the rates went down, but the EMIs remained the same.

Questioner: Okay.

Management: So then therefore more approach, but that is a small component that has happened because of that aspect. The second thing is we do not have any restrictive practices in terms of prepayment, advance payment. We do not have any such thing. So, we do not have -- we don't tell the customers after 20th or 25th, you cannot make a prepayment with us. There is no such restriction.

We do not say you cannot make more than three EMIs in a month. We do not say that you can make only two prepayments in a year or two in a quarter. We do not say any such restrictive practices which in some of the cases is prevalent. It is not there in our place.

So therefore, customers are free to come and make a payment. There are customers, huge number of customers. Say for example, the EMI is 17,000, they will say we say they are up for every month 20,000.

Questioner: Okay.

Management: So the excess amount goes towards principal only.

Questioner: Correct.

Management: So we have done those kind of analysis and all, and we are trying to kind of, one thing is like, can we convince the customers? Now we are also offering 7.5% deposit. Why don't you put based on the deposit and retain your path first or something. So some such kind of things also is what we're doing.

Second for that 4.5% BT out, we are also looking at whether we have also tied up with the rating agencies, I mean, credit information bureaus, where we are getting alerts. Now we have just started this month only. That's what I said, one more quarter may, it can start.

Questioner: Bureau [inaudible 0:08:12]

Management: We get alerts. If our customer makes an inquiry elsewhere, we will get an alert.

Questioner: But for loan products?

Management: Anybody. We get for everything, any product.

Questioner: Okay.

Management: From that we choose. Okay. If somebody has gone for a gold loan, we will not mind. But if somebody is going for a mortgage loan, plot loan, housing loan, and something like that, then we make a call, try to understand what is the reason. Is it somewhere where we can retain the customer.

Maybe it's an additional loan requirement, or maybe it is an additional property, second property they are buying. So something like that, we are trying to. We have initiated those call center also. We have set up, we have the people and we are starting that.

So those are some of the efforts, which I think in a year, a quarter down the line, we'll start showing some results. So let's see, we, as I said, a quarter down the line, we should start seeing some improvement..

Questioner: Why not sort of indirectly restrict the customers in some of the ways, which you mentioned?

Management: See, that is not a good practice. In fact, on the contrary, I will say the regulator about a month back had a meeting and said that, you know, we are getting complaints. RBI has also been getting complaints of these kinds of practices. And we advise our company not to indulge in these kind of practices.

So indirectly, you know, a lot of things that are now on the regulation side happening, it is only justifying or it is only actually proving that what we were doing has always been right.

- Questioner:** So, yes, since you mentioned regulatory side, it's interesting to see that now incrementally the regulators become a lot more active, right? NHB was initially very, or earlier, very, for the lack of better word, docile, right? But incrementally, they are saying not to do this, not to do that. Do this, do that. They are giving out guidelines.
- Case in point being the cheque realization versus handover. Obviously, that was not a practice that we were doing, but lot of players in the industry were doing, right? How should we think of this or do you see any further areas where the regulator can clamp down for the industry, not specifically to us, but some practices barring this pre-payment thing that you mentioned, any other practices that you think they can clamp down?
- Management:** The pre-payment is one thing and the classification of loans is another thing which the regulator has been repeatedly talking about.
- Questioner:** Okay.
- Management:** In fact, they have found also certain practices which are not acceptable as per the regulation.
- Questioner:** Could you give some example?
- Management:** In terms of classification of loans. I think there was some article also that one was regarding loans which were not basically for purchase construction, but were being used as tools or were being classified as housing loans, whereas these have been classified as LAP.
- Then there are repair and renovation loans, where there was no supporting repair and renovation. It should have been a LAP, but was known as a repair and renovation. Then there are cases where even under this, see for refinance categorization, they have been classified.
- Questioner:** Correct.
- Management:** Those points have already...
- Questioner:** I think the refinance bit is very well spoken about?
- Management:** Yes. So, those are the things where some of the practices they have been doing it. Then this cheque realization, cheque handover is already there. Most of the companies are now getting impacted.
- Questioner:** Specified financial issues? [Inaudible 0:11:41] talking about?
- Management:** SARFAESI will not have much impact. That is a regulation, but it is not having impact. I do not think that will have a major impact. Some of the companies were actually reducing their NPA by whenever they do an -- when they acquire a property under SARFAESI, it will be netted off from their own assets and netted off from their NPA.
- Questioner:** Okay.

- Management:** Which obviously they have clarified that it is not there. Only if you are taking it into your books, and then only you will be able to net it off from your books.
- Questioner:** So, even if your assets are for sale, you can sort of net it off against advances? Can you still net it off against NPA?
- Management:** It appears that some of the people may have been doing it. That is why they have clearly said that you cannot do it. Because if you see the extra credit, say that, no, you cannot net off. So maybe that will impact the NPA a little bit because wherever the property is acquired, and now it will continue to serve as an NPA as a loan book also.
- Questioner:** Is it happening more on the affordable side or more on the...
- Management:** I guess it would be. I do not know if the LIC or anybody has already studied that.
- Questioner:** So do we see any worry on the upfront of DA income? Because for us, obviously, it is not that big a component. But most of the affordable guys, it is like 10%-15%-20% of profit. And this is something we keep asking them also. We are always worried that this is a treadmill, right?
- Management:** Yes, Yes. You are right. It's certainly in the same place.
- Questioner:** Correct. Till the time you use it as a liability tool, it is understandable. But then the income is also getting booked upfront. There are players who are like almost 45%-50% off-book. So, I mean, we do not understand how you can sort of -- maybe you are not doing it intentionally, but then it is a run rate, right? You have to...
- Management:** So, it may have -- these things, it is something like, you know, this you have already upfronted the profit. But if, you know, the portfolio runs down is faster, then you will see a net negative next quarter. So you have to do a little more so that, you know, you offset not only the negative, but also the -- so the same income to max, what was there in the previous quarter of previous year.
- Questioner:** Sorry, I didn't get the net negative.
- Management:** For example, when you are doing the front thing, what you do is you take...
- Questioner:** You take a discount?
- Management:** But if their unknown rate is higher, then obviously when the next year, when you look at it, whatever you're taking, it will be less than that.
- Questioner:** No, because upfront book, through the years, you reverse that. The reversal can be higher is what you're saying. Shouldn't regulators just come and say that you amortize it? As you collect, you keep showing that?
- Management:** So, amortization, at least now there is some guideline which is likely to come in terms of the income from the insurance piece. That they are saying instead of upfronting all the income, you

do it over the period. I think that is something because a lot of them are relying a lot on the insurance income. If this guideline comes, it will affect the profitability quite a bit.

Questioner: And this will come from NHB or RBI?

Management: IRDA.

Questioner: The IRDA.

Questioner: And for the DA in turn, India's rules are very clear that if you are doing it, and it has been the trend of the company that every time we are selling off the portfolio, then it is not, it could be amortized for, it cannot be upfronted. But this is happening, sir.

Questioner: Because you are closing the present value of cash and you are showing it in the same quarter that you have assigned the pool in that quarter?

Questioner: Maybe if it's a one-off, that we have not, we are not doing this, it's not a regular practice of the company, then it can be done. But if it's being frequently, then India's laws are very clear that you are breaking the rules, the conditional rules. So 20%, 30%, that has to be upfront. You cannot upfront it?

Management: Anyway, sir, how they're doing it, we don't know. We are at least not having any sales here. We have nothing offered.

Questioner: I think what they do is, if you sell a pool in this quarter, then you discount all the connections, discount the cash flows, and you recognize all of the discounted amount in the P&L, then every quarter, as in when you keep realizing that money, you reverse net it against the net gain on the recognition of assets.

Now, if, if I am selling say INR300 crores every quarter and I'm recognizing whatever INR20 crores, INR30 crores upfront, if I stop doing a sale or if I reduce the sale, my net amount will start looking lower and lower and lower and lower, right? Because my connections are fixed, assuming the same run rate of repayment. But my sale keeps reducing and hence my number of -- number on the positive sides, keep reducing, which is what then puts pressure on your ROI, right, essentially?

Management: Yes.

Questioner: So that is where we are worried, which is why we are asking you, how do you think the regulator can, can they clamp down on this?

Management: See as of now...

Questioner: They will come and say that we are accounting with Ind AS, they will say that we are discounting 8 years behavioural maturity and 10 years contractual maturity, what can we do with that? That's what most companies say.

Management: Correct, correct. So today when there is a clear accounting policy for it, there is a clear guideline that it says you can do it, then actually the regulator cannot come back and say, why are you doing it?

Questioner: But can there be a cap? You can only do DA to that extent? Or is it too micro?

Management: I think it is too micro. I don't think that is the case. But insurance income, definitely something needs to be on the cards. It is being discussed.

Questioner: So for us, we are confident of the 3,000, 3,500, 4,000 disbursement number that you spoke about earlier.

Management: I think INR3,000 crores this quarter is what we are looking. INR3,500 crores next quarter and INR4,000 crores the last few quarters.

Questioner: 3, 3.5, 4 is what you are targeting?

Management: 3, 3.5, 4 is what we are targeting, so that we will be able to reach INR13,000 crores.

Questioner: So we are currently not worried about that?

Management: No, disbursement, we will even otherwise, you know, we'll catch up. Our IT strategy has been very clear. I mean, we have -- and the two months or the 80 branches that have gone live. I mean, we don't see any problems.

Questioner: Sir, when we, I mean, this is something we spoke about last time also in terms of productivity, right? Where if you back calculate the files, disburse per branch, based on the ticket size that you mentioned, the reimbursement. You know, currently we are at, for lack of better words, cyclical lows?

Management: We are around?

Questioner: Cyclical lows. 155, 160 files per branch on an annualized basis. We've done some efforts on the marketing team side, etcetera, etcetera. But how do we reach that 180, 190 number that will take us to a much larger disbursement number over a medium term? Obviously, I'm not talking about one, two quarters here or there. Sorry, but more on a medium term basis. Some actions that we are taking?

Moderator: See, I tell you, we, you know, post our discussion also, we went back to review this strategy. So what is happening is because we are opening more branches and the number of branches we opened are more, therefore the averages are not making much of a difference. But if you look at the branch per se, you know, the productivities and the delivery is improving.

So, I mean, if you look at, you know, older branches, say, for example, we ignore the branches which have been opened in the last three years because, you know, whatever. And you see the older branches, then are they productive? Are they profitable? In fact, yes, they are.

In fact, we -- in '23-'24, at least, when we, in the first year, when we analyzed the branch profitability, there were quite a few branches where there was still loss making where the expenses were higher and the receipts. From there, next year, when we did it again last year, we realized that there were no loss making branch from the older ones.

Whatever was there, we were able to turn around. Basically, that productivity and all these things in the, if you take a cutoff and look at analysis, it is not deteriorating, but because there is a new branch, the averages generally are getting pulled down.

Questioner: So, when we just say, vintage branches versus new branches, they are last year's branches. How different is the productivity?

Management: So, let me tell you, we don't do it as for the old and the new, we do it based on the category of a branch.

Questioner: Okay.

Management: Like, for example, because our staffing template is also linked to the book. So, initially, whenever a branch is opened, we start with two people, within three, four months, we will give a third person. Until the time they have a loan book, less than INR100 crores, it remains three people only. When it grows, so we call them small branches. Then when they cross INR100 crores, then it becomes a medium branch. We given an additional staff.

When they cross INR200 crores, it becomes a large branch and it becomes six people. So, two more people get added. So, it's all templated. So, we don't compare based on the old and the new, but Yes, within the old branches, we compare small branches, we compare medium branches, and see whether the staff productivity of whatever 4.5 to 5 cases per staff per month is there or not.

And there, wherever you know productivity is low, we try to push them and see that their productivity improves. So, there are, I won't say there aren't branches, there are branches where the productivity is as low as three in older branches also. So, we work with them and see that how they can improve their productivity.

Questioner: So, 4.5, 5 cases, you're talking about sanctions?

Management: Disbursements, new cases, new disbursements per month, per staff.

Questioner: And typically, the approval rates would be like 70%, 80%, probably lower?

Management: Approval to sanction to disbursement, you're talking about?

Questioner: No, I'm saying login to sanction?

Management: Login to sanction probably would be even lower than that.

Questioner: Okay.

Management: Because we get a lot of inquiries. Then once it is logged in, you have to, it still adds to the issue because many times customers come for a loan. They never, it is not necessarily a housing loan. They don't have fall within our norms, CIBIL score, for whatever reason. But once it is...

Questioner: So login section, login time, we doubt that?

Management: No, I mean, we are still including that in the inquiry to login.

Questioner: Login to sanction?

Management: Login to sanction, Yes, 80%. Login to sanction, 80%.

Questioner: Yes, I'm just trying to figure out because, if an employee has to do, say, five files a month, essentially, which is disbursement, essentially, he has to source somewhere, anywhere between like, he has to log in somewhere between seven, eight, file, essentially for login, seven, eight, files, he has to get?

Management: No, six to seven is okay because our login to sanction is 80%. But sanction to disbursement is more than 90%.

Questioner: Both of that makes sense.

Management: 90 to 95%. Hardly any case, he is rejected after.

Questioner: But then he has to get a lot many leads, right, compared to, he might probably have to get 15, 18 leads, out of which half might get weeded out, because of the requirement, then eventually?

Management: So, for DSA, they bring all the, you know, we get almost 100% conversion. The rejection is not very high, but for the sales team, yes, it is I would say, if they do 10 inquiries, then probably one or two will get converted. That is there.

Questioner: I mean, obviously we are doing the IT implementation on the branch side, but is there any tool that we are thinking about, or we have for the DST to sort of become more efficient? You know, maybe I'll give examples. There are companies who will say, okay, we'll give you a soft approval in 24 hours, or we'll give you a, probably yes or no answer in 30 minutes and say, what that does is that a, there are more filtered leads that come in for us. And we, the DST becomes more productive and eventually probably makes more money than he or she was making earlier.

Management: So, we have a customer call center where we are initially doing a lot of calling, not on the -- so if we are on the field, we are getting an inquiry, that's a different issue. But for lead, which we are coming to the net, which are coming on this thing, we have a call center, which is doing the calling. There, we have also embedded a sentiment analysis and all, so that we are only passing on the hot leads to the branches.

So that is one, one filtering we have done. As far as soft pull, which, you know, that is something which is going to happen now in this particular field. There will be a kind of in principle, soft pull, we have already introduced. So CIBIL, at least on the basis of CIBIL, we have soft pull is already happening now. That we have also done.

- Questioner:** And is there any application for the DST to do this or...?
- Management:** We have a, we have a mobile app called, we call it some park where they log in, they can log in all those things and where the soft pull is also enabled. And at least they will at least get to know that, based on that.
- Questioner:** Sir, if we talk about the marketing team, right? You mentioned that they reported INR28 crores of disbursement in '26, and you were expecting that they will do?
- Management:** 300.
- Questioner:** 300 this year. Is that on track? Have we added the -- from 80 to 150 people?
- Management:** No, 80 to 150 is in the sys. And I think we will have end up, we will have that people on board because once our IT implementation happens, we will be able to pull out some people to sales. As for the existing 82 people who are there on 31st of March, in Q1, they've done 276 pulls. So, which is almost like even if without adding staff also, they will be able to process more than 700, they will easily be able to do.
- And the additional people, who are going to join in the second half, will all be able to add INR100 crores, INR200 crores. INR1500 crores, we are on track. The July also, I think they have done 100. So I think we are, easily, the existing team, without adding also, should be able to do 1,200.
- Questioner:** Sir, and this, again, we discussed this last time as well. For us, the DST mix has gone up versus say, what Can Fin used to be, 4-5 years ago. Right. Then, the entire essence of Can Fin was the branch model and the DST. To a certain extent, that has taken a back seat, under previous leadership. And probably, some of that has continued. Obviously, it will take time to reorient.
- But how do we think about that? About, direct sourcing, versus DSA sourcing, over a more medium term basis. Because, I mean, it is the way we think about it, is that, there is, there will always be some bit of difference, in quality of customer, and quality of lead. And if our DST, or direct downstream, is sort of, vintage, to a certain extent, at least, the quality of leads that come in, are much better, in the present model. So, how should we think about...
- Management:** Medium term, we are looking at bringing it down to 60%. That's where, we will be comfortable. Board is also comfortable, with around 60%.
- Questioner:** 60 or DSA?
- Management:** 60% will be DSA. And 40% has to be, either, for sales team, or digital sourcing and all those things and markets.
- Questioner:** Okay. So then over the more medium term, any thought of going up or down the ticket size curve to sort of add new levers for growth, because today we are, I mean, distribution is more, Tier 1, Tier 2, max to max. And customer ticket size is also in a very narrow range, right? There is enough opportunity, on both sides. Maybe you choose the smaller size, or the larger size, whatever based on how hard the lengths are. But any thought of moving up or down?

- Management:** See, both have their benefits and disadvantages. Like, if you go up the ladder, then we will be straight, taking on the banks, which will not be then our BTs will go up, and all those kind of things. I think, we are in a sweet spot below the radar, which is much better. That is one. But -- and if you go up, there is also a risk, we know that, it is more competitive, so your yield and everything will also be impacted.
- If you go down, today, I think, we can go down or we can at least maintain the 20 to 30 and do a little more. So, we are -- we will have to look at all those kind of things, and I think this 20 to 30, 35 is where we would still like to play, by expanding our segment a little more. So, it could be by, you know, adding more segments, or it could be even be a little affordable, we will see. I mean, that is.
- Questioner:** When you say, new segments, you mean geographies, or type of customers?
- Management:** Type of customers.
- Questioner:** So, more self-employed?
- Management:** We could look at more self-employed, or it could be, not exactly appraised income, but yes, some way in form of where the yield can be a little more better.
- Questioner:** So, essentially, isn't that going down the ticket size itself? I mean, in a similar way, because typically those customers will be, 15-20 lakh ticket size, more or less.
- Management:** Affordable housing companies also talk about affordable being below 35 lakhs. In fact...
- Questioner:** So, their problem is different?
- Management:** No, see, the definition of affordable is very strange. Everybody takes it the way it is.
- Questioner:** Correct.
- Management:** Okay. So, for somebody even 35 lakhs is affordable, for somebody even 60 lakhs is affordable. So, the definition of affordable, people take it as per their own what suits them. Today, rather than the ticket size, or the geography, I think, you know, whether it is the documented income, or assessed income is what is determining whether the company is doing affordable or not affordable, not the ticket size.
- So even if you are doing 75 lakhs, but if you are appraised income, then you are an affordable company. That's how it is now. So, today, I mean, what we are talking about is we will be in the up to 35 lakhs segment is where it will be our focus. That is where we can comfortably say we will be able to protect our team. We'll be able to minimize or have a manageable rundown.
- Questioner:** So, okay, I'll take a step back and split the question. The way we think about affordable is teams are categories, right? Either you do in terms of demographic, I mean, geography. So Tier 2, 3, 4, or you think about more of self-employed, right? Or you talk about ticket size or you talk about the appraised or documented income that is spoke about it?

These are probably the broad four categories where you can see affordable. What categories are we comfortable going to and what categories are we not comfortable going to see in these four markets?

Management: Okay. You asked three points. One is geography. One is this segment. And third is ticket size. Okay.

Questioner: I'm saying, what are we comfortable to do? What are you not comfortable? Obviously, what we choose to do eventually is a outcome?

Management: So, I think ticket size 35, beyond that we do. But I mean, you would still prefer to have a major chunk for our focus area or our bread and butter should be below 35.

Questioner: Below 20 or below 15 is not something that we really consider?

Management: Below 15, I don't think even property prices are such that below 15 today, that I don't think even the affordable housing companies are doing below 15 lakhs much.

Questioner: So Tier 3, Tier 4, are doing it below 15, that's why I bucketed into three bits?

Management: I think even a place like you go to a place like Pali, you go to a place like Baramati, you go to a place like Beed, you will still find that smaller locations also the property costs are 25, 30, 20, 25, 30 lakhs, you know, 10, 15, 20 lakhs property actually...

Questioner: Okay.

Management: Even if you do a 600 square feet construction, INR10 lakhs of cost of construction.

Questioner: So, you are saying that ticket size to even...

Management: Ticket size...

Questioner: Geography or at least...

Management: Geography, we have gone for Tier 2, Tier 3, in fact, a lot of opening, branch opening that we have done are in Tier 2, Tier 3. We opened in Dadri, we opened in Bikaner, we opened in Mathura, we opened in Mayiladuthurai, we opened in Machilipatnam, we opened in Anantapur.

So, if you look at all the locations, it is all Tier 2, Tier 3 only. Geography, we are ready to look at Tier 2, Tier 3. Yes, definitely, yes. In terms of segment, I think we are in the completely documented income space. The other [inaudible 0:32:54] complete appraising. In between also there are quite a few segments. I think we would probably be looking to look at those...

Questioner: Cash salaried sort of...

Management: Some cash salaried could be there or it could be multiple income sources or it could be UPI payments or documented but in some other format, not exactly IP returns or whatever. Those kind of things we would probably understand. And in terms of cost of funds, I think we have

done a great job in terms of optimizing as much as we could. I think NCD one bit is probably pending.

Management: INR5,000 crores we have taken an enabling provision from...

Questioner: No, no, but I think that is, there is INR2,000 crores or INR3,000 crores that is expiring in some period of this year and then...

Management: Yes, yes.

Questioner: We said higher cost, right? INR500 crores this year. In January 2020. And this is at 8.3, 8.1. So, any further benefit you think you can see on cost of fund side, stock versus incremental basis pay or exchange basis pay?

Management: See, NCD if you are able to get, I think whatever we do, we will be able to replace them with cheaper funds, no doubt about it. But today also it is at 7.8, 7.9. I am sure if it is at 7.6, we will grab it. Because I think when the rates are likely to go up, at that time blocking our funds for 3 to 5 years, it is here. It would be a good thing.

So, if the NCD or something comes at a window opens up for something like 7.6, we will grab it. Otherwise, today our bank term loans, we are getting at 7.25 incremental, 7.25. And 7.5 also we have sanctions, but we may not be, we are not drawing that one. We are drawing from 7.25.

CP, we had some CPs at 7 -- 7.1 and all those things. We are now replacing them at 6.45. So, there is some slight improvement we are doing over there. NHB funds, you know, last year we drew, but this quarter we have not done. So, if we get it something, we will -- we are awaiting a sanction. If that comes again Q3, Q4, we will get NHB funds at a cheaper rate.

So, I think there are some small, small avenues open for improving our -- this thing, which, so basically it will only offset the increase in the cost, some of the incremental cost that has gone up in banks. So, basically, overall picture if you look at it, we do not expect the cost of borrowing to go up very high. I mean...

Questioner: Asking for too much?

Management: So we will see how -- worst case scenario also what we believe is, in this year from 6.98, it can go up to probably 7.03, worst case scenario.

Questioner: Sorry six point?

Management: 6.98, can go up to 7.03, worst case scenario. And that much I think we can manage our yield also.

Questioner: So, the yield we have seen up till now?

Management: See, we still have some scope for changing our mix in terms of salaried self-employed and housing, non-housing, because if you see our FY28 projection, we want to make it a 80-20 for a housing, non-housing, whereas today we are around 83-84 housing and 16-17 as non-housing.

So, some non-housing increase is possible. Same way housing, salaried self-employed, today we are at 69-31. We can go up to 65-35. So, again, some self-employed we can increase, whereby the yields can improve a little bit.

Questioner: So, how easy is it to change the mix? Because, I mean, essentially the team is orientated to do a certain type of business, so it's not necessarily [inaudible 0:36:49].

Management: No, no, there is no doubt about it. Whatever, otherwise consistently for so many years our GNP has always been below 1%, that is reflective of the customer selection.

Questioner: Correct. So, is it not easy to toggle between the mix? Or what does it take to push the team to be more non-HL, to do more self-employed?

Management: See, non-HL, by and large, our teams have been a little averse to non-HL, okay? The only thing is, you know, slightly uptick happened more because of compulsion from the E-Khata issue, wherein in Karnataka we had to do more of LAP because our registrations were under -- were not happening. So, that is more of that.

But salary self-employed, I think we are getting a lot of self-employed because now people filing IT returns, people having three years of IT returns, all those things are definitely there. Plus, earlier we used to depend on more of what do you call, CA certified IT returns, which was not very comfortable. But now that we have this API integration and everything, our, we are directly pulling the returns from the portal. We are not even relying on that, so CA certified IT returns is gone now.

Questioner: Correct.

Management: So, this is giving a little more comfort that, okay, it's all filed, it is documented. It will be verified. So, the chances of somebody giving some CA certified thing and all is all gone.

Questioner: Correct, correct. Do you think that definitely some bit of self-employed can also get added now?

Management: Some self-employed can get added. Housing, non-housing, I don't know. As I said, our boys are more comfortable and very much absolutely.

Questioner: In terms of the payment rate, which we saw about 1,750 and I think we were budgeting for about 6,500 for this year?

Management: 7,000 for this year.

Questioner: 7,000 this year.

Management: 7,000 disbursements, 7,000 run downs. 7,000 net added to the book, which will be about...

Questioner: So, 7,000, you are saying that if it goes a little higher, you will manage it through disbursements.

Management: That is correct.

- Questioner:** So, then we are confident of this 2% to 2.3% ROA, except the normalized tax rate and 16%-16.5% ROE?
- Management:** Spread and yield will not be compromised. So, I think with already our loss, barring the slight change because of the IT or credit loss being 10 basis points and below. I think we know 2.3% ROA.
- Questioner:** But I think the worry and this worry is something which is shared with some other people on the street as well that while we might grow 13, 14, it's still the leverage will come down, right? Because essentially of 16, 16.5% ROE or 14% grow, you know, leverage will come down. Till the time that leverage doesn't sort of go on an uptrend, it's always a worry, like are we sitting in a place where your incremental returns are lower than your base return?
- Management:** No, we will start growing. In fact, I am certain that if we go at 14% and then at 20% consistently if disbursement grows, then next year it should be above 15%. In which case our leverage will start moving up a little bit. But we would also prefer to keep it around 7, 7.25. That is the sweet spot. Why not work on leverage?
- Questioner:** Self-funded growth is something which is liked by the market a lot. But not when leverage is under pressure. I mean, you have been in that place before you know?
- Management:** Yes, Yes. If it is 7.25 because more rating agencies will become too comfortable with 6 and they will not allow you to go more than 7 also. Whatever with 8%, you know, 7%-7.25% is something we should be working on.
- Questioner:** So there are a lot of NBFCs who are stuck in that loop, unfortunately? Larger ones as well. Is there anything on the -- I mean, when we talk about, say, someone like a group. There are certain other organizations as well who are sort of not at the level at which they were earlier. Have you thought of getting some people from there to further shore up the team simply?
- Management:** You see, that is what we are doing now.
- Questioner:** But on the more mid or mid to high top management side.
- Management:** We have been getting people in the middle, you know, senior management side. In fact, slowly if you see, the mix of our SMP has also been changing. In the last few years if you look at it, we have got a new credit head. Because our credit head is superannuating. It is due for superannuation end of this month. So we have already got a lateral hiring of a credit head from the market.
- Then we are already working on Chief Compliance Officer from the market because our Chief Compliance Officer is due for retirement at the end of this financial year. We will be getting people. CFO is from the -- now from the market. Our HR Head is from the market. Company Secretary we got from the market. So, slowly if you see the talent at all levels is coming from the market.

And frankly speaking, we are getting good options. It's not that we are having any constraint on that. In fact, at the Chief Manager level also we have got a lot of people from the market. Obviously, they are not in the SMP categories, but they are not actually coming in the management team and all those things. But slowly we are building the talent pool for the next [inaudible 0:43:01] also.

Questioner: Any specific ways in which we will try to cover the attrition? Because I think on the lower level there is a lot of attrition not just for us, the industry as a whole.

Management: Our overall attrition rate is around 14%, 14.25%.

Questioner: But isn't that sort of skewed because top and mid management attrition is significantly lower?

Management: No, but today, even otherwise, if you look at it, three years back, if you had to ask me, I would have said we were bottom heavy.

Questioner: Okay.

Management: Now that we have slightly in the middle management and senior management, we have strengthened the team through lateral hiring and everything and some obviously internal growth also. That's how I would say it is a more of a balanced approach in a top to senior management. There is a proper triangle. Otherwise, it was more of bottom heavy.

Questioner: Great, sir. Thank you so much for this.

Management: Thank you.

Questioner: Unfortunately, all the fund managers are we have 3-4-4-1-1 [inaudible 0:44:15] team has. But our team has run from one place to another.

Management: I know. Suddenly after the lull, there is an actual storm in terms of the investor meetings and all those things.

Questioner: As a team, we have 19 or 20 meetings today.