

“Reliance Conference Call”

November 21, 2025

Interviewer: Thank you for your time. So, just a bit again, I will start the same old growth, right?

Interviewee: Sure.

Interviewer: What are the, like see, we have discussed over the past meetings, we are trying to do a few things, right?

Interviewee: Correct.

Interviewer: We are setting up a marketing team setup. where we want like INR 1 crore per month kind of business. I remember you saying 39 odd people, I am going to take it to 75, if I am not wrong.

Interviewee: We are right now around 90.

Interviewer: 90, we are at 75, we wanted to increase it. Marketing 1, going to distribution 2, are we adding more branches, distributing more, few states that we ended up North and West we are trying to scale up. Where are we in that journey and then we get to the Southern market, where that is the bread and butter. But on the newer things and the developer funding, they have had business, right?

Interviewee: Sure.

Interviewer: That business, what are we doing? So, these three things and then we move to south.

Interviewee: Sure. See, in terms of our sales team, we have increased it, we were 37 as of 31st of March.

Interviewer: Correct.

Interviewee: We have increased it to 90, 31st of July we actually added people. So, now we are a team of 90 people and roughly they are like doing around 80 lakhs as the average per person per month kind of disbursements. We have to cross. In fact, in March when we were 37 people and those people were there with us for some time, they had kind of stabilized, they had crossed INR 1 crore. Then we added people in the month of July. So, obviously, the newer people brought down the averages, it came down to 60 lakhs per month per staff and now it has again reached up to 80 lakhs. So, whenever new people come, obviously, they will pull down the average, but otherwise, we are almost there. We are now at, even last month in October, they did about close to INR 70 crores with about 90 people. So, that is about 80, they are kind of sustaining close to 80 lakhs per month per staff. That is one.

Interviewer: But ticket size?

Interviewee: Ticket size, slightly higher than what the DSAs are bringing, closer to 30.

Interviewer: So, basically, 3-5, 2-3 files?

Interviewee: Yes. They are able to bring 2-3 files.

Interviewer: And these are all salaried customers?

Interviewee: It is a mix. But it is at least, we are getting, at least, it is not changing much of our salaried and self-employed. Incrementally, we are around anywhere between 42%-44% is the incremental self-employed segment that we are getting. Average is now set at around 30% on the book, which will slightly go up as we move forward. So, today, that is one thing which is doing well. Eventually, in the next 2 years also, we will want to add more people to the sales team and take it up to around 250 by FY '28. So, that they start contributing close to around INR 250 crore per month, INR 225-INR 250 crore per month is the target we are looking at. In terms of the branch expansion, FY '24 and FY '25, we had almost, most of the branches were opened in the last quarter only. So, we couldn't, in that particular year, get the advantage of the new branches. So, this year, we said, no, we will do it. We will upfront it or at least front-end it. So, by 30th of September, already 14 branches, we are targeted for 15, 14 were already up and running in the sense that the staff also joined, the offices were inaugurated, running and businesses. One branch also, we had to change the premises last minute for some legal reason. Now, that is also happening. So, branch expansion is happening. We had targeted 15 for the year, 15 for the year are done. We have identified more branches. There is a good potential now. Some micro-markets also we have identified. We will just see whether we want to do it this year or early next year.

Interviewer: New micro-markets?

Interviewee: Newer geographies. So, far, the branches that we have opened have been in North and West mainly. About 5 branches we have opened in AP and 2 branches in Tamil Nadu. So, most of the branches.

Interviewer: North and South, any specific regions or states?

Interviewee: No, it has been across. Like, we have opened a couple of them in Maharashtra. We have opened 2-3 in Gujarat. We have opened a few in Rajasthan, particularly, in the northern part of Rajasthan which is like Churu, Alwar, Sikar.

Interviewer: 5 in AP?

Interviewee: 5 in AP, yes. AP, we feel is a good market.

Interviewer: Lot of activity happening there.

Interviewee: Now, the sentiment is also very positive. And investments are also coming in. And after this change of government, the sentiment otherwise is also positive, plus in terms of growth and employment generation also is looking good. So, AP is also another market. We have opened 5 branches there.

Interviewer: Karnataka, Telangana?

Interviewee: Karnataka, Telangana, we have not opened a single branch in the last 3 years also.

Interviewer: Where are we in terms of number of branches in Karnataka and Telangana?

Interviewee: Karnataka, Telangana, we are almost like, Telangana, we have 19 branches. Karnataka, we have I think 43 or something branches.

Interviewer: Understood. So, you are saying, in the newer geographies, you are trying to get away in the sense. And 15-16 branches a year is what the target is from year on in the next couple of years?

Interviewee: In the next couple of years, we may add a little more now that we have this. We may add 20 also because already we have identified 20 branches this year where we can expand. So, over and above, the 15 that we have already opened. So, maybe we will start doing some groundwork in those locations and probably open in the first quarter of next year.

Interviewer: All 20?

Interviewee: All 20. That is what is the planning. But let us see how the approvals and all those things are there. That is what we intend to do. So, overall also, we have a target of touching 300 branches by FY '28. So, today, we are at 249 including the 15 branches we have opened. We included the 15 at 249. So, we will need to open another 51 in the next 2 years.

Interviewer: Got it. And when you are adding these newer geographies, and this is a very classic issue that all companies face, where you cannot find a good team in a new geography. Like what happened in Repco, like 10 years back, they were great in southern geography. The moment they moved to Maharashtra, Gujarat, they messed up. So, it has happened with everyone. This is a classic one-on-one problem. How are you able to like get through these newer geographies when you are adding 20-30, like 20 branches, 70-80, adding 10 new geographies? How are you able to find those 5-10 people for that branch? And if you open 10, you need 100 people. How are you able to manage that because that has been the challenge of the?

Interviewee: No, absolutely. See, even in GRUH, we used to have that way. Whenever we entered a new state that was a geography. But here, in fact, all these places, they are not new geographies for us. Our Delhi branch is more than 35 years old. Our Jaipur branch is also more than 30 years old.

Interviewer: So, they are present there.

Interviewee: The brand is known. Brand is known, customers are there, DSA, network, everything is there. Only thing is, here, micro-markets, like we are already there in entire NCR region. We were there in Faridabad, Ghaziabad, Noida, Gurgaon, Delhi, and all those places. So, now we have opened in Hapur, we have opened in Saharanpur, we have opened in Bareilly. Now, we are already there in Chandigarh. So, we have opened one more branch there. We have opened Jalandhar, we are looking at Patiala.

Interviewer: So, deepening in the same state.

Interviewee: Exactly.

Interviewer: Closer to that city.

Interviewee: Exactly. We are already there in Jaipur, we are already there in Delhi, on that road. So, we have opened in between Churu, we have opened in Sikar, Alwar. So, it is like that.

Interviewer: Understood. So, basically distribution from 250 to 300 in 2 years is like roughly 10% each, 10% growth from distribution. This 75 odd people, sorry 90 people, which goes to 250 over the next 2-3 years, this will be in these branches itself or they are like independent? They work, how do these guys?

Interviewee: No, they will be linked to a particular branch, but we do not restrict them that they have to get in that branch. They can do a nearby, like for example, we have almost 35 plus branches in Bangalore city, expanded Bangalore city. Now, every branch will not put a person. So, one person will be there who will be handling maybe 2-3 nearby branches. That kind of a thing.

Interviewer: Correct. So, basically, if I have to think about it, if you add like 10% to your distribution, so that adds like roughly 10% of growth and then you think about and I think you mentioned in one of our meetings previously that there are certain branches which are not performing?

Interviewee: Correct.

Interviewer: Like you have some branches which you cannot close obviously, but you are maybe not investing into them, or you are trying to do something to figure it out. What would be that? How many branches will be there out of 249 which are a bit of a laggard?

Interviewee: No, I will tell you. See, we identified almost not this year, the year before that. We identified 14 odd branches which were there, 5 of the branches we closed also, it is not that we did not. So, last year when we actually added 15 branches, it was 15 plus 5. So, actually we added 20 branches, 5 got closed, we therefore added this. So, it is like that. So, we have also closed some of the branches which were there, basically which were, we clubbed a couple of them like Hubli and Dharwad, both of them were. So, we clubbed both of them. Mangalore would be, we clubbed one of them. Then we had one or two centers on the outskirts of the city, then Trivandrum and outskirts we had shown, we clubbed them. So, that kind of 5 we have closed also. Other than that, we are now monitoring. Now, if you look at the last 3-year journey, first we looked at market size wise and tried to revive them. So, we have today, if you look at FY '24, we revived Rajasthan; FY '25 we revived Gujarat, North and Rajasthan. And that is why they are today now they are consistently for last 2 years being able to do 25% plus growth. Then last year, we had only few branches in Gujarat, we strengthened those branches and now, this year we are in a position to add a couple of branches also. Now, Gujarat is growing. Maharashtra took a little longer, but this year Maharashtra has also turned around. So, one by one, we are looking at it. So, this year hopefully, barring maybe 1 or 2 small centers, I think by and large, every state will have a positive growth, not only a zone.

Interviewer: If you add 10% branches number, the newer location which you are doing, they will be of the same, they will be of marginal competitiveness. So, to expect like similar level of performance from the newer branches is not?

Interviewee: Correct. That is why existing branches where the people who are actually there, we have worked on them also. So, I am saying it is not.

Interviewer: So, all incremental branch they would deliver marginally lower because competition is also increasing, maybe one or large late entrants and then. And location wise also it may not be the Tier-1 location?

Interviewee: So, like I will tell you. Some of the bigger branches now what has happened is while they are able to deliver consistently in terms of numbers, but because the portfolio is also big, the prepayments are also happening. Some of the bigger markets we are not able to, but smaller markets, the percentage growth may be higher, but in absolute value, it may not be a very big. So, like some of this Hapur, you say Bikaner, they may not be able to contribute in terms of very large numbers.

Interviewer: Correct. Is the competitive intensity not too high because if you see every player is growing like the disbursements have come off, like everyone is going at 5%-10% disbursement, even the affordable housing companies? And now like when we talk to them, they are struggling in that sub 10 lakh or 10 lakh ticket size, they want to move up. So, we move from like 20-25, we are going to 30-40-50. They are wanting to gravitate more towards us and at a higher yield. So, we are at like maybe 10%-11%, they would want to go to 13%-14% because the cost of operations are very high. So, how do you think about like, again yields are not comparable, your cost of fund is going to be a massive advantage to you. How would they end up and how are the other players like LIC also is trying to get their act together, right? How is the competitive intensity? PNB Housing, LIC which are very similar to yours. How do you think about it? How is the competitive intensity? And are they able to make a dent? Are they also doing well now? Because they were like behind for some time, right? They were like sleeping, now they have woken up?

Interviewee: That way if you look at it, Bajaj, even though it has been running consistently at a very fast pace. And I am sure they, particularly the LIC and PNB, the Prime segment particularly and Bajaj, they are slightly at, in terms of average ticket size, above us. So, there I am sure they are facing competitive pressures are there because they have come in direct competition with banks. We have been able to maintain our, this thing is slightly below the radar of the bank. So, we have been able to maintain that kind of a thing. But obviously, with the pressure coming in their core segment, they will want to come down a little bit. Like, I am sure Bajaj today, earlier also, I have mentioned that we have had a couple of our loans in the 2025 lakh segment also, which are getting picked up by Bajaj. So, obviously, that is possible. That will be there. So, for us, still the pressure from the banks is not as much as it is still from these 3 players only. And I do understand that even in this Prime segment, even PNB has slowed down a little bit. I think that was there. And LIC, of course, has had its own issues.

Interviewer: So, are they coming back in reasonable way? They are doing okay? At least the thought process seems right from their angle. They also know whatever the negatives are. They also understand the market value. The new CEO is quite good in terms of move?

Interviewee: LIC Adhikari Ji?

Interviewer: Their understanding is good. They know what are the disadvantages and advantages. They are also trying to rebuild?

Interviewee: LIC also has a very good borrowing cost advantage. So, they have also been very aggressively pricing it. Surprisingly, the last quarter, their narrative was that they are okay to compromise on growth, but will not compromise on margins. But they have actually, they are still aggressively lending at 7.5. So, I am sure that is going to hurt their margins. But anyway.

Interviewer: So, they are focusing on growth?

Interviewee: And they have to at least maintain that kind of a margin. Something they have to do. So, I guess that their pressures, their challenges are also a little bit.

Interviewer: Yes. They also have their own set of, yes that is true. In terms of pricing, how are things? Like you said, banks are thankfully not yet here. So, they are at like 8%-8.5%, right? I am sure?

Interviewee: No, private banks, yes, but public sector banks are definitely offering 7.5.

Interviewer: But not in your segment?

Interviewee: Not in our segment.

Interviewer: That small ticket. For them, it is very unattractive. They like to be in that 1, 1 plus through or kind of ticket?

Interviewee: True.

Interviewer: So, you will be able to maintain your yields? What will be the yields? Incrementally, how much are you getting?

Interviewee: Incrementally, it is still 10.08.

Interviewer: Nice. And is it because you are adding more self-employed or is it?

Interviewee: So, little bit is because that whatever offset we have done by passing on to other this thing, we have offset it by the LAP and the self-employed.

Interviewer: So, what will be the differential between a home loan, normal customer, not like a triple A customer, average customer salaried versus self-employed?

Interviewee: See, our good, lowest rate is 8.7.

Interviewer: Correct. That is for the best customer?

Interviewee: Best customer. Otherwise, you can roughly say our housing would be around 9.6, sorry, 9.35, yes, 9.5, you can say, 9.5.

Interviewer: LAP will be 10.5. LAP will be 10.5?

Interviewee: Yes.

Interviewer: And self-employed will also be in the 10% rate, 10, 10.5. Yes. Home loan, but self-employed is a 10% rate.

Interviewee: Yes.

Interviewer: And we have been able to, even after this entire 100 basis point rate cut, we have been able to hold on to it.

Interviewee: Yes. We have passed on 25 bps to our customer. That is it. We have passed on 25 bps to our existing and to our new customers.

Interviewer: So, what about remaining?

Interviewee: We will have to give another 10 basis points because our cost of borrowing was 7.55, if you see on March. It has come down to 7.17. That is about 37, 38 basis points. 25 we have passed on.

Interviewer: Good.

Interviewee: There is a definite merit for passing on another 10 basis points to have 100% transaction, which we will be looking at in probably.

Interviewer: But you will have to, you are very comfortable at the spread that you were maintaining in a previous cycle. This cycle also, if you maintain that same spread, you are okay. You do not want to expand it. You are okay. So, maintain this only. Keep the growth pedal. Do not go for the margins too much because that is a game which is not worth playing. Is that the way of thinking?

Interviewee: That is exactly what. So, we do not want, we are okay with passing on whatever we have benefited, we will pass on. Profitability anyway, we do not want to. We do not want to. Exactly. There is no urgent rush to say that we also want to be 3%-3.25% spread. We are okay with 2.5-2.75. Right now 2.75, I think we will comfortably be able to manage it.

Interviewer: So, if you are competitive in terms of rate with many of your competitors, then does the like Canara Bank name gives you some advantage or do you do something extra to give that customer experience?

Interviewee: See, Canara's advantage is that we have a 7.17% cost of borrowing. That is the advantage we get because of Canara.

Interviewer: No. That is the moment customer, I am saying from customer's angle?

Interviewee: So, that is why we are able to offer, keeping a 2.5% spread. We are still able to offer that kind of rate.

Interviewer: So, rate is something which is?

Interviewee: So, tomorrow if tomorrow that name is not there, our cost of borrowing will go by 25 basis points. Our lending will also have to go by at least that much.

Interviewer: Time reduces because your customer is not able to lend to that customer segment. Today, you are having like a good customer segment.

Interviewee: Apart from any specific focus on customer experience, like when a customer walks into our branch, say with a competitor's branch, will he get some real like different experience in terms of the way he will be treated, the kind of.

Interviewer: Our customer? Your customer, your campaign customer?

Interviewee: No. Our customer, see we have the best advantage or the USP for us is that we have a local sanction. So, when a branch manager is sitting and has a sanctioning power, they will be able to immediately say, okay, I can offer you a 22 lakh loan. So, that is the like, he does not have to go back and send the files and wait for somebody in the CPC to go through it and then give a feedback.

Interviewer: Are you comfortable with this? With the Branch Manager taking this?

Interviewee: Branch Manager, time will not go. Branch's time. No, this is the model of our branch. Our model is entirely about the Branch Manager being able to give a local sanction.

Interviewer: But in the filtration, out of say 10 files he is receiving, how much he is able to like really take it to the next level?

Interviewee: No. So, that obviously, that is there. Today, most of the business was coming from DSA, so then the question of rejection was very less because the DSA has already filtered out the cases, they know our policy. So, now with the direct business, our training will have to improve so that what comes to the Branch Manager is also something which is good.

Interviewer: And your Branch Managers are reasonably vintage. And like how many of your branch managers will be 5 years plus and?

Interviewee: I think, probably a lot of them would be 5 years plus.

Interviewer: And when you are opening new branches, do you intend to like upgrade the field officers or the sales people who have been with you for long? Do you do that internal push, or you try to hire from out there?

Interviewee: No. Wherever possible, we give the first chance to our own people. Obviously, we have a good talent at all levels and also at the lower levels because earlier in between there was a fairly long period where most of the people were taken at the absolute ground level. So, therefore, where they are at the Assistant Manager, Deputy Manager level. Now, for them to become a Manager, it is still going to take a little while.

Interviewer: Yes.

Interviewee: So, but wherever possible, our first mission would be obviously to our existing staff because we know the system, they know our policies. They know everything. It will be much faster to do it.

Interviewer: Correct. From a deviation perspective, if there is a new customer walks in, like you have a guardrail, this is the range for a home loan?

Interviewee: Correct.

Interviewer: If there is like, when does a Manager need to go to the head office for an approval in sense? Is it a ticket size or is it like below a certain rate you can't take a call, right? Suppose if I am giving an 8% loan, it is a 50 lakh customer, it is a good customer, but when does it have to come?

Interviewee: Rate deviations are very less.

Interviewer: Generally, it is a range which you have to play with?

Interviewee: Yes. The rate is not something which is much deviated. What deviations will be only if there are certain kinds of, one is ticket size and some cases where policy, we would have put a restriction. If it is not 3 year but 2 year ITR, maybe you have to go to the zonal office, something like that.

Interviewer: When you like set up a target for your branch, like what, how do you normally, how those targets are decided?

Interviewee: See, city wise, first of all, we have a classification of our branches linked to AUM. So, small branch, medium branch, large branch, very large branch and all. So, depending on the AUM, we know roughly that what will be the customer base. So, we also know how much staff will have to be provided over there to meet the servicing requirement and then, so that is one part. Accordingly, we provide the staff. Then second thing what we do is, we also know depending on the location, what is the average ticket size they should be working on.

Interviewer: Correct.

Interviewee: So, these two parameters and then we work on an average productivity. We know what are the kind of things so branch, if it is a kind of 250 floor branch, then we know the productivity, they should be working on a productivity of 6 cases per staff per month.

Interviewer: But the average would be what? Like 5-6 cases per, 5% per branch?

Interviewee: 5 cases per staff.

Interviewer: And that too with a ticket size of like 20 lakhs. So, one guy can do easily INR 1.2-INR 1.5 crore business. And the newer marketing guy that you are hiring, this will be INR 1.5?

Interviewee: Today, we have 249 branches, and we are doing INR 800 crores plus.

Interviewer: Correct.

Interviewee: INR 3 crores. So, 8 branches, instead of 2-3 is sales officer. Sales officer in a branch will be. Sales officer is like that. Apart from that, whatever is there is only those 90 people. So, otherwise everybody is in the branch only.

Interviewer: Correct.

Interviewee: That is not a separate sales team. The branch manager and the 5-6 people sitting in the branch are doing everything.

Interviewer: Yes. Like in other affordable, there is a field officer. In MFI, there is a field officer sales team. They keep running around and acquiring customers. It is not like that. Because you all are, you can do DSAs also, right? Because it is a ticket size where customers can come by an agent?

Interviewee: So, in my case, it is a DSA only.

Interviewer: Because that segment seems to be struggling with productivity issues. Means, one person can do 2 files. So, in the whole month, four of us are doing only 2 files, right? Because the underwriting is difficult. So, basically, 2 files means you are doing maximum 20 lakhs of business a year, a month? So, isn't it? Do you think that is solvable?

Interviewee: No. Is that it? In the previous half? In GRUH also, we used to have a productivity of 5 cases plus per staff.

Interviewer: So, why are these guys struggling? What is your view? What is the problem? Competition?

Interviewee: No. There is no competition. See, here also, we have taken a very conscious call. Even those 90 people whom we have recruited, we have not taken them in that DME, DST kind of a model where they get 15,000 salary and then they have to earn everything by incentive. We have taken them on the road. So, even if they are on the junior most level of an officer, if they have been recruited, their salary would be \$38,000-\$40,000.

Interviewer: Yes. It depends.

Interviewee: So, my attrition is 14%-14.5%.

Interviewer: That is amazing.

Interviewee: Whereas most of the other players are having an attrition of almost 60%-70%.

Interviewer: 50% is easy. That is the game. Even they realize it, but they are not able to solve it.

Interviewee: Very clearly, we said no. We will not take in that sales kind of a model.

Interviewer: But that impact, maybe impact growth in some sense, but anyway that will also die down eventually.

Interviewee: So, what happens is those people, if you see most of the other players, the average business that they get is around 35-40 lakhs. That is it.

Interviewer: Yes.

Interviewee: So, even with a ticket size of about say 15 lakh, 12 lakh, it is about 3 files a month. In our case, our productivity of these 90 people is almost 80 lakhs per staff. It is also required that we have to do this. Otherwise, it will not be a profitable thing. That is a different issue. But I am saying that they are working at 80 lakhs and we are looking at pushing them to INR 1 crore.

Interviewer: Correct. Most of them are like almost touching half your size, right? And now they also have to change the way they are working. INR 5,000-INR 10,000 crore is fine. INR 20,000-INR 25,000-INR 30,000, they will have to do something different.

Interviewee: You can't have, round the year 12 months of the year, you can't have a very glossy picture. There are bad months. There are periods when you may have to take a leave. And those months, 15,000 is not enough.

Interviewer: It is too low standard for anybody to stay interested actually.

Interviewee: Correct.

Interviewer: And then they move because they get INR 2,000-INR 3,000 per staff. For them, it is a 20% rise.

Interviewer: Easy. So, percentage change is very big. So, I don't know. What will they do by showing so much ROI?

Interviewee: They have to model the design. They have to be creative.

Interviewer: Yes, exactly. They have to make money and run away. So, sir, what else do you think? Because this is a well-sized business. When you came in, there were like a few challenges. But now, when you are like settled, how do you see this business? Like we have INR 40,000 crores. What is the realistic? 3 years, not immediately. 3 years? You think it is a 15% AUM growth compounding machine with no jing-bang in ROIs. ROIs will be similar to where we are. 5-10 basis point here and there and 17%-18% ROE. Can we deliver this to the next 3 years?

Interviewee: Yes. Because today.

Interviewer: Because growth has been a bit of up and down for a while?

Interviewee: Growth is the only challenge. And now with the systems we have to stand in. See, the last 2 years, when I joined, I think the staff strength was somewhere around 970 people.

Interviewer: Yes.

Interviewee: 968-970 or something like that. Today, we are at 1311 people. And the target is 1380 people for this year. So, this will have a scope to have some more people. So, the point is we have almost done 50% extra people we have added.

Interviewer: So, culturally, we are 50 new, 50 old in some time?

Interviewee: No. But 900 are old and 400. The point is the bare minimum required we have done. So, that kind of templates we have now done for the branches, like what is the staffing that should be for the branch. Another thing is, branch wise, depending on the size, we have tried to create a business continuity angle also. We have taken in the sense that for branches which are large, extra-large or very large branches, we have seen that the Branch Manager has to be of X grade and there has to be a deputy also not lower than this grade. So, that even if there is a, say for example, the Branch Manager who is a Chief Manager leaves, at least there is a Senior Manager to run the show. So, those kind of things we have at least put into the system whereby continuity will not get affected. That is at the branch level. Second, we have created a zonal level. Earlier, it was only branch and head office. Now, in between, there is a zone. There are 6 zonal offices, adequately staffed, separate premises. They have all this thing and to bring in more oversight on the branches and two, to have more of local control. That also we have created. Third, in all the head office departments, we have ensured that there is a strong second line also we can develop. So, continuity point of view, now these are some of the things which are like building blocks which have to be, which will go a long way.

Interviewer: Because the advantage of this will be reflected over your operator in tough times. Like suppose if there are bad times, like with all these long-term measures you have taken, like will you be able to deliver superior performance during the downturn or you may not have that kind of volatility. Because they may have some two good years and suddenly, one year correction and then again third year. So, your thing is like tortoise which will end?

Interviewee: So, here the thing is at least in terms of the policies, and all ensure that we will never have more than 1% GNPA. Now, with this staffing and all those additional controls and technology advantage also which now we have been bringing in, we will also be able to cover up the one aspect which was missing, which is growth or consistency in terms of the growth. So, we were in that investment phase. Now, we have like created the infrastructure and set up. Now, there will be time for growth. Now, investment phase is over. Now, growth phase is starting.

Interviewer: All that is in the cost now. That entire investment that we have done?

Interviewee: Yes. But the tech side also we settled because we used to have these challenges, tech is not there, LMS is, LOS is not working. So, growth is there. The INR 300 crores that we have invested, most of the implementation is going to happen in Q4.

Interviewer: Will that impact growth in again? Like there will be no disbursement in gold mining?

Interviewee: There can be an impact in a week, and some teething problems, but I don't think it will impact so much. We will still be able to, I think we are pushing for 10%, 500 I think we should be able to--

Interviewer: But suppose this year the entire LOS, LMS, which we were trying to bring in, will that FY '27 be a very clean year? There will be no, sorry for the word, excuses in terms of like this was not there that is why?

Interviewee: No, I agree.

Interviewer: That 10,000, if you have to grow 10%-15%, you need like a reasonable disbursement growth as well, right?

Interviewee: Yes, we will have to, next year we will have to do around INR 13,000 crores. Because we may end up somewhere around INR 43,000, INR 42,500, INR 43,000 in the end of this year. From there, we will have to do INR 13,000 crores. At the current rate, we are roughly, you can say INR 7,000-INR 7,500 crores is what will be the pre-payment, amortization, everything put together. So, net addition will be around INR 5,500-INR 6,000 crores.

Interviewer: That is roughly 15% gap. But for that, all the, the good part is you are opening perhaps in the first half or the first quarter itself. So, you have the entire year to mature rather than opening in the last quarter where the entire year goes by?

Interviewee: Not only that, in fact, the present staff in 1380 that we are talking about, we are one year in ahead. So, the 12,000, this particular staff can reach INR 12,500-INR 13,000 crores. That kind of a capacity is not there. Next year, whatever addition we will do, obviously we will get added over a period of time. They will not be able to perform the year. But then that will be a capacity creation for the year.

Interviewer: And in terms of asset quality, there is no challenge. In the self-employed segment also. Because that is a new segment that we have gotten into. And even the others are facing some bit of heat in the very low ticket size again, we are not in that.

Interviewee: We are not there.

Interviewer: We are not there. But I do not know how to think about it. I do not know about ticket size. Customer quality and customer behavior and leverage are different. So, ticket size, someone says that I have 25 lakhs, but you also have done one or two customers of 10 lakhs, right? Is that ticket size a problem? Or is it a customer problem? What is the issue?

Interviewee: It is a customer selection problem.

Interviewer: Customer selection. Over-leveraged customers are important. But still, in housing, or a LAP product also, because there is a security, still their behavior is a bit weaker than one would have anticipated. So, there are a lot of challenges in micro-LAP?

Interviewee: See, when I was in GRUH, Keki sometimes would come and then he would say, this market is a bit difficult so just be careful. Because they know the market. Here also, we have a bank. The bank will tell you, yes, we also have to handle it in some way. So, the advantage of having somebody on the board, having a parent who is also in the same business, I don't know.

Interviewer: Obviously.

Interviewee: They are on the board, so they will know. So, he will say your industry is 15%, then you would grow 15% or you grow 17%. They are not saying that you grow 20%.

Interviewer: In fact, that is the advantage. But are you seeing this? Because you will be talking to your friends. This is affordable housing. Is there a market challenge? 30 DPD is increasing. But NPAs are still controlled?

Interviewee: NPAs are controlled. But yes, there is a little bit of increase in the DPD. That is correct.

Interviewer: That is a number. But do you think it will go out or will it be controlled?

Interviewee: I think, normally, these things, 1 quarter, 2 quarters, it goes on. But they do, they may have to put some more people on the ground for recovery. I am sure they will. They will take good steps. In the past also, there has been a 10% growth.

Interviewer: That is also visible. There is a 5%-6% growth.

Interviewee: So, I don't think anybody is saying that we will compromise and we don't mind 2.5% NPA, but we will do. Nobody is, I think, doing that.

Interviewer: That is a good thing.

Interviewee: If at all, whenever it has started picking up, there will be some slowdown in growth and some more staff allocation and things like that so that it is not under control. I don't think that way, the industry will.

Interviewer: Not an issue. If not, it will go the MFI way. MFI is a long cycle.

Interviewee: And the regulator also, let me tell you, is taking very, even just, I think yesterday also, there was one link to stage of construction, disbursement link to stage of construction. Prior to that, even this interest subvention scheme, the Supreme Court itself is also monitoring that. So, every time, some kind of fancy stuff has happened, the regulator has stepped in to stop it. So, I don't think that kind of a risk is there as much.

Interviewer: Our two competitors, so we are not competing with this new generations of, our competitors are HDFC, ICICI, and Bajaj.

Interviewee: They are also a little higher. Because their ticket sizes are a little higher. For us, I think, it will still be LIC, Bajaj, to some extent.

Interviewer: So, there is a top end, there is a middle end, there is a low end. So, you are one of the significant player in mid-end and you will remain like that?

Interviewee: Yes.

Interviewer: For a long time. And middle segment, is it growing at lesser rate compared to the obviously, near the lower end?

Interviewee: Prime has been doing better. But it is doing at the average rate. It is around, being around 12%-14%.

Interviewer: One is at luxury, where like 4-5 lakh, for INR 4-INR 5 crore ticket size, which is like the banks, like customers, like us. Then there is a middle class, which is a large part. And then there is this, small. So, those are struggling. Middle, which is a big middle, is there, is there, what is the challenge? Is there supply challenge?

Interviewee: No. That supply challenge is not there. In fact, there is a good Tier-2 city's market, where there is a good amount of growth.

Interviewer: In every city, in every state, second city.

Interviewee: Not Bangalore, some other, Bangalore, if you go to the outskirts of Bangalore, you see Hoskote, you see Devanahal, you see Tumkur, you see Bajotum you see Kangeri. There is supply there.

Interviewer: That will be your customer?

Interviewee: That is our customer. That is where we can select.

Interviewer: So, these are very well aware, educated customers. So, they are very margin sensitive, I guess.

Interviewee: These are the customers, who may be working in the cities, but cannot afford over there, because they are in that slightly.

Interviewer: No. That, I understood. I am saying from the, like, attractiveness of the customer point of view. So, they are one of the most savvy customers, well aware. Like, the typical middle class, and very rates, and they are aware what is happening in the market. Somebody is just giving little better rate, willing to switch, and all that. So, this is like customer, you have to give different experience. We have to experience. That is why your model, which you designed.

Interviewee: Service prices has to be really good.

Interviewer: Anything else happening in the industry, worth noting? Because, real estate?

Interviewer: Sir, one thing, one more thing. Suppose, now you are in that middle, in case you want to go up, or go down. So, like PNB is perhaps trying to go down, right, the way they are doing. What about the challenges, does it, when LIC is even trying to, go into that, like LIC?

Interviewee: Frankly speaking, I will tell you, if we have to go down, we have to, develop that. Separate team, I can say. Separate team, LIC, understood. The same team can't do this. Because, let me tell you, 2003, when we started, with GRUH Suvidha, in GRUH Finance, we had INR 50 crore target. If you touch INR 50 crore, build a portfolio, of only INR 50 crore, then we will evaluate. After reaching INR 50 crore, after 2 years of servicing, we did a complete study, presented to the board, again saying, okay, this is the performance, of the portfolio, this is how it is, then we look at, making it to INR 100 crore. Then we said, after INR 100 crore, we said, INR 250 crore and so on. So, it is not something, which can be built over a year.

Interviewee: But, the good part of this customer, is that, NPA is very less, comparatively. Ratio of NPA should be lesser. They will have, some assets.

Interviewer: It should do gradually.

Interviewee: It should do gradually, if it grows in speed, it is better, there is a chance, of risk accident.

Interviewer: Absolutely. Sorry, from a real estate perspective, right, what we look at is, larger players, are still launching, and getting sold, already. The velocity, has slowed down. Do you see that, like you mentioned, the outskirts of the city, the grain being developed? They are also in a reasonable shape, to supply, or they have, stopped a bit?

Interviewee: No, supply is not a problem. We are getting it, in the mid sector.

Interviewer: And the demand, because there are like, lot of noise around, IT companies, not doing well, job loss. I don't know, if it is headline, but?

Interviewee: No, there are job losses, no doubt. But again, there are also areas, where business jobs, are getting created. Like, GCC is coming, there are talks. Somewhere, there will be.

Interviewer: So, incrementally, within home loan, within salaried, have you seen any change, in your customer segment, in the sense like, if you were like, sourcing 100 customers, they were like, 50-60 were from, Infosys, TCS type of companies?

Interviewee: We don't have that segment.

Interviewer: As an example, not Infosys, TCS, some good companies, and now that, segment is changing, because like, more GCCs are coming. Are you witnessing any change there?

Interviewee: Our IT exposure, is only about, 6% of our customers, are in that.

Interviewer: So, what do the customers do, when you have salaried customers, this is the last part?

Interviewee: We have 14% are salaried, in state and central government, 14%.

Interviewer: 14%.

Interviewee: 51% are in private sector employment, salaried. And 6% is, IT sector. And the remaining is self-employment.

Interviewer: And when you talk about, this 15% will be private, what kind of, the banks and all.

Interviewee: 51% banks, there will be private, small industries, there will be, people there, 50 people, 100 people are there. So, the Canara Bank, the salary account, the relationship, that is available to us, but that is not available. We don't have any, that kind of linkage with Canara Bank.

Interviewer: Right. Sir, this set of customers, like, we will have, one of the, very attractive, set of customers, in terms of, like, size of population available, and, sophistication of customer, like, in this, long term, medium term, is there, something else to do, with this customer, can you, build some business model, around that?

Interviewee: We don't have any cross sell. As a HFC, we have no cross sell opportunities.

Interviewer: So, it is not allowed by regulators?

Interviewee: No, it is not allowed. But, there are caps, like, we have to do 60%, and our entire lending has to be for core business. So, those kind of things are there. So, today, there are various avenues, because of which, a customer may want to switch over. Like, today, if they want a car loan, they will have to go to somebody, who is, I cannot talk about that. So, over there, if they go to a bank, bank will pick up that customer, they will pick up their home loan also. They have, they need a personal loan, education also. Somebody from there also, they can be picked up, for a home loan also. The bigger come. So, basically, the industry, the thing is, there is a, no cross-sell

opportunity, except for insurance. Insurance also, is more for the business that you do, because you have to cover the customer, you have to cover the property.

Interviewee: So, this is the insurance, there is no other cross-sell opportunity.

Interviewer: And, cost also, like, very optimal.

Interviewee: We can, we can do some part of it, as a business, then sell off the portfolio. We can do all that. Right. But, in our books, there will be no such thing. And then, to do that, it is a different thing, it is a different, why move from a core competency.

Interviewer: And, cost also, we don't have much. Like, we are very, finely, balanced in the operating curve. Here also, we don't think.

Interviewee: I don't think, there is much scope. We are already very, even, after so many years, such a big group, HDFC had a cost-to-income ratio of about, I think, about 14%.

Interviewer: Yes. That is what I am saying. It is extremely, well, staged, very difficult. From your perspective also, you have to say.

Interviewer: Yes. So, now, like, it seems after that initial phase of build-up, now we are in growth mode. That is correct to read?

Interviewee: Now, in fact, in that one quarter, we have this IT implementation in Q4. After that, I think, we will only be consolidating, in terms of the sales team, consolidating in terms of the branch. So, all processes, everything is in place, just executes. We have to execute. We have to continue, every year, we will have to plan some branch expansion. Every year, we will have to look at the expansion of the team. Every year, we will have to look at the increase in the sales team. And we will have to keep on. But our aim will be to grow larger than what market is doing. That is our aim. Current rate, it is 12%. So, we would like to grow around 15%, AUM of 15% growth every year.

Interviewee: Conceptually, we do not know.

Interviewee: We are good. I think without any accidents. Exactly. We do not have any hiccups. In our business, boring is better. We like boring. We do not want.

Interviewee: Excitement is very expensive for us. Unfortunately. Sorry. Let him sort of, give some break, post lunch. Nice meeting you. Thank you.

Interviewer: Thank you.