



“Can Fin Homes Limited

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Management: Yes, we can start. I think Abhishek will just join.

Questioner: Yes. So, Suresh, thanks for taking time out for this. Really appreciate it. I don't know whether I should also give a brief introduction about the fund because we are meeting for the first time. I can give a brief introduction about me, but do you think a recap on the fund is also helpful or you know about TA?

Management: No, I am aware of TA. I think we can continue, not a problem.

Questioner: Perfect, perfect. So, Suresh, we've not met before, but I am Abhishek. I lead the financial services practice for TA in India. Joined TA recently, prior to TA was with CPPIB, looking at their direct private equity business in Mumbai. Been in the investing space for almost eight years and prior to that in the consulting space for another seven, eight years with BCG and BWC. Really excited to connect with you.

We've been tracking the business for quite some time. Again, as TA, we are investing out of our 15th fund. It's a long history. The fund size right now, the fund that we are investing out of is a \$18 billion global fund. And we are still like 30% deployed, so there is enough dry powder for us to invest. And within India, we are fairly flexible in terms of our investment mandates. Like a minimum check size is 30%. When it comes to situations in the public space, I think it's a bit like we won't be able to come as a QIP partner or we won't do like block trades, something like it's not a public market book that we are maintaining.

But again, there can be flexibility around, let's say, if you are thinking of a fresh issuance or if you are, it's more of a PIPE deal in public markets versus like a block trade like most of the prop arms of the banks would do. So, we don't do that kind of stuff. But again, it's something, a common example would be, let's say, what a Blackstone did with Federal Bank. We are open to do that. Even in AU Bank, you've seen like Temasek investing via its private equity, right? So, the space remains attractive for us.

We like the housing finance story. And again, like you're not, and congratulations on a very strong close of FY '26, like INR1,000 crores plus PAT and the numbers that you've, the growth that you've crossed. Again, like would love to dive deeper on just how you're thinking about the next leg of growth in terms of the choices that you have, like geography, LAP, self-employed, because all that also has a bearing on the spreads in the business. At least what I've seen is South business higher yields, North business lower yields.

But again, there is always the dimension around salaried, self-employed, LAP, housing, LAP. But would love to hear from you on how you're thinking about it, as well as when you are also thinking about growth, like is there a ceiling that you've hit in terms of 13% like the growth guidance that you're providing, or and are there constraints which are structural constraints or are there any funding-related constraints that you're seeing in the market?

And I think it would be helpful also to spend some time on the competition intensity in the space, the demand and supply that you're seeing on ground. I think those were the top-of-the-mind agenda for us, but we'll take the call from there.

Management:

Sure. So, I mean, quite a lot of points are there. I'll, if I miss out a few, you can probably again prompt me and I'll again respond to them. But starting from, you know, what is this kind of strategy in terms of our segmentation of product and everything. So, I think we've laid down that thing in terms of our five-year strategy paper that we laid down in 2023, that Vision 2028 document, which we've also mentioned in our presentation.

So, basically, there are four pillars. One of them being that, you know, in terms of our housing to non-housing segment, we would want to, you know, keep it at around 80/20. So, at the beginning of '23, FY '24, we were at 89% and 11%. And from that, we said that in a five-year thing, we would like to slightly push it up to 80/20. And around 80% housing including CRE is where we are comfortable.

And today from that 89/11, we have reached up to 84/16. So, 84% is still housing including CRE and 16% is LAP and top-up loans and plot loans and everything. So, there is still a good 4% scope available to us where we can increase our LAP business or our top-up loans, which is to our existing customers. So, that is one thing. The second part of this thing is the segment in terms of our customer profile.

So, there we were having around 72% as salaried and 28%, 73%, and the rest was self-employed. So, incrementally, we said we will do a little more because now in terms of the self-employed, unlike, you know, the perceived risk that self-employed there's a higher NPA and all, we are only in the documented self-employed category.

So, basically, when we say self-employed also, it is basically the category where IT returns are being filed. So, the risk is still not as high as what it would be for a self-employed where there are no returns and there is, you know, appraised income kind of a category. So, we said we are okay to shift it to 65/35. There also we have moved to 69/31.

So, we still have a little scope to do a little more self-employed. And incrementally, we are doing about 40% to 45%, 42% is what we are doing for self-employed in the incremental, you know, lending. So, that's the kind of thing. So, we probably by '28, we will still reach. So, both these actually pillars are slightly available to us to, you know, improve or push up our spread a little bit.

And you would have seen that, you know, this not only while it is there is also for the spread point of view, but it also helps us, gives us a little more buffer to push on, you know, growth in the salaried segment and the which is a little more competitive so that we can slightly inch up our ticket size. Because we were doing around INR20 lakh average ticket size, INR20 lakh-INR22 lakh. Now it has moved up to INR25 lakh to INR27 lakh.

So, roughly, you know, it has allowed us some buffer to also operate in a little more competitive to slightly competitive segment. But having said that, I think competition in this segment is still

not, you know, as much. Because, you know, the banks, PSU as well as private sector bank mostly are having a much higher average ticket size.

So, they are operating in the INR35 lakh, INR40 lakh, in fact, Canara Bank also has almost INR38 lakh. If you see the private sector banks and all, they all have INR40 lakh and plus kind of a ticket size. Bajaj also when it entered originally, it had a ticket size that it will operate at INR40 lakh and above.

So, that was the kind of ticket size. So, we are slightly below the radar of the banks where the maximum competition is there. So, we are below the radar, so we don't have much of a competition coming from the PSU or private sector banks. For us, the competition is mainly LIC, Bajaj, because now Bajaj has slightly come in the lower ticket sizes also, and PNB HFL. So, this is basically the, the three main are the three main competitors.

So, we are not saying that the, you know, that there is competitive intensity has increased, there are more players, but, you know, if it is from the banks, then it directly doesn't affect us. That is, that is one thing. Having said that, yes, there is a little inch up in our BT outs or run down because the interest rates have gone down and that makes banks and all much more competitive and easy pickings for them to pick up our loans including, you know, if it is with a top-up or whatever.

So, to some extent, you know, our BT outs have slightly increased. But having said that, you know, our main competition continues to be LIC, Bajaj, and PNB HFL and in that order. And banks and all come a little later. So, that's, that's one of the things. Now coming to the growth, well actually we had some issues in '23-'24 where, you know, one was the challenge in terms of our IT capabilities and second was in terms of, you know, the fraud that happened.

So, we had to obviously correct ourselves, strengthen our internal controls and all. So, we went about two years in, in kind of in 18 months or so in basically strengthening our processes, strengthening our IT setup. We are going, we are going for a complete IT overhaul. And we have, you know, LOS, LMS, HRMS, our finance and accounting package, our deposit package, everything is being, you know, overhauled. So, you know, lot of corrective action happened. But now if you look at it in the last year, there is a 23% disbursement growth is there in terms of disbursement.

So, obviously, you know, if we continue to grow at around 20% plus in terms of disbursement, the AUM growth will also, you know, catch up because AUM growth generally comes with a lag. So, last year we had a AUM growth of about 10.4%. This year we are targeting 14%. And I think from FY '28 onwards, we will definitely be targeting 15% plus in terms of AUM growth because our if our disbursement growth keeps growing at around 20% plus, then in that case, you know, our AUM growth will also slowly pick up.

So, that's what we are looking at it. In fact, in terms of liquidity, we don't see any challenge actually. We have a very good, you know, pipeline from the banks. We have a lot of interest in the NCDs also for our paper. But, you know, we have been choosing it according to the whichever is the cheapest cost of funds and which also helps us in our ALM matching.

So, we don't go for, we have over a period reduced our reliance on short-term borrowing in terms of CP or in terms of short-term working capital limits. And, you know, we've also tried to move a little more towards NHB refinance and our bank term loans, which are for the longer tenure so that, you know, in terms of ALM also we have a better matching.

So, this is basically the thing. There is no liquidity constraint. But as I mentioned, you know, the constraint was more because we had our internal challenges and we had to completely overhaul our IT, we had to look at our internal processes. So, over the last, you know, three years if you see, a lot of internal work has happened. One is in terms of strengthening of all our assurance functions.

We have centralized a lot of processes to bring in, you know, improvements in our TAT and improvements in our productivity. A lot of, you know, automation has also happened. And now with this IT transformation that we have undertaken and which is almost in the last leg, you know, we expect to have a little more productivity improvement that is there.

Another two things which particularly I would like to highlight is that in the last, you know, particularly after 2019, during that COVID period, you know, the company had kind of stopped its branch expansion plan. So, there were no new branches or expansion that was happening. And the overall, you know, during that COVID period, you know, the reliance on DSA-driven business had also increased to almost 80%.

So, we felt that, you know, this are two other areas which, you know, in the long term we need to correct. So, from '23 onwards, we have actually started a branch expansion and now we are almost on an annual basis consistently been opening branches. So, today we stand at around 249 branches as on 31st March. And for this financial year, we are looking at 28 branches. In the last three years from FY '24, FY '25, FY '26, we've opened actually net, you know, we've actually opened 54 branches.

And we are, you know, consistently going to keep on adding. Next year also we have planned around 24 to 25 branches for FY '28 as well. So, basically, you know, this is one thing which we have restarted and which we will continue, which will help us, you know, bring in some growth. The second thing we've done is we have set up our own sales team.

So, this is also another vertical which has happened. And that has also been helping us in our growth. So, last year if you look at our INR10,500 crores disbursement, then almost INR1,700 crores has come from these two parts, that is the new branches that were opened and the sales team that has been set up.

So, you know, we have basically along with the back-office corrections and improvements and strengthening of our compliance and everything, we've also added these two verticals basically, which are today, you know, starting to give us results. So, this I believe will continue to, you know, deliver more than 20% disbursement growth for the next short-term three to five years definitely. So, over a period, you know, while our past probably is about 10% AUM growth for the last three years, but, you know, going forward I think, you know, we can target a CAGR of 15% plus in terms of AUM growth.

So, that's basically the thing. The constraint is not in terms of liquidity. We are, you know, having a good this, you know, this thing. But like for example today it doesn't make sense to raise NCDs at 10.8, sorry 7.8, 7.9% a three-year NCD if when we are able to get a bank term loans at 7.25 and 7.5%. You, see? Plus, the fact that, you know, bank term loans for at 7.5% are for longer tenure of 7 and 10 years. So, obviously from the ALM point of view also they are much better.

So, basically our borrowing mix and everything is more, you know, driven by our cost benefit and our ALM rather than this thing. So, that's the point. I guess I think that's all, I guess. Anything that I've missed out? I think I've covered competitive intensity, way forward, liquidity and everything.

Questioner: A few clarifications, Mr. Suresh. The yield differentials that you think just on the non-home loans and the CRE side, what would the yield differentials be and how does that work when it comes to the risk as well, right? The risk-adjusted yields, how do you think about those?

Management: See, in terms of our, you know, delinquency today on a blended book we have a NPA of 0.85%. But if I break it down into salaried versus self-employed or, you know, housing versus LAP, I think, you know, the differential is not more than about one percentage points.

So, if this is 0.6% is for my, you know, housing, LAP probably we will be about 1.25%, 1.5%. So, that kind of a thing. It's not a very major difference. As I mentioned that, you know, today when we even in the self-employed when we are looking at it, we are looking at documented self-employed.

We are not looking at self-employed where there is no document or proof of income or backup to the income. So, so it's not a very large differential. And when you look at the price differential, we are almost getting 1 to 100 to 150 basis points higher yield in terms of when we move to the self-employed LAP. So, that's the kind of difference. So, so in terms of the risk-adjusted, I think we it is it is more, you know, accretive rather than disadvantageous.

Questioner: So, 125 basis points both for self-employed home loans and normal LAP versus the home loans?

Management: It would be, Yes, it would be kind of not 125 for both, it would be a combined differential would be about 125. Otherwise, it is 0.75. If I only housing versus non-housing if you look at it, probably it will be around 75 basis points. If I look at salaried versus self-employed, again it will be 0.75.

So, basically, if you combine both, you know, instead of a salaried housing versus a self-employed non-housing, it will be differential will be about 1.5% for the best CIBIL score. Of course, CIBIL score if it is a little inferior, then of course that will be another, you know, individual credit score will also have a differential. I'm talking about apple to apple of a similar customer having the, you know, 775 plus CIBIL score if comes for a salaried housing versus a, you know, self-employed LAP.

Questioner: Understood. And just in terms of the supply of properties that you see in the market, do you think that there is enough demand to grow the book at 15-odd percent or disbursements at like 20-odd percent?

Just getting some sense because the segment has been growing very fast in the last few years and trying to see what the is there a demand constraint in the backend where properties are not getting built in a timely manner? So, from that standpoint, how do you think about the market or where do you see the market?

Management:

See, in terms of the supply, I think there is a good amount of supply coming. And now in fact you also know that there was a time about two, three years back when, you know, the carry was almost equivalent to, you know, very large inventory was available. But now if you look at the data also, it shows that the inventory has been coming down.

So, there is a so it's not that there is a, you know, oversupply which will result in a price correction or something of that sort. Today in fact, you know, there was a time up to 2000, you know, 2003 to 2010, 12 or something when, you know, the price appreciated tremendously. Today it is not there. Whatever we are seeing and particularly now the RESIDEX also shows that the price appreciation is not something which is abnormal.

It is all within, you know, normal 5%, 7%, 10%, which is very much because of the inflationary increase in the construction cost or the labour cost and stuff like that. So, basically, there is no pricing issue which is resulting there. And the data also shows that there are, you know, areas where this thing is coming down, inventory.

So, basically, it's a it's a so far there are no currently at least we are not in a position or in a place where, you know, it there is any alarm which we should be worried about.

Questioner:

Understood. And one of your peers, PNB HFL, has as well has moved or has started focusing on the affordable side of the business. And I know that's a different beast altogether, different branches or branch presence is required.

Any views on how you think about that business and because obviously with your rating, like I think you can always compete on pricing, but like just getting some colour on how you're thinking about the affordable space?

Management:

See, affordable, I mean, if done well, can be a very, you know, attract is a very attractive business. And if you ask me in the past, my experience at Gruh also shows that we it is an area where we have done well. But of course, it is not a portfolio which you can build overnight or very quickly. Okay?

So, I mean, I would be a little worried if, you know, suddenly, you know, we have to build a book of INR2,000 crores in a matter of two years also. Okay? So, because, you know, the appraisal and all if it is not done thoroughly, if we don't have the proper controls and the proper appraisal mechanisms and the templates for, you know, segment-wise or the customer profile-wise, then in that case, there is a big chance that you can end up doing wrong lending and you may have some trouble in collections and all those things.

So, I think as a product or as a as a segment, I think it is a little attractive, but at the same time, it has I would I would want to tread cautiously in the sense that we would first want to have our team with the right kind of training, with the right kind of on in a small gradual manner, maybe

in a small pilot market and then slowly grow that business within Can Fin rather than do, you know, across the across the board.

So, that's how I we will look at it. In the long run, I think we will have to develop a product because that is where this is the segment which is growing fast and this is the segment where there is a lot of, you know, demand also. Having said that, you know, today I don't think our people are ready to do it because for 30, 35 years, the team has basically only catered to documented income, that also 70% was salaried.

So, now suddenly from there if the same team or the same, you know, capabilities have to be replicated for a self-employed assist income, then there can be problems. So, so we will have to tread cautiously. And we have a product which we launched last year, but we've not seen any traction in that because the boys are also not comfortable appraising this segment. So, I think, you know, we in the long run, yes, we would want to look at that segment, but I think it will have to be done a little cautiously.

Questioner:

Understood. And in terms of just growth that you're seeing across geographies, are you seeing certain like where do you see maximum growth versus growth slowdown geographically? Like any insights on that?

Management:

See, in terms of geography, I think for us West and North are growing fast at 40%. But that is also because, you know, most of our new branches we opened in the West and the North. So, we are getting a lot of support from that also. And similarly on the other side, you know, Karnataka and Telangana for us is slow because, you know, we had this E-Khata issue and the Hydra issue.

But otherwise, if you look at it, I think, you know, Tamil Nadu is a very steady market. We've had a very steady growth. In terms of credit quality also, that's a very stable market. There are, I think, you know, future if you look at it, I would I would put my finger at UP, Odisha, and Andhra Pradesh as three states where I think we can see a good amount of growth.

Obviously, volumes in Uttar Pradesh plus the fact that there's now a stability in the government, plus, you know, lot of security and, you know, state is also now doing very well, a lot of investment is coming into the state. Second is, you know, Andhra Pradesh because of the, you know, very forward-looking or thinking government.

The state government is very proactive. In fact, a lot of income generation and job creation is likely to happen as we see in that state and we are a little positive about that. And third, Odisha again because the state now is looking at a lot of improving its urbanization level. Today it's almost it's just about 19%, but they want to, you know, increase it to around 30%, 35% by in the next few years.

So, definitely the state is also looking it in a in a very different manner. So, I think these are the three states. Of course, West is attractive, it's a evergreen thing. Maharashtra, Gujarat, Rajasthan, they have always been performing. But I think, you know, in terms of the housing shortfall, I think there is very little shortfall left in the to be catered to in these three states, at least in

Maharashtra and Gujarat. Rajasthan, of course, it is there, but Maharashtra and Gujarat the housing shortage is not very high.

So, while the states will grow because of the attract because, you know, they are always the leading states in the country. But I think, you know, these three states will have a little bit of a even including Karnataka for that matter. Karnataka and this thing. So, future if you look at it, I think three states of UP, Odisha, and AP. And Tamil Nadu, of course, continues to grow quite well because it's all-round development which we see in Tamil Nadu.

Questioner: Understood. And in in Karnataka, is the E-Khata issue behind you or it's still kind of creating some teething issues in terms of disbursements?

Management: See, in case of Karnataka, most of the urban centres we are done. I mean, I think we can say that, you know, the E-Khata issue is resolved. Gram Panchayat areas, we are still seeing some issues. And I think it is still taking time every, you know, we are having problems where customers are taking loans, but then the E-Khata is not getting happening, so they are coming back for cancellations and stuff like that. It's happening. So, we I don't I won't say it is 100% sorted out. I would say probably we are in 80%, 85% we are there.

Questioner: Understood. But that the Gram Panchayat issue will be more prominent for the affordable guys versus you guys or it's kind of the pain is equal?

Management: No, I think for us also it'll impact us because, you know, had this issue not been there, today probably we would have been doing around INR300 crores to INR350 crores in Karnataka per month. But we are still at INR250 crores.

So, definitely, you know, it is impacting us. Because see, even if you look at when I say Gram Panchayat, even a lot of developing areas on the outskirts of Bangalore also are under Gram Panchayat. So, we are facing issues there also. And our forte obviously is the outskirts of big cities and tier-2 towns only. So, we it is impacting us as well.

And I guess, you know, today had this issue not been there, we would have been it would have been another story altogether, another INR50 crores to INR75 crores per month additional business would have happened in Karnataka for us.

Questioner: Understood. And couple of questions like just on the distribution, you did mention about reducing the DSA reliance. Would be useful to understand like what exactly worries you with the DSA channel? Like are you seeing higher BT outs in that channel or poor quality of credit in that channel or is it something else?

And as you even think about the DSA channel, right, would also love to hear your views on how has that channel really evolved in terms of number of DSAs that you see on ground? Are these like again the usual likes of the Andromedas of the world or it's still you're kind of getting more you're seeing fragmentation in there so that the pricing power is not essentially there? And just will be useful to get your colour on this one.

Management:

Sure. See, actually, if I have to share today our on the book, we have about 72% of our book which is sourced by DSAs, you know, since inception if I look at the book. But if I look at my NPA, okay, I guess, you know, less than 70% of my NPAs are sourced are from that DSA-sourced book.

So, I don't think, I mean, I wouldn't say that, you know, the DSA sourcing has been of inferior quality. So, that at least doesn't reflect in the numbers. That's point number one. Point number two, whether it is, you know, so why move out or reduce our DSA reliance is for two reasons. One, you know, when it is a DSA-sourced business, it is not a, you know, our choice.

DSAs bring the business, we do the business, fair enough, but, you know, we are not able to select the right kind of segment that we would want to cater to. It is normally the what the DSAs bring is what we do. So, that is one thing. And obviously, therefore, BT outs also are slightly are higher in the in the DSA-sourced portfolio. That is one part of it.

The second part of, you know, why DSA reliance is because right now our DSA profile is purely individuals. We don't have corporate agents. So, we don't have the likes of a, you know, Andromeda or RuMoney or all those kind of things, Money. Okay. All our DSAs are retail individuals who are either doing it on a individual basis or maybe a couple of them are partnerships also which are basically also individuals who are doing together.

So, we don't have that thing. But, you know, in the long run, I see a lot of consolidation happening where, you know, the DSAs or these kind of fragmented or what as you as you mentioned, these kind of individual DSAs kind of wanting to, you know, get together and, you know, start giving business to the Andromedas and the likes.

So, there is a chance that to know, you know, we cannot be completely reliant on them because someday the markets might change and they we they will no more be ready to do it for us at this kind at these rates. Like today we are offering starting from 0.45% to 0.75% for the business depending on the volume of, you know, disbursements that they bring.

So, today, you know, corporate agents or Andromedas and all are charging anyway between 1% to 1.5%. So, tomorrow it is obviously more lucrative. Some of them we have started seeing that some of them are moving to these bigger corporate agents and becoming sub-agents. So, in the long run, I think it is I mean, this model may not survive.

Of course, we will always have to keep churning this DSA channel and we'll have to always keep bringing in new people who will eventually then settle and join the Andromedas. But I think, you know, in the long run, it is always better to have our own setup of sales so that it is a little more sticky portfolio plus as well it is a more, you know, safer bet to on a on a long-term basis.

Questioner:

And you don't have any exposure to the Andromedas of the world in terms of...

Management:

No.

Questioner: Understood. And just one last question on the industry and it's like where is the competition irrational today? Like is it like here there is some slowdown in the market as well. Do you see like the competition is also kind of rational or there is still some irrational behaviour that you see in the market, either in terms of rates or top-up amount or tenure?

Management: So, actually, I mean, there are two things which the regulator keeps talking about which keeps highlighting and warning about. One is, you know, this top-up loans which are given with a higher valuation. So, the same loan which is today valued at INR40 lakh becomes after a year, year and a half valued at INR50 lakh and another INR7 lakh is disbursed and top-up loans.

So, basically, this valuation bubble is one thing which is a slight worry for the regulator. And the second worry I would say is, you know, in terms of classification of loans, which also the regulator has been talking about where, you know, ready-made houses are all given as wrong, I mean, basically loans which are constructions which are already completed or maybe two-year-old houses are getting refinanced and being classified as housing loans.

So, you know, these are I think the two things which the regulator keeps talking about. And I think this this is what otherwise I don't think there is a, you know, issue in terms of demand or, you know, the genuine housing is obviously there. But because of this PBC criteria, because of this cheaper refinance for housing as and, you know, priority sector lending and all. So, this classification of loans is also one area which today is getting highlighted as a wrong practice in some of the in some of the cases.

Questioner: Understood. And in terms of just the regulation, are you seeing like any convergence of the body like NHB like the regulation moving from NHB to RBI in terms of oversight or NHB still remains...

Management: No, regulation has already moved to RBI. So, NHB is only a supervising agency. So, so basically our inspections are carried out by NHB and any special audits or anything is to be done, plus the refinance is managed by the NHB. But otherwise, if you see regulation is part of, you know, RBI only.

So, convergence as you see is today happening. I think, you know, lot of guidelines which are applicable to banks are also coming in. There are still areas where, you know, of course the last mile connectivity can happen only through HFCs and NBFCs. But in terms of regulation, yes, there is a, you know, RBI is only now looking at it. But of course, RBI is not doing the audit or inspection like it is doing for banks. So, to that extent, there is a, you know, role of NHB and NHB is doing that that particular role.

Questioner: Understood. And as you think about the forward growth, do you sense any capital infusion that would be required at some stage or because the leverage levels will go up, but do you expect or do you plan any primary infusion in the business, capital infusion required and any way in which we can we can participate? Like would love to hear your views on how should we think about it?

Management: See, see in terms of our, you know, capital adequacy, we are very well positioned at 23% plus capital adequacy. Second is in terms of our growth, I mean, our ROE is at around 18.5%. So,

you know, in terms of that also today, at least as we speak, our AUM growth is a little below that. But net of our dividend payouts when we look at the accretion to the every year to the book, given a 20% dividend payout, effectively it is about a 14.5% that is what is added to the book.

And the day we start crossing that, which is very likely in the coming year, definitely it will start putting some pressure on our capital adequacy and in our gearing. We have some scope in terms of our gearing because today we are at 6.4 times and I believe up to 7.5 times, you know, it should not be a problem because rating agencies would still not mind with a AAA rating.

But beyond that if we go, I'm sure the rating will also agencies will not be comfortable, they may want to review the rating. So, we have some scope to also, you know, increase our gearing and keep up our growth at rates above 15%. But I think in the next about two to three years, therefore, we may not have a pressure. But beyond that, I think if we continue to grow at around 16%, 17% and all, then we may slightly see our, you know, gearing inch up and then we may have to look at something.

Questioner: Understood. And if there is a way in which we can participate, what would your guidance be for us to do? Like we'll obviously keep in touch with you, but what is the best way for us to engage in case there is anything?

Management: No, so I understand from I mean, I believe what you said is that you were not the you generally don't go in for that, you know, market you don't take it pick up from the market and all those kind of things. It's usually a one-to-one thing. So, I think, you know, we as I mentioned in the next two years at least, we don't expect, but, you know, whenever it comes, I think we can stay in touch and we will probably take can take it forward, Yes.

Questioner: Understood. Perfect. Nothing else from me. Anirudh, anything that I've missed?

Questioner: Yes, no, just maybe one question at my end. Thank you so much for giving us such detailed colour. When I see the most of the book, 80-85% of the book is on a quarterly reset now, right? And your borrowings are long-term tenure. How do you typically manage ALM in such a scenario when given there are like RBI rate cuts, etcetera.?

Management: No, so last time when the rates rate cuts were happening, okay, we have a very, you know, detailed interest rate policy. And what we do is we are very, you know, transparent in our rate cuts also. So, last time if you see the RBI reduced the repo in over a period by 125 basis points and we passed on the rates to our customers to the extent of 50 basis points over four tranches.

So, basically, every time there was a rate cut about 25 basis points, we would look at a 10 basis points cut in our rate. And maybe one or two here and there, you know, time lags would be there. But basically, for every 25 basis points, we have passed on 10 basis points because 40% of our book was linked to repo rate and we therefore got a benefit on the liability side, so which we passed on to our customers.

So, on the reverse cycle when it happens, we will follow the same pattern whereby, you know, today of course as against 40% then, today we are close to around 60% is linked to repo rate or T-bill. So, maybe instead of a 10 basis points when the rates go up, we may not do a 10 basis

points, we may do a 12 basis points to 13 basis points increase for every 25 basis points increase in the repo rate.

And as against, you know, so basically, you know, we will just ensure that our spread is maintained. And as I mentioned, you know, our customers at least have seen that we have demonstrated a fair, you know, practice when it comes to rate cuts. So, I'm sure, you know, we will not have so much of a problem.

And, you know, just to give you a you know, the an idea about the kind of transparency or the kind of, you know, clarity that we have, today our blended yield on the book is around 9.82% and incremental yield on the book is 9.84%. So, it is not that, you know, when a rate goes down or a rate goes up, we differentiate between old customers and new customers. We have been fair to both the existing and the new customers.

Questioner: Makes sense. Thoroughly amazed with what you guys have built and the spreads that you maintain despite it being such a competitive market, right? Kudos to all of you.

Management: Thank you.

Questioner: Yes. And thanks. Thanks a lot. And obviously we travel a lot to Bangalore, so we'll give you a shout like whenever we are there, probably like grab a cup of coffee at your office or...

Management: Definitely. Absolutely. Definitely, definitely. I think that we'll be most welcome. In fact, we can definitely, you know, meet in our office and maybe you can have a branch visit also if you are interested, you can have a, you know, idea of the branch also. Sure.

Questioner: Perfect. All right. Thank you.

Management: Thanks, Abhishek. Thanks, Anirudh. Thank you.

Questioner: Welcome.