

Transcript of Recording (36)

Management: So, Sandeep is not coming in the next meeting, no?

Questioner: No, he is not coming. He will probably be meeting you in the next conference. I have no difference.

Management: And day after, tomorrow again, there is an Antique, but of course, they are coming, I am not coming.

Questioner: And next week, I think, you also have Elara, or a week afterwards. September 8th.

Management: Yes, first week of September. September 8th, yes. First week of September, I will have to see. Again, I am travelling. I am not there from 5th to 6th. We start? Yes, I will just start the recording.

Questioner: So, maybe if you could just have like 5 minutes on the quarter gone by, how did we look at it? And then next on the growth front. Sure. For South India and maybe specifically focus on Karnataka and Tamil Nadu?

Management: Sure. See, in terms of the last quarter, the highlight of course was that the first time we crossed the INR2000 crores disbursement mark for the quarterly disbursement in Q1. And that was one. Second was in terms of the delinquency, we were able to, normally in Q1, there is an increase in delinquency.

The year before that, in FY '25 Q1, we had a INR360 crores increase in delinquency compared to March. Whereas in this quarter, we actually, our delinquencies came down by around INR280 crores, it actually came down.

So, we were at INR4,266 crores total delinquent pool in, as on 31st of March, it came down to INR3,980 crores. Incidentally, in July, it has further come down to below INR3,900 crores. So, these are the two highlights.

Further breaking it down to our zone-wise disbursement, we had, you know, four zones, that is the north zone, which continued last year in FY '25, it was growing at around 35%. This year, in fact, it has grown to about 40% plus growth is there in north zone. Tamil Nadu, which was growing at around 25% plus growth in FY '25, in Q1, it has grown by around 35%.

East zone last year was absolutely flat for us. In fact, Q1 was negative in last year for us. And then slowly after the change of government, it started picking up. And end of the year, it ended up almost flat. But this year, in fact, east zone has continued from there and it has also grown at around 40% for us. East zone basically is Andhra Pradesh mainly and a few other branches in Andhra Pradesh.

But mainly it is Andhra Pradesh for us. And west zone last year was growing at 15%, this year also has grown at 15%. So basically, while the company grew at 9%, the other zones have grown, mainly it is the Karnataka and, Telangana where the growth was not coming.

But if you look at it further, last year, in fact, in Karnataka, we were doing close to INR275 crores per month in disbursements in H1, which came down in Q3 to almost INR150 crores because the e-khata issue hit and then slowly picked up in Q4. So eventually, we were able to end at almost just about 230 crores average per month disbursement. This year, in June and July, in May, we were able to, we crossed 200 crores disbursement.

June, July, both months, we have done INR225-plus crores disbursement. And month on month, it is improving. So basically, at this rate, even without the e-khata completely getting resolved, we are still on a phase where we are doing better than this thing.

So we should be able to end the year with around, you know, 10% to 15% growth. By around INR250 plus average, we should be able to end the year with, even without, if the e-khata is not resolved. If the e-khata does get resolved and we are able to push, then we should again be able to do INR300 plus crores plus disbursement per month, which would bring us to a higher trajectory by the end of the year.

So this is the position in terms of this. Even Telangana, for that matter, if you see, because of the Hydra problem, you know, we had demolitions happening and the sentiment was very weak. This also impacted some property prices because, the sentiment was bad.

So property prices slightly corrected and things like that. And slight uptick in our delinquencies in Telangana. But in the first quarter, the Telangana issues also, if you see that recovery in June, there was no flow in the month of June in Telangana.

Delinquency overall, delinquency across the company came down, including in Telangana. And recoveries from some of the, delinquent portfolio NPAs also started coming through in Telangana, which even in the month of July has continued. So basically, the sentiment has improved.

Stability in prices has happened. Some corrections and positive corrections in prices has also happened. So now it is coming back. Our disbursements are also month on month growing. So, at this rate, we should be able to do around, you know, about 15%-20% growth in Telangana also by the end of the year. So today, if you have to look at it, we did about INR2000 crores plus in Q1. This quarter we are targeting around INR2500 crores. July we have already done INR800 plus. So, we are on track for the INR2500.

And Q3, yes, it should have been a little higher, but we would still target about INR2500 considering that there is a IT transformation happening in Q3. So, we would still continue around INR2500. And so, we will do about INR3,000 plus in Q4 to catch up and do the INR10,500 crores that we have targeted.

So that is in terms of the disbursement. In terms of delinquency, as I said, our Q1, normally there is an increase in delinquency in Q1, but we have witnessed a reduction, which has continued in July. And we are hopeful that even by the end of September also, our numbers should be below our June numbers in terms of overall delinquency.

So that way, that should help us in terms of our credit costs. We have guided for 15 basis points. Last year, even with the increase in Telangana and all those things in delinquency, we were still able to maintain it at 13 basis points, excluding the management overlay, of course. The credit cost was about 13 bps only. This year also we have guided for 15 bps, but it should definitely be below that only.

Questioner: Sir, two things. Firstly, on the Karnataka, could you please share the macro situation like where we are in terms of the resolution of the issue? Secondly, on the Telangana issue, what would be the asset quality impact? For us, I think it was last time when we met, you said that till then I think we did not have any asset quality impact, but now probably delinquencies have started coming up?

Management: No, no. Delinquencies last year also had started coming up only, but still today also my Telangana delinquency is lower than my company delinquency. It is almost the same, I would say, or a little below, in fact, my company delinquency.

It is not that it is on the higher side, or it has been there, but I am saying there was a little increase compared to all other states. If I would say where my delinquency increased, it was only in the case of Telangana. Otherwise, even today it is less.

Today, our overall delinquency, I think, would be even after all this Karnataka issue that we are talking about, which has been highlighted by a few other lenders, my Karnataka delinquency is the lowest, followed by our delinquency in Telangana and east. Then it would be probably our Tamil Nadu, north and west would be higher than the company average.

Questioner: Would you not use it differently other than your competitors, that your delinquencies are lowest compared to other people?

Management: We have implemented some of, like we ran a campaign for increasing our NACH percentage. In October, actually, we had one circular wherein it said that any excess amount that you are collecting from the customer, you cannot carry as an excess additional EMI or advance EMI. It has to be directly credited to the principal and benefit has to be given. Interest has to be paid. Basically, you have to give a credit to the principal. Post that, we increased our messaging to our customers, SMS, WhatsApp messages to our customers.

Two or three times in a month, we are sending messages about their recoveries because basically, customers earlier, even if there was a cheque bounce, they would come and make the payment, but only of the EMI amount. We always had some amount excess lying with us which would get adjusted and therefore, the cheque bounce charges would get recovered without the account moving to SMA 0. Those changed with this October circular.

Post, so therefore, we changed our messaging to our customers. We started informing them in advance. We put up a call centre to inform the customers, writing from the immediately after the cheque bounce, we start calling up and informing about the payment we made with cheque bounce charges.

We tied up for our BBPS, that is the Bharat Bill Payment Service, where now as a biller, we are available on any of the UPI platforms. They can directly make a payment to the account. These are basically some of the things we did to improve our collections.

We also have a call centre now for SMA 0, 1 and 2. We are sending the SMSs and all those things. Basically, this is what happened. Plus, across what we did was we started cutting from the SMA 0 level so that the pressure on the flow which goes to the SMA 0 to 1, we started cutting on that and targets wise we have started looking at it. This is what has basically helped. We have also introduced the [Surveysee 0:10:49] tool.

Survey was being done manually, now we have introduced the Surveysee tool also. So, all the cases which move into NPA from day one, we are having a tracker, we are having all those things coming, escalation matrix is there, auto, all those things also we have done for our collections.

Questioner: Sir, is your customer profiling better than other competitors...?

Management: In a way, yes, definitely because we have almost 70, I am not comparing with the banks, I am talking about the HFCs and NBFCs of course. Today, we have 70% customers are salaried segment, whereas for others it would be 50-50 or maybe more of this thing. Two, we do not have any, even in the self-employed that we are talking about the 30%, we do not have appraised income customers.

We do not do appraised income product. We do not do surrogate income product. So, we do not have that average bank balance or multiplier, income multiplier product on those kind of things we do not have.

So, even our self-employed customer barring a small percentage of 1% or 2% which is the no income proof, NIP as we call it, based on the cash salary. Other than that, we have almost all the customers at least are filing IT returns when in the self-employed segment. So, obviously, the profile is better compared to the other players and our ticket size is also little higher in the sense that our ticket size in Karnataka would be around 30 lakh-ish and even in the other parts, non-Bangalore areas of Karnataka, our average ticket size would be closer to 20.

So, basically, this ordinance which has come is not affecting us because we are not technically in the very low-ticket segment. Today, 84% of our customers are having a CIBIL score of 700 plus.

Questioner: In Karnataka?

Management: No, across the company and another I think 9% or something is the segment wherein it is a first time, first new to credit. So, basically, 93% or below 700 customer segment is very, very less. So, customers having 700 plus CIBIL score means obviously, they would not be the segment which would have a micro-finance kind of profile.

Questioner: Sir, 70% of customers have a salary, what is their average salary? Do you have that number?

Management: I don't have the average, but roughly it would be INR60,000 per month plus kind of a thing. INR60 to INR1 lakh is our kind of sweet spot actually for us.

Questioner: This is per month, INR60,000 per month?

Management: Yes.

Questioner: And sir, for this below 7% who are there, what is the...

Management: Below 7%?

Questioner: Sorry, you said below, your 7% of the customers are of credit score below 700. So, for them, what are the delinquencies for them? Is it very higher?

Management: No, we have not seen very different kind of a profile. It is not very different. CIBIL score wise, it is not very different.

Questioner: And sir, these IT, you said self-employed people, almost all are filing their IT returns. So, what are their IT returns in a bracket like INR5 lakh, INR10 lakh?

Management: Do you have such matrices? We have not done that kind of a detailed analysis. But as I said, our sweet spot, if I look at the overall profile is around INR60,000 to INR1 lakh is the average income.

Questioner: Sir, coming back to Karnataka, where exactly are we in the issue or it has been resolved completely or partly, how long does it take?

Management: See, definitely the problem is not 100% solved. There is an improvement in the sense that today at least in the corporation limits, it is there. The government has said that there was a circular somewhere early July, where they said that they are also contemplating converting the b-khata properties into e-khata.

So, that will open up a lot of opportunity for us to do business there. But of course, that is more of an intent issue rather than something which has happened. The second thing is, you know, this government also on 20th of July, the day after our results were announced, they also came up with a full page ad saying that they are going to allow e-khata generation through this Seva Kendras, which are there. Although so far, not much of a flow has come there. I have myself visited a couple of Seva Kendras. There is nobody coming for that. It is still Aadhaar and all those things only. But at least that intent is there.

Second thing is, they have come with some app which can help in the customers who have all the documents can directly without coming to the SRO, can apply over there and get their e-khata. So, the government is definitely putting all those efforts to do it.

But basically, the issue is within the sub-registrar office and the revenue authorities, the updation which has to happen, that link which is what will give the, because once you go for registration in the sub-registrar offices, you have to submit all those things there. It has to be -- e-khata has

to be generated and that flow has to come to the sub-registrar so that when you go for registration, you can be -- it can be confirmed and then the registration can happen.

So, that linkage at least for corporation has happened and they are able to get that E-Swathu or that document. They are able to get, although it is now still taking about some time. But basically the government is looking at -- this has definitely increased the cost of registration for the customer.

Like, for example, recently also what I am hearing is this is definitely earlier what happened, people would get the agreement, they would start the construction and they would apply for the e-khata and then the registration and everything in case of the composite loans.

Now, the government obviously knows that for e-khata, if they come, there will be some revenue that people would get. So, now, the electricity department is going around and stopping the work also saying that no, you first get the e-khata, otherwise you cannot even do the construction. So, basically, it has become more of a, rather than this, people are looking at it as an opportunity.

Questioner: Sir, just two things on this. So, firstly, in terms of like suppose we were sanctioning or disbursing 100 loans earlier, because of this issue, where would we be currently? Like is it just a tapped issue that the time has gone longer?

Management: No, no, we were doing INR275 crores average business per month in Karnataka, which has now come down to even now, after dropping to INR150 crores, we have picked it up to around INR225 crores.

Questioner: So, 20% damage is still there.

Management: So, we like, for example, in FY '24, we did around INR225 crores. FY '25, we started off with a 20% growth because in H1, we were able to touch INR275 crores. But by the time this end of the year, it came down to around INR230 crores or approximately INR2,700 crores is what we did for the entire year.

We are still there at INR225 crores already. So, now, I am saying with a little increase, by the end of the year, this INR225 crores, this month will become INR230 crores, INR237 crores, INR245 crores and so on. So, by the end of the year, we will be able to cross INR3,000 crores, which will be a 10% plus growth for Karnataka, assuming that there is no resolution to the problem. If the problem gets resolved and things pick up, then we could -- it could be a little better also.

Questioner: I understand that 10% to 15%, somewhere between that is what we are doing in Bangalore right now?

Management: No, no, I am saying total Karnataka. INR225 crores is Karnataka.

Questioner: That is Karnataka?

Management: Mostly it is in Bangalore only.

Questioner: INR225 crores is Karnataka. So, that is broadly the number, 10%, 12% currently and maybe that will increase by some proportion. In the AUM, what will be the share of Karnataka, sir?

Management: Roughly, it is close to around INR12,000 crores, sir, AUM of Karnataka.

Questioner: Almost one, slightly lesser than one third?

Management: Yes, it is about 30%. Because we are close to INR40,000 crores and we are close to INR12,000 crores here. So, that is about 30%.

Questioner: So, what are some challenges which the company is facing in terms of, is there any demand slowdown, do you foresee?

Management: Not in the segment that we are talking about. I think there is still a good amount of demand. We are, as I said last year we had -- if you look at it, one by one our zone-wise we are having a growth and Andhra last year did not perform. This year, that has turned around, it is performing. The year before that, if you have to look at it, our Rajasthan, Gujarat and North were kind of flattish but then they have also picked up. So, I think the growth, we have been -- the negative that we saw in Karnataka has been offset by some other areas growing.

So, if now with Karnataka, if it again comes back, then that will also really see that, across the board we will see the growth. So, as I am saying, other than this issue of e-khata because of which Karnataka is not doing well and Hydra in this, all the other zones now are in the positive mode. North is doing, as I said, 40%, East is doing 40%, West is doing 15% and Tamil Nadu is doing 35% plus growth.

So, across we are having growth except for these two states. By and large, all the places we are turned around, a couple of branch-wise if you go about it, maybe there may be some branches that will always be there, maybe change of person, resignation, whatever. But by and large, if you see, all the states have now turned around except for these two where we have these two issues.

Questioner: So, sir, the states which have turned around, did you did some intervention like maybe marketing you have done or maybe what kind of intervention did you did to revive the market?

Management: See, actually, in the North and West, one is the branches expansion that we have done. Definitely, that has helped. We have done about 27 branches have been opened in the West and North zones in the last two years. That is definitely one issue.

Second issue, of course, is that we have reviewed the staffing. One of the -- some of the other internal issues that we have resolved is that we have put the right people in the right kind of places. You know, if it is a larger branch, then we have kind of templated it as to what kind of branch would have what kind of minimum level of staffing.

So, chief managers and AGMs would be now in the larger branches, the metro places and the bigger branches where the sanctioning is also higher. So, those kind of internal reshuffling and

all we have done to correct the situation. We have also reviewed some IT interventions which have definitely helped.

Like, for example, prior to this two years back, if you have to look at it, our Aadhaar manually being verified, PAN manually being verified, ITR manually being called for and verified. All those things have been now automated like Aadhaar and everything directly through UIDI because of the Karza tab is getting done.

Even account aggregator we have tied up. So, now the bank statement also will directly pull from the bank. So, the hard copies, photocopies or customer submitted certified copies will not be there. It will be directly coming from the bank.

ITRs, postage, we are directly pulling from the portal, this thing. So, all these kind of things, manual intervention is slowly going. Civil experience reports that we are pulling, we are directly tied up, and it is coming from there as soon as the logins are done. So, those kind of TAT -- in terms of the TAT, we have definitely improved some of the things which is helping.

Questioner: So, you mentioned 27 branches addition, but I think still the branch count would be somewhere lesser than 300?

Management: It is 234. This year it will touch to 249. Yes.

Questioner: So, what is the plan in terms of branches going forward? Because I think that is one short way of getting growth. So, why are we may be holding back? And this is not even if we are like adding 10% of the branches every year, even lesser than that. So, that is very, very slow. Like is there management addition issues? Like we need a proportionately more people in the middle and higher level management or like what is holding us back in that regard?

Management: No. See, that way there is a full support from the Board or whatever. I mean, even if we have to add branches and go for additional people for those branches, there is no problem to it. But in the last 2 years, we also did a review exercise that some of the branches which are consistently in areas not performing, we in fact closed. So, technically we opened 29 branches net, but otherwise we have opened 39 branches in 2 years. But we also closed down some 10 branches which are consistently not doing well. So, we merged them with other branches.

Some of them we closed, simply closed down. So, those kind of things also we have done. Some of them they were bleeding. So, there was no point. We have done that. So, adding branches, yes, 15 is the number. I mean, there is no restriction that we cannot add more also. But fine, our target was to reach around 300 branches by FY '28. That is what the Board we have drawn up. So, we are working in a calibrated manner to reach there.

Questioner: 300 by FY '28?

Management: FY '28, yes.

Questioner: So, do you have any incentive structure for your salespeople like, okay, if you are able to generate maybe INR10 crores or whatever number, can you give some certain incentive to the loan officer or to the sales guy? Do you have some incentive structure?

Management: No. We have not gone for that kind of a structure where the DST or DME kind of a structure where they come with a INR15,000 or INR18,000 or INR20,000 fixed amount salary and then everything else is on incentive. We have not gone for that because in that model we have carried out the study. We observed that the minimum attrition rate in that particular channel is 65%. In some of the companies, it is even as high as 100%. So, anybody you see this year, next year is not there.

Now, practically, the cost of that model is very, very high. You are constantly just recruiting people and taking from the market and then it becomes -- you give them three months. They don't perform after three months. Then they move out when the targets start setting and they move out. Again, you are back to square one. So, it is a model which has -- so we have gone for a different model where we take them on the rolls with the full package.

So, our entry level salary today for the sales staff is a fixed salary of INR40,000 to INR45,000 per month. That is the kind of package they come with. So, obviously, it of course means that unlike some of the DSTs, DMEs where the cutoff is 25 minimum, they have to achieve 25 lakhs. In our case, they will have to do at least 60 lakhs per month to be able to break even. We in fact look at around 80 lakhs. So, we are almost there now.

We tried that as a pilot last year. Our team was able to get that kind of a business. So, we are quite okay with that. So, there is no incentive additional to that. Of course, there will be recognition rewards program. We are paying upfront, and we are bringing in that loyalty so that we do not have to keep on churning the people and getting it.

Questioner: And sir, where would we be getting our employees from? Because I think some of the companies will have a policy that they will hire only from colleges, freshers. Some will have a policy that we will be open to lateral hiring, and some would be like maybe having a different -- what is the policy for us?

Management: No, we are open to both. We are also doing some lateral hiring for some of the middle level people. We are also looking at some freshers from colleges for the entry level sales and officer level kind of thing. But if you look at our branch, we will obviously require 15 branches -- means 15 managers we will have to take. Obviously, we may not have that many to be coming out from the ranks. So, we may have to look at some people from the market also. So, we are doing both.

Questioner: So, this 40,000, 50,000 entry level people has to do around 50 lakhs, 60 lakhs of...?

Management: More than that actually. We are targeting around 70 lakhs to 80 lakhs kind of a thing they will have to land up to.

Questioner: 80 lakhs, that means around 3 to 4 cases?

Management: 4 cases.

- Questioner:** So, in terms of the needs and margins, I understand like we took 10 bps, and 15 bps is what was passed on 1st July and previously in May. How are we looking at the NIM on the back of these changes and the rate cuts?
- Management:** See, we are very clear, we will pass on only after we experience it on a liability side. So, on the spreads and we do not expect any compression to come.
- Questioner:** But that is fine, but maybe are we looking to hold back on some of it or how exactly, like can I may be spread or NIM a little or is it...?
- Management:** See, we are passing on once we get the benefit, but it will still help us in the sense that on the asset side or on the liability side mostly within a quarter we get the benefit. On the asset side, there is a quarterly reset, but there is also a portfolio which is an annual reset.
- And once on the entire book we have experienced something when we pass on there is definitely one quarter at least which will -- so only one third of it may happen this month, one third next month and one third the month after. So, obviously there is a little bit of a lag which will help maybe 3, 4 bps may be good in short. So, today we are at 2.62, we may look at around 2.65 by the end of the quarter probably.
- Questioner:** Sir and full book, like what will be the mix of the book on the set side between fixed, floating and annual and quarterly?
- Management:** In the fixed, floating, almost you can say 100% is floating because hardly we have a few staff loans and all which are fixed or some of the some personal loans and all which are fixed only. Other than that it is all floating only. In terms of this thing, we have about 67% -- 66% or 67% which is still under the annual reset, the customers have not moved. It was 72% as of 31st of March. As of 30th of June, it has come down to 67% is annual reset, the rest is all quarterly reset.
- Questioner:** Perfect sir, 67.94. Is there any particular reason for having 100% float, like many housing finance have fixed assets loan? Sir, any reason for it, like full 100% you are having floating?
- Management:** I mean we all offered that was the customer's choice and preference, customers are not very keen to opt for. Normally, fixed rate loans are mostly for the affordable segment or those cases where you don't -- where the customers are not having that kind of understanding and awareness to be able to handle those kind of things. It is better to give a, because their mindset is a little different, one EMI they know this is the EMI they have to do.
- Suppose, rates go up and the EMI has to be increased then that segment will not be able to understand. So by and large this fixed component is mostly for the affordable segment only. Fixed, I mean if you, anybody who is taking a 40 lakh loan knows that in the long term eventually the rates have to, will come down.
- So that is what is the reason, I mean you would not have much of an off take if you were even to offer a fixed rate. We do offer a fixed rate, not that we do not offer, but the fixed rate obviously means the interest rate risk is entirely on us. So therefore it is about 150 basis points higher than the floating rate. Customers do not opt for it.

Questioner: So sir, I think in this quarter we had some increase in the, of course you have touched it, touched on the state quality, some increase, part of it was seasonal, part of it in the states. In the? Stage 3...

Management: Stage 3, that is okay.

Questioner: Part of it was seasonal, part of it was, I think we allowed the subsidy action, so that was deliberate. But otherwise I think we have been hearing a lot in terms of like mortgages, of course LAP is not very big for us, but overall some stress especially in the southern part of India.

So could you maybe touch a little bit again on Karnataka, Andhra Pradesh, Telangana, Tamil Nadu, like how are the things happening in these, Karnataka we understand there was some problem due to the ordinance, the MFI one which even impacted other players?

Management: For us in fact it has not impacted, in fact as I said all the 6 zones, north, west, east, Telangana, Karnataka and Tamil Nadu, all the zones actually witnessed a reduction in our delinquency pool in Q1 compared to March. The number, absolute number has come down, not only a percentage reduction, even in absolute value it has come down across the 6 zones.

Questioner: We are not seeing anything in the...

Management: No, I would not say that it would not be there. As of now looking to the segment, as I said clearly there are pockets in Karnataka where this stress is there. Okay, but our customer profile is a little different. Affordable housing companies who are operating in the 8 lakh, 10 lakh, 12 lakh segment, they are definitely facing some issues.

Because this ordinance is definitely there and some 7 lakh, 8 lakh loans the customer goes, the profile is a little different. Our profile thankfully because of our lending policy is not falling into that particular bracket.

So we are not impacted as of now. I understand even in Andhra Pradesh some people have again mentioned it, Karnataka people have mentioned it. But again it is like in Karnataka there is this Rajiv Gandhi Rural Housing, this thing where there is a 6 lakh or something is the ticket size. Again that segment is purely the economically weaker segment. So there this overlap with the MFI is definitely there.

Questioner: And in Tamil Nadu there has been very small impact of this MFI ordinance that they had?

Management: Tamil Nadu, no, I don't think. Tamil Nadu, in fact other lenders also I am not seeing any particular, like in Karnataka I can definitely say this Bidadi, Ramanagara, Mandya, that bucket or probably that Kalaburagi and Raichur and that segment or maybe some of this is Chitradurga, Shimoga, Haveri belt.

These few pockets definitely there are some stress and customers have faced, I mean some of the competitors have also faced. Tamil Nadu we are not seeing any such pocket where this ordinance has impacted much. I don't know, some of the other players if it has, I have not at least come across anything.

Questioner: Sir, next question is Tamil Nadu, Kerala and all will be going for elections. So do you see any impact during election in Lone Grove or something? Specifically during election time?

Management: See we have definitely seen the issue post elections because of the change of government. One positive for us and two negative for us. Karnataka and Telangana change of government was negative for us because they came out with guidelines which suddenly impacted the growth.

In case of Andhra Pradesh the change of government was positive for us, because the new government is very pro-business and pro and lot of new decisions and positive decisions are there. Here at least I don't expect change that way which will change the, at least as of now it doesn't look like.

Questioner: Just one detailing question, I think you mentioned on the NACH share. What would that be for us currently?

Management: Almost 90% is NACH.

Questioner: Incrementally all disbursements would be?

Management: Incrementally yes, we are pushing for 100% NACH.

Questioner: Sir, this year NIM guidance is around 2.6%?

Management: NIM is 3.5%, spread is 2.5%.

Questioner: For growth will be at some 12%?

Management: 12%, 13% AUM growth.

Questioner: And next year this should be better?

Management: This should be better.

Questioner: Credit costs are again less than 15 basis points and opex should also not have any money?

Management: This year about 18%-odd, next year it will be 1% increase.

Questioner: Because of this tech implementation?

Management: Tech implementation, correct.

Questioner: Sir, FY '27 year AUM growth target is?

Management: We would push for about 15%. This year 12%, 13%, next year 15%.

Questioner: In terms of non-interest income, anything are you looking at? Will be securitizations, DAs, insurance, licenses?

Management: At least not securitizations or DA or anything of that sort. But non-interest income for us is definitely one area where we can look at some improvement. We have been absolutely flexible with the customer in terms of our insurance. Our attachment is only 37% whereas for others it is very, very high, almost 100% for us all.

Questioner: And this attachment of this life insurance, credit life, how long is the tenure? Is it the complete tenure of the loan or is it just first 5, 10 years?

Management: 5, 10 years is what is the normal thing because our customers actually, it stays in our book for only about 8 years.

Questioner: But I think peers will be giving it for the whole life of the loan?

Management: Maybe yes, because the income, the difference of revenue from the insurance is very, very high compared to others, so yes. In fact, there have been cases where some of the lenders have also given health cover and doctor consulting and all those things and have charged for that also.

Questioner: Broadly for a 20 lakh loan, how much will be the insurance payout?

Management: Insurance payout?

Questioner: How much would be the premium...

Management: Anywhere between 2.5% to 4% of the loan amount. That is the average insurance premium.

Questioner: So 1 lakh could be, I think, that much?

Management: For 20 lakh means, yes.

Questioner: And what will be...

Management: Less than INR1 lakh, it will be around INR50,000, INR60,000, INR70,000 would be there.

Questioner: And what would we be earning from that?

Management: So the corporate agency allows 5% and then you can increase whatever is there. 5% is the corporate agency type. Some expenses can be shared, they can do some advertising across and all those things. But by and large, 5%.

Questioner: So broadly on a 20 lakh loan, we will be earning 1% of that, that is 2500...

Management: Today, that is not the issue as much as the fact that today we are being absolutely flexible in the sense that we do not put it as a precondition for a loan. So only 37% of our customers today are opting for an insurance. Whereas for others, it is, I think, 80% plus is the general average industry benchmark.

So it is an issue which I think the regulator has been highlighting that, customers are, you cannot, because the guidelines say that you cannot compel the customer to take insurance. You have to give the flexibility to the customer.

Questioner: But sir, given the sadly people you have, around 6,000 to 1 lakh, considering they would be having a fair amount of education, but still this 37%, why is it so less? They should be taking, they should be taking insurance.

Management: You are right, absolutely. So that is what we are also working on. See, the thing is, when the customer is going for a loan, at that time, first of all, the LTV norms have been a little tightened over the period of time.

Two, the LTV is only earlier used to be somewhere given market value, somewhere documentation value. Now what does happen, it just has to be on the realizable value or the document value, whichever is depending on the loan product. So that has a further come down.

Second thing is, we all fund only for the civil portion of the work. There are, there's a furniture portion to it. There is a non-movable part of the furniture, which is there, movable part of them. So all those things are not funded. So basically, when we say we are giving say 25 lakh loan at, say even at 80%, LTV, what it means is the customer's actual spending is going to be 40 lakhs.

So customers normally are a little reluctant at that time. If you compel them, they may take it. But that is where the problem lies. The customer will be out of pocket, will be a little stretching themselves because FYR norms are also now 60% market is giving. Some are for higher income levels. People are giving up to 70% FYR also.

We are restricting it to, restricting it to 50%. And above that, yes, we are giving, but with a much higher, deviation matrix and all those things, higher approving matrix is there. So for an, at the time of giving a loan, customers generally have a, there is a pushback from the customers, which we respect.

And therefore, we are only saying 37% is fine. But as you rightly said, these are all educated customers. So insurance as a product is not something which they would have avoided. They would definitely have, if not this, they would have taken a term insurance.

So there is definitely an opportunity to now do on the back book, which is what we are looking at to increase our non-interest revenue. Yes, which we are definitely looking at to increase our, because once the customer has taken a loan, a 2-year-old customer now is stable in terms of their cash flow. They have now settled their expenses, their furniture, everything has been taken care.

Now, if you probably tell them that, why don't you spend 50,000 to take an insurance that will help your family? I think they would still be able to do it. And they may probably happily do it also. Okay. That is what we are looking at.

But it is not right to push the customer to take another 3% extra cost, because you look at it, there is already a sunken cost in terms of the stamp duty, documentation cost, valuation, this, that, processing fee. So that is all sunken cost. That is all I know. Nowhere part of the, if that component itself, like in some of the cases, the fee income is four and a half.

Some cases it is as high as 10%. 8% and 10% is a non-interest income. Now, it is really surprising that, what are these kinds of non-interest income that a Housing Finance Company, pure Housing Finance Company can have?

Questioner: So these would be probably sold through these call centers and all...

Management: So we are looking at, doing that also. We are exploring if we can. We have not done that, but we are definitely looking at, can we look at the back book, say, customers who have taken 3 years back, 2 years back, and try to explore if they would be interested in insurance policy.

Questioner: And in that, like, is the thought process is to give them an incremental loan of that extent? We also do that?

Management: Yes, we can give them a loan also. We have a product for that.

Questioner: Sir, from the opex part, do you have any level to control it, like maybe using technology, AI or something? Do you have some target that we have to make it, to bring it down, say, suppose, 10 bps, 20 bps, 30 bps over a period of time?

Management: See, opex side, we are already among the lowest in the industry. Okay. Ideally, yes, it can come down if we are able to bring in a little more technology. But the technology will have, like today, that INR40 crores that we are talking about is definitely going to hurt us in the first year.

Then onwards, it will have some, benefits in the sense that we will be able to relieve some of our staff for other work. We may be able to reduce the tax on the customers, therefore, be able to do more business. So, obviously, that is there. But there will be some impact, and some investment will be required, some kind of, spending will be initially upfront required.

Questioner: But, sir, you would have done the cost benefit analysis of that, of those INR40 crores, right? So, how much opex do you expect to fall further by using these INR40 crores of investment initially? Have you modelled something...?

Management: See, even I think if you look at it, HDFC, which was at that peak, at that kind of a thing, was at a 14% cost-income ratio. We are around 16%, 17% or even. So, I mean, look at it from that point of view, I think there is a bare minimum you will have to do it.

And frankly speaking, this business is a manpower critical business. Today, without adding staff, there is a limit up to which the business can grow. The productivity, we are already at around 5 to 5.5 cases per staff per month. We have about 850 people on ground who are doing the business.

Last year, we did about 55,000 loans. So, that is coming to around 5 cases per staff per month as a productivity. I think, I guess if you look at it from that point of view, probably our productivity would be very high. In the industry, hardly anybody would be doing because if you look at the staff strength of the other players, who are doing less than us also is more. There are 3,500 and 5,000 people in other companies and they are doing less than us.

So, I think that model-wise, if you look at it, affordable housing, of course, requires more manpower also because you have to have more detailed appraisers, more recovery people, more people for recovery and all. Looking to the profile, it is required.

So, I think in terms of the productivity, looking to the segment, I think we are already there, very much there at a very healthy level. So, if you have to further increase it, we will have to either go up in terms of the ticket size or we will have to go up, add more people and get more business. So, it will also bring in that level of cost.