



“Can Fin Homes Limited
TATA Mutual Fund -24.08.26
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MANAGEMENT:

MODERATOR:

Questioner: Hi, sir. Can you hear me?

Management: Yeah. I am able to -- we are able to hear you.

Questioner: Thank you, sir. Thank you for your time. With me, Suraj is also here. He manages our SIF funds basically. And he is also part of the call. [Inaudible 00:00:24]

Management: Hi, Suraj.

Questioner: And yeah. So, sir, I think we can get started.

Management: Sure.

Questioner: So unfortunately, I think there was some confusion last time and we were not able to meet you.

Management: Correct.

Questioner: Due to meeting timing etcetera. But nonetheless, thank you. So, I think, sir, we can get started with our intent right now on ground, obviously, our disbursement growth has been very strong. Even Q1 number was pretty strong in terms of disbursement, but, obviously, AUM growth is lagging which is the real function of repayment. So, how are you looking at things right now, as we speak? Has anything changed? And going forward, how do you look at the AUM growth totally?

Management: See, in terms of our business, we are quite comfortable because we have a good amount of inquiries still coming in. Across our zones, all our branches are having a good pipeline also. So, in terms of business, it's not a problem. In July, we have also done more than INR900 crores. So, while we have targeted INR3,000 crores for Q2, we have already done INR900 crores in the month of July.

And at this month also, in fact, disbursements are going on pretty fine. As I said, we have a good pipeline across all our branches. The only thing is, this quarter we have done an implementation of our IT. So, some small teething issues are there, but the pipeline is good. So, even if at all there will be some 5, 10 days here, there, or whatever. But we are comfortable in terms of the inquiries.

And in case of Karnataka and Telangana, which used to be our problem areas in the last two years also, we have had a decent growth. Consistently, we are doing more than INR100 crores in Telangana and in Karnataka also, we are doing INR230 crores to INR250 crores on a consistent basis.

One more thing which has happened is Karnataka just passed a bill a couple of days back, wherein they are allowing or enabling this, B-Khata also to be converted into A-Khata. So, of course, there is a process, there is a time, there are some costs involved. But I think that is something which might also give a boost to the business. So, that is also something...

Questioner: [Inaudible 00:02:43]. If you can please explain?

Management:

Basically in Karnataka, there is a A-Khata, which is the one which has all the documentation and everything. And there is a B-Khata which means there is something where the, till the development doesn't happen, till all the amenities and all those things, the registration and all, they will take a little longer time.

So many parties do not do this B-Khata properties because the stamp duty, the later on documentation, transfer, everything is a bit of a problem. So, now, what has happened is the government has said that even this B-Khata, they are going to come out something like a regularization scheme, where they will be probably allowing all those properties also to get regularized.

So, this should be a good positive step for a lot of the companies. And, while we are also doing in the gram panchayat and all, we will get a lot more other properties which are with proper A-Khata documentation. So, as and when the people regularize these documents, so we will be able to do good amount of business. So, that is also one positive. So, the state government is also taking various steps to boost the housing thing.

And while gram panchayat, we still have E-Khata issues, but still, by and large, things are improving and we expect that business should pick up even further in Karnataka in the coming months. So, that's the positive thing.

Second, as regards this repayment and run down that you mentioned, so July has not been very different from our Q1. So, it has been slightly elevated. However, we have done a lot of analysis internally on our, the source of this, what are the kind of customers? What are the kind of things? Which segment is having more prepayment, whether it -- and mainly our concern is not BT as much as it is the part prepayment.

Customers making additional payment, but retaining the loans with us. So, it's also, in a way, a positive thing that the customers are conservative and want to reduce their liability, but it is slightly impacting our growth. So, we have taken some internal steps like, we are contacting those customers where extra surplus cash is there to see instead they can go for deposits. We are also going for these alerts from CIBIL and CRIF High Mark.

So, basically, we are able to get the advance information of customers who are looking to transfer their loans out, and we are trying to contact them. So, some steps like that we have taken, and we expect that even otherwise in a quarter or so, we should start seeing some benefit or some improvement in our run down numbers also.

So, basically growth is positive. If we are able to slightly retain or reduce our run down numbers, then our AUM growth will further get a boost or a little help. So, by and large, for the entire year, INR13,000 crores that we are talking about, and about 14% AUM growth, we are confident. We should not have a problem. As of now, the demand is positive. The IT system implementation is also going very fine.

So, basically even if there are some 5, 10 days hiccup in terms of adjusting to the new systems, the new flow and everything, but still the pipeline is good. So, the boys will definitely be able to convert the inquiries into leads, and should not take a problem.

So far, IT system, we have already implemented in 80 branches, and all the new branches, 10 odd, which we have opened in the current year. So now, almost in 92 branches, we are having this system operational, and there are no roadblocks or anything. We are able to smoothly operate, so that's not a problem.

Questioner: Got it. Is that the driver -- the main competition which is coming right now, I am assuming this is primarily repayment or BT?

Management: As I said, last the Q1 that we are talking about, our BT out numbers were about INR408 crores. So, actually our total run down was INR1,857 crores, out of which BT out where we know that the check has actually gone to a competition or something is about INR408 crores. Then there are customers where they have made a sale of property and they have made the payment from their own funds and close their loans, or they have shifted from one property to another property, moved to a bigger property, or some small cases where we have also sold the property under SARFAESI. So, all those put together is about INR377 crores.

The major chunk of INR1,092 crores is where customers have made the payment, and loans are continuing with us. So, basically, a part prepayment or this conservative approach of customers is what is the biggest thing for us. And that we are trying to address a little differently. So, BT out in standalone, if you say INR408 crores effectively works to around INR1600 crores for the full year, which will be around 4% to 4.5%. It is not a very major portion of our run down.

Questioner: Okay. So, then how do we, I mean, what is technically the way to address this repayment in that sense? I mean, it's a function of liquidity or the income level of the customer, right? The better off, and obviously, the segment you cater to is more affluent than a lot of other HFCs. Right? You look very prime. So, how do we control this?

Management: So, as I said, at least what we have done is those customers, we have tried to find whether there is some trend, whether there is some particular segment or location where this is high. So, what we are doing, we customs, there are some customers who repeatedly keep paying some ad hoc money, excess amount.

So, we are trying to call those customers and convince, or try to, talk about our deposit schemes, because we are offering 7.5% deposits for our -- under the cumulative three-year plan. So, we are trying to talk in terms of risk. Conserve your capital, and instead, you save it and keep it for rainy day types. So, those kind of conversations we are trying to have. It is a little too early, but we are trying to see if that can at least be converted, even if INR50 crores to INR75 crores, we can convert. That's also a reduction for us.

Questioner: Understood. Got it. Sure. And so from that point of view, if we look, so 14% AUM growth guidance, obviously you have given for the full year. In terms of disbursement growth, what does this imply for the full year?

Management: See, if we are doing INR13,000 crores, then, in that case, last year, we had done INR10,531 crores. So, that would be around 23% this year also.

- Questioner:** Got it. Understood. And is there any upside risk or downside risk to it? I mean, this, I am assuming, assumes the similar prepayment trend which is happening right now, right?
- Management:** So, if I look at what has had, to be very frank, we had originally anticipated that for the full year, we will have about INR7,000 crores as run down and INR13,000 crores disbursements, so INR6,000 crores will be added. At the present trend, instead of this, it looks a little higher, which we will compensate by doing a higher disbursement. So we may have to -- instead of INR13,000 crores, we may have to do INR13,250 crores, INR13,300 crores, which we are open to push.
- Already, in the first quarter, if you see, we have done INR100 crores more than what we had planned. So, same way, we will probably push in the coming quarters also, maybe third and fourth quarter also, where we will try to cover up, and see that we can do that a little more.
- Questioner:** Got it. Understood. And, sir, as a strategy, what you are trying to address the AUM growth issue, is there any change in the product diversification, geographical diversification, and also the sourcing strategy because 80% of our origin HMA, if I am not wrong, is DSA-based, right?
- Management:** Correct.
- Questioner:** So at least what we have seen in the market, companies who are more dependent on DSA, unfortunately, end up having a less sticky loan book versus say someone sold directly. Is there any change there as well?
- Management:** So, actually, yes, we want to shift to a 60% DSA, at least from our current 80%. Of course, this is something which we have moved slower in this particular aspect as compared to the other. Like we also had basically, four key strategy areas we had. One was geographical diversification, which we had said 2023 to 2028, we should move from a 72% business coming from the southern states to about 60%. That we have already achieved.
- Incrementally, now we are getting less than 60%, around 58% to 59% from the five southern states, and the remaining from the north. So, that is one we have achieved. Second was that from a 72% salaried, we might we are okay to move to 65% salaried and 35% self-employed. There also we have moved, and now we are at around 68%, 69% is salaried. So, there also we have, the journey is quite satisfactory.
- The third one was that, in terms of the housing, non-housing, which was 89:11, we said we are okay to move up to 80:20. We are now already at 83:17. So, there also we have moved and had had a considerably good journey, and we are on track to achieve that this thing.
- However, in case of the DSA, we said, we were at 87%. We said, we will move down to 60% by 2028. As of now, it is just below 80%. So, yes, there, the journey has been a little slow, slower than we would have liked. So, but, yes, we are pushing, and we have internally changed some strategies. Some of the newer branches that we are opened, we are pushing more for direct sales. And our sales team also we are increasing now. This year, we are moving it from 82 people to 150 people. So, basically, we will get that advantage, and we should move to 60% by FY28.
- Questioner:** Got it. Understood.

- Questioner:** All right. So just one question in terms of the main, what we do with the housing loans. We have seen Kapil can add private banks facing pressure from PSU banks there. How is the segment in terms of pricing, competition, and everything? You can just throw some light on that?
- Management:** See, in terms of the competition, I think, banks are definitely offering at a lower rate, but they are not in the same segment, in the sense that the average ticket size of banks is almost INR35 lakhs to INR40 lakhs or higher also, whereas our average ticket size is about INR25 lakhs. Okay? Plus, now whatever new branches we have opened, plus, our existing branches also, we are also in the outskirts or the periphery of the big cities or in Tier 2 towns.
- So, where the competition from banks is less. So, for us, it has always been LIC as the main competitor which does the BT out. Okay? And yes, LIC is offering a lower rate of interest, but other than that, second would be Bajaj. They are somewhere in the same range as us, and the others are all, in fact, offering a higher rate of interest. So, we do not have any other players who are putting much pressure. It's only LIC to some extent and Bajaj. And banks, not much.
- Questioner:** Okay. But in between LIC and Bajaj also, Bajaj would be more...
- Management:** No, LIC. LIC is more for us because the rate of interest advantage is there for with LIC, Bajaj not as much.
- Questioner:** Okay.
- Questioner:** And, sir, given there is...?
- Questioner:** Sorry. Is that Shrikant? Shrikant, go ahead.
- Questioner:** Yeah. And, sir, the same front, a lot of SFBs and some of the affordables has been facing some competition from PSUs, which was pretty odd for me to think PSUs competing in the affordable segment for the vintage level of customers, like 2 years to 3 years of continuous repayment and maintaining the current status throughout period. Are we seeing the similar tension in our portfolio as well?
- Management:** No. As I said, for us, it is LIC and Bajaj more than anybody else. Banks, some loans do go to banks, but it is not a major pressure. In fact, if you ask, 10 branches of mine, who's your main competitor, seven might probably say it is LIC. One or two might say it is Bajaj as the main one, and then banks, hardly, anybody will say it's banks who are the main competitor.
- Questioner:** Okay.
- Management:** So, every customer knows banks are offering a lower rate of interest, but not every customer can get a loan there or would get the same kind of TAT or service, that we can give. So it's not that tough. So, if you ask the customer, are you aware? Every customer knows that banks are offering lower rate. Hey, the bank gives it for this much? But then eventually, they still take from us. So, I do not think that's so much of a competition for us.
- Questioner:** Yeah. So, and on the service and the TAT front only, sir, the IT implementation should be completed by this [quarter 00:16:21].

Management: Absolutely. 15th of October, all our branches would already go live. Today, 80 existing branches, plus all the 12 new branches which have been opened have are on the new system. We moved the second lot in first week of this month. Another 75 to 77 branches are ready for a roll out on the first week of September. That will leave about 95 branches, which will probably go on the first week of October. So, by 15th of October, all of them will go live.

Questioner: Okay. And, sir, if I have to see the impact of the overall IT implementation, which two or three specific segment or the portion should I look in the DuPont or, let's say, on the TAT front, what is the impact you are expecting from overall implementation?

Management: See, on the DuPont side, right now, the first immediate impact would be that current year, our costs are going to go up, obviously, because, last one year, we have capitalized almost INR70 odd crores. It's already capitalized, plus some more in this year, we will be doing it. So, the depreciation and everything will start, plus some of the things which we have started from last year, the first year will get over, so the AMCs will start kicking in. So, in terms of the cost, definitely, this year, we have already guided for it that about INR40 crores, on the outer side, would be the impact in this financial year, net impact, okay?

So, our cost to income in this year will probably go up by about 1 percentage maximum. So, about 18.5% is where we are, so we should be somewhere around 19%, 19.5% for this year. Thereafter, obviously, as the base increases, this will get slowly getting absorbed. This will start coming down. In terms of, -- so this is the main analysis. Second is in terms of how the efficiency will come in.

Well, since this new system has a lot of things which get automated, a lot of things where TAT is reduced and all, so, in fact, we may be able to, post-October, we expect to start getting the benefit in terms of productivity, whereby we will be able to pull out people from the teams for sales. So, that's the benefit we see immediately in this financial year.

Questioner: And, sir, any benefits we are seeing on the collection side for this, from this?

Management: Collection, I do not think is, anyway, even right now, I think we have very strong collection data and MIS and everything. I mean, I am not seeing much of a benefit, but yes, MISs are definitely better. We have many more reports. We have many more this thing. So, that could be a little bit, but I think already in terms of collections, it's not a, I mean, we were quite fairly competent where this thing was quite high in a collection aspect.

Questioner: Okay. Kapil, you were asking something?

Management: I think they are... Kapil and Suraj, you are on mute, so any of you, I guess.

Questioner: Yeah, we are just 1 minute. Hello, am I audible?

Management: Yes, yes. You are, yeah.

Questioner: Hi, sir. And one more thing, sir. You guided for the HL to non-HL coming down to 80:20 ratio, which is currently at 83:17. So, what should be the ATS I can expect for the non-HL segment,

and which would be the competition you would be targeting for the same growth coming in, and what would be the yield targets for the non-HL proportion?

Management:

Non-HL is about half a percentage point higher for us at least, minimum. There are, of course, certain pockets where it is even higher than that, but minimum half a percentage point higher would be the case. In terms of delinquency, our HL to non-HL delinquency, even our non-HL delinquency is NPA is not more than, 1.45% or something. So, basically in terms of the credit cost, it may not add too much to us.

So, it will be, obviously, cost accretive to, I mean, it will be yield accretive to us in terms of non-housing, but already we are at 17%, so we might probably go take it up to around another 3 percentage more to make it 20%.

Questioner:

And, sir, what would be the sorry, average ticket size targeted?

Management:

We do not have that separate that we are not targeting a particular higher segment or something. A lot of it comes by way of LAP and top-up loans. Top-up loans have a lower ticket size. LAP, already we are at around a little more than 10%, so I think LAP will not increase further. LAP, of course, if you look at it, it would be around INR20 lakhs, INR25 lakhs, the same as our normal housing loan would be the average ticket size for LAP. Top-up could be a little lower.

Questioner:

Sir Kapil this side. So, obviously, you just mentioned, LAP portion going up in the book is one of the levers for us as a positive and this is yield accretive, right?

Management:

Correct.

Questioner:

Any other, lever we have in hand to at least protect the yield? Because, obviously, what I understand from your comment is that competition intensity remains high and not just for you, but it is actually across industry, right?

Management:

Yeah.

Questioner:

So, how are you looking at repricing of the loans? Is it most of the book is already repriced?

Management:

On the book, everything is, I mean, on the asset side, almost everything is already repriced. Last rate hike we had was, rate cut we had was in January. So, almost 83%, 84% or sorry, 86%, 87% of our loans are already on quarterly reset. So, even, if it had been the last this thing of January, they all have been already repriced by April end or something. So, today, we do not have many loans which are there. Only some small component of annual reset, which may still be pending for a reset. So, there is not much now on the asset side that we expect rates to further come down or this thing.

On the liability side, of course, we have about most of the bank loan term loans are on 80% of them are on the repo rate linked loans. So, they are, of course, until the repo rate moves, we do not expect that cost also to go up. Incremental bank borrowing slightly is on the higher side. We were getting around 6.95% for three-year for term loans, whereas now long-term term loans,

they are getting around 7.25%, some of them at 7.5%. So, that we will little increase whatever is there.

There are some on the flip side, some NCD, high-cost NCDs, which will get repriced. We have some NHB refinance, which will slightly get repriced, because the PLR increases there. So, I guess, by and large, we are almost not seeing a difference of more than two to three basis points in our cost also.

Questioner: Right. And just moving on to yield, sir, what is the yield trajectory we are looking at, say, from six months to one-year perspective?

Management: See, giving assuming that, we have no, I mean, no rate increase or rate change in repo or something and no special spike or something in this thing, I guess, our current yield is around 9.82% to 9.83%, and I think we will kind of remain, a little there. Maybe 9.85% we might go up 9.85% to 9.87%.

Questioner: Okay. Understood. And now coming to the cost of fund [Inaudible 00:25:21], you did mention whatever benefits are there. But I was just thinking, during conferences which happened recently, I was meeting a lot of companies. And the broader views I could understand is with a lot of FCRA deposited money in the system, right, and RBI also maintaining a positive liquidity stance, right. There is excess liquidity in the system. Do you think, say, a quarter down the line, one the FCRA deposit is neutralized, you should be get advantage of it? Or do you think nothing will change?

Management: Nothing. I do not think there will be any change because while the if you ask the banks, I do not think the FCRA is other than improving the liquidity, in terms of the cost, it's bringing any major advantage, because the rates are also not, definitely, they are slightly higher, this thing, rates have also been offered by some of them. So, I do not think, in terms of rates, there is any further improvement that we expect in terms of the rates. Liquidity, yes, it has helped.

Questioner: Yeah. Okay. Understood. Right. And, in terms of fixed and floating, what percentage of book is fixed for us and both on liability side and asset?

Management: On the asset side, almost 100% is floating. We do not have fixed, barring some staff loans and stuff like that.

Questioner: Okay.

Management: On the liability side, about 65%, I think, two-thirds of our liability is on a floating. We have some NCDs are all, obviously, fixed deposits are fixed. Some part of NHB refinance is also fixed, because we have taken under that special AHF fund and all, which is fixed. So, our bank borrowings entirely is on floating, which is almost 60%, 62% of our liability side, and some part of our NHB refinance is also floating. So, I think around 65 odd percentage of our liability side is floating.

Questioner: Got it. So, from cost of funds perspective, what is the trajectory you are looking at, say, from six months to one year point of view?

Management: Sorry. Cost of borrowings you are saying?

Questioner: Cost of funds. Yeah.

Management: Cost of funds, at least I am not this thing, but at least for the current year, if you see maximum, even if the incremental borrowings we raise at 7.25% from the banks or maybe one or two NCDs at 7.5%, 7.6% or thereabouts, then also I think our cost of borrowing, which currently is around 6.98%, it might go up to 7.03% or something.

Questioner: Okay.

Management: So, four to five basis points, which we will easily cover up from the segment and product mix change. I think we will be able to offset.

Questioner: So essentially the spread remains intact?

Management: Spread will remain, it will remain intact. Yes.

Questioner: Okay. Got it. So, I mean, I was hoping that it might expand, but at least it's not expanding. But it's okay. It's going to stay the same?

Management: It's going to stay the same, yeah.

Questioner: And, sir, one question, Kapil. Yeah. So, like Kapil asked you about the AUM and the prepayment issue which is there? So, the run down part which you show in your presentation, should sequential improve from here? It was 4.4% is what I saw or do we expect it to deteriorate further?

Management: Yes. As I think sequentially, one more quarter, this particular quarter could be a similar pain could be there. But after that, I expect that slight improvement should come, because, as I said, some steps we are taking, those steps should start, showing some results by another quarter down the line.

So, I think Q3 and Q4, we might see some improvement. This quarter, I think it is we have just started taking the things, so I will not say much. And July has already gone, and we have had the same kind of pressure. So, this quarter, not much, but Q3, Q4, we may see some improvement.

Questioner: Okay. But, generally, what kind of ratios do you look at in terms of stability or growth on it?

Management: I think, some of the things we cannot, it is not entirely in our control, because as I said, customers are making excess payments. Now, when customers are making excess payments, from our point of view, we are absolutely...

Questioner: It's a good problem to have, sir.

Management: No, no, it's a good problem to have, but at the same time there are players who are having some restrictive practices. But from the customer point of view, if you look at it, I think we are giving them the full flexibility. Even if a customer comes on the 28th and wants to make a prepayment,

we are not saying no, because there are players who say that, after 20th or after 25th, no prepayment will be accepted, or there are players who say that you cannot make more than three EMIs in one go, you cannot make more than two prepayments in a year. So all those kind of restrictive practices we do not have.

So, I think while it maybe it is a slightly, it is hurting us, but I think from the customer's point of view, it is a very fair thing to do, so we will not be able to change that. And maybe it is, as I said, the customer profile is such that they are having some cash flows, and they normally do make that payments and want to keep the liability low. It's a good problem to have from that point of view, although it hurts us in the balance sheet thing, because our AUM growth will be there.

Our way to look at it would be that if slightly INR100 crores, INR200 crores is more in terms of prepayment, we will try to cover it up from the further higher disbursement in this year.

Questioner: Okay. Got it. Thank you, sir.

Questioner: Okay. Sir [Inaudible 00:31:34] coming to asset quality. How are you looking at things? Obviously, we are industry based, but any impact do you see because of the new asset onward in any of the micro markets we operate?

Management: No, we are not seeing any major pressure. In fact, we are kind of hoping or we are kind of working towards the situation, where in this quarter also, we may be able to slightly reduce our absolute delinquency amount. And this year, I mean, the way the present trend is going for the last, I think, six quarters, our cheque bounce ratio has only been improving. Cheque bounce as in NACH bounce ratio has been improving.

So we have seen that on the collection side, our strategy also, we have been cutting at the --this thing. Our opening numbers also are, we are seeing a reduction in our opening numbers in our SMA-2 bucket, SMA-1 buckets. So, I think this year also, we do not expect that. We are quite okay with the 10 bps credit cost guidance. That is not a concern.

Questioner: Got it. But you think this kind of credit cost is sustainable, say, from two, three years perspective?

Management: I guess our customer selection has been quite fairly we have demonstrated it for the last so many years that our GNPA has always been below 1%, and currently also, we do not see a challenge to that in the next one or two years.

Questioner: Got it. But just from business underwriting point of view, what different are you doing from the industry? Because, obviously, the credit cost which you are able to achieve and maintain is commendable, right? So, is it purely the customer selection or you have any other particular filter you use?

Management: No, I think customer selection is the most important thing, because like even when we say SENP, our SENP is actually the segment where they are filing returns. So, it is not the segment where they are purely assessed income or surrogate income proof documents or things like that. It's purely where they we have a documentary proof, documented proof of the income, either by

way of IT returns, or now, of course, we have started GST, although we do not have much to show in that, but mainly it is all IT returns.

So, customers and that also, in fact, over the last two years, we have moved to a situation where IT returns also we are getting verified from the portal. So, earlier, at least it was, a situation where it was CA certified returns were accepted, but now, with the improvement in technology, we are directly able to collect it from the portal, and we are verifying that return only. So, it's only, helping, actually.

Questioner: Got it. FOIR at disbursement for us?

Management: FOIR for the branches, we allow up to 40, then we have a graded structure, so maximum would be 60. FOIR is what we allow.

Questioner: Okay. And the underwriting, we do centralized?

Management: No, we have a decentralized approach where branches, depending on the grade and everything, have sanctioning powers. And approximately 75% or three-fourths of our business actually get sanctioned locally at the branches. But we do have something called a CRM, Credit Review Monitoring department, and every case which is sanctioned at the branch is reviewed within 24-48 hours by the CRM department.

Slowly, we are moving to a situation where the sanction will be from the branch, but before the disbursement, the CRM department has to give the clearance, and then only the disbursement will happen. So, we are moving towards that also. So, eventually while it is not centralized, in a way, you have at least some central department reviewing and clearing it.

Questioner: Understood. And, when you just spoke about the disbursement, do we need to like, other HFCs, HFCs reclassify the disbursement wherever we transfer it etcetera, like a lot of HFCs have done it in this particular quarter?

Management: Actually, there are two things to this to this cancellation. One is where checks were being issued, but were not being handed over, and the customers were being charged interest or whatever. So, that we do not do, we do not do that. We do disbursements only by way of DDs, and we capture the date of handover of the disbursements. Okay? So, that way, we do not have a problem. We been following system for the last one, one and a half, two years, so we do not have a problem on that aspect.

There is a second circular, which has recently come, wherein, in case of some banks, even after the handover, subsequent cancellations are happening. So, that is another thing where customers subsequently come back and say that, "This deal is not happening or the customer saying that, we want to because the final execution of document did not happen and all." So, those are kind of things which may happen, but that again, when we are doing based on the handover of disbursement, again, that problem will not come. So, we do not see a problem in that aspect much.

Questioner: So far as there will be no change in classification as such in my numbers?

Management: No, there will be no classification. Maximum we have INR1 crores or INR2 crores, where genuinely, sometimes customers come back and say that they need INR1 crores or INR2 crores hardly matters in...

Questioner: That's business, because that's business as usual.

Management: I mean, that's part of the [Inaudible 00:37:24], okay.

Questioner: And, sir, how much of our disbursement would be in the cheque format?

Management: Zero.

Questioner: Zero. Everything is NEFT or RTGS only?

Management: No, no. Everything is DD or NEFT, so we do not have that cheque only. We are giving a DD, we are upfront doing it, and we are handing it over to the customer, and capturing the date of the DD handover.

Questioner: Okay. And, sir, you discussed the SENP part, the SENP customers, how would be the asset quality for those customers going on?

Management: As I mentioned earlier, our company as a whole, our GNPA is 0.85%. Our GNPA for the SENP segment would be probably a little higher at around 1.4% or something.

Questioner: Okay. And, sir, just wanted to get an idea on the collection team size, and how is, in general, the collection process works for us?

Management: We do not have a separate collection team. Our branch model is functioning, I mean, we have a branch model where the branch manager and the team at the branch will take care of everything from sales to operations to sanctions to check disbursement to collections, okay? So, the same team is there.

Of course, we do have at branches, we have, depending on the size. We have people who have who are stronger in collections and some who are stronger in credit and stuff like that. So, there are people who are doing collection, but we do not have a separate collections team. Everybody in the branch is responsible for collections, and they have to ensure that SMA 0, 1, 2, everything is monitored.

Currently, approximately around 92% of our customers are having NACH. So, we are having NACH presentation. We earlier used to have 5, 10, 15, 20 as NACH dates. Now, we are only offering 5 and 10, two dates for NACH payment. And our NACH bounce rates, as I mentioned earlier, for the last five to six quarters, have only been improving. Our bounce rates are coming down, and that is one.

Other than that, I mean, we have this BBPS collection mode where customers can directly, have a pay the beneficiary at this thing, and make a payment. They can also make a payment at the branch, and hardly, a few 2%, 3% collection would be where default customers mainly, we may

have to do a cash collection, where we will have to go and collect it, and customers may be making a payment in cash.

Questioner: Okay. So, only default customers are the one who does in cash?

Management: Yes.

Questioner: Otherwise, everyone else is somewhere electronic presence there?

Management: Yes.

Questioner: Okay. Yes, sir, and I wanted to get an idea on how is the rejection rate working out for us? Have there been any significant change in the rejection rate? Had it increased or decreased in the last one or two quarters after war and all the fuel prices hiking, and then LPG being in the shortage, does that have impacted anywhere on our rejection rates?

Management: Frankly, I will not be able to answer that, because earlier we had 80% of our business comes through the DSAs. So, when they bring a case, mostly it is sanctioned, because, they are already trained. They already have been working with us for some long time. So, by and large, I would not be able to tell you how many cases they are rejecting, because they do not have a log-in process for the DSAs business, okay? And there is no exclusivity of the DSAs also, so they may be getting more cases. They may be putting somewhere else also, there is no exclusivity.

Now, as regards our collection and everything is there, for the last few months that we have been seeing this, in fact, we have been adding newer and newer modes of this thing, like we some months back, we tied up with a lead aggregator for the leads which are coming. Then we have started leads coming from credit bureaus, where we are getting some alerts and all. Okay? So, one by one, we are adding new channels.

So, I mean, for us, it is a new thing where we are getting this. The rejection rates, obviously, they are almost 70% of the cases we lose out, because it is either not falling into our norms, or it is customer goes elsewhere, or for whatever reason. But, I mean, these are new channels for us, so I will not be able to give you a background as to whether it was higher earlier, and now it is different, because, for us, it is a completely new channel.

Questioner: Okay. So, can you just give me an idea on what is in like a direct source, as we are growing more into the sales team? So, what would be the rejection rates for those, and how much is the log-in percentage to log-in to sanction percentage in that?

Management: Right now, I do not have that data. So, I mean, as I said, these are all log-ins. They are doing it, and these are new CRM and all. They have just logged in. So it's not a very historic data where I will be able to give you much. But if I were to tell you how much is the business coming from the sales team, the sales team in FY25, we did about INR183 crores business came from the sales team in FY25.

At that time, we had about 32 people or 34 people in the sales team. We increased it to around 84 by FY26, and last year, that is FY26, the sales team sourced INR868 crores business was

done by the sales team. So, there is almost 4.5 times to 5 times increase in the sourcing by the sales team.

Questioner: And this year, we are planning for 150...

Management: 1500.

Questioner: People in sourcing. 150...

Management: 150 people, and that we expect that they should be able to get more than INR1500 crores in this year. And in Q1 alone, they have done more than almost INR276 crores has come from the sales team.

Questioner: Q1 alone, INR276 crores?

Management: With without adding any more people. It's still 84 people only.

Questioner: Okay. And, sir, when are you planning to add [Inaudible 00:44:10] people in this quarter? Next quarter?

Management: In this quarter, already in this quarter, some people have already joining, but, as I mentioned earlier, quite a few will join after the entire migration happens, because then we will be able to pull out from our existing team our new system will go live across, so bigger branches, we will be able to pull out people from there.

Questioner: Okay. So, when you said that 1% cost to income will be rising for this year, does that include the cost for the new sales team people joining as well?

Management: No, all costs put together, I said 1%, because, everything else will go it will rise in line with the increase in business, but this INR40 crores was one. So the remaining thing, if this INR40 crores had not happened, would have remained in line with the growth in business.

Questioner: Okay, fair. Sir, and wanted to get an idea on the NHB limit, how is that for us now, and how are you expecting that to go for the year or next year?

Management: Last year, we got a sanction somewhere in October of INR1,500 crores, which we completely drew in Q3 and Q4. Okay? This year, we have already made an application. Normally, as I said, last year, we got the sanction in October, this year also, we expect that September, October, we should get. Probably some similar number is what we are expecting. I think we have made an application for INR2,000 crores. We have made an application also for INR1,500 crores only.

Questioner: Okay. Fair. And, sir, what are the rates NHB is offering for us?

Management: At the time of sanction, they will a clearer picture will emerge. But the blended cost last year that we got was around 6.6% something, 6.16%, 6.17%.

Questioner: Okay. Sorry to get back on the same point of the run-off from our portfolio. So, the run-off of 1,850 was quite high for this quarter, and you guided this will be similar in the next quarter as

well. And after that, you are expecting it to come down. So, I was just a bit confused on the part of the come down, the coming down of the run-off. You are expecting that to come down from the 1,850 level, which is currently, or you are expecting that to come down below the 1,750 level, which you had projected for the overall year?

Management: It should come down as a percentage, it will come down, because our base is also increasing, and it will come down from 1,850. Definitely, it should come down from 1,850.

Questioner: But it will be still a bit higher than the 1,750?

Management: I cannot predict right now, but I am definitely expecting that it will be below 1,850. In Q3 onwards, it should be below that numbers only, because, we should start seeing the benefit of the efforts that some of the steps that we have taken, we start seeing some benefits.

Questioner: Kapil, you were asking something?

Questioner: Yeah, so I think, in the interest of time, just if you can just breakdown the ROE tree. Obviously, what I understand right now is that gains remain under pressure for you and for everyone else, right? So, there is not much scope there. Credit cost for us is already low, so I mean, I think that even is not in hand. Operating leverage, do you see any benefit coming out? And when you talk about operating leverage, also if you can spell out the branch expansion strategy for us this particular year?

Management: In terms of the ROA tree, I think we are working on a 3.8, 3.9 is the NIM that we start with. As I said, the 0.10 is the credit cost. Taxation will be slightly, our tax rate is very clear, 21.2. So, tax deduction rate is very similar, so I mean that is also not going to change much. However, last year's ROA tree, if you work out, our tax cost was a little less, because we had a one-off deferred tax asset issue which was there.

But otherwise, if you look at it, it should be the normal which you will find any other place. That will be the tax impact. In terms of our opex, yes, it could be around 0.80 or 0.75 to 0.80 would be the opex cost if you look at it. So, I think that's what it is. So, we should be able to maintain a 2.3, 2.4, closer to 2.4 as our ROA for this year.

Questioner: Okay. But what are our sustainable leverage for us, which we should achieve?

Management: Today, our leverage is 6.2% but I think, we can go up to 7.25%, 7.5%. Up to eight times, it is okay for the rating agency. Beyond that, I think they will not be comfortable for the AAA rating. But I think 7.25% to 7.5% is the range up to which we should not have a problem. Beyond that, we will have to look at a raise or something.

Questioner: Got it.

Management: So, if our growth starts picking up, which is, we should start seeing from this year onwards from a 10.4, we are targeting 14%. And if we continue to grow at 20% plus disbursement growth, then next year, in fact, this 14% should start should breach the 15% AUM growth mark, in which

case, our gearing should also start going up. So, from next year onwards, I think we can start we should see our gearing slightly move up.

Questioner: Got it. And, sir, just going back to AUM growth, right, the tenure remains the same?

Management: Sorry?

Questioner: Of the incremental, the tenure of the loan of the incremental disbursement remains similar to what they were earlier, or are they going up by any chance?

Management: No, for the last we have seen, our incremental, what we are lending, our average blended this thing at the time of sanction has not moved. In fact, it is between 18 and 19 years is what is the rates is the tenure which we are offering at the time of sanction. At the time of, obviously, how much it remains in the book, the duration is around eight years.

Questioner: Got it. So, that is, obviously, industry standard, 7, 8 years basically.

Management: Yes, yes.

Questioner: Got it. And, sir, so capital adequacy right now, broadly what I see from the last presentation is around 22.8%, 23%, right?

Management: 23.15% as of March. Yes.

Questioner: Okay. Got it. So, when do we, essentially, obviously, the regulatory requirement is 15 odd percent, when do we come to raise capital, if we do? What is the threshold we have in our mind?

Management: At the kind of gearing that we are looking at and the kind of risk weightages which are there, they are almost 50% of the book only. Basically, against a INR43,000 crores book, my risk-weighted assets is only about INR26,000 crores. Given that, I think it is more likely that the 7.25% will hit first.

Questioner: Okay. Understood. Got it. So, we have some headroom to go, right? Okay. And any selling from the parent which can be expected?

Management: No. Not at all.

Questioner: [Inaudible 00:52:10]?

Management: No plan. In fact, we have already, the bank has already, that new circular which had come, RBI guidelines, direction on in November or December 2025, based on that, the bank was supposed to get a board approval, and submit to the RBI on this overlap of business, which the bank has already done, and it has been submitted to RBI. So, basically the bank has already clarified that the group entity will also continue to do business, and there is no present plan to for any divestment or anything.

Questioner: Got it. And, lastly, the flexi loans circular, the draft circular which came few days back for NBFCs, I am assuming we will obviously not have anything whatsoever, right? Flexi.

Management: No, no. We do not do that.

Questioner: As an HFC, that is only for the specified NBFCs?

Management: Yeah, so basically, those who are giving this OD type of limits.

Questioner: Yeah.

Management: We do not have that product.

Questioner: In your view, as an experienced industry veteran, why do you think RBI is trying to implement this? Because, I think, this product has been there for a while, right? What is the sudden emergency or need, in your view, to do this?

Management: So, one is by and large, it is only banks who are giving this where you can make this thing. Second thing is I think, in case of developer finance, probably this might slightly impact for some, some of them might be giving this kind of a product where you can draw the money and they use the limit, but I think that's the reason and so basically, that's the point. But hardly, anybody is really giving in that kind of a thing in the NBFC or HFC space.

And, probably it is more applicable for certain NBFCs where the loans before the expiry are getting top-up loans are getting converted, and so basically, it becomes a perennial without actually making the payment.

Questioner: Sure. Got it. Understood. So, the asset quality, obviously, is not as negative as it should be or as real as it should be. Got it. Understood. And, sir, I think this is good for now. Thank you so much for your time. If anyone else has any question, please feel free to ask. I think that's all from my side, sir?

Questioner: Thanks a lot, sir, for the call.

Questioner: Sir, just one thing on the MCLR, the recent circular on the MCLR, that it should be reset at each quarter. Would that be affecting our margins or cost of fund in any way for going forward? Changing the shapes or spreads anyway?

Management: No, no change. No change. Absolutely not. We are already having a very detailed interest rate policy, which is very much in line with what is there. We will have to, every quarter, announce the rate, which is fair. We are anyway sharing that benchmark rate with NHB. We will have to just make it public. That's it. And that's not a problem.

Questioner: Okay. No, sir, I was asking from the term loan perspective, are we getting benefit on that by any chance?

Management: No. In fact, our rates are also getting reset every quarter. I mean, we do not have any, so no issues.

Questioner: Okay. Thank you, sir. That it from my side as well.



Can Fin Homes Limited
August 24, 2026

Management:

Thank you. Thank you so much.