



“Can Fin Homes Limited Conference Call”

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**MANAGEMENT: MR. SURESH IYER – MANAGING DIRECTOR & CEO,
CAN FIN HOMES LIMITED**

MODERATOR: MR. ASHWANI – EDELWEISS

Moderator: Hi, Ashwani.

Ashwani: Hi, how are you, sir?

Moderator: I am good. How are you?

Ashwani: I am good.

Moderator: I am good. Just for a disclaimer that we are recording this call. So, we will...

Ashwani: You are recording the call?

Moderator: Yes.

Ashwani: Okay.

Suresh Iyer: Because this quarter onward, just a small change. We thought, you know, whatever meetings we are having, some of the investors are feeling that, you know, so many meetings are happening. We don't know what discussions are happening. So, if you can, put the transcripts on the website also. So, I think it's more of disclosure, nothing to hide. So, we said we can do it. So, I hope you don't have a problem. Otherwise, we will not do it.

Ashwani: No, for me, recording is not required.

Suresh Iyer: No, but you have, I mean, no problem if we put it up no, because basically it's just a common discussion point. Nothing -- it's all business only.

Ashwani: Exactly. Nothing else.

Suresh Iyer: Yes.

Ashwani: So, yes, I know about the company. I just wanted to know that it's almost 1.5 years you have joined in. And our CFO is there for another few months, I guess.

Suresh Iyer: Yes.

Ashwani: So, how do you see things shaping up going forward? What will be the kind of a loan growth which we will see? And if you see the last six quarters, something or the other has been happening. And our growth has been hampered, right? So, what can we do to do a normal business irrespective there may be some hiccups here and there, but what are we doing to diversify our business, make it more granular and make it more shockproof?

Suresh Iyer: Sure. No, I think it's a very, very valid question. In fact, I will just take a while if you don't mind. I will just explain. See, we have in our Vision document 28 itself, the Board had clearly discussed

on a couple of points. Of course, these are repetition because I have also mentioned it in the past. That one is that we want to geographically diversify. So, we want to move from the 73/27 at that point in time to 60/40. So in that, that was one directional approach we had taken.

So there, in fact, we opened 14 branches last year. This year, again, we are opening another 15 branches. Now, those 14 branches mostly were opened in the north and the west. Of course, there were one or two Mayiladuthurai and Tenkasi in the south and Anantapur. Otherwise, all 11 branches were in the north and the west.

Now, out of those 14 branches, they are almost like one year old now because most of them were opened in the third quarter and some in the fourth quarter. So, if you look at it, today in one year's time, these branches have already started giving us about 73 lakhs per month per branch as the disbursement. This is the average disbursement. These 14 branches which are opened last year have given us about 30 crore business in Q3, which is approximately about 73 lakhs it comes to per branch per month. Okay.

So, that is something which is one of the things we are doing. Slowly we are also expanding in the north and the west. This will also help us in diversification so that this geographical concentration which has hit us in this Q3 will get a little absorbed or can be reduced.

The second directional change which the Board had given was that we want to reduce our DSA sourcing, and we want to improve our direct sourcing. So, for that, you know, we tried some pilot branches last year and then we felt that we need to tweak our model and all. And this year, effective June, we have started that also.

So, we have now about 34 people who are in marketing and are sourcing direct business. Q3, we have sourced about 3 to 3.25% of the incremental business has come from this marketing. So, again, that also we will see slowly helping us reduce our DSA reliance also. And it has come to around 76 point something percent in Q3. So, this is also one activity we are doing to kind of help in ensuring that we are not dependent on a particular thing.

The third thing was, of course, that, you know, there are a lot of, I would say, areas where efficiency can be improved. That's why we wanted to implement our IT upgradation. So, first step we did was we upgraded our IT from the old version to a very new version where APIs were possible, integration with third-party solutions was possible.

So that was also actually went live on in November 2024. And to some extent, a few days we lost, but we quickly were able to, you know, come back to the business and it didn't affect as much because it's the same vendor, the same solution, just an upgrade from a older version to a newer microservices environment which was API enabled. So, that was one thing also we have done to improve that this happens.

Now, first, of course, here, unfortunately, we had this Ambala incident and we had a lot of other changes which we did it. Q2, we actually saw some very positive signals and we were, you know, all the states barring Telangana were doing well. In fact, we had good growth in Karnataka, North, even in West, Rajasthan, Gujarat and all, and Tamil Nadu.

So, you know, the effects in terms of changing some of the policies, changing some of the efficiency-related matters, they have all been incorporated on. It's just that this Q3, we were again hit by this Karnataka, which meant that both Karnataka and Telangana, both which constitute about 50% of the business have been impacted for us.

So obviously, you know, it was something which was a risk we had anticipated, but we didn't expect it to happen so soon or happen. It was more of a mitigation that we had initiated. So, the steps that we are taking is one is geographical concentration we are reducing. Two, we are adding additional avenues of sourcing. And three, we are implementing or pushing forward for IT implementation.

So, the idea is that going forward this stability will come or these aspects or these decisions and this journey should definitely help us in stabilizing and ensuring that these setbacks can be minimized or at least the impact. There will always be tomorrow, it could be some other state also. But at least we want to see that it is minimized and we have a wider geographical presence and sourcing model. So, these are the kind of things.

In terms of the product and all, we have some things. So, this quarter, we are looking at, you know, we may have to look at a little more of LAP. And so, that is how we are trying to push. Because Karnataka, although it has slightly opened up, but still it is slow. So, we are pushing for LAP also.

So, what we had envisaged that we will have our product mix slightly changed from 72, 28 to around 65, 35. We may have to accelerate it. And instead of a 5-year campaign, we may have to do it earlier which already we have initiated. That LAP now we are putting instead of, so 5% has already moved to 6%, but in this quarter it may slightly go up to 7 also because with Karnataka having this problem, we are pushing for LAP. So, that is the other thing we are doing.

Ashwani:

Sir, how do you see the traction in the PMAY Yojana going forward? Because we would see the effect coming from March onwards. So, what's your thought process there?

Suresh Iyer:

See, PMAY so far we have not had any inquiry and basically it is a portal related. Everybody has to apply to the portal and from the portal only the leads will come to us. Unlike earlier where, you know, the customers could directly come and we could do the business and subsequently log in. Here the process is first they have to log into the portal and then come in.

So, portal so far is still not completely stable. We are having some data entry issues and clarifications and all are still going on. So, post March, yes, this could add a little bit, but I am

not expecting a very large flow like it was in CLSS 1 or other CLSS scheme. PMAY 2.0 or ISS 2.0 Interest Subsidy Scheme may not have that kind of an exciting traction like it was there in CLSS because the quantum of benefit is lower and the process is also very much different.

Ashwani:

Yes. And, okay, when we put all these together and we are seeing lower credit demand, off-take and tight liquidity, so what is the kind of a growth, loan book growth which you can expect this year, next year? And what can be the risk to the loan growth which you are envisaging right now?

Suresh Iyer:

See, liquidity, at least for us, it is not impacting because we have already had a good, as I said, last quarter, of course, even in this quarter, we have got good demand for our NCDs. We are almost finalizing our NCD raise to the extent of about 2,500 crores. And we have already got, you know, sufficient interest coming from investors for that 2,500 crores. So, that is again not an issue. In fact, a couple of banks are also we are in the talk. Only it's a matter of a rate. So, that way we have at least two new term loan applications which are on the verge of finalizing. So, liquidity is not a problem at all.

To some extent, you know, because NCD will be a little costlier, it may impact on our cost. It may impact about 2 or 3 bps higher for the entire year. Max, I am saying because NCDs obviously are a little costlier than what we would be raising from the banks. So, that apart, liquidity is not a problem.

So, this year, we are definitely looking at, at least this quarter, we should be back to our 800 run rate at least. Even if Karnataka doesn't pick up to the old whatever it was pre in Q2, even if it doesn't go back to that kind of a level, still we are confident we should be able to do a run rate of about 800 crores a month. So that will be around what we have done in Q4 of last year, definitely we should be able to reach. That is what is the thing, because our other states are still doing well.

In fact, except for our Telangana, which is about 33% negative, in spite of our Q3 issue in Karnataka, we are still positive in Karnataka on a YTD basis. So, that is the thing. North is positive. Rajasthan and Gujarat is positive. Tamil Nadu is positive. We definitely would be around 800 crore run rate. Definitely we are positive about in this particular quarter per month.

And next year we are still sticking to about 1,200 crores because we will add a little more to the marketing stuff because this is marketing also that I mentioned. In this quarter, as I said, 3 to 3.25% we have got from this marketing team. So, we are adding more people to the marketing team so that we can have more of a lead generation from the market.

Ashwani:

So, next year you said the monthly run rate will be 1,200 crores.

Suresh Iyer:

No, no. I am saying 12,000 crores for the year, which is about 1,000 crores.

- Ashwani:** Exactly. Okay, that is what you said in the call. 12,000 crores for the entire year.
- Suresh Iyer:** Yes. So, next year, going by this run rate, we should be ending somewhere around 38,500 crores or somewhere thereabout in terms of our AUM for the year. So, even if we are doing about 11,500 crores, we will still be able to add about 6,000 crores to our book in the next year, which will be about 15% growth.
- Ashwani:** And this is the kind of margins which we can expect? And before that, how frequently does your housing loan reprice? Is it immediate as the repo rate is cut or there is a lag?
- Suresh Iyer:** No, we have a quarterly reset policy now. So, every quarter we are doing the reset review of our things. But then what happens is, you know, every month we will have some book which is coming for a repricing. Like what was done in April will come in July and October and so on. So, every month it will be here, but it is quarterly.
- Ashwani:** And so what is the kind of a spread in the margins which we can expect for next year?
- Suresh Iyer:** See, we will definitely keep a spread of 2.5% and NIM of 3.5%. Because as I said, you know, one is we have also 65-35% if you are looking at housing to non-housing, that gives us a scope to add a little more in terms of our LAP which we are already doing. So, 5% has already grown to 6%. So, a little more will come from there. And so, those kind of things we are feeling that we will add, and we will not compromise on the spread part of it.
- Ashwani:** Okay. And how do you see your cost-to-income and the provisions increasing?
- Suresh Iyer:** Cost-to-income next year, in fact, will slightly go up because, you know, we have this IT transformation project where IBM has already been identified as a partner. We are just closing the final pricing negotiation and all those things. But roughly it comes to about 60 crore as CapEx and approximately 30 crore. But some of the 30 crore you know, it all depends on the scheduling that they do in terms of the implementation.
- So that we should be able to work out in the next 15 days. As soon as we finalize the PO, we will be able to do it. So, at least some amount of expense for the IT will come in FY '26. So, that will increase our cost-to-income ratio. It could go up by about 30, 35 crore totally could go up. Some of it could be the depreciation on the CapEx that we do, and some of it could be the additional this year.
- In fact, next year, the entire 30 crore will be added because we will be continuing our existing 15 crore expense also because the implementation is scheduled up to November 2025. So, the current year at least up to December 25, we will have our current IT system also there, which will be about a crore, plus the new system also will start coming in based on the phased manner.

So, approximately, you can see about 30 crore will be added to the expense. So, 30 crore means currently we are at 16%, 17% you can say at around 230, 240 crore expense for the year. So, another 30 crore means it will be added by around another 10% to 15% will go up. So, about 17 could go up to around 19%, 18.5%, 19%. Yes.

Ashwani:

Okay. And when we see the overall macro, now there has been a slowdown. The banks have slowed down themselves, personal loans and all the unsecured loans. Have you seen any increase in your non-par payments, increase in 0 to 30 or 30 to 60 days payments or above that?

Suresh Iyer:

See, 0 to 30, yes, has increased. In fact, we mentioned that also, but then it is only because we know this charges earlier we used to carry this one month or sometime a little more as a advance. So that whenever there was a check bonds or something, that charges was always adjusted from this advance. So, we were not having that 0 to 30 days. That is, SMA-0 was not reflected. But here, whatever money a customer pays, immediately has to be adjusted. So, we are not able to carry any advance. That is the thing which has come.

So, we have about 770 crore which has gone up mainly because these are the small charges. Customer is paying the EMI, but if the first cheque bounces and the second time we represent, and it is cleared, it is the EMI only which is paid by the customer, so the charges still remain outstanding. So, for that small, small amount, up to Rs. 800, which is the charges, we are having up to 770 crores.

So, we are now changing our communication to the customer, follow-ups with the customer, our telecalling team and all those things, so that, you know, that also we can recover and do it. So, that should come down. I think currently the level of SMA-1, SMA-2, Stage 2 and Stage 3 will remain as it is. Only in this Stage 0 will keep in and out of it.

Ashwani:

And ROA, ROE will be at the similar levels, right?

Suresh Iyer:

2.1 ROA and about 17% ROE. Yes, I think maybe ROE, if the expenses go up, could be slightly around 10-15 bps or something lower. But it will still be, we are 17.5. So, 17 plus, you can say, will still be the ROE.

Ashwani:

And how are we placed with the capital adequacy level? Do we require funds or we are good?

Suresh Iyer:

No, no. We are at around 23% plus is the capital adequacy. So, capital adequacy is not a problem.

Ashwani:

Okay. That's it. So, that's it from my side because we knew, we keep on meeting. So, that's it from my side.

Suresh Iyer:

Thank you so much. I understand this Q3 was not, this Karnataka and Telangana hitting together has really impacted. Otherwise, internally, at least the Q2 was definitely reflected the positivity

that was coming because we were out of this implementation of all those back-end issues after the Ambala issue and all. Because this is one of the states which is doing almost 30% of our business.

We have, you know, Karnataka on a monthly basis in Q2 has done close to 275 crore average also per month. So, 275 crore of the business is coming from one state alone. So, there we have had almost average about 150 crores only happening now. Let's see, this month it is looking a little better. So, we might be closer to 175, 200 crores this month from Karnataka alone.

Ashwani: Okay, thanks a lot.

Suresh Iyer: Yes, thank you.

Ashwani: Thanks a lot, Suresh.

Suresh Iyer: Thank you, Ashwani. Thank you so much.

Moderator: Thank you, Ashwani.

Suresh Iyer: Thank you.

Ashwani: Thanks.

Moderator: Thank you.