

Transcript of Recording (45)

Questioner: Sir, one thing we are changing, seeing a changing thing from our company is that there is a lot of human resources related investments which are started to pick up like lot of branch addition and lot of centre processes related addition which are happening. So what is the intent and like whether it was lacking earlier or what is the real intent to drive and when we should see results for them, sir?

Management: See, one is the branch expansion part which is a common thing that everybody is doing branch expansion, it is one of the levers for bringing growth. So, that is something which has to happen.

It is just that because of the COVID period we had to, there was a stoppage in the branch expansion and therefore the staff increase also. But now that obviously has started because we are growing, and it is also pushed or required because we want to slightly shift our geographical concentration away from the south. We are having almost 72% business from the south and in spite of having so many branches we are having only 28% from the rest of India.

So, at least last two years what we have done is we opened quite a few branches in the north and west mainly focus on these two zones and almost 27 branches we opened in FY24, FY25 in these two zones that is basically starting from Punjab right up to Maharashtra and this side including a bit of UP. So, that is the main reason for branch expansion. Second thing, as you rightly know, I am surprised how you, but in a lot of things we have centralized.

Yes, we have done this, obviously two years back when we had the Sambhala incident that triggered the internal controls thing. So, from there we started off quite a few investments or centralization of activities, one of them being centralized disbursements, the other being credit review monitoring and third of course we strengthen our audit and risk and compliance functions. So, these are mainly the other things, but one or two new things which we have also started is that we did not have a separate operations wing, it was all part of the same business function.

We did not have a training department previously which we now started as a separate training department two years back. So, some of those things are also more because they were required and were not there in the company. But mainly it was the centralization of the disbursements, the credit review monitoring, audit and risk compliance which are where we strengthen the teams at the head office.

Questioner: So, how many people would have been involved in this?

Management: See branches, we have opened 39 branches in the last two years, but net was 29 and this year we are planning another 15. So, basically you are saying we are talking about 44 branches in three years is what we have opened including the current FY26. So, that would be about you can say three people per branch, that is one thing.

Other than that we have done some standardization of the branches where some stock branches were growing fast, so maybe another whatever. So, on the ground probably we would have put

somewhere around 200 people because we have also carved out a separate mark sales team which we did not have previously. So, now we have about 100 people in the sales team.

Last year we started as a pilot. So, we started with 8 people in June and slowly increased the strength and by the end of the year we were 39 people. Now we have added another 63 people in July.

So that makes it about 100. So, totally about 200 people some of them are already pulled out from the existing branches only. So, as such you would say about 200 people we have added in the field and in the head office we would have added about in the 30 odd people. So I think there is audit function, risk compliance and all those things.

Questioner: Sir, then with regard to like these branch expansion and this sales force addition, sir when they can translate into EU maximization?

Questioner: Actually with that sir can you also take us through the what is the issue today because actually I think I do not know whether Harsh met you before had he had been to Karnataka or after I do not know?

Management: No, he met after he had been to Karnataka.

Questioner: So, he had shared us all those issues. So, if you could just address that and while the stamp duty increase does not seem too high, but generally what is like sentimentally what is the government really thinking that already if at all property registrations were not happening to the pace. So, firstly if you can take us from maybe from the bottom where are they today in terms of numbers in terms of the registration. Secondly, what is really the government thinking? Thirdly, in terms of the SME.

Management: That is something I cannot share about. I mean I do not even know what the government is thinking, but...

Questioner: No, but generally because you are in the, what the paper is saying because there would be a lot of everybody complaining and obviously when Harsh came back he shared with us that obviously SME sentiment is quite weak there.

Management: True.

Questioner: So, maybe some and along with that what Kirti is asking that how do these branches then ramp up to a particular growth level?

Management: See, I will just tell you see this year we are looking at a disbursement around INR10,500 crores which will be more than 20% in terms of the growth.

Questioner: We did about 2n000 something in Q1.

Management: Q1.

Questioner: Q1, yes.

Management: And we have done 800 plus in both July as well as in August. Both months we have crossed 800 and we are targeting about INR2,500 crores disbursement in Q2. So, we are almost there it is 800 plus and 800 plus. So, we are almost at 1620 plus.

Questioner: And what is like the proportion of Karnataka in currently versus maybe I would speak?

Management: In Q2 of FY '25 we did INR275 crores per month disbursement in run rate in Karnataka which today if you see July and August it is about INR225 crores between INR225 crores and INR230 crores. It was INR227 crores and INR232 crores.

Questioner: In July and August.

Management: July and August, yes. So, we are about INR200 crores, and you can say INR230 crores is the run rate today. Normally, yes, if nothing had happened, if that e-khata had not happened that INR275 crores probably would have gone up to around INR300 crores today. I mean there would have been a little bit of a growth. So, you would have touched probably around INR300 crores in Q2 of this year. But we are at INR230 crores. So, you can say it is roughly about INR70 crores loss per month.

Questioner: Yes.

Management: Is what we are facing.

Questioner: And which you are largely attributing to the fact that people are. So, what is the procedurally how are we today? So, like the numbers which was when we first met you and when the first issue started we were like I mean there were like single digit numbers or there was literally nothing happening. From nothing to now what are the official numbers?

Management: Yes. So, official numbers now they are not doing much, but at least space is picked up. See so, immediately after the circular came we had about 70% of the business used to come from our panchayat areas and development authorities in the outskirts outside the corporation limits. Now, obviously, that was a complete kind of a...

Questioner: Stoppage. Stoppage. Stoppage, yes.

Management: And except for the cases which were under partly disbursed stage where balanced disbursements that inertia or that little bit continued for a little while. But after that that was a major issue. So, effectively in the October to December quarter last year our disbursements we had almost 50% hit because it came down to almost INR150 crores per month kind of a level.

Okay. So, 50% it came down because of this. And then we thought it for initially our reaction was that okay fine this is a more of a procedural issue the government also came and gave statements that we will do it in a week's time this and that and all.

So, we thought it will get resolved quickly, but by the end of the quarter also when it did not. We actually changed our strategy we moved more towards adding a little more of a lab, okay. And we also started moving a little more towards corporation limit properties which was not

actually our forte. We were more into the panchayat and the outside outskirts areas, but now we started targeting some of the you know. But yields will fall now sir.

Questioner: Yes.

Management: Competition is there no doubt, but thankfully the competition is not very pushy now because for the banks although they have cut the rates they are not getting the kind of margins. So, they are not been pushing as such. So, at least and it is a big market.

So, for us getting about INR50 crores, INR70 crores a month extra from the corporation limits is not something which was a completely not doable. And so, basically we did two things one as I said we moved a little more to lab and two we started moving doing a little more sales and marketing and things like that in the corporation limit areas. So, slowly it is picked up to around INR200 crores and something crore INR225 crores in Q4 which is there.

Then this year in throughout the year we have almost kind of maintained it around INR225 crores. April being an exception which is always a slow month, but May, June, July, August we have had almost you can say an average of INR225 crores is what we are now hitting around right now.

Questioner: Sir, first quarter sanctions were also slow sir like 10% growth only right. I know seasonally it is soft sir, but growth rate was also slow as a 10% roughly.

Management: Yes, we had about 10% growth.

Questioner: Yes. It is soft sir. I mean we target a little higher growth sir like growth rate I am talking. I agree with the sanction percentage sequentially falling that I agree there is a seasonality there, but the growth rate was any process tightening it is a result of process tightening?

Management: No, no we have not.

Questioner: Or market slow being slow.

Management: It is generally Q1 April is always kind of a weak month and practically after March everything kind of this thing. So, we had just about normal if you look at it we were just close to INR500 crores against a normal INR775 crores, INR800 crores round rate. Sure sir.

So, that is the main thing, but other than that if you look at it from there onwards every month you picked up June has -- I mean May was better than April of course, but May was quite decent June was also better than May July is better than June and August is now better than July also. So, it is slowly picking up that is no other thing about it and obviously, the rates also have been February we had a rate cut we were a little late in passing on actually.

Questioner: Okay.

Management: Immediately there was that was the one time when we know when we took a little we said we because after the February rate cut we experienced the entire benefit only in the month by April after the March quarter end. So, in April ALCO we took a call and then we decided to change it

from May. So, there we had a little bit of impact where we could not communicate the customers felt that we had not reduced our rates and that slight impact was there.

Okay. So, we did it in May and immediately we did it in July also. So, that we could and then we again did a short and convey to the customers and all. So, now by and large customers are aware all that we have reduced our rates 2x and it is almost 25 basis points down it is for existing customers also not only for new customers.

Questioner: So, from the say -- from Jan total debt rate sum will be INR25.

Management: Yes. Okay. And so, basically coming back to the Karnataka point now what has happened is at least Karnataka in the corporation limit they have been able to whatever sub-register office and the revenue this thing they have been able to link it up. And therefore, even online people have been able to get the e-khata.

However, it is all dependent on how proper and thorough your paperwork is. So, if your paperwork is absolutely thorough and somebody has been very clear with all the papers Pakka and all. Taxes and electricity bills and their revenue, this thing then in that case you can get it within 7 days also you are able to get your e-khata.

Whereas, if there are some paperwork pending here and there then you have to it will take a little longer time. You may have to get somebody...

Questioner: Before the integration it used to take on a normal thing was also 7 days?

Management: There was no e-khata now. So, you just got the registration and get it done. So, this is a new requirement you have to submit all the papers to the SRO and then submit it and take the whole thing again. So, this basically is the thing. So, still it is not resolved in the panchayat or the course cut areas.

Questioner: So, are we completely zero on panchayat today or at least we are taking some selective calls?

Management: No, we are not taking any selective calls. We are doing lab or we are doing where, panchayat definitely the e-khata is not happening.

Questioner: So, but to take even a star call on lab we do not need any because it is already registered. So, that is not a problem?

Management: It is already registered. Paper is only that today, A is selling to B and the sale transaction itself cannot be registered unless A gets a clear e-khata. With the e-khata only the transaction will happen in favor of B. So, if B comes for a loan to us then we still cannot give them a loan.

Questioner: And there was no rule as such that who are already registered in the old regime they do not have to move to anything right. That is to any stock it did not impact at all. It was only for the forward a new transaction? Either a buy sell...

Management: No, no. For the old also whenever they want to sell they will have to now have it.

Questioner: For the -- it is a new change...

Management: So, to that extent what happens is like for example, he wants to do a sale transaction therefore he is looking for a e-khata. But the three of us are actually just holding our property but we want to make our paper of Pakka. So, all four of us will apply.

So, the actual numbers of applications for e-khata is not an indication of how much is the demand for loans. Many of the existing people who have no intention of selling also or transacting are also going for a e-khata. So, what we need to see is how many of them are actually sale transactions which are getting stuck, which would be probably about 20% I suppose What is there?

Questioner: But sir, directionally in next 2 years sir the AUM proportionate dependency on Karnataka should reduce from the level that we have?

Management: We have already brought it down. In fact, today if you see the last.

Questioner: When you joined what was it sir?

Management: It was I think more than 32%. It was more than one-third. It was more than one-third.

Questioner: Now it is around 30%, 32%. Bangalore itself is contributing 30% of that.

Management: Now it is 30%.

Questioner: So, Bangalore is 10% of overall.

Questioner: No, Bangalore is 30%. Karnataka is around 33%, 34%.

Management: So, basically 30% and remaining rest of all other than Bangalore is just 3%, 4% not much.

Questioner: Okay. So, 30% plus 4%. Sure sir. So, given that you are opening branches in newer cities, vintage will start to kick off sir. So, AUM. So, it should come directly towards 25 may be in some time sir.

Management: No, if say tomorrow if the e-khata completely stabilizes then the Karnataka share will also suddenly go up. So, we will have to keep on opening branches outside of Karnataka and over a period it will slowly come down. It cannot happen in a year or two because Karnataka obviously we are expecting should get back to normal in may be another 3 to 6 months at least.

Questioner: Sir, then one of the problem which I am seeing in our company is that the runoff rate has been little high sir actually like. Why do you say that sir? INR1500 crores in first quarter.

Management: No, you look at that is because you look at a percentage figure it is only 16% you look at there are reduction for other companies.

Questioner: But we are little different now. Sir like I mean we are like sub-prime I would not say I mean. No, definitely not sub-prime. Not sub-prime I would say.

Management: Definitely not sub-prime.

Questioner: We are prime they would be super prime we would be like say prime we can say like that So, like our customer would be different compared to say NCC Bank, because we get little higher rate higher rates sir actually. So, given that thing is the prepayment a challenge for us to grow?

Management: No, you look at the last 3 years we have been sharing that data it is almost similar in a quarter it is about 3.6 now further if you break it down. Sir, generally what is the natural amount sir? Amortization about 3.75% to 4% is the natural amortization you cannot do anything about it because that is the normal rate at which your loans will keep amortizing.

Questioner: 4% per quarter. So, which is INR1500 crores roughly?

Management: So, we have no we have totally if you look at it we have got INR38,000 crores. So, INR380 crores in a year almost close to INR100 crores a quarter is what we will have in terms of the normal amortization.

Questioner: INR100 crores per month sir?

Management: No, no per quarter per year if it is 4%. Sorry 4% yes. So, 1%. So, correct INR100 crores per month. INR100 crores to INR125 crores per month. So, INR400 crores sir. So, balance INR1,100 crores how we should do it sir.

Balance there are also part prepayments no. So, two-third of that is actually part prepayment where people come and make some payment excess money. And they have got some INR2 lakhs, INR3 lakhs prepayment, reduce their EMI, reduce their tenure.

Questioner: Yes sir.

Management: So, actual closure of loans is only one-third of it.

Questioner: Correct, correct.

Management: Which is another INR400 crores.

Questioner: Correct sir. So, in terms of BT out sir, so what would be average run rate run rate sir?

Management: I said INR400 crores even if the entire thing is BT out, that would be -- it is not a big 3% to 4% would be 3.5% to 4% anywhere between that is where is the actual BT out and loan closure.

Questioner: Okay. So, quarterly around INR400 crores, INR500 crores?

Management: Quarterly INR400 crores, yes.

Questioner: Okay. So, whatever we generate out of that 20%, 25% will be BT out, roughly. We generate INR2,000 crores?

Management: INR2,000 crores or 20%, yes.

Questioner: Okay. So, any way out where we can reduce this sir so that -- or this is a...

Management: And this I think if you look at today what is the same calculation you do for others you will find that we are among the lower band actually.

Questioner: Okay. So, you are -- okay.

Management: We are way below the some of what you would find in some of the other companies in terms of the prepayment.

Questioner: Okay. But you have...

Management: But I do agree that the part prepayment is a little higher than couple of other places where...

Questioner: Which actually considering that we are salaried in nature it should not happen, but it is...

Management: No it should happen. It should happen.

Questioner: Because the bonuses and everything people.

Management: Yes, people do get and they are a little more likely to they are a little more...

Questioner: Sensitive to?

Management: I mean they do not -- they are not the ones who will put it into business or anything, they are salaried, so if they get money, they will reduce the liability only. If it was a self-employed segment if they get some money, they would probably use it for business.

Questioner: Sure.

Questioner: Sir, part prepayment is not in your hands, sir BT out to an extent I mean if you give like favorable terms which if they mutually discover workable it can reduce like...?

Management: It can reduce, but you look at it that we have been analyzing that and obviously everybody would, but the issue is some of the takeovers that happen, like for example, people have a -- we have a, say, INR20 lakhs outstanding they give a loan take over INR20 lakhs and give an additional INR15 lakhs top up.

Questioner: Okay.

Management: obviously we cannot match those kind of things. We do not find it comfortable or find it within I mean it is not within our norms to kind of do it.

Questioner: So, this 1,500 runoff rate. I think that is. It is a I mean we cannot do anything with it?

Management: Basically you have to increase our disbursements.

Questioner: Yes, yes, correct. Correct, sir.

Management: That's the only -- increase your disbursements.

Questioner: Correct. Correct. So, sir if you do 10,500 disbursement and 6,000, so you are targeting book growth of INR4,500 crores roughly?

Management: INR4,500 crores to INR5,000 crores. Yes.

Questioner: Okay. Okay. Sir, when like directionally can we grow 20% rates -- then 20% growth?

Management: 20% growth rate is depending on if the industry grows at 18%, I will try to grow at 20. I will be happy to grow at 20%.

Questioner: So, till India.

Management: So, if the industry is today is growing at 12% to 14% in the segment that we are operating it, I think we will be happy with 15%.

Questioner: Okay.

Management: This year we are targeting about 12% to 13% because at INR4,500 crores to INR5,000 crores of net addition to the book we will be around 12% to 13%.

Questioner: Correct sir.

Management: And if next year again we are targeting about 20% disbursement growth. So, if we do 10,500 this year, next year we will be targeting around INR12,500 crores in which case we can next year expect it to be around 15%. Because AUM growth generally or growth or drop generally comes with a lag.

Questioner: Sir, just what is the -- I mean obviously we have managed the margins very well, but what is the view that we are giving for the full year because now that we are actually, I think passing on the yields on a much frequent basis versus where you used to be like on a yearly basis you used to be. But still we have only passed on 25.

Management: 25, that is it.

Questioner: But how is that been the case then, I mean ideally now we are reset is.

Management: No our reset is quarterly. But what has happened is we introduced this quarterly reset in January 24th. So, as of June we had only, we still had about 67% of our loans which are continuing annual reset.

Questioner: Okay.

Management: So, we expect that in the next two quarters that is in Q2 and Q3 this percentage will drastically come down, and we will probably have about 25%, left 25% to 40% left in the annual reset, rest will all move to quarterly.

Questioner: Okay.

Management: And probably we should all -- we also would like to move this as the next two quarters and not beyond that because after that when the rates start going up if you do not have, if you have not converted all of them into quarterly then we will -- it will hit us adversely.

Questioner: Right. If at all the rates were to reverse from there.

Management: If the rates start moving up. So, today we are -- I believe we are at the we almost kind of bottomed out max, max another 25 bps that also I do not I am not sure. So, today if you look at it, we are at the bottom at this rate even if it continues for two to three quarters that is the time when we will have to shift as many loans as possible from annual to quarterly.

Questioner: And this is more of a communication which goes to the customer?

Management: Every month we are sending. Every month.

Questioner: And said that yours is now being reset to quarterly, that's all?

Management: Every time it happens we say we reset to every quarter.

Questioner: Once the reset date comes you just simply, naturally it...?

Management: We pass it, yes, yes.

Questioner: So, what is that we are guiding for this year on...?

Management: See we have guided for 2.5 spread and 3.5 NIM.

Questioner: Again, a very stable scenario nothing changing there?

Management: In fact, this quarter June was 2.62.

Questioner: Yes, better-than-expected.

Management: Better-than-expected and probably September again it could further rise.

Questioner: Okay.

Management: Because what we have passed.

Questioner: 2.62 can be even higher is what you are saying, okay?

Management: A few bps it will definitely -- it is likely to be higher. Because what has happened is the annual reset is still while we have passed on 25 bps after our cost of borrowing has come down on the entire book by 25 bps. Okay. But on the asset side this will take about 1 month, 2 months, 6 months, 8 months to be passed on. Till that time we are still getting that benefit. So, maybe a few basis points this quarter it will further rise.

Questioner: Right. But on an average, you think that the year you will settle at 3.5, 2.5, or rather should it be more like 3.6, 2.6 or something like that?

Management: We may end up with that, but as of now we are guiding for 2.5, 3.5 only.

Questioner: Sir, on the cost to income side obviously the branches that we have opened, and I think all the IT integration and etcetera which we had to really all that is behind us now, right. So, we have...

Management: No, no, no, no. In fact the IT transformation is scheduled to happen in November 2025.

Questioner: No, in sense that the opex...?

Questioner: That will be completed in November '25, sir?

Management: Sorry. November '25.

Questioner: The new LOS.

Management: We will implement in November '25.

Questioner: IBM?

Management: IBM. Yes, IBM has the system integrator.

Questioner: Correct.

Management: They are going to bring in in LOS elements they are going to bring in Pennant. That will be implemented in November 2025.

Questioner: But in terms of the opex and everything required for it all that is...?

Management: No, no. So, right now the total project cost is INR300 crores and right now since it is the implementation phase everything is getting capitalized. So, the impact of it will start coming in FY27. In FY27 the opex will go up by 1%. So, it is right now about 18%, it could go up to about 19% cost to income ratio.

Questioner: So, it will get amortized over 5 years?

Management: 5 and a little more because it is total 7-year contract, 12 months is the implementation phase, 3 months is the handholding. So, you technically 5 years and 9 months.

Questioner: But, sir, 7 years is the service period, but you the benefit can be more, sir. So, can't we amortize over little longer, sir?

Management: No, what we have signed up for is for 7 years. So, we will anyway depreciation will happen over there and opex anyway if you do not add more new things then that opex will continue.

Questioner: Correct.

Management: But at the end of 7 years we will have to reset. So, we can only plan for because our TCO total this thing is only for 5-7 years.

Questioner: So, TCO is 300, sir?

Management: 300, including capex and opex.

Questioner: INR20 crores, INR25 crores per year.

Questioner: And there is no maintenance or something like that or after this...?

Management: No, everything is included.

Questioner: Everything is included and after 5 years.

Management: AMC is all the AMC cost and everything. Of course, there will be like infrastructure like computers, laptops, desk all those things. Of course, we will have to change as and when they this happens. That's a different thing, but that's not much.

Questioner: And after 5 years what are you suggesting or rather this contract is for 5 years, sorry?

Management: For 7 years.

Questioner: 7 years, okay. And so, after 7, I mean that's too far though, but generally these contracts or these softwares or whatever after that largely it would not be a bigger, it will be more of a maintenance that will be required, right? Here or how?

Management: Depends on how much, see for example the current software that or the package that we are having was implemented in 2011. Now, in this much time in fact everything has changed.

Questioner: Yes, yes.

Management: Okay. So, 7 years we are talking about so another 6 years from now I think a lot of...

Questioner: This is a publicity license you are getting, right sir?

Management: The license is there, but the whole thing has changed.

Questioner: Correct, correct, correct.

Management: it is [inaudible 0:27:08] how much it invests, what is that at that time something new may be there. So, we have to look at it at that point of time.

Questioner: But then on that layer you have got a customization layer sir which is suitable for Indian?

Management: Obviously, see it's a software which already is applicable, operational in two of the large HFCs, which is LIC and Bajaj. So, most of it is already there. So, if you look at the customization part what we have, we require and I think about 95%, 92% to 95% is already available. It is just you have to what a master, master data and configuration it is configurable or readily available. So, only that 5% which is you have to develop again.

Questioner: And here have we told you that generally once this gets implemented would there be a, are we like will we do a beta here or something? Because in most of the other banks whenever these changes happen disbursement goes for a toss for some time. So, you would not anticipate that.

Management: No, like for case one is there. So, we are already done the UAT is part that is not for the LOS, LMS part, but for the treasury, ALM and all those things borrowings that module we have already done the UAT. It is almost one or two rounds has happened. So, we are now going to have September where we will do a kind of a parallel run between the old and the new system we will compare and then it will go live on 30th of September.

Questioner: So, which is a good enough time to be as to be sure...

Management: So, that is for this. Same way for the other one we have kept a 2 months UAT. So, I think.

Questioner: Other LMS, sorry.

Management: The LOS, LMS. We kept 2 months.

Questioner: 2 months. So, September and October you do it 2 months parallel?

Management: We will kind of do a UAT along with the SAT, UAT and everything will go on for 2 months and I think that should be good enough. But as I said it is basically the business requirements it is a UIUX which will and the flow which will change more than the business logic. The business logic is almost the same across the industry it is not much of a change.

Questioner: So, even from a underwriting standpoint or may be NPA recognition standpoint all those things do not really change much?

Management: Nothing changes.

Questioner: Nothing changes?

Management: Nothing changes. Yes, yes. Absolutely.

Questioner: So, from a benefit standpoint how is this obviously one is that obviously we have to upgrade to a better software, but is there anything else that we have called out that how is we going to...?

Management: See we have a lot of new modules which are not there like our GL package we are upgrading to a much better package. We have a deposit package, we have a HRMS which is not there, DMS was not there which is now all going to be there in this, we are getting the new gen for DMS from new gen, okay.

Then this treasury module entirely treasury ALM borrowings which is and this thing which was not there is coming in here. So, obviously these are the additional things the lot of manual things that are there already have been done, but some of the things which are left out are also going to happen over here and they will be automated. So, definitely that will help.

Questioner: So, nothing on terms of may be disbursement getting slower or something not anticipating?

Management: We will see next quarter one would have expected that 2,500 this quarter. So, may be 2,800 or something next quarter, but we will still we are planning to make it 2,500 for next quarter and then we will cover up in Q4. We also...

Questioner: And that is partially because of the...

Management: Because of the implement, yes. So, we also know that may be -- so, we are already going to we are internally we are targeting 2,500. So, that we know that we can still match the numbers with push in Q4.

Questioner: Sir, then in this quarter we had seen a bit of increase in GNPA right sir 333 had gone to 378 which is little higher like book has gone up by crude weight 2 percentage, NPA has gone up almost 15 percentage roughly, give or take. So, why it has happened sir?

Management: See first quarter in every year for the last 3 years if you see the cycle or beyond that also you see Q1 in everywhere it is the cycle is there. FY24, it went up by around INR32 crores. At that time our book was around 31 -- INR32,000 crores. Then in FY25 it went up by INR39 crores, at that time our book was around INR35,000 crores.

This year it has book has grown to INR38,000 crores, this number has become INR42 crores. So, in line with that it is a cyclical thing which happens. The first quarter it shoots up second quarter it almost stabilizes or there about and then started starts to come down in the next 2 quarters.

So, it is more of that only, plus as we had mentioned in our earnings call also that this time about 96 accounts almost INR13 crores, INR14 crores or something we have also allowed to move because there was sticky accounts continuously in SMA2 and the customers were also it was more of a not an ability to repay, but more of a willingness issue where they were just troubling. So, we said might as well allow them to flow we will then take action under surface.

Questioner: Okay.

Management: But otherwise if you see in Q1 our contrary to the normal cyclical trend, our delinquency is in absolute value have come down compared to March.

Questioner: Okay.

Management: In -- on 31st March our total delinquency SMA012 plus that is plus NPA was around INR4,266 crores which came down to INR3,980 crores. There was a INR280 crores reduction in absolute value in terms of the total delinquency.

Questioner: Okay.

Management: Which again even in today as we speak in August is again down. It is below 3,900.

Questioner: Okay. On a higher book?

Management: On a higher book. In absolute value it is lower.

Questioner: Okay. So, at peak what was it, sir? Like, today you are talking about 10%.

Management: In December, December was the peak because that time, we also had an additional impact of this change in regulation where the advance CMI from 1st October was removed. So, at that time our peak was around INR4,880 crores or something was the peak.

Questioner: Almost 12.5 percentage, now we are at 10 percentage, I think.

Management: Below 10%, yes.

Questioner: Okay.

Management: And ideally, we should be around 8.5% to 9%, that will further come down.

Questioner: So, credit cost currently is I think 0.25%, right sir?

Management: That is including the management overlay.

Questioner: Okay.

Management: It will not be 0.25 it is below 0.2.

Questioner: Last quarter INR25 crores?

Management: That is quarter, but for the whole of last year including everything it was around INR75 crores which is below 0.2%. And if I exclude the management overlay which is around INR25 crores, then it is only 13 bps.

Questioner: Okay.

Management: 0.13.

Questioner: So, it will be in similar range only, sir?

Management: We are getting for 15 bps. It will be below that only.

Questioner: Good sir.

Questioner: So, sir actually obviously no from the ROA and ROA standpoint obviously nothing really it is actually the growth which has to really make up on that. And from a regulatory standpoint, I think do we -- now broadly have a clarity on that that the bank and the HFC front.

Management: Right now it is not at all.

Questioner: Discussed?

Management: On the table. No, it's not on the table.

Questioner: No because another new thing came recently on media was that even within NBFCs if you are, say a Bajaj also does lap and Bajaj housing also does lap. So, that also might not be restricted. Is there any merit in that news?

Management: I do not think that is.

Questioner: Because obviously these things when suddenly after entities have become so large you keep regulatory it keeps changing.

Management: That is what happened also, I think the new RBI governor also mentioned I think some -- at some point I think immediately after taking charge that, we only have given then the...

Questioner: License to approvals, right?

Management: Approvals. So, I mean.

Questioner: And so obviously, I mean right now obviously the growth has slowed down for some more for micro reasons. But clearly at one point in time obviously Canara Bank was obviously very keen on the stake sale and everything which was more regulatory driven in your view?

Management: More regulatory driven.

Questioner: So, otherwise if the regulatory push is not there, there is no hurry or there is no discussion as such right?

Management: I do not think that is at all.

Questioner: Okay. Sure sir.

Questioner: Sir, in terms of liability management any key actions you would like to highlight sir?

Management: In terms of liability, see we believe today as I just mentioned it is kind of a cycle where we are at almost bottom. We have already taken an approval in the AGM from the shareholders to go up to INR10,000 crores additional borrowing this year in terms of our NCDs. So, that we will be able to block at this rate and try to get something. That is one thing. Otherwise in terms of our liability management, in the last 2 years we moved all our [MCLR limps 0:36:00].

Questioner: So, incrementally NCD comes at what price sir?

Management: Today if we were to go 3 years we would probably get anywhere between 7 and 7.25.

Questioner: Okay. So, [GSEC plus 0:36:10] 50, 40, 50. Sure sir. So, that is and bank borrowing is today at what rate sir?

Management: Bank borrowing highest is around 7.28.

Questioner: Okay.

Management: 7.25.

Questioner: But only thing there is a risk of like...

Management: If the rates go up that is also....

Questioner: So, they are repo-based or what sir?

Management: 80% is repo-based, about 20% odd is about [inaudible 0:36:34].

Questioner: Okay.

Questioner: So, both are vulnerable.

Management: Both are vulnerable. That's why I was saying that you know...

Questioner: How quickly I think you were initially having higher on MCLR and then you were able to switch over to reprobates.

Management: Last 2 years.

Questioner: So, banks generally because of the relationship tend to change this or how does it. Is it a fight or other?

Management: Of course, you have to push.

Questioner: Push?

Management: Because frankly speaking when I in March '23 I think we had 40% linked to MCLR, 40% linked to repo and another 20% linked to [inaudible 0:37:02]. That 40% we had to convert some of them we had to prepare also. Some of them we had to push them to and make a pre-permanent close.

Questioner: Understood. Okay. Okay.

Questioner: So, NCD means to go to what percentage sir?

Management: It -- see, it depends on how much we are finally end up raising, but yes it could go up to around 25%. Right now it's around 20%.

Questioner: Okay. Not material change?

Management: No, but then if INR10,000 crores for book we are able to block for the next 3 years then when the rates go up also in another 6 years, 6 months to 1 year anytime if at all it will go.

Questioner: Correct sir. But since you are taking existing stock is around what 8,000, sir? NCD

Management: NCD? Currently it is around. 7,000, 8,000, 10,000, yes.

Questioner: And there will be a runoff, right? So, 2,500 runoff you will have to repay like maturing NCDs you have to repay and if you are taking 10,000 you should be at 15,000 right, sir?

Management: That's what I said, depending on how much we end up raising.

Questioner: Yes. But why will people not give you sir?

Management: It's not a question of whether they will give us or not. I mean that is one of the things today at least from I can confidently say that today the appetite is definitely there and if today we go to the market with the INR10,000 crores immediate in one single shot I am sure we will be able to raise.

Questioner: Correct sir.

Management: That's not the point. Question is rate, what is the rate, how much you want to do. And second thing is frankly speaking another thing on the liability side that we have done is we have ensured that there is no bunching of liabilities because it affects our LCR also. So, today if you were to take say INR10,000 crores we would rather take in in 10 to 15 tranches of INR500 crores to INR600 crores, INR500 crores to INR700 crores, INR750 crores not beyond that in one single tranche.

Questioner: Understood sir.

Management: Because in that particular month there will be a liability and there would be some bunching. So, from the LCR point of view today we are at 85% regulatory requirement of LCR. From effective December, it will increase to 100% LCR requirement, liquidity coverage ratio. So, obviously we can't have bunching of liabilities in one single month.

Questioner: And you are today at what ratio? You are maintaining the minimums only?

Management: No, no. 85 is the regulatory requirement, our Board has stipulated 100.

Questioner: So you are already at 100?

Management: We are much more than 100, way beyond 100 actually.

Questioner: 100 for how many days, sir?

Management: So, we are maintaining for the next 30 days we have to maintain. We have to -- it is on a daily basis. At [inaudible 0:39:30] you have to maintain on a daily basis. We are monitoring on the next 60 days and ensuring that we are -- in the next 60 days we have absolutely no problem.

Questioner: Yes.

Questioner: Thank you, sir. Okay. But really impressed by your thought clarity sir. Hope just growth just picks up and.

Management: Yes, yes. I mean that growth is we have done this branch expansion, we have done this sales team also and so much of technology that we are doing in terms of the even in the CRM and all those things.

Questioner: But any product related white space is there, sir?

Management: See.

Questioner: Like you are under indexed to lab or you are under indexed to?

Management: Lab definitely.

Questioner: Affordable housing. You would have done a mapping method, I mean we have 30% market share, easier we have only 5% market share, we can take it.

Management: See today there are a couple of things that the Board has identified for FY28 5-year strategic plan is one is salary to self-employed. We were at around 73% salaried in March '23. We said we are open to go to 65%. So, effectively it means that our self-employed will increase from 27% to 35%.

So, that is something where we will get a little bit of a spread benefit. Okay. Second thing is lab or rather non-housing. Our non-housing was about 11% in March '23 excluding CRE, I am saying. So, housing plus CRE was 89%, non-housing was 11%. That we said by FY28 we are open to take it up to 20%. So, 80-20, 89-29 can move up to 80-20.

Third thing of course the geographical spread we had 73% south and 27% rest of India. We said we will take it up to 60-40. And the fourth thing we have to reduce our DSA sourcing from which was around 85% in Q4 of FY23, '24 to sorry FY23 to we will bring it down to 60% by FY28.

Questioner: Do you think all of this benefit will flow down to the P&L or the competition will actually you know...?

Management: No.

Questioner: Or this will support more growth than the [IOS 0:41:41]?

Management: Because by cashing in a little bit on the SCNP and on the lab we will be able to slightly improve our yield which we can pass on to slightly improve our ticket size. Because with the CLS is not picking up the way it is in this present form definitely the affordable housing growth rates are coming off.

Questioner: But are you talking to government, sir, or [inaudible 0:42:08]?

Management: We are talking in the sense that, very frequently we are having now meeting on this PMAY review. As recently as about a week or 10 days back there was another review. So, now what is happening is that across the industry everywhere the PMAY pickup is very, very slow.

Questioner: Correct, sir.

Management: So, NHB is also talking about doing some kind of advertising. One relaxation that they have done is that instead of having a 30-day window earlier it was that if your loan is given within 30 days you have to claim for this PMAY. Okay.

At least they have opened up saying that from the start date of the scheme which is in September 2024 anytime if it has happened you can still claim today so that the benefit can go to the customer. The customer should not end up losing just because enough marketing was not done or clarity was not there, or companies did not have their own dedicated PMAY product. So, because of that that relaxation has happened.

So now I mean we will be pushing probably we will be calling up some of our older customers also who have taken from September onwards. So let's see if something has picked up.

Questioner: But largely the problem is that they can't get the refund at one go, right? They have to take it on a temporary, and that's the reason the uptake is low, right?

Management: That is one of the things and supply is also another issue.

Questioner: Sir, any on the SMA front while there has been just one large IT company which has done some layoffs, but generally considering we are so high in Bangalore are we seeing any rise in SMAs which are unusual in accounting for seasonality? No unusual.

Management: Not in our segment.

Questioner: Not in your segment?

Management: But I guess some of the other players are experiencing like Bajaj called it out in their earnings call.

Questioner: Yes.

Management: Because at least the smaller ticket really affordable segment I believe there is a little bit of a stress.

Questioner: Okay.

Management: Because wherever there is some overlap with the micro finance or with the very small ticket MSME or where people have gone for micro lab, I believe these are the segments where...

Questioner: Still showing signs.

Management: Maybe, yes.

Questioner: Sir, mid-size developer funding are you looking, sir?

Management: Not developer funding. Not at least in the near future. Actually...

Questioner: No, I was just thinking what are the white spaces we have...

Management: Yes. So, developer funding particularly and also hard core affordable will require a complete different skill set which our present team does not have.

Questioner: Okay.

Management: So, even if it has to be done, it will have to be done in a very gradual manner.

Questioner: Correct, correct. But somewhere some start has to happen?

Management: See affordable piece we have at least taken a one step. We have launched a product called Canfin Vishwas. There -- so far, we are giving only based on salary slips or on the base of the ITRs filing.

Questioner: Yes, sir.

Management: So, in this particular product we are going to consider customers based on their cash flow or based on their credits through UPI. So, if they have people who are, say for example, this urban clap people whenever they go, they just get their you know...

Questioner: Payments or something via UPI.

Management: Payments through UPI. They don't, most of them actually don't file ITRs and all.

Questioner: Correct, sir.

Management: So, they don't today come under the ambit of our existing products. So under this product we will be able to consider for the last 2-year UPI transactions we will consider. Based on that we will work out the cash flow and based on the internal norms.

Questioner: And -- up to 20?

Management: Yes. It will be higher. It will be almost 1 percentage higher than what we are giving today to that segment.

Questioner: Sure. No, sir. Why I told because see you get the developer in. And then what happens there is a, like in that project you will get the ecosystem in. Like you will get multiple customers from that.

Questioner: I think we have seen all of it. Blowing out. Really. Not getting to it.

Management: [Inaudible 0:45:56] done this?

Questioner: Yes, a group and actually...

Management: But we are not insisting on the customers, because the customers would still take a loan from SBI and HDFC, even though we have funded it. So everybody says that if you have funded it, you will get the loans. It doesn't happen always.

Questioner: Yes. Sure, sir.

Questioner: Thank you so much, sir. Thank you.

Management: Okay.

Questioner: Thank you, sir.

Management: Okay.