



“Can Fin Homes Limited Conference Call”

May 28, 2025



- Analyst:** Management overlay. Surprise, none of the other company have taken that. what is the reason and any, do you think it could be reverse engineering?
- Management:** Frankly, we just thought about 12 to 15 bps if we can carry as a management overlay across on a continual basis. Because, our both CCL thing or ECL, provision for our stage three is only about 45% to 48%. So under 15 odd bps means it probably at least about 60 bps would be the kind of coverage it could be there 60% coverage on our this thing would be there. So, that's basically the reason why we trust.
- Analyst:** 60% on home loans?
- Management:** No, 60% cover stage three asset, so we have Rs.333 crores. Our management over, our ECL calculation comes to around 45% of that so it's about 170, 160 or something is that will be the reverse.
- Management:** 158.
- Management:** 158 is what it coming for so another 59 crores we will have about 60% of our stage three will be covered, that way.
- Analyst:** But, we will 45% PCR is?
- Management:** Compared to the competition it is higher.
- Management:** Much higher.
- Management:** It is much higher, otherwise it is 27 to 32 that kind of thing.
- Analyst:** Not even competitive LGDs are non-dimension in the house loan, why we are taking and what model are we building ahead?
- Management:** No, see, first of all yes, we have a conservative assumption. From PD to LGD there is definitely there is a assumption of what is the tenure in which quarter one and the important ones is and how many years you expect the money to come back once the account goes into an NPA. Okay, so I do not know what is the assumption everybody else has factored in, but we have factored in, suppose like two things when once it is there what is the possibility of it coming out and what is the possibility of once you have acquired an account, what is the tenure at which you will the sold property will get sold. Obviously, does not take five years we have taken a conservative not that five years once an account is an NPA, or an account is put together, it will take about five years. That is definitely a conservative estimate that is why when the factoring it is coming to higher. Maybe the others have taken a factor of one year or two years that the property will be sold, or once it gets into an NPN two years, because some of them also have a two year write up policy. When account becomes an NPN in two years, they will write off. So obviously they will

take an assumption of two years, and the money will be recovered. So obviously those things factors are coming to the picture, as to what kind of assumptions you are taking.

Analyst: Sir now that this year we will be given the IT transformation projects likely in 3rd Quarter, so this year, while we have done some analysis on this, and we are probably on the fact that there would be some in fact disbursements, but we have seen some other cases, like Aptus where the one month of disbursements are stopped by the Awas also look like six odd ones, in their journey of transformation but how long do you think the disbursements would be impacted and anything that we are doing for that?

Management: See Avas or most of the players they have gone for a separate LOS and a separate LMS, so that becomes a bit of a challenge in implementing it.

Analyst: So in our case, when we upgraded we have already upgraded in last year from our existing version to a much higher version of our existing platform. There was absolutely just about 18 days of impact that we had. We implemented the turning of 4th and on 20th we were back to normal. So in 18 days or something, was the total impact that we had the day implemented it, it just went live. And in 18 days, we were back to the regular thing and that also we were able to manage. So same way LOS, LMS being the same, I don't think that problem of integration will be there if the data migration process happens well, I don't think this will be so much of an issue. So that is what we are working on, to see that first of all we ensure that the LOS and LMS is of the same vendor, so the integration between LOS, LMS is eliminated, where we have to do an extra work. It's a fully functional running LOS, LMS at Bajaj. So therefore the workflow between LOS and LMS is perfectly worked out, ironed out and it is fully functional. We are getting pennant.

Analyst: Same as Bajaj?

Management: Same as Bajaj and same as LIC.

Analyst: But the technology would be similar to Bajaj, or it would be, so they have moved to 100% cloud OS.

Management: 100% on cloud, our all servers everything will be on Cloud, everything is on cloud only.

Analyst: Everything will be on cloud from day one that we start implementing it all the branches, et cetera?

Management: Even now it is on cloud.

Analyst: Sorry?

Management: Even now we are on cloud only.

Analyst: Okay. AWS or which cloud?

Management: Ours is AWS.

Management: The one we are moving to is on AWS. Currently, ours is on Azure and to have a parity in fact, our existing vendor is also moving to.

Analyst: So, what exactly LOS and LMS will change?

Management: LOS, LMS, DMS we have very rudimentary DMS, which is like in patches, it is not a single DMS, which is from end-to-end, this will be end-to-end single DMS, right now we have, our CRM has its own DMS. Our, technical and legal models have their own DMS. So right now it is a separately big head. This will be a single DMS. So the LOS, LMS, DMS, we are going for HRMS package work line. DMS is from newgen, and infor is the GL package, because we don't need a CBS. It's a single product company so we don't need a entire full stack CBS. We are doing for infor as the GL this thing. And then we are on the technology, on the IT and the security side also, we are doing quite a few things like, we are moving from our current standalone MPLS to SD WAN technology. So SD WAN will give us a little more security. We are also going for internal security the FIN, FAN, soft we already have, but we are also going for Knock. Then in terms of our this mailing solutions, we have to a smaller vendor, but now we are going for Microsoft.

Analyst: But trident technology will upgrade the LOS and LMS both, right for us?

Management: Yes.

Analyst: And in few cases, like MCEG, we have seen the technology transformation last time more than one year. Any idea that they would have given you how much disruption would be there, whether that they would whether the process, obviously learning part would also be there for some of the employees, because they can do it beforehand, any rough idea what disruption?

Management: What we have done is we have already last year itself carved out a separately because we also had to move and upgrade our current render from this thing to a much higher version. And in fact, it was a monolithic application that we had from that we moved to a micro solution environment in the existing vendor itself. So for that last year itself, we carved out a separate team, Project implementation team, so that team has staff from every department pulled out and dedicatedly working for this transformation. We have also got a couple of people from the branches for the user side and everything. So that is one thing we have done, LOS, LMS same service provider we have that is one activity. Second is, we have got this project implementation team, which has been set up. The third thing that we have done is that, the training department which is there since around 93% to 96% is the match, either in the form of readily available or in the kind of, configurable kind of things that is there in the system. So there are new addition or the modification of customization that is requirement is very, very, very small percentage.

Therefore, the package is already running in this thing. But maximum you have to do is white listing. And most of the 95% to 96% of the functionality will be as is available. So the training department, that is we have a, they have already started to work on some of the modules, at least so that the training modules can be kept ready and everything. And what we plan is closer to the implementation date, which is somewhere around September onwards, we will probably start the training where we will call the teams and start giving them the training and everything on the new modules that are coming up. So this also, we have already planned, and in fact even this training and documentation and this SOPs and everything and presentations for this, also we have incorporated into our RFP, so IBM also is already on boarded and this that they have to also help us in ensuring these things. Plus we have also tried to see that, if possible, we are trying to contact the vendor that is pennant itself, as to whether they can deploy some systems in advance, where people can just work on some dummy databases and everything, and put the run and do the training as and when they are available, as and when they are because 95%, 96% is already compatible. So if we are able to complete the master creation and do some workflows and everything those creations we can, get it ready then while the migration of the data from the current vendor to the new vendor happens in the meantime, if this can be done, then they can start working on some data entries, checking out it had done in the month and trial basis and all, so that they are already aware of the package and the workforce before we actually go live. That also is something we are contemplating.

- Analyst:** In terms of office, how much in the P&L there would be impact in this?
- Management:** So both put together it is about Rs.60 crore per annum will come from FY'27 and currently we are spending around Rs.15 plus crore or little more than Rs.15 crore in the current package. So that will obviously.
- Management:** Net about 40.
- Management:** Net about 40, 45.
- Analyst:** So that's why you said highlight 1%?
- Management:** 1% point, yes because currently our income is Rs.4000 crores more than Rs.4000 crore.
- Analyst:** So, 1% is conservative, or it's something which is very?
- Management:** No, they have worked out, IBM and our teams have completely worked out the entire costing. They have done the pacing how much will be the, so Rs.100 crores out of this Rs.297 crore is the CAPEX. And Rs.197 is the OPEX. And that also there has been factored into the calculation to see how much item wise it will be there on each of the years.
- Analyst:** But shouldn't the entire technology should lead to like OPEX getting?

Management: No, that will be subsequently, like for example once it is implemented then our productivity will improve and some of the things which are currently manual will also go. So all those things will come and we do expect that some of the bigger branches and all, we should be able to release some staff who can be then diverted to the market.

Analyst: What kind of improvement would be it, would it be possible to?

Management: See currently, our CRM is a very rudimentary kind of thing, so one is that, digital onboarding will be coming in. We don't have e-sign which is one of the things which we want to do with that, so that will also be impacted, plus workforce obviously today our database or whatever is there, it is no was implemented in 2011 or 12. So it's already there is a lot of patchwork that has happened into our current system and all. So, once this comes this will be much better. Additionally, what we are doing is, currently our branches are connected with a 2 Mbps lines. And now we are upgrading everything to 4 Mbps that is what things worked out. Across branches, we are going for 4 Mbps and even head office which has a much lower thing, where we are going for a 100 Mbps line for, because all the new packages will be there. So obviously that will, today many of your activities like in terms of our work, staffing module is on a different thing. Now we are going for work line also. So a lot of performance management, a lot of all those evaluations everything that will also be there. So these kind of things definitely right now if we have to, if we have to today, we have just moved to micro service environment. But otherwise still now what was happening since it was a monolithic completely outsource kind of a software package LOS, LMS and all, with our current vendor. So any small change we have to do, so time to market was also a little long, because we had to give it to them, and they would take their time to do, create the masters, create everything, and then give it back to us. But in the micro services environment, and then this kind of a thing, it will be completely at our control. So, we want to do some changes, or we want to change the delegation of powers or anything of that sort, it's like in the system, the workflows all these things, their drag and drops, are also available. Most of them are under drag and drop kind of a workforce. So we can do that also much faster.

Analyst: And the Karnataka is still not solved yet or it is?

Management: It is definitely improving like in this May also, and we will be doing +200, around 225 will be done and May will be better than last year's May also.

Analyst: It is improving, but not in terms of the normalized level right?

Management: No, like for example Panchayat area still not resolved, BDA not resolved, but what our teams have done is obviously we have moved a little more to LAP. We have done a little more into the corporation areas, there of course we do face more competition in the bank because obviously there the ticket sizes are much bigger and the larger players are also present, but still somewhat business we have started getting from there also. So that is helping. So now in fact the Karnataka

also definitely 200, +200, +25 is something which now is happening, even May normally which is 1st Quarter is a little slower month, we are thinking that.

Analyst: Telangana is normalized completely?

Management: Telangana is normal. Telangana is just flat, even now it is just about Rs.100 crores of, will be Rs.100 crores. Hopefully, as we progress it will start going up. But as I said in the beginning, also and in the last two, three months, I have been saying, now that Telangana is at least stabilized at this kind of a number, from here going forward even on a 10, 15 crore addition also will give us, because we are at 100 to 110, 115 will give us a good 10%, 15% growth. So we don't expect it to go back to that 180 crores.

Analyst: No other company is telling that Telangana they have some issues with respect to, as of now, they are growing fine and.

Management: No, they say they were issues in Telangana in fact if you see.

Management: Even, yesterday also some of the call, Telangana couple of other players have also added, that's what some of the other people and it's there, the fact is it is there. The issue of Hydra is still going on and at least good part is about four odd months back this came out and said, okay, we will not do any more demolition so that has at least kind of brought some kind of solace.

Analyst: And the new states, MP also going to go to other digital, many other states also anything that you are?

Management: MP is less for us. In fact, the largest states for us are Karnataka, this Karnataka we are facing, Tamil Nadu has already gone for digitization. In fact, Karnataka also was among the first to go for digitization, I don't know why they are still, they have brought in this new point.

Analyst: So, no digitization challenges you are forecasting?

Management: Digitization not much.

Analyst: Analyst: So, at 20% kind of growth are we confident because I am talking about the disbursement growth, because disbursements, like if I look at the Q4 number for last 4 Quarters, it has been stagnant at 2500 crores, 10% here and less. Obviously, the issues were different. Now, the next quarter, which is FY'26, Q4, were do you seeing this number could we added some branches also?

Management: Yes, in fact that is what is the focus. Last year we opened 15 branches. Now the branches which we opened, 14 branches we opened the year before that, they did almost about Rs.110 crores. That's about somewhere little less than about Rs.8 odd crores per branch, Rs.8 to Rs.9 crores, it's about Rs.75 lakh per branch per month. This definitely will double, plus the branches which were opened last year in Q4 all of them will be fully functional for the entire year this year. So

they should also be contributing, what, Rs.70 odd lakhs per month per branch kind of a thing. So these 15 branches can also contribute another, Rs.110, Rs.120 crores. And the current branches which were open into FY'24 which did Rs.115 crore, Rs.100, Rs.110 crore, last in FY'25 should double it to around Rs.200 crores. So definitely, another Rs.200, Rs.250 crores should come from the branches which are already open.

Analyst: So Rs.10,000 crore is a possibility, or Rs.11,000 crore also looks to be possible?

Management: No, Rs.10,000 definitely is possible. We are looking at a little more than that definitely. How close obviously.

Analyst: Even despite this technology disbursement, et cetera and normal run rate would be 22, 2300 in 1st Quarter, and then it would gradually?

Management: Yes, 2100, 2200 in the 1st Quarter is what we are also expecting.

Analyst: Are we tracking right now in April, May we are comfortable doing that Rs.2200?

Management: Rs.2100 definitely, would be possible because the way we are going we have almost done.

Analyst: And have we taken PLR that till now?

Management: We have, we have done a 10 bps reduction for our existing and new customers from May. Because the February rate cut, we saw the impact up by 1st March. So then, based in that in the April also we decided to cut a 10 bps, because we experienced a net, net on the overall only 10 bps.

Analyst: So, that you passed on?

Management: We passed on. We have passed on to our customers from May. And so obviously it will be in a staggered manner some will come in May some will June, July, and all.

Analyst: Now it is quarterly reset.

Management: It is quarterly set, but then the old customers because we moved to quarterly reset in January 20 before that, whatever customers are there, they are still on annual reset. So they will have to come forward execute the documentation. But now that the rates have started coming down, we are seeing more traction in that front so in another six months, I am sure this 75% which is in annual reset, will come down to around 25%, 30%. So another 30%, 40% will definitely expect will move from annual to quarterly. Which is okay, because what we are experiencing only that we are passing on to our customers.

Analyst: But that will result in how much margin reduction?

Management: It will not reduce because we experienced it on our liability side first and then only we passed it on to our customers, because our 55% of our borrowing is banks, 80% of that is linked to through EBLR, repo rate, because we don't have any MCR linked loans on the bank side so 40%. On 40% of the total borrowing we have experienced 25 bps on the entire thing we have experienced 10 bps.

Analyst: And the balance 45% which is non-bank is?

Management: That is N series, obviously its fixed. We have CPS there we have also experienced a reduction.

Analyst: Because CP 9.

Management: CP, 6% to 7% is CPs. There we were in March, we would have raised at around 7.4, today we are getting at 6.6.

Analyst: So, this entire customization is repo rate linked?

Management: 80% of that is repo linked and 20% is stevie linked. So both will be, basically will see the impact of reduction. So we actually, in the last one and a half years, we actually moved all way we had almost 50% of our term loans into MCLR. We got all of them moved to repo rate before the rate started coming down.

Analyst: But were spread higher because of the same, and how is the spread on the repo?

Management: No, 0.5%. So now we had 7.95 term loans they are all at 7.45 today. They were at 8.1, they all have come down to 7.6. So the highest cost, is 8.6 only one is there is something they are not reduced so we are going to prepay that.

Analyst: Larger chunk of NCD reset will be?

Management: No, NCD is.

Analyst: I am just saying it will.

Management: We have a chunk now falling due, in June Rs.1360 crores.

Analyst: Rs.1360 crores in June.

Management: Rs.1360 crores is June. All are above 8.1.

Analyst: The funding benefit is not still visible it is still 7.56 cost of fund?

Management: No, that was March.

Analyst: So, now April.

Management: April it got reset that's why they passed on in May.

Management: No, actually even in March the reset which happens, few happened in February, few happened in March. But what happens is, when you say for the full year my 11 months is already loaded at a higher price, so one month it has not impacted much, but opening of April itself was at lower 7 bps lower, and then a few more CPS, and then we reprised and it became 10 bps. So by the time ARPOB we passed on. Now the April is yet to incur, by the April rate cut we will have another 15 bps or 10 bps reduction by 30th of June. So in July, we will be able to pass another 10 or 15 bps to our customers.

Analyst: So let's say if I It is 45% **NCV**, how much will get reset this year itself?

Management: No, we don't have 45% **NCV**, 7% is CAP and we have NHB, NHB also. NHB is around 18%, 19%. But NHB is also floating, but the thing is, half of it is floating. But then that's on annual reset and it always goes with a very large lag. So you can as good as consider it as fixed for the time being, because that benefit of reduction we will see one year.

Management: 20%.

Analyst: 23 **NCB**, out of that how much will be our recent?

Management: 1360 plus 600, almost 2000 and in February there will be one more.

Management: That's too long and it will get impact time.

Analyst: So, this quarter the funding would be improved right, and that will be seen in the PLR cut?

Management: No, we have some benefit, yes, so this quarter that can be because we have opened itself is about 7 bps, stable is paused, but we passed on it much later. So yes, there is some, but few bps.

Analyst: What is the minimum rate right now?

Management: 8.85

Analyst: And bands are at 8.15 HDFC Limited. So, there is still a 60 bps gap between the SBI and us also the same?

Management: SBI has reduced it to 7.9 also they were at 8.4.

Analyst: But historically, the gap used to be not more than 50 bps, now the gap has increased.

Management: No, before I joined, the gap between us and SBI and all was almost, 85 bps or something we have brought it down to 60, 65 bps and we increased it. Now, of course it is slightly widened, yes. But the thing is, for us the banks have reduced the rate, but the LIC, PNB, or Bajaj have not reduced the rates on the incremental lending.

Analyst: So clearly there will be **VD out** towards the lands?

Management: Somewhat would be there, but the 20, 25 lakh loan is not much, at least April, May has not yet seen the pressure on BT out as much, people have been enquiring, but we have also reduced by 10 bps, so at least we could immediately give something so they were okay.

Analyst: And how much is the BTF, 5 odd percent?

Management: No, BTD is a little around 3.5%, 4%.

Analyst: And was that at the peak level in the last declining rate?

Management: Last declining rate, I don't have that old data but the last three to four years we have been giving C2C it has always been trained to around 15% for the entire year. BT out plus, became part repayments, plus amortization.

Analyst: It's surprising, even with the 100 bps gap forget about 25 lakh loan or 5 lakhs loan. Ideally there should be more BT-out than what it is now.

Management: See, it also depends on the customer profiling and what it is, our self-employed they may not be very keen on our rating.

Analyst: Self-employed is quite less, still is salaried. For us the salaried is still heavy?

Management: It is heavy, it was 73 now it has come down to 70 and we are slightly.

Analyst: But those customer will live over there?

Management: Yes, they can go, but it's normally like class one, class two customers go to SBI, HDFC, and all, normally the class three, class four customers in government offices come to us. Obviously there's a difference.

Analyst: The repayment rate also has not changed till March, it was around 15% odd and now also you said.

Management: April, May we have not seen much of pressure.

Analyst: And however.

Management: There was a little bit of a worry when LIC on 8% but then we soon realized in two days that it was only for women borrowers who had an +800 score more of an invitation price, rather than anything else.

Analyst: In terms of the mix change now we are slowly shifting towards non HL part, based around 20% odd and the priorities are 35%?

Management: No, our housing is around 86% including CRE, which was 89% earlier. And we are okay to go up to 80% in the next two to three by FY'28 we want to make it 80:20, including CRE, so that will be 70% housing, pure housing, 10% CRE and 20% will be non-housing.

Analyst: And the SENP is around 35%, okay it will increase.

Management: It will increase, exactly so we had four basic lines of this thing. We were at 73% salaried, 27% self-employed which will move up to 65:35, today it is 70:30. Same way second was we said we will have housing, non-housing at 89 level, which we said we are okay to go to 80:20, we have moved to 86:14.

Analyst: And this self-employed sourcing is also done through the internal employees, or it's coming through both?

Management: 80% is both. So even self-employed comes through the DSA, there is no separate channel for this.

Analyst: So, today non-housing is 14%?

Management: Non-housing is 14%.

Analyst: And CRE is how much?

Management: About 10%, 76, 10 and 14.

Analyst: Okay.

Management: And we had obviously planned to reduce our DSA, just not to we still have the –27:40

Management: With that also we said from 85% which was there in March to full March, we said we will make it 16, that journey we have not traveled very much, we are still waiting.

Analyst: So, what it the, why you are not able to do because you have added some dedicated marketing staff also, marketing staff has been added, other players like are more aggressive, they have around 6000, 7000 Adhar or they are adding people in a bulk. So, why we are not able to add this direct sales force?

Management:

See if you see the direct sales force the model there are quite a few models, one is you have the DSA. Second is the connector, third is the DST model. The DST model, which Atar follows, Avas follows even PNB follows. What happens is, they have a 15,000, 18,000 basic salary, and then everything else is on commission. But there if you see that particular group of people that churn is almost 60% minimum. In some of the cases, it goes up to 100% so maximum time is only going in recruiting and people like that. So what we have done differently is that, we have taken people on our roles, of course at the lowest level, at the officer level and all, but for marketing and sales. Now, obviously if it's a full committed amount we are putting upfront and not putting at a 15 or 18,000 kind of a minimum salary, then obviously we have to be more cautious about how we go about it. And second thing is in that segment, the average business that this segment garners is about 35 lakhs, 40 lakhs, because that is a cut off. And that is a 15,000, 18,000 salary that is a kind of cut off. There are people who do very well and do up to a crore and all those kind of things. Now in our case, and that is okay because they are only paying 15 or 18,000 so that kind of a commission that is still okay. Otherwise for a 35 lakh they would have paid anyway 35,000 as a DSA commission or something. Now they are paying 15,000 plus a little bit of commission it is okay. In our case when we are taking on the role with the full 40,000, 45,000 kind of salary obviously we need to have a higher benchmark. If you are doing less than 60 lakh business, then we are at a loss, then they are not even covering their salary. So therefore, we have to be a little more careful in recruiting those kind of people. Otherwise, it is better to do through DSAs at least you don't have any monthly or fixed outflow.

Analyst:

Like this PNB Housing also have a separate affordable arm currently what they are doing is like getting doing lot of BTs like 30% odd BT and for a 15% they are giving it another 11% to 12% they would do right, with your pending order. That we also have but we are not able to do that what PNB Housing is doing any reason for that?

Management:

No, so frankly speaking we also for this affordable segment and the up to 20 lakh segment we also because currently what is happening as a product said we only had in a standard segment where full clear salary coming the credit in the bank account, and verifiable. Same way ITRs, where three years ITRs are filed, or at least two years ITR are filed, that is the SE\MP also had with the proper documented income. There was nothing where we have affordable without any documented income, where you can charge higher therefore so now in fact we came out with a scheme somewhere in four, five months back wherein with the Board approval, that we can give to people where there is clear credit in the bank account through this UPI payment, or all those Paytm's and stuff like that. But then at that time the microfinance issue came in, so we kept it on hold. Now that it is kind of sorted out, we are again launching it. So we do expect that there we will be charging a slightly higher yield.

Analyst:

But what was the ticket?

Management:

Ticket, not more than 20 lakhs and it will be coming with credit guarantee. Kind of preferably 8 to 10, 12 lakhs, because otherwise then.

Analyst: UPI I didn't understand.

Management: Like, say for example you have housemates, just an example. Now, everybody when the housemate have to be make a UPI payment or salary we don't give them cash, we don't necessarily, we don't have. So in the bank account all these credits are available, it has come month-after-month-after-month. So if you take a one year thing, it is clearly visible that there is a proof.

Analyst: We are underwriting such.

Management: These are not, now we are looking at a product with a small pilot we want to do about 50 to 100 crores and we want to try that. And it will come with credit guarantee so we are in building the credit guarantee so that the risk is also taken care. And we want to venture into that because that's slightly gives a better yield also.

Analyst: And how is the traction on the developer side business that we are getting more developer side, funding the developer side?

Management: No, we are not funding developers. But this APS which we had started last year we said we will do about 75 projects by end of the year we actually did 80 projects. And this year also we have already started adding so we are looking at least 250 projects should be approved by us by end of this year. And business almost, I wouldn't say all the 80 projects have given us business, but at from 30, 40 cases we have started getting one, two, in some one or two projects we have got four and five projects filed also. And the other thing is, our direct marketing team not only is able to, is getting some business, but now that our BFSs are also obviously piggybacking and trying to get it from there. But it is still getting, earlier we are getting and plus the fact that we are getting the visibility and the new projects that are getting launched, our Boards have put up somebody is available over there to lead or approach us or pamphlets, are there?

Analyst: So, does it make sense to now add more marketing staff?

Management: Yes, this year we are at least looking at another 75 odd this year, and we have already started, shifting people.

Analyst: And their only job is to get this increase API business?

Management: No, even getting direct business and API both.

Analyst: Direct is difficult, they won't be chasing customer?

Management: No, so what we have done is, last year we tied up with one there was a new team. So we said we will try one lead aggregator from where we get leads. They may be people who have enquired on Spoctree type of or MagicBricks or 99acres, of course MagicBricks and 99acres don't give

us the leads we are not tied up with them, but something like that, where people enquire for loans, check out the various available entities what are the rates and all, we have tied up with them. So we get leads from them, which we pass on to a marketing team. And there we can choose that I only want in these, these specific cities with this kind of minimum criteria, so only those kind of leads come to us. And there if normally, these kind of leads you buy this leads for about anywhere between Rs.20 per lead to Rs.150 per lead, depending on what is the amount of data that they are able to give. Some verify CIBIL, some verify call for bank statement, income copies, scanned copies, and then forward it to us. So if that is the case, he will charge little higher. If it is just a lead, it will be Rs.20, Rs.15 and all. So we have tied up with them, getting the things and passing on to us. Normally, the 3% to 4% maximum will be the conversion from this.

Analyst: And are there any challenges with respect to attrition or with the staff retiring, anything that you want to replace or add?

Management: Staff retiring yes obviously there are some at the senior level, but that is okay obviously we have succession planning we have people from the next level also coming up, promotion and everything happens every year. So that's okay. Attrition is still very much at about 14% was last year so that is okay. And that also is some of it is like non-performers to whom we have also, because earlier that policy was not there. Now we have also started asking people to leave and performance is not. So a couple of 20 or 30 people because of that also.

Analyst: This NCDs which you have come for recurrence are we looking for, we have just incurred today or you are going to?

Management: It will be NCD. 25% now that circular is there we have to raise to NCDs. But other thing is, like for example the banks loan we have raise at around 8.10% or 7.95%. Now, obviously they are linked to EBLRs, so they have reduced it to 7.45 or 7.6 but the same bank when we go for a fresh term loan today, they are not able to give us the same rate. So they will say okay, at least for the new one can you give 7.75% things like that. Whereas today if you go for NCD it is at a lower rate and maybe if you look at it we tried with a three year NCD. We have also slightly experimented with one tranche with a five year NCD to see the appetite and whether this is there, because NCD is like the more paper you have, more trading in secondary market is there you will also get a better pricing. So we have done those kind of things. So going forward, obviously maybe somewhere around September, October when another two rate cuts are also factored in, that would be a very good time to lock funds for a longer tenure of 10 years. Because then if the rates start going up, we will be locked for a longer tenure at a lower rate. So that's why in fact, this year the idea is that we may not like last year we went for us 3000 or 4000 crore approval from shareholders for NCD raising. This time we may go for 8 to 10,000 also, because it should be liability side better if we can lock funds at that rate.

Analyst: Got it. So this developer tie ups that we are doing, how big are these developers, those are bigger?

- Management:** We have got some good ones also big ones like we tied up with the Godrej in Delhi, one of the Noida or somewhere, we got a Godrej project also. We are talking to a couple of them, like the Mahindra in Mahindra city or something in Chennai we are talking to them. So, there are some big ones also, but by and large we just approve their legal and technical and then put up that project approved. And then once the customer comes, it's a approved project only.
- Analyst:** And that's exclusive in these projects?
- Management:** There is no exclusivity, it's a purely see, the thing is these are big projects even if we are getting two, three projects. For us one loan would be around 40 lakhs, 50 lakhs. Like another thing I forget, we are also tying up with CIDCO, out of the private side, on the government side, we are trying to tie up, because now Maharashtra has come out with this new plan where not only CIDCO, MAHADA but even BMP, Mumbai can do, corporation can do all those kinds of things.
- Analyst:** So how big is the business that has come from this tie up from this?
- Management:** For the builders it's not as I said 80 projects, you would have got about 70, 80 crores only from them so far. But this is something like, it is a long term thing today a builder you are tied up first time and they will just experiment in one case or two case. But if they are happy, they are obviously going to put up new projects. Once we have made an entry with the builder, we can always continue with them for their future projects, so that will automatically keep coming.
- Analyst:** Any stress in the cash flow that you are seeing in your customer, where economy growth is clearly slim down?
- Management:** Not much actually, if you see Q4, we also pulled back that SMA zero that was there, so that was not much of a thing. And what we realized was there was also some definite areas where we could improve in the flow from the zero or the regular to the zero bucket and all so that we are trying to tighten and all so that the flow doesn't happen because that is what, because zero is easiest to tackle. But if you can do it, some improvements and all those things we are working on. So, collection is so far not much of a problem. Last year we did only some also issue was couple of banks we were not able to get ENACH and all that, there are a lot of hedge they are not part of NPCI. So, it's a struggle from some of the banks.
- Analyst:** And I know that this subsidiary issue RBI has not clarified anything. But with respect to Canara Bank, any plans to sell part of the say, any change in the royalty agreement or anything?
- Management:** No, there is no such agreement or anything, but we don't have any as of now there is no such discussion, no issue or concern or nothing on the table as of now.
- Analyst:** Are we finding it difficult to because the growth moderation is there at the systemic level, the lights of Bank of Maharashtra and Central Bank are still growing, but others are not even Axis

is also finding it difficult because the way competition, others are this is someone is below 8% now, are you finding it difficult to get personal user rates?

Management: I don't think that is at least rate wise there is any concern. Because, there are people who are even offering 12%, 13%, 15% because it's a different segment, but there are takers and with rates coming down, affordability goes up so always when the rates have been coming down HFCs or the housing market, has improved.

Analyst: What should be the sustainable stage two number that we are looking at, do you think it can increase?

Management: There is scope for improvement, from here maybe a little more short term may because we are changing and change this strategy, but I don't think that, it will come down it should come down.

Analyst: But we are adding more self-employed and why should it improve?

Management: Process improvements there are still an area where we are working on, and I am sure there is scope by the end of the year, you will see that SMA one, two, that is stage two, would also come down. It should come down the way the steps we are taking and some of the actions we are planning,

Analyst: The non-housing loan, what we are not facing any challenges because the regulator has been highlighting that there are challenges to top up given the other peers?

Management: That is correct, that is where in fact they have definitely flagged this matter about valuation bubble kind of a thing, you have a 40 lakh property you give 30 lakh loan, and suddenly after two years you see the same property valued at 60 lakhs, and there is a 50 lakh or 48 lakh outstanding against that property. They have been raising that issue, but we have not frankly speaking, we don't have that kind of an exposure in non-housing and we have to beat it. So that clearly shows that we have been little prudent in that matter, and we have been also sharing that one of the main competitors one of the main PT out areas is Bajaj where actually people take good top up, which we are not able to match, or we are not able to offer to our customers, which clearly shows that we are not convinced about the valuation. So we let that business go, but we will not at least compromise on that.

Analyst: But largely it having a lapse or HLOs?

Management: The HL with a LAP they will top up will be considered as a LAP for them.

Analyst: And they will be doing HL or lap; lap will be passed high?

Management: They will have to claim; regulatory it is very clear they have to classify it as a LAP.

Analyst: LAP, top ups are higher, is what you are saying?

Management: No, I am saying even our housing loan will go. But only that component which is taken over from us will be going as a housing loan. The top up that they give will be their LAP.

Analyst: Okay. That's surprising, so if I am living there, because only one property will be mortgage?

Management: That will be mortgage but there will be two loans, two products under it.

Analyst: But the mortgage will be only one, so there will be.

Management: That is okay, you can have two loans.

Analyst: Two loans can have one module?

Management: Yes, single module yes. Yes, suppose you have taken, today also suppose you come and you have taken a loan 30 lakhs, tomorrow you come for enhancement. You can go to the separation and we can enhance the charge.

Analyst: But you guys are not doing this BTing?

Management: We don't have a BT strategy, we don't aggressively target that, because BT will come and if we have a price advantage which can be only from the affordable housing place. But the affordable housing place have all given based on oppressed income, no documentary proof, whereas our current policy doesn't allow that.

Analyst: And with respect to the regulator, anything that you are looking on top of those something EBLR, I don't know whether it's in the discussion right now, any other thing that you would have known that currently we are in discussion with?

Management: No, the concern areas which the regulator have been raising is one is, of course, this valuation bubble. Second is this classification of loans, because as you rightly asked the question actually the regulator has pointed out that many customers are putting this refinance loans and classifying them as forged loan. So regulator has recently, or rather a few months back, came out with a guideline saying that in case they detect any such case which has been wrongly classified as housing. They will be living a penalty of up to 5% in case it's a refinanced loan. So they have been, that is another issue. Third issue is they have been raising is the excessive charges and rates which the customers are being levied, like somebody charges 7% all-inclusive charges. So you take a 10 lakh loan, you get only 9.3 lakh, 70,000 is deducted for processing fee, this charge, that charge, health insurance, medical insurance, asset insurance, life insurance and hospitalization cover and critical illness cover and all those so that is something which they have raised. But regulator has indicated they may look at some kind of a cap on what is the total

income that we are getting from the non-housing business, and whether it is looking at some capping that kind of.

Analyst: But further it will be bad for the particular player because there the ticket size is quite like, they achieving money and all these insurance and all for the 5 lakh and 5 crore ticket size is charging this percentage cap then it will be very bad for other players.

Management: So, regulator has even shared some of the cases that they have some companies have been charging for, so basically they are saying, you want to do it do it. Those elements are available for say Rs.300, or say Rs.500 and you charge Rs.3000 for that. Obviously, you are profiteering from these kind of businesses if you are giving as a service. So those kind of things they have pointed out.

Analyst: How are we placed in these kind of things?

Management: We are not comparing ours is the lowest attachment in terms of life cover.

Analyst: How much is your our redemption ratio?

Management: It is just about 39% to 40%.

Analyst: We are the only one otherwise other people are not less than 100%?

Management: No, at least 60% ,70% is for all, it's more than 70% only.

Analyst: Okay. This tax is only for life or overall insurance?

Management: No, property insurance is separate generally.

Analyst: Yes, that is mandatory.

Management: Life insurance I am talking about.

Analyst: And how much is the, on the overall team term insurance is how much and what is?

Management: We just had a board meeting, we got chart for it ours is the lowest, not interesting them.

Analyst: So, how is the breakup?

Management: It's very small, today our non-interest income, the other income fees and commission income including processing fee and everything is only about 35 crore.

Analyst: That too is largely.

Management: 0.1%

Analyst: Processing fee will be how much?

Management: Processing fee we are charging out of the 35, but mostly it will be that only. No, that is the commission we are paying, see it is amortized.

Management: This is amortized, mainly this is not the cash flow, it is amortized portion.

Analyst: Anything we are looking to increase other than the insurance thing which can be it attrition, anything else that you are looking to increase?

Management: No, on the income side there is a scope, frankly as I said, we are not charging recovery of visit charges some of the things like checkbox is only charged we are levying whereas industry obviously is with a lot of these kind of charges for recovery and obviously it makes sense also, because your person is going and visiting there are some expenses you have to charge it, and only then the customer will also be serious. In fact, that is why as I said some other things where I feel will impact first, there will be a negative impact because the moment you levy a charge, accounts will move from bucket to bucket. But then once we then pressurize and customers realize that, there's a charge being levied for once he comes, our staff visits and is charged Rs.500, obviously over a period they will realize and will come down. So it will be a slight increase, but then it will come down. So these are some of the things which others are doing right, and we will also be implementing.

Analyst: And assignment are we planning to do?

Management: No, not at the moment.

Analyst: Does it make sense for you or doesn't make sense?

Management: There is a very interesting discussion I had in one of such meetings one-on-one with another investor. See today, it is something where today, if I start assignment then I cannot stop. If I stop, then the reversals will hit.

Analyst: Just finally what is our ROA guidance for this year, looks like the 8% will grew margins.

Management: Cost will be by 15 bps here and there, in fact this year also it is 13 bps excluding the land and overlay. So, next year also 15 bps is the guidance and it will be lower than that only. Our ROA we are looking at it is around 2.24 now, it will definitely be more than 2.1.

Analyst: 2.2 we go to now 2.1?

Management: No, that's the guidance.

Analyst: Why should reduce it should improve?

Management: That's what I am saying it's a guidance, 2.1 we would definitely say 2.1 today it is 2.2.

Analyst: But that is incorporating the cost of IT?

Management: IT will not come this year, next year it will come in FY'27 and the second thing is in terms of ROE, ROE is around 17.

Analyst: So, then ROE should fall to two.

Management: Sorry?

Analyst: ROE should improve this year?

Analyst: ROE I am saying next year, 27 will further fall?

Management: Will slightly, because there will be a 1% point increase in the cost income, this year is around 17 it should be around 18.

Analyst: But that could be offset with a higher growth potential.

Management: That obviously today, we are talking at today's rate of 4000 crore income we are talking about one.

Analyst: So, this year also, which line are you expecting other income anyway there is no scope for reduction, OPEX will be flat, margin should probably grow only, ROA should fall.

Management: True but I am saying our guidance is conservatively we are saying this will.

Analyst: Logically, if I build that means it should happen?

Management: 10 bps increase in?

Analyst: ROE.

Management: 10 bps is more you can lower it.

Analyst: It will be done easily as credit cost is improving.

Management: Once the credit will be low then we will be able to absorb some of the IT expenses and all.

Analyst: Growth is the key thing.



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Management: Correct, growth is the only one thing.

Analyst: Thank you.

Analyst: Increase the PCA account because that is long.

Management: I understand we have integrated.

Analyst: I hope there is no problem.

Management: There is no problem in fact whatever cleanup we had done in 24, there was a lot of cleanup in that year.

Analyst: Thank you.

Management: Thank you.