



## “Can Fin Homes Limited Conference Call”

**May 27, 2025**



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

- Interviewer 1:** Sir, maybe we can start with Karnataka and Telangana disbursements. You had given in Jan-Feb, Karnataka was close to 200, March it moved to 250. We have seen April-May and Telangana also you said Rs. 100 crores. Have you seen any significant improvement in disbursements in both states?
- Suresh Iyer:** See Karnataka, yes, because of course April is a month where it generally is a little slow. But May, yes, we are definitely back. In fact, we should be more than 200 only in May also. So, that way Karnataka is back. It should not be a problem in terms of Karnataka.
- Interviewer 1:** How much? We used to do 275 crores, right?
- Suresh Iyer:** Last year in H1, we used to do 275. So, now again, it's the beginning of that also. In fact, we should be able to do more because right now it is still another few days are left. And so, right now, in fact, we should be crossing 200 plus. I will not be able to give the number right now for the month end. But at least Karnataka is looking positive. Telangana is still there. In fact, we are looking at some things will start, I think, should start. But at least there is no further, any negative or anything in Telangana. Karnataka has definitely started looking positive.
- Interviewer 1:** But we are not in Telangana, it's still that Rs. 100 crore run rate.
- Suresh Iyer:** 100. So, even in 110, we are a little positive. It's a small number. So, on Karnataka, the things on ground are almost sorted. In case of corporation limits, yes, you can say. Of course, the state has its, you know, and earlier frankly speaking, it used to be done in 5,000 but it takes a little more for registration. But otherwise, it is done. We have no problem. Because the state government has sorted out the issue between the Sub Registrar offices. Basically, the data from the Sub Registrar offices and the BBMP, there was no link. So, therefore, some documents here, some documents there. That was the problem which the government has sorted out.
- So, now, whatever they do on the sub-registrar, this thing, they are immediately, it is getting uploaded here. So, they are able to get the eKhata. Even if something is there, they are able to get the eKhata. That linkage is also directly available. So, that has been sorted out. For BDA and Panchayat areas, not yet. So, we have moved our business to more of towards corporation. And we have also done a little more of LAP and all where registration is not required. So, that way the numbers are coming and slowly I think we will, you know, when the other areas also get sorted out, in fact, it will be even better. So, that way, corporation limits, it is sorted out.
- Interviewer 2:** Telangana you mentioned the current run rate is around 100 crores.
- Suresh Iyer:** Yes, it is roughly the same. Not a major, this thing, but I mean, it's still just the beginning of the year. And no further negatives, nothing new is there. So, that's basically.
- Interviewer 2:** Do you expect recovery in a year or it will take some more time?

- Suresh Iyer:** See, I don't expect Telangana to come back to the old number of Rs. 100 crores to Rs. 200 crores or Rs. 180 crores or something that it was doing. But from here, we are talking about Rs. 110 crores, Rs. 115 crores is what we are looking at for the year. So, last year we did Rs. 1,198 crores. This year we are definitely looking at somewhere close to around Rs. 1,400 crores.
- Interviewer 1:** From Telangana, Rs. 500 crores to 1,400?
- Suresh Iyer:** 1,400 for the year. Yes.
- Interviewer 2:** And the issues which we face, the whole industry face, what are the current status of that?
- Suresh Iyer:** See, Hydra, that sentiment issue is still there because you know, Hydra project, the Hydra department is still functional. They are still verifying the areas and trying to find out if there are properties. But by and large, it will take a while for the customers to come back and get the faith to come back because in the past also customers bought or purchased properties based on some authorities' approval only. There was some plan approval given by the then Municipal Corporation, which was by a previous government. Now that the government has changed, basically it is a government only which has given. Just because a party has changed, so, but anyway, this view was there that it is on government land or on the lake.
- Interviewer 2:** Is it that is starting?
- Suresh Iyer:** Yes, we have just started. So, therefore, our people are a little scared that whether it will really have a problem or what it will be like.
- Interviewer 2:** I think on the Karnataka front, that was lastly pertaining to the disbursements being slowing down. In this Hydra, is there any separate impact as well in any of our properties being impacted?
- Suresh Iyer:** No, we have not had any issue where our properties have been there. But because the sentiment is a little low, today if you look at the sale price, probably if it was say Rs. 70 lakhs today, it will be probably, if you go for a buyer, it may be Rs. 60 lakhs, but it is a temporary problem. Once the sentiment comes back, it will all be there. And anyway, we are sufficiently protected. And we have not had any problem, touch wood, where our property financed by us has been demolished.
- Interviewer 2:** So, the average ticket size for us is around Rs. 25 lakhs in terms of the loans. For those kinds of properties, have there been any demolitions or is it largely the higher ticket size properties that have been demolished?
- Suresh Iyer:** No, no. In Hyderabad city, see, in Telangana, we have 19 branches. 6 branches are on the outside of Hyderabad. 13 branches are in Hyderabad city. In Hyderabad city branches, our ticket size was higher. In fact, it was 30-35 plus. Some of the central Hyderabad locations, our ticket size was up to Rs. 40 lakhs also.

**Interviewer 1:** Sir, you mentioned the Telangana disbursement target. What would be Karnataka?

**Suresh Iyer:** Karnataka, see, last year we did just a little about 2,200. Okay. So, sorry, 2,600 and something. 2,600 and something. So, 2,600 plus. So, that figure we should be doing about 20% growth on that.

**Interviewer 1:** 20% growth?

**Suresh Iyer:** Yes.

**Interviewer 1:** Sir, any like you know H2 we have the tech transition and H2 tends to be obviously seasonally also better.

**Suresh Iyer:** Better.

**Interviewer 1:** And 1H, we have had early monsoon and everything. So, you think initially the thought process is going to be 1H you could pull off higher if H2 the tech transition has any impact. But it doesn't seem that 1H is going to be, so I was just trying to say that 20% disbursement target, you still feel confident about it.

**Suresh Iyer:** Yes, 10,500 odd is what approximately what we have said. That kind of figure we are quite confident because...

**Interviewer 1:** You are confident.

**Suresh Iyer:** Yes, because whatever transition is happening is happening in November.

**Interviewer 1:** November.

**Suresh Iyer:** Early November, first part of November. That also we were trying to pre-pone into October, if possible. Okay. So, we will try to, obviously there will be very little loss.

**Interviewer 1:** It is also a stronger season, right?

**Suresh Iyer:** Correct. Correct. That is a stronger season. But of course, that season there also is Diwali breaks and all those things are there. So, then it starts picking up, but we will try to cover up in that quarter. And of course, if given this thing, we will love to do more in the H1 also. And otherwise, there is no negative, so I think it should not be a problem.

**Interviewer 1:** How long will the process live? The tech?

**Suresh Iyer:** The process has already been initiated actually. The process has already been initiated, but right now what is happening is it is more on the development side, on the infra purchase side and all

those kind of things is what is happening. The actual implementation is going to be in two phases. The first phase where there are some smaller modules like capital adequacy, borrowings, Treasury, those kind of modules we will be implementing in end of August. Now, those directly don't affect the retail business. For retail business, LOS, LMS, both together will be implemented in November in a big bang kind of a thing.

**Interviewer 1:** So, you just said that it is a software company.

**Suresh Iyer:** No, it is Pennant.

**Interviewer 1:** Pennant, okay.

**Interviewer 2:** So, timing wise, would that not be a little bit more disruptive taking November because that's a festive season and...

**Suresh Iyer:** Correct, but the order was obviously given in the month of January. Okay. The tender date was October, and we completed the entire process and everything, and it started from January. Now the total period was 12 months. We have tried to actually bring it down. So, actually instead of 12 months, which is as per the RFP, they will actually be completing in about 10-10.5 months. So, we have tried to bring it as early as possible.

**Interviewer 1:** It happens from November.

**Suresh Iyer:** From January 25 that we started, that is the period by which it will be done because you have to have that much kind of thing, two months for all the SD-WANs to be delivered to the offices. Obviously, those are times once only after you issue the purchase order, they will release it. It takes two months, then setting up all those things.

The infrastructure is one thing. Then right now, you know, but what we have done is currently, whatever work is happening, the branches are not getting impacted, except for the fact that we have pulled out five staff from the branches who are well versed in the system and who can help us in the specifications, testing and all those things.

Otherwise, internally, last year itself, we have carved out a separate department in terms of manpower and everything. We have already done that. And so therefore, there is going to be no disruption for the branches in the current software. That is going to continue. Going closer to November, we will have to, we are planning two months prior to that itself, some kind of training sessions will start. Because if we can do it now, the unfortunate part will be that they will not remember it by the time.

So, it is closer to the implementation date only we will be doing the training. So, to some extent, September, October, some branches, we will have to slowly, one by one, our teams will be busy

in some training aspects also. And then the implementation is going to happen in the month of November.

**Interviewer 2:** This exercise will continue, right? This IT system, accreditation and all, or it is just a one-time?

**Suresh Iyer:** It's a big bang, one-time approach because we are shifting the LOS, LMS, DMS, the GL package, deposits and a lot of infrastructure related aspects also and the Treasury banking ALM.

**Interviewer 2:** So, Oracle software are we using or?

**Suresh Iyer:** No, this Oracle FLEXCUBE we are not using. This particular thing is on Infor. Infor is the GL package which is going to be coming with this.

**Interviewer 2:** Sir, so I think we are guiding for 10,500 for the disbursements. And what is the kind of like maybe even growth that we should expect? And how do we expect balance transfers to move given that some of the players are getting it?

**Suresh Iyer:** See, balance transfers, so far if you see the last, so far it has not impacted much. But of course, the scenario is today a little different because the banks have reduced the rates almost by 0.5% in line with the repo rate cut of 0.5%. But in terms of the main competition which comes from NBFCs and also from HFCs like LICHL, PNBHFL, Bajaj Finance. So, these players have not reduced the rate. LIC of course has announced an 8% rate of interest, but that is for female ownership having a CIBIL score of more than 800. Otherwise, on the ground it doesn't make much of a difference.

So far we have not. And in our case, anyway, whatever impact we had in our liability side, 10 bps that we benefited from the first rate cut of February, that we have passed on to our customers also. And the next impact, once we experience the second rate cut impact, we will have probably another 10 to 15 bps which we may be able to pass on to our customers.

**Namit Arora:** Hi, I have one question on the competitive landscape. My name is Namit Arora from Indgrowth Capital. So, there are a lot of these companies, Aptus, Home First, Aadhar, Aavas. This is a fairly crowded market. Of course, you have a legacy over many decades and all that now. Could we talk us through the competitive behavior of these companies in your core markets and how you are maintaining your discipline vis-à-vis these competitors?

**Suresh Iyer:** See, in case of the competition, I will put it into two parts. One is the core housing part where we are there. There, of course, it is the banks. We have some of the larger players like PNBHFL, LIC and Bajaj and a couple of them. Now there, in fact, in terms of the rate of interest, we are very competitive compared to Bajaj and this. Bajaj actually offers a low rate of interest on housing, but effectively they always go with a top-up. So, effectively the rate yield and everything, in fact, if you see, this is a little higher than us.

The same is the case with PNB also. In fact, PNB for across all the products is slightly higher in terms of the rate of interest. Therefore, today, in terms of the rate of interest in this segment, our competition or the only challenge will come from the banks. For the other players, we don't see much of an issue. LIC is there, but it is more in the northern markets. In the southern, not many places, we find that competition as much. So, that is in terms of this.

As for the second part of the competition, which is the Aptus, the Vastu, all those kind of players, they are in the pure appraised income segment. And if you see the rate of interest, all of them starts at 12%, whereas our rate of interest is capped at 12 kind of high. You can say today, I don't think we have any loan more than 13%. Even the 13% loan will be commercial property, SENP category with a slightly less than 700 CIBIL score. So, I mean, that segment is also very small for us.

So, that segment or that particular rate of interest is not a challenge at all. And the rate at which they are borrowing also or their ability to raise their in terms of gearing and everything is also limited. So, to that extent, at least that segment is not a challenge for us. It is mostly we will have to be monitoring.

In our segment, we have to monitor these three players in the NBFC space. And of course banks. But banks, I guess, I expect the rate of course has gone down, but they will now not be so aggressive because today, at this rate, it is definitely going to hurt them. The NIMs are already under pressure for banks.

**Interviewer 3:**

So, I have another question on the same issue. So, can you just answer my question. So, sir, there is a huge value to running a pure play focus HFC business which you have done for many decades. Intuitively, people always keep asking the banks, but could you elaborate on that? That you are pure play focused versus let's say for banks, this is one of the businesses, how you are better positioned?

**Suresh Iyer:**

See, how we are better positioned is that for us actually, I would not say, they also have a huge rate of interest advantage. They have a manpower advantage, no doubt about it. And therefore they are present in every large, they are able to offer lot of discounts. They are able to offer manpower, they can station at the project sites, everything. So, all those things, advantages are there.

But what still happens is, for us the advantage, one is we are open to slightly outskirts of the cities where we are the first movers mostly. The second thing is that we have a local sanction, whereas all these players have centralized sanctions. So, the people who are actually on the field don't have any ability to kind of commit anything to the customer.

Whereas in our case, the USP is purely that when the customer talks to our person, we are in a very good position to tell them that, yes, we can do this much amount. If it is this, I cannot give you, sorry, we cannot give you 27, but we can give you 25, then even 25 is at least assured.

Unlike those people where the people who are there have to give it to a CPC, the CPC will prepare the file, give it to credit and that kind of a thing.

**Interviewer 2:** Sir, how do you see the industry growth in this year in time versus affordable segment?

**Suresh Iyer:** Affordable is slowing down, which is a view I have been holding for quite a while, that posts the CLSS scheme coming to an end. Affordable is going to be a little slow, which is now proven because now it is in single-digit growth numbers. In terms of the mid-segment and prime segment, definitely there is a lot of opportunity. I don't see an issue. 12% to 14% is what the industry is overall growing. Affordable is growing in single digit, whereas prime is growing at a little better.

**Interviewer 2:** But most of the companies having the guidance of the 20% kind of the disbursement growth in this year. So, do you see that the growth guidance will be cut in the coming quarters?

**Suresh Iyer:** See, pure play affordable housing, I think you will also have to factor in what is their AUM growth because 20% disbursement growth is one factor, but AUM growth, it is going to be a little challenging unless they also do a lot of LAP and other products. So, if you look at the pure play, affordable, new construction or new dwelling unit kind of a funding, then it is definitely slowing down. Of course, you can grow your numbers through LAP, you can grow your numbers through other products, you can grow your numbers through how much you sell, offload and how much you bring. That's a different issue.

**Interviewer 2:** What is the reason for all this slowdown in the affordable segment now?

**Suresh Iyer:** It's mainly because CLSS has been closed. So, we have observed because we have been in the market for...

**Interviewer 1:** Sir, the new scheme has come up.

**Suresh Iyer:** No, the new scheme which has come up has so far not seen that kind of attraction. And frankly, last year we did what about, how much was the?

**Interviewee 2:** 14,300.

**Suresh Iyer:** Loans we had done under CLSS 1 with the 90...

**Interviewee 2:** Rs. 970 crores.

**Suresh Iyer:** Rs. 970 crore as the subsidy amount we have received. Okay. But this time it's been September 24 was when the scheme was launched. Fine. I mean, it was not effective September, but it was announced somewhere in early November. So, it's been more than six months. Okay.

We have received only two applications which have been able to go through for the simple reason that there are multiple things. One is that last time there were more than huge number of 14,000 odd number of cities which were covered in that thing. Now they have done as per pin code. So, the number of cities that are covered under CLSS has come down substantially.

Point number two, earlier this upfront subsidy was Rs. 2.67 lakhs was the maximum. Now this cap has been, the maximum limit has been reduced to Rs. 1.8 lakhs. Plus, it is spread over five years. So, practically in one year, you get only about Rs. 36,000 as a subsidy, which is equivalent to about one or two EMIs. It is not a major thing which will attract the builders. Because for the builders, if there is a 2.67 upfront coming, that's a big thing. For a Rs. 25 lakh property, 2.67 is like 10% upfront is coming back as subsidy within a year. So, that is a good enough attraction for people to invest in property. Here for Rs. 30,000, it is not a big attraction.

**Interviewer 1:** Sir, is our disbursement yield lower than our book yield?

**Suresh Iyer:** Incremental disbursement?

**Interviewer 1:** Yes.

**Suresh Iyer:** Yes, that is there. In fact, our book yield is around 10.10 or 10.14, roughly in the 10.10 range, whereas incrementally, we are doing about 9.8. So, post this reduction, our book yield will slowly move down to around from 10.10 to around 10, and this will move to around 9.8.

**Interviewer 1:** But we will be able to maintain the spread. That's not a challenge. And sir, how does this book yield get reset once your ALCO decides that you have to reduce the rate?

**Suresh Iyer:** So, we have from effective January '24, we have a quarterly reset policy. Prior to that, it was a annual reset. Okay. So, for customers to move from annual to quarterly, they have to execute certain documentation.

**Interviewer 1:** So, if you took a, your ALCO Committee took a 10 basis points cut suppose in April, so at the end of the quarter that will get...

**Suresh Iyer:** No, I will tell you. So, for somebody who has taken, suppose you have taken on 1st of April a decision to cut rates. So, those cases which would have been disbursed in January or previous year in October or the previous year in July, those cases who are in quarterly, obviously the quarter will come in April. So, they will get a reset in April. Those who have come in August or in November or in February will get the reset in May. Those who have come in September or December or March will get it in June because it's three months from the date of the disbursement.

**Interviewer 1:** Disbursement, okay.

**Interviewer 4:** And what proportion of borrowings are in the EBLR?

**Suresh Iyer:** We have about bank borrowings only which are linked to there. We have about 55% of borrowing is from banks and 80% of that is linked to EBLR.

**Interviewer 4:** EBLR.

**Interviewer 2:** Sir, when you are reducing the rate for the customer, for you, the borrowing rate at that time has come down or there is a lag of 3-6 months.

**Suresh Iyer:** No, after we experience, we will pass on. That's what we have done. So, our borrowing cost which was around 7.54 or something, 55 or something in March, it has come down by 10 bps by April. Therefore, we passed on 10 bps to the customers. Now, by the next rate cut impact will again further come. So, once we experience and if it comes down by say 10 or 12 or 15 bps, accordingly we pass it on to the customer.

**Interviewer 2:** So, there is no fluctuation in your NIM?

**Suresh Iyer:** No, it will not be impacted. It will not be impacted.

**Interviewer 1:** Sir, this year our NII growth was lower than our AUM growth. Next year it should be in line with AUM growth.

**Suresh Iyer:** Sorry, I didn't get you. Our NII growth was?

**Interviewer 1:** This year, I think it was lower than our AUM growth. We did AUM growth of 9% and NII growth of 7-8%.

**Suresh Iyer:** No, no. It would have been higher than that. NII growth. Yes, 7.53, yes.

**Interviewer 1:** Right. So, we did 9% AUM growth, but next year we are targeting 13% to 15% AUM growth. Will that be in line, the NII growth?

**Suresh Iyer:** See, last year we also saw a small reduction in our spread, and we had given guidance of 2.5 because we also said we want to be a little more competitive. So, obviously, that was also one of the reasons for a little bit of an impact. But now that we have reached at 2.55 and we are still giving the guidance of 2.5, so now there is no further scope that it will further come down in terms of our spread.

**Interviewer 2:** So, last year your spread had come down.

**Suresh Iyer:** Last year we had said we will, because we wanted to move slightly to a ticket size you want to take.

- Interviewer 2:** You wanted to be more competitive with the banks.
- Suresh Iyer:** One is in terms of the rate and second is we wanted to also move a little bit up in the ticket size. Because earlier our ticket size was around Rs. 20-22 lakhs, we moved up to around Rs. 25 lakhs.
- Interviewer 1:** Sir, why is historically we have been reluctant to do a little higher yielding segment like LAP or self-employ? Like, among your competitors, PNB is diversing towards affordable. While affordable is something which we might not do, but within the segments we operated, meaning that we have significant experience, what stops us from doing LAP? What is the risk that do we see? Or we are just too conservative?
- Suresh Iyer:** No, no, I will just explain. See, in '23, when we actually sat down to draw the strategy, we had taken four major decisions. One is that the same view that we were and one, we were almost 89% was housing, including the CRE component. We said we are open to bring that down to 80%, which means about 10% was around CRE. So, 70% housing, 10% CRE. Together, both are housing, 80% and the remaining.
- So, slightly we said we will take a call on LAP. We will take a call on top up loans and stuff like that. So, we have done that. And in fact, if you now see that 89% or that this thing 80, out of which 79% was housing and 10% was CRE, has already come down to 76%, which means our non-housing, which is including LAP, and the top-up has gone up by almost a percentage or two percentage points. Okay.
- Interviewer 1:** That hasn't reflected on yields as yet is what I was trying to...
- Suresh Iyer:** So, that was also a conscious call that we want to do that because we want to be a little more competitive in terms of our pricing. So that has last year, not this thing, but now we are slightly moving towards that. So, that is one thing.
- The second thing was that from self-employed, we had 73% salary, only 27% was self-employed. There also, we had said that by FY '28, we want to make it a 65-35. So, from a 73% salaried on the book, now it is 70% salaried. So, we are moving towards that in terms of the, so that was the second part of the strategy.
- Third was that we had geographical concentration in the South. So, we said we will open more in the North and the West, which in the last two years, we have opened 39 branches. Net is 24. 29, sorry. But because 10 branches we also closed, so net in the increase is about 29, but 39 branches that we opened, we have opened 14 branches in the North and 13 in the West. So, basically, 27 out of 39 are in that area only. So, that also we are in the process so that we can over a period, this shift will slightly reduce, which was almost 72% was South and 28% was rest of India. We wanted to move it to somewhere around 60-40. So we are in that thing also. Okay.

And, of course, fourth was that we wanted to start our own channel and reduce our DSA focus. For that also, in fact, we have brought it down, although that journey is a little slower than what we would have liked. From 85%, which was the DSA contribution in Q4, FY '23, we have brought it down to 80% today.

**Interviewer 2:** Sir, how do you see the cost-to-income ratio after this IT CAPEX, which is getting over? So, let's say, FY '27 onwards?

**Suresh Iyer:** FY '27, there will be an impact. FY '26, not much because by the time November gets over, there is also a 3-month hand-holding period for which. So, till that time, after that only they will hand over the system to us. So, till that time whatever expenses are going to be capitalized. So, our impact is going to be in FY '27. There the net increase in absolute value for us per year is about Rs. 40 crores, which is about 1% point in FY '27 we expect because today we are at Rs. 4,000 crore total income and Rs. 40 crore addition would be a little less than 1% point in terms of cost-to-income ratio. And then that over a period will get absorbed or will start coming down.

**Interviewer 2:** Coming back to this regional mix, I think you shared that 65-35 is on the salary, self-employed. But this non-housing has been increasing. What is the target that we are looking to?

**Suresh Iyer:** I said non-housing, we said we are open to 20% non-housing, up to 20%.

**Interviewer 2:** And by when? Again FY '28.

**Suresh Iyer:** Again FY '28. It's all part of the same vision document. There we said by FY '28 we want to make it 300 branches. We want to make the DSA percentage down to 60% from 85% then. We wanted to make the SENP category to 35% from 27%. And we wanted to make housing, sorry non-housing from 11% to 20%.

**Interviewer 2:** So, incrementally again coming back to your question, should we start seeing some benefit of this on the yields or would that be like weighed out by the decline overall of passing of the rate cuts?

**Suresh Iyer:** See, as I said, the rate cut we will experience first, then only we will pass on.

**Interviewer 2:** Yes.

**Suresh Iyer:** And what we pass on also will be done over a three-month period because some will get in April, some will get in May, some will get in June. So, yes, there will be some advantage, but I guess, we are also still looking at trying to be a little more competitive. So, we will have some offers here and there. So, I think our spread guidance is going to be 2.5.

**Interviewer 1:** It won't increase basically. Competition is too much.

- Suresh Iyer:** Yes, it gives us some flexibility to push growth.
- Interviewer 2:** Got your point on the credit fund that it is at 2.55. We continue to be in that range only. But individually, how are the yields and COFs expected to move? Like 20 bps each for both the years or how?
- Suresh Iyer:** That is what overall I think it should be. But it could be more depending on the timing of the future rate cuts also. But today, like for example, I have to tell you, of course, March is not the right comparison point, but in March, if I have to say, or in the Q4 of last year, we were having CPs in the range of about 7.3, 7.4. Otherwise, it would have been around 7.2. But Q4 being the slightly tighter liquidity position, it was around 7.4% is what we were raising CPs. Today, we are getting CPs at around 6.5, 6.6.
- Last year in March, we raised the NCDs at around 8.18%. Again, it was March. Otherwise, we were getting quote in the range of about 7%, closer to 8%, you can say. Today, we are getting, last we raised recently, we raising at, we are getting around sub 7.3 NCDs, 3-year NCDs.
- Interviewer 3:** A quick question from me. So, 70% which is salary employees, what percentage of this comes from folks working in the IT industry?
- Suresh Iyer:** It's very less. Totally, it is about 6% only. We have more if I further break it down, about 51% of the people whom we are having, they are from the actually private sector, not necessarily the, this thing. It could be people working in average small industries, small companies and things like that also. 6% is IT. Then we have about 14% which is from the government, which is state government or central government. Yes, 56% is from the private sector. Government is, I think it's about 14% now.
- Interviewer 2:** Sir, are you looking at any other options to raise, to reduce the cost of borrowing, any ECPs or something, foreign currency?
- Suresh Iyer:** No, right now we are not looking at ECPs because I think the pricewise also it is not very, with all the, it has to be fully hedged and all. We do not looking at that as a very major...
- Interviewer 2:** Sir, is the current ROE which is there 70%-80%, so that can go up further?
- Suresh Iyer:** ROE is, we will still again, I think would be range bound around 70 only.
- Interviewer 1:** Sir, for FY '28 vision documentary, do we have an AUM which we intend to reach to?
- Suresh Iyer:** Of course, there is a figure, but last two years it has not obviously been done. So, now we are looking at somewhere around, we should reach around anywhere close to 67 kind of.

- Interviewer 1:** Sir, in terms of asset quality, credit cost has been, I mean, that's been a strong goal. Asset quality tends to be strong. So, you are not seeing anything, I think, guiding for 15-20 basis points of credit cost. Do you think that is quite achievable?
- Suresh Iyer:** Yes, quite achievable. In fact, last year also, if you remove the management overlay that we made, it was around 13 bps only.
- Interviewer 1:** Sir, ever since you have come, sir, any measures taken to improve culture? Because the general thing is a little slightly more PSU-ish culture, you know, incentive to grow probably for the sales guys, the branch guys, not too much. So, he is happy with whatever minimal targets are achieved. So, any changes?
- Suresh Iyer:** See, first of all, the Board has approved the ESOP policy. Of course, the ESOP have also been given first round of ESOPs to, of course, it is only to Chief Manager and above level. But that is one thing.
- The second thing that has happened is, in terms of our performance management, we have introduced a performance management policy, which was not the case. So, now, for non-performers who were consistently for over couple of quarters not performing well, we will put them into PIP and after that, it's still their improvement is not visible, then we will have to take action, which is also. So, now there is a policy for performance improvement in that sense.
- Third component is we have variable pay which is now being enforced in that sense so that there is a visible difference we can make between the performers and the non-performers. So, that is the third thing that I can say it is there. And of course, there are, now that the policy is in place, we have been taking action on some of the consistent non-performers. So, I think it has its pros and cons.
- Interviewer 1:** Sure.
- Suresh Iyer:** There will be some grudges here and there. Things happen, but in the long run, we have to face it and the culture has to change.
- Interviewer 1:** So, the Chief Manager would be branch manager level?
- Suresh Iyer:** Not all of them. In the sense that Chief Managers, what we have done, we have a grading of branches. So, Chief Managers, so for branches which are above 500 or we call them ELB for those which are between 350 and 500, we call them very large branches or extraordinary large branches. So, in these two type of branches, which is approximately about 20 odd branches, 20-25 branches, they have to be manned. Yes, there the branch manager would be a Chief Manager or above level, mostly Chief Managers actually.
- Interviewer 2:** Sir, what will be your voluntary attrition? And are you trying to reduce? Is that reducing?

**Suresh Iyer:** It's not much. Today, even along with the ones whom we have taken action and are leaving, those also if you include, today it's about 14%, below 14%, which I think is in the industry still among the very best.

**Interviewer 1:** Do we provide credit to first time borrowers? And if yes, how is the appraisal assessment different over here as compared to the ones who have a credit history?

**Suresh Iyer:** See, first time borrowers, we don't, you know, that CIBIL is something is just one of the parameters. But if all other parameters like we don't give, we are mainly for salaried customers, we have, as I said, 76% today is salaried segment, plus CRE another, this thing. Sorry, 70% is salaried segment. So, 70% anyway we have the salary slip. So, even if they have borrowed or not borrowed, we have the consistent salary. And we are only considering those where the salary is coming into the bank account. There is a credit in the bank. So, whether they have taken the loan or not, that is a very solid proof.

And the second thing is, in terms of the self-employed also, we are not giving for those people who are filing for one year or who just filed this thing. We have to have a consistent two or three year kind of a on-time IT returns filed. So, therefore, there is a consistency of business, there is a consistency of this. So, whether they have taken a loan or not is not necessarily there. So, we don't have any negative points for this.

Otherwise, in terms of the process itself, there is something called a verification exercise, where our staff visits the property, staff visits the customer, meets the customer, there is a PD, personal discussion, and there is also a visit to the place of employment. So, all this verification is done.

We also have third party employment verification agencies who are empanelled. So, that also is activities happening. So, with all these kind of things, just because they have not taken a loan, there is no separate process for that.

**Interviewer 2:** How much is the BT-out and BT-in?

**Suresh Iyer:** BT-in, we don't have any aggressive strategy or anything for BT-in. But for BT-out, if you ask me, totally our prepayment, amortization, part prepayment, everything comes to around 15%, of which about 3.5% to 4% is a BT-out.

**Interviewer 2:** And 80% based on the DSA, so BT-out will increase?

**Suresh Iyer:** That fear is there. And frankly speaking, it is after 2018 that our DSA percentage has gone up. So, you know, normally at least for two, three years, they would hold the portfolio before they move it out. So, those cases which came in 2018, '19, '20, '21, '22, there also we would have seen it, but still our prepayment ratios are quite steady. If you look at our, you know, we have been giving it in our table also. For the last three years, we have given quarterly the movement of our

loan closures, part prepayments and amortization. It's very, very stable. On a quarterly basis, it ranges between 3.5% to 4%. Very, very stable in that sense.

**Interviewer 1:** Any further questions?

**Interviewer 3:** Just one question. Calling on to BT-out, so where are we losing our customers? You said that 6%.

**Suresh Iyer:** 3.5% to 4%.

**Interviewer 3:** 3.5% to 4%. Are we going towards the banks or the other players or somewhere around the affordable housing?

**Suresh Iyer:** Affordable housing is not much. Mainly it is going to the three players that I mentioned earlier. It is LIC, PNBHFL and Bajaj. These are the three. Banks, of course there would be some cases going to banks, but that is not the main computer.

**Interviewer 3:** And so what view can we generate on someone who is having an investment property?

**Suresh Iyer:** So, if it is an investment property, when we say it is normally in the regulatory parlance, it is what we call as commercial real estate. There I think there is a slightly higher 15 bps or something. We are targeting more than this.

**Interviewer 3:** Yes, and what will be the risk? How much in terms of bps?

**Suresh Iyer:** We have not seen much of an issue in terms of this, because frankly speaking, today our housing NPA would be around 0.7% or something. So, it's not a major issue in terms of that.

**Interviewer 2:** So, overall what is migration now? The exercise that we are doing, what would be the OPEX and the CAPEX?

**Suresh Iyer:** The total project cost is Rs. 297 crores. Of which about Rs. 100 crores is the CAPEX. And which obviously will also be over a period of 5 years, the depreciation will come in. And the Rs. 197 crores again is the OPEX which will come over about close to 5.5 years.

**Interviewer 2:** This is OPEX over 5 years?

**Suresh Iyer:** Yes. So, roughly that's what I said, 300 divided by approximately 6 is what, 5.5-6 is what I said will come to around. So, effectively it comes to around Rs. 60 crore or 50 something. Closer to Rs. 60 crore is the thing which will come into the P&L. But currently we are already paying more than Rs. 15 crores. So, that will stop obviously. So, the net impact is what I said is Rs. 40 crores.

- Interviewer 3:** Sir, one question around the model. Obviously, DSA has been a successful model for you. But going forward, is there a focus on developing a non-DSA effort also?
- Suresh Iyer:** Yes. In fact, I mentioned the fourth pillar was the reduction in the DSA for which we have started the marketing or sales channel last year. We started somewhere in June and it was a small team. Right now also it is just about 30 odd people, 39 or something. And last year they contributed about Rs. 179 crores. So, effectively on a month-on-month also we have seen an increase in the contribution from the team, not only in absolute value but also in the contribution per staff. So, business per staff which the team has generated has also been going up. This year we are looking at another 75 odd additional people whom we will be putting onto the team.
- Interviewer 3:** And sir, second question around managing the DSA, because sometimes the perception is DSA tend to do file shopping. They may take file to one NBFC knowing which will work, then take it somewhere else. How do you sort of manage these DSAs?
- Suresh Iyer:** See, if somebody is pulled out, anybody you take the file to will pull a CIBIL. So, when we pull a CIBIL and we find that the customer has done a lot of enquiries in the last two months, three months, that's how we will come to know that the customer has gone to other places. So, obviously that's a little negative for us. That's how we look at it.
- Interviewer 1:** Any further questions? Okay, so we will close the recording.
- Suresh Iyer:** So, I will close the, end the recording. Thank you.
- Interviewer 2:** Thank you. Thanks a lot.