



“Can Fin Homes Limited Conference Call”

May 28, 2025



Questioner: How is it? If can you give us some idea of what is happening in the company specifically, what kind of growth you are targeting, what is your view on interest rate and in general?

Management: See in terms of growth, we are looking at about 20% growth in business in the last year which would work out to around 13% odd plus in terms of AUM growth for next year, FY'26.

Questioner: 20%?

Management: Disbursement growth and which will as I said will result in about 13% AUM growth and in terms of interest rates, of course we have seen two rate cuts, one definitely it is expected, maybe hopefully two also. What we have seen is in our case about the February rate cut impact on the liability side has already been experienced. We have seen that, about 10 basis points we have seen the impact on the overall cost of borrowing by April. That's why we have passed on about 10 bps for our customers as well. The April rate cut that has happened. We have not yet completely experienced the impact on our liability side, so that should happen by around June end. Post which, we feel that another 10 bps we will be able to see a reduction in cost of borrowing, which also we will pass it on to our customers. On the asset side, of course, therefore, first we experience it on the liability side, then we pass it on to our customers. So therefore, in terms of the spread, we don't expect it to be there any impact on the spread. In fact, because the timing effect on the asset side, it can only be slightly a couple of basis points improved. Because the asset side, we have right now, 25% of our customers are on quarterly reset. And the balance 75 is still on annual reset because we moved from annual to quarterly in January '24, but customers in spite of reminders, in spite of SMSes and all, they didn't come forward. But now the next 6 months, we expect customers to come forward to move from annual to quarterly. So till that time...

Questioner: And these rates nowadays link to repo rate automatically?

Management: That is for banks. For us, we are not linked to EBLR. So for us it is still our internal EBLR that we look at. So what we experience there only we have passed on. And that is because on the liability side, we had about 55% of our borrowing is from banks and another 67% is from CPs. So on these two aspects, we have seen impact because almost 80% of our bank borrowing is linked to repo rate and balance 21 linked to T-bill. And the CPs of course with the rates coming down, the rates have come down. So kind of this should give you an idea. In March, we raised the NCDs at around 8.18. And of course, in March, generally it is a tight liquidity situation so there's a little on the higher side only, but still today we are NCDs 3 or NCDs we are able to raise at sub 7.04, in fact today only we just closed 7.24, almost close to Rs. 1000 crores for three-year tenure so that's one. On CP also, in March we were getting at around 7.5, today we are getting around 6.6 for 90 day CP. And the bank borrowings obviously the 80% that is linked to the repo rate obviously that has, we had a straight pass through but with a lag because depending on the agreement that you send with the bank, it will either be at end of the month or when we

meet the next interest payment or at the end of the quarter. But at least within a quarter, we get the benefit. April max by 30th June should be completely factored in.

Questioner: So you previously mentioned, balance 20% is fee-based.

Management: That is also yes.

Questioner: People that money has taken or no?

Management: No, it is actually 3 months. They have 3 months, 6 months.

Questioner: There also, there is a bit of a lag effect in terms of repayments?

Management: Yes.

Questioner: So unlike the historical times used to be there that HFCs used to be impacted in the foreign trade circle this time you will be insulated.

Management: Normally also in fact HFCs have only benefited if the rates have come down because others were delaying passing on rates. Transmissions have always been an issue and even what is actually experienced does not get passed on, that is how it used to be, but of course, the flip side is that it will slightly increase your repayment if you don't actually pass on the entire benefit. Therefore, it used to be each agency used to take their own call. But in our case, of course, we have made it for our existing as well as our new customers. Some of the other players have reduced the rate for the incremental lending, but not on their existing customers whereas we've done it both for existing as well as for new customers.

Questioner: So when you are trying to balance this, the banks have repo and reach they tend to reduce quickly than us and we want to maintain spread that despite that is it possible you generate at 20% growth this year?

Management: Yes, because our main competition will basically be from banks are slightly higher end, in terms of the ticket size, slightly higher end. So the 20 lakh, 25 lakh, 30 lakh segment is still okay where the competition mainly is from LIC, PNB and Bajaj. And there at least these three players we have not seen any major impact. So therefore that--

Questioner: So what is going on with E-khata, Hydra and all those things?

Management: Hydra situation still is there and somehow our business is not, at least April, May it doesn't show the thing, it is just flat. So we were doing about Rs. 100 crores a month. I think this is not changing much. Karnataka is definitely improving, although Karnataka has the situation in the BDA that is the development authority and the Panchayat has not improved much because that has still not been resolved, but BBMP there is a corporation which has improved. E-khatas are

not an issue anymore. It's more of how you are able to push and get the right person, it gets done. But there are also backlogs, so, but otherwise it's kind of sorted out. So what is happening in our case, we have slightly more of business, which is 75% in BDA and Panchayat was little more toward the city. And second thing is, we have also slightly increased the LAF. But going forward if these two are also short-term, then it will definitely be much much better but we are definitely far much better than what we were in Q3 of last year and even this month it will be kind of 225 ish kind of a disbursement in Karnataka.

Questioner: 20% disbursement already bakes in just normalization or is that like a conservative approach?

Management: No, it is not conservative. It is still, because we are not, we have factored in the issue of about Rs. 10, Rs. 15 crore only growth in Telangana is what we have factored in. Because we were doing about Rs. 170, Rs. 180 crores per month in Telangana, it came down to about Rs. 100 crores, in fact went down to 70 and then picked up to 100 and we have factored in about this 110 odd kind of crores per month from Telangana, not much of a growth because we expect that this problem will take a while because it's affected the sentiment, it's not just a matter of some procedural matter which is taking time. So we have done that. Then Karnataka, we are definitely expecting 20% growth which will come through because internally when we talk with our boys and there is quite a bit of positive because things are now at least moving and it has not affected customer inquiries, it has not affected the demand and projects are still coming up so that's the positive thing. So it's not the sentiment issue or anything. And even otherwise, our other markets that is Tamil Nadu, last year we did about 25% growth, they are consistently, even this April-May has been good quarter, has continued that thing. West zone also was positive, they did about 15% growth last year in terms of disbursement, that positivity is continuing. North zone in fact did 36% growth and this two months also have been very good for North. And another reason why West and North is also because last 2 years we have opened 27 branches in West and North put together, 13 in North and 14 in the West. So that is also now helping and some results started to come. So these two regions will definitely continue that positive.

Questioner: Sir, one of your peers was like really doing a massive branch opening now they are talking about, and their growth ambition seem to be a lot more aggressive than ours like we are seeing 20% and there are doing much higher like doubling of a vertical so what prevent us from also being a little more aggressive with our growth?

Management: Three things; 1) they have all three, they started, they had a prime that was also there, and a mid-size book was also there. Now they're aggressively also looking at affordable and super prime also. I'm not sure about the super prime because it's very competitive and in fact their rates are higher than ours, so I don't think that it will be very an easy kick-walk for them or things like that. But affordable, yes, they're definitely doing good. Personally if you ask me, I still feel the affordable segment will not be growing as fast and obviously I've been saying this for the last two years that for post the CLS is getting over, I know that there's a supply side issue now because you can still keep growing and doing from the initial growth will be fast, but otherwise

in terms of the supply that is an issue. So I personally believe that is one thing and otherwise today we are doing, we have 10% to 15% of our business is in the sub 10, sub 20 lakh segment. So we are there, it's not that they're not there.

Questioner: No, but then the pace of geographic expansion is like is of another magnitude.

Management: That is correct. See today, in terms of their existing manpower, terms of their existing size of more than 3x ours. Obviously with that, our capacity to grow is also little limited. And second thing is branch expansion is one thing. The question is whether they are all equally profitable or they are able to turn around in 2 years and become profitable. That is important because number is another thing.

Management: Which competition is this?

Questioner: PNB.

Management: So they have done. They have ramped up their affordable quite well. It is they have done quite well. I think they have done, crossed Rs. 5000 crores book also now.

Questioner: But then such a large chunk of their book is prime and they are guiding for a 40 bps NIM expansion in the next year, which I do not know how that is humanly possible, all said and done affordable is 5% of AUM and maybe go to 10% this year.

Management: I think they have begun big plans for affordable, that is quite evident. And I think on the ground also, they are trying to get people. They are on a big recruitment spree and all. So I guess they have something, how it works out of course I am sure they would have planned on that front, we don't want to say much more.

Questioner: I wanted to say they will be trying to benefit only it is 5% of the value and they will get to 10% like 75% of the book which is going to have competition from the banks who are cutting the repo rates. Separate question, just like a related question. Is there any difference in how the current banks run the business, so they are very aggressive in their growth path, we are not like we have been conservative, is it to do something with like a parent bank intervening and saying hey! We want to you be more measured or is this something that we are self-imposing because we do not necessarily agree with that kind of expansion strategy.

Management: I think now is the time we will be able to see some how they react because earlier in fact their main shareholder was Carlisle and now they have completely exited. So it is again back to PNB which is the largest shareholder. So I suppose there would be some changes on the board or something I am assuming because now if PNB is the largest shareholder, then earlier the Chairman was and all everything that will change I suppose. So we will have to wait and see.

Questioner: Structurally, the segment we are serving is (Inaudible) 14.09 then should like to enter that segment as well to grow their own book and competitive rates, they will be able to offer better than us. So is it not a good idea to start thinking about affordable moves previously at this stage or that we are more secured sometime..?

Management: Actually, rather than affordable, I would put it a little differently. Today, what we are looking at is we have a 70% salaried segment. We have a 30% today self-employed. And ours is purely, our appraisal methods and everything are exactly like a bank, because in terms of salaried segments, we are looking for a solid salary, whereas credits are coming to the bank account. In terms of the self-employed also, we have been looking at another segment where they are filing returns for 3 years or at least 2 years. So I think the opportunity is more in the segment where in terms of the income appraisal standard where we can look at something which we are now doing. In fact we had come out with a product for where we do the income assessment based on the UPI transactions or UPI credits in the bank account, both for self-employed and salaried segments. First we said, we'll do it for one segment. But then that time immediately we got the approval from the board. But we had this issue of MFI where the RBI came in and did it. So we thought it was prudent to at that time put it on hold. But now I think it is the right time and we will be very soon launching it. In fact, once again we went to the board and just 2 days back taken the approval that we want to now again launch it. And this time, additionally, we've done is from the last approval that we got, we just thought it would be a little better if you also go with a credit guarantee. So now, new product that we are now going to launch in the next maybe 15, 20 days will be for a Rs. 20-lakh segment, up to Rs. 20-lakh ticket size, salaried as well as self-employed, based on not necessarily the salary slip or the 3-year IT returns, but based on at least minimum 2 years of credits in the bank account from UPI or those kind of things, where we can assess the income in a better way. And that comes with credit guarantee. So that's the product we are launching. I think that is one segment which will be a little, where we can get it, the yield also better, plus at the same time it will be a little sticky also.

Questioner: But for salaried, how would be UPI credits?

Management: So it's like the Uber drivers. Not necessarily an Uber driver, I am just giving an example. It would be housemaids who are working and all this kind of things. These are the segments where it is stable. They are there for..

Questioner: So right now those kind of profiles are categorized in salaried?

Management: No, we are not doing it right now. We are not doing it. It's our first attempt. So we are slightly looking at that segment. We are also looking at it with a fixed rate of interest rather than a floating rate of interest because today on the liability side, we have almost 35% of our fixed rate whereas on the asset side our 98%-99% is on floating rate. So a little bit of fixed rate plus another opportunity here is that the NHB if you would have the last about 20 days back or something, they came out with the first mortgage backed securities, bond issue okay and they got a very

good pricing of 7.26 or something. That is a long term 10-year bond, it will obviously be with a cap on the rate and everything. So keeping that in mind, I think a fixed rate product and against which we can also take this kind of ballot assignment. Not actually assignment here because it will be on the basis, this mortgage backed security, it's not on the base of the asset sale, it's based on the future receivables. Therefore, the asset will remain in our book, but the future receivables will be what will be used to raise this debenture. So that also can be tapped if you are able to do this. So keeping that in mind, we are also looking at a fixed rate product for that.

Questioner: So you mentioned 10 basis points reduction in cost of borrowing you are passing on to your customers, but a customer if he takes from you versus say a bank because the banks are reducing 25 or 50 basis points rather, but the gap would have been increased by almost 40 basis points. So how to arrest the prepayment risk with further rate cuts, the street is anticipating 25 basis points to 50 basis points because that would lead to 70 to 80 basis points hike and the prime customer in your category would be inclined to move towards bank?

Management: Prime customer yes, but I mean if you look at our 50 lakh or 75 lakh plus customers, we have a very small segment in our book which is more than Rs. 75 lakh. And that segment definitely there is a risk that if we have assessed their income, we have looked at credits in the bank account or we have looked at or started credit in the bank account or three-year cycle to turn definitely they can do it. That is there, but it's a very small percentage. Today our chunk of our portfolio is below Rs. 30 lakh kind of a segment, almost 65% of the book kind or more will be in that segment. In fact on the AUM, we have almost 71% is less than Rs. 30 lakhs segment. So that is a segment which is little more sticky, may not move.

Questioner: How much of that has been originated from DSAs?

Management: As of the book today, 72% on the book is although the incrementally it was 85% and all, but on the book about 72% of our portfolio is through DSAs.

Questioner: How we ensure that the DSAs does not drop

Management: That risk is always there.

Questioner: Rate scenario, this is possible after 50 basis points for the rate cuts.

Management: That is correct. That risk is there and that is always going to be there even with or without the rate cut, there will always be some players who will be offering the lower rate of interest and DSAs will want to churn that book after 2 or 3 years because that is when they will be able to again have some income. But having said that, so far at least in the last 4 years, we have not seen much of a --

Questioner: And then you said that last 6 months, any increase in BT-outs?

- Management:** In fact, at least in March, you have given it in our presentation also, it is actually not increase. In fact in the March quarter also, it is around 1300 and some odd crores, which is in line with the previous quarters also. So there is no major portion around. Even April-May, we have not seen much of an impact.
- Questioner:** Of around 13% AUM growth, we are expecting prepayment rates to remain steady?
- Management:** Yes, we have considered 15% which is a current thing as the prepayment rate.
- Questioner:** Lot of peers are focusing on reducing the share?
- Management:** Even we are looking at reducing the share actually. We have about March, Q4 FY'23, we had almost 85% coming from the DSAs. So we have our intent is to bring it down to around 60% by FY'28. So almost 25% reduction we want to do in terms of five-year plan . Obviously, we would have preferred to have it to be 75 by now because if that is the journey we want to take from 85 to 60 by now at the end of 2 years, we should have at least been closer to 75 but we are at 80. But we will be pushing. In fact last year only, we started a marketing channel, sales channel. It was the first attempt so we've done something and incrementally, the sales team is now contributing between 4% and 5% of the incremental lending that is happening is coming from the sales team. And it is a very small team of just about 39 people. This year, we are planning to add another 75 odd people to this team. So basically that means we will be at least be able to push it up to another from 4% or 5% to about 10% of the incremental business should come from them.
- Questioner:** What is your average borrowing cost?
- Management:** It was 7.55, now I guess it will be below 7.45.
- Questioner:** Shifting to this direct sourcing increasing, so does that impact our cost to income or cost to assets being.
- Management:** No. The reason why we going slow is also because of that. Because see, there is a difference in the way we are recruiting or going about this marketing thing. Like other players, a lot of others, what they are doing is they have a direct sales team. So there is a basic 15,000 or 18,000 salary and then the incentive gets in beyond 25 lakhs or 30 lakhs or whatever they cut off. In our case, what we observed was that this particular feet-on-street channel has a very very high attrition rate. So practically, you end up only training and recruitment and training. They all leave practically in some of the cases it is as high as 100% whereas minimum is 60% in this channel the attrition. So we have done it differently in the sense that we are now only taking on our roles completely. It is not a differential salary. They come and of course they will come at the lowest level which presently they are getting about 45,000 monthly salary as against the 15 or 18 that others are giving. So at least for the, in that way at least a lot of them who are in at least doing 50-60 lakh sourcing, we are able to get them directly. And then we obviously, if you are paying

a higher fixed cost is there, then it means they also have to be a little more productive compared to what others are doing. So at least our benchmark is to do about 80 lakhs per marketing sales staff per month. Only then we'll be able to breakeven and say that the cost is covered. Otherwise, today we are paying about 0.5% to a DSM. So if we are getting about 45,000 fixed costs, then they must do over 90 lakhs or at least 80, 90 lakhs, they should be doing. The first experiment in March itself, we have observed that from eight people we started, and the first month, they did about 22 lakhs per staff. It has consistently gone up and today in March, we were able to cross Rs. 1 crore per stock per month. So the 39 people who were there in March could sold about Rs. 41 crores. So that's about more than Rs. 1 crore. So at least that has given us confidence that this model can work because the stickiness will be there and that the comfort that they are at least getting up to 45,000 salary will help. So that's what we planned. So that's why we actually went a little slow. Now that this is the experience, we will now slowly ramp it up to about 100 plus people.

Questioner: Given the additional CP rates, do we plan to move our borrowings on an incremental basis, or do you stick to the bank versus coming markets?

Management: Banks of course might reduce a little bit, but we will try to push it more towards the NCDs, not towards CPs. CPs, I think we will keep it at 6% to 7%. Because as we just said today itself we closed our three-year NCDs at 7.24. I think last couple of years we have been coming out with multiple NCDs issues so there are quite a few multiple papers in the market and there are transactions also i think that will give us confidence. So far we have been doing this three years on NCDs. We experimented last year with the five year to see the appetite and I think there is a good appetite what we understand. I think the plan or whatever we our this thing is that maybe another 4 to 6 months down the line when the rates kind of another 0.5% is factored in and that would be an ideal time to go for a longer term 10-year NCDs and look at it block the funds at that rate. So that's the kind of idea. So in this year we may be or at least that is the plan that we normally go with a 4,000 crore approval from the shareholders for raising NCD. This year we might increase it around 8,000 or 10,000 so that we can at this write them probably market supporting, we can supporting, we can probably block it at that rate.

Questioner: So going back to the sales, any direct you are experimenting. So today, large part of our branches are essentially processing centers is there?

Management: 85% was coming from DSAs. Obviously, the branches are only doing the processing. And that's why to send those people out to get the marketing, the existing team is a little bit of a challenge. That's why we are getting the people from lateral hiring or things like that to get it done.

Questioner: So 75, we had this year and about 39-40 we had and that will probably take care of this year's plans, but let us say 3 years out, can we look at material reduction in DSA sourcing?

Management: We do want to bring it down to 60%, yes.

- Questioner:** And in terms of benefit, let us say the experiment you mentioned that 1 crore per month has already been achieved, so we are already kind of better off than DSA at least on that part of the sourcing. What is the optimal number a person can do? Can you give some assessment?
- Management:** Frankly, Company productivity is about 5 cases per staff per month. On an average, we used to about 800-850 people in the branches. And we have been doing little around 4,000 to 4,200 cases per month. And March it goes to 6,000 also. So that is the case with DSAs bringing the business. So I think at least 4 cases per staff per month at least should be definitely possible which means on an average ticket size of 25 lakh-1 crore is definitely on the cards.
- Questioner:** And there are typically good performing employees of HFCs tend to branch out and become DSAs. When they see the equation that they probably can track on their own. When we go about recruiting this team, what is the risk of that happening?
- Management:** See, 45,000 salaries and maybe another 60,000 means on a consistent basis they will have to do one and a half, know, maybe two, obviously they will be there for about 2-3 years, get the hang of the market before they start getting all these ideas, by which time they would have also got a promotion, means around 60,000 per month. So that further inches it up to about 1.5 Cr expectations. So I think then it becomes a challenge because the problem with these DSTs, is that with only 15,000 fixed, even one bad month, one month you are little unwell or something like that, it becomes very difficult to sustain. That is why most of them are a little skeptical or they keep jumping or stuff like that. So once they get that comfort of at least a 45 coming home, think then obviously over a period we'll also have to observe a couple of people not performing. It normally happens, you can't do about it.
- Questioner:** Just to clarify, 72% of the book is originated by the DSA. Incrementally 85.
- Management:** No, incrementally it is 80. We were incrementally 85 and has brought it down to 80 in terms of incremental sourcing. On the book it is 72. Because actually in 2018 or something it was 50-50. After that with COVID also coming in then everything moved to DSAs because and then you know somehow that continued.
- Questioner:** So this DSAs include DSTs, connectors, everything is there.
- Management:** No, we don't have connectors and we don't have DSTs.
- Questioner:** Okay.
- Management:** This is our only DSTs.
- Questioner:** They are like exclusive DSTs?
- Management:** No, they are not exclusive. They would also be with other HFCs.

Questioner: Is the connector model something that you would consider as well? The direct sales team?

Management: Right now we are not planning. Because know connector model is a little more riskier than DSAs. Because at least DSAs have an association for a little longer time. We empanel them, we do the verification, we do it. Whereas the connector also, whatever happens, they'll give a case and then they have no other commitment or anything. So they would tend to move out

Questioner: Could I ask you about your background and your association with the Company and what is your tenure like?

Management: I joined two years back, March '23. So my current tower listing is for three years, extendable by another two years.

Questioner: So you joined March '23. So till March '26 is your current contract. And then it is extendable by two years.

Management: It's a three plus two. Obviously we'll have to go back to the Board.

Questioner: So you came from Canara Bank or?

Management: No, I am from the market. I was with the Gruh Finance for 25 years, including the 3 years spent with Bandhan Bank.

Questioner: You know, Can Fin, every now and then something comes out, smaller level branch and it happens. So have you done a kind of assessment in terms of all these smaller fraud or something or what are the checks and balances are now being put forward?

Management: See the first entire first year went into that only and the year after that, the second year is going to complete IT aggregation also. So basically yes, there were issues we had prior to my joining and immediately when I joined there was one was detected. So these two issues were there and that's why you know on internal controls we spent the entire first year on internal controls. We actually made a huge amount of change in the way the work is done in terms of the sense that we took the centralization of disbursement. All vendor payments are centralized, disbursements are centralized, even expense payment is now centralized and monitored from Head Office. We also brought in a lot of IT besides other control points. We have introduced another layer. We used to be just a branch and then the head office. Now we have introduced a middle layer also. It is a zonal concept we have introduced where zonal offices are also having teams which are purely for oversight, not to business targets. They are for oversight on the branches. That also we introduced last year. Then we have on the IT side, we introduced controls like, we brought in Karza for verification of PAN, Aadhaar, ITR also from the portal. Then we have the penny drop facility also with Karza. So all those things plus we have introduced tab for verification on valuation side that we have tied up with velocity. We have automated the CIBIL and all those

things and size also. So all those things are lot of changes we have brought in from this point of view.

Questioner: Can we expect the split to sustain at 2.5%?

Management: Yes.

Questioner: So even with the reduction in rates that we expect in the...

Management: That is post, so we first experience it then passes on. So actually our, if you see our cost of borrowing is 7.55 for FY'25. But basically, the repo rate got happened in February. So, by the time you got the benefit of it for the entire year it didn't make much of an impact. So, overall for the year it was 7.55. But on first of April itself we are, our opening cost of borrowing was about 7 bps lower. It was 7.48 or something and then we again got some more. So first we experienced it on the liability set then only we have passed on. The spread will not be impacted. The guidance for 2.5, for spread 3.5 of NIM.

Questioner: For credit cost, your guidance is 15 bps. You talked about further pipelines of recovery?

Management: So basically in recovery also, we have introduced, we had, it was all manually being monitored. We have done automated or least a tool we have taken for SARFAESI and we plan to aggressively take up that because that was being managed manually and now that is something we are doing. And other than that, you know, SARFAESI tool is just last quarter only we have the call and now the entire backlog, everything is getting uploaded and everything so that we can start monitoring from that. Then we have introduced this, earlier, of course, NACH is there, almost 90% of our customers are through NACH. But post that the remaining 10% as well as whatever check bonds has happened or match bonds has happened so for that also the collection tie ups we were not having this thing. We have tied up with the SBI for this BBPS facility. So now our name appears as a pillar for this, anybody can make the payment through our... So that also we have done and call center also we are expanding and all those things. So all those tools we are looking at through our collections and whatever, you know, the first was the restructured pool or thereafter whatever happened at the locations that you mentioned. All those things put together also the portfolio that we have. I think SARFAESI we are at advanced stage in SARFAESI in quite a few cases. I mean at different stages which we plan to push and get the portfolio sale and all we are not considering. In fact, in our case, one of the things is that even that Rs. 60 crore fraud other than the 20-odd crores that have all been reported, they continue to remain in our books as NPA. We have made 100% provision for it, but we have not written it off. So basically, our NPA is also looking high because of that, unlike a few other companies who have written down a write off policy that after two years they'll just write off and all. In our case, we have not done that. We are making 100 % provision, so it is completely reflected in, it is taken care in that sense, but from the point of view of reporting of NPA it is still showing. So out of this 0.82%-0.87%, I think about 0.17 or something would be basically the portfolio which is just being carried on all these kind of things.

Questioner: Coming to the tech call, because you talked about it SARFAESI and you also talked about on the technology side and opening of new call centers which you are referring to, your operational income ratio guidance is being almost 7%-8%.

Management: 7%-8% this year, it may not change much, cost of income ratio. Next year it should go by about, maybe about 1% because the contract we signed in we should have purchased in January '25 so the contract period is for 12 months and after that there is a 3 month handholding period so till that time we will run up to March '26 we will be everything will get capitalized so the depreciation will start in FY'27 same way till that time after that only the OPEX and all will start coming in the licensing cost the renewal AMC, FY'27. So, FY'26 it will continue to be this about 70% odd.

Questioner: But exactly it is for what?

Management: No, we have completely gone for IT transformation. We had issued a, we had released an RFP and we got for the complete upgrade wherein we are looking at changing our LOS, LMS, DMS which is now a little patchy. We are trying to have a single DMS, HRMS tool, tool for treasury, ALM and banking and the same and deposits also and obviously it will come with GL, we don't need a CBS platform because we are a single product company. So all those put together with some enhancements in the IT infrastructure and security aspects like BIM, BAM, SOCS, NOC and all those things plus SD-WAN network for connectivity and all those things. So all those put together we are looking at a total cost as we had six bidders basically, IBM, Kindle, KPMG, Deloitte, Accenture and TCS. So from that IBM has emerged as the, selected as the partner. They are bringing in LOS, LMS of Pennant. GL will be from 0:39:47 __. Work line is for HRMS. And for treasury and everything, there's a tool called Knight Fintech. So basically, will be bringing in, assembling everything, and managing the whole thing, and implementing it. The deadline is 12 months, basically. But we are looking at implementing it in early November, or hopefully, possible before that also.

Questioner: So what is SARFAESI 2 you mentioned you acquired?

Management: So it's not acquired, basically it's from the market. It's on a for use basis. SaaS based model kind of. So there you know we can upload right from the time the account becomes NPA. Everything can be to the tool so that you know it has its own LOS, it has its escalation matrix it has all the reports can be structured. So everything will be monitored from there. Right now what happens is the SARFAESI is completely manually being monitored and it has to be follow up to that and this of course will help us and once it is there it you know even if you have to work together with the enforcement agencies and everything this will help because everything will be available in place and that can be you know on a case to case basis exist and everything can also be looked at. That's therefore we will, the escalation and everything for SARFAESI is what we are looking at.

Questioner: So it's more from internal movement of documents is avoided as said?

Management: Not only that, it is also in the sense that like you know this is a little sensitive kind of a thing. Today you do a 13 (2) notice, now some brand somewhere might were preparing the notice, some mistake would happen. Finally, we go for the DM model and everything. The customer goes for DRT and says there is a mistake in the DM. Four months or five months of effort is gone. It again starts from scratch. These are all things that happen. And part of this thing is sometimes there tended to be problem on technicality than the intent. So that is where we will be able to help a lot.

Questioner: After this modernization, sounds like a whole scale modernization across, right? So a lot of this you will catch up with other peers in terms of different aspects, but the new product that you mentioned, from the writing, I other people already are offering, right? So what do you think will be the differentiations in what you will do after all of this over the next 3-4 years, what does all this enable you to do? What is in your control, beyond that on what can you do to improve customer products?

Management: I agree. So, see in terms of product we have to slowly build because while this particular segment is a first-time entry for us, people are doing it no doubt about it but for us it is a first-time entry and therefore you know we have to go a little slowly. It is not like we can offer four products or five new products at the same time and start doing it.

Questioner: Beyond that product, what else can you do differently because you have a foundation which seems very different from before you joined. What does it enable you to do in the next 3-4 years, which maybe you can then do something different, like Bajaj or PNB?

Management: I will tell you, for example, with the cost advantage, kind of rating that we have, with the kind of quality of credit that we have done in the past, Can Fin should have delivered much more in the last couple of years or a little 3-4 years actually. But we lost out mainly because of the tech advantage that we did not have or the tech where we were lagging behind on the tech side and also because of the controls which were lagging which resulted in a lot of other issues where we got diverted. So basically, what we doing is we will be reaching a place where all those kind of things are getting sorted out and therefore the next step will be to take advantage of the whole issue of we have a better pricing, they're able to offer even within that segment, know, one level below the banks if you see, there's absolutely no comparison to what the affordable housing companies will be able to offer in terms of the rate of interest. But we have still not been able to take advantage of it because of all these manual processes because of that lack of control, because of all digitization issues. Now that everything will be there, I think, we will definitely should be able to at least capitalize on that advantage that we have on the cost front, the advantage that we have in terms of the stability of the staff, the advantage that we have in terms of our quality credit costs and all those things. That is where our cost advantage in terms of our, because in the industry today, terms of credit costs, think we have, in terms of NPA, I think very few players have, can say for the last 10 years, a GNP of less than 1%. In terms of cost to income ratios, think again we would be the lowest. In terms of cost of borrowing also, I think only LIC

probably can match up to what it is there. Even Bajaj has a slightly higher cost of borrowing. So I think that entire advantage should reflect in the numbers. That's what it is. Once it is implemented, whole thing should be focus will be only on rather than having all the manual controls, training and all those things, it will take care and we should be able to run fast on the ground.

Questioner: ROA, ROE wise?

Management: It's 2.24, I think we will stick around 2.15 ROA, our ROE is 17 approx. No change, the spread will remain the same.

Questioner: Cost to income this year but again the next year it will increase?

Management: Next year it will increase, but hopefully you next year our credit cost should kind of improve little bit.

Questioner: 15 basis points?

Management: This year as I said it was only 13 basis points.

Questioner: On growth of sanctions in the case of no rental increase to that extent, the new approvals of sanctions...?

Management: Actions, see the thing is, if the sanction validity is 30 days, 30 days it is not done, it generally lapses. So what we do is we don't keep on accumulating the sanctions. is only where the disbursement thing is there that we actually look at it.

Questioner: So did you mention that 20% sort of a loan growth next year?

Management: No, 20% disbursement growth which will result in a 13% AUM growth and again another year because AUM generally comes with a lag. So either growth, fall or dip both come with a lag.

Questioner: What should converge in let us say, second year, third year?

Management: Third year kind of thing it should kind of converge. Yes. So if we continue 20% growth next year also, then this 13 would probably go up to around 16 kind of a thing and then that's how it is.

Questioner: Today is how much sir, 35% of AUM?

Management: In terms of AUM, today it is around Rs. 10,800 crores out of Rs. 38,000 crores.

Questioner: Are we looking to change in the customer profiles, since you have a background in rural finance, are we targeting a new segment?

Management: Yes, we are in fact our salaried segment was 73%, 27% was self-employed. Our target is to at least move it to a 65% salaried, 35% self-employed. And in that thing, we have already moved to a 70-30. From 73-27, we have moved to a 70-30 already. And we'll do it. Plus, this new product that we are launching, again, will be for the affordable segment, because it is only up to 20 lakhs. And it will also be for self-employed. So that should give us, I think in that segment we can easily start with 11.5% to 12% kind of lending rate. Thank you.