



“Can Fin Homes Limited

Investec roadshow - 11.08.26 to 12.08.26 (9)”



Questioner [Abrupt start] on the luckier side, because one side left, the other side [inaudible 0:00:05]. So, thank you sir for this meeting. The idea is, although we know the business, the idea is that you have now been at the helm for a reasonable period of time, three years, almost two and a half, three years?

Management: More than three years.

Questioner: Three years, right?

Management: Because my three years got over and I got an extension for the next term also. Yes.

Questioner: So, I think it's been a phase which has also been transformative because I remember when you took over the charge and I met you in HDFC, we were talking about, digitization and new LAS systems, etcetera, to be brought in, which I think you are just at the end, tag end of implementing it and all the boards. Yes. But I just thought I'd also try to understand better for me as to how should we look at this business group.

And I'm asking this in the context that, and I might be sounding as a critique, I mean, when I look at the other players, generally in this segment, everyone seems to be growing much faster than what you are aspiring to grow. So what is the constraint out there in terms of, I understand, sometimes maybe Karnataka was an issue and all of that, but generally I'm just thinking more from the perspective of how next three to five years you should look at it in terms of growth.

And within those, one good part is that over the last three years, you have diversified away from home loans to non-home loans, which is also maybe margin accretive and all, but it's already at 28-odd percent of the total growth.

Where do you want to stabilize that, how should we look at, growth across these segments? Last part, just to add to that is in terms of, affordable housing segments which is maybe 12%, 13%, 14% kind of real business, is that something that we are thinking about? If can give some color to that as well?

Management: So first of all, as you know, in our particular context, we had a couple of other issues as well. One is the IT had to completely revamp. And second is we also had undertaken an entire process of, one is strengthening our process and policies and everything, which we did because post-2023 after I took charge.

And the second was that we also wanted to expand our branch network. So there were quite a few, initial things like one is expansion of branch network and reducing the, focus only on South-based states. We also wanted to move a little away from the DSA channel and wanted to do.

So basically, overall, the last three years have gone into doing a lot of things on a foundational level that is interchanging the IT to changing the process and strengthening it and everything. And third is in terms of putting in the, basic elements which will drive growth for the future. So if you look at it, two things which mainly are going to drive the future growth is one is the expansion because from 2019 post and the COVID and all, the branch expansion had completely stalled.

Now we have on a consistent basis, first we have 15, 14, 15 and this year 28 branches we are opening. So the branch expansion is one thing which is beginning to happen. And second thing that we have done is that over and above the DSA, which was a very high reliance area, we also started our own sales team.

So today if you look at it, the growth which is coming, the two main pillars which are driving the growth is, one is the sales team, which we started only in June '24. So in '24, '25, they contributed only INR183 crores. Last year, the same sales team with of course, some addition to the staffing is now established model.

Last year, they were able to contribute INR868 crores as against INR183 crores. And this year, the same sales team is likely to contribute almost INR1500 crores. So that one additional channel of sourcing which is going to give the growth is already now established, functional and already it has delivered or demonstrated that it is a workable and established model.

The second is the branches which were opened in from '23, '24 onwards. The first year, most of them are opened in February '24, March '24. So that year, we did not get any benefit, but '24, '25, the branches contributed INR128 crores.

Last year in '25, '26, the same branches plus the new branches contributed INR863 crores. This year, the same branches are likely to contribute somewhere around 1200 plus the branches we opened this year. So new branches and sales team, these are two things which are going to, which are completely adding INR3,000 crores in this one year alone.

Okay, so what basically, so basically, what has happened, exactly, it was, INR863 crores will become INR1500 crores plus and INR863 crores will again become INR1500 crores. So basically, yes, they are doubling. So the main things which are going to drive the growth are in place and are already proven as a model.

So going forward, in terms of disbursement, the consistent growth of 20% is something which we plus which is what we will definitely be aiming at. And once the disbursement growth continues at 20%, then our AUM growth has to pick up in the coming years. It will keep growing as we, because eventually they will have to merge.

At some point in time, the AUM growth always comes with a lag or AUM fall also comes with a lag time. So the disbursement growth, if it is at a higher 20% plus growth rate, then this will start inching up. So we were at as low as 9% when we know the disbursements were negative.

Now if you see, they have started growing. So last year, our AUM growth was 10.4. This year, the way we are targeting, because our growth last year was 23%, this year also disbursement growth is likely to be 23%. So AUM growth will inch up to close to 14% this year. Next year, it will be more than 15%. Because again, next year, we are targeting from 13,000, we will be targeting INR16,000 crores disbursement next year.

Questioner:

Okay.

Management:

So the pillars are in place that is the point.

Questioner: And in terms of branch expansion, of course, 15 odd branches every year for the last 3-4 years, largely, you are increasing that pace now. What has been our trajectory of, existing old branch delivering to our disbursement growth largely? I mean, this is where the number seems to be slightly slacking in this?

Management: No. Okay. So here the same thing as you see. Yes. We have given the same breakup. In FY25, 8568 was the disbursement, new branches and sales team was this much, balance was the older branches.

Now, that from 8257 has grown to 8800. So it is not that the older branches are not performing and only these pillars are working. They will continue to grow, but obviously, their growth will be, just to the extent of the inflationary property increase.

Because, and they are already at a high productivity, they are already in a, profitable growth, they are already in the break-even plus, sustainable they are doing. So they will grow. This year, if we look at it, this 8,800 should grow to 10,000 and the remaining 3000 would come from these two and we will be able to achieve a 13,000.

So there will be some small addition because of property value increase. Some branches will, improvement in performance, some local issues here and there. So there will be a growth that should also keep growing.

Questioner: But just for understanding purpose, the existing branch network that we have, which is driving this INR8,000-odd crores, INR9,000-odd crores of disbursement, that is already operating at a fairly good efficiency levels in terms of number of tie-ins and number of, you know, approvals and disbursement and things like that...

Management: Because by and large, you know, our productivity is 5 cases per staff per month. So if you look at it that way, the older branches, newer branches, obviously, will be at different growth trajectory, but those, of course, there are some branches which are at up to 3 also, and there are some at 7 also, but by and large, average is about 5 cases per staff, which I think is a healthy productivity, even in [inaudible 0:08:34], we used to have a productivity of 5 to 6 cases only per staff per month. Here also, we are at 5 cases per staff per month.

Questioner: Now, we are looking at, I mean, ticket size, of course, one is the inflation, but now, I believe that whatever last couple of years, the property inflation was there in [inaudible 0:08:52]. So how, otherwise, we are also improving for same number of files, same amount to vis-a-vis with the increase in the ticket size?

Management: So as I said, these branches, which are already there, say 8,800 will grow up to about, you know, 10,000, which means it's not a very large, we are only talking about 6%-7%, which is an inflationary cost increase. So that much, even if they continue to sustain their productivity levels, the inflationary cost increase will become the 25 lakh average ticket may go up to 26 lakh.

So those kind of things will happen, it may not be a major jump in, we don't need to change our, shift our segment, go to a, you know, larger segment, even the same segment with a little inflationary increase, we will be able to achieve.

- Questioner:** Sir, from geography, I mean, if you say that from South India, there is two other geographies also we are working in?
- Management:** Yes.
- Questioner:** How should we think about this trajectory moving, because already there is visible, you know, change in terms of your geography mix already. And you are being, seems like focusing on expanding the outside of South geography...
- Management:** No, that we have kind of, I would say achieved, because if you see this graph, we are almost across, we are now there. From this year onwards, the first three years, we did not open in Karnataka, we did not open in Telangana. But now that, you know, we have kind of had a good mix with the 60-40 that we were talking about, which is kind of achieved, we are now growing.
- So, this year, 28 branches includes two branches in Karnataka, includes five branches in Telangana and others. So, now on across, depending on wherever markets are there, we will, we will grow.
- Questioner:** But sir, even when I look at, so west, we already have a reasonable number of branches, but the proportion of even the disbursement incremental, if I see, is still lower, this is. So, what has been the challenge there, if you can just highlight, I mean, and similar is true with the east, but I can assume, I mean, east is a slightly different market, but at least west is a market where there is reasonable business on table, I can say that essentially. So, I am just wondering from that perspective...
- Management:** No, west, in fact, has been growing our fastest in the last, 2 years.
- Questioner:** But so, I mean, the branch network, right, you have been expanding branch network...
- Management:** Correct.
- Questioner:** So, I am just thinking more from, you know, same branch, EU and...
- Management:** So, west zone for us was an absolute weak zone when, when, when we started, when I started basically. So, one-by-one, if you now look at it, all the branch states, one-by-one, we have picked up and turned around. Now, in fact, all the four states are doing well. So, it will now start delivering.
- And of course, we have also to some extent added branches that has also looked at it, but otherwise, I think best is the way it is going now, we are having good growth. So, like, for example, one would assume that, you know, a market like a good branch in Mumbai should be doing at least similar to a good branch in Bangalore.
- That was not the case. It was -- even Vashi and Panvel were doing much less. But now if you look at it, they are also coming up with the INR10 crores per month kind of a thing, we can slowly inching up towards that.

- Questioner:** And also, if you can talk about this mix of home loan and non-home loan, you already reached 28%. How do you want to take this number forward to and what is the driver there of this? Is it the margin or yield that you are looking or chasing for or it just that, you know, the other segment has become far more competitive and therefore, you are diversifying, any thoughts around this?
- Management:** No, no, we had a strategy that we need to work on our yield, because our spread had actually come down to. It was 2.31. So, one of the ways to slightly improve and strengthen our spread was by improving high-yielding products. That is why we had given, so there if you see our 2028 strategy, we had said that we are comfortable to take it up to 80-20, 80 is including CRE, so excluding CRE, it will be 70-30. So, we are almost there and we had planned that we will reach there by FY28, but we are at FY26 almost there. I think we will stabilize around that now.
- Questioner:** Okay. And what is the yield differential between these?
- Management:** So, yield differential for a non-housing category is almost, you can say almost 1 percentage point higher, blended. We have like, if it is a non-housing, LAP is higher, then LAP for self-employed is even higher. So, those kind of -- when you look at it on a blended basis, it will be about almost 1 percentage point.
- Questioner:** And within that 30% of [inaudible 0:13:56], we will try to retain this similar number 10-odd percent, 12% percent is CRE and then maybe another 10%-12% percent is LAP...
- Management:** Yes, LAP, we are almost close to 10%. I think we will stick to that not to go beyond that. So, we do not want to go too much beyond that.
- Questioner:** To understand, I mean, it will not be far. I mean, so is it [inaudible 0:14:19] traditional bucket or lower geography?
- Management:** The LAP you are talking about.
- Questioner:** LAP as well as the CRE, Yes?
- Management:** No, everything is across.
- Questioner:** Because of the experience, I mean, LAP requires a lot of experience in the ground, I mean, it is a difficult part apart from metro and large city. So how do we...?
- Management:** It is across geography and it is not anything specific to particular segment or a particular end product or anything, it is across. And CRE basically is housing only. But as per the definition of RBI, if it is more than 2 units or 2 kitchens, then it has to be treated as a CRE and it has to have a higher risk weightage. In Bangalore and all, there is a very big trend in south particularly, where they will have a ground floor, the family will stay first and second floor, they will build and they will give it up on rent, so it generates income. So, it has to be treated as a CRE.
- So, it is housing only, but the family is staying on the ground floor, first and second is on rent. So, we have to treat -- no, no, so CRE also has two types, CRE RH that is residential and CRE that is builder. So we have to towards CRE RH, that is why we consider it as including CRE RH.

- Questioner:** But there is -- similarly, because of high risk weight, the yield is typically 100% or more?
- Management:** So, we again classify that into, you know, depending on the product [inaudible 0:16:05]. LRD, we have a product, but we do not have much. I mostly there is LRD, whatever we have done is against our own premises, where we are on rent, we have not done much, LRD is not a big product for us.
- Questioner:** [Inaudible 0:16:29] can you say, 100% more, but cost to income is [inaudible 0:30:23] 0.19, how is that you differentiate both, these are really housing?
- Management:** Not much, hospital ratio is not very different for this. In fact, what is happening is the only difference is we have to have more verification and all for which we generally do higher processing.
- Questioner:** Right, right. Sir, I have told you, any thoughts on it?
- Management:** See, our immediate requirement was to have this channel and to have the IT setup and all those things. So, having done that, I think we will once again, anyway, we are at the frag end of our strategy. We will again look at how to look at, because now we will have to look at something to improve our yields a little more, because at the cost structure that we have cost of borrowing, I think this is the lowest.
- Questioner:** Correct.
- Management:** And from going -- from here onwards, I think there can only be an increase in the cost. So, if that happens, then we will have to do something to protect our spread, which means we will have to work on something to improve our yield as well.
- Questioner:** Sir, you have put most of your assets on short tenure reset, right? On most of your assets. So, that way you are reasonably well protected, right?
- Management:** No, we are protected in that sense that we can pass on.
- Questioner:** Correct.
- Management:** But as per the agreement, we can pass on. But as per market, we will be able to pass on? It should not result in too much of a prepayment risk also.
- Questioner:** But your cost of borrowing, I mean, who will be able to fight with you other than Bajaj and PNB, sir?
- Management:** Cost of borrowing wise, we have, but I am saying today, business banks also continue to be able to give at this rate on. So, today out of my INR42,000 crores, 60% is bank borrowing, around INR24,000 crores-INR25,000 crores is bank borrowing.
- Questioner:** Correct. And all of it is repo, right?

- Management:** 80% is -- 70%, 80% is repo. So, my point is how much of it will be able to, you know, on this kind of a thing, they will be able to, at INR24,000 crores, it can be done.
- Questioner:** Okay. [Inaudible 0:19:12] the cost of fund, we can actually increase faster than...
- Management:** We have to prepare for a little bit of increase in cost. So, how do we protect ourselves?
- Questioner:** Actually, it seems like you benefited in that trend, beyond the mix also, I am just saying.
- Management:** Yes, that is true.
- Questioner:** So, typically to say this, rising interest rate environment is better. So, I am just wondering from that perspective, I mean, typically, if you are able to actually improve your spread and...
- Management:** Falling interest rate regime, that is even better. That is true, but still we.
- Questioner:** I feel it could even go up to 3%, Sir?
- Management:** Let us see. We have to, we will keep trying to, from 2.3, we have brought it down to 2.8. So, we will see if, you know, there are venues, we will try to work on it, because obviously that is, that will help in our, you know, ROA and all.
- Questioner:** But the levers for this, just trying to understand, let us say, if you have to reach to 3, the levers of it, you think are more driven by, you know, product which can give you better yield and not so much from cost of fund or the existing, you know, spread itself, for example?
- Management:** Today, you know, on the cost of borrowing side, I do not, there is much of a scope to it. Although, you know, some means we are there, we will keep trying and we will do whatever best we can. But there is not much of a scope. In terms of credit cost, we are already at a, almost where minimum 10 basis points on the credit cost. Office is one area where we can work a little bit, or it has to be improvement in the means. And cost also, I think we are still, I mean, almost the very best. I think maybe one other, Bajaj may be probably having a lower than LIC...
- Questioner:** But you know, we do increase our cost, our operating cost, our cost to income, 19.5%, which probably will taper down. Some time. Obviously, when you have been flagging, which was this IT expense, right?
- Management:** Correct.
- Questioner:** But beyond that, what has been the other reason if there is any?
- Management:** Nothing. This is the only, I think, there is no other reason. Last year, there was a cost because of the staff. We had to do the staff surveys and all.
- Questioner:** That was a big issue.
- Management:** We actually did a compensation benchmarking exercise across the board. And it was necessary to definitely take an increase and make it comparable. At least, you know, otherwise talent,

retaining talent and getting them was difficult. And I mean, three years back, if I look back, company had very bottom heavy.

So, talent and the mid-management and senior management was a little less. We had to develop that and build a proper, you know, triangle structure for proper growth. So, there was a need to recruit people from the market, lateral hiring and the mid-management level and all. Okay. And some from the board. So, therefore, this was a necessary requirement.

Questioner: But in this quarter, it was very high?

Management: No, no. Staff cost was very high. No, it was not. There was a 5% increase, something which was mainly because of the increase in the number of staff because of the branch expansion and all.

Questioner: Last year was -- And despite that, it is a highlight as to how has been your attrition rates across the board in this pyramid which we talked about because generally lower end will be more difficult to manage?

Management: Our overall is around 14.25% is our overall attrition. Correct. So, it's not a big.

Questioner: Of it, let's say, if you ask me about branch...

Management: I think more, it is completely skewed towards the bottom three levels, Officer, Assistant Manager and Deputy Manager. Okay.

Questioner: Right. Is it also because of large, normal retirement?

Management: That is not much. Retirement is happening, but not a very large.

Questioner: [Inaudible: 00:24:08] I think the cost of fund will increase. We think that aggression can come down in terms of market. Banks have been aggressive across this segment largely?

Management: [Inaudible: 00:24:26] only if you change the segment. Now, let's look at some segment.

Questioner: Okay nothing else?

Management: We will have to look at some segmental comparison. Some avenues.

Questioner: And your plan to do construction funding? I guess you were thinking about it before?

Management: No, it is there. Last time, we think the priorities were different. So, we said we will hold back and see. As I said, we will be reviewing in terms of the board strategy. At that time, we will see what now is it, if it's the right time, maybe that can give a push because now what is happening is APF and we are doing this food projects that we are doing.

Obviously, we are not able to support the builders in terms of, because we are not funding any of them. So, that is also a little slow traction, although it is a long-term strategy, not a short-term immediate business strategy, but it's a long-term strategy to have a presence, to have visibility and long-term relationships, which will build over a period.

But maybe something we will see. So, last time the board had said that they are not against it, but at the same time, let's focus on other priorities first. So, now we know with, we had low-hanging fruit in the form of segment mix, in the form of product mix, housing, non-housing, salaried, self-employed.

So, we said let's look at those low-hanging fruit first. Now, I mean, further, if you have to take it from here, we will see what other avenues are there because 65/35 in terms of salaried, self-employed, 80/20 in terms of housing, non-housing, I think that is a comfortable one. And beyond this, I think we may not want to go.

Questioner: So, how much additional one can, I mean, have, I mean, over this housing loan in construction financing, how much more?

Questioner: Yield, yield differential?

Management: Today, our blended cost, blended yield is around 9.8%. Housing would be around 9.2%, 9.3%. Developer finance can start with around 11.5%.

Questioner: That also we will look forward in -- across India I mean wherever we are developed?

Management: If at all, we do it, we do it very selectively. Because see, if you go for the bigger players and bigger tier 1 towns, then there is no that 11.5 is not there. So, they are, they have a capacity to borrow at a much lower rate. They have to go with can be builders and maybe selectively in some.

Questioner: But can this become 8%, 10% over next three, four years?

Management: Developer finance, I do not think the board will be very comfortable with up to 3%. We have been very conservative and that conservatism has paid off. And I think, therefore, we may still look at 2%, 3% here and there, but I do not think it will be beyond that. 2%, 3%, we.

Questioner: It is worth a try.

Management: The thing would be strategic.

Questioner: But I was thinking more from the perspective of, I do not know whether that is the right strategy to manage this, but cross-selling, first do developer finance, construction finance then do in apartment sales. Because your apartment sales effectively of AUM is still low, right? Although.

Management: Yes.

Questioner: You have been in Metro also, but I am just saying, if I look at the overall mix. It may be 6%, 7% only, largely of your AUM. It is more focused on self-construction, largely?

Management: Apartments are there. We have it. It may not be as low as 6%, 7%.

Questioner: Yes say primary. If you are adding resell then I don't know?

Management: No, I mean, I do not have that cut right now available, but I think we can give the break up. I mean, it will not be as low as 6%, 7%. It will be more than that. Not too high. But you are right, it is not a very high number.

Questioner: So, this is not like a cross-line strategy?

Management: That is possible. I said no, when we are looking at APF, we are finding that we are not able to, flat is 6%. But if you see, we are saying construction knowledge because it is a stage wise construction. Flat may be the stage wise also, right?

Questioner: That is the way you classified it?

Management: If it is a progress linked, it is shown as this thing. It could be some apartment house and.

Questioner: Apartment, house and construction?

Management: Self-construction mostly, but there could be some portion here, there could be some portion in, you know, there could be.

Management: Flat also.

Management: Flat also?

Management: Some portion of flat also is there in self-construction.

Management: Some portion.

Management: Because they are under construction.

Management: It may not be 6%, 7%. It will be a little bit more. That is what I am saying. Okay.

Questioner: But generally, as a business, what needs to, what internal effort do you have to put in if you have to think about, let us say both these new segments that you are talking. One is this developer financing, what is internally that you need to do apart from getting board approval and second is, as I was asking around affordable, in terms of sales force, the way to do business, what needs to be changed?

Management: For affordable, we will definitely have to look at having a separate team, having separate skill set because this skill set, I do not think will be current skill set. The team is completely comfortable with doing doctorated income and all those things. If you are doing for affordable and all, we will have to look at a strategy in terms of manpower also.

But in terms of our developer finance, I think we have done in the past. We already have a board approved policy also. It is just that in the scheme of things, we decided to do first focus on segment and product mix rather than this thing. Otherwise in terms of our policy, we already have a board approved policy. In terms of our experience, we have done developer finance in the past. So, I do not think that is so much of an issue.

- Questioner:** [Inaudible 0:31:05] and we will develop a new portfolio from there?
- Management:** Co-lending and inorganic growth channels, last time, in fact, we, the board had said we can, we need not go for that. We have enough and more opportunities for doing organic growth. So, let us see. Developer finance was okay, but we can postpone it. But inorganic growth was at that time, let us not do it. So, let us see. We may not look at it.
- Questioner:** But generally, if you go at, let us say 15% plus kind of a year, where do you think your leverage ratio will peak out at or where you will start to think?
- Management:** At 7.5 -- 7.25 to 7.5, I think we can comfortably go without -- take it up to without having to worry about the ratings. Beyond that, we may have to look at some fundraise or something because otherwise the rating may get affected.
- Questioner:** And given that you have 15% kind of ROE, maybe it will only improve from here on, the expectation as you grow and then you start to have benefit of lower cost, cost to income ratio, etcetera. So, you will at least 18%, 19% to stabilize. Adjusting for all the other things, etcetera. Is this -- is 15% the right number to look at as -- because if you do 15% then you will never reach the requirement. You will not reach 7.5?
- Management:** No, no, if we grow 20% consistently, then it will go beyond 15%.
- Questioner:** Sir, your natural decline, I think it will be about 6%, 7% easily a year. Your repayment rate is how much?
- Management:** Opening is 17%. BT plus part payment plus amortization put together is around 17%.
- Questioner:** Of which I am just saying natural decline, which is natural repayment is how much?
- Management:** Natural repayment will be about 4 -- you are talking about amortization. Amortization will be about 3.5%, 3.7%.
- Questioner:** Okay. And, and you will probably have another 4%, 5% of repayment typically. So, and then I am just saying the BT out has been the bigger challenge largely?
- Management:** Not really. BT out has been 4%, 4.5%. It is still like last Q1, our BT out was INR408 crores. Before it was INR400 crores. INR8 crores is not our major.
- Questioner:** No, no, correct, correct, correct. 1%...
- Management:** The main thing is our part repayment where customers are parking excess funds with us and...
- Questioner:** Correct, okay.
- Management:** That is our higher [Inaudible 0:33:59].

Questioner: No, so I was thinking the same. So, when you say you are -- so disbursement is growing at 20% largely. What is the trajectory which you actually should think in 2 years, 3 years out? The AUM growth will reach 18%, 20% or it will remain at 15%, I am not very clear around that?

Management: It should go beyond 15%.

Questioner: It should go?

Management: This year we are targeting 14%. Next year it should cross 15%. If you continue to grow at 20% plus, which we do plan to, it should go up to beyond 15%.

Questioner: Okay. And this is assuming that all of this number is actually closer to even 15% only. Now it is 17% broadly, and it will be moderate and it will come to 15%?

Management: This year our opening was INR42,000-odd crores, Of INR42,000 crores 17% is the rundown. Additionally, if you want to grow at 14%, so 14% plus 17%, 31%, so, till 42,000 crores, 31% is what we have to do disbursement to be able to grow at 14%.

Questioner: Correct.

Management: Okay. So...

Questioner: This year you are saying INR13,000 crores disbursement?

Management: 13,000 crores. It will be a little about 30% of the opening.

Questioner: Correct.

Management: If 17% will be rundown then 14% will be growth.

Questioner: Correct.

Management: So, next year on opening of INR48,000, if I do INR16,000 crores, that will be 33%. Removing 17%, I should be growing at around 15% plus.

Questioner: So, on this 15% growth, your leverage is not going to increase?

Management: It will increase a little.

Questioner: 18%.

Management: 18%, 20% dividend payout. So 14.4%. So, anything above 14.4%, it will be increasing the leverage. There, I can take it up to 7.25, 7.5 times.

Questioner: That is a lot of scope. How much scope?

Management: 6.2 right now. 19.9 or something.

Questioner: Okay. [inaudible 0:36:16] Is it a license model or both in them?

Management: It is not that paper you saw of that mode. Of course some of things, paper is like for example, if you talk about space AWS. All those are obviously as per what we -- or connectivity or all these things. But otherwise it is all on license.

Questioner: Filing as a system integrator for us. The LOS/LMS...

Management: Pennant which is also running at LIC and Bajaj.

Questioner: So this 19.5 bakes in all -- I think already, right?

Management: Yes. It takes us there, Yes.

Questioner: And did you surrender your old system or not?

Management: No, as we do it we will surrender it.

Questioner: So that is -- what saving [inaudible 0:37:28]?

Management: So basically our total cost opex plus this thing was around INR60 crores. And the saving will be 20, that's why we said net addition will INR40 crores.

Questioner: Okay.

Management: That is how we are seeing.

Questioner: So what I mean to say is the monthly number that came actually just now, because AMC will come down?

Management: No, no, because you know, even in terms of our total this thing, depreciation has still not started coming in.

Questioner: Okay. [Inaudible 0:38:06]?

Management: So, turnaround time, of course, we will have a lot of automation has been brought in, lot of things which are manually being handled are now will be through the system, so definitely that will improve.

But, to start with, if I were to tell you, I would say initially within by one year, by end of this year, I think this additional 70 odd people in the states that we are talking about are going to come from this IT framework, because once we are able to implement this IP, a lot of work elements in the branches will reduce, which will free up the people and therefore we will be able to use them both for sales.

So the sales team is not going to add to the number of staff, it will be asked for the regular existing template only, but now the re-deployment will be possible, 70 people. It is right now, it was 82 as of 31st March, now we are planning to take it to 70, which is the entire leap of this IP.

Questioner: Okay, largely, I am still trying to understand, the average business per employee kind of trend is being broadly flattish in a sense, so ideally you should expect a reasonable uptake, right?

Management: Right now we have been growing also, you see the number of branches are adding, so obviously there are a lot of, the base is also increasing, if I were to stop the business today and then you will see that the numbers are increasing, but then every year we are adding people also.

Questioner: What was the thought behind starting your own sales team?

Management: 87% of our business is coming from DSAs, now DSAs, there is nothing wrong in such DSAs, they have been very loyal to us, they have got good quality, it is looked after, they had done something, they would have had higher NPAs, higher DSAs also, but that is a fun thing, but one complete reliance was, there is a little bit of a risk tomorrow, DSAs move out or something, the DSA businessmen.

They will not in fact do the kind of business always what we want, we can direct them, push them, but still at the end of the day, what is the business they have, their is what they will push to us, rather than we deciding what business, so now here, when our own sales team is there, we direct them where, which segment we want to, so the ticket size of the business sourcing by our sales team is slightly higher than that of the DSAs.

So, we have a little bit of a selection option available to stickiness is a little better, because you would have, plus the more you are going for DSAs, there is always outsourcing risk is there, whereas if you have your own people, you can do better, plus today when you are having a BSA, you are having a payout, whatever they do, they will be here, payout option is always going to be there, your 0.5% is going to be the payout, whereas if you are going for people, they are going beyond that breakeven, then in that case, everything else is secretive to us.

Questioner: And typically, you give 125% DSAs on an average?

Management: 0.5% to DSAs.

Questioner: No, 0.5% to DSA, if I were to convert that into your sales channel today?

Management: It is only salary, we are taking them on the roles and we are not taking them as a DST, where we give them 15,000 fixed and then incentive. It is on the basis of this.

Questioner: Okay. But then what is the incentive for him to get more?

Management: So, we have a lot, so those things we are working out right now, we are doing some R&R, we are giving them some contests and all those kind of things and we are trying to keep them on board.

Questioner: Okay. Challenge will come, if those guys become too big, they will start their own DSA, [Inaudible 00:42:40].

Management: So we will have to obviously look at it. As of now, we are not yet there.

Questioner: I know.

Management: Yes.

- Questioner:** [Inaudible 00:42:52] then in next year, I mean, which I mean, there is a scope for I mean, one time jump in disbursement or?
- Management:** INR1,500 next year should become INR2,500. Sales should bring INR2,500 next year. That would be our target next year. Still so, we will see INR1,000 crores there.
- Questioner:** So INR2,500 we are talking this year?
- Management:** INR1,500 this year. Next year INR2,500 crores. So INR1,000 crores debt they will come next year from the sales team.
- Questioner:** And that is product margin lucrative yielded 20, 30 basis point increment?
- Management:** If they continue to do more than INR1 crores, then obviously in terms of expense wise, we would be a little better.
- Questioner:** Cost to income lever, otherwise, you talked about 19.5% coming back to 18%. So, I am just wondering, because I understand some of it will be driven by growth etcetera. But even then, when the most of the cost item I see, 100% increase will come, it will not decrease actually.
- Management:** Correct. So if you are growing at 15%, costs grow at a lesser rate.
- Questioner:** When you are guiding for 18%, you are not keeping something on your sleeve. [Inaudible 00:44:13] So I am just trying to understand?
- Management:** So cost wise. So, I mean, it is not much of a thing beyond that we can go I mean, you cannot go to [Inaudible 00:44:32] level in terms of cost, already at a very low level. Its okay 18% because we have operated in that level, that is why 18% is something we can do.
- Questioner:** But at the time of 18%, you did not take the full hit. You did not take the hit of employee cost, you did not take the hit of IT. I am just thinking from that perspective, because you have done benchmarking and all, your cost base has increased. So, I am just wondering whether 18% is more achievable or 18% is slightly aspirational? How do you see?
- Management:** I do not think it is. Obviously, it is aspirational, but it is also achievable. I think 18% is something we can drive and we can look at in another 2 years or 2-3 years.
- Questioner:** Every year, 50 to 75 basis point reduction.
- Management:** Let us see. I mean, we will see how we can work that out. We will have to look at it.
- Questioner:** And is there a 19.5% can be inch up as well to 20%?
- Management:** This year, I do not think it will go up. I think...
- Questioner:** If this year does not go up, then it will go up.
- Management:** Then it should not go up, because the maximum impact is because of IT, which we have already taken into account. So, beyond that, it will not go up.

- Questioner:** So, by '29 or '30, we should be somewhere in 18, right?
- Management:** We should look at around -- by '30, we should look at 18.
- Questioner:** Typically, there is a board guidance on ROE, is there anything like that?
- Management:** No, ROE guidance, it is more on disbursement and business.
- Questioner:** ROE?
- Management:** ROE, I think we have already stated, although the board does not actually give a target of ROE or things like that, but yes, it is already -- it is understood today actually. And we presented it as we do give that this is what we will achieve or this is what we are aiming at. So, I think the board is comfortable.
- Questioner:** So, just on that number, I was thinking, it is a 20% ROE broadly, is there a risk to that number two years out?
- Management:** 20% ROE, already there at 18.5%, I think that is a little, I would say aspirational that I would say is a little aspirational, 18%, 19%, yes, I think we should continue to do that. We have certain like, for example, if you are able to maintain our, this thing and if our gearing goes up, then I think, yes, we can look at some improvement there.
- Questioner:** So, growth?
- Management:** We will have to grow growth, growth is another thing. If we do growth then gearing will improve, the gearing will improve automatically, maintaining our ROE, if your gearing improves, ROE will.
- Questioner:** But on the side of the grid, you have no concern?
- Management:** No, 10 basis points, I think, we do not see a challenge.
- Questioner:** Even when you have changed the mix and all, you have not seen anything, right?
- Management:** No.
- Questioner:** The environment is good now, but I am just thinking more from the three, five year perspective, across cycle, this 10 basis is a good number to look at?
- Management:** I think yes, we think it is a fairly decent number. In fact, if you look at it, today we are sitting on a INR59 crores of management overlay, we have another INR40 odd crores in our COVID restructuring provision. So, that way we are -- there are enough of support available.
- Questioner:** For ECL provisioning, any new norms that are likely to impact us?
- Management:** No, the ECL, I think we are...
- Questioner:** I mean, effectively -- eventually at some level, can it go down to NBFCs also?

- Management:** No, it is already applicable for us. From 2017, we are on the ECL model. It is well established. It is, of course, evolving and new things claim but I think by and large, it is quite stable.
- Questioner:** Okay. Got it. Sir, I mean, I was just wondering, this additional 1,000 disbursement because of our new staff, it will not have that 0.5 percent kind of DSA. So, how much that can incrementally save with the cost to income?
- Management:** See, it is not -- see, we are still, there is a fixed cost. So, we will be able to say only where it is more than INR80 lakhs, INR85 lakhs -- INR80 lakhs, INR90 lakhs business on that we will be saving. Otherwise, up to INR80 lakhs anyway, salary is fixed. So, that is a cost which is already incurred. So, below that, if you do, it will be negative. But I mean, above INR80 lakhs, or INR90 lakhs, what we do is when the savings will start.
- Questioner:** This is monthly number, you are saying that?
- Management:** Yes. Per monthly.
- Questioner:** Which is broadly 3x to 4x on an average?
- Management:** Yes.
- Questioner:** The productivity normally is high?
- Management:** Yes. So, today we are at around almost average productivity of sales staff is around INR1 crore to INR1.1 crores per month. We can obviously -- we would like to take it up to closer to INR1.5 crores and stuff that is obviously the intent. But again, on say 80 people, we have about 20 who are five, seven who are super performers, another 30 who are -- but there are the big chunk which is not -- which is below par performing. So, it is always.
- Questioner:** Normally, new branch takes how much time to breakeven?
- Management:** About 18 to 24 months. What we see is a new branch should be doing about INR25 crores to INR30 crores. So, if it reaches, then it is, you can say, that is a breakeven. That takes about 18 to 24 months.
- Questioner:** Sir, when you enter a new geography, what is your go-to-market strategy? Because there is already competition everywhere, so what exactly is your approach unless you tie up with DSAs, et cetera? I'm just thinking from that perspective?
- Management:** We do DSA there as well; it's not like we don't do DSA for a new brand. We do DSA there too. We also try to existing nearby geographies, we have got some connect already. So some come from there. One advantage is that of course, when it comes to a rate, we have a definite rate advantage. If it were -- if we were to work or we operate in any new geography with a rate of interest of 13%, 14%, 15%, then it would have been more difficult. But when we start with 9%, 9.5% and 10%, obviously...
- Questioner:** I understand. But customers in your segment may also go directly to banks when you enter a new geography?

- Management:** If you look at banks, their average ticket size is around 35–40. So, for smaller ticket sizes in smaller towns, I don't think this would happen that so much.
- Questioner:** Okay. And otherwise, I think sometime back, PNB was aggressive on BTA out and then Bajaj always is very aggressive?
- Management:** So, Bajaj, yes, in fact, BTA out on and off and they have been aggressive. LIC purely rates. They give a very aggressive rates. PNB, that way, not so much because their rate is higher than ours. And they are, you know, therefore, at that time, they used to take calls. But I think, LIC because of the rate maximum. Little bit, not much. We can manage it. So, that we will be able to manage.
- Questioner:** Since March onwards, the incremental cost of fund is actually up by 40, 50 basis point across the board, easily?
- Management:** I would not that much actually. For us, like for example, we were raising bank term notes at 6.95. We are now getting at 7.25 and 7.5. 7.5 now, up till now, we have not raised anything. I do not think we have drawn anything. We have a sanctions on hand, but we have not drawn. 7.25, we are picking up. So, there is a 30 bps increase over there.
- When it comes to CP, in fact, we have an improvement. Because we were doing at 7% plus, we have raised. Today, we are getting at 6.45. That is a reduction. When it comes to NHB, not much of a change, but benefits side, but I think by and large, they also raised in the market and give, so it is not much of a change.
- NCD may, yes, our existing NCDs are already 8% plus. So, today when we go, even today we are getting at 7.8, 7.9. So, there are some areas where it has increased a little, there are areas where it has reduced. So, net-net, we have been able to manage.
- Questioner:** And this broadly, your mix was on liability, this is what we should think about as a reasonable mix? 16, 15, 15. And in this, as you said, the liability side floating is INR27,000 crores and fixed is INR11,000 crore. So, your fixed is what all the NCDs?
- Management:** NCDs are fixed and we have some of the NHB refinance, which is fixed.
- Questioner:** NHB refinance?
- Management:** Some of the NHB refinances are fixed.
- Questioner:** And that means, this fixed means fixed?
- Management:** Yes. Fixed.
- Questioner:** Something like that.
- Management:** They are special under the affordable housing fund, all those kind of things for a special category and all. So, that is fixed, proper fixed.
- Questioner:** Okay. And in incremental sourcing, does this mix change?

- Management:** In this, obviously, in NCDs, rates are not so very favorable. We are still waiting, if it comes down a bit, then we will be able to end. Then our mix will increase. Otherwise, it is mostly floating there. NHB in incremental, some of the schemes are not there. So, our ratio of 1 is to 1 is now 1 is to 3.
- So, earlier INR100 crores used to be fixed, INR100 crores was floating. Now, it is, you know, INR100 crores, INR300 crores is floating. So, that mix has changed a bit. So, slightly our floating should increase on the liability side.
- Questioner:** To me, rising interest rate is not good. I am just thinking?
- Management:** Not necessarily. If we take NCD, then it is fine. But we are just trying to negotiate more. That is it. 7.8, we feel is a high. 7.6, we will pick it up. Because then when the rates go up, it is actually better to get locked when the rates are going down.
- Questioner:** But there is an expectation?
- Management:** It will go up, maybe some little bit will be there.
- Questioner:** In this calendar year, they will start rising now?
- Management:** Right now, it doesn't seem so. The way the money has come from CNR and this and that, I do not think of that.
- Questioner:** It's not that it has come at a very low cost either. It's not as if it is very cheap. The cost of that money is such that banks would say it is a kind of NIM dilution [Compared to their 0:56:45] cost, it is not really that cheap.
- Management:** That is correct.
- Questioner:** So, it's not that cheap. But liquidity has come in. I'm just saying?
- Management:** But government, I think, will not want to change the, cut the rate, increase the rate.
- Questioner:** So, what is the risk that you see for the business right now? We talked about all great things.
- Management:** Risk is definitely, you know, as I said, work on the spread and ensure that whatever little cost goes up, we have, we compensate by improving our yield. That will have to be done. That is one risk. Second, I think, see IT was a risk till now, but now the way we have had a smooth transition.
- Questioner:** Sir, how many branches have you had till now?
- Management:** 80 branches have been done. In the first two rounds, both of them, we have had a smooth service. Some teething issues, but that is understood. No showstopper, no area where we have had to do. All branches have done disbursement, sanctions, all critical processes have all happened without much of an issue. The training, I mean, getting used to it, takes about 8–10 days. That's fine. So, IT was a risk. I would say now, not so much. It is little, I can say, behind us.

- Questioner:** The next three, four months, it will be rolled out completely?
- Management:** By 15th October, everything will be over. All branches, 100% will be done.
- Questioner:** So, IT is not a challenge?
- Management:** Not now. Three months back, six months back, you could say it is still, fingers crossed. Now, I think, I can safely say we are, that is behind us. Yes. So, one is that. And second, of course, we will have to manage the prepayment. And so, currently, our thought process is the prepayment cycling. We will also, we will push out book disbursement so that, in terms of the accretion to the book, we at least add INR6,000 crores net this year,
- Questioner:** Somewhere around 14% should definitely come through?
- Management:** 14% should come through. That is what is there. And quarter-on-quarter, with the kind of disbursement that we are doing, I think we will see our AUM growth inching up. 10.4% has become 10.8%, if we slow this in jeopardy.
- Questioner:** And aspirationally, in terms of yield improvement or margin improvement, how much do you think it should broadly reach?
- Management:** Since you have already mentioned 3%, I won't say anything more.
- Questioner:** But in two years time, will it be there?
- Management:** We will want to, let us see how we are able to do it. Obviously, the levers for ROA improvement is one is only the need improvement so that we can spread the names a little more. Right now, we are at around 3.9%, 3.8%, 3.9%. If we can take it up to 4%, obviously, 3.9%, 5% to 10% books more from here would definitely help. That is, now how we do it, we will have to deliberate on the board, the board and everything that we want to look at a change in whether we are going to start development finance, whether we want to do little bit of affordable, at what pace we want to do this.
- Questioner:** [Inaudible 60:9:9] It is good to have, but if you are just saying you will probably restrict it to 3% of AUM, then it is not very large number.
- Management:** It is not a large number, INR1000 crores book will come, INR1500 crores book will come in next two years.
- Questioner:** And you will get three-four basis extra on a blended basis.
- Management:** Correct.
- Questioner:** No, I am saying from here to if you have to increase by 20-25 basis point largely, then it has to be from other products because.
- Management:** See, even if we do affordable, it cannot be fast.

Questioner: It cannot be.

Management: It cannot be. It has to be carefully in a calibrated manner done, you know, overnight INR2000 crores book add, I do not think that is, it will come to hurt us later.

Questioner: That's true. Can we not do something with Canara Bank?

Management: Both are listed entities, so there is an RPT anyway. If we do it, we can do it exclusively, whatever is possible. So, if at all we do it, we cannot do exclusively, whatever is there, we will have money.

Questioner: No, I was thinking more from the perspective of managing leverage -- however you want to look at the sourcing?

Management: So, growth will be even otherwise 20% plus growth, I think even organically within our current system, we can, we can manage it. We can manage it.

Questioner: Okay, thank you so much, sir.

Management: Thank you so much.