

Trust MF

Management: Good afternoon.

Questioner 1: Good afternoon sir. Thanks for giving me time.

Management: Yes, good afternoon.

Questioner 1: Sir, Trust they want to record this meeting. I hope that's fine?

Management: No, absolute okay even if we are recording. We upload all our meetings on a website. All the transcripts of all our meetings they put upon a website, absolutely perfectly fine.

Questioner 2: Thank you, sir.

Mihir Vora: [inaudible 0:02:23] good afternoon, sir.

Management: Yes, good afternoon.

Questioner 2: Mihir he is joining in one or two minutes and also [inaudible 0:02:34] just give me one minute.

Management: Sure.

Mihir Vora: Hi, good afternoon.

Questioner 2: Hi, Mihir sir.

Mihir Vora: Hi guys.

Questioner 2: Sir I hope the audio is clear to you?

Mihir Vora: Yes, I can hear you, but I am not sure about the meeting [inaudible 0:03:13].

Management: Are you audible?

Mihir Vora: Yes, I can hear you, sir.

Management: Yes, good afternoon.

Mihir Vora: Good afternoon. Thanks for taking the call.

Questioner 1: So sir we have Mr. Suresh Iyer. He is the MD and CEO for Can Fin Homes. Mr. Vikram Saha. He is the Deputy MD and Mr. Abhishek Mishra he is the CFO. So can we start the meeting?

Mihir Vora: Yes. So from Trust Mutual Fund I am Mihir Vora Chief Investment Officer and I have brought my financial that is Mayank with me. So thanks for taking the call. I think we have not met earlier. So thanks for that. So maybe [inaudible 0:04:05] copy. So you don't need to start from scratch.

The two areas you like to kind of understand is focus on for the purpose of efficiency is essentially what's the growth time to going forward because that's one of the things that the market is waiting for that we have some potential growth in disbursement and loan book. So what's the way forward and second is we do see that there has been cost-to-income ratio which is [inaudible 0:04:45]. So on the cost side and on the top hand side what is the guidance or the path to going forward and essentially what [inaudible 0:04:56], but we want to understand the broad philosophy and thinking going forward?

Management:

Certainly. See actually the last two years, of course, we have been a little subpar in terms of the performance I agree and that's mainly because we have had our some issue which in July 2023 at Ambala branch and that had let to some internal changes. We have gone through a lot of upheaval and we have improved on our internal controls and all those things.

But having done all those things we have also undertaken a huge project of IT transformation which is presently going on. In November it is expected to be rolled out across all the branches in a big bang approach. But having said that, that has impacted growth, but going forward today we are looking at somewhere around 10,500 crores as the target or disbursement figure that we are looking at for this financial year.

So our rundown ratio have been roughly about INR1,400 crores per quarters. So roughly we should have about INR5,000 crores net addition to the book. So this year approximately around 13% is the AUM growth we are looking at, but as you rightly said the long term the company is looking at a – growing at a rate which is a little above the market rate. So if the markets are growing at around 12% to 14% which is the current rate, we would like to grow at 15% on a CAGR basis.

And if obviously if there is a good year or there is a year in which growth picks up in the market and supply comes in or there is a good impetus given in the this thing by the government. We may look at a higher growth rate also, but that is about something in the line of what is the market growth rate.

We might want to be a couple of percentage points about the rate at which the market is growing. And right now it is around 12% to 14%. So we are right now this year targeting 13%, but next year also, now that the disbursements are picking up, we are looking at about 15% around the next year. That's the kind of target we're looking at.

Now, second, in terms of the cost-to-income ratio. Actually we have...

Mihir Vora:

Maybe we can take it one copy of that.

Management:

Sure.

Mihir Vora:

In the sense given your there is -- in certain geography which is South etcetera and the fact that there continues to be a strength in any case. Apart from the fact that you had that event that you took some time to. What are the other constraints to growth?

Management:

See actually today the other issue is that while South is a strength and a strong market for us and we have about 70%, 72% of the business coming from the Southern five states, but still what this time has happened is that geographical concentration has also come to hurt us because this time we have two large states which actually contribute about 45% of our business where we have had some growth issues.

One is Karnataka where last year in September end of September 27th or 28th of September, the government came out with this requirement for a e khata where everything had to be the e-document had to be created. So that has resulted in the complete kind of a stoppage initially and then slowly it's come down to a trickle and now maybe hopefully that is picking up.

So that is where we had some issues. So the growth rates which we are doing almost a run rate of about INR275 crores per month disbursement in Karnataka that came down to almost INR150 crores for the first quarter October to December last year. And then slowly picked up to around INR200 crores and INR225 crores in the first quarter and in the January to March quarter and that we have continued.

So even in the month of May, we did INR200 crores. Even in month of June, we have done INR225 crores. So that's the kind of thing. So if this issue is sorted out by the government and the government definitely seems to be keen to do it because only last week on the 20th which was a day after our results were announced that day the government came out with a full page ad on how to get the e khata, they also come up with an app on how the customer can apply and upload the documents and apply for the e khata and get the e khata without actually having to visit the offices and all.

So they have done at least something to kind of streamline the situation and speed up the procedure. So if that works out well, then again we can look at INR275 crores, INR300 crores kind of disbursement in Karnataka which will definitely bring in a growth. Otherwise, the last year we started off with about INR275 crores and on first half of the year Karnataka was growing at 20%. Then the fall happened and eventually we ended up almost a flat here at Karnataka.

The other issue is know the Telangana which again was doing quite a good business for us. There the government came out after the change of government in the elections. They came out with a new department called Hydra, where they decided to review all the approvals given by the previous government, because many approvals were on land which was actually on government land or on lake beds and all those things.

So, they even went ahead with demolitions. So, some of the projects which were properly approved by the previous government and where the construction was there it was a thing there also demolitions happened. So that actually hurt.

Mihir Vora:

So this was also Karnataka?

Management:

No, this is in Telangana. The Hydra is in Telangana and e khata is in Karnataka. So, that is the thing, but initially there was a very big issue about it, almost construction activity. got affected, sentiment was badly affected, but then the government also realized this stopped the demolition when they said that we will send it to some department.

So indirectly saying that we might levy some impact fee or something and then regularize these kinds of constructions. So at least that has kind of eased the sentiment and it is slowly improving. So these two states definitely this year going forward will pick up again. Other than these two states, we have all the other regions that is North, West, Tamil Nadu and East which is mainly Andhra Pradesh for us.

All of them are now in the growth phase. Our North and East are growing at 40 % this year. Our West zone is growing at 15% and Tamil Nadu has grown at 30% plus that is the first quarter performance compared to Q1 of last year. So basically these two states improve which is slowly which is taking time, but slowly happening.

I think this growth will not be a much of an issue for us and as you rightly said we have South as a strong market for us which should again come back to its former glory. But having said that we realize that this geographical concentration is also an issue which if not today, of course, we may be able to come out of it, but again can hurt us again also some other time.

And second thing is the North and the West are very mature markets. There are a lot of business happening there. A lot of housing finance players are also present there. It's there amount of housing activity that is happening in these states is also very high. So we can't ignore this market. So we have also started our expansion.

Last two years we opened 39 branches and most of them were in this North and the West zone only. And slowly we are looking at this expansion helping us to slightly even out from that 70-30 to maybe about 60-40 or something is what we are looking at in terms of the geographical concentration. So 60% business should come from the South and 40% from the other markets. So this is the plan that we are working on.

And as I said, the branch expansion which we have done in the West and North is one of the reasons why we've also had this growth coming in because all the four zones we've had some branches. East not as much only now we have started the expansion in Andhra Pradesh. Otherwise mostly it was North and West.

And this year also we plan to open quite a few branches in the North and West which should help us continue this growth in these zones. And another thing we have added from the growth perspective is that we used to have a very high reliance only on the DSA channel it was in Q4.

Mihir Vora: Sorry just to interrupt sir. You said the growth here in North and all is quite good. Overall growth rate is not that high?

Management: Yes, overall growth rate is 9% because as I said our Telangana and this are negative for us because of this e khata and this.

Mihir Vora: When you say some of it is x of that?

Management: No, I am saying Tamil Nadu is one zone for us. Bangalore or Karnataka is one zone for us, Telangana is one zone for us, East is one zone for us, but Andhra Pradesh is part of East and predominantly it is Andhra Pradesh which is the market. So basically four zones are all the five

states of the Southern market. Then West which is Rajasthan, Gujarat, Maharashtra and North which is UP, Delhi, Himachal, Uttarakhand and Punjab, Haryana basically.

Mihir Vora: So you are saying West grew by how much you said?

Management: West has grown by 15 % for us. We had less branches. Now we are expanding there and that is coming to 15%. North is growing by about 40%. East has also this year grown by 40% this AP market. Andhra Pradesh.

Mihir Vora: This after normalization of the situation?

Management: No, Andhra Pradesh is separated and Telangana they have broken up. Now Telangana continues to be a problem which is basically erstwhile Hyderabad and that part of it. Andhra Pradesh is the coastal side of it. That is now improving and there also in fact, the change of government Chandrababu Naidu government has come so sentiment is improving quite a bit over there. So, that is the kind of thing.

So four out of the six zones are doing well, two of the zones they would slowly are coming out of it and should quickly probably by the end of the year there also we should be able to post about 15%, 20% growth and the other four zones are anyway continuing to grow even this year last year also they were growing North, West and Tamil Nadu. So that's one thing.

To add to it, we have added this branch expansion and sales team we have developed, which is what is the pushing the sales team. These are the two things which you are doing for growth. So the target for this year is about 10,500. We have done INR2,000 plus crores in Q1. This quarter we are targeting 2,500 a little above that 2,600 internally, but 2,500 is what we are telling.

So that is what we are looking at and Q3, Q4 obviously will be the second half of the year is the festive season, normally the sales is better in the second half. So, that is how we are looking at the growth. We should bring us about 13% AUM growth this year and going forward with this other two zones also picking up we should next year look at around 15% AUM growth.

Mihir Vora: Got it.

Management: Any questions on the growth rate?

Mihir Vora: No growth side, I remember when you gave the AAA rating with a low cost of funds you were targeting some big ticket size customers. So now going forward how the mix has changed from earlier building the low ticket customer and high vision low yield customer till now and also our focus is that, but if you focus on the large ticket OE customers and our time increases then our profitability would be a challenge. Can you give some color on that?

Management: Sure. See actually when we targeted the slightly this we had a huge chunk of business coming in the less than 10 lakh segment. So if you see our loan amount twice in a presentation Slide number 20, you will see that our AUM growth is happening now in the greater than 30 lakh segment and even in terms of incremental business that we are doing our 30 lakh plus segment

is where the growth is also coming and particularly up to 10 lakh segment our numbers have substantially reduced.

So that is what is clearly visible in terms of our purchasing. But still as you rightly said, if you go too much of a high ticket business, then we come directly in competition with a big banks that is SBI, HDFC, ICICI, Axis and they have a rate advantage as well as a reach advantage. So obviously, we will have a problem. So we are not looking at a very high ticket also, but a little above the 20 lakh.

So, at least, moving out from the 10 lakh to the 30 lakh plus segment is what we are doing which is also reflected in our performance of the last listing. Rate wise we have still tried to keep it competitive without doing much. Our lowest rate today is around 8.7 to the best housing customer.

Whereas as you go to the lower CIBIL scores or if you go to the from a housing to non-housing or from salary to self-employed the rates will keep increasing. So our blended lending rate or our yield is around incremental is around 9.7 whereas our book is around 10.10, 10.09 actually.

Mihir Vora:

Any plans of increasing the share of salaried, non-salaried and LAP [inaudible 0:18:10] overall booking?

Management:

Sure. See we in 2024 when we grew up the strategy for the next 5 years that is up to FY28 actually there were there things. One was that we where at that point in time 73 % salaried and 27 % self employed. We said we would like to at least go up to 65-35. That was point number one. The second thing was we were at that point in time 89 % was housing and 11% was non-housing.

So we said we are able to -- we are okay to take it up to 80-20 by FY28. And the third thing was that at that point in time our overall DSA contribution in the Q4 of FY23 was 85%. So 85% of the business was coming through DSA channel, which we said incrementally we want to keep bringing it down. And by FY28 we want to have incremental sourcing coming down to 60 % from the DSA channel.

So these are the three main actually pillars of the strategy that we had drawn up. And from that point in time from FY23, March 23, today we have reached a point that our housing including CRE has come down from 89% to 84%. So that's a change. The second is from a salary to self-employed we were 73-27 it has become 70-30 and DSA which was 85 % has come down to 79% in Q1. So that's the kind of change we have done in the last three years. All the three strategy main components we are working on to achieve that.

And the fourth one of course was also geographical penetration where I had earlier mentioned from 72% to 73% was South, we would like to bring it down to 60-40.

Mihir Vora:

On that, can you give us the flavour of the branch expansions plans in the next 2 years, 3 years?

Management:

We are right now at 234 branches, we have added actually 29 branches net in the last 2 years. We actually have added 39 branches, but we also reviewed some branches. We merged some

branches and few branches we closed also. So, net-net 29 branches we have added. So, right now we are 234 and going forward this year we are planning 15 branches, but by FY28 we want to make it 300 branches.

So on an average 15 branches, 20 branches every year we will be adding. In the next 3 years also 20, 15 we will be at 300 branches. That's the plan right now. So this year we are planning to take it up to 249 and that's the plan, but we may be open to a few more also, but at least 249 we will definitely open.

And unlike the last 2 years where the branch expansion was more back-ended and most of the branch expansion in FY24 and FY25 happened in Q4. This year we have kind of brought it forward where all the 15 branches that we are planning will be opened and operational by 30th September 2025. So, at least for the six months, we get some benefit. Otherwise last year, whatever we opened 15 odd branches. They were all opened in Q4.

So, practically business was almost nil from those branches. They most of the, but all those 15 branches this year will be fully functional plus the 15 branches that we are opening this year will also be functional at least for half of the year.

Mihir Vora: And in your experience how long does it typically take a branch for breaking even?

Management: See in a new geography it takes about 18 months. Some of the existing locations that we have identified in fact they will be doing it earlier because we already have a strong presence there some of the locations that we are doing. So that way, but roughly you can say it's about 18 months for them to because you need to have a book size of at least about anywhere close to around INR25 crores to INR30 crores. INR25 crores, INR30 crores if you have built a book, then you can say at least they are able to earn for themselves.

Mihir Vora: So maybe I guess anything else on the growth front that you want to mention because of the ROA and cost side?

Management: No as I said the other thing was the sales team. So we have a sales team. We have now also increasing the sales team. Last time we have started that as a strategy. So this is also there. So that should also help in improving our business. Last year they were doing this first quarter itself they have almost 5% plus of the business has come through this channel. So slowly this will keep adding and that will help us further bring down the DSA source. So this is one point I thought you can mention.

Mihir Vora: And how much of the sourcing of the housing loans comes to Canara Bank?

Management: Nothing. In fact, Canara Bank we don't have any tie up with them. So it's all purely through our own teams. There could be some references, but there is no tie up or anything like most of many places we are the same building. So we may get some lead, but otherwise there is no formal arrangement and there is no lead which comes through them.

Mihir Vora: Why is that?

Management: Because they also have their own segments, they also have their housing loan portfolio and they are also doing housing. They are 1,09,000 crores book as of now.

Mihir Vora: Okay. So what you previously said self, DSA versus other thing?

Management: No, DSA right now is around 79%. Our direct sales team itself is contributing about 5% and the remaining is coming through walk-in.

Mihir Vora: So, like there is no, in home finance there is no model where you kind of you originally in any case pass it on or sell the portfolio or stuff like that?

Management: No, it is there, very much there. This securitization and DA is there. Now even this co-lending platforms are there and co-lending is also happening is picking up. DA definitely is happening in a big way. Many players are move to this are also doing sourcing because wherever there is a liquidity issue, there is a issue of capital wherever there is a this people are doing sale transactions, DA transactions.

Smaller players are originating and passing it on to the bigger players. So that model is definitely there. But in our case so far we are purely on organic growth only. It's all generated our by our own teams. So far we've not either sold portfolio or purchased portfolio nor have we securitized or anything. We don't have a co-lending also as of the moment.

Mihir Vora: Maybe we can move the cost in the ROA side?

Management: Yes. So on the cost side actually this quarter we had mainly there were two reasons why the cost slightly went up. One was because of the salary revision. We had been discussing that there are, at least, some kind of market compensation we need to be in line with the market. So that alignment we have done to some extent and that will help us in you getting some better talent from the market lateral hiring also that we are doing because our staff strengths also we are increasing so obviously we are recruiting from the market.

So that we need to have a little more market comparable salaries. So that we have done a little bit. That is one of the things. And in this quarter, particularly the salary hike impact, which actually is not a very large number, but because of that actuarial impact, which is entirely hitting in this quarter, we have about INR4.5 crores to INR5 crores of actuarial impact also hitting in this quarter, which in the next quarters may not be so much because it is already factored in.

In the first quarter itself we have done based on the revised this thing. So, so that is one aspect. And the second thing is that compared to June it is looking higher in terms of our rent and taxes. That is mainly because last year we added 25 branches, we added six zonal offices, particularly the zonal offices and the head office also we have expanded almost double the capacity at the head office because we are adding people and we required that staff for the next phase of growth.

So we have expanded our head office also and we have almost doubled the capacity. So that way both these particularly the six zonal offices and the head office thing rents have actually been coming in this quarter. But if you actually look at compared to March, the rent increase is not much because whole of last year, we as part of a strengthening this had introduced this zonal

concept and those offices we were anyway six zones that I mentioned the zonal offices we have entered into the leases last year.

So from Q1 to Q4 last year itself, the rent has been going up, but now in a cumulative effect when we look at Q1 of this year versus Q1 of last year, these big branches zones and head office was not there which now is there. So, that is the impact, but if you look compare to Q4 it is not a very large impact.

So, mainly this is one of the things. So, our cost-to-income ratio is about 18% now, 18 point something 18.3, which may even out a little bit because of this actuarial part that I mentioned in the coming quarters. So, we should be around 18% cost-to-income ratio is what we are looking at.

Mihir Vora: 18 compared to what the bank?

Management: No, I think even with this 18% we would probably be the lowest in terms of cost-to-income ratio among the entire peers and all HFCs, would still be maximum probably an LIC could be somewhere close to 16%, 17%. 15%, 16 % is what LIC I think is also having.

Mihir Vora: Your ROE has touched I think 20 or somewhere in that?

Management: That would have been quite some time back. Off late, in fact last 2 years, 3 years it's been around 17 only. It's been about that because actually earlier our gearing we used to have a gearing up to 11 times also. But after 2018 actually it has gradually been coming down and now in fact rating agencies are also not very comfortable. The last when we had a AA plus rating in 23.

The main concern was one was the gearing and second was the high reliance on short term borrowing which was CPs. So both in fact we have substantially reduced. In fact, today you know at that point in time we were 8 plus gearing which today is now come to below 7. So as growth picks up we have a scope to slightly increase the gearing because up to 8 times I think rating agencies are okay. So gearing we can slightly.

Mihir Vora: Your rating is also up now, it AAA?

Management: It is AAA. That is correct. In 23 December or something we got an upgrade. That is when our gearing was around 8.05 or something and we committed that we will bring it below 8 and that is one of the key factors. So now in fact it has come below 7 because our growth rates have been a little lower. But once the growth picks up, I think we will have a scope to take it up to around 7.5 times at least the gearing so that should help.

Mihir Vora: Any levers for our own expansion?

Management: See one the only thing I would say is I think there is a in terms of spread not much, but in terms of non interest income, there is some maybe we can look at a little bit, but otherwise not much. I mean, our insurance penetration is less, we don't attach insurance for all our loans as some other players are doing.

We give the option to the customers and all. So that is a couple of things where maybe we can slightly increase the non-interest income which can help us. That is the only other thing. Otherwise in terms of credit cost we are already at 15. Last couple of years, we had made additional provision management overlay, which going forward we will see whether we need to because as such it is not required. We are already well covered.

So that is -- so credit cost already is under control. We are at less than 15 basis points excluding the management overlay. Last time was 13 basis points. Going forward I think you know 15 is definitely there we may again this year also end lower than 15 basis points.

Mihir Vora: Just to understand we have prime customers, but not very big ticket size so how do the economics work there? Usually lower ticket size we will go little higher of the yield side?

Management: That is correct if it is a self-employed segment. In our case as I said it is 70% to 73% was salaried which now is around 70%. So obviously salaried customers even if they are say, for example, private sector employed or even in government sector, but in say class 3, class 4 employees then also the options available to them are there. Definitely, the PSU banks would also be open to give giving them loans and stuff like that.

So therefore we have to be mindful of the rate that we offer and we have to be competitive. Plus the fact that we have been a very prudent and a very transparent lender. So, in fact, whenever there is a rate cut, we also pass on whenever there is a rate increase also, we don't unnecessarily increase beyond what is there. So we have maintained that. In fact, now we have already experienced 25 basis point reduction in our cost of borrowing and we have announced the 25 equivalent, 25 basis points rate cut for our existing and new housing customers.

So that way we have maintained that parity. So it's not that in times like lowering interest rates, we take advantage and don't pass on and whenever the rates go up, we increase the rates. So that kind of a approach is not there. As part of a Canara group also, we are very mindful of our how we treat our customers. So that's one thing. So roughly you would find that our spreads have been in the range about around 2.5 to 2.7 only, not very different. We have just maintained, ensured that a spread is maintained.

Mihir Vora: That's why I am trying to understand because the growth of a smaller ticket size or a medium ticket size then it just to backed up with the very low cost?

Management: So our cost of borrowing definitely advantage we have. One is the rating plus the parentage obviously is a big support and because of that today if you look at it our rates at which we borrow are very, very competitive. I think our cost of borrowing again would only be matched by probably an LIC other than that I think we would be having the lowest cost of borrowing. Today if I have to share our bank borrowings we are getting at around 7.25 for long term.

All the term loans that we are getting from all the nationalized banks also we are getting at 7.25%. If you look at our NCDs that we are raising we are again three year NCDs with single rating we are getting a sub 7.25 that is the rate at which we are getting and last we borrowed was at 7.24 that was some time back. We have not come to the market, maybe we will see we will.

Today the CPs that we are getting at are below 5 at below 6% We are getting at 5.92. It's a 90 day CP that we are getting. So, that way if you look at the rate that is there, we are definitely able to get the finest rates.

Mihir Vora: So is it a problem of borrowing part or your cost-to-income is more common than others?

Management: No, cost-to-income definitely as I said today only cost of borrowing as well as cost-to-income ratio both sides I think we would be only LIC would be slightly better or equal to us, otherwise nobody all the other players in the market are having a cost of borrowing and a higher cost-to-income ratio. So we do definitely have the best in both these categories. Plus I believe on credit cost also because for the last 10 years continuously if you see our GNPA has always been below 1%.

Mihir Vora: Any questions Mayank?

Mayank: One question from my end. We are hearing a lot of noise from different lenders regarding stress in urban, some stress in rural, MSME not specifically for housing, but [inaudible 0:35:30] economic slowdown like we are planning to mention economic slowdown on screen because of credit space. How you are seeing this for your customers is are their DPDs are increasing, their defaults increasing, how the demand is there, demand for top-up loans etcetera. What is the overall view on the economic demand, different geography or customer centric as a whole and also think there is a sense of stress or what we are see [inaudible 0:35:55]?

Management: See in terms of the delinquency, you are right. In fact, we are also hearing at least particularly some of the affordable housing players are because there is some overlap between the affordable segment and the small ticket segment with the MSME or with the MFI and all those kind of segments where there is a definite amount of stress.

So, maybe that is definitely visible. We also hear it in our housing finance forums and all. We have come across this discussion, but in our segment that is the particularly one because we have a very high salaried segment which where this income levels are very steady and secondly also the ticket size where we are not in the pure affordable segment. Our average ticket size is about 24 lakhs incremental business and even on the book it is about 15 lakhs approximately.

So in that segment today we are not at least having. In fact in this quarter normally Q1 there is always an increase in delinquency in Q1 compared to March because March is always the best and then Q1 again there is a little bit of increase, but in this quarter our overall delinquency has come down by INR280 crores as compared to March number actually. Whereas, last year we also had a increase of over INR360 crores in the delinquency last year in absolute value. Whereas, in this quarter Q1 we have actually witnessed a reduction in our overall delinquency in absolute value and therefore, obviously in percentage terms.

And even if you look at other parameters like our check bounce ratio or NACH bounce ratio and all we have not seen any major difference that is one point. And but that was a very interesting point you raised in fact about top of loans whether there is a demand. At least we have not faced but that could definitely is a good indicator.

In our case we have not faced mainly because as I mentioned we have a salaried segment where income levels are steady so the need for top of loans or something to cover up for something else is not there. So, at least that is one good point, but that is a very interesting point that you made.

Mihir Vora: Great. Anything else you like us to take away?

Management: No, think it's just a, mean, growth is at least for us in the segment that we are, continues to be there, a good amount of product and with the kind of Tier 1, Tier 2 expansion that we are looking at, that is where our typical segment also lives. So I think with Karnataka and this turning around, we should definitely be able to reach our disbursement numbers and all where cost of course is one thing which over a period will even out and that is one thing, that's otherwise not an issue.

In fact, I expect that in this quarter also our delinquency might further come down from our June levels.

Mihir Vora: So this is not for you, but in general what Mayank touched upon why do think there is this commentary about MSME and this in terms SME, some kind of indications of stress?

Management: No, I think one particular lender mentioned that they are withdrawing or almost cutting by half their exposure in Karnataka. I think that was one of the narratives.

Mihir Vora: I think it's for micro finance?

Management: Basically, it is for micro. It started off from micro finance because Karnataka state had come out with a small guideline where the state government said that you should not coercive methods for collections and all in microfinance should not be there and they also said that if at all there is anybody who is putting more pressure, the customers can go to the police station and action will be taken and all those things.

So definitely in some pockets it has affected. Now, initially it was only for microfinance exactly something similar to what happened in Andhra Pradesh. If you remember long back which happened and which led to this SKS and all those things having a problem. So I think the same kind of a thing was done in Karnataka. Now it was technically only for microfinance, but obviously when customers intend to take advantage and they have been doing it.

So some pockets we have also heard in Karnataka also where there was stress, where exposure of microfinance companies has been on the higher side, particularly the three four pockets in Karnataka where it is on the higher side. So that I think probably is the reason why even this MSME and all experience this kind of pressure. Now, home loans of course is clearly not a microfinance. The ticket size itself is higher and particularly our ticket size is definitely higher around 20 plus and all.

So therefore we have not been very much affected by that. And again 70% salary segment has helped.

Mihir Vora: This question was more for understanding not for you, not so relevant for you. So Mayank this Bajaj Finance the comment that they made was not for any particular geography?

Management: They mentioned Karnataka. They said 50%, they have 11 % exposure and they are reducing it by 50%.

Mihir Vora: Thank you sir. Thank you for your time.

Management: Thank you. Thank you so much.

Mihir Vora: We are going to see you in Bombay.

Management: Sure, definitely. Thank you so much.

Mihir Vora: Thanks everybody.

Management: Thank you.

Questioner 1: Thank you, sir.

Mihir Vora: Thanks everyone.

Management: Thank you.