



“Can Fin Homes Limited Virtual Meet”

June 10, 2025



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

MODERATOR: **MR. ZHIXUAN GAO
MR. PATRICK YUHANNA
MS. VENESSA DIAS**

“We regret to inform you that, due to technical error, moderator’s voice was not audible, however we have uploaded the reply part for your reference”.

Suresh Iyer: For the 1st of February that we have already passed on to our customers, because it takes a little while for us to also experience it. So far the February transmission, we got it by end of March. Now for the April and June repo cards, we will get it by end of June. So we are likely to further reduce our rate for our existing and new customers again sometime in July.

Suresh Iyer: 10 basis points. For us, it was only 10 basis points because only about 50%-55% is linked to bank term loans and 6%-7% are for CPs, so only about 60%-65% of our loans actually experience the benefit of a rate cut. So on the entire book eventually it doesn't come out to be the same. So we got about 10 bps benefit. So we passed on to our customers. April and June, we will experience by end of June. So I am expecting another 25 bps. You might be able to pass on to our customers.

Suresh Iyer: See on the asset side, we have about 25% of our loans which are on quarterly reset because from January 24, we made it mandatory for we moved to quarterly reset. So all our incremental loans from January 24 are on quarterly reset. But the old loans are still at annual. So what happens is they have to come and execute the documentation and give their consent to move to quarterly, which now in the next 6 months should happen fast. So once that happens, it will move to quarterly. So the transmission whatever we experience within a quarter will get passed on to the customers. But right now, there is going to be some lag because at 75% which are on annual, there will be some lag when we pass on to the customers. So to that extent, we may have one or two big benefit in our spread because the liability after we experience we pass on, what we pass on takes 1 quarter to 6 months to get affected on the asset side. So that might be one slight advantage for us.

Suresh Iyer: We have not seen any reduction in competitive intensity but in a way you are right they are lending at 8.4, today the same loans are at 7.4 whereas we have been able to bring it down only by 10 basis points where their incremental lends have come down by 100 basis points but still they are not using that their advantage because they don't want to pick up too many loans at such a high negative spread. So that is correct. In a way, we would have been scared that if the rate differential is very high, then our loans will get impacted, our business will get impacted, but it is not the case. So in a way, you are right that the competitive intensity has not been impacted. So the banks are not taking advantage of this rate cut because it is in fact adversely affecting them.

Suresh Iyer: No, we are monitoring it. As of now, it has not much. We have been monitoring it. As I said, so banks are not very keen to pick up the loans at this rate because it is resulting in a negative spread. So therefore, they are not picking up much. So we have not done and most importantly, it is a competition when we say it is LIC HFL, PNB HFL and Bajaj and LIC has reduced it for incremental customers and a little bit for the old existing customers just like we have. But PNB

and Bajaj, I don't think have reduced the rates. So although the rate cut has been done, the transmission is not yet witnessed by them and they were the ones who are the major ones for our video, the three of them LIC, PNB HFL and Bajaj.

Suresh Iyer: I am not sure, at least I have not come across anything. I will just check. If you're saying so I will just check, but I have not come across a rate reduction.

Suresh Iyer: We have continued the same trend our North zone, West zone and Tamil Nadu zone continue to be positive. And in fact, they have continued with the same last year, North Zone had about a 30% plus, 36% growth in disbursements. This year also, they are maintaining that kind of a growth level. Tamil Nadu last year was 25% growth. This year also, they are doing at the same rate. In fact, better this time Tamil Nadu is also doing very well. West Zone has also been positive for us. So, the trend continues. There is no change in that sense. All three zones are positive. Last year, the East zone which actually is a small bit for us that was very flat for us. We had almost less than 1% growth in disbursements in FY'25 or '24. But this year, April, May, both months, East has done better than last year, April and May. So, East is also slightly looking better. And Karnataka, of course, although the problem has not been completely resolved, but the way it is going, we are quite positive. We will be able to show a 20% growth by end of the year because again next month again the state government has assured that they will open up for the development authority, urban development authority areas and panchayat areas also. So once that happens, again growth will pick up, otherwise April, May we have Rs. 200 crores plus kind of, May we did more than Rs. 200 crores also. So we are in line quite in that sense. So demand wise, I am not seeing much of, yes affordable definitely is slowing down. And the PMAY scheme has not picked up at all. So we have only actually done only 2 loans in PMAY so far. So it's not at all having any impact on the ground. So affordable is not picking up. So that way, affordable is an impact, but otherwise we are finding it quite stable. Our growth continues. April was better than last year. April, May was better than last year. May, both months we've done better.

Suresh Iyer: We will have a positive, this first quarter we will have a 15% odd positive we are looking at in Q1 itself compared to last year Q1.

Suresh Iyer: I don't know; I mean last 2 years I had a contrary view frankly. I have been consistently saying that supply side issues are there for affordable housing after CLSS was withdrawn and it is reflected in the overall numbers because you will see that while the overall industry is growing at 12% to 14%, affordable housing has come into single digits now I think it is between 8% and 9%. So definitely, what I have been saying, it is reflected in the numbers. Surprisingly, as you rightly pointed out, surprisingly quite a few players are very, very bullish. There are players who are talking about doubling the numbers in 3 years' time. So it means me, surprisingly. It's definitely a little surprising that they are so upbeat about the affordable segment, whereas the numbers don't reflect that.

Suresh Iyer: E-khata should get resolved because in municipal corporation limits, it is buy and large being resolved and it is more of a, they need to, the sub registrar offices and the development authority, the system need to talk to each other so that the transfer of data happens. I think it is more of a maybe one quarter or so it should go on. Government has assured that even in July itself, it will become functional. So maybe if not July maybe August or September, but I definitely don't expect it to be a long term issue. It will get resolved.

Suresh Iyer: See, first thing is the number of cities that are eligible for this PMAY has come down substantially. Last time it was almost 14,000 odd cities were identified for PMAY. This time it is substantially lower. Only 4000 cities are there so that way many of the, we have received more than 250 inquiries, but when we put it, log it into the system, they normally are not in the pin codes which are eligible for PMAY. A lot of cases get eliminated there itself because the cases are not following within those select pin codes. So that is one thing. The second thing is that the process itself has been made so cumbersome that now, if you have to log in a customer for a PMAY product, then some 140 data points have to be collected and entered into the system before we are able to decide whether the customer is eligible or not or whether we can, before we can even put up the claim to the system. So, about 140 data points including the PAN and Aadhar of all the customers, their family members and I also don't know what is the PAN number of my brother's wife and all. Now, it is very difficult to put all those data in smaller locations for the smaller person. These are the kind of second operational issues which are being faced. And third point is that now that the amount has been reduced from 2.67 lakhs to 1.80 lakhs and spread over 5 years, there is no incentive for the developers to come and build. So these are the three major points why PMAY is not picking up accordingly.

Suresh Iyer: I do not think. Last time in the month of May, when we had a meeting, there are only a couple of HFCs who have said that we are working on it and we are doing well. A lot of people are still facing problems and I can also say from our experience that more than 250 inquiries we have got, only 20 were at least company level able to qualify and out of that also, there were other issues which came up, so only eventually 2 loans are actually being done in PMAY.

Suresh Iyer: See, whenever the rates have gone down, demand has always increased because lower EMI, the lower rate of interest means lower EMI, so therefore affordability increases, so therefore definitely it has been a positive thing for the industry. So I'm sure this will give a boost and demand will pick up. And the only thing is that the transmission has to happen that today if even with a 100 basis points if we are not able to pass on to our customers, the result is not experience. Therefore we have already done 10 basis points. I'm just waiting for this month data to come so that we can pass on another round of about 25 basis points to our customers. Because on the borrowing side for me, it has already started getting reflected. NCDs that we borrowed at 8.18 in March, today the same 3-year NCDs we are getting at close to 7.24 we raised a few day last week, 7.24 we raised last week. So that definitely is a very sizable amount of reduction that we have seen. CPs, we are raising in the fourth quarter last year at around 7.5%. Today the same

CPs we are getting at 6.6, 6.65. Now in fact after this yield has come down to 6.3. 6.3 is what we are getting now in CPs also.

Suresh Iyer: And even bank term loans. Even bank term loans, of course bank term loans we will see slight bit of a lag. We will get at the end of the quarter, but the rates which are at 7.95 and 8.10, today will now come down to 6.95 and 7.10.

Suresh Iyer: Correct.

Suresh Iyer: No, no. Whatever on my book I am experiencing only that otherwise my spread will get impacted. So there is no risk on the spread, what we are doing on the book that's why on the 100 basis points I am seeing the benefit but overall on my total borrowing side it is only effective to maybe may come to around 40 or 40 bps only. So 10 bps, I have already passed on, another 25 bps I expect to pass on in the next month or so. Once by end of June all my terminals also get repriced, I expect to get another 25 basis points benefit. I will pass on that in the month of July.

Suresh Iyer: No, it has both options that are available depending on what the customer has chosen. So if the customer chooses to go for change in EMI, then with the reduction

Suresh Iyer: The default option is change in tenure. The default option because changing because I mean we have to plan if the rates go up, then the EMI's go up then obviously customers have to have that ability to pay the income may not go up. So normally we keep the EMI same and tenure we change. Changing tenure is the default option.

Suresh Iyer: Yes, so far, I mean we have not had that IT is progressing that transformation is happening, but the impact will happen in FY'27 only. So this year our cost to income ratio will remain in this around 17% only, 17-17.5, the same that is there current year also. So we won't see much of a change in our cost to income ratio, but our impact will come from next year but IT transformation project is going as per schedule. We have the first phase of implementation scheduled in August, which is for our treasury, ALM, CRAR, all those modules. And then the LOS, LMS, and DMS and everything that will get implemented in the month of November 25.

Suresh Iyer: See, only thing is, this time, it's the beginning of the year, what we have done is we have analyzed our SMA2 portfolio and many cases where, which were very, very sticky, we have allowed them to flow because we have got a SARFAESI module and we are now very aggressively looking for sale. Last time also, we saw better performance in our sale of acquired assets under SARFAESI. So that we want to do that. So we have intentionally allowed some of the cases to flow to NPA. But overall as of 31st of May, our total delinquency that is SMA-0 plus 1 plus 2 plus NPA is lower in absolute value compared to March. There is a marginal reduction. So by June end, we expect that will further be down. So definitely overall delinquency will come down, but NPA might slightly increase because now we have 9 months to act upon these cases and do the recovery. So as a strategic decision we have allowed some cases to flow so that we can acquire the property, sell it off and get out of them because otherwise it is taking too much of a

time to every month follow up, recovery and all those things and customers are very sticky in SMA-2 and so it is better to allow them to flow, acquire the property and get them completely out of the system. So as a strategy, we are allowed some cases to flow. So NPA might slightly increase, anyway in Q1 the NPA if you see last year NPA gone up at Rs. 39 crores in June compared to March. The year before that also it was I think Rs. 31 or Rs. 32 crores. So in Q1 normally we do always see a slight jump. This time also, we have allowed that to happen and we want to get the system improved quality, overall quality improved in the system.

Suresh Iyer: Credit cost, we are overall still 15 bps only.

Zhixuan Gao: 15 bps?

Suresh Iyer: Last year also, excluding the management overlay, it was 13 bps only. This year also we are expecting it to be about less than 15 bps only.

Suresh Iyer: No, we have only retail loans. We have only small retail loans, we don't have any bulk loans. We don't have large value loans. We don't have construction finance loans which are in default. So it is a general thing only we don't have any major large accounts, these are all small retail accounts only, so nothing of that sort.

Suresh Iyer: Managing governance. We take a conscious call and we want to have at least some 15 bps as a management overlay, so if you see Rs. 59 crores over 3 crores of NPA is about 15 bps. So we have maintained that kind of a thing for our on Rs. 38,000 crore effectively 15 bps would be around 55, 57 or something crores, we have maintained Rs. 59 crores so that was the case.

Suresh Iyer: Yes, correct.

Zhixuan Gao: No, we are continuing that. In fact last year you will see that our average ticket size which was earlier 22 lakhs for home loans is increased to 24 lakhs on the home loans. So we are working on that. Probably in the next 2 years, we might be able to slightly improve it to 27-28 lakhs. So that is going as per plan, not much of a change. We are also moving to the bigger cities where we are getting corporation limits like now that Karnataka we have this e-khata issue, so panchayat and urban development authorities are not there, so we are moving to the city areas where the ticket sizes are slightly higher so that strategy is in place. We are moving on the same area and by another 2 years we should be able to see around 27-28 lakhs as the average ticket size.

Suresh Iyer: No, so what we have done is if you recollect, we had mentioned that while we will increase the ticket size there will be some more competitive pricing we will have to offer for the ticket size, but we will offset it by doing more SENP and we do it little more in terms of the non-housing category. Today if you see our non-housing was 21, sorry it was 11% which has increased to 14% now. So housing including CRE was 89%, it has come down to 86% and our non-housing was 11% and it has increased to 14%. Same way our SENP was 27% in March 23, now it has

moved up to 30%. So SENP has slightly increased, our non-housing has slightly increased so that way we are able to offset the spread compression we are seeing in the housing, pure housing.

Suresh Iyer:

Nothing now because that was discussed in October and since then the RBI Governor has also changed. The new governor has not, in fact has a different probably a different view because he also mentioned that we only have given the approval to start this company. So why are we now objecting to it? So I believe kind of now, at least for the last 6 odd months, we've not had any discussion on this front actually.

Suresh Iyer:

See, I think for them it is in fact very necessary to do it because they had a very large corporate book builder portfolio and they have completely exceeded or now at least are very very minimal kind of developer book they are doing and their developer book has also kind of run down very fast so obviously to maintain the spread they have to do more of affordable housing. But I think and it's also because they are also aggressively doing prime. They have launched prime also and they are also doing prime where they are offering very attractive rates just to compete with the banks. So obviously they have to do a little more of affordable housing, but technically speaking I at least have a view that affordable housing is going to face supply side issues. So there are going to be problems over there. Now it is possible that you may do affordable LAP, small ticket LAP and all those things are happening in the affordable segment. Okay. So maybe I don't know how much is the composition of housing in that and how much is the composition of LAP in that. It could be LAP also in affordable segment and LAP, small ticket LAP has in the last few years, a couple of people have burned their fingers. So it is too early to talk about quality. I will, I will reserve my comment on that.

Suresh Iyer:

You are talking about affordable housing?

Suresh Iyer:

Affordable housing, see, the NPA levels in affordable housing have always been a little higher than prime housing or you know that is a proven fact. So only thing is that individual credit quality also matters. If you are running too fast if you see because in my past experience where I was in group finance, we built a Rs. 5000 crore book over a period of 10-12 years, 15 years actually. We started in 2003 and we built a Rs. 5000 crore book in and we took in 2018. So it has been built over a period of time and therefore we were able to still maintain our asset quality over there with a NPA of less than 1.5%, 1.4-1.5 was the NPA over there. So obviously if you running too fast, then one can expect a slightly higher than that close to 2% kind of NPA one can expect because it is not so easy. Generally, the asset quality has been a little poorer in the affordable housing segment. So I'm sure it will be reflected in the coming years. But I don't see an intent issue. See, customers, they don't have an intent issue. What happens in the affordable segment is the income levels are so low and they are not the kind of people where, if they lose a job that they will immediately get a new job or if there is a small illness in the family that can also affect their cash flows. If there is a month in which the school fees have to be paid, again the cash flow gets affected. Even if there is a loss of job, a small insurer related to loss in business, it impacts the cash flow. So the stability of income is slightly always a little

circumspect, though there is no issue in the intent. So intent may not be a priority, it may only be a timing issue where they may have to do it. So the NPA will always be a little higher, but recoveries will still come. In the long run it may not be a portfolio where you will have to do more of write-offs, but the impact in terms of NPA impact in terms of provisioning will be required.

Suresh Iyer: In Gruh Finance, we had 6 basis points was the actual write-off, only 6 basis points.

Zhixuan Gao: 6 basis point is very low.

Suresh Iyer: Very low, very low. That's what I said. Intent is not an issue. It is more a timely, it's more a matter of the ability to absorb some major cash flows or some issues or loss of business or loss of job or some illness or something. That is very limited ability to absorb that. Like today, suddenly something happens in the higher ticket size, people who are having one and a half lakh income per month or one lakh income per month, know 20, 30,000 in expense for some hospitalization can be absorbed. But for that category where the income level itself is about Rs. 40,000, Rs. 45,000, they are to absorb Rs. 20,000, Rs. 25,000 one time hit will become a problem. So cash flows will get impacted. They will move into SMA-1, they will move into SMA-2, then slowly they will come back. So those things will happen. So it is not an intent issue. So, loss given default is very less, but still there will be an impact in terms of the provisioning.

Suresh Iyer: I guess I will just summarize that in terms of business this quarter we have at least April-May we have had a positive and June also we expect that we should end the quarter with about a 10%-15% growth in disbursements. In terms of asset quality, we have taken a strategic decision to slightly increase the NPA so that we have 9 months to cover up, but overall our delinquency will come down because we are working on the SMA-1, SMA-0 also. So we will have a reduction in the absolute value of delinquency, but may have a slight decrease in NPA, which is more of a strategic decision. In terms of costs and everything, we are still at a cost, credit cost, as well as OPEX, we are in line with last year, not much of a change. So by and large, we should be able to maintain our ROA, ROE is not an issue. And spread we are maintaining, we have passed on 10 bps, we are expecting to pass on another hopefully 20, 25 bps, we may pass on in July again to our customers. But it is not going to impact our spread because we do it only after we experience on the liability side. So I guess that's the summary of it.

Zhixuan Gao: Thank you sir. Thank you so much.

Suresh Iyer: Thank you so much. Thank you.