

Transcript of Recording (50)

Management: We are recording. Yes, we just recorded actually, because we are putting up the transcript on our website for all the...

Questioner: Are you recording the... No, it just started. Yes, that's fine, no problem. Because it's recorded.

Questioner: So, yes you joined the company from Bandhan Bank, before, which we happen to be seeing soon in Kolkata, when we're again there. Why did you come to Can Fin Homes?

Management: See, basically, my going to Bandhan was by accident. I'll tell you what, I joined, started my career with a company called Gruh Finance, if you remember.

Questioner: Yes, of course, yes, yes.

Management: So, I was with Gruh for almost 22 years.

Questioner: Yes, yes, of course, yes.

Management: Do you want anything? I'll just help myself.

Questioner: Good, thank you.

Management: I don't mind a cup of tea, masala tea. Black tea. Black tea.

Questioner: Black tea, green tea, masala tea.

Management: Yes, sorry. So, in 97, actually, I joined Gruh Finance, and I was there till the time of the merger. And then when the merger happened, that's how I actually ended up in Bandhan. And, of course, as a, senior team member there, it was kind of a moral thing. We will be there, see the thing, and then after three years, I said, I think it's time to move on. So, that's how I came back to the housing finance field. Otherwise, I was throughout in Gruh Finance.

Questioner: And what was your mission? When you were recruited, what did they ask you to do?

Management: In Gruh Finance?

Questioner: No, no, in this one. What was the mission?

Management: Yes. In Can Fin Homes. So, actually. So immediately after I joined, we had a, Board meeting for our strategy, because every five years, we have to draw up a strategy for five years.

So, basically, there were four or five key pillars where we wanted to work upon. One of it was that the company was, at that point in time, was almost 85% of the business was coming through the DSA channel. So, one was that we needed to build our own sourcing channel, diversify with a couple of others.

So, one was our own sales team, and the second was also have a digital channel or something so that we have, we can bring down the sourcing through the DSA network to somewhere around 60%. So from 85%, we wanted to make it to 60% by FY28. So, that was one key.

So digitalization, we say. One is digital onboarding, and second is our own sales team. Because, when it is through a DSA, of course, while DSAs are also have proven to bring good quality business only, because eventually credit is done by us.

But at the same time, DSAs also have a tendency some that, after two, three years of the portfolio, they generally move the same book to another lender or things like that. That is one. Second thing is, the DSAs, they choose us and give their kind of loans that they want to give to us.

So, it's not always that the kind of customer profile or segment that we want to cater to. So, if we have our own team, we can definitely focus on our own segment and profile of customers and all those things. So, that was the reason we said we must have our own sourcing channel. So, that was the first point.

Questioner: AAVAS does everything themselves, right? At least in the past, they source all the...

Management: They have connectors. They don't have DSAs. They have connectors. And they have their sales team, yes. They have a huge feet on street team. So, the second thing was that, being a south-west and a Bangalore-originated housing finance company, we had 72%-73% of the portfolio was from the southern five states.

And rest of India, we had a large number of branches, but the sourcing and the book was only about 27%. So, we wanted to slightly diversify and reduce the geographical concentration risk. So, we said that by FY28, we should bring it down from 73-27 to 60-40.

That was the second target. The third target was that, Can Fin is mainly into salaried segment. At that point in time, 73% was salaried segment and 27%, again, coincidentally the same set of numbers, but was self-employed.

Now, self-employed slightly gives a better yield. And so, we also said that we are open to slightly diversify and make it to 65-35. 65% salaried by FY28 and 35% self-employed. And the fourth one was geographical concentration, this thing, and the fourth one was the product segment. our March 23 numbers, we had 89% of our loans were purely housing and non-housing, which is lab, top-up loans and all those personal loans was only 11%. So, that also we said, including CRE, we are okay to take it up to 80%. 20%, we can have a non-housing, so that this can also give a slightly better yield.

So, these were the main four pillars or the four more areas, main areas. And then, of course, one more big challenge was that the company had taken a LOS, LMS and a software package way back in 2011.

So, it was a very outdated kind of a package, a lot of upgrades were required. And generally, it was time to move on also. So, the IT transformation was also another major project that we had

in mind, which before I joined, the company had already floated an RFP, that is a request for price and request for proposal.

So, that was already initiated and the company was looking at a very mega transformation, including the change in the LOS, the LMS and a lot of other new packages, because the company didn't have a HRMS package, did not have a proper CBS kind of a GL package and all.

So, that project was also there, which also now we have implemented or rather we have already initiated. IBM has been selected as a partner for us, and they are bringing a whole lot of security infrastructure as well as on the technical side, various OEMs to meet all our requirements.

So, that is a INR300 crore project, including the capex and opex spread over 7 years. So, that has also been initiated. In fact, November is the month where we will be doing live on this entire new package.

Questioner: When going through this presentation, a few things struck me. It looks to me like you, Can Fin Homes, is very conservative.

Management: Conservative.

Questioner: Your spread is half of the spread of us.

Management: Correct.

Questioner: Your NPA is less than 1%, which we don't, your growth NPA is less than 1% and net NPA is half of that.

Management: Correct.

Questioner: I mean, these are very, very low numbers. Your NIM is half of us. So, all of that tends to make me think that you are very conservative. So, is it because Canara Bank is asking you to be very conservative, which is possible, that could be the mission of not taking risks?

Management: Why not?

Questioner: That's the strategy. The other thing, the other explanation, and I would love your views on that, I would look at your management team and with the exception of three people, everyone has been there for more than 30 years. And a company needs new blood from time to time. He's the new blood. You are the new blood. That's why I'm asking you. I would not be asking these people.

You are the new blood. So, is my assessment correct? In other words, well, actually, is it Canara bank that forces you to be very conservative? Or is it because the company needs new blood and you've been hired to basically bring the new blood?

Management: See, you can say that, yes, because the origins are from Canara Bank. And therefore, most of the time it is only, I only happen to be the second MD who is not from Canara Bank. Previously, all

the MDs up to 2019 were, supported from Canara Bank and used to come here on deputation and work and then go back to Canara Bank.

So, obviously, most of the policies, most of the practices and, of course, are kind of driven by or basically coming from Canara Bank, no doubt about it. But at the same time, because we also are a part of Canara Bank conglomerate, so therefore a lot of, regulations which otherwise are available for housing finance companies are because of being part of the Canara Bank conglomerate, also, monitored by Canara Bank, therefore have to be reported to the RBI and all those things, which otherwise, till some years back, it was only NHP which was a regulator for housing finance companies.

So, to that extent, there was some, there is, you can say there is some hangover impact or whatever of Canara Bank, definitely. The second part as to, yes, also because, HR policies, recruitment, everything.

So, there have been people who comes and by and large the company has been a, a kind of a consistent performing company. Therefore, people have generally stayed. So, longevity of the people is definitely there, unlike in many other places where staff loyalty or people, even as you speak, our attrition is just about 14%.

It's probably among the lowest in the industry. But another reason for that low attrition and people not moving is basically because the business, unlike in other places, which comes through the market, through sales teams and all those things, was mostly coming through DSAs and therefore the people were mostly, it was mostly a credit driven organization rather than a sales driven organization.

So, it's basically people bringing the entire, the team was more focused into credit, more focused into, ensuring the compliance and all those things rather than, going out and fighting for business and getting it because it used to come because of the DSA channel.

So, I think this is the, probably the reason and of course, as a choice, it was decided to go more for the salaried and in fact, as I said earlier, it was almost 73% was purely salaried segment and it was purely salaried. Therefore, it becomes and slightly, the ticket size being 25 lakhs, unlike Aavas or Aadhaar or somebody, the ticket size is also something where, you get a more, people who are documented income proof is more. Therefore, the rate of interest also has to be sensitive.

So, in that sense, the segment which has been selected or chosen is like that. But of course, it has had its benefits also in the sense that for the last many, many, many years, the GNPA probably has never crossed 1%. And in spite of that, with the lower margin also, the costs have been kept low and therefore, the ROA has been 2.2 and ROE 17. So, ROA, ROE wise, it is still, very good in terms of the market.

Questioner: It's profitable, low risk, steady, but not growing fast.

Management: Not growing fast, I would rather say is more because as I said, we had these technology issues and all those things. Going forward, yes, the idea is obviously the whole thing of shifting from a little more from salaried to self-employed, from housing to the little more of non-housing,

reducing and having our own sales team. And in fact, in the last couple of years, we've also brought about some changes in terms of HR policies, in terms of like we've introduced ESOPs for the first time last year.

The first tranche is yet to be best though, but the first time we have brought in ESOPs, we had a complete compensation benchmarking. So, that's why we've tried to, slightly make it more competitive in terms of the salary and all, so that we can also attract lateral talent.

Questioner: Explain to me, how does the Board work? I mean, you have one, two, three, four, five Independent Directors, which is great. Yourself, yourself and the Canara representative. So, who makes the decision at the end of the day? Is it the promoter? Is the promoter, even though he only has one seat, is he the one who's calling the shots? Or can you push for whatever strategy you would like to see being implemented?

Management: Sure. See, I can't say about the past, but definitely if you talk about the last two years that I've been here, in fact, we have brought in a lot of changes. Like for example, the ESOP is one thing which, even Canara Bank does not have.

We were the first in the entire Canara Group to come out with ESOPs. Even this, so individually if you look at the day-to-day operations, the entire, this thing, everything is purely as per the, the management, which is the Executive Directors that we take. That's no interference or no involvement of Canara Bank.

At the Board level, yes, of course, there is a guidance and all. So there is a little bit of conservatism, you can say, coming from the banking, because of the banking history. But otherwise, there is, independence is there, because the four or five points that I mentioned are the points basically which, before I came and appeared for the Can Fin interview, were the points which I had gone through and witnessed or seen in the Annual Reports also.

So these are basically the points which are put up by the management only that we want to make these changes, which was accepted by the Board. Even this IT transformation, if you look at it, it has absolutely been going through fine. November is the deadline, and in fact today also we had the IT strategy committee. It's absolutely on track. So, to come up with actually a INR300 crores investment for a thing is also something which, without the Board approval or the progressive Board, it would not have happened.

Questioner: But these are all operational matters. It's about the organization of the firm and how the company operates. I'm more concerned about, and my question or concern is I'm more interested in your views about the future, where will be Can Fin Homes, let's say, 2 years from now? If I look at your presentation 2 years down the road, will it look the same in terms of business model and what you're doing and how conservative it is?

Questioner: You just need to, in 2 years' time, you will have to deliver the fact points, right?

Management: Yes, absolutely. Correct, correct. Absolutely.

Questioner: Because you are halfway through, you have a 5-year plan.

Management: Absolutely, correct, correct.

Questioner: Halfway, at least 2 years in the strategy.

Management: Yes. So actually on all these points, if you look at it, the first point from 85%, we have been coming down. We brought it down to 79%. It's a little slow, but then mainly it's because we also are waiting for the IT transformation post which the digital onboarding can also start in a big way.

And the sales team has already been put in place. We have now got about 100 people who are on their feet on the street who are sourcing business. Earlier we did not have any linkage or any kind of tie-ups with developers for not project funding, but sourcing leads from the builder's side.

So we've now got the sales team is also focusing on APFs, that is Approved Project or Advanced Processing Facility. We are doing that also. That is also something which has been started, which was not there earlier.

So the sales team, the APF tie-ups, the branch expansion, because we opened about 39 branches in the last 2 years. This year also we are planning for 15 branches. So all those definitely are towards a much higher growth trajectory.

Definitely not the 9% that is currently there, because more than anything else in the last 2 years we have also put a lot of effort into strengthening the compliance, basically the assurance functions, compliance, audit, risk and legal. So, that also a lot of effort has gone into it, a lot of process changes and improvements so that we can deliver more in the years going forward.

Questioner: So, where do we stand in terms of housing finance industry cycle? Because I checked the share price of everybody. In the past 3 years it hasn't been great.

Management: True, true.

Questioner: The previous times were better. And I -- we personally feel like everything turned when RBI started to tighten. They were concerned about micro-financing. They specifically targeted them, and they were punishing Paytm, and they were punishing banks. So, basically, they went ahead and punished everyone for risk that was there. And we feel like all the housing, actually NBFCs, in general, have not been doing well. And now you are on a rate cut cycle, started maybe, like, last year.

Management: Correct.

Questioner: The tone became more dovish. What -- where do you see things going forward?

Management: More than the risk or the regulation part of it, I would say, it's more the government incentive. If you see the years from 2013 or '15 and for about 7 years, 6-7 years if you look, one after the other the government kept on giving incentives. Either in the form of tax incentive or in the form of reduction in the risk weightage or relaxation in some of the lending norms and all those things.

So, basically that was and of course the government incentive which came by way of the CLSS, Credit Link Subsidy Scheme and the Pradhan Mantri Awas Yojana. So, basically this is what actually pushed the industry from 2015 to 2020 or whatever. The last 2-3 years of course the incentive in 2022, the CLSS was stopped. It got over and the new one they said they have just launched the ISS2 or PMAY 2.0. So, the government incentive was one big thing which actually push the industry.

Questioner: The housing finance industry?

Management: The housing finance industry. And during that period, almost a lot of other players. And in fact even the regulator. Earlier there were, before Awas, if you see there were very few housing finance companies. It's only during the time I think when Mr. Sriram Kalyanaraman came in and that a lot of housing finance licenses were given. And then started a lot of new companies coming into housing finance.

And, of course, I mean not to mention that affordable housing, which was not earlier accepted, was also started getting a lot of acceptance because the success and the performance started showing in the affordable housing finance companies also. So now what has happened is the government incentives have been withdrawn. And so obviously there has been some kind of slowdown in that.

Particularly in the affordable housing segment which has now kind of come into the single digit growth numbers. So if you break it up into affordable housing up to 15 lakhs, 20 lakhs, then the mid segment up to say 50 lakhs and above 50 lakhs which is the prime segment then the affordable segment is growing the slowest among all three of them in terms of the new house construction and this thing because without the incentives the developers are not actually bringing in the supply.

Questioner: But your segment is not affordable part?

Management: We are a little above that and definitely we are not prime because our average ticket size is 25 lakhs. So are there growth steady even today, I mean, the industry is showing about 12% to 14% is the growth rate in that particular bracket.

Questioner: So what about next 5 years?

Management: At least 15% is what we are looking in the next year that is FY27. This year, of course, FY26 we would end up around 12%, 13% kind of growth. Next year we are targeting 15% and obviously that is to aim is to keep on pushing beyond.

Management: So 13% this year Fiscal Year 26, 15% next year Fiscal Year 27 top line?

Questioner: And the government incentives will never come back?

Management: It is not that they won't come back I am sure the government is also keen to push because when they launched Pradhan Mantri Awas Yojana again. This time of course it is not the same, it is

not as lucrative as the previous offering. So it is not picked up. Even just a few days back we had a meeting of all the affordable housing finance company.

None of them had the numbers to show actually. So there is definite concern why it is not happening. And probably the government will kind of tweak it so that it can become attractive and people push it more. Government is definitely keen to do something, but the present form in which it has come out probably has not given the desired results.

Questioner: And in terms of regional coverage, today you are in how many states?

Management: We are in 21 states. We have presence in 21 states, total of 234 branches. And this year we are opening another 15 so that will make it 249. And predominantly as I said we are in five Southern states so that is about Karnataka which is about 30%, 32% is Karnataka. So out of the total 39,000 odd crores of outstanding portfolio, we have about a little less than 11,000 is in Karnataka. We have about 7,400, 7,500 in Telangana.

In Tamil Nadu it is about INR6,700 crores portfolio outstanding. North zone is about close to 5,500 and so also is the West zone. And the smallest is East zone basically Andhra Pradesh is the main state in that which is about INR3,500 crores.

Questioner: Karnataka had some negative [inaudible 0:23:41]?

Management: Negative as in yes the growth has been affected because they have gone for a digitization of all the land revenue records and all those things. So now everybody has to get for an e-Khata that is an electronic land register document, and then only they will be able to execute any transaction or register their sale.

So that has slightly slowed down but it will pick up. I mean it is a transitional kind of a thing. It has already now 9 months have passed. They brought it in around end of September 24. So it will take a while to maybe settle down but in another six to eight months I am sure this will smoothen out, and it will pick up.

Questioner: And other states would not have such?

Management: Tamil Nadu is having very good digital records. So also Telangana, Gujarat, Maharashtra mainly these are the five big states where maximum number of housing finance companies are there, and maximum amount of disbursement is in this. Maharashtra is the number one, then Tamil Nadu, Karnataka, Gujarat and Telangana, but basically West and North and South these are generally by and large well developed markets. In terms of records and all, in terms of land records and all, most of the things are kind of sorted out. You may not have digital records, but at least you can go and get the records.

Questioner: And if we look at your name and your spreads, in that the numbers would be higher in the South than in North? Or you do loan money at the same rate?

Management: It is the same rate.

Questioner: It's The same rate everywhere? It is the same rate everywhere. It's all purely dependent on the customer's individual profile. Of course. So, there is a rating and then the product. So, like in housing, new purchase, salary would be the lowest. Non-housing, non-salary and with the lowest civil score would be the highest. So, I mean it is all...

Questioner: You can differentiate by geography. Now being a housing finance company, are you allowed to do something else than housing finance?

Management: Yes, in fact we have a 60-40 ratio. 60% minimum has to be, there is a primary business criteria.

Questioner: Okay.

Management: So, you have to have 60% minimum into your housing and in broad terms; of course, there are calculation methods and cash and all those things. But 60% of your book size has to be in long-term housing, which is purely housing for purchase, construction, extension, repair, renovation. I mean you can't say that you are given a house, but it is a LAP. So, LAP will be non-housing, top-up loans, which are for consumption or for...

Questioner: LAP is considered...

Management: Non-housing.

Questioner: Interesting. Loan Against Property.

Management: Loan against property, yes, because the end use is not for construction.

Questioner: Yes, yes. Yes, it is for refinancing something existing. And so today, what ratio do you have?

Management: We were at 89.

Questioner: 89%?

Management: Which has now come down to 84.16%. Sorry, 86.14%. 86.14% and we are moving towards 80.20%.

Questioner: Okay, so, the business you are growing outside of housing finance is what?

Management: We are also looking at, yes. We are looking at up to 20%.

Questioner: So, LAP, you mentioned...

Management: LAP is there. Top-up loan is there.

Questioner: Top-up?

Management: And a little bit of personal loans we are giving. But that is a very, very small number. Basically, you can say LAP and top-up.

Questioner: And I guess the personal loans is unsecured?

Management: Everything is secure. 100% secure.

Questioner: Even the personal loans?

Management: Personal loans also...

Questioner: It is more complicated.

Management: Your personal loans. No, not that kind of... We call it personal loans.

Questioner: Yes.

Management: But it is basically, I mean if it is an existing customer comes for some amount for whatever purpose, basically we have the mortgage only.

Questioner: Okay. So, it is an add-on. It is an add-on.

Management: It is an add-on basically.

Questioner: Okay. So today 100% is secure.

Management: 100% is secure.

Questioner: How would your board react if you were to propose to stop doing unsecured?

Management: I think if you go with the proposal in a gradual manner, I don't think they will have a problem because the issue is more of the skill set. Like you rightly said, the entire team, we have a large, group which is basically been doing purely salary segment, housing loans in certain geographies.

So, any new segment, any new product would be a kind of a new learning for them. So that will have to be slowly, they will have to be groomed or maybe we will have to get talent and develop the skill set. But in a gradual manner, I think it is fine.

Questioner: So, all these four or five KPIs for you two years ago, after you achieve that, it looks like you will get there, right, in two- or three-years' time. After you achieve that, would they push it further? Let's say, okay, going from 85% to 60%, next step is to go to 50%. Do you think you are going to stop there, or you are going to go further towards similar direction?

Management: No, we can go further also. Because there is tremendous scope, like if you say 80%-20%, as I said, the regulation is going up to 60%-40%. But I think, there is still a lot of scope for housing also. Other like, for example, developer loans.

As of the moment, we have not planned on any given developer loans. That is actually a very lucrative product also. We have not planned on any developer loans. But going forward, that can be considered.

Considering that we have, so far, our entire growth has been purely and purely organic growth. There is no inorganic kind of element to it. Like, we are not doing any co-lending where we are the principal lender or the majority lender. We have not done purchase transaction.

Today our capital adequacy is almost 25%. Tier 1 itself is about 24% plus. So, we have actually a very good scope to, be the purchaser of portfolio. If you want to grow by purchasing, acquiring portfolio and releasing funds for some of the other smaller players. That also we don't have.

Inorganic methods of growing are also possible. Developer loans is another segment which can be considered. And some more, newer products on a gradual manner. Like we have just introduced a product called Can Fin Vishwas, which is basically our first foray, you can say, into our appraised income segment. So far it was purely documented income proof.

So, this is one product we are launching for the appraised income, wherein based on the customer may not have documented income proof like ITR or something. But if they have, steady cash flows coming in by way of UPI payments from, like for example, gig workers and all. For them, based on the transactions through UPI in their bank accounts, we can kind of assess their income and we will be able to give them a loan. There we will cap it at 20 lakhs of course. That's what we have meant. That we have just initiated. So, over a period slowly we will try to build that kind of, that book and all.

Questioner: That's also add-on, or is it?

Management: That's something we just started, yes.

Questioner: Yes, but that's also secured?

Management: That will be secured. That is 100% secured and that is also housing mainly. Right now, it will be housing only. But at least in terms of the segment, it is a new segment we will be entering into, a customer segment, customer profile and two, it will be a little higher yielding product also.

Questioner: Yes, yes. Because it's more work.

Management: Yes, more of appraisal. Yes, more of appraisal.

Questioner: So, your yield on loan portfolio is 10%?

Management: Yes.

Questioner: What is the bracket and what is the minimum loan and the maximum loan rate?

Management: Minimum is 8.7%.

Questioner: Yes.

Management: That is for the salaried customer, for a new house purchase.

Questioner: So salaried, new house?

Management: With a CIBIL score of more than 775 or more than 750 CIBIL score would be getting around 8%.

Questioner: That's the credit rating?

Management: Credit rating, yes.

Questioner: 750 minimum?

Management: 750 plus.

Questioner: Exactly, 750 plus. Okay, so this guy, he will borrow at 8.7%? 8.7%. For how many years?

Management: This could be up to 30 years.

Questioner: Up to 30 years?

Management: 30 years.

Questioner: Fixed rate?

Management: No, it's all floating rate. Everything is floating.

Questioner: Everything is floating?

Management: Floating rate, yes. Yes.

Questioner: So just to clarify, they borrow this money to build house, right? And then your kind of own?

Questioner: Oh, to buy?

Questioner: To buy or to build?

Questioner: Buy or to build?

Management: Buy or to build, both. Doesn't matter? Doesn't matter. It's either for, as I said, construction, purchase, repair or renovation. But this is mainly for purchase or construction.

Questioner: Okay, so that's the safest customer, 8.7%. 8.7%. Okay.

Management: Somebody is a self-employed segment, is coming with only one year income tax return, and is coming for, say for example, a plot purchase, where he's purchasing a plot on the outskirts of the city. That's also non-housing or that's a, it's a part of that 14% that I mentioned. LAP, top-up and plot loans. So, if they come for that, probably they will get around 12% point something, 12.75% or something they would get.

Questioner: Again, floating is 30 years.

Management: Floating, yes. Plot loans we don't give for 30 years, it will be 15 years. But if it is, say for example, they are purchasing a, commercial property also, that would be longer term, yes.

Questioner: So, in the next few years, if you can grow the top-line by, because growth rate is very conservative, 4% for your growth until FY'27. Yes. Yes, barely 10%. Oh, yes. Okay. Yes. Low teens.

Management: Right now, it is low teens, yes. Correct.

Questioner: Yes, low teens.

Questioner: So, it's credible. Yes, absolutely.

Management: No, no, I said, you have come fully prepared, I have to be careful.

Questioner: Because from FY'25 to FY'26, it's around low teens. But then next year, FY'27, it's, it's.

Management: No, I'll just give you a background. So basically, I joined in March '23. And then immediately after that, we caught a large fraud. We caught a large fraud. We caught a large fraud in the month of July '23 itself. And there was some siphoning by, when some staff was involved. And they siphoned some money.

So, basically, we realized we had a lot of internal controls we had to put in. So, the last two years, we've actually completely changed our IT. We have strengthened right from onboarding to the time of, release of property. Everything we have in the process side, we have strengthened. We have changed our processes.

Many of the things we have even centralized or brought in additional layers of checking and validation. And we have also strengthened our, as I said, our assurance functions, risk, compliance, audit, and legal. So, with all those things done, that's one of the reasons why the last two years we've had actually a slight slowdown in the kind of business.

Because before that, if you see in one year's time, in FY'22, the previous thing, there was a sudden spot of almost more than 100% growth in one year. From 4,600, it went up to 8,900. So that was, that kind of a fast run is, where it led to some loosening of controls and also some issues. So, we've corrected that and now we are in a position where we can take it forward and with all the additional controls and all run fast.

Questioner: How much do you borrow from Canara Bank?

Management: Right now, the total exposure would be around INR3,000 crores or something.

Questioner: Which is how much of your liability side?

Management: Which is less than 10% of our liability side.

Questioner: Do you want to keep it that way? Is it like a target level or you can actually?

Management: No, we can, but then we are actually bound by this, related party transaction norms. they also have to give it at the rate that if they are giving it, what they're giving to us cannot be lower than what they are giving to other people also. And frankly speaking, our borrowing is probably the

lowest when it comes to the market. All the companies today, if you see, our borrowing cost is the lowest.

Questioner: Among the housing finance?

Management: Among the housing finance companies.

Questioner: Because your risk profile is very different.

Questioner: So, they cannot lend you, Canara Bank cannot lend you money at a preferential rate below their best customer?

Management: Correct. These are the related party transactions.

Questioner: I did not know there was a rule like this.

Management: Related party transaction and any transaction that we do with the parent or they with us, with the subsidiary or associate company, that has to be cleared by the audit committee. It has to, basically there are three things that they look for.

One, it has to be in the general course of business. You cannot do something just to, support somebody or something which is not part of the business. Two, it has to be in the general, at arm's length distance in the sense that it has to be. And third, it has to be reported and cleared by the audit committee for RPT related party transaction.

Questioner: And publicly disclosed?

Management: Yes, it has to be publicly disclosed. In fact, we have to take a prior approval at the AGM from the shareholders for the, we have to take an omnibus approval for up to what limit we will transact with the parent or they with us.

And that approval has to be within the omnibus approval limit that is approved by the shareholders. The board has to ensure, or the audit committee rather has to ensure that, each transaction is also monitored and it is there.

So, every quarter also to the audit committee we have to report the RPT transactions. There are standard formats. In fact, this year only they have, effective April, they have in fact increased the scope of the reporting and, the kind of things that have to be reported has also been increased. And it has to be published in a balanced annual report also.

Questioner: But the disclosure is on Canara Bank's side or it's on your side?

Management: Both sides.

Questioner: Both sides?

Management: Yes. If they have to do any business with us, they also have to take an approval. If we have to do business with them, we also. Both are listed companies. Both have to take an internal approval.

Questioner: Did you get the same rate from other banks?

Management: Yes. In fact, if we are giving them any higher rate, then we cannot borrow. The audit committee will not approve. So, today if you look at it, Canara Bank, we are, our term loans that we have taken about INR2,000 crores something, INR3,000 crores are at 7.1%. From other banks, we are getting in the range of 6.85% for short-term loans to long-term at 7.25%.

Questioner: And when you say it is less than 10%, the 10% is also in the law?

Management: No, no, it's not in the law. It can be anything. It can be anything, but it has to be approved by the shareholders, it has to be approved by the audit committee, and it has to be at arm's length.

Questioner: There is no limitation?

Management: There is no limitation. But today, in fact, we are able to get from other banks also at the same rates or better rates. We are also able to raise NCDs from the market at a very competitive rate. So, therefore, our borrowing profile, if you look at it, today our total cost of borrowing would be around 7.25% or 7.27%.

Questioner: And do you have bonds?

Management: We have.

Questioner: US dollar bonds?

Management: No, no, we don't have US dollar bonds. It's all in Indian currency. So, INR only.

Questioner: Excellent. Thank you. Anything else?

Questioner: I am good.

Questioner: Good. Thank you very much. Thank you.

Management: Thank you very much.

Questioner: So, do you like to work in a bank or in a housing financing bank?

Management: No, I am -- obviously, I came back to the housing financing company.