



“Can Fin Homes Limited Conference Call”

May 28, 2025



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- Management:** We can start. Do you want to brief or something or we start with questions? How do we do?
- Questioner:** Q&A.
- Management:** Q&A? We can start with Q&A. Fair enough.
- Questioner:** So, firstly on the tech change that we are going to undertake this year, so because it's like a total change, so what kind of an impact it can have on our normal day-to-day operations in terms of percentage, etc., and it cost some sort of projection in that and like how are we planned to go through this change?
- Management:** See, what we have done this year is, based on the study of the various other implementations, I think one of the major friction areas which is causing delays and teething problem is that the LOS elements are from different vendors. So, that is the integration issue. So, in our case, you know, even if we have to compromise on the and there is not much of a difference between the top players, but if the LOS and LMS, we have insisted that the player has to be the same. Therefore, what all the SIs brought was a single LOS-LMS service provider. So, finally, that IBM has won the contract. They have brought Pennant. So, we will be having the Pennant's LOS and LMS. That's one major thing that we have done.
- The second thing we have done is, internally, last year itself, we pulled out people from every department and also created an entire team for this transformation. The same team was involved in the evaluation of these vendors. The same team was involved in the fitment and gap analysis and everything. And the same team is now also working with the current IBM team and the vendor teams which are based out of Bangalore to, you know, on a day-to-day basis for all those requirements, the specifications, checking, preparing the test cases and everything.
- So that team is already created. So, it's not that we have to pull out any more people or anything from the branches. And this team consists of people from every department, plus about four or five people from the branches also. So, from the user point of view also, that thing is taken care of. That we created last year itself. And therefore, even when this evaluation happened from December onwards and all those meetings were happening, even at that time, the business didn't get affected.
- Now, the third point which we are doing is, the training modules and all, we have already internally, we have got a training department. So, the internal training work and all, we have already started work on the training modules, the PPTs and all those things, so that maybe around two months, earliest will be somewhere around September, because our implementation for LOS, LMS is likely to be in first, second week of November. So, around September itself we will probably start the training.
- So, what will happen is before the thing gets implemented, the training and everything will be done. Because the lucky part for us was that in terms of the applications that were brought, LOS,

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LMS and a few other applications, most of the applications, I think the lowest matching was around 92%-93%. Otherwise, most of the people had almost 96% matching. So, either it was readily available or it was a configurable thing. So, actual changes where you had to go through some modification, code change and everything was very limited.

So, therefore, if the module is by and large ready, so once these masters are uploaded and we are able to do it, I think training modules, screens, everything, we can, it's only a white-listing that we have to do for all the screens and everything. That can be done and we can start the training in September. So, that also we are planning from September so that when the implementation happens, it is not there.

And one fourth aspect, which is that resistance to change. Basically resistance to change is purely fear of the unknown. So, therefore, what we have been talking to IBM and to the vendors is that let's try to identify all the features, positive things, where are the benefits going to come and then upfront start talking to them and so that people are more excited about it rather than scared about it. That also we are working on.

These are the four basic things which we believe will slightly, still there will be some change because the moment you do, the fluidity that comes with working on the current screens, it will take a while for them to get the same, accustomed to the same screen, the same flow and all those things. So, that may take a little while, but other than that, we at least expect that we are trying to minimize the rest of the impact to that extent.

On the positive side, what this will bring is, of course, things like a DMS or a Treasury module or a HRMS module. These are things which are very, you know, not available or rudimentary in the operating system. So, obviously that will improve things a lot.

Plus, digital onboarding is something which we presently don't have, although we have a lot of other things we have incorporated in the last 1-1.5 years. But digital onboarding is not there. E-stamp, e-documentation or e-signing facility, these are another thing which is not there. That also we would like to, we will get incorporated.

So, there will be definitely some and the CRM module will also get implemented. These are the three major things which will add to the, you know, in terms of the TAT and also in terms of the ability to get more business. So, on the positive side and how we are mitigating everything, this is what it is.

Questioner: And then again there will be some parallel system.

Management: No, parallel run will not be there. Even pilot maybe we may try for a couple of branches, but that also we are not planning as of now.

Questioner: No parallel.

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Management: No.

Questioner: So, duplication, etc., would be...

Management: No, no. And currently the project is going on course in the sense that we signed with the bid opening happened in December 24. January the contracting happened. And thereafter, once our contract with IBM was signed, they have also gone forward and signed the contracts with most of the other OEMs that they are bringing.

The critical ones, that is the LOS, LMS, the Treasury and all those modules and GL, we have already started the matching gap analysis and all those things. That is going on. Test cases we are now kind of trying to build in while the team OEMs are working on the white-listing and all those things. Our team has started now working on the test cases and all those things for once the module is ready and master data creation.

Master data creation is also almost on the fag end of creation. It is done. In fact, I think, one or two departments only are pending. Rest of it, the master creation also is almost done. So as of now, the module is on course.

Questioner: On the disbursement side with all the changes that we have faced over the last 3 years on the disbursement front so what changes are remaining to improve the disbursement engine and especially on the direct sourcing side?

Management: See, direct sourcing, last year when we started, we had a nil. It was a clean state. We started somewhere in June with a small team. And I wouldn't say ramped up the team, because it was just till about from 8 people, in June, we have taken up to 39 right now. And by end of the year, this year, we are planning to add approximately 75 people. So, we have about 100, a little more than 100 number of people on the sales side.

Last year, whatever we did, in fact, the team could contribute about Rs. 179 crore. And month-on-month what has happened is the disbursement value has also increased and disbursement on terms of the average disbursement per sales staff has also been increasing. So, in the month of March, it was almost like 39 people were there and they brought about Rs. 41 crores. So one point something crores per staff is the contribution that they have brought in.

Of course, there have been some hits and misses. We realized that in some of the marketing sales staff were put in the smaller towns also. So, in Tier 2, Tier 3 towns, it is somehow not, you know, we are not getting that kind of value. Whereas some of the bigger towns, the sales team has also been able to get Rs. 2 crores. So, going forward, the teams that we will be deploying will be only in the Tier 1 and Metro towns. Tier 2 and this we will probably do it at a later stage. Maybe we will push that. So one is that is what one thing that we are doing for sales.

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And second, of course, the branches that we have opened. Last year, in fact, 15 branches we opened was in the fag end, which is almost in the month of March. So, obviously, they have not started contributing. But this year, they will also contribute. Last to last year, as in FY '24, the branches that we opened about 14 branches. There they have almost reached a business of about Rs. 75 lakhs per month per branch. So, that is a positive thing. Going forward, they will be able to, you know, obviously, that Rs. 75 lakhs should increase to about Rs. 1.5 CR per branch per month.

Questioner: And in terms of the other issues that were there in (Treasury 00:09:04) states, what is your commentary on that?

Management: Yes, we had a problem in Karnataka and Telangana, which is basically 65% to 70% of our total business. There, in fact, what has happened is, Karnataka improvement is not visible in the sense that at least In BBMP they have sorted out this problem and for this what you call Telangana, sentiment still is a little weak. So, we are almost at flat, in the sense that April, May also has not been very great. It is just flat for us.

But Karnataka is definitely improving. Because Karnataka, at least in the BBMP areas, the problem has been sorted out. They have corrected that, whatever issue they had between the several state offices and the BBMP records. Now the data is flowing through. That is possible to do it faster. So, there we are doing it.

What we have alternatively done is, since Panchayat and BDA areas, we were still not, the problem is not solved and we used to do about 65%-70%, 70%-75% of the business from those areas. So, what we have done is, while we have shifted a little more to BBMP areas, additionally what we have done is, we are also pushing for LAP because the problem of e-Khata doesn't affect our LAP business. That you will also see that our LAP portfolio has also gone up from about 5% to 6%. That's also mainly in Karnataka because of Karnataka.

Questioner: So, we are back to September rate?

Management: September, in fact, up to September, we were doing Rs. 275 crores. This month we will definitely, he have come down to 150, Jan, Feb and also around 200. So, this month also, I think we will be doing 200+, 225.

Questioner: You had a question.

Questioner 2: Sir, so my question was regarding this Tamil Nadu bill. So, just wanted to know that are we seeing any slowdown in disbursements due to this Tamil Nadu bill which has recently come up? And also on the asset quality side, are we seeing any difficulty in collections?

Management: See, Tamil Nadu and Karnataka both came out of this bill. Now, Karnataka we had at least some pockets where initially there were some issues. But that got solved. Now at least we are not

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facing. The first month also it was a little bit of a problem. It was somewhere around January. But after that, now it is okay. Even March we didn't face so much of a problem. In fact in Karnataka our absolute value of NPA in FY '25 was lower than FY '24, absolute value.

Tamil Nadu, again, in collections we have not had any problems. Even that initial month in which it was announced, we didn't have any problems. There, in fact, in absolute value, it has gone up by about a Rs. 1 crore or something, but in terms of percentage-wise, Tamil Nadu NPAs also actually reduced compared to FY '24. But in amount, it has gone up by about one point something crore.

Questioner 2: And no issues in disbursements.

Management: Disbursements, no. In fact, Tamil Nadu has grown by 25% last year in terms of disbursement over FY '24.

Questioner 2: TN is the recent phenomena. Are you seeing any problems now?

Management: No. Even April, May, we have not had any problems. We have not had any problems.

Questioner 2: What is the feedback from the ground? We have heard lot of disruption when it got implemented in Karnataka?

Management: In Karnataka, yes. In Karnataka, particularly some belts like North Karnataka, also belts like this Shimoga, Davangere, and also this Bidadi, Ramanagara, these five pockets. Now, we are not very much present in North, that is Kalburgi, and Bidar, and all those areas, and Raichur and all. We are not much present there. We didn't have therefore much of a problem. Our (NPA 00:12:44) or collection was very much under control, whatever little portfolio we had. So, we didn't have any problems here.

Shimoga, Davangere, one or two cases people did, but then we managed it, nothing happened. Bidadi, Ramanagara, for a month, yes, in January. Bidadi, Ramanagara and which is the other one branch? The three branches, we had some issues. For one month of January, we had some issues. In fact, two, three cases, two, three times customers complained. We had to go. Our branch manager was there two days for two hours. But then that is okay, it was managed.

It was more of, you know, for us it was simply that we have to explain them that we are not a, first of all, a micro-finance company. Two, we are given and it's a large value loan, it is a Rs. 20 lakh, Rs. 25 lakh loan. So, it obviously is not a kind of a customer who is absolutely not aware of anything. And it is only this kind of, so, basically, it was only that much.

Questioner 2: These were North Karnataka, right?

Management: Not Karnataka, that is one belt where this has.

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- Questioner 2:** Those are the 3 districts that you mentioned.
- Management:** Kalaburagi, that is Gulbarga, Bidar, Raichur.
- Questioner 2:** Raichur.
- Management:** Then one is the central part of it, Davanagere, Shimoga, that area. And one is South of Bangalore, which is Bidadi, Ramanagara and Mandya.
- Questioner:** Mandya.
- Questioner 2:** Any kind of competitive intensity coming down because some of your competition is going conservative or kind of risk off for them?
- Management:** Last year, somewhere in between, Bajaj slightly slowed down because they had this issue of I think PPC criteria because their non-housing was more than 40%. So, basically, Bajaj has been taking on our loans and then giving them top-ups, which we are not able to match, like Rs. 25 lakh loan they give Rs. 15 lakh top-up. We can't match that based on the valuation. So, based on our valuation policy, maybe theirs is different. So, they are able to give that. But in between that had slowed down. Otherwise, we are not seeing much. Of course, LIC Housing has reduced its rate. So, there was in between a flutter. But then eventually the rate that they are offering of 8% is only for women borrowers with a CIBIL score of more than 800. So, practically, it's not affecting us.
- Questioner 2:** Sir, the competition from Bajaj is on the LAP side, you are seeing them offer the top-ups? Or even on the...
- Management:** No, they take over our home loan and then they give a top-up. So that they attract on the home loan with a slightly lower rate of interest, cover up on the LAP so that their yield is higher. And then, in terms of value, suddenly Rs. 15 lakh top-up, Rs. 20 lakh top-up, it's for the customer.
- Questioner 2:** And what's the delta typically like? How much lower interest rate are they offering for the balance transfer?
- Management:** When we were offering 8.95, they were offering 8.5. I think now also they are offering 8.5.
- Questioner 2:** And for the top-up, how much, what yield does the top-up has?
- Management:** Top-up?
- Questioner:** Same rate. It can't be different.

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- Management:** No, no. LAP will always be higher. LAP will be a higher rate. LAP will be a higher rate. So, if I did it, that will be closer to 10.
- Questioner 2:** The customer looking to for the additional Rs. 15 lakh, he is paying 10% and this.
- Management:** Yes, but they are getting 10% at for Rs. 15 lakh, they are getting additional top-up loan.
- Questioner 2:** But the underlying mortgage property is the same decision. How about with some other businesses also which they are bringing?
- Management:** So, I am not aware of their credit appraisal, whether they are looking at what incomes, what they are looking at, all those things. But it is a top-up loan. They just give a top-up and closer to...
- Questioner 2:** But the underlying security remains the same.
- Management:** The same, same house. So, basically what had happened? Two things had happened. The regulator had flagged two issues. One was that these housing companies which are having housing finance licenses were doing non-housing business more. So, therefore, they came up with this PBC, primary business criteria. And they said that housing finance companies must have at least 60% of their AUM, total as into pure housing, pure play long-term housing. And the rest they can have LAP, top-up loan, personal loan, MSME loan, whatever they want. So, that was one thing which because they are there, it's already, I think they breached that there.
- And the second thing that they came out with was, they have flagged the issue of the same property in a very short time. Like you today value the loan, when you are giving the loan, you value the property as Rs. 40 lakh and give them a Rs. 30 lakh loan. Suddenly after one year, that becomes a Rs. 48 lakh valuation and you suddenly top up by Rs. 60 lakhs. Then suddenly in another one year's time, it becomes a Rs. 55 lakh, Rs. 60 lakh property valuation and then you say, I am giving him Rs. 45 lakhs loan. So, this also they flagged out that our residents like that the NHB itself is having of all the things, there the value increase is not reflected. How come you are able to justify? So, the valuation bubble is something which they have highlighted.
- Questioner 2:** So, what is a typical APE you start with? 85%?
- Management:** 80% is what it is. We don't have that 70%. And 90% is of course they have to be below 30, but we don't give. Because up to the branch manager power, where maximum sanctions happen, it is 80% only.
- Questioner 2:** When they give kind of top-up, they are going beyond 80%.
- Management:** No, they give a higher valuation. As I said, increase the valuation, so it's still within the valuation. No, valuation is like you go to a valuator. They will say as you are saying value-add they would ask why do you want, do you want for wealth tax, or for purchase or for sale something like that.

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- Questioner:** Which you can't own and you have to liquidate.
- Management:** No, no.
- Questioner 2:** And this top-up gets categorized as LAP or within the, like you said, 60%...
- Management:** It is considered as non-housing.
- Questioner 2:** And it gets categorized as non-housing.
- Management:** Non-housing.
- Questioner 2:** Whatever you call it within that, personal loan or whatever.
- Management:** So, actually, they had also, in fact, regulated a lot of companies were giving, you know, today the purchase has happened. And after one year also they are saying it is a, and they were classifying such terms also as housing that we have refinanced the loans. Okay?
- But that clear guideline was issued by RBI and then some companies also wrote to NHB seeking clarity that it has already funded, but it is still money has not been paid and stuff like that. Very clearly they said if, you know, the property has already been acquired and the transaction has happened, then you have to treat it as refinance, and it will be entered non-housing category.
- So, today, say, for example, you purchased a plot in 2022. Today, you want to start the construction and the construction value is, say, Rs. 25 lakhs. Then, you can only consider Rs. 25 lakhs under housing. You cannot consider the value of another Rs. 20 lakhs of the land and say, on top of Rs. 45 lakhs I am giving you Rs. 35 lakhs and I will consider 35 lakhs as housing. You will have to consider only Rs. 20 or 25 lakhs maximum as housing. And Rs. 10 lakhs has to be considered as a top up or something, which comes under non-housing category.
- Questioner 2:** So, when they take over any specific loan, if the amount is increased, the increased amount will always be treated as non-housing. Correct?
- Management:** Not only that, if we have given a top-up loan and they take over a top-up loan, that also has to be classified as a top-up loan.
- Questioner 2:** But why are you guys not doing it? You can also reassess the property, right?
- Management:** We can do it, but see, a valuation, we also feel the valuation doesn't justify sometimes. Otherwise, we don't mind giving. And secondly, their argument is if they are giving 8.5, their minimum is 8.95. Of course, now it has come to 8.85. how much more than that only 10 paisa has been reduced. We can't give that kind of a rate on housing.

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- Questioner 2:** But if the valuation is getting justified, you can offer it to a weighted average.
- Management:** So, we also have a small 5% or something odd is our top-up loans where genuinely when the property value has gone up, sometimes the customers come after 5 years, 7 years, and the existing customers are taking a top-up, but that is just about 5% for us.
- Questioner 2:** I think top-up basis anyway not much, right? Most customers would not require a topper.
- Management:** It is obviously not like 2,70,000 customers base we have. Even if you know 5% or 13,000 customers go, it is a sizable amount for us.
- Questioner 2:** Your weekly out rates have gone up in FY '25.
- Management:** No, no.
- Questioner 2:** That is...
- Management:** That is not there.
- Questioner 2:** Is there a lot of demand for top-ups from your existing base where, let's say, 3-4 years have elapsed, a lot of the loan is repaid? Do you offer an optionality to customers?
- Management:** In fact, last year we also ran a campaign where we sent letters to everybody who was having a regular repayment for last one year, no check bounce, nothing. We sent almost one meaning quite a large amount. We sent to all those customers. If you want to, please contact a branch if you want a top-up loan. We didn't even get 1% response. So, customers, genuine customers who really, you know, or this thing will take it only when they want it. So, even when you send them a letter saying you have no nil processing fee, just come and meet a branch and take it, then also we did not get 1% response to that.
- Questioner 2:** So, for the current year, after the two rate cuts, and now last around 2 years, what we had done is earlier we had annual reset and now we have changed quarterly reset for the loan for getting repriced faster. So, are the liabilities also getting repriced in a similar fashion and how much is we have been able to in terms of the liability and the overall impact on spreads?
- Management:** So, today, among all, our NHB is floating, but it is annual reset. So, we have not seen any change. It comes almost one year delayed only it comes. So, you can see it is fixed. NCD, of course, is fixed because for the tenure of the NCD. What is floating for us is our bank term loans. And CP is where we get the benefit of the rate.
- Now, in our bank term loans, our 80% of our bank borrowing is on a linked to EBLR. That is the repo rate. And the remaining 20% is linked to T-bill. So, in that entire bank portfolio, we have got a reduction in our this thing.

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But what happens is there is a, you know, every term loan agreement has a different terms of contract. Like some, we will give you the impact of the repo rate cut for the next month. In some cases, it is after the end of the next interest payment or something. In some, it is at the end of the quarter.

So, depending on that, you may get, but not beyond a quarter. So, the February rate cut, we got all the benefits by March. But for the April rate cut, we will probably get it by end of June. So, the 25 bps that we got it, we have already got the benefit on that bank term loans.

In terms of the CP, obviously whatever we borrowed in Q4, there it was at a higher rate. And in fact, in the month of March, probably we would have raised CP. We were getting it at the rate of 7.5. Today, the same CPs of a 90-day CP, we are getting at 6.6. Okay? NCDs, at that time, we raised at 8.18%. Today, we are getting at sub-7.4%.

Questioner: 7.4.

Management: So, what has happened is, based on this impact, once the entire impact of the first rate cut happened in 31st of March, in the April ALCO we took a decision and we said that exactly 10 bps was passed on to us on the overall book because only on the floating portion we got the benefits. On the entire borrowing side we got basically a cost of borrowing came down by about 10 bps, which we have passed on from May onwards to our customers. Okay?

The second rate cut, which has come in April, probably by 30th of June, we will get the benefit. So, in July, again in the ALCO, we will take a call, and maybe that would also result in about 10 to 15 bps benefit. That also we will pass on to our customers. Right now, we have passed on 10 bps to our customers effective May.

Now, how it works is, in January 2024, we moved from annual reset to quarterly reset. So, from that day, all incremental loans are on quarterly reset. But for the old loans, they have to execute a documentation and have to come forward and take the benefit. Till February, obviously, the rates are flat. So, nobody came forward and even though we wrote letters and SMSes, customers were not very keen.

But therefore, as of today, 25% of our book is on quarterly, the remaining 75% is still on annual. But going forward in the next couple of months, we do expect that annual reset guys will definitely come forward and ask for a rate revision, and we will be giving it to them. So, the conversion from annual to this thing will happen faster, we expect, in the next couple of months.

Questioner: And because of all these things, BT out has not increased.

Management: BT out has not increased. No.

Questioner: Competition has also passed on similar or?

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- Management:** I don't, see, banks have definitely passed on, but NBFCs and even HFCs, I don't think have passed on to existing customers. What has happened is, even this LIC Housing Finance that I mentioned, I don't think they have done it to all existing customers. It is just a new customer offer. They have not passed on to my...
- Questioner 2:** So, what is the formula for existing customers?
- Management:** In our case, it is uniform. So, when we reduce 10 bps, our card rate itself went down by 10 bps.
- Questioner 2:** It's linked to your internal bank.
- Management:** Internal bank.
- Questioner 2:** 100%. The only difference is quarterly versus annual.
- Management:** Quarterly versus annual. So, therefore, in terms of our spread, it cannot be impacted because only after we experience, we will pass it on to our customers.
- Questioner 2:** So, all our loans are MCLR linked, like the cost-linked, they are not internal.
- Management:** No, we do have fixed rate also. Some link to this NHB's, this affordable housing fund, they are at that cap. So, we cannot there, you can see and fix. But now that is one thing. Then that's it. But by and large it is all floating only.
- Questioner 2:** And costly, not external.
- Management:** Everything is costly. Nothing is external. We are not bound by the CBLR. It is only for banks.
- Questioner 2:** In between if they want, they have to come. Otherwise, it will only happen annually.
- Management:** No, no, for the annual people, yes. And if they have come for annually now and we will offer them a quarterly.
- Questioner 2:** So, they will be running through annual only.
- Management:** No, we have only annually, yes. They will have to come execute the documentation, consent letter and everything.
- Questioner 2:** Next year only, most or more or less you will get that?
- Management:** No, I mean, now that the rates are happening quickly, we are almost every day we are getting one or two letters for rate revision, which is the thing. So, they will come forward. I believe...
- Questioner 2:** There is some fee for that.

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- Management:** No, we are not charging for that. I think there is some token processing fee, Rs. 500 or Rs. 700 or something. That's a one-time processing charge. No other percentage, like non-tech, it earlier used to be for doing this, you have to pay 0.5, 0.25, just administrative expenses.
- Questioner 2:** How different is your yield profile for various products and how does that build into the --
- Management:** See, product-wise, I think I may not be having exactly right now, but roughly I can give you what is the rate, how are the rates we charge, okay? So, first of all, it is based on housing, non-housing. So, the housing rate will be x, so non-housing will be 0.5% higher than that.
- Secondly, within that category also, there is a salary versus self-employed. So, salary versus self-employed is also 0.5%. Suppose, salaried housing versus non-salaried non-housing, say SCMPs non-housing, there will be a 1% difference. Then within that also, if it is a repair loan or something, then it is 15 bps higher, 15 to 25 bps higher.
- Questioner:** 15 to 25 according to rate.
- Management:** Then within that also, customers are graded between this S1, S2, S3, internal risk rating. So, the S1 customer for a housing in a salaried segment will get 8.95. The S3 customer, non-housing, SCNP, will get around 10.15%.
- Questioner 2:** So, S3 customer non-housing?
- Management:** SENP non-housing S3 customer.
- Questioner:** S3 category.
- Questioner 2:** Gets 10 point...
- Management:** 10.15.
- Questioner:** That is the highest rate to the lowest rate in the whole parameters of housing, non-housing, categorization of the customer.
- Management:** I think today the maximum, even if you see the commercial non-housing or something, we have some products, although it's not a big ticket. So, maximum, I think even in those LRD or something like that, maximum would be around 12%. We don't have any loans above, would not be having any incremental loans above that 11.5% or 12%.
- Questioner 2:** But for the retail customer, your rate is 8.95 to 10.15. We are not there in the higher yield LAP products and no exposure to those segments.
- Management:** No, a LAP itself for us is a very small component.

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- Questioner 2:** You said the LRD and the CRE is at a yield of 11.5%.
- Management:** LRD is there, but we give it mostly to our own existing, where we ourselves are tenants. Otherwise, as a product on the retail side, on the counter, we don't have it.
- Questioner 2:** The housing CRE product that is 11% is what?
- Management:** See, technically what happens is, if there are, say, like in Bangalore, I will tell you, there is a concept that is ground floor, first floor, second floor, they will construct. Each will have a separate kitchen. They will stay on the ground floor. First floor, second floor, they will give it on rent. Now if that kind of a property comes, so the definition is if it's more than two housing units, like if I go for my third house and my CIBIL shows two houses are already being serviced, then this will be considered as a CRE.
- Alternatively, if I have this house where I have considered three separate kitchens and I plan to give two, that will be considered as CRE. Then the risk weight is slightly higher. So, that is our 11%. Because in Bangalore that is a very common concept to give this top floors on rent.
- Questioner 2:** Sir, this is not CRE technically or what are the -- This is essentially practically individual housing.
- Management:** Individual housing, yes. It is not that, no, in CRE also there are two. CRE housing and CRE commercial.
- Questioner 2:** No, residential and commercial.
- Management:** So, the builder loans that they give is CRE. Suppose they are giving for a project loan for a housing project, purely housing project, more than 90% housing. Then in that case it will be CRE non-housing or CRE commercial. In our case it is all CRE housing.
- Questioner 2:** Sir, one question I was having pertaining to this tech transformation journey. Sir, are we starting this tech transformation journey from Financial Year '26 onwards and we will be building this cost in P&L in FY '27 or we will be starting it from FY '25 only?
- Management:** No, no, the project has already commenced. So, as I said, our document, this tender opening and everything and finalization of the vendor happened in December, end of December, 26th of December or something. For January onwards, we have done the contracting with IBM. And they have themselves forward. So, from January 25, the project has kind of commenced. The terms of the contract are that 12 months from the date of contracting, okay, the project will be there. From the 12 months from the date of PO issuance. PO issuance happened in the month of January. Contracting happened a little later.

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So, from that date, 12 months, they have to complete the project. And after that, another three months, they have to give for hand-holding and transfer and there is something called, what do you call, some period is there. So, that gets over after March only. So, till that time whatever project is there will be considered, we will get capitalized expenses till then. And the impact, therefore, on the P&L will start happening in FY '27 only. But in November 25, will already be over. Implementation will happen.

Questioner 2:

So, for this 11 months, don't you think like the disbursements will be getting affected and we have already given our guidance for 20% disbursement growth in FY '26. So, what is the confidence that we are getting that we will be able to achieve those.

Management:

No, I just answered the question, the first question itself that we have carved out a separate team. So, the entire work from all this preparing the test cases, doing the testing, doing the master creation, doing the migration, everything has a separate team which was already carved out last year. So, that work was only happening.

Now only impact for the field staff will start happening when in September and October we may pull out teams for the training. So, they will all have to maybe come for a 3 day training, 4 day training or maybe 2-3 rounds of training. So, there some time will be lost. And two, when the implementation happens in the first or second week of November, at that time, there will be some period where teething issues will happen.

So, prior to September, the field staff will not have any impact on this tech transfer that is happening. There is absolutely no impact. And hopefully, by November end or something, if you are able to close this and it moves on, then December onwards also, there will be no impact.

Questioner:

We are seeing only from September.

Questioner 2:

So, September to December it will be affected.

Management:

There will be some impact will be there, which we are trying to minimize. Before that there is no impact. The branches and teams at the branches right now are completely not involved in any way in their tech transformation because it doesn't touch our existing system at all.

Questioner 2:

One question, sir. How do you, I mean, this is slightly broader question. Sir, how do you compete with banks on rates generally because you are a pure housing focused company? And what is, like, how is your relationship with Canara Bank? How do you leverage their network?

Management:

In terms of the bank, see, in terms of rates we cannot compete. Today, they are also linked to EBLR. So today, if they decide to move and do the Rs. 25 lakh loan, it's over. Okay. And so is the case for all of us. But they don't generally come for this. Right now, they are mostly in the high ticket size, mostly in the Tier 1 and Metro towns only. What we do is, even in the bigger cities, we are more in the periphery areas, which are the new developing areas. So, today, if you

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ask me in Bengaluru, our Koramangala and Jayanagar branches are not able to do the business. Somehow for branches here on Whitefield or on Attibele or in Devanahalli are doing more business than in Koramangala branch. Because in Koramangala branch has to fight with SBI and HDFC. But in Attibele and in those places, we have more to fight with PNB and LIC and Bajaj only. So, that's the difference. Periphery branches are doing better for us. Tier 1 cities also, it is less competition, so that's what we are able to do. So, this is how we are able to deal with the banks. Because banks, for all these slightly lower ticket cases, they are okay with this priority sector lending, secondary priority sector lending, or doing co-lending, which is now picking up in a big way, or DA transactions. So, they are more focusing on direct business, which is in the higher ticket business.

The second part, as for Canara Bank, we have completely, you know, arm's length distance from Canara Bank. In terms of the business, there is a pure walk-in customer, their own existing customer base, and everything that they are doing is different. Mostly 85% of their business is actually self-generated. Walk-in customer, their existing customers wanting loans and stuff like that.

In our case, it is purely DSA-driven. 80% is DSA. Our customers, therefore, normally are not the ones who would do this. We don't even leverage as Canara because we are as both are listed entities. We are completely arm's length distance in terms of our dealings.

So, we don't have any kind of thing like their rigid cases come to us or they are not falling into there, that comes to us. Individually we are in the same building. So, they may say, no, no, we don't give, go up. Then fine. That's a different matter. But there is no patch, there is no thing which is, and I think that business which comes from those kind of leads also is really just very, very, very minimal.

Questioner 2:

No, sir, apart from that, from the positive angle, let's say, can you leverage it? So, of your total borrowing, how much would be Canara?

Management:

In terms of borrowing, I think they have Rs. 2,700 crores or something is the borrowing we have from Canara Bank. And compared to other banks, if you look at it, I think our exposure with SBI, our exposure with PNB would be more than that. HDFC was also more than that, but I think there was one pressure we took from Canara, so it was. Otherwise even HDFC Bank has taken more exposure with us. So, I don't think in terms of that also it is there. Again, there it's a pure arm's length. We have to go and take the RPT, related party transaction approval from the audit committee and before we go for it. And we also have a AGM approval from our shareholders, wherein we say up to knock maximum RPT transactions we can have. So, it is all within that company.

Questioner 2:

And regarding the banks state, do you have any clarity because it's around June 29?

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- Management:** There is no discussion right now happening on that with Canara Bank or anybody. I don't think that that is there. That circular was there, but I think the circular, nobody talks about it. Even RBI is not talking about it. We had that came out in October. In February, we had a conglomerate meeting, IRF, Inter-Regulatory Forum conglomerate meeting. All the regulators were there. RBI was there.
- Questioner 2:** And would you want to raise more capital in any time soon or?
- Management:** Right now, our ROE is around 17, 16.92 or something. Our growth rate is lower than that. So, as of now I don't think it will be required. And our capital adequacy is almost 25%.
- Questioner 2:** And if required, will the bank participate?
- Management:** I mean, if that situation comes, at that time we do it. We do take a, let me tell you, we do take a enabling provision, enabling approval from our shareholders, for which obviously even Canara Bank takes it and we also take it because they also have to put it for their ICAP calculations and everything. We also have to put it. So, we take an enabling provision. Last year also in the AGM we have taken a Rs. 1,000 crore enabling provision from the shareholders. We have been taking Rs. 1,000 crores enabling provision from Canara Bank to increase in case of equity or anything like that.
- Questioner 2:** And sir, on the co-lending side, why are you not doing it aggressively? Many of the HSCs are now taking the stuff out of their balance sheet, right?
- Management:** No, today that...
- Questioner 2:** But we are more traditional in that way, we want everything on that.
- Management:** No, but co-lending, it makes sense if you are wanting to have a lower cost rate or something, whereas your blended rate will come. The primary and secondary blended rate will come. In this case, you know, we are already at 8.95. The blended rate maximum will be, Canara is doing at 8%. So, we will have blended rate of about 8.4 or something. We can give. But then the same customer, policy-wise, if there is a difference, a new segment which they are able to get, then it's a different matter. And if at all we do it also, anything, it will be on an open platform. It will not be that we will only do it with Canara Bank. If we do it, it could be with anybody. Because that way, you know, RPT will be very, we are very clear on that.
- Questioner 2:** Sir, in terms of cost of funds, do we have some sort of an advantage because of the sponsor status with Canara Bank?
- Management:** Obviously.

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Questioner 2: And if we do that sponsor take that at some point in time because they decide to sell it out. How much could be the impact?

Management: So, I would assume that normally the rating agencies, if the parent agency is not there, then they would not do the rating. You need to have a clear, strong parentage or something to have a strong backing to have a AAA rating. Otherwise on an isolated base howsoever good you are, you will not be even, even with a consistent performance, even with a kind of ratio that we have on an on a standalone basis, I don't think that rating agencies will give a Triple A rating. They will give a Double A+ at most.

So in that case, I think you can say about 20 bps, 25 bps maximum could be increase in our cost of borrowing.

Questioner 2: And sir, one last thing on the ESOP. So, if you could give us a broad understanding because this is something which has happened at Can Fin for the first time and what bracket is eligible for it and what are the strict criteria, etc., for what we get and what are the KPIs?

Management: See, we have right now taken an approval from the shareholders for up to 1% of the equity base. So, that is the first thing. Out of that also, normally, as the market follows, whatever approval you take, you do about 10 to something percent in the first year and then so that over a period of 6 to 7 years, it's worth that one approval that you take will last for about 6 to 7 years.

So, therefore, currently it is, you can say, 1% and of that 10%, so about 0.1% or something is the equity that has been used in the first round, that is in November 24, being offered to the shareholders, to our customers, to our staff, that is. There we have a cut-off of Chief Manager and above who are eligible for this.

So, that's the first four levels, Chief Manager, AGM, DGM, GM. That is the level two which is eligible for ESOPs. It is a one plus one year of will be the first vesting will happen after one year and thereafter it will be in four tranches. So, this is 20-20-30-30 that it will happen in four tranches. So, November 24 was the first lot, that first vesting of 20% of what was, you know, would vest in November 25. Another 20% in November 26, 30%, 27 and 20%, 28.

But this is an ongoing process to every year. So, this year again there will be a new lot which will now vest in 20% in '27, 20% in also '26, 20%, '27, '28 and '29.

Questioner 2: And the KPIs?

Management: Of course, we have their ratings. There are quite a few things, three parameters broadly rating, internal rating.

Questioner 2: It is an open --

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- Management:** So, those rate criteria are there.
- Questioner:** And the question that we asked about competition from the bank is because of the sourcing is from DSAs. Just like Bajaj has gotten aggressive and trying to do balance transfer and so on. This is another area banks at some point start sourcing these from DSAs because these customers the collection is fairly online digitally.
- Management:** When Bajaj doesn't call the normal DSA, it might go to them, because once they get a customer, this is the same, on the same customer only, they will be able to earn. So, after two years, normally two, three years, the same DSA will take the same customer as well. That's when on that they will start earning another 1% or 0.5% or whatever as commission. So, that is a normal thing. So, that risk is always there with DSAs. Therefore, we also want to reduce our DSA sourcing percentage from, we were actually 85 and in our region document we have said by '28, we want to bring it down to around 60% because this risk is always there.
- Questioner 2:** We are not seeing DSAs move files for base customers to banks, for housing loans to banks in your areas or...
- Management:** It is not more, DSAs will be more to with NBFCs and HFCs rather than with banks. Banks, they have a different...
- Questioner 2:** They don't believe it. They want to go direct only.
- Management:** No, no, they also have resource, but they will have more of corporate DSAs, like Andromeda's, RU Money, Paisabazaar and all those.
- Questioner 2:** So, from a demand perspective, how are you looking because post the HDFC Bank and HDFC Limited merger? Is there any impact especially on you guys?
- Management:** HDFC, we were actually, no, really we thought this would become a completely different, you know, the connect of HDFC and the aggression of HDFC Bank will happen, but not now.
- Questioner 2:** On the self-constructed side, so what is the self-constructed orders?
- Management:** I think 65% of our book is self-construction.
- Questioner 2:** So, there we would have very limited competition from banks.
- Management:** No, once a property is constructed but they don't have a problem. See, periphery areas what happens is the infrastructure, the road, drainage, power, all those things is still developing. That's where we enter. We take that risk, we take the customer. Property values are, costs are less. Therefore, customers also, you know, younger generation customers, less income, want to have

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a good house. This is a better location where they can get it at a lower price, they can get the property. So, that's what is our USP. That is where we do it.

Now obviously later part when the city or those portions come under the corporation limit and the value goes up, then the same customer can also go to a bank.

Questioner 2: So, self-construction is 65%. But under construction, flat project would be more, right?

Questioner: No, that is around 7.

Questioner 2: Sorry?

Questioner: Flat construction. Flat under construction.

Management: No, flat...

Questioner 2: These are standalone houses.

Management: These are standalone houses, I am telling, 65%.

Questioner 2: In Bangalore in periphery most of the peripheral areas also having these big projects only, right?

Management: No, but our total apartment is about 33%. I am talking about self-construction, 65%. 30% odd would be that. And the remaining would be either top-ups or it would be, what do you call, ready-made prospect, resale, second sale, ready properties if you are acquiring.

Questioner: Sir, we need to thank you.

Questioner 2: Sir, in these 33% of these projects which are apartments, so these projects are typically also certified by some banks, right?

Questioner: Like in the initial stages till they are under construction.

Management: We do have many places where it is also financiers. It would have to be there. So, we have also started the same thing in terms of...

Questioner: Full project you are certifying.

Management: Yes, approved projects. Last time we started that approved projects. We had a target for 75. We eventually did 80 approved projects. This year we want to take it out to 250 projects.

Questioner: Are you planning to do some construction finance also for this class?

Management: Not right now. I am not at the moment.



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Questioner: Thank you.

Questioner 2: Thank you.