

Transcript of Recording (47)

Management: Our MD is actually attending a VC, after once he completes, he will come here, MD is sitting.

Questioner: MD is sitting here or that side? [inaudible 0:00:23]. Sir, last time in the call you can just update on the how things going on you spoke about almost 2,600 crores kind of disbursement this quarter. 2500. 2500 this quarter so how is the run rate any change you are seeing on the ground or at the level?

Management: We have showed that 2,500 we will be achieving. We are on track. Year on year we are positive. And both these months we are 800 plus. Remaining around 900 we should be able to do it this month. And year on year also we are positive.

Questioner: So which means the 10,500 crores for the full?

Management: 10,500 is our guidance for the full year for this fiscal and we shall be achieving. Our projection for the third quarter is 2,500 and balance amount will be making it for in the last quarter.

Questioner: How are things spanning out in Karnataka mean how are the income approvals moving out?

Management: See it is not; we are slightly around 40-50 crores less from our Karnataka. We are having six zones, and this zone concept was introduced last year. Karnataka zone consists of Goa and Karnataka. Out of that, majority of the branches are from Bangalore. We are having around 45 to 46 branches in our Karnataka state and out of that 30 plus are in Bangalore city. Contribution of our Bangalore is Bangalore city branches are around 25% of the total AUM of the company.

But we are positive year on year as a whole, but Karnataka we are slightly less. We had touched around INR275 crores last year. For this quarter average we had in the last month in fact we had done 275. We are slightly less around 40 to 50 crores less in comparison.

Questioner: So, you are saying of the 40 to 45 branches in Karnataka, 35 are in Bangalore.

Management: Around 31, 32 are in Bangalore. They contribute around 25% of our [inaudible 0:04:34]. Around INR11,000 crores Karnataka is contributing and 9,800 is contributed by our Bangalore branches.

Questioner: So, it is that achievable is it?

Management: See this company was formed in 1997 most of our branches were in Bangalore, right now we have started from the last 2 years. We have started diversifying in fact this, to [inaudible 0:05:01] this concentration risk. We are opening branches in the North and the West.

Questioner: Within Karnataka, you said 11,000 something?

Management: Yes INR11,000 crores is our Karnataka's contribution.

Questioner: Karnataka's contribution apart Bangalore's concentration within Karnataka is so high?

Management: Yes it is high.

Questioner: That is surprising. Bangalore is so much lending. Bangalore is so lending. [inaudible 0:05:29] problem of e-khata?

Management: Yes. That is why if you see in the last, in the previous fiscal in the third quarter, we had taken a hit because this e-khata was introduced from 1st October. So that is why we took a...

Questioner: What is the status of that?

Management: It is improving.

Questioner: And some point in time, couple of years, five years on the line, you probably see some kind of a break in growth in Bangalore itself. The city doesn't have a place to drive. So of your revenues, how much is Bangalore?

Management: That exact figure I will tell you. That if you ask my lawyer, will not be able to tell you. That is why we are opening every year we are opening branches 39 branches we have opened out of that we are opening in the north and west only. That is the reason we were trying to distribute our concentration risk. [inaudible 0:06:33]

Questioner: Additionally we are not opening branches?

Management: No. Additionally, we are not opening any branches, we are opening in the North and the West. And Andhra Pradesh, we have got very good results during this quarter-on-quarter from Andhra Pradesh. We are opening around three to four branches in Andhra Pradesh also.

Questioner: I am sorry, I am asking this because I have been looking at this for some time, and I did not realize this concentration. So, you are a Karnataka based, it is an offshoot of Canara Bank at some point in time. So, Karnataka based, you know, sort of branding and distribution. But the concentration of Bangalore is so high. So, what about rest of Karnataka?

Management: Rest of Karnataka, around ten branches are there. That is distributed.

Questioner: And Bangalore you just said some number?

Management: Bangalore around 30 branches.

Questioner: Sir, but why don't you focus on rest of Karnataka instead of going to North and West? When you have such a low penetration in Karnataka itself that...

Management: See, instead of Karnataka, see, right now we are having 56% of our branches in South, within the five southern states. They are contributing 72% of our.

Questioner: But Bangalore will be bulk of that?

Management: Bangalore will be bulk of that. Now, that is why we are diversifying in the North.

Questioner: If you go outside key cities like Bangalore, you might have lot of area where you can? Is it like you want to focus on prime segment and so that is why you want to stay?

Management: We are not focusing on prime segment because our average ticket size is INR25 lakhs. So, and if you are going for prime segment, we will not be able to compete with the banks. Banks are offering rates around 7.4 to 7.5. We are at around 8.7, 8.0.8, 9%. So, basically that is not our space.

Questioner: 8.8 is the new rate, currently?

Management: Somewhere around, I am just giving an average.

Questioner: You are saying average rate?

Management: Average rate around 8.6.

Questioner: How much is the increment on the new one that you are offering, like currently? How much you are offering?

Management: Around 8.5, 8.6, starting... 8.6?

Questioner: Yes. Okay. And how much is the ticket size on higher side, like INR25 lakhs is average? The highest?

Management: That, see, basically slab wise, if you see, we had given in our investors' presentation also, that we have around 30, 20 to 30 and above 30 lakhs. Above 30 lakhs is 41% and below that is -- 30 lakhs above is 41%. But you book it here also? Yes, yes. Okay. Wherever we get, we book. But that is very much on the lesser side. Okay.

Questioner: So basically the advantage is that a very large part of the lending that you do is to the salaried class?

Management: Yes, 70% is our salaried class.

Questioner: And most of it is new construction, not this?

Management: Plot plus construction, around 64%-65% of our segment is plot plus construction.

Questioner: Which means somebody has the plot and you fund the plot also?

Management: We fund the plot also.

Questioner: Bangalore has no plot left. Where does it go?

Management: Go outside.

Questioner: That's why I was asking...

Management: Outside means our Bangalore city also, if you see, they will be going for this peripheral areas only. City size, if you come, average ticket size will be around INR60 lakhs, INR70 lakhs, INR1 crores. So we will be concentrating on the outskirts of Bangalore where they will be...

Questioner: So it's just the ticket size that helps you be in that segment with a higher rate of interest? It's just that segment doesn't interest the banks and that's why you are...

Management: Yes. Banks average ticket size will be 40 plus. We are at around 24-25 lakhs.

Questioner: Yes. So other than that, no other? In terms of your brand, your call, services, nothing else? Not much. It's just that the segment is different?

Questioner: The rate is higher?

Questioner: Yes. So there must be other people competing with you?

Management: Yes. Our main competitors will be LIC, Bajaj, PNB also. How is the financing?

Questioner: In terms of your positive income guidance of 19% next year, that is high even after you have invested reasonable amount in IT tech last year and all. So what's the -- I mean it still looks a very high number in terms of...

Management: See, we are implementing a new serious software where IBM is the system integrator, and it is a practical suite. LMS will be provided by Pennant. Our HRMS package, which was also not integrated with our present serious software, that also will be done. Then we are going for a treasury also, treasury package also. So whole thing will get changed. So we will be incurring INR300 crores each hour cost which will be distributed over 7 years. So that is the reason.

Questioner: So in terms of your ROI, how much you are targeting?

Management: 2.2%.

Questioner: 2.2%. And so how will the name be impacted?

Management: Name, we are given a guidance of 3.5 and we will maintain the names.

Questioner: Now in north and west region where you are going, so again you are focusing, which cities you are focusing over there?

Management: See, we are focusing on the Tier 2 cities practically, like for example, Hapur, Bulandshahr, Gorakhpur, Barabanki, then Ayodhya.

Questioner: And in these cities, how much is your average ticket size?

Management: 25 lakhs to 30 lakhs. Yes.

Questioner: So what, there will be somebody who is a lender already there in these markets, in Hapur and Bulandshahr...

Management: So wherever we go, there will be.

Questioner: So then what is the competitive advantage? It is just that you present and then you start getting some business from those.

Management: Yes.

Questioner: Because otherwise, Can Fin would not be a name that is known in north and west.

Management: Agreed. Agreed.

Questioner: So do we get any cost? Like the deals are lower because we are getting cost benefit compared to our competitors?

Management: See, we have to diversify. That is why we are opening branches there. And there, and basically we are catering to the segment where we are, which is our space. And this will be in the Tier 2, Tier 3 cities only. So for 25 lakhs to 30 lakhs, we will be doing it around, say, around 8% to 9%.

Questioner: I am trying to understand, in terms of deal, is there a difference, between what a Can Fin and other and the existing players...

Management: Not much, I think, yes.

Questioner: The competition in these newer cities, who will be your competition?

Management: See, place to place, there will be a...

Questioner: But these newer, like you said, Hapur, Ayodhya?

Management: Housing finance companies should be there. So basically, we are not going for what is the competition. We are opening branches there for -- but you will get to know when the customer, you are trying to -- but that way, if you say that in one place, one particular housing finance company is there, that way it will be very difficult to talk about.

Questioner: Sir, you mentioned that your focus is more on the Tier 2, Tier 3 cities rather than Tier 1. So, pardon my ignorance, but any particular reason for that?

Management: Because we are catering to that segment. If you go for the Tier 1 cities, where the cost of the unit itself will be very high. If the cost of the unit is very high, then...

Questioner: Loan amount will be there.

Management: Yes, loan amount and banks will be there. And the rate of interest that banks are offering and what we are offering...

Questioner: How much will be the differential between you and...

Management: Around roughly 1%. See, now they are around 7.4, 7.5. We are at around 8.7 after these rate cuts.

Questioner: People say higher DSA commission on the new geographies. Will your commission pay out in the new DSAs?

Management: Sourcing strategy, see, right now around 79% of our business are getting sourced by DSAs. But we are consciously trying to come out of that DSA dependence. And our target is by 2028, we hope to reduce that dependence to 60%. But it is not by reducing the DSA level of business.

We have last year, on an experimental basis, we have introduced one sales force. Means it was in house only. And this sales team was not there earlier in our company. So they have done quite well. We ended the year with around 39 people. And we started somewhere in the month of June with around 30 to 31. So now we have added, we have increased the team strength to 100.

And we are going for APFs also. So we will be increasing the business so that around it will be, say, after the implementation of a new automated package, we should be doing at digital sourcing will be 10%. And our marketing team, 20%, 30%, and 60% will be our -- so you talked about this payouts for DSAs. It is not -- average size will be around, say, 0.45%. And it is not dependent on the geographies. The same payout is paid by PAN India.

Questioner: Sir, you mentioned sales team increased from 39 to 100. So the sales team sits at the central office?

Management: No, no, no. They are distributed all over...

Questioner: When you pay 4% 5% to DSA?

Management: Not 4%, 5%, 0.45%.

Questioner: 0.45%. Okay.

Management: That is the average. It will range from, say, 0.35% to 0.65% or so. And they are not -- they are actually connectors rather than...

Questioner: Got it. Got it, sir. Sir, as far as the NIM target is concerned, 3.5 and spread of 2.5, there is no risk of the interest rate cuts, or the rate cut which you might have given?

Management: See, we are passing on the interest rate cuts only after we have experienced it on the liability side. In fact, we have passed on 25 basis points. I think amongst the HFCs, LIC and Canfin Homes are the only two companies who have done it.

And after we experience it, then we are passing it on. So our NIMs and spreads are protected. And that also, after we experience it, it usually takes around 1.5 to 2 months for us to experience it. And after that, we pass it on.

Questioner: Sir, see, [PNB 0:19:13] has divided segments, or business for three segments, like prime, emerging, affordable. Do we have something similar categorization or it's common? And our underwriting is at branch level.

Management: See, there are two types of underwriting. Out of INR35 lakhs, it is done at the branch level. So, this is probably one of our USPs where the branch heads are empowered to sanction those at that level. Above that, we have a zonal structure. And above that, we have this head office structure. So whichever is above the branch delegations, it comes to the zones. Zones to it and whenever it is above the zones, it is coming to our head office.

Questioner: And it's vertically, like underwriting team reports to the head underwriter, right, or they have to...?

Management: We have a credit department at our head office. Zonal team is having its own credit department to handle these things. And the disbursement is centralized in the sense that branch will not be able to, they will be sending that request. That is a centralized thing which will be disbursed after they put in, provide all the details that are required by them.

Questioner: So, the branch level underwriter will report to?

Management: That review, we have a credit review monitoring department. That is at head office. That they will be immediately, say within 72 hours, that is if they are sanctioning today, by tomorrow, the same day, we are trying to do it pre-disbursement review. We will be introducing shortly. But it will take some time, maybe within this year. That they will be giving their reviews, that whatever review observations that they will be making. Afterwards, our inspection team will go and check whether they have complied with the observations or not.

Questioner: But as such underwriter reports to the branch?

Management: Up to the branch level, it is reviewed by our CRM team, the credit review monitoring department.

Questioner: I am saying the underwriter. Who does he report to?

Management: That branch head will be there.

Questioner: Branch head?

Management: Yes. So, basically our branches of this, we are having ELB, VLB, LB, MB, SB. Meaning small, medium, large, very large and exceptionally large branch. So, it will be, say for a small branch, we will have 1 plus 1. For a medium branch, we will be having say 1 plus 2 or 3. So one of them will be given the credit portfolio. He will be reporting to the branch head, something like that.

Questioner: What are the growth aspirations for the next 12-18 months?

Management: See, we are projecting a 12% growth for this fiscal. And for next year, we are projecting a 15% fiscal. We should be doing INR10,500 crores disbursement this year. And we expect to touch INR45,000 crores AUM by the end of 31st March, 2026.

Questioner: Are you seeing any asset quality issues?

Management: Not yet.

Questioner: In terms of like your DPD, 30 plus or?

Management: Not yet. In fact, our delinquency levels are coming down. Say, I think I had. In the first quarter, we had around INR3,675 crores total delinquency. It shot up to INR4,200 crores in the second quarter of FY25. Third quarter, it went to 4,086. It has come down to 4,265 for quarter four of FY25. And now, it has come down to 3,979 for the first quarter of FY26. And as of now, it is below 3,900. So, delinquency levels are coming down for us.

Questioner: So, this is DPD, how much? 30 plus?

Management: Yes. And in fact, if you see our profile, it is 70% of salary. So, that also gives us a comfort. Another thing is that another 84% of our proposals are having CIBIL scores, 700 plus.

Questioner: See, now job losses in IT has been a concern.

Management: So, our exposure to IT not much.

Questioner: Or, you know, it can be offshoot of IT?

Management: Yes. Yes.

Questioner: They might be servicing IT companies or IT employees.

Management: Maybe. But if you see our profile, our 70% is salary.

Questioner: You haven't seen any stress in Bangalore, around Bangalore?

Management: Not yet.

Questioner: Any plans in the longer realistic future that you plan to venture like the PNB housing has been for affordable housing that you on board, you disbursed loan to BT in the affordable space in the new geographies, like PNB housing has been. Because you have the advantage of the rates and cost of fund path.

Management: You mean in the affordable segment?

Questioner: Yes.

Management: Affordable segment will be going, but in the affordable that present PMAY 2.0, that scheme has not yet been very attractive. We have been able to do, I think, only 70 till now. But things

are getting big. But we'll be targeting what, mostly our target range will be around INR20 lakhs to 30 lakhs in whatever new geographies we are opening the branches.

Questioner: Sorry, for FY26, you said you are targeting INR45,000 crores. That's what roughly 17%-18% to you?

Management: It will be 12%.

Questioner: So, the disbursement growth that we expected was about 10,500. I think last 2-3 years, we have just done about 8,000 odd.

Management: Yes, yes.

Questioner: So, and even the first quarter, the growth is just about 9%. So, I think the...

Management: I will explain.

Questioner: We will have to significantly add more than INR3,000 crores a quarter. Something like that, at least in 2017.

Management: See, we have already done 2,015 in the first quarter. We are projecting 2,500 in the second quarter. We have already lost 800 plus for both the months of July and August. And it is year-on-year higher than whatever we have done in the second quarter of FY25. And we are again projecting 2,500 in the second -- third quarter. The one reason is that our IT implementation is going to take in the month of November.

Questioner: Right.

Management: In fact, we should be saying more than that. But we are factoring in that transition also. And we expect to make up in the last quarter. That is the fourth quarter.

Questioner: You have made almost 3,500.

Management: That we should be able to do.

Questioner: So, obviously, in the last 2 years, the challenge was mainly to one is your implementation of IT and the other was some Karnataka rules and all of that and registration. So, both of these will be sorted and I am saying if you take even further next FY27-28 Where do you see this structural number every year of disbursement growing? Say 10,500 is your base and from there on how do you see that?

Management: Say from 10,500 in the next FY27 we should be able to touch around 12,000. Because we are using an IT package which was implemented in 2011. There are many features which are not there. We expect that API integration to be happening. Then our marketing team, we expect them to deliver and they have started delivering also. Then we are having this digital sourcing also.

A lot of things should be happening. In fact, last year itself that from second quarter our growth trajectory had taken up. But unfortunately, the e-khata issue was implemented or introduced in the month of, from the effect of 1st October and our business took a hit. At that point of time, if you see Karnataka was contributing around say 33%-35% of our business. And Bangalore itself was contributing around 30%.

Now it has come down to 28% and Bangalore is contributing around 25%. Along with that our Telangana side also, both Karnataka and Telangana itself was contributing around say 50% of our business. Telangana also suffered during the last year. Gradually the sentiments are picking up and we expect to certainly improve our performance. That is why we are projecting around 12%-13%.

Questioner: So is this your amortization premium in rate which is about under 4% for the last two-three years or say in that 3.8? Do you expect that to be steady for the next two-three years also or do you think there is improvement there?

Management: We expect it to be steady.

Questioner: And the third is that, when you are entering some of these new geographies, obviously being in the local domain expertise that you have, so one is obviously your salary day, you have a lot of paperwork which backup in terms of their understanding. But still there is a lot of local domain knowledge which helps you in understanding the borrowers. There is no fraud, right, in that sense to avoid that.

How do you expect them to replicate in the other states, I mean other than southern states? Because the local domain is largely in the southern states, right, for last so many years. I mean what is the risk of we creating some challenges there in terms of asset quality because we have been thinking of incremental growth coming from there?

Management: See we are already having, see we have our zones there, see for example our Jaipur branch, our Delhi, our branches in Delhi, I will just explain that. Till May 2024 we had a two-tier structure, branch and head office. Then we implemented a three-tier structure, we introduced another layer in that. That is where our zonal office came into being. Six zones were introduced. We had one Tamil Nadu zone where it was having Kerala, Tamil Nadu and Pondicherry.

Then we are having this Karnataka, Goa and Karnataka state. Then we have this west zone which consists of four states. The north zone we are having around three, four states there. Then we are having this APN East. So basically, our presence was already there in those regions. We are just increasing the number of branches in there. So, I don't think that should be an issue. It is not that, we are coming just brand new and we were never there

Questioner: [Inaudible 0:31:05].

Management: More than that.

Questioner: And there itself you are expecting more growth?

Management: For example, Punjab. We were already having a branch in Ludhiana, Jalandhar and in Chandigarh. We have opened branches in Bathinda, Mohali.

Questioner: But what has been the experience of these places in terms of your asset quality? Is it very different from your average? Better? Poor?

Management: First of all the new branches right now we don't actually have any. For new branches we don't...

Questioner: You have been present in these regions for two years now?

Management: Yes, in the northern region we had some issues with the asset quality. But now they have improved in such a manner that they are below March NPA level. Especially north. West we had some issues.

Questioner: In spite of they growing?

Management: Yes.

Questioner: Or has the book been winded down? That's why you are looking?

Management: You mean that percentage wise by increasing our AUM base the percentage has come down? That logical conclusions have happened. We have closed many cases, and we are moving forward.

Questioner: How is competition on ground and is that also impacting our growth to some extent?

Management: See competition wise if you say that we are doing our own business. We are not really worried about what others are doing. If you see our BT out ratio itself is below 4%. Competition will always be there in the housing. Wherever we go somebody or the other will always be present. So we are not worried about that. Or neither do we have any policy that we will be going particularly for our BT in cases. It's not that. Some companies may be doing it.

Questioner: You said 70% of our book is salaried. And our average ticket size is INR25 lakhs. For the salaried class what would the average ticket size be Rafiq?

Management: It will be around that only. If you ask me that, that I will not be able to answer.

Questioner: Just one follow up on that. Of the salaried people what would the average monthly income be?

Management: That time it will be around INR50,000 to INR1 lakh.

Questioner: INR50,000 to INR1 lakh. So between INR6 lakhs to INR12 lakhs of income. Then we give our average INR25,000.

Management: Yes

Questioner: But then they wouldn't get this kind of income and with this kind of leverage, wouldn't they have access to banks? I mean INR50,000 to INR1 lakh is not a bad number for a bank to lend them. And which has 4 times or 5 times leverage.

Management: See if you see our segment where we are catering to. It is around our plot plus construction is around 65%. So plot plus construction means they will be going out of the big cities.

Questioner: The banks may not probably fund that one thing.

Management: Yes may not.

Questioner: That is 65% of it?

Management: Yes.

Questioner: What is the current status of e-khata issues that were there? Which all part of Karnataka?

Management: Things have certainly improved. If you go by our numbers we were having, say around Karnataka, Bangalore branches. We were doing around 275 jobs per month average. Because of this e-khata we came down to 150, 160. From there we have improved to around say 220, 230. Around say 40, 50 crores per week we have taken. But gradually we are improving.

The worst quarter for us was the third quarter of our '25. So gradually we are improving. And lot of outreaches also have been let me say introduced by the government. Like in the Sewak and others they are offering this e-khata mostly in Bangalore. Lot of ads are also coming out and all those things. We hope that around 6 months to 7 months things will normalize.

Questioner: It will be completely done across all cities by the end of the year, financial year?

Management: May be.

Questioner: Most likely?

Management: Yes, most likely. Because outreaches are to be implemented. Outreaches are there.

Questioner: As per the current program?

Management: Yes.

Questioner: Currently how much is it covered?

Management: That exact figure I won't be able to tell you. When they introduced this e-khata concept, it was not related to only the sell transactions only. Existing property owners they also have come to that for the conversion. Out of that say 20% will be pertaining to the same transactions. And in fact may be that time the IT infrastructure or their survey infrastructure was not ready to handle this type of volume. So gradually they are also learning, and lot of measures are getting implemented.

Questioner: What about Hydra?

Management: Hydra also see none of our properties whichever whatever funding we have done in Telangana state. None of our, from the Can Fin perspective, none of the branches had any issues where our property which we had financed has been demolished. But now that Hydra thing has been moderated and those demolitions also have stopped. And that negative sentiment that was there in the previous fiscal that is gradually improving.

Questioner: So even outside Karnataka the strategy will be similar, more than 60% of the book will be for this plot plus houses. Is that what our course is?

Management: Yes, that is why we are opening mostly in our Tier 2, Tier 3 cities only.

Questioner: So that is the similar pattern across the country?

Management: Because basically ---

Questioner: Everybody likes to have their own house rather than apartment.

Management: Yes.

Questioner: And just a little bit more, I mean we are [inaudible 0:37:52] questions. How do you ensure the land title to be so clear because in India there are so many claims over the same land and there are so many conflicts. So sometimes even when you have registrations done or say even the what do you say that 6, 12 and all that. Yet there are challenges against each other. How do you manage all this?

Management: See, when any loan is sourced we get a legal scrutiny report done by us.

Questioner: Suddenly you know that reports were done?

Management: Yes, it is done. Then we have this system of geotag photographs of those properties. Then once the loan is given again at the time of submission of the loan completed documents, another we have onboarded another lender called Maatrum. They also check whether the properties are okay or not. So there are two levels of checking there. Then we have these valuations also. Again individual valuer will be checking or providing the value of the property. Then it will be again linked to our velocity platform is there. From there also that checking is getting done.

Questioner: No, that is fine. The key challenge is actually the chain of documents is just not there for most of them for the historical event?

Management: No, for us we will be only lending if these are proper, but that doesn't mean that there are no mishaps. When you are travelling, there will be accidents. But yes, we do it as thoroughly as possible.

Questioner: So actually, where I am coming from is not exactly from your perspective. But I think generally speaking, in your experience are state level registrations now much more bona fide and they are far more prudent and there are no conflicts going ahead in spite of that because we have seen in the past where in spite of the titles being registered at the registrar end there are again certain challenges always arising. So how is this evolving as a whole thing?

Management: See, if you see in the Southern states, especially Karnataka and Tamil Nadu this mortgage is done through registered mortgage.

Questioner: Right.

Management: It is mandatory. Northern side, it is discretionary. It will be EMT or registered depending on the stipulation given by the lender, but yes these things are there. It's a day-to-day basis. If you ask me that we go through the usual processes that if there is a property, we will get it searched or the legal search will be done by our empanelled advocates and based on their certificates, we will be lending. And it doesn't mean that that will be 100% perfect. Yes, sometimes we do face it, and we meet it, but this is part of our.

Questioner: Yes, I am saying that are you facing any separate challenges out of Southern states? Is it different over there or is it similar?

Management: Not much.

Questioner: You can increase the BT out request for the last couple of months post the date cuts.

Management: Pardon?

Questioner: Just the BT out request has increased in the last couple of months?

Management: Not much.

Questioner: Post the rate cuts?

Management: Okay. I think that BT out don't have -- there is no spike or anything regarding the BT outsourcing.

Questioner: And how much BT out would we be able to stop -- 4% of the actual BT out. So what would we request?

Management: See, instead of trying to stop our BT outs, we will be concentrating on growth. That is not the strategy we are adopting in the sense that we will try to stop our BT outs. We will try to stop. We will be increasing our growth. BT outs may be because some top-ups may be given. We may not be able to give those top-ups based on whatever LTV ratios are there. Our MD has come.

Management 2: Sorry, I had another meeting. I couldn't...

Questioner: So you can share a world perspective because we had a lot of Q&A. So if you can share your world perspective. How things are currently on ground?

Management: See, in terms of business Karnataka the e-khata has not completely been solved. Some improvements, marginal improvements are happening, but month on month our business in Karnataka is improving. This month also we have done more than last month. Last three

months we have been able to maintain a run rate of INR225 crores plus in Karnataka. So overall business also is definitely improving.

And collections, we had an improvement in Q1 over March also, which normally is not the case. In Q1 generally there is a spike in the delinquencies, SMA 0 Q1 and Q2 put together, in our case it was a INR280 crores reduction, which in fact in July-August has come down further from number also. So we were at about INR3,980 crores total delinquency, which now is below 3,900.

Questioner: 30 plus?

Management: No, 0 plus. So that was 3,980 which has now come below 3,900. So while there is a bit of stress otherwise or talk about stress, but in our case at least, in fact we have been able to see an improvement in that. And business, month-on-month there has been an improvement. This quarter we have been talking about INR2,500 crores. Both July and August we have done 800 plus in terms of disbursement. So we are on track for that kind of a number.

In terms of spread and everything, we had at the earnings call mention over the large term loan where we were yet to get a rate benefit. It was yet to get passed on. That has also happened. So now in fact in terms of our borrowing side, everything is at 7.25 or below. So all the bank term loans are at 6.85 to 7.25. 7.281 linked to TBIL is 7.28.

In terms of NCDs, of course we have not raised since May, but otherwise today if we go for the NCD raise, we might probably again get it between 7 and 7.25 for a 3-year NCD. And so that is what it is. A spread because we have passed on subsequently, we have not I mean we will not see any issue in terms of the spread or the NIMS.

In fact, we were originally anticipating that probably in the month of September, we might reduce our rates a little bit further. But considering that post we saw this issue. Some, there has been a little rates have started slightly inched up about 7 to 8 basis points. So therefore in the month of September, we have again effective 1st of September, we have not further reduced. So it stays at 25 bps is the reduction that we have done in two tranches of 10 and 15 bps.

So therefore, since that has not happened the spreads, which was 2.62, might slightly inch up in this quarter also because of the lag impact of the pass on in the asset side. So that is about it.

Questioner: So are you a subsidiary or associate of NIMS?

Management: We are an associate because they hold 30%.

Questioner: So in that case, the RTI draft is not applicable because of the parent subsidiary regulation?

Management: That was a draft. You are talking about October 4th circular. That was anyway a draft and that was issued I think when that was issued at the time when Mr. Das was the Governor. And immediately after that, when the change happened, the new Governor has not been very keen on it. In fact, he even mentioned once, I believe that we only have given the approvals for them

to start this business. So I think as of now there is no talk either between Canara and us or even from RBI's side on this.

Questioner: So it's most likely not going to happen?

Management: At least it appears so.

Questioner: And how big is their book and Canara's book?

Management: Canara's I think is 1,09,000.

Management: Their average ticket size is 35 lakhs actually.

Questioner: But the rates are?

Management: Rates definitely are, yes, no, their rates are definitely better. They are giving at 7.4%. They were at 8.4% and 1% in their reduce after the report.

Questioner: We are not seeing any issues because our rates are not higher than, like you said, 7.4% for Canara and we are at 8.6% also?

Management: Not really because even in 3 payment, we are not seeing the pressure. And in fact, we, in the last ARCO, which is just a day or so back, at that time also, we were in two minds because we had, we were originally thinking of passing on some rate. But because of this, hardening of, rates we thought whether to do it or not.

So we also checked with the branches. There is no pressure from the branches side saying that there is any 3 payment pressure or anything. So as of now, it's okay. Even in Q1, although we, there was a little delay from our side in passing on because the rates started going down in February, our rate could happen only in May, which also we, by the time we demanded to the customer, it was almost, the quarter was like gone. So basically, you know, even in spite of that, we have not seen that pressure on 3 payments.

Questioner: Any pockets where we are seeing stress while overall you said it's coming down? Across. Individual pockets, like there are regions where, at least leverage was extended a lot more...

Management: Actually, this reduction we have seen across all the 6 zones. Okay. So we have basically North, West, East, Tamil Nadu, Telangana and Karnataka, all the six zones we have seen a reduction. And East basically in Andhra Pradesh.

Questioner: Where are we seeing stronger growth in terms of disbursement region wise?

Management: See, last 2 years consistently North has been there. It's also supported by the fact that we opened about 13 branches. Okay. And Tamil Nadu also is growing quite.

Questioner: So no issues because of the regulation like Karnataka, Tamil Nadu?

Management: Even in Karnataka, we have not faced while everybody, because see our ticket size is INR24 lakhs, INR25 lakhs. And our customers also are, I mean, today if you look at it, our Karnataka is about a little less than INR11,000 crores, INR10,000 crores, INR18,000 crores is the total outstanding book. Out of that, I think INR9,500 crores plus would be in and around Bangalore city only. So we are not seeing that kind of issue.

Questioner: How do we differentiate us? Because there are a lot of now Housing Finance Companies, affordable Housing Finance Companies. So how do we differentiate us?

Management: See, one is of course the ticket size. We are not included. I mean, we are definitely a good 5-7 lakhs above most of the affordable Housing Finance Companies. So be it Aavas or Aadhaar or any of them. So definitely in that segment, that is one thing.

The second thing in terms of, rates again, definitely better than all of them. So in the markets where we are all together, which is also most of the markets, definitely the segment, which is having some better quality portfolio, is easily falling into our credit norms will come to us because the rate advantage is there.

Where it is slightly, there are some deviations and all. We are, because of our bank parentage, we are almost like a bank when it comes to the policies and process. So there are a lot of other areas where we are not able to be, which may be good cases also, which is going to the competition. There are smaller affordable Housing Finance Companies.

If you were to target the slightly higher ticket size, then definitely yes, we will be competing with the bank because banks generally below 30, 35, they don't normally come. So we have to always see that we are below that thing. Any ticket size slightly higher, we have been giving loans, but you know, those are definitely open for takeover and all those things.

So in terms of ticket size, we play between the 15 to 30, 35 mainly, predominantly. That is why our ticket size is like this. Bigger loans, we do give, but invariably I think they will get picked up sooner or later.

Questioner: Any plans to reduce the incremental rates?

Management: Incremental rates? Yes. So see, unlike other players like HDFC and all, when we do a card rate, we will change it both for existing as well as for new. So that rate reduction will not happen. Like even now when we did this 25 bps, it was for existing as well as for new customers. Because technically you cannot differentiate between two customers who are of similar profile in terms of the rates.

Questioner: The difference between the bank and RAS was for earlier 50 bps, which is now increased to around 100...

Management: Yes. Today our best rate would be 8.7%, there is a 7.4%. 60 bps. It is there, but that is why the fear that we may have to reduce the rates a little bit more, but as I was mentioning, we have not seen that pressure on decrements or takeovers.

So we decided to hold for a month and see how it pans out. Because again if we reduce now, then within a month going back and again increasing, increasing the rates may not look good. So therefore we said we will wait for a month and take a call.

Questioner: Do we have any plans like we have seen PNB going down the curve to increase the yield?

Management: See we have started, frankly speaking we have just launched a product called Campaign Vishwas. That is for customers who are not having formal documented income proof, but where they are having regular credits coming through UPI.

So people like this Arban, Clap or people who are in this Zomato deliveries or things like that, who are getting regular collections or funds in their bank through UPI transactions. There we have taken, based on 2 year UPI transaction history, we will be able to consider some loan for them. But we have capitated 20 lakhs and there definitely the rate of interest is 1% higher.

Questioner: Around 10%?

Management: More than that, because we have kept it around I think close to 11%. So that is one product we have just started. Not that we have done any internal two week kind of a splash or anything.

Questioner: And this is specifically in around Bangalore?

Management: No, no, we have done pan India. So all the SOP and everything we have done. But so far not much of the business, because we have not pushed it as much. It is more because of a, the government also was keen to give or consider some loans for this segment. So that is why we have also launched it. We have not done a very extensive kind of selling or marketing for this.

But yes, we have started it. So maybe over a period, because that segment affordable if you have to do, we will have to either get entirely team from the market to run the product or we will have to develop the skill set internally. And developing the skill set internally I think is not possible overnight or something. So maybe we will take it slowly.

Questioner: ETS, how do you know? ETS will be around 10?

Management: We have capped it at 20 lakhs. So I guess it should be around 12 to 15 lakhs.

Questioner: In terms of incremental like you said, overall disbursement INR11,000 crores. So which segment will contribute higher in this? Is it the lower ticket size? Like our ticket size 11 to 35, blended is 25. So if I, 15 to 35 on blended is 25. Okay, so you know overall INR11,000 crores disbursement is there.

So let us say 2500 for this quarter that we are targeting 800 we have done in this quarter and 900 we are planning for this month, right September. So this 900 that we are planning for this month and subsequent six months, which segment will contribute more?

Management: Ticket size wise, right?

Questioner: Yes, 15 to 25 or blended is 25 to 35?

Management: See right now we have given this breakup also. Incremental disbursements in the April to June, we have about 32% is below 20 lakhs and the remaining is about 20 lakhs. So that is how it is there.

Questioner: This is for the quarter?

Management: This is for the quarter, incremental.

Questioner: And this is how you see it happening during the year?

Management: Yes, slowly we are seeing the 20 lakh plus segment increase. That is what we are seeing.

Questioner: In the housing that is started, we are able to see more of the BT Inns. So do you think it will be more easier to grow in the affordable space with the BT Inns because of the, because of the rate and cost of funds you can easily?

Management: See, BT Inns as a strategy, I think we have been facing this point for the last, at least I am sure before also, but ever since I have come also, we have been talking about it. But, when it comes to BT Inns also, what happens is most of the companies, when we try to target, we are not able to meet our credit norms. Because as I said, we are practically like a bank only in terms of credit norms. So, right. Sorry, my apologies. I had another meeting afterwards I reply to you.

Questioner: Thank you, sir.