



“Can Fin Homes Limited Conference Call”

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**MANAGEMENT: MR. SURESH IYER – MANAGING DIRECTOR, CHIEF
EXECUTIVE OFFICER & DIRECTOR, CAN FIN HOMES
LIMITED**

Interviewer 1: So, see, we have had a few issues. So, if we see disbursed loans, it has not gone anywhere in the last four years. I think it may have been something which has been kind of steady since the last four years (Inaudible) 0:25. What are the issues? You were saying about just last year, we have seen from '21 onwards.

Suresh Iyer: No, I think after the COVID, there was a straight jump from about Rs. 5,000 crores, Rs. 4,000 something odd crores to around Rs. 8,900 crores. And then one year went because I think FY '22 was the year when it jumped to Rs. 8,900 crores. Thereafter, there was a lagoon at the top because the previous MD, Girish, left in September. And there was almost six months where there was no nobody at the top.

So, that was one reason where, therefore, the year FY '23 was a kind of flat. Immediately after that, when I took charge in March '23, after that, you know, that first year, unearthed the fraud, and we had to, therefore, change the entire year, went into correcting the situation and putting things in order, like control issues, internal controls, policy and process changes and all those things. So, FY '24 was purely a year where we were only covering, improving the situation and trying to build in the necessary controls.

Then FY '25 we started seeing some improvement in Q2 and all. We had 18% growth and all the areas started doing except for Telangana. And we always had a kind of a concentration in Telangana and Karnataka. So, one of our large markets which is Telangana was having a problem and in the beginning itself we said that there is a problem.

Interviewer 1: What was the issue with Telangana?

Suresh Iyer: In Telangana actually in FY '24 itself when we were doing the process changes and controls and all, so there was some small lot of lending issues. We did some close to Rs. 14 crores of frauds unearthed over there also. It is there in the annual report also where individual cases in small branches where things were happened, where mostly some legal related issue, which is specific to the state of Telangana were identified and we had to kind of make a full provision and declare them as fraud. So, there are approximately Rs. 14 crores worth of cases in FY, the same, as I said, one was Ambala and the second was this.

Hopefully, if you see FY '24, we did something close to Rs. 60 crore of fraud and everything was identified and done it. So, post that, we were very tight on the DSAs because basically all this happened because of a collusion or the involvement of DSAs in that state. So, we were very tight. We almost removed most of the DSAs. We tightened up our other controls also and fed a lot of staff action. That was one area which happened, plus the fact that immediately after that the change of government also happened. And then came the Hydera issue.

So, it was one after the other that the state was having some problem and so we had in the beginning of the year itself indicated that here this year we are going to go slow because of all these issues that we made this and we had also indicated that there are some delinquency issues

in Telangana because now that we have unearthed all these things, there is a small, small other things which are also coming out which we are trying to address because of the same DSAs and all. Because there are cases brought by DSAs obviously the DSAs where we deactivated them, they were kind of being vocal about it in the market and they were threatening the customers and all those kind of things. They were, you know, so...

Interviewer 1: Why is the customer going back? I am just trying to understand because their property is mortgaged to you.

Suresh Iyer: The property is mortgaged to us. So, sometimes customers, the DSA is generally, you know, they are something like that. So, sometimes customers, only after their CA count becomes SMA0, SMA1, we start contacting and telling the customer. So, then it becomes but all that was more to do with the...

Interviewer 1: See, bulk of your borrowers are salaried 75%. So, now these customers will be salaried mostly in Telangana also, right?

Suresh Iyer: Yes, in Telangana also.

Interviewer 1: Then the profile will go for a toss. If it goes to SMA0, SMA1, the credit is screened, credit score will go for a toss. They are not aware.

Suresh Iyer: See, the kind of profile that we have, not everybody knows. We pull the CIBIL, but they don't know that the CIBIL is there. Only when they go for the next loan, they will realize, oh, something is wrong. Oh, I missed a payment there and the company was right.

Interviewer 1: Typical lender of (Inaudible) 00:04:53. So, what kind of salary bracket and when you say salaried, typically what kind of segment or job profile they are?

Suresh Iyer: See, we have about 70% of our customers are salaried segment. 51% is the segment which is in private employment. Private employment is it could be any unlisted company, small-time company also, where they are getting a salary. But it is all salary which is credited in the bank account. Another 6% is the IT sector particularly in Bangalore, Hyderabad and all those things, 6% is the IT sector. And the remaining another 14%, I mean, this is also private sector only, but then we have bifurcated because a lot of question ask us, we are from Bangalore, most of our customers are in Bangalore. So, they would be IT.

So, we have segregated. Otherwise, it is 57% is private employment, of which 51% is non-IT and 6% is IT. And another 13 odd percent, 13%-14% is which is in the government. That is state or central government. That's about 13%-14%. That's how it comes to around 70%. The remaining 30% is self-employed.

The typical income you were saying, the typical income if you see our average ticket size is about 25, roughly about 60 to 80, Rs. 60,000 to Rs. 1 lakh is the monthly income of the families.

Interviewer 1: Of the families.

Suresh Iyer: So, we consider if both are working, it could be two double income family also.

Interviewer 1: So, okay. Sorry, so you were telling the issues why the assets should be improved.

Suresh Iyer: So, that was a small issue which we had already highlighted in the beginning that in Telangana we are a little, going to be slow.

Interviewer 1: So, you say the potential write-off was like the first fraud. So, it was like money transferred, it hadn't been transferred. You know, accounts were not for home loan, basically. They were bogus accounts.

Suresh Iyer: No, no, it is not bogus accounts. Here what happened, as I said, it is a technical issue limit, very specific to Telangana. So, actually what happened...

Interviewer 1: One branch or multiple branches?

Suresh Iyer: It is all of them because Telangana itself has an issue where what was happening on the basis of an unregistered GPA also, they were able to do some documentation.

Interviewer 1: GPA?

Suresh Iyer: General power of attorney. Unregistered general power of attorney also, documents were getting transferred. There was no verification in the Sub Registrar offices. So, once we came across one case, we did a thorough search of all such properties. Okay. Second thing is, there is no chain of document available prior to 1983 in Telangana. So, there were some issues related to that also. So, these are some specific issues related to Telangana's documentation only. It is not there in Karnataka. It is not there in Maharashtra. It is not there in Gujarat. It is not there in Tamil Nadu and all. This is a very specific issue because everywhere Tamil Nadu and all, very, very pakka. If you have a, you know, even if you are on the basis of a registered power of attorney, Tamil Nadu will even call for the customer power of attorney holder and see that the person is alive or not.

Interviewer 1: You have to. Here in Maharashtra also you have to. It means if you are giving someone power of attorney, then that person, first time you have to go. When you are giving power of attorney.

Suresh Iyer: Exactly. So, these things controls, they are not there in Telangana. So, general power of attorney is going to be under registered general power of attorney also transactions are getting done. So, when we go back, sometimes you will find that you know...

Interviewer 1: But this is not specific to your institution.

Suresh Iyer: It is for every other institution, their problem is there. Now, how many of them reported, how many of them...

Interviewer 1: No one else came out with any issues, right?

Suresh Iyer: I mean, if you ask for this thing, many people even said, why are you reporting? But that's not the point. For us, transparency is more important. We reported and we declared them as fraud the moment you will come know. Technically on paper, if you look at our documentation, it is pakka. Today, if I give you the list of documents, I can tell you on the basis of the same set of documents, I think 10 other companies will be able to give them a loan to the same customer.

Interviewer 1: So, this was because you are decentralized in the rating?

Suresh Iyer: It is decentralized.

Interviewer 1: Have you been centralized in the rating, probably you would not have gone ahead.

Suresh Iyer: No, no, it is not because of that. See, earlier on an unregistered power of attorney has a policy. It was allowed. I mean, it was done. We have stopped it. Others are still doing it. We stopped it. And when we stopped it, we reviewed how many cases are on unregistered power of attorney. We reviewed all those cases and saw that there are some cases where the unregistered power of attorney holder, where there is some issue in the chain. So, we declared all of them. Customer is not an issue. Customer is still there. We are still following up with the customer for recovery. But on our books, we have declared it as a fraud. The property is still there. If you go on the basis of that document to the property, the property is also there. Customer is also there.

Interviewer 1: The state has allowed this one.

Suresh Iyer: The state has allowed it. It is still continuing.

Interviewer 1: But it's not a fraud. The state has allowed it.

Suresh Iyer: That is correct. The state has allowed it. But it's an unregistered power of attorney going back to say 18 years, 20 years. Tomorrow, if the original, so, basically it is something like this that there is an open piece of land.

Interviewer 1: No, I agree. But I think it's a switch...

Suresh Iyer: No, no. How is it a fraud, I will tell you. There is an open piece of land.

Interviewer 1: Correct.

Suresh Iyer: Okay. You come and tell me that I have the unregistered power of attorney for this land and you sell me the property.

Interviewer 1: No, I got your point.

Suresh Iyer: I will sell it to somebody else. Somebody else takes it to the third person. That person comes and takes a loan from Can Fin.

Interviewer 1: No, that's why I asked you, whether it is an underwriting issue because...

Suresh Iyer: No, it is not an underwriting issue because the customer who purchased it, they saw the chain and did it. Now, 18 years back, if there was somebody who did an unregistered power of attorney, I mean actually you never have that power of attorney.

Interviewer 1: Correct.

Suresh Iyer: And customer tomorrow comes from abroad and says, "Oh this is my land, how did you construct a property?"

Interviewer 1: No, I agree. But state is allowing it.

Suresh Iyer: State is allowing it.

Interviewer 1: The customer is doing it.

Suresh Iyer: Customer is doing it.

Interviewer 1: He is not at fault.

Suresh Iyer: He is not at fault.

Interviewer 1: Because he has not gone against the law.

Suresh Iyer: No. He has not gone against the law. That's why we cannot penalize the customer. But we have to declare it as a fraud because in our books it's a fraud. It is a document where we don't know the genuinely of your...

Interviewer 1: There is a potential.

Suresh Iyer: Potential fraud. So, we have declared it. We declared it because it's in the matter of pure receipts. Today, as I said, the same set of documents, if the customer goes and goes to 10 other institutions, probably 9 of them will transaction.

Interviewer 1: So, this is specific to Telangana. This practice is common elsewhere as well.

- Suresh Iyer:** It's in Telangana. That's what I said. It's a very state specific topic in Telangana which was there. So, we stopped any document...
- Interviewer 1:** Since 18 years.
- Suresh Iyer:** As in 1983.
- Interviewer 1:** '83, okay. But it never came out. 42 years.
- Suresh Iyer:** It never came out means we also didn't make a big issue about it because we don't know whether it is, as I said, today the customer, you cannot fault the customer. You cannot fault the property. Actually, the property has been built. Construction is also standing over there. But there is some issue in the chain which goes back into 18 years back or something. So, tomorrow there is a possibility that somebody might come and say, "Boss, 18 years back, how come this power of attorney has come?"
- Interviewer 1:** Ideally, underwriting should have addressed this. We will not accept them. Just because there is an institution specific, state is allowing it.
- Suresh Iyer:** Exactly. I agree, I agree. It's a policy. Today we are taught completely unregistered power of photonic based, unregistered GPA based transactions, we are not doing it. We have taken a call, we will not touch those cases. Anywhere in the chain if there is an unregistered power of photonic, we will not touch that case.
- Interviewer 1:** So, this is one which impacted your growth.
- Suresh Iyer:** But anyway, that is not the main issue. The main issue was that we had this Hydera project. So, we have upfront said that this project is there. We were not done. You know, the sentiment is weak and there are issues in Telangana where growth is going to be slow. So, Karnataka was still doing well, but unfortunately, in October, even Telangana, I mean, even Karnataka had an issue because of our eKhata problem. So, now two of our major markets, one is Telangana, one is Karnataka, both were affected. That is why it affected our growth. But in the meantime, today, if you look at it, post the COVID and post the growth that was there. Now that these issues are resolved, the capacity has already been built into the system, because we have added staff. Two, we have now again opened our branch expansion, which had stopped somewhere in 2000 or something.
- Interviewer 1:** That's what your branches, probably 40 branches have been added.
- Suresh Iyer:** In 2 years, correct.
- Interviewer 1:** Even in 4-5 years, if you see from 180, you saw 186 or 189, you have been like 20% you have given. 50 branches, sorry, 50 branches we have added since '21, I think.

Suresh Iyer: No.

Interviewer 1: Last 4 years.

Suresh Iyer: No. 39 branches we added, but 10 we closed also. So, effectively, 29 branches only we have added.

Interviewer 1: In 2 years.

Suresh Iyer: In 2 years.

Interviewer 1: I think 50 in 4 years.

Suresh Iyer: No, before that close for 3 years. Before that 3 years we didn't open branches in 3 years. So, when COVID hit, branch expansion was stopped. And from '20 to '23, there was no branches. '23, again, we started the branch expansion. So, whatever the branch expansion adds to the business, that was stopped.

Interviewer 1: So, now 29 we have added?

Suresh Iyer: Yes.

Interviewer 1: On 193 almost, right?

Suresh Iyer: We were 205. We made it 219, and now 234.

Interviewer 1: So, 15% you have. So, now this will help you. So, these branches have been added in which year?

Suresh Iyer: So, we added 14 in FY '24 and another 15 we added this year in Q4. So, those Q4 branches, we have added most of it in the North and the West. Because that is also another thing, we want to slightly move away from the South and we want to see that in the South the focus slightly reduces.

Interviewer 1: So, now that will help us grow faster.

Suresh Iyer: Yes. And last year, just to give you the numbers, last year our North zone, where we added the branches also, and where there are no other issues, it has grown by 36%. Tamil Nadu has grown by 25%. And West Zone has also grown by 15%. And Karnataka was also growing at 20%.

Interviewer 1: Tamil Nadu by how much? 35?

Suresh Iyer: 25%.

Interviewer 1: 25%. Now, how about Telangana and Karnataka?

Suresh Iyer: Telangana is still going to be slow. We are kind of flattish only in Telangana. Not much of a growth. But Karnataka has started improving. May is better than April. May is almost better than last year May also. We will be closing better than last year May. April also.

So, I think growth-wise, Karnataka is back in terms of growth. And with this process of eKhata becoming smoother, already it has improved and kind of settled in the corporation limit areas, but in the development, we call it as BDA, Bangalore Development Authority, that area as well as the Panchayat area, it is not completely settled.

But even without that, we are starting to witness growth because we have shifted our slightly of focus onto the BBMP areas. And we also slightly focus a little more on LAP. So, that has helped at least bring back the numbers. Once the Panchayat and the BDA areas also get sorted out, in fact, the numbers will further improve. But already, even with these two changes itself, our numbers have started reflecting a bit positive.

Interviewer 1: Sorry, I missed this point. So, how will it improve here?

Suresh Iyer: So, first of all, there is a Municipal Corporation in it. Outside the Municipal Corporation, there is a Development Authority, Urban Development Authority. And then beyond that will come the Panchayat areas. Now for the corporation limit areas, it is almost done. But 75% of the business is happening in the urban development and the panchayat area for us. So, what we did? We shifted our focus a little more to the corporation limit. Okay?

And then we also slightly shifted our focus to LAP. Because in case of LAP, we don't need to go for the registration. So, our eKhata issue doesn't hurt us. So, we slightly focused on LAP also, top-up loans and all those things. And at least the numbers have started coming in. Now, if the BDA and Panchayat where 70% of our business used to happen, those also get sorted out in the state, our business will further grow.

Interviewer 1: So, how long will it take for these things?

Suresh Iyer: No, even otherwise, we have shifted our focus and our growth has started coming in. If that comes, it will be a bonus.

Interviewer 1: But that will come, right? Because otherwise...

Suresh Iyer: The state will not want to lose revenue.

Interviewer 1: How will the transaction happen otherwise?

Suresh Iyer: Exactly. So, that pipeline is growing and all those things. So, there are both. But as in, sooner the state has, in fact, I don't want to, this thing, but the state has said that they will start in June. But I am not very gung-ho about it only because there are a lot of statements which they have to make, but definitely the intent of the government is that they are losing a lot of revenue because of this.

Interviewer 1: From the growth perspective, disbursement has been 8,000, it was 9,000, 8,500.

Suresh Iyer: 8,567 now.

Interviewer 1: So, now, how do we see that, disbursement growth?

Suresh Iyer: We are looking at around 20% growth over that. We should be about closer to around 10,500 odd numbers. So, that, that should give us around 12% to 13%, or 13% plus kind of an AUM growth. Because we have roughly about 15% is our repayment, prepayment, part payments, amortization and everything.

Interviewer 1: This will be uniformly distributed across Q1, Q2, Q3, Q4 disbursement.

Suresh Iyer: Yes, we should now see growth quarter-on-quarter coming in. Q3, we do expect a little bit of a blip because we have an IT transformation project which is going on and that implementation is expected in November '25. But still we expect we will be able to sort that out and therefore you can expect growth every quarter a growth over the corresponding quarter of last year.

Interviewer 1: So, around 4%, 5% type of thing you would do it.

Suresh Iyer: Every quarter some growth we are expecting, yes.

Interviewer 1: Because 20% you have to do in four quarters. Q3 will be weak. So, Q1 will have to do everything different, at least 5%. In terms of spreads, how do you see it?

Suresh Iyer: Spreads, we are currently around 2.55, but we expect it to be in the same range, definitely about 2.5 because although the rates are coming down, we are passing on to our customers only after we experience on our liability side. Like for example, the February rate cut of 25 bps eventually worked out only 10 bps for us and that also by April. Because there are different, you know, agreement-wise, we have a different cycle at which point it gets reset. So, by April, we witnessed a 10 bps benefit, which we passed on to our customers. So, it will be always be post.

Interviewer 1: That's uniform. For all you have, like, I am lending rate sign, base rate sign. So, you don't have MCLR. You don't have...

Suresh Iyer: We don't have an EBLR where we have to compulsorily reduce the rate when the before it goes down.

Interviewer 1: It's kind of MCLR only?

Suresh Iyer: Yes.

Interviewer 1: How do you do it? Like there is a base rate? What's the balance?

Suresh Iyer: Yes, so we have card rates. And so what happens is the card rate will be uniform for old and current customers. So, even if at all we do, we may offer a slight discount to a new customer to get onboarded, some kind of fees discount or this discount or something like that. But after one year, the account will move to the normal benchmark. So, there is no difference between you came, got onboarded, say, three years back, and today I am getting onboarded today. And he got onboarded eight years back.

Interviewer 1: And if I get onboarded today at 50 bps lower interest rate...

Suresh Iyer: The same 50, whatever I pass down to him, his benefit to me will also be passed down to you and even also to him.

Interviewer 1: So, my difference will always remain 50 bps. Correct?

Suresh Iyer: On the 50 bps.

Interviewer 1: With the customer who came in last year.

Suresh Iyer: No.

Interviewer 1: See, if I came in new, new are coming in at lower rate. So, I came in at 50 bps lower or 30 bps lower. So, I will remain at 50 bps lower.

Suresh Iyer: No, no, no, no. That's what I am saying. So, we don't differentiate between a new customer and an old customer.

Interviewer 1: But when you are getting new customer, you are getting at a lower price?

Suresh Iyer: No, we may offer a small discount with a kind of thing that it is a temporary one year you will have a one year we are giving a discount and we will eventually move to the card rate depending on the score.

Interviewer 1: This is common with banks also. See they have different rate at different time depending on competitive scenario and what their perception for interest rate and then they link it to EBLR. So, as EBLR moves, the borrower's rate will move. Those who came in at right time at lower rate, their rate should move with the EBLR.

Suresh Iyer: That is correct. So, what happens is that there is a spread over a EBLR, MCLR or whatever rate or retail lending rate or whatever. In our case, we have benchmark rate. So, that benchmark is common for everybody.

Interviewer 1: So, eventually everyone comes at the same rate.

Suresh Iyer: Will come back to the same rate. Yes.

Interviewer 1: Based on the credit score.

Suresh Iyer: Yes. So, there is no differentiation between you who joined, who entered three years back or him who joined 8 years back or me who joined a year back as long as our internal rating is the same. Now if I am a defaulter, then obviously my rate will not come. Then I will be a because we have a S1, S2 plus, S2 and S3 category. So, I may be in S3 because I am a defaulter. You both are S1. So, you both will have the same rate, but I will have a higher rate because I am a defaulter. That differentiation will be there.

Interviewer 1: Now, see, I just want to understand from a prime perspective, we should make money on that because it's such a competitive...

Suresh Iyer: Prime may, frankly, it is highly competitive and the portfolio keeps churning so much that it's very difficult to make money. You can build volumes, but you cannot make money on it. It is very difficult unless you have a very high-cost advantage. So, banks are the best to operate in prime lending because they have the CASA benefit. But for people like us, intermediaries who have to depend on the borrowing, it doesn't make sense as much.

Interviewer 1: But we do do prime, right?

Suresh Iyer: Very, very little. You know, beyond Rs. 75 lakhs, we have hardly any.

Interviewer 1: How do you define prime?

Suresh Iyer: No, above Rs. 75 lakhs I am saying.

Interviewer 1: No, CIBIL score, based on CIBIL score you define or based on ticket size?

Suresh Iyer: No, no, ticket size. I am talking about ticket size. So, even I can have a customer who is a Rs. 20 lakh loan, he may have 800 plus also, but he will be getting a different this thing. And that customer will...

Interviewer 1: He will be getting at a higher yield.

Suresh Iyer: No, no, what is our is my rate and I don't, I can't offer the rate which a bank is offering because for that customer is the agent, they will be offering a different rate. So, in our case, we don't, you know, CIBIL is not the only kind of criteria for deciding the rates. We have other...

Interviewer 1: What is the best rate you offer?

Suresh Iyer: Today it is 8.85 for a housing customer with a 750 plus CIBIL score, we are offering that kind of a rate and who is coming for the first time buyer.

Interviewer 1: So, most competitive rate from our perspective...

Suresh Iyer: 8.85.

Interviewer 1: Because now other banks are offering 7.9.

Suresh Iyer: Banks are offering 7.9 because 8.4, 50 bps deduction, 7.9. That is correct. So, banks are offering, but NBFCs and HFCs are not dropping their rates.

Interviewer 1: Now, how is Can Fin planning to mitigate the potential impact of the tech transformation that you have?

Suresh Iyer: See, we have done three things. One, maximum amount of transformation issues happen when the LOS, LMS provider is different. LOS and LMS service providers are different, that is the time when maximum number of issues happen, integration issues happen. There are a lot of challenges. Therefore, one of the biggest and most important decision we took was that we will have the same LMS, LOS service provider so that the vendor is the same, product is the same, it is already integrated, working fine. There is no other issue between which can happen.

Interviewer 1: So, which tech...

Suresh Iyer: We have gone for IBM has brought in Pennant.

Interviewer 1: IBM?

Suresh Iyer: IBM is a system integrator. They have brought in Pennant.

Interviewer 1: Pennant.

Suresh Iyer: Pennant.

Interviewer 1: System name is Pennant.

Suresh Iyer: Pennant is the LOS, LMS provider. It is working in...

Interviewer 1: P-E-N-N-A-N-T.

Suresh Iyer: P-E-N-A-N-T. And the same Pennant software is working in Bajaj and is also working in LIC.

Interviewer 1: Bajaj Finance have also. Okay. So, now from these technological changes, what all we have done, because we did quite a few over the last...

Suresh Iyer: No, no, those ones were temporary ones. We have done it to bring it to, you know, this thing. What we are now doing is the complete LOS, LMS, DMS.

Interviewer 1: DMS.

Suresh Iyer: Document Management, DMS, our GL, which is the equivalent to our CBS, because we don't need a full CBS. So, we are only going for a GL package. We are going for a deposit package. We are going for ALM treasury and bank borrowing package. And then we have a host of security, host of infrastructure related investments that also we are doing.

Interviewer 1: So, you said DMS, GL, ALM, Treasury package.

Suresh Iyer: Deposits.

Interviewer 1: Deposits. Deposits also we have.

Suresh Iyer: Yes, we are a deposit accepting HFC.

Interviewer 1: And then host of security and infra related. So, again, these are from different vendors.

Suresh Iyer: Yes, but IBM is a system integrator. They are bringing for all of them. So, they will now, they have brought this entire package. So, we had an RFP. An RFP, the system integrator, six of them participated. IBM, Accenture, Kyndryl, Deloitte, KPMG and TCS. Six of them participated. And based on the process, IBM emerged as the thing. Each one came with their own product and service stack.

Interviewer 1: What was the criteria based on which you selected these 6 because none of, other than TCS, no other Indian IT company.

Suresh Iyer: No, so basically these are all system integrators. The products that they bring will be different, different stacks. So, Pennant is there.

Interviewer 1: IT companies have all the system integrators. See, product is very few Finacle, but I am saying actually the act of system integrator is even for global clients. But, surprisingly, like, little domestic may be a little complicated for some, like TCS has been doing for sure. But any reason

you had bulk of them, like KPMG is not so much into IT services. They are not so much, they are consulting. But I don't know if they have...

Suresh Iyer: No, they have IT practice also. They have now a very extensive IT practice. And of course they are not as experienced or as old as IBM. And Kyndryl is basically a part of IBM only. It was earlier part of IBM. Then it got separated as the software part went to somebody and the implementation and services part went to another. So, IBM came to the technology part and the implementation service part went to Kyndryl. And eventually, Kyndryl also went forward and after that no compete or whatever, they have also now got into the technology part of it. So, basically it's the same company, Kyndryl and IBM, it is basically in the same company.

Interviewer 1: So, from PLR perspective now whether your cost of borrowing is going up by 10 bps, then you will pass on certain bps.

Suresh Iyer: Going down by 10 bps, and we will pass on that 10 bps to our customer.

Interviewer 1: And it is happening in April. Like you said by April...

Suresh Iyer: 5th May, 5th May. From 5th of May we have been implemented, yes.

Interviewer 1: And that's how the working of PLR, right?

Suresh Iyer: Yes. So, whatever we experience on the liability side, we will pass on to our customers.

Interviewer 1: So, your spreads, I mean, your NIMs remain stable?

Suresh Iyer: Will remain stable because we are not going to compromise on the 2.5%. Whatever we experience, only that we will pass on.

Interviewer 1: From three months from now, they remain stable.

Suresh Iyer: Yes.

Interviewer 1: Because right now, see, it's only one benchmark which is EBLR that has been flat. Gradually MCLR also will go down.

Suresh Iyer: MCLR, in fact, I don't know because what is happening is because all the banks are compelled or are under the EBLR regime, so they will have to cut the rates whenever the repo rate goes down, they will have to put on all the retail borrowings, on the retail offerings. Basically, it could be car loans, it could be personal loans, it could be credit card, it could be your home loan.

Interviewer 1: Fixed will not be there no? Car loans and all, if they are small duration...

Suresh Iyer: If they are fixed, it will not go down. But in EBLR otherwise all...

Interviewer 1: Will eventually go down as per the agreement.

Suresh Iyer: As per the agreement, yes.

Interviewer 1: 3 months, you said you may have one year reset, 6 months.

Suresh Iyer: Correct. That is correct. So, for them what is happening is their margins are coming under pressure because while this is the case, their borrowing which is basically deposits, there the rates are not coming down.

Interviewer 1: They have reduced it, but with lack. You said savings will go down immediately. But FTE will take time.

Suresh Iyer: No, savings does not get affected.

Interviewer 1: The savings will be done immediately, no?

Suresh Iyer: Around 2.5%.

Interviewer 1: Everyone has done 50 bps no. In Savings they have done quite aggressively.

Suresh Iyer: Couple of banks only reduced no.

Interviewer 1: It has come down to 2.5%.

Suresh Iyer: It was 4%.

Interviewer 1: Now it has come down to 2.5%.

Interviewer 2: It will be very difficult to reduce than this. If you see savings, they have cut first. FD, they have come later, cut later.

Interviewer 1: Practically, see, whatever monthly revisions...

Interviewer 2: Around 3%, no?

Interviewer 1: Now 2.5%.

Suresh Iyer: That is what I am saying they have cut 0.5% benefit. But how much of the CASA is basically from this deposit and how much is from FD or deposit? That is to be seen.

Interviewer 1: CASA is fully saving.

- Suresh Iyer:** CASA is saving and this is the term deposit. So, 40% is roughly everyone's 35% to 37% is CASA.
- Interviewer 1:** CA is zero. There is no cuts in CA.
- Suresh Iyer:** 30% to 35%.
- Interviewer 1:** In CASA whatever cut is there it is in SA. CA is zero.
- Suresh Iyer:** Correct.
- Interviewer 1:** So, half of this CASA, the 50 bps. So, I was saying eventually you will see that impact coming in your liabilities and so you will pass, but customer competitive intensity will increase no?
- Suresh Iyer:** Competitive intensity will increase.
- Interviewer 1:** Because your reaction will be higher.
- Suresh Iyer:** Correct, but what happens is in the segment that we are offering Rs. 20-25 lakhs, the banks are not so very aggressive.
- Interviewer 1:** Banks?
- Suresh Iyer:** Banks are not so very aggressive. If you see the loans that are coming and secondly, if the NIMs are under pressure, then they would not be so aggressive in their lending to this also.
- Interviewer 1:** But banks are offering also.
- Suresh Iyer:** They are offering, but how aggressively they will be marketing it and sourcing the customers is to be seen.
- Interviewer 1:** (Inaudible) 33:29.
- Suresh Iyer:** We will have to see whether the spreads are coming under pressure.
- Interviewer 1:** But they are okay with low stretch. See, their model is such like they don't need to have very high spread. Like the leverage is very high. The way they work, their NIMs and overall ROAs are less. But still ROA is very high because leverage is so high. They work on 18x leverage. One thing is they make 18% ROA like NBFCs or even for private banks. In fact, even though they may have like 3% less ROA, 3.5%, 4% ROA, still they make 12% ROA. Leverage is 4.5x, 5x.
- Suresh Iyer:** Correct.
- Interviewer 1:** There ROEs is -- So, how will we compete with them in that scenario?

Suresh Iyer: No, in our segment, we are not seeing that the banks poaching our customers. For us, we will have to, we will come under pressure if you know tomorrow as PNBHFL.

Interviewer 1: Generally, what is the range like for how much --

Suresh Iyer: Today, in fact, we have a sizable amount, which is, I will tell you, which will be at, most of it is 700 plus. I will just tell you. I may not. Most of it is 700 plus. So, below 700 and otherwise there are new to credit customers are also there. It is not there.

Interviewer 1: But on higher side. Higher side.

Suresh Iyer: As in higher side, is it?

Interviewer 1: Maximum.

Suresh Iyer: See, most of them are between 700 to 800. I would say 750 to 800 is again a little more than the 700 to 750 score. In 800 plus, very little is there.

Interviewer 1: So, Prime home loan you said will be how much?

Suresh Iyer: Very less. Rs. 75 lakh plus we have very, very small component which is above Rs. 75 Lakh.

Interviewer 1: See, okay, for 800 plus also is very less.

Suresh Iyer: No, no, ticket size is Rs. 75 Lakh plus and 800 plus CIBIL score is also very, very less.

Interviewer 1: So, what kind of rates do you offer to your Prime customers?

Suresh Iyer: As in the ones above 75?

Interviewer 1: Yes, 75 and higher is 800 plus.

Suresh Iyer: No, there, in fact, 8.85 is the best rate we can offer. That will be to the salaried customer, home loan customer who is having a 750 plus score?

Interviewer 1: 800 plus also is same. So, has there been any change in business dynamics post eKhata implementation in MCD wherever it was implemented? Has there been any change in business dynamics?

Suresh Iyer: So, as I said, we were 75% business was done in BDA and Panchayat areas. Now it is, we are shifting a little more to this. That is from our side. So, the reason why we were doing more in BDA and we were doing more in Panchayat is because obviously the banks are little less present over there. But if you are coming more into the corporation, we will be fighting directly with the bank. So, obviously that will be a challenge. But it's a big market.

Interviewer 1: No, I am saying pre-eKhata and post eKhata, in that segment because that's where it has been implemented where 25 of your Karnataka business was there. Has there been any change in business dynamics in that 25%?

Suresh Iyer: Business Dynamics, I didn't understand. Have we done more?

Interviewer 1: Competitive.

Suresh Iyer: Competitive, as I said, when we are going more into the municipal corporation means we are also now having bank shares competition.

Interviewer 1: Which was there earlier.

Suresh Iyer: But it was 25% only. Now, in fact, probably we are doing 50% to 60% of the business is basically coming from there.

Interviewer 1: In LAP and this thing.

Suresh Iyer: Yes.

Interviewer 1: But I am saying from the competition's perspective, has it changed pre and post eKhata?

Suresh Iyer: No, in our Rs. 25 lakh, Rs. 30 lakh segment, it is still PNB, LIC and even recently we had a meeting. So, the boys are more concerned about the PNBHFL, LICHFL and Bajaj Housing. I would be more careful about what happens there.

Interviewer 1: Competitive intensity on ground remains similar as it right now is.

Suresh Iyer: Yes.

Interviewer 1: So, private banks are going away is what you are saying?

Suresh Iyer: Private banks, in fact, for us anyway, we are not this thing. Like, for example, the private banks, if you see, of course, the four big ones, SBI, HDFC, ICICI, Axis, they are everywhere. But in the metro circles and the bigger Tier 1 towns, they are really big. No doubt about it. But they are in the Rs. 35 lakh plus segment. Okay?

Now, if you look at the other banks like Kotak and all, they are more rate. They are going for more slightly higher yielding, perhaps they are doing more. So, therefore, it is not directly in competition with us. Or we will see any of the other bank, like a Federal Bank or this bank or, you know, they would not be so much. So, they are a little more on the and obviously, small finance banks are also on --

- Interviewer 1:** See, now within PSU HFCs, Can Fin has one of the best ROAs, ROEs. But the sense that we get is we have underinvested in IT and branch expansion like we are discussing. We are catching up on that. And we are also get strictly reduce our dependence on DSA model as 70% plus of our business comes from DSA. So, once these get implemented, how will it impact our ROA and ROE?
- Suresh Iyer:** See, ROA, ROE will not be slightly our cost-to-income ratio is slightly go because of the tech implementation by about 1% point because the incremental cost that will be from FY '27 will be incremental cost net of the saving that we do after we stop the current one will be about Rs. 40 crore per year. Today itself our total income is Rs. 4,000 crores.
- Interviewer 1:** So, this Rs. 40 crores which will stay from maintenance perspective, right?
- Suresh Iyer:** Rs. 40 crores will be including the depreciation on the CapEx and also the operation, maintenance, AMCs, manpower that we will be investing in all those things. So, that will continue. So, Rs. 40-40 crore will be there, but today already our income is 4,000 crore plus. So, end of FY '26, it may be probably a little more than that. So, Rs. 40 crore will be basically a little less than 1% point in terms of the cost-to-income ratio. So, that will be impacted. And thereafter, this Rs. 40 crore will remain static, but the...
- Interviewer 1:** Income will go on.
- Suresh Iyer:** Income will keep going on. So, the percentage will slightly keep coming down. It will get absorbed a little bit, bit by bit.
- Interviewer 1:** As such, how much is current IT?
- Suresh Iyer:** We are presently spending about Rs. 15 crores. Approximately Rs. 15 crore per annum.
- Interviewer 1:** So, from 15, they go to 54.
- Suresh Iyer:** Kind of.
- Interviewer 1:** This has been the common factor.
- Suresh Iyer:** But in case of our OPEX, this is one small thing. In terms of our credit cost, this will be only about 15 bps is what is the guidance. And this year also, excluding the management overlay, if you see, it was 13 bps only.
- Interviewer 1:** So, from ROA perspective, OPEX will go up a tad set. Rest any changes in that?
- Suresh Iyer:** Otherwise, no.

Interviewer 1: Because your NIM will be stable.

Suresh Iyer: NIM will be stable. Our credit cost will be stable. Yes. And a little bit of OPEX will go up.

Interviewer 1: With that much impact on ROA.

Suresh Iyer: Yes.

Interviewer 1: Rest all will stay similar. But eventually you will make up because of operating leverage. And OPEX, ex of this take on employee cost was also highest last year.

Suresh Iyer: Employee cost was highest.

Interviewer 1: Higher, total employee cost, our overall cost was much higher. Now, that trend was for last year only or?

Suresh Iyer: That is in line with, I think, the growth also. It's not much because we added about 100 people only. Net-net about 100 and a little more. We were about 986 or something. We were moved to about a little less than 1,100 actually on 31st March. Just that much is the increase.

Interviewer 1: So, 10%, 12% employee increase plus wage increase overall would have led to mid teens kind of employee cost, right? While I think income would have grown.

Suresh Iyer: Income has grown by about 14% PBT. PBT this one is 14%.

Interviewer 1: For the expenses, I think other is...

Suresh Iyer: Other expense not in this year. It was there last year. Last year, not this, in fact our expenses have actually come down mainly because, of course, it is also because last year, FY '24, we also had one this Ambala incident. For that, that expense is reflected in the other expenses. So, therefore, actually if you see the expenses, it has come down in FY '25 because that one-off was not there in FY '25.

Interviewer 1: Broadly ROA tree we expect this will be similar. ROE will be around 14.

Suresh Iyer: ROA will be 14?

Interviewer 1: ROE.

Suresh Iyer: ROE should be right now we are around 16.90 or something.

Interviewer 1: No, but now your this will go up.

- Suresh Iyer:** Slightly go up. So, it should still be around 16, 17. It will be still closer to 17 only because this year at least it will not be impacted. The OPEX will come in the next year.
- Interviewer 1:** FY '27.
- Suresh Iyer:** '27. Not in this year.
- Interviewer 1:** And the credit cost also a tad bit go up, right?
- Suresh Iyer:** Credit cost will not go. We are still guiding for 15 bps only. We are not...
- Interviewer 1:** Recovering in anything you are expecting from what you have...
- Suresh Iyer:** See, we don't have any major account which we will be doing and we don't sell portfolio to RCL and stuff like that. So, we don't have that kind of a thing where we can do the recovery. But yes, regular recovery will keep happening and that is fine.
- Interviewer 1:** And you will enhance your PCR and will maintain it for a few --
- Suresh Iyer:** See, PCR in our case is purely because of our ECL model. So, we cannot do anything. Whatever the working works out, we will look at that. That compared to competition, in fact, we are already having a higher ECL percentage. Others are normally 27%, 30%, 32%. We are just 45%, 47%. So, we are already having a higher ECL coverage compared to others because of the conservative assumptions that we have taken. Additionally, you know, we already have a Rs. 59 crore management overlay. So, that also we will see if we will try to maintain some ratio, but it's purely on a unless for a rainy day, that's it.
- Interviewer 1:** Just last one on the liability side. How do you see NHB? How is that static? NHB?
- Suresh Iyer:** NHB this year, last year, see it was actually FY '24, we had Rs. 1,500 crore sanctions from NHB which we did not draw because the rate was coming out to be higher. Subsequently, they changed some internal norms and they said instead of 1 is to 5 ratio, they will reduce it to 1 is to 3 ratio. So, therefore, our cost of NHB funds was came down a little bit. And last year, we got a sanction of Rs. 2,000 crores, which we have fully drawn. So, going forward, NHB may not be a very large component because from NHB side also, the kind of rates that they are able to do it is less. So, the allocation which comes from the government has not increased.
- Interviewer 1:** Rest of the funding, NCD, what is the tenure?
- Suresh Iyer:** NCD tenure is 3 years. We have been raising, by and large, 3 year tenure. We have also done one tranche of NCD raising for 5 year tenure. But going forward, as of now, we will look at a 3 year tenure. Maybe transit four to six months down the line, we may look at a longer tenure. Because once the rates have bottomed out, it is better to kind of lock in at that rate.



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Interviewer 1: But, NHB comes with a fixed pre-defined spread, right?

Suresh Iyer: Not a pre-defined spread. There is a cap on the AHF component of it. There is a cap. So, whatever we have given to them or that which had come to the cap. So, now obviously if the rates are going down, whatever we have given to them, the rates will also be going down whereas their rate is fixed. So, there is no question.

Interviewer 1: NHB rate is fixed.

Suresh Iyer: NHB rate is fixed. The AHF fund rate is fixed. So, if the rates are coming down and we also pass on, it's not going to hurt us. In fact, our spread will only be affected negatively.

Interviewer 1: Negatively.

Suresh Iyer: Yes.

Interviewer 1: Because NHB is at fixed rate.

Suresh Iyer: NHB is at fixed rate. NHB, there is a normal refinance, which is at floating rate, but that's an annual refinance. And there it's absolutely there is no linkage to the repo rate or anything in fact. It is their own MCLR and how they do it is not known.

Interviewer 1: So, whatever you borrow from NHB, you lend it with the cap to the borrower, your borrower.

Suresh Iyer: So, that's a fixed liability, but I have floating asset. So, if the rates come down, we will be hurt by this. That is the reason why a 25 bps repo rate cut is only translated to 10 bps impact for us.

Interviewer 1: No, but this you again blended this whatever rate flows down, there will be many things that gets affected in your cost. And so this gets passed to all the customers or specific to NHB AFC?

Suresh Iyer: No, no, that whatever you do, it's for everybody.

Interviewer 1: This NHB borrowing is for everybody.

Suresh Iyer: No, no, NHB borrowing, what I do, I do a, you know, it's a fixed state intensity, I do the AHF. So, when my rates go down, I am passing it on to all my customers. So, this will come down. But when I am looking at a 10 bps benefit on my liability side, I have already factored in that. My NHB has not gone down and only on the bank side of that repo rate has been impacted.

Interviewer 1: Correct. So, your borrowing with NHB has not gone down. Only the bank side has gone down. And so that much you have passed.

Suresh Iyer: And CP has gone down.



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Interviewer 1: And CP has gone down. So, that much you have passed.

Suresh Iyer: Correct.

Interviewer 1: And NHB will not go down. And so it gets uniformly distributed. It was all done.

Suresh Iyer: Yes.

Interviewer 1: Thank you so much.