

Questioner: What all changes we have made as far as origination and collecting and collections are concerned? What all can be done through the organization?

Management: Sure. See, I'll take you through step by step. So, initially if you look at the onboarding. So, onboarding we have tied up for lead sourcing from players like SpockTree and all, we have done that. We have started our own marketing team. So, some of them are more to do with this -- some of them are more physical, I'll tell you both.

So, one, we have started our own sales team. So, it's a small pilot we started. We've got just about 39 people. Last year, they contributed almost, you know, close to INR180 crores or something was contributed by the sales team. It's about by the end of the year, we were able to take the sourcing through the sales team to almost about 4% of the incremental business. So, we did more than INR1000 crores in March and they sourced more than INR40 crores was sourced by this particular team of 39 people. So, that's the kind of thing. We plan to slightly expand that also.

Then going on to the onboarding and everything, we are right now having a tool which is just got implemented wherein, all the visits that our branches are doing for our -- before every disbursement, we have to do something called a PSVR. We do our own valuation check. We do a meeting with the customer. We meet, you know, all those things.

Now, we have a system app for it, which helps in ensuring that, you know, everything is there. It also has the ability to have a photograph with geotagging and also then the customer staff has to go there with the ID. They have to take a photograph with geotagging and everything is done. So, you know, all those things of taking a photograph and based on photograph, you do the lending, all those things which sometimes can happen, all those are there.

Then we have tied up with Karza, which is now taken over by POS, where Karza, what we have taken, we have taken 5 features we have tied up with. One is for Aadhaar verification, one is for PAN verification, one is for the income tax returns, where we can directly based on the OTP, directly download the returns which have been filed on the portal.

Fourth is we take a mail verification, we have a pay and draw facility also. So, all those things and also phone number verification, so all those things from the onboarding side. So, KYC is taken care of and in fact, we are also able to do. Plus perfuse, we are already having the bank statement reading with this. So, that is there.

The only thing there that is missing is that we are still working on with the account aggregator. We have evaluated a couple of them. So, sometimes we have to depend on the manual or the photocopies of the bank statements which the customer has to do. Once the account aggregator comes, directly we will be able to pull from the bank also. So, that will also get eliminated. So, right now, everything otherwise is through this Karza tie up.

So, our data entry also automatically through the API, it gets integrated into our system also. That is one thing. Once that is done, then obviously the meeting and the appraisal policy and everything, for that, we already have a, in fact in 23 October or something, we had done a 100%

verification through the Credit Review Monitoring Department. So, the CRM department does the review of all sanctions which are done by the branches. So, there is a double check on the sanction part of it, where they are verifying everything.

The next step is that in case of for valuation, where we have tied up with a company called Valocity, it's a New Zealand based company. And there, what happens is, they have an app. Every impaneled valuer is provided the app and is given training on that app. They will do the valuation on that app only. So, therefore, there is a uniform method of doing the valuation.

Right now, we have implemented that. Valocity, V-A-L-O-C-I-T-Y. It's a New Zealand based company. Mr. R.V. Verma, who was the ex-MD of NHB, he is the Chairman of that company. So, we have tied up with them.

So for valuation, we have uniform valuations coming. There also, they have a facility of geotagging and it is on-boarded. Plus, what happens is, this Valocity platform allows us from head office to do the allocation also. So, we can have our own workflow or decision where we can allocate the valuation job, work to everybody. So, the concentration is also avoided. There is equal distribution of all that.

So, suppose a branch has 3 valuers, then we will say that it has to go step-by-step. So, the first case that is logged in will go to X, second will go to Y or we can keep changing that pattern. So, what happens is, there is equal distribution of workers and there is no kind of connivance or something or the same collusion between the valuer and the staff or DS or whatever, when they choose whom to give it to. So, that is also taken care in the Valocity platform.

Valocity platform also has an advanced feature which we have not yet taken, but that is in the annual list. It is wherein, you know, once the valuation is given, Valocity also has other companies with whom they are working. So, just like, CIBIL or something like that, they can give us, that in other companies, for this particular pin code, what is the average rate at which the lending has happened. So, in case our valuation is high or low, we can question that also. So, that feature is also available.

Then they have some calculation tools also, but we have not taken that right now. For us, it is a valuation. Uniform valuation, we have tied up with this.

The third component is the legal. For legal, what we have done is, we have now two separate -- we already have our empanelled advocates who give the LSR, which is the search report, okay. After that, when the documents are collected, they normally give, with these documents, you can perfect your title, okay.

So, what we have done now is, we have tied up with another company, which is also a legal, has legal advocates, empanelled with them. They come to our office and before the doc, after the disbursement, they come and verify whether all the documents that have been mentioned in the LSR have been collected and are original, they are not laminated copies, they are actual seals and everything they verify and then only it is docketed and put into our CDSCs. So, therefore, what happens, there is, it becomes a maker checker concept.

This is a -- there is a cost to a few of these things, but then what happens is, the process wise it becomes very clear. There is a maker checker, but the person who has done the LSR will not be doing the vetting report. Vetting report is done by third party, okay.

Questioner:

This is the valuation, but also we have in-house?

Management:

No, this is also empanelled. All these valuers whom we are using are this wealth tax, approved for wealth tax, 34 AB approved valuers only and the same we are -- because it is also required for, so they are not the, you know, regular architects and all who give valuation, but proper approved valuers who are there and they are empanelled with us.

So for legal, we have this double check where one LS agency or one advocate gives LSR and another advocate which checks the collection of documents, all those things and then it is docketed. Thereafter, we also have this, of course, CIBIL check is there, such as upload and pre-search before we are doing this. All those things are already there.

So, we have, you know, I have this CIBIL which is also downloaded directly from the system and is there. We also have a tie with [Experian 7:52]. So, the second valuation comes from Experian. It is not for all. For higher ticket value, about 50 lakhs will come from Experian also. There are two valuations taken.

Then, so it is up to the disbursement. Disbursement is completely centralized. So, what happens is every disbursement branch has to schedule, but it is verified at the central office where they see like we have our own -- if it is a vendor case, then the cheque cannot be drawn in anybody's name other than the vendor for which we check with the same deed. That is how centralized department does it.

If it is for a self-construction then only that can be happened in place of the -- in favor of the customer. For that, every time we have to see the status of the progress of work. So, those checks are also there and our centralized disbursement department verifies all those things and then only it is there.

We also check whether the bank statement, a cancelled cheque copy is collected from the vendor or the builder or whatever. So, we check that so that it is goes in the correct name also. So, centralized disbursement department is checking that also.

So, centrally we have a CRM department which verifies the files immediately after sanction. There is a centralized department which is disbursement department which does the verification before the cheques or DDs are issued.

So, and then we have external value or Valocity tie-up and external empanel values. We have a tie-up with advocates for LSR and we have a separate advocate firm which is going Pan-India for the vetting the pool also. Plus we have tie-up with Perfios and with [inaudible 9:26].

Questioner:

So, this Valocity, every guy who is doing valuation, they have downloaded this app of Valocity?

Management: Yes, and they have been given training also. So, now in fact 5-6 companies are doing it. So, when we did for our valuation, many of the people had already, you know, somewhere earlier been, they were used to using this particular tool and they were able to do it.

Questioner: But do you mean if you can say who are using this Valocity app?

Management: I will just check and tell you. I will mention. But there are people because some of our valuers have already taken the training as velocity from other companies also.

Questioner: Sir, you mentioned onboarding, apart from our own safety, we tied up with something, I just missed that?

Management: That is this, we do just like magic bricks , 99 acre, Housing.com, We have some firms who are sourcing leads for us. So, we are taking by the leads. We are buying the leads from them.

Questioner: Just 39 people sales team, do you intend to increase it?

Management: Yes, we want to do it. And so, last year when we did this, in fact we tried as a 39 people, some of them were in the metros and Tier 1 cities, some of them were also in some of the Tier 2 towns. Now, what we have realized is after this 39 out of 39, only about 20 of them were really effective because those were in Tier 1 towns and metro cities were effective.

The ones who were in Tier 2 towns could not get the same, because what we have done is we don't have an incentive like we have the direct sales team or the direct marketing executives who are on a, INR15,000 salary and then they have incentives and all. We don't have that model. So, what we have done is we have taken all of them on our payroll.

Since they are on our payroll, they get the same salary like our, so their salary level should be around 30, should be almost INR36,000 as a starting salary. Then it could go up to some of them if they were in a slightly deputy manager, their salary would be almost INR70,000 also. So, what we have done is, we cannot go by the same structure where there is a INR25 lakh minimum or things like that.

So, we need to at least have, INR75 lakh, more than INR65 lakh, INR70 lakh per month mobilization through them. Then only, the salary gets justified. So, what we have done is we evaluated, we have seen that the success is more in the Tier 1 and the metro towns only.

Smaller towns, they are not able to get this kind of business. One is ticket size, even if they get 4 files, ticket size are just about 15 lakhs, 12 lakhs. So, then they are not able to get that 60, 70 lakh minimum target. So, going forward whatever we will take, we will take more for the metro and Tier 1 towns only. We will be expanding in these places only.

Questioner: So, these are all because they are lateral hiring?

Management: They are lateral hiring. No, some of them are also, we did an internal job posting kind of a thing. Some of them came forward. Some of the places, our senior zonal heads also recommended saying they are good. So, we tried them. And, but most of them now are kind of, you can say, lateral hiring.

Questioner: Sir, on the collection part, how you have changed the collection part?

Management: So, in collection, we have tied up with, you know, BBPS type. So, as a vendor, we can now, in any Google Pay or anything you go, you just type the name. As a vendor, just like you have utility vendors like, this MTNL or BSNL or Airtel or this and that, our name will also appear if you just type the name campaign.

Once you click on that, you can then use your account number and directly make the payment. So, we are part of that. BBPS has been implemented. NACH, we are trying to push. And right now, it is at 90%. We are further trying to push it so that it can go up.

At least, we would like to take it up to 95% because the 5% which are in SMA 2 and MP, obviously will resist giving their NACH details. But at least for the others, we hope to convert that. So, that is something we have done. E-NACH, we have done. So, now, from at the time of onboarding itself, before the disbursement check is prepared, we do the E-NACH. So, therefore, new cases at least 100%, we are converting into NACH.

So, E-NACH is there. BS facility, we have done. We have taken a surface-free tool also. Earlier, it was all being manually maintained. Now, we have done a surface-free tool also. We have tied up. So, all the cases, all right from the, 13 to more days to everything comes from the system. We have done it. So, it will come from the system.

Of course, this is something which is, you know, in the process because we have done it, but not all cases have moved on to the system. But that is happening. The entire process will be there. There are alerts, escalation metrics. All those things are there in that particular tool. So, that will help us in ensuring that it is there.

Enforcement agencies, we already had, but then we are increasing the number of enforcement agencies. We are also trying to onboard a couple of additional. We were earlier only with two auction agencies. We are trying to onboard with a couple of more auction agencies because not all of them are strong pan India. So, that way we are trying to do that also. So, this is in terms of our, calling or this recovery process.

Questioner: Are you only two enforcement agencies?

Management: No, no. Enforcement agencies are more. Auction agencies are only two. Auction tiger and there is one more. Only two of them are there. We are trying to onboard a few more. And enforcement agencies are one or two per zone we are having. So, that way, we are also trying to increase the number of enforcement agencies so that we can get quicker. The maximum, delay happens when we have a DM application stage.

The DM application, getting the application, getting the order from the DM office, it takes time. So, enforcement agencies who are good are able to get it quickly. Even subsequent to that, tying up with the police for, forces to support us at the time of enforcement or taking possession of the property. For all those things, enforcement agencies are required.

Questioner: You said you have been evaluating Account Aggregators framework. Where we are in the journey? When we can start at?

Management: Maybe in 2 months. Actually, we have almost closed on one of the agencies. We just have to do the documentation. Only thing is, Account Aggregator, if you are new, the only right now problem is our current system since we are migrating to the new platform. We have done, we have stopped any new development on the current system.

So, if we get an aggregator, obviously, we need to have our API tie-ups and all those changes where the data will directly go to Perfios and all those things. So, because of that, it is slightly getting delayed.

Questioner: When all these things become operational, how much time can you do for us?

Management: See, I will tell you, with all these changes today, I can easily say that at least from an audit perspective also, 30%, 40% of my audit work itself has reduced. Because straight everything is coming from either from the UIDAI or from the income tax portal or even the returns are coming from there.

Account aggregator means we don't have to worry about the authenticity of the bank statements and all. Okay. We have all these equal distribution of work. For our reconsideration, we have done auto-reconsideration tool. We have done cash collection tie-up with SBI. We have done this vendor payment is centralized.

All our statutory payments are centralized. So, now from the branches side, a complete aspect of area of reconciliation or even payments and control of cheque books, all those things are completely eliminated. Audit department doesn't have to check about it because everything is centralized. They don't have to worry about it. Okay.

Then same way, disbursement also was one area. So, now that is also centralized. They don't have to go to the branches and verify that. For PSIR, PSVR, that is for our valuation verification, visit of the property and all. Now, everywhere it comes to the geo-tagging.

So, now when it comes to the geo-tagging, when our auditors go, they can straight click on this and find on Google map and reach the place. We don't have to worry about it. Straight they can go to the property, verify everything.

Another thing we have done is, you know, all the legal documents we are scanning, the DMS that we have implemented. So, even our documents which are now on our CDSEs, that is also getting scanned. So, over a period now everything, even documents they don't have to physically verify. It will be, system in one place sitting, they can do the verification. They don't have to go to the branches, open the documents and all those things.

So, the time of the audit department is also reduced considerably. For the branches now, since we have done these kind of changes, from the branches also, otherwise things like CIBIL, report pulling from CIBIL was manual. Pulling a report from, verifying with Aadhaar, UIDAI was manual.

Verifying with PAN portal was manual. Now, everything is directly coming from the system. We just have to enter the PAN, scan the Aadhaar and upload it and automatically verifies, downloads and the data is uploaded into my system. So, you know, from that point of view also a lot of things are saved.

Payment, when the payment is through UPIs, even at night somebody can make a payment and you don't have to go and cash collection. Cash collection, going to the bank or bank statement is reduced because bank statements we are directly coming online to us through net banking and all. And directly the automatic reconciliation also is getting done. So, they just have to take the, generate the report. Every night there is a predetermined time it will run, you will get the report.

So, today they will get the day before yesterday's report, reconciliation report, whatever is pending. They just have to pass the necessary entries, reconciliation is also reduced. So, all those kind of things we have implemented in the last two years. So, that's the change.

Questioner: Sir, this issue around e-khata has now been fully resolved?

Management: It's not fully resolved. It is still, there is a problem. Even till now, in fact, they have not done anything for UDA, that is Urban Development Authority, outskirts areas or the panchayat. So, what we have done is we have tried to move more into the city areas where it is happening. There also they have sorted out the issue, but there is manual intervention.

Earlier it was quickly getting done. INR5,000 per year. Now people have to pay up to INR50,000 just to make the documentation registration done. So, this is something which is a mindset issue. Change of government.

Questioner: This can be a little bit of a drag...

Management: So, Karnataka is still not, but Karnataka now at least it is much better than what it was last year. Last year, of course, September we did about INR150 crores in Q3. Then in Q4, we were able to do almost INR225 crores to INR250 crores, because we crossed INR200 crores in Jan in Feb and in March we were able to touch INR300 crores.

So, we were almost INR225 crores to INR250 crores average in the Q4. Even in this quarter, we are roughly sustaining that plus. And what we have done is we have also slightly asked our boys to shift a little more towards LAP and all. Because there, since registration is not required, for us it becomes much simpler.

So, we have done all those kinds of changes and we are doing it. But it is improving slowly. So, growth will not be a problem. Demand though is pretty good. We are still getting good amount of enquiries and all. And at least, enough amount of business is there.

Questioner: Sir, you mentioned on the call that first half the run rate was INR275 crores last year. So, if we are in that INR220 crores to INR250 crores, that means, buyer-wise still a decline in terms of disbursement?

Management:

No, last year what happened is, first quarter we went, second quarter we were almost doing INR275 crores. See, I will give you the numbers. Last whole of '23-'24, we did about INR2600 and something crores. So, that average was coming to INR225 crores. H1, that is Q1-Q2 of FY '25, we were almost touching INR275 crores. So, there was almost a 20% growth.

And we had a 20% growth in H1. Q3, it dropped to almost INR150 crores per month. And again in Jan-Feb-March, we were just able to do INR225 crores or something. So, eventually what happened, we came back to almost net zero growth. Actually, we were about 3% growth in Karnataka, we ended up last year. So, what was 20% went down to 3%.

And we were almost back to INR225 crores-INR230 crores only. We have ended for the entire year in Karnataka. So, now in fact, what we are targeting is, we are close to INR250 crores is happening. Even April, of course, is normally a night slower month. But there also, we feel the way it is going, we will be INR250 crores-INR275 crores this year. If e-khata is completely resolved, it can even cross INR300 crores.

The months that it is solved, because the demand is there. And same way, if e-khata problem had not happened, we would have done another INR500 crores-INR600 crores business. We would have done more. So, we will, Karnataka also is positive. We should be positive in Karnataka also.

Questioner:

It doesn't look like we will go to a mid-teen level growth 13% to 15%?

Management:

13% to 15% is what this year we will do. Then next year we will further. This year we are talking about 13% to 15% growth. With INR11,000 crore disbursement that we are targeting, our rundown is around about INR1,300 crores-INR1,350 crores per quarter. So, that will be roughly, with a little increase, about INR5,500 crores. So, net about INR5,000 crores-INR5,500 crores is what will be the addition to the book.

So, on INR38,000 crores, which we had on 31st March, INR5,500 crores will be around 13% to 15% growth. This year 13% to 15% growth. So, disbursement will pick up. AUM will come with a lag. So, it will come.

Questioner:

And sir after this couple of rate cuts how is the competitive intensity on the ground?

Management:

See, only LIC from the HFC or NBFC and Bajaj of course, but only LIC is slightly an issue for us because other players like PNB or any other player, Repco, they have all not cut their rates. From our side, we are, I think 5th of May effective 5th of May, we had our -- we have also reduced by 10 bps because whatever we experienced on our liability side by end of April, we passed on to our customers. So, 10 bps we have also reduced for our existing customers and also for our new customers.

Questioner:

This is our first cut?

Management:

Our first cut, yes. The second one which happened in April, we are yet to experience the benefit of it. We will see if that also comes to something 5% to 7% we will do that also. So, this year

what we are looking at is we got a good -- last year, if you see, we had raised our NCDs around 8.18% in March. And this year we are getting quotes of somewhere in the range of 7.5%.

Questioner: 7.4%.

Management: 7.4% to 7.5%, we are getting 3 year NCD rates also. CP rates have gone below 7%. So, last year we were borrowing around 7.4 or thereabouts for our CP, 90-day CP. Now, we are getting below we are getting close to 6.8. 6.9.

Questioner: For 90 days, it is somewhere around 6.6?

Management: So, what happened at least on those two? So, this what we have also raised NCDs also we are looking at in the first quarter itself. So, we are able to benefit from that. And bank term loans, of course, on the existing term loans, since we moved everything to repo link, we are getting the benefit.

But obviously since banks are also facing NIM pressures, they for incremental loans they are not able to offer the same rate which they were offering on the existing loans. So, today my borrowing was at 7.95, now it is at 7.45. But the incremental they are not able to give me the same spread as they were giving earlier.

So, now the new, if the same bank is to give, they will give 7.7, 7.65, that is a slight. So, the same amount of benefit we are not able to get from the banks. Today, that's why at 7.4 to 7.5, our NCD is cheaper than what the banks are able to give to us today.

Questioner: Okay. Sir, on this tech overhaul that you will do in later part of this year, 3Q, 4Q is what you said?

Management: No, Q3 it will be over. November is the deadline where we are coming out with the phase 2. I mean the second part of it. The first part, so we have LOS, LMS, DMS. We have investment and banking and treasuring model. We have deposits and, of course, GL. So, our treasury module, banking, treasury and ALM that module will get implemented in the month of August itself, August end.

And obviously, along with that, GL will also be implemented because that will be there. The remaining part that is LOS, LMS and DMS will come together in the month of November. So, Q3 it will be over. Q4 will not be any implementation.

Questioner: What is your DMS thing?

Management: That is NewGen document management we have taken for all the scans and uploads and all these things. So, easy retrieval and all.

Questioner: So, do you expect any disruption to the business because of this kind of number or do you think we should be able to do that 5,000 in a tradition?

Management: See, right now frankly nobody has gone for this kind of aggressive rate cut except LIC. And I am a little surprised that they have also offered this kind of a rate. They are doing at 8% rate of

interest. So, that is a little surprising because their rate of interest was even 8.4 for that matter was a little aggressive from their side because today, if you see the cost of borrowing ours as of March was 7.55, their was a little higher. So, when the cost of borrowing is this much, lending at 8% was a little bit of a surprise from us.

Questioner: The CA rate will remain and customer will come and say [inaudible 29:49]?

Management: Agreed, but they are much lower than us. Today, our rate is around 8.85 is the best rate we are offering. Their best rate they are offering is 8%. So, even if they are saying 8%, they give 8.5. That is 40 bps lower than or 35 bps lower than what we are giving to our best customer. So, today 8.75 for us will be to customers who are only housing and salaried and having a CIBIL score of 750 plus. For them, this customer would be around 8.5, 8.4.

Questioner: But, this customer will also pay the bank?

Management: Bank will also pay, but then what is there in the bank the bank does not give a small case. That is one thing. Second thing is on the outskirts of the city, banks are not so very busy. So, if it is a metro, it is a little difficult where there are 40 lakh, 50 lakh, 1 crores customers, they will not come to us. They will go to a bank. So, banks have reduced the rates. SBI, HDFC, ICICI, Bank of Baroda. So, that has happened, but then those customers are...

Questioner: Sir, that is what I think when you look at across peers, our yield for the kind of mix and the kind of customer we do is, I would say, relatively higher versus LLC or even Bajaj, who have more diversified book. So, is that a risk going forward for our...

Management: No, I don't think so. Because one is we have -- it has been traditionally been that way. We have been able to give that kind of a service or we have been able to do that kind of segment and do it. So going forward also yes, there are regressive lending happening. Particularly from the NBFC side, I think the only two companies who are giving at a more aggressive rate than us in the market is LIC Housing Finance and Bajaj.

All the others are -- So therefore, we are able to get that kind of a market. Bajaj, for that matter, normally deals in a more of a takeover or purchase with the top-up. So, therefore, the blended yield for them is on the higher side.

So our customer also, if my customer is having a 20 lakh, 22, 25 lakh, they will take it. But then they will give a top-up of around 15 lakhs, whereby, the average ticket size is also higher. But at the same time, the blended yield is higher.

But then, I believe that Bajaj may have a bit of a problem in their PVC criteria because they are not doing pure housing. More than 40% of the business is not housing capital. So that may be a bit of a challenge for them with the regulator.

Questioner: Correct. Or they cannot grow the other piece, they have to... The whole book grows at the housing rate where housing won't grow. So I think yes that should be a challenge. And, sir, even on cost of funds, our cost of funds among the prime guys, I have a little dated data, but it is still

one of the lowest. And when I look the mix, mix of NHB for us is the highest, which should be a lower cost of borrowing.

Management:

Yes, yes. For us, it was definitely, it is average, I think, would be around 6.75 or something would be the average blended rate for our NHB product. Because we have almost 50% comes into that affordable housing fund scheme. Of course, now, they have changed the mix instead of 50-50, 1:1, they have made it 1:3 or 1:4. When it was 1:5, we didn't take the borrowing. Then they reduced it to 1:3.

So we did borrow from them last year, INR2,000 crores, where we got almost a rate of about 6.5 that. Yes, 6.56 or something. 6.54, yes. And NHB borrowing is for what tenure? It is long term. We have taken for 7 years. 7 to 10 years.

Questioner:

We will maintain that NHB borrowing scheme, it is like 15%-16%?

Management:

May not be, because, as I said, NHB, of course, there is a limitation. But one good thing that has happened is we have this new issue that is on 5th of May, NHB launched its first mortgage-backed securities paper, where they raised bonds for onward lending to the institutions. So, I believe going forward, the flexibility or the amount of funding that the NHB can expect from the government by way of objectory support will keep reducing and NHB will rely more on market borrowings.

So, but the first borrowing that they have done, because, NHB also comes in as the aggregator, they pool in all the securities. And since they have done for AAA, they are trying to slice and slice, do it differently. So, all the AAA, this time they have done as a pilot, they did it with 1,000 crores portfolio receivables of LIC Housing Finance.

There, again it is a AAA, same as us. So, there they were able to raise funds at 7.26% because NHB is also a party to it. NHB is also doing the due diligence. So going forward, that will be one more source from where they will be able to get the funds, which they will be able to give to us.

So that also is a good source for us. If they are able to give it at that rate, then, of course, we will not be able to get at the 6.5, 6.75 rate. But even 7.26 was a very good rate because we ourselves are getting a rate of about 7.5, 7.4 to 7.5. So, another 10 to 15 bps benefit would be better.

Questioner:

Sir how NHB is able to make money if they are lending to us, at least on the stock basis, 6.5% to 6.75%?

Management:

They are getting from the government as well, that is what I said. So, government is able to give them and they are putting a small, 50 bps or 75 bps maximum markup and they are giving to it. So, they have their internal rating. Based on the rating, they will give to somebody at maybe 50 bps higher, somebody 75 bps higher. Then, what rate they are getting from the government.

Questioner:

Sir how much NHB gets from the government every year?

Management: They, last time, had about 10,000 crores or something, which is not a very big amount. So last time, and they had some unutilized sanction on the previous year. So last year, they got about 10,000 crores or something only from the government. But roughly, they get some, these kind of things. And now, they are going for this market borrowing also. They themselves raise funds.

Questioner: Is it, I think, that the LIC has given them, the Chelsea Trust has given them their portfolio to NHB?

Management: No. There are certain criteria based on which they will be selecting it. So, since this is the first of its kind, just like a Fannie Mae, Freddie Mae basis, they have also done it. This is sort of the first of its kind. This particular RDCL company, they, what they did was, they only selected or said, we will first try with the AAA companies only.

And they gave their own criteria for selection, minimum 2-year seasoning, no track of check bonds or things like that. Ticket size less than 20 lakhs or something. All those criteria they gave, based on which we gave them the pool.

And this pool is there and this is a set of future receivables. So that they have gone and securitized. So since it is a future receivables that they are securitizing, the underlying book remains with it. The asset is continuing in our books. The future receivables, we will be. So, it is just like, even today when we are doing a bank borrowing or we are doing a NCD raising or something, we have a pool earmarked and then basically that pool is only servicing it.

So, here also it is basically that only. So, the underlying asset remains in our book. That particular identified pool is earmarked for this particular transaction.

Whatever collections we will be using to repay or pay off to the investors who have invested in that. And they have also put a cap of I think 4% interest cap. So, the underlying security should not be at a rate more than 4% of what they have, some rate they have put more than that.

So, those, if you have that kind of a pool, then you can do it and it is a fixed rate you get for that.

Questioner: And they borrow from the market and lend that money to you?

Management: Yes, keep it a small 2 paisa or some arranger fee or something like that is a fee that they get. So, right now NHB has purely come in as an arranger doing the due diligence and all those things for which there is some fees and they will charge that 2 paisa or something like that. And so, whatever comes we will be able to get it at effectively the landed cost for the investor might be INR7.26, may be INR7.3 paisa, 7.3% something like that. That contours will come to know monthly.

So, that is how it is and they will get that small earning for this. Going forward, NHB is also proposing that they will also be able to come in as a first, they will also subscribe to 10% or something of this. So, thereby what will happen is, the investor will also get a benefit that there is some, what you call, enhancement, credit enhancement by way of NHB putting in some 10%.

Therefore, they will be able to, even for a, say for example, a double A minus paper company, which is double A minus will be able to get a rating of the entire pool of, say for example, double A plus or triple A depending on whatever it is. Because there is a credit enhancement coming from NHB itself.

Questioner: And who returns the collection and small fees [inaudible 40:07]?

Management: Yes. Since it is a completely, it is, the investors have to only take because the entire pool is already assigned to them.

Questioner: But you will still help them for collection and recovery?

Management: Yes, yes. So, this is the first of its kind transaction which they have done with LIC. We have also given them an initial pool of about INR300 crores to just as a pilot. We will also see, once that is there, we will be a little more clear on all the terms of this kind of a deal.

But basically, you know, this will open up one more avenue for fundraising for us, where we might be able to get a little better rate than what we are able to get from, on our own basis, standing from the market.

Questioner: Sir, so net-net on spreads, it is likely to see a expansion or you expect a flattish trend?

Management: We are saying, I mean, our guidance is 2.5. Our attempt obviously will be to have a spread more than 2.5 and rates are going down. So, there will be more of challenge in terms of sourcing rather than on the spread because we will pass on only after we get the benefit.

Questioner: Yeah.

Management: So, on the spreading, there will be no impact. But yes, if there is, you know, irrational pricing by the market, then it can affect us in terms of business. Like today, if LIC has done this kind of pricing, so it can, but then already LIC spreads are under pressure. So, I do not know how long it can sustain.

Questioner: And sir, our asset quality, I think we remain fairly well based on asset quality, right? And sir, earlier you had mentioned that we will increase the proportion of originations coming from non-DSA versus DSA. So, what kind of asset quality difference you have seen between DSA or is it anything else other than asset quality?

Management: It's not asset quality. Frankly, like our sourcing on the entire pool basis, our total sourcing through the DSA channel, the outstanding book is around 70, little more than 70%.

Questioner: Correct.

Management: Although our incremental lending is still at 80%, on the pool it is about 70%. Now, if I look at that gross NPA that we are having, you know, this percentage of NPA which is basically sourced by this DSA is less than 0.70. So, it is not that, you know, the DSA source pool is having an inferior quality. That is not the issue.

Maybe it is more of a recent phenomena that, you know, the DSA sourcing has been more in the last 3 years only. Therefore, it may actually have a lag effect also. So, that is possible. So, but at least from the numbers right now, it is not the reason why we have done it. But it's more because we need an alternate source of, you know, sourcing.

Questioner: Right.

Management: Okay. Only depending on the DSA channel is a little bit of others because going forward again after 2-3 years, one is the quality which can crop up. Second is, you know, the DSAs will also take out their other thing and transfer it to other players. So, therefore, you know, we have wanted to also have our own sourcing channels and it will be a little more sticky. What we are able to source will be a little more sticky.

Plus, you know, when it is purely dependent on the DSAs, we do not have so much control on the kind of segment that we are able to target. Whereas our own people we can target. Since we have some constraint on giving the kind of, you know, payouts that some of the other people are doing, they are giving 1% and 1.5%. Our maximum payout is 0.75%. Maximum. That also in the highest. On the blended cost, it is about 0.5 only what we are giving.

Questioner: So, is there any difference in terms of BTO rate for both the costs?

Management: Right now not much. We have not seen that also.

Questioner: Okay.

Management: Either in this or in this, it is not there.

Questioner: But that is quite certain that it should pick up. It can happen.

Management: Normally, that is an industry proven data.

Questioner: Yes.

Management: Okay, statistic. So, it's not going to be any different for us. So, we don't want to have so much of reliance.

Questioner: Got it. And sir, on that Canara Bank and Canfin overlap of business that RBI Circular, is there anything?

Management: No. Nothing. And no talk right now. Even actually post that Circular, I think which came on in October 4, right, we had our IRF meeting. It is a conglomerate meeting in February 25. RBI didn't raise this point also. So, after that also there is no specific detail or any kind of pressure on that. No talk right now.

Questioner: And sir, on this tech phase 2 implementation, do we expect any inch up in cost to income ratio?

Management: Cost to income ratio, yes. Because today we are doing about INR15 odd crores is the annual spend on IT. Okay. So, FY '27 onwards there will be a slight increase whereby, you know,

including the depreciation on the capex and the opex part of it combined we should have see about INR60 crore kind of INR55 to INR60 crore would be the spend that would be there on the IT per year. So, that one year we will have a blip of about INR40 crores.

Obviously, then that will continue, but then as the book increases the percentage that will start coming down. So, that one year we expect about 1% decrease in cost or 1% to 1.5% increase in cost to income ratio that is in FY '27.

Questioner: And this year how much, INR55 to INR60 crore is the P&L impact this year?

Management: This year?

Questioner: P&L impact is INR55 to INR60 crore.

Management: That is in FY '27. Right now it's only about INR15 to INR17 crores.

Questioner: So, in FY '26 also it will be normal.

Management: FY '26 also it will be normal, just little INR5, INR7 crores either the [RIGA 46:09] because of whatever additional manpower we have put, we have taken some additional space for them to sit. So, all those things would be there, not a very big amount.

Questioner: Got it. And sir, this leverage that we have more than 8x, is rating agency comfortable with that?

Management: Not 8x, we have 6.96 as of March. Our gearing is 6.96. We have brought it down. No, we have brought it down. But frankly speaking, you know, in '23 when after I joined, sir we had a meeting at that time the discussion that we had was that at that time it was a little above 8 times. So, we said no, we will keep it under 8 and that I can tell you we will not cross 8.

They were comfortable. That is why in December 23 we got a rating upgrade also. And they also monitored for another 6 months after I joined that yes, we have been bringing it down. So, I believe up to 7.5 times, I don't think the rating agencies will have much of an issue.

Today we are below 7. So, actually we have a little bit of a buffer there also. We can even if the growth picks up to 7.5 times gearing, we can take it. And rating agencies will not have a problem, should not. That is the discussion we had.

Questioner: Okay.

Management: They were concerned when it was above 8. But now it is consistently coming down. I think 7.5, they should not have a problem.

Questioner: Perfect. We will end our meeting.

Management: Thank you.