

Transcript of East Bridge

Questioner: So, thank you for taking time to speak with us again. If you can give us any changes from last time you see in the outlook?

Management: Sure. See in terms of the quarter gone by you would have seen that, we had also in the earnings call mentioned that now that whatever we had started off two years back in terms of strengthening the processes, strengthening our internal controls, introducing a lot of technology for a lot of process strengthening, all those things are we are there.

The only thing that is still going on is the IT transformation project which already has been undertaken and is going to get implemented in November. As of now the IT transformation is on track and we are scheduled to go live on the first phase of the IT transformation project which includes the treasury, ALM and borrowings module in the month of August end.

So, September we will be running the whole thing in the new system only. The rest of the modules that is the LOS, LMS, DMS, deposits, HRMS, all those things will be going live in the month of November and we are on track for both the things, so that is one major thing.

Now, the focus is purely on the business both the recovery and this, because now the processes are in place, the controls are in place and lot of other modifications we have also done in terms of adding extra processes, IT interventions, API integrations for a lot of thing. Some of it has helped us already the benefits are visible in the sense that we have been able to take out some staff from our existing teams, because we have had some process improvements.

So the -- some of the manual processes which were done at the branches at the data entry and all those kind of things, and validations and verifications, those are already become automated. So, that has helped us in bringing some of our staff out of the business and we have been able to start our sales team.

So, now the way we are looking at it is the six zones that we are having out of that the four zones that is North, West, East and Tamil Nadu, they are all in back in full growth phase. Last year we already had North, West and Tamil Nadu, which are already in positive and we are growing. East zone was absolutely flat last year 0.75% growth only in terms of disbursement last year, but this year even East zone has turned around and it is in positive. So, in the first quarter if you look at it our...

Questioner: Sir, in terms of East zone, Telangana is in East zone?

Management: No. Telangana is separate. East zone is Andhra Pradesh and the rest of the East that is one branch we have in West Bengal, one in Bihar, two in Bihar, sorry, then we have four branches in Orissa, we have three branches in Chhattisgarh and Andhra Pradesh. So, these are all the areas which cover and come under the East. So, East zone is also done turned positive.

North zone had last year done about 35% growth, it was 35% positive. This year it has continued from there, in fact it has increased to 40%. Last year East zone was flat, this year even the first

quarter performance is 40% positive. Our Tamil Nadu zone last year was 25% growth. This year they have further been able to improve it. Today in Q1 they have done a posted 35% growth compared to Q1 last year. And West zone which was doing 15% growth has continued the 15% growth.

Now that leaves Karnataka and Telangana, the two major zones for us. Karnataka the problem has not been resolved as such although the government has taken some steps to streamline the e-Khata issuance. They have -- on 20th of last month they came up with a full page ad explaining how the customers can go and take their e-Khatas. One they have come up with an app.

So, based on that app the customers can themselves upload whatever documents they have and process their e-Khata. If there are queries of course then they may have to go manually. But if everything is clear then it can be done through the app itself.

The second thing is the Seva Kendras which are operational. The government has enabled the Seva -- the e-Khatas to be issued through the Seva Kendras also. Not much visible on the ground, it is slowly picking up. But at least in the month of June, July we have had Karnataka doing more than INR225 crores disbursement.

In May also we had INR200 plus crores disbursement, and month-on-month the disbursements are improving. So, with this kind of phase we should be ending up because last year the whole of last year we did about INR2,700 crores in Karnataka, which is approximately INR225 crores to INR230 crores kind of an average. So we are already doing that and month-on-month it is improving.

So we should be ending around 15% positive in Karnataka even in the current situation. If of course e-Khata is resolved completely then this can further jump up because we have already demonstrated up to INR275 crores to INR300 crores disbursement in Karnataka in a month.

Questioner:

Why is it such a complicated issue this e-Khata. Why can't it get fixed?

Management:

See basically if you ask me the -- what the state government's objective is to get the whole thing digitized, okay. Now as such Karnataka from 2009 itself was already in a digitized mode, because Karnataka if you actually go to the sub-register office, you can get the encumbrance certificate from the sub-register offices. So, which means all the documents are already digitized and everything.

But they have brought in a new thing where they have to submit all the documents, tax paid receipts and huge list of documents, something which normally is nobody would be having, even you and I if we were having owning a property may not be having all the documents because some of the documents are not, are more of revenue document.

So, it is more of a process which leads to, I mean, if all the documents are registered, I really do not see a reason why the government should first of all insist on a new e-document when already the thing was digitized and recorded from 2009 onwards.

Anyway now that they have done it what has happened is, you have to first go to the sub-register before you do any registration you have to get the e-Khata. To get the e-Khata you have to get a complete documents prepared, uploaded or submitted to the sub-register office then they will review it and obviously it means that you may have to there will be some cost involved to it basically.

So I think it is a cost aspect which is a problem here. So something which earlier used to for registration and everything used to cost just about INR5,000 today customers are having to end up paying anywhere around INR25,000, INR30,000 just to get the e-Khata done.

Questioner: This is the corruption part of it or? Yes.

Management: I mean or whatever you say, there is a cost part of it, yes.

Questioner: Process.

Management: Process part of it or whatever basically that is the whole thing. So it is making life difficult for everybody. Any process you want to do you have to first get the registration. So only for LAP it is an issue where we do not have to go for a this, but there also if you go for registration they can depending on the sub-register they can say where is your e-Khata you submit it along with this.

Questioner: Is the government aware of the whole issue?

Management: Absolutely.

Questioner: And they want to still stay with it?

Management: They are -- they want to stay with it, because if you look at it, there is a huge revenue loss to the government. Not only is this affecting them. Now, many people who are -- who have to first of all do some new construction or you want to purchase a property will have to, means, the -- like for example, I will just tell you, my -- I shifted my -- I was staying on a rented house.

My landlord wanted to get the property he wanted to sell the property. So, he told me that you will have to vacate. So, I obviously gave one month and a half notice and then I vacated the house. He was during while I was there itself he identified a buyer and the buyer is already ready, okay.

Now, obviously, if he has to sell it to the new buyer he has to get the e-Khata. I have already shifted my house, the new place where I have shifted it is completely I have -- I am settled now. It is close more than two months now, I am settled in the new house. But he is still not been able to get the e-Khata. So, his exact transact -- sale transaction has not been happening. I have already vacated the house, he has already found a buyer, so he cannot again give it on rent, so he is also lost on two months of rent.

In our case, for example, we have sold one property under surfacing. Now they are saying that, obviously, if I have to do a sale transaction to the person who has paid the money, the full money has been paid by the person. He has to now -- I have to execute the sale transaction to him for

that e-Khata is required. The customer is running pillar to post the last three months you have exactly received the full amount, but three months he has not been able to get the e-Khata.

Questioner: So, to get an e-Khata you have to upload all the documents, but if you do not have the physical documents, but they are -- you said they are in digital form for the government. So, you can just take a print out and then upload?

Management: That is also fine, but the list is something that, if I am the person who has to give you okay, I can find 10 defects in anything know, that is what I am saying.

Questioner: But...

Management: So, the list is -- so something, now there are ways in which they, so, if it is INR25,000 becomes INR50,000 may be the person will find, will be able to give, no, I can waive this thing, I have -
- I will go to my boss get this waived and the e-Khata will be there. So...

Questioner: So, waivers will require some manual intervention.

Management: Manual intervention and some cost and all those things. So basically it is that only nothing else, because when the e-Khata, when the customers are able to get the document. I mean, obviously, this is something I will not upload in my list, but this is what it is frankly speaking.

Questioner: But like, so you think it stays and/or does it go away?

Management: No. It will have to be done because the government is not otherwise getting any revenue, but the powers are getting the...

Questioner: But then how is you are able to get the disbursement back.

Management: So, INR225 crores also what we are doing is, one is we are doing more of LAP, now LAP does not require registration, so we have slightly shifted to that. Second thing is, some of the sub-registrar offices where it is happening, there it is still, means they are able to find a solution, the cost may be less, they are able to do it. Now if it is in a, sub-registrar wise there is a value, because the property value will determine the cost that will be attached to it. So, some of the smaller properties which are there may will go through.

Questioner: So, for sub-registrar level e-Khata is not compulsory.

Questioner 2: No. No. It is.

Management: No. It is. It is.

Questioner 2: But he is saying...

Questioner: Cost is less.

Questioner 2: Because the property is less, right?

Management: Property value is less.

Questioner 2: You will not pay as much.

Questioner: Yes.

Questioner 2: You cannot ask. So, we can say the amount.

Management: So, we can say the customer gain is INR20,000 and let's finish the matter.

Questioner: Still the same process is being done?

Management: Process is there.

Questioner: But cost is less?

Management: Cost is less. If it is a INR2 crores property, it is a different thing.

Questioner: Okay.

Management: The rate is higher.

Questioner: And you are doing LAP, so it does not require anyway.

Management: So, LAP does not require, some of the places we are able to get it done. So, some places are happening. And so, at least INR225 crores we are able to do it. Once this is solved and frankly this has affected not only the housing or the housing finance companies.

Obviously, if sales reduce then it is going to also have a cascading effect on all the other industries which are associated with housing, cement, steel, paints, electrical appliances, then labor, because people will not construct. So, there is construction will get delayed. So, therefore, that will have get impact. So, the labor will get affected. So, that is a cascading effect which is already happening.

Questioner 2: Yes. There is no hue and cry, like, the -- it is not an unpopular system.

Management: No. Every time something happens they come with every now and then they say we are doing this and it is happening. But it is definitely hurting people. It is definitely hurting.

Questioner 2: But the other political parties are also not making issue out of it, normally that is how these things get resolved, like, it becomes like.

Management: So, every time this time they before this once this came up they came we are doing something. So, as if some work is happening. Now, so this is a, that is why in fact if you see Bajaj in their statement mentioned that, the political -- the state has a political risk associated with the state. So the...

Questioner: Karnataka?

Management: In Karnataka.

Questioner: Bajaj?

Management: They have called out the state for as a having a high political risk, so they are going to take a -- reduce the exposure to this.

Questioner: Can you reduce exposure, is it even possible for you?

Management: See since we are adding the other branches what is happening is our business today is stagnant here INR225 crores. Other states now are slowly picking up. So, eventually what will happen the percentage or the -- this thing will slightly reduce over here. Today we were at almost 73% of the business used to come from the five southern states. Now, today we have with other states North, West and everybody picking up, at least we have the percentage has come down to around 66%.

Questioner: So, this problem will in Karnataka will take a long time to resolve, but Telangana might.

Management: Telangana is already, in fact, after the government took the decision to not do any further demolitions under the Hydra, what has happened is.

Questioner: What is Hydra?

Management: So there was a TRS government previously...

Questioner: Yes.

Management: And there were lot of approvals given and construction had happened. When the new government came in, they started, they set up this separate department called Hydra. That department basically is reviewing all the approvals given and some of it which is on, say, government land or on lake beds or things like that where construction approvals have been given. They are calling out those things, because these are basically not, should not have been given in those areas, construction permission should not have been given. So that has been raised up.

Initially when the government started up, they went full hog and even demolished some of those properties which created a big scare and sentiment was very badly affected and then prices also were affected. Prices in some areas started coming down and transactions were there and it also impacted a little bit in the delinquency, because obviously this segment and everything comes to a stop or slows down, then the cash flow, the transactions, all those also got affected.

But about six months to eight months back, the government said, no, what we will do is we will not take any action. If there is something like this, we will refer it to a department and they will take an appropriate call on how to manage it. So basically in that, seeing that, basically there will be some kind of a, what you call, regularization...

Questioner 2: Final outcome.

Management: Impact fee or regularization or something and they will do some this thing. So that is what the government has done. Since then, the sentiment has improved, has improved quite a bit. Prices

have also kind of improved and now are kind of stabilized. Slowly the sentiment is also improving. So, our recovery position is also, has started improving in Telangana.

And the delinquencies which has slightly gone up, has slowly started coming down. In Q1 of FY '26 also, our delinquency in Telangana also came down compared to March. And same way in the month of July, it has come down from June number. And even the -- some of the accounts have started getting regularized and NPAs have also started coming down in Telangana. So, that is a positive thing. Disbursements have also been picking up. In fact this -- we -- by the way it is going up, this month also we should be crossing probably INR100 crores disbursement.

Questioner: Last quarter disbursements were down Y-o-Y a much 20%, 30%.

Management: Yes. I mean they had come down and slowly this has improving. So, month-on-month if you see April, May, June, July month-on-month there is an improvement in disbursements in Telangana.

Questioner 2: Still not back at the old level.

Management: Yes. But then we will...

Questioner 2: Getting better.

Management: Getting better and by end of the year I think Telangana will end up with almost a 20% growth. That is what it is looking like.

Questioner 2: So, the improvement will be so sharp in the...

Management: Last year actually we did about INR100 crores as average. We did INR1,198 crores in the entire year in Telangana. We are already, this month we should be crossing INR100 crores. So, that way what will happen is, we will -- by the end of the year, we should be able to do close to INR1,500 crores, INR1,600 crores. 20% kind of a growth is what we are looking at in Telangana.

Questioner: Disbursements.

Management: In disbursements in Telangana.

Questioner: So, overall you will be able to meet your target?

Management: Yes. Because other four zones are doing well, even if Karnataka is kind of with a 10%, 12% growth if other states doing better and even Telangana inching up to 20% by the end of the year we should be able to do it. Like first quarter we did INR2,000 crores disbursement, which is a first for that time that, in the first quarter itself we have done, we have crossed INR2,000 crores mark. So, that is the first time we have done that. This quarter we are looking at around INR2,500 crores.

June -- July month itself we have already done, we have crossed INR800 crores disbursement. So, we are on course for INR2,500 crores disbursement. That will be around INR4,500 crores in the first half of the year. Q3 also we will probably target around INR2,500 crores there about and push in the Q4.

Questioner: So, one thing we have heard now a few times across lenders is, that typically the April to June quarter is a slow quarter, and delinquencies kind of pick up and disbursements are slow. But this year, it has been a good quarter for a lot of people. What is so different about this year? Like, delinquencies have actually come down for many other guys. So, collections have been good in the April to June quarter.

Management: Depends, like for example, in housing finance companies, I don't think anybody has reported except us, where the delinquencies have come down.

Questioner: We have met two people like they have done well.

Management: Possible, but I mean, at least housing finance some of the listed companies who have come out with the results their delinquencies are in step. In fact, last year also our delinquency also last year was higher.

Questioner: Typically, March everyone tries very hard...

Management: Yes.

Questioner: And then everything...

Management: Yes.

Questioner: Slacks off and so that...

Management: That is correct.

Questioner: Normally is a...

Management: That is correct. Now in our case, one is, as I said Telangana has kind of turned around wherein we had -- was a spot of -- spot for us, we had a delinquency slightly going up, because of this Hydra issue. But now they are under control. The mood is also positive. We are looking at that. And of course, we have also taken some other steps in the sense that, for our NACH, we have done the e-NACH, which was -- we were pushing the e-NACH more aggressively.

So, what is happening we are -- from the first day itself, the payments start coming through NACH. That we are increasing that tip that focus. Second, a lot of cases where we were having delinquent accounts we have started converting them into NACH and moving them. And so a lot of such steps we have put in a telecaller for, SMS, zero calling also that is to support the branches.

We have increased our SMS frequency to the branches one or to the customers in terms of their payment one before one as soon as it bounces. So, those kind of things also we have kind of increased to bring the focus on the delinquent accounts and recovery. So, that is also one of the reasons where we are seeing the improvement.

And our delinquency actually peaked in December 2024 where we had almost total delinquency SMS zero, one, two and NPA together about INR4,880 crores. In March it came down to

INR4,266 crores, but again it was like, okay, March every time it comes down, but then again from March also our June quarter has come down further to INR3,980 crores and July has further come down from June. Now it is below INR3,900 crores. So, that way our delinquencies for the last more than two quarters.

Questioner: Trending the right way. Yes.

Management: Yes.

Questioner: So, one question just going back, the sales team that you are creating internally 35 or whatever people are -- on the call you had mentioned that about the cost to the company INR35,000 plus.

Management: Correct.

Questioner: But is that the new higher cost or is it like by reassigning the people that you are reassigning from other places that is the cost they have.

Management: No. No. So, this is the cost of the staff whom we are putting. Like, we have entry level today our staff salaries around INR40,000, INR42,000 is the average monthly CTC of the staff, officer level, the entry level staff people whom we are now deploying for our sales teams. Now, to get that INR42,000 out. So, they have to do somewhere around INR80 lakhs to INR90 lakhs kind of a business per employee then only we will be able to recover the cost otherwise in fact, a DSA would be a better choice, because today DSA's average payout is around 0.45% or 0.5% maximum between that is the range.

So, if INR1 crores business is being sourced by a DSA, we would have paid about INR45,000 to INR50,000. So, if our own staff is, to whom also we are paying about INR42,000, if they are getting say INR60 lakhs or only INR40 lakhs sourcing, then in that case it makes more sense to go for a DSA.

So, that way I was trying to explain that, we need to at least see that our, so initially we started with about a team of small team, started with a team of eight people, then we ramped it up and by end of the year we had about 39 people. And if you see Q4 performance, they were almost doing more than INR80 lakhs per staff per month. So, if you look at the Q4 performance, 35 people have done close to around -- close to...

Questioner: INR8 lakhs per.

Management: Per employee...

Questioner: Per...

Management: Per sales employee per month. Yes, it is a sourcing and disbursement that is happening. So, now that, we are seeing that, that is almost not negative for us. And in terms of this, we are able to deliver the same amount or better. Therefore, we have increased the staff. This year effective 1st of July, we have put additional 63 people. So, now the total sales team is about 100 people.

Questioner: 100. Yes.

Management: And we have put a target that, the sales team should do more than INR750 crores of sourcing this entire year.

Questioner: But I see the shift is slow towards your own, it is not that rapid.

Management: So, DSA sourcing has come down from this year in first quarter from 80 to 79 and...

Questioner: It is very small.

Management: It is a small. Yes, it is a small.

Questioner: It is only 39 sales people.

Management: Correct.

Questioner: So, what dent will you make with this?

Management: See, once this happens, on a year-on-year, obviously, we will be adding more and more people from this. The second thing would be, like today we have been able to...

Questioner: Would it help on growth or would it help on the cost, the margin side?

Management: See, more than that, first thing would be that we will be able to reduce our DSA reliance, which will indirectly mean that, the stickiness of the book will better -- will be better. Because DSA is generally two years, three years, they tend to move the loans. Second thing is...

Questioner 2: They will ask them to refinance those same way.

Management: The same way they will take...

Questioner 2: Because of the relationship with them.

Questioner: No. Because they will make money again.

Management: I mean, again and again.

Questioner 2: No. They will make money, but because there is a relationship with them...

Questioner: Yes. Yes.

Questioner 2: Not directly. So...

Management: Yes. Second thing is, when it is a DSA sourced business, the DSA decides what loan should come to us rather than we choosing which customer we want to give a loan to. So, with our sales team, we can decide that we want to give in this particular geographies and all those kind of things, which kind of profile we want to target, which kind of companies we want to have a tie-up with, which kind of builder segments we want to or property segments we want to get.

Questioner: Generally, your book has done well. So, even sourcing with DSAs was not a...

Management: It is not a main pain point for us.

Questioner: Adverse selection in any way.

Management: That is correct. Even today, I mean, our total business, if you look at it, our -- on the book, while it went up to 85% as incremental sourcing, but on the book you look at it today around 70%, between 70%, 72% is what is the total DSA sourced books. Out of INR38,000 crores, 72% is what has been sourced by DSAs on the book. If you look at the NPA, whatever NPA we have, the NPAs of this thing is less than 70%. It is around 60%, 65% somewhere in that range.

Questioner: It has done well.

Management: So, actually the DSA portfolio has done well, but one is the selection.

Questioner: No. I agree, but how does it eventually translate? Would it like, because you will have your own sales team.

Questioner 2: Less than.

Questioner: And the DSA is out there as well, would the growth be faster or because the churn is less, it will eventually show up in better margins?

Management: Stickiness will be better. So, that will be obviously will have will.

Questioner 2: Yes.

Management: Will be better.

Questioner 2: Less churn. Yes.

Management: Yes. Less churn and selection like, for example, this particular in our own team that is there we are also doing APF business. Last year we had a target that about 75 APF projects we would do, but we ended up with 80 APF projects. 80 this year we are targeting to end with around 250 APF tie ups -- project tie ups. Now...

Questioner: For the year...

Management: No. APF is an advanced processing facility where we tie-up and give the legal and technical cleared for the project. So, whenever a customer comes there, we will -- they will be also able to put their project approved by Canfin Homes. So, when the customers come there, they will also enquire and we can get leads from there.

So, the APF tie ups is what the, obviously, the developer, the DSA cannot tie up with the builders, they will not be able to give the kind of a same thing, the legal technical will have to be done by us, we will have to clear it. So, that cases we are seeing that the ticket size of the cases is also slightly higher. We have got some very good names also like we have tied up with some projects of Mahindra Group, Godrej also, Tata also in 1k, one or two.

Questioner: Sorry, just one, going back to the same issue one more time. Less churn also means faster growth, because the early repayments are less.

Management: Yes.

Questioner: So, that is one way of growing faster. But like your own employees sourcing separately and you also doing DSAs, does the disbursement also go up percentage wise or disbursements you will control?

Questioner 2: The average ticket size will go up.

Management: Average ticket size will go up. So, that way it will help.

Questioner: That is one -- I am also saying the number of loans because your source is more. So, your own employees are a sourcing engine, DSA is also a sourcing engine, DSA is not up. So, are you sourcing more or?

Management: Obviously, because today what we are -- we are not saying that we want to cut from our 1,500 DSAs to 1,200 DSAs, and therefore, bring down our sourcing.

Questioner: So, you will keep doing that obviously.

Management: Yes. What we are saying is that we will have the DSA sourcing continuing with the same kind of 5%, 7% growth or whatever, but our direct sourcing has to increase whereby eventually the percentage comes down.

Questioner: Yes.

Management: So, that is what is the thing.

Questioner: So, it will help on growth multiple levels right, you will disburse more as the number of loans will be more, average ticket could be more and then churn will be less. So, we will probably get couple of points of at least.

Management: Yes. Yes. And if we are able to manage the good productivity of our sales team then it means that you will not even in the payout style we will not have a too much of a load on the payout.

Questioner: Right. Yes. So, your guidance on cost and income ratio has been, it is going to go up, right?

Management: That one is, of course, we have said 19%, because next year onwards we will have 1% increase because of our IT cost coming in.

Questioner: I think the year after also you are saying it will go up, right?

Management: No. After that, that 19% will slowly eventually the cost on the IT side of about INR40 crores per year will kind of remain fixed, because it is a total seven-year project that we have tied up with IBM. So, that will kind of remain fixed. But what will happen is obviously the income will go up. So, percentage wise it will slightly come down.

Questioner: Okay.

Management: It will get absorbed a little bit.

Questioner: So, this technology project has been going on for a long time, right? Since middle of COVID I guess?

Management: No. Actually before that it was the evaluation had taken place before COVID where we had called a couple of players and done it, but then when COVID hit the whole thing went into cold storage. Then once COVID got over, in '22 again this project was rewarded, August '22 we finally awarded or got PwC on boarded for as a consultant for this entire project.

We re-evaluated all the requirements, various things that are available in the market and came out with the RFP document which listed down all the requirements for the company. After that we had one round of bidding where only two players that is Accenture and IBM participated. That project was also a very huge project and we had many other aspects also to the project, which was too difficult for any single vendor or SI to match or meet.

So, only two very large players could come, and obviously, the cost also was a little much higher than what the Board and what we had -- we were ready for. And there were also some issues in the RFP process that was there. So, we had to kind of scrap that RFP which went on till then.

And then again we re-floated it in the month of October '24. And October '24 we floated it and in December '24 itself we were able to close that new RFP. The new RFP which was a slightly diluted or a reduced one, the scope was reduced. There we were able to get six SIs who participated. IBM, Accenture were also there. But additionally we also were able to get KPMG, Deloitte, TCS and Kyndryl.

So, totally six people participated and in December when finally Part A, Part B, Part C we were able to close it and IBM came out as the L1T1 bidder. So, we awarded the contract. It was basically a 12-month implementation phase plus a three-month hand-holding thing. So, effectively from January to December and then three months of hand-holding, which now is going as per schedule. Instead of that, by the time we could complete the contracting it was February.

So -- and they came up with a plan where we could instead of 12 months cut it down in nine months. So, basically from February to nine months in November we will be able to close. So, it is still within the original 12-month period where we have been able to work it out. And then, therefore, as per the contract three months of the hand-holding gets over in March. So, the entire thing will, cost will come into the business from 1st April. That is in FY '27.

Questioner: But they will keep charging every year for the maintenance and so on?

Management: Yes. All those is part of it. So, there is a opex of INR200 crores, which will be spread over five years and nine months or whatever. And there is a capex of about INR100 crores, which again in depreciation you can say in five years will be there. So, the capex is INR100 crores.

Questioner: Every year?

Management: No. INR100 crores which is effectively comes to around INR20 crores per year.

Questioner: But opex of?

Management: And opex of INR200 crores which will be around INR40 crores, INR30 crores, INR40 crores will be there.

Questioner: Per year?

Management: So, total cost -- per year. So, the total cost will be between INR55 crores and INR60 crores that actual cost that will be there. Our current vendor and the solution we are already paying about INR15 odd crores we are paying, INR15 crores to INR17 crores. So, that obviously will be sunset in December this year or max-max till March next year.

Questioner: The additional INR40 crores that you will add?

Management: Yes. We will add to the.

Questioner: And what do you get out of it and?

Management: See, what we get out, of course, is there are -- there is an additional updated, because the current LOS, LMS vendor or the current position, this thing that we have is a pure LOS, LMS only module. And that vendor also as we had tied up with in the year 2011. So, it is already 14 years to this particular tie-up. So, that the module has, a lot of thing has changed in that and there are lot of limitations and issues in the current.

Questioner: But what does it translate into?

Management: So, the new one that we have, one is the, we are able to get additional modules of DMS, lot of digital capabilities. Most of the vendors nowadays have their own.

Questioner: That translates into better credit more productivity like what does it?

Management: Productivity definitely, yes, because many of the things are getting automated then since we have other API linkages with other solutions that also is bringing in a lot of thing. Plus some of the things which are not possible are also getting in some of things like EWA solutions, treasuring module, our better deposit module, HRMS module which was not there. Those are things which are all getting added which was not there in the current system. But as I said it was a purely LOS, LMS only kind of a thing.

So, DMS is new. So, once DMS comes a lot of things like in terms of giving the customer the documents, online document availability, all those things we will be able to do. Customer digital presence we do not have and we are targeting about 10% sourcing to come.

Questioner: Better customer experience.

- Management:** So, that better customer experience and better customer onboarding also, because we can have a complete CRM kind of a tool with this and digital onboarding is possible. Customer service related matters, there will be some improvement, because now all the documents, once the DMS comes in place, we can also offer the documents, the statement of account, the list of documents, the copies of documents, everything can also be done online for the customer. So, customer servicing will also.
- Questioner:** Better customer journey. Better customer satisfaction
- Management:** Plus, as I said, some of the things will get automated. So, the time that is, will be taken for the turnaround time, that will also, productivity will also improve because of PAT reduction.
- Questioner:** You have created more like capacity to process more overall like everything you have done through more sales team, through technology and all that stuff, but from the supplier side is there enough credit available there for you as long as you kind of have more people looking at it processing it from, there's enough demand for credit. Good the kind of quality that you want.
- Management:** No. No. I agree. So, if you see we were having a lower ticket size basically we had a higher business coming in the zero to INR10 lakhs and INR10 lakhs to 20 lakhs...
- Questioner:** Yes.
- Management:** Segment which is affordable, which obviously, I have been saying over the last two years here, that is slowly going to slow down, because there are supply issues on the -- because there are supply side issues on the affordable housing piece unless there's a government incentive the supply is not going to come in that kind of a level in the affordable segment. So, it is the mid segment and the higher segment which will be there.
- So, we have also slightly repositioned ourselves and have increased our ticket size also. Because if we are only going to be in the affordable, then even after building the capacity, as you rightly pointed out, the supply will not be a problem, will be an issue and we may not be able to get that kind of a growth. Plus, with this kind of APF tie-ups and all those things we have to do, then in that case the ticket size will also be higher. So, we have slightly modified our entire product kind of offering and everything and slightly moved up in the terms of the ladder.
- Questioner:** But would you not be competing with banks then?
- Management:** Not yet, because we are still, our average ticket size is INR25 lakhs, INR24 lakhs and we are talking about taking it about INR27 lakhs, INR28 lakhs, where the banks and all have about INR40 lakhs. So...
- Questioner:** Which banks you are talking about, the large banks, right? How about relatively small banks?
- Management:** Relatively smaller banks, as in if it is a small finance bank, then they are not able to offer the kind of rates that we are offering. I mean, they are still at a slightly 11% and 12% rate of interest. Ours starts from 8.7%. On the entire book also, average yield is around 10.05% or so.
- Questioner:** So, what about IDFC?

Management: IDFC and all, yes, then also it is not, they are not so much into such an aggressive pricing kind of a thing. Yes, there would be some more, like, the PSU banks, and of course, the four big ones would be there.

Questioner: Oh! Really? Okay. I think we should leave. Sorry, we will have to...

Questioner 2: Next meeting is very far.

Management: Oh! I see.

Questioner: Distance-wise, it is not far.

Management: That -- in Bangalore, it is always, not the kilometers, it is always the time.

Questioner: Yes.

Questioner 2: Only the minutes.

Management: Yes. That is it.

Questioner: It is supposed to be like, when we checked in the morning, it was at 40 minutes, now it's 1 hour 16 or 18 minutes.

Management: Oh! I see.

Questioner 2: Because it is supposed to start at 5, right? We should leave.

Questioner: Yes, sir. But, thank you.

Management: No. No. I appreciate it. So...

Questioner: It is very helpful. Thank you so much.

Management: Anytime we can, definitely. It is so nice this time, because last time, I know, we met in Bombay.

Questioner: Yes. One of your branches, right?

Questioner 2: Yes.

Management: No. No. We met at the hotel.

Questioner: Yes.

Management: Yes. We met at the hotel. Yes.

Questioner 2: At the restaurant. Yes.

Management: Yes. Okay.