

Transcript of Recording (38)

Questioner: Wanted to understand, how the markets are looking, right? Because, in general last two quarters and especially now in the first quarter. I mean, that general feedback across most business segments we're just coming through is of slow round and in terms, of overall economic activity momentum it has to be slowing down? So I just wanted to check your views as to, how you are looking at things?

Management: As of now, at least, we are not witnessing that in the segment that we are operating in, frankly. Even today, for us, 65% is self-construction, people are still going around with that. Our APF has also been there, we have been putting projects, so it's not that construction has slowed down or anything.

Affordable? Yes, definitely, because there is no incentive from the government side for the developers or for the customers, per se. So on that front, definitely, there is a little bit of an issue, and which I've been saying for the last two years.

And now, I think in the affordable segment, the growths have come into the single-digit level. But our segment, 12%-14% is there, so I think the kind of growth that we are looking at, obviously, we are not talking about any 20%-30% kind of growth, we've been steadily doing the kind of growth that is a little above the market or in line with the market. So, we are about 12%-13% this year, we are talking about next year, inching it up to about 15%.

And I think that should be possible, should not be a problem. It is also supported by, one, for us, the branch expansion that we are doing, increase in staffing that we are doing, because for quite some time in between our staffing had almost kind of stagnated during COVID and during those periods and all. Now that also we are pushing it, we are developing our own sales team, and also our APF types.

So that way, if you are looking at it, I think our kind of growth that we are talking about should not be a problem, without having to stretch on or take any undue risks or anything also should be possible. It should be possible.

Questioner: Just two things. One is, on the incentive that you spoke about, I think the PMAY-2 scheme is now active, right?

Management: Yes.

Questioner: But you think that is not interesting enough?

Management: No. See, one thing in that is, they have reduced the number of cities that are eligible. Earlier it was, basically the PMAY is an urban scheme, urban housing. So last time, the number of cities that were covered under the PMAY was much, much larger. This time almost it has come down by almost 10%-20% of that.

Questioner: Is it?

Management: It has drastically come down in terms of the number of cities. Second thing is, the eligibility criteria has been tightened. So in the sense that, you have to first collect the documents, put it up on the portal, the portal will do its own validations and then confirm that this customer is eligible or not. Then only you can proceed. Two, you, earlier in the previous first version, a family was considered separate if the son, daughter or the where, where earning members and where having a separate dwelling unit was being purchased. Now, it is a single-family unit.

So if the father has taken a PMAY benefit, children cannot get it. Two brothers earlier living separately could get it in the first version. Now it is not possible. So these are some of the modifications that have happened in PMAY-2.

The third thing that has happened in PMAY-2 or which is the most important is that there is no incentive for the developer or the customer because earlier INR2.5 lakh or INR2.67 lakh could be, was given upfront based on the disbursement. Now it is spread over five years.

So basically INR35,000 is what somebody gets because the amount has also been reduced to INR1.8 lakh. So INR35,000 means effectively basically you are talking about one EMI a month, a year, one or a little more than EMI that is what you will get. Developers don't get that money. Earlier, some of the cases, the developer was easily able to say that, okay, this is the amount, your amount is only this much. You are getting the full money.

Questioner: It was almost like 8%-10% of the capital value. So that helped?

Management: Yes.

Questioner: But the way I was seeing it is that actually this sort of protects the lender, right?

Management: Definitely.

Questioner: Because, yes, it will be in BT out only for 5 years...

Management: Absolutely. Correct.

Questioner: Yes, but I didn't know this nuance. I think the only pushback which we are hearing from most of the players is that upfront versus 5-year benefit. So people tend to...

Management: So just to give the number, we have more than 300 applicants have put into our website. We have done the data entry and all. Only about 70 odd have actually cleared it. Loans out of that given is only seven.

Questioner: Why so?

Management: So, like when we put the data in, then there is an eligibility criteria. Okay. So it has this particular -- so we have to collect. Now there are about 140 fields which have to be captured and put in. The PAN of all the family members, Aadhaar, everything.

Then their system will validate, their system, the portal will validate whether any of these Aadhaar numbers, any other benefit has been given, whether they are all eligible, all the cross-

checking to see whether they are meeting the criteria for PMAY. Then that would be like if there is another loan...

Questioner: And the turnaround from that portal is like how long?

Management: First thing is to collect that 140 fields, put a family, all the details, PAN, Aadhaar, everything, and then put it into the system. And then that itself is a bit of...

Questioner: So basically the government has made the process so cumbersome that no one will take it?

Management: No, they have tried to minimize the chances of error. Or maybe first phase they realized some of the many people have taken the benefit.

Questioner: Leakages were there?

Management: Leakages were there. So, they have tried to block all those things. But in the process now what has happened, and having said that, you know, pay PMAY-1 also, if you look at it, the housing shortage then was very, very high.

Now, in fact, it is only in the EWS and the LIG to some extent where the shortage, shortfall is there. So that segment, in fact, many of the lenders also may not be really doing. The last mile connectivity for that particular segment is not, may not be 100% also.

Questioner: Right. In terms of -- okay, so I get it. So maybe your segment you are not as concerned when it comes to growth. But then typically when we look at the competition as well, right, I mean some of them who have been growing at -- yes, please.

So basically the competition which also used to grow at whatever rate, right, 25-30, it has come down from there. The other common trend that we are seeing is that the BT pressure has also increased, right, for most players. I mean, how is it for you guys? I mean, are you seeing extreme competitive intensity or not?

Management: No, not that much. In fact, we have as part of our presentation in the last three years, there is a little increase in Q1. Normally Q1 should have been around 3.6%, now it is 3.8%. That is also because we also realized we were probably a little late in giving that message that we are going to reduce our rates. The first repo-rate happened in February; we did it in May. And that also we did not, you know, publicize as much as when it happened. So basically, the customers that was at fear, they were there.

But now I think when we again did it in July, we are able to convince the customer. Customer sees that, yes, two times we have seen it and they see the statement of account, two reductions have happened, that comfort is there. So I think there was maybe because otherwise we are not seeing much.

And it is also from the fact that today, on paper if you look at it, the gap between what the PSU banks are giving and what we are giving is actually widened. They were giving it 8.4, we were giving it 8.95. After the 100 basis points repo-rate cut, effectively they are giving it 7.4. We have

only been able to pass on 25 bps, so effectively we are giving it 8.7. But so technically, you know, the gap has widened. So the pressure should be more.

But the fact that, you know, they are not able to sustain that and its absolute margins are under pressure for the banks. So they are not aggressively selling. And in the NBFC space, nobody has reduced their rate. In the HFC space, only LIC and us, we have reduced it by 25 bps.

Questioner:

Got it, got it. Also the other point was, I mean, again, something that we have discussed quite a bit in the past, right. See, how should we look at, not near term, but let's say medium term growth for Can Fin, right.

So somewhere we have now got boxed into that INR2,000 crores, INR2,500 crores, INR3,000 crores disbursement run rate, right. I mean, clearly some of these measures that we have spoken about, I think some benefits are sort of visible. But I think the potential lies much higher, right?

But then what would it take for us to kind of achieve that? So what would it take for us to kind of reach that potential, right? I mean, so that let's say 15%, 18% sort of hurdle rate, let's say we have to cross in terms of growth rates. What will it take for us to hit that number?

Management:

See, in the COVID period, quite a few, changes happened. Like, for example, the branch expansion was kind of stopped. Somewhere in that 3, 4 year period, the staff increase, the staff strength increase was also considerably slowed down at Can Fin.

So, these are some of the things which, you know, you have to keep on doing. Now we have started the cycle. In the last two years, we opened 39 branches, net 29, because we have also closed 10. But 29 branches have been added. Our staff strength also, we are now, every year we are adding people. The sales team, which was not there at all, the sales focus, it was purely DSA driven.

We have now triggered that. We have now got 100 people as of now in the sales team. And we have also invested in technology, which is now slowly giving us the results in the sense that, you know, some efficiencies, some of the processes from manual we have shifted to automated.

Some of the processes, we have gone in for, you know, new software, which was not there earlier. So these kind of things are also slowly, you know, kind of helping. Thus, so the result is there.

Unfortunately, you know, this e-khata happened. Otherwise, you know, we had this already in H1 of last year, we had started to grow at around 18%. We had started to grow. Then suddenly, this e-khata happened and from INR275 crores in Karnataka, it dropped to INR150 crores. So that was a big INR100 crores -- INR125 crores delta entirely piped out. That is now slowly will be there.

So basically, all the things that are required to bring in that kind of a consistent growth is now being initiated and are already happening. So, we should see now from here, I think this year itself, we will see. The first time, in Q1, we saw, we broke that INR2,000 crores barrier of disbursement in Q1. Otherwise, it was always below that.

- Questioner:** We used to catch up by the fourth quarter.
- Management:** So we have done that. This quarter, we are looking at around INR2,500 crores. In July itself, we have already achieved INR800 crores. We have crossed INR800 crores in July. Normally, the first month after the quarter, there is a dip, but this time it is not so. So in terms of, internal some of the elements, if you see, Q1 is the quarter where the delinquencies generally go up.
- But this time in Q1, our delinquency in absolute value came down by INR280 crores. From INR4266 crores, our actual delinquency, SMA 0 Plus 1 Plus 2 and NPA, reduced to INR3,980. So that was one, you know, so it just is reflective of the mindset change internally also, that yes, things are now changing.
- And now, other than Telangana and Karnataka, all zones are positive. So wherever earlier also there were some, was there, you know, the other, all now, all other zones, we are now delivering in terms of the disbursement also.
- Questioner:** Okay, I get that. So broadly, again, these states, I think, that is something which I also wanted to check. So Karnataka, Karnataka is a little unique, right? I mean, it all started with e-khata, then the MFI issue came up, and I think now, incrementally, we get a very mixed feedback in terms of, in terms of asset quality, collections, stress, moving to some sort of, secured assets as well.
- How has been your experience both from growth perspective as well as from, as well as from the asset quality perspective, right? I think that is something that we have been sort of grappling with. Karnataka has been a little bit of a, I would say, a maze of sorts?
- Management:** So in terms of, let me tell you, first of all, in terms of growth, as I said, we were doing around INR275 crores per month disbursement in Karnataka in H1 last year. And we were doing about 18% growth in Karnataka before this e-khata came in. Post e-khata, it dropped to INR150 crores.
- Then in the month of, in Q4, we were able to slightly push it up, and we ended up the entire year with an average of about INR230 crores. This year, from beginning itself, we are almost there because both, in April, of course, was always a slow month. But May, we were able to cross INR200 crores in Karnataka.
- June, July, we have been able to cross INR225 crores in Karnataka. And month on month, it is increasing. So basically, you know, we are already at that average of last year. We are already there. Because we were doing INR275 crores compared to that this year, Q1 is looking a little negative in Karnataka. But if you look at the entire average of the year, we were INR225 crores- INR230 crores last year. We are at INR225 crores - INR230 crores.
- Questioner:** But the system issues are now sort of...
- Management:** Improving, but still there, e-khata issue is still there. It is not gone. It is still there. So, in terms of risk, that is about Karnataka in terms of growth. So even if -- and month on month, we are doing better. So this month, we have done INR225 crores plus INR230 crores approximately.

We should be doing, you know, INR235 crores, INR240 crores, INR250 crores and so on every month-on-month.

So, we should end up with... Even assuming that nothing happens much on e-khata, we will still be able to post a 10%-15% growth in Karnataka disbursements this year. In terms of the delinquency, as I said, you know, Q1, we had a INR280 crores reduction in our overall delinquency in absolute value.

And this INR280 crores has been witnessed across all the six zones, including in Karnataka. Even in Karnataka, our delinquency in June was lower than March number. March, of course, was lower than December, but you can say that...

Questioner: Which is seasonal?

Management: Which is, you can say is seasonal. But I mean, June, which is completely counter to what is the normal trend.

Questioner: Understood. And typically, I mean, have you seen any changes in the government policies? Because some feedback that we also get is the approvals for some of the projects, not just affordable, but in general have slowed down a bit. There are some random changes to policies and all of that?

Management: Not much. That is not there. But again...

Questioner: Understood. Understood. Got it. So technically, one should assume that Karnataka also, for us, this year, should be back on track, almost full capacity by second half?

Management: No, it should... If e-khata is there, definitely we can touch INR300 crores disbursement per month. But otherwise also, we will definitely inch up month on month. And we should end up with around INR3,000 crores plus in Karnataka alone. Last year it was INR2,700 crores. This time we should cross INR3,000 crores in Karnataka.

Questioner: So technically... And apart from Karnataka, any other geographies where we think growth might be a bit slower?

Management: No, in fact, as I said, last year we were about 35% growth in North Zone, which is Punjab, Haryana and all. This year, Q1, we are already doing at around 40% growth. 40% plus growth in North Zone. East Zone, where we had last year a negative in Q1, then slowly we picked up after the change of government, and sentiments were improving. This year, we are at 40% growth in East Zone also.

Tamil Nadu has continued, last year was 25% growth full year, but in this first quarter it is around 35% growth. West Zone, which was at 15%, continues at 15% growth. So, it's only Karnataka, which also by the end of the year, this is a month-on-month increase, we will have a positive.

Questioner: Understood. And sorry, just one thing, you mentioned about 12%-13% growth this year, and next year 15%, that was in terms of disbursements, right?

Management: AUM. No, this year if you are doing INR10,500 crores, last year we did INR8,567 crores. That will be almost 20% plus growth in disbursement, which will result in a 12% AUM growth. Next year, we should be targeting INR12,500 crores kind of a disbursement, which will again be around close to 20%. So, in which case, it will be AUM growth.

Questioner: AUM will look more like mid teen sort of a number. The other point was in terms of margins, right? I mean, our margins have actually beautifully held up. Now I get the point that you have passed around V25, but should we see that as a risk? I mean, the BT out, as you said, are not visible yet. But you think that maybe towards the second half, the pressure will build up, or you should be able to hold on to the margins?

Management: See, in terms of the PSU banks, which actually, as I mentioned, the difference has actually increased. They have passed on the full 100 basis points to the customer. We have only passed on 25 basis points. But because it has been hurting their margins, they have not pushed that particular product much. That's why our pressure on BT outs is not increased, or it is still holding up.

Now that SBI has announced, they are increasing by quarter basis points, 25 basis points, or quarter percentage points, mainly this is the intention that at least they will have. And on top of it, slowly when the impact of the deposit rate cuts will start, bringing down the cost of borrowing, then for them, this will become a more attractive product.

So, in H2, unless we are able to pass on some more to our customers, another 10-15 basis points, I think we will have to, we may face a problem, which we will have to tackle at that point in time.

Questioner: But then probably, if at all there is to the margins, could be just about 10-15 bps, or you think more? At some point or the other, the cost of fund will come down right?

Management: Like for example, in our Q1, we were yet to get around INR2,500 crores to INR3,000 crores, in a big term loan we were yet to get a 50 bps benefit in cost, which has now happened. Because that was getting a little delayed. But now that has also happened. So now, we will get that benefit going forward.

The other thing is, we recently, NHB has also reduced its PLR from 1st of July. So the rate cuts, as in when the refinances come for reset, there also we will start getting some benefit. So, even assuming there is no further repo rate cut, even in the current book, we might be able to still pass on another 10 basis points to the customer again. Maybe in September or something. Without hurting our spread and margin.

Questioner: In my fourth quarter? I mean, which is for the rest of the year?

Management: Because now almost all the banks have passed on all our, this thing. NHB will take over a bit, because all the NHB refinances are on annual reset. So that will take a little more time.

Questioner: So basically, we are saying that, assuming if we have to pass on more than 10 basis points on the asset side, that would be a function of liability cost also equally coming down to that extent.

Management: Correct.

Questioner: And what is our marginal cost of borrowing now?

Management: It is between 7 and 7.25. Closer to 7. Because our bank term loans are coming at 7.25. We have not raised NCDs for a while now, because we are already exhausted. After the AGM only we will be able to do it. But if we do it, it will be closer to 7 or 7.25 now. Our SCPs we are getting at around below 6. So with that, we should be able to get, our effective rate will be around, closer to 7.

Questioner: Understood. Okay. And book mix remains largely what it is, right? Asset mix, I am saying.

Management: Asset mix, roughly yes. A little bit of we have, we might be increasing our self-employed segment, which has already come down from, when salaried has come down from 73% to 70%. By FY '28, we are okay to go, take it up to 65%. So maybe another 60%, 75%.

Questioner: So that will also give us some [Inaudible 0:22:19], right?

Management: Yes, kind of, it will help us in ensuring we don't lose.

Questioner: Interestingly, so margins are fine. I think interestingly in terms of asset quality, you guys were the, were the only guys, you and LIC Housing where among HFCs actually asset quality sort of improved for one quarter. When I say asset quality, even the early buckets, right? For most of the other guys, early buckets have also seen quite a bit of a deterioration, right?

Management: Correct.

Questioner: So, for you guys, the key differentiation, is it the customer segment? Because again, see I am going back to the same conversation, which again I am having with multiple players. The ticket size of less than INR10 lakhs, it's acting a little funny, right?

Management: Correct. That segment is having a, quite a bit of a over back with the MFI.

Questioner: So those characteristics you are saying, it looks like that, but maybe in your ticket size, it's, it's not as much, it's sort of stable?

Management: Correct.

Questioner: So, for us, in terms of credit cost, again we should be, fairly, fairly under control?

Management: Yes, yes. In fact, this year, last year excluding the management overlay, our credit costs are 13 bps.

Questioner: Management overlay, that's a point I don't know what, I mean you continue to have, I mean hold a good buffer, but yes.

Management: So, this year in fact, with the, delinquency is improving, I think our guidance is 15 basis points, but again it will be below that, well below that.

Questioner: Probably you will be ready for the management overlay?

Management: Frankly speaking, I, I mean, I was a little surprised with the negative, this thing from the investors, whereas I expected that probably it will be taken very positively.

Questioner: From the, management overlay?

Management: No, no. In March, when we did our additional INR17 crores, I thought it will go, it should be a, I mean, from a conservative point of view, it was definitely a...

Questioner: The reason being that, as I said, most of your peers are facing pressure, right? So, then people start,

Management: Considering, I understand.

Questioner: Yes, that means you will also have some pressure, that is why you are creating. See, in the past we have debated on this, right? Usually, you don't get award for creating overlay, but the moment you start using it, then people say, there is a problem?

Management: Yes, I agree. So, we, when we first did the first management overlay in September '20, I mean, September '23, we did the first, sorry, March '23, we did it, then again in September '23, we did it. At that time, of course, it was because our, we were expecting that the portfolio, which was going to come out from restructuring, would be having some impact. So, we created it.

But eventually, whatever impact, we had on the restructured portfolio, around 17%-18%, we are guided. Eventually, it is around 17%-18% only, which turned into NPA. Whatever was the additional provisioning, we actually charged the P&L without drawing it from the management overlay. So, basically, that buffer remained.

Questioner: Yes, that buffer remained?

Management: Remained, yes. So, whatever we had anticipated at that point in time, we didn't utilize it and it remained.

Questioner: No, I think, and the other point is, the last two quarters, which is, I think, Q3 and Q4, saw a little bit of, little bit of movement between that SMA 0, 1, 2, right?

Management: Yes, that was, again, we had that change in guideline, because of which our SMA 0 shot up, in Q3 last year, in December. In October, we had that new guideline, you can't have any excess, the advanced EMI.

Questioner: Yes, correct.

Management: But, again, that also, we absorbed from our profitability.

Questioner: I think, so, on that front, it's all good only.

Management: No, maybe, things have changed but, somehow, we had that, in GRUH you always used to be, carry extra.

Questioner: Yes, that's exactly. No, I'm sure, we have had this discussion in the past. See, as I said, but, it's like, you don't expect that you will get any reward, because, as I said, people, people like it, but the moment you start utilizing it, Correct, then it's a, it's a bit of a, bit of a problem?

Management: But, I think, No, I think even that should not be a problem, if you have upfront, been transparent about it, that, I am, if this is there, if it goes up, we are using it, we'll be using it at that time, if you do it. But, that's what people are not able to...

Questioner: Yes, communication has to be according to that?

Management: Yes, and people are not able to anticipate and advance, put it, they always come up. Like I'll tell you, when the, when the, issue of, Hydra came, I, I distinctly remember in that quarter, I, said that this Hydra announcement has come, there have been some demolitions, and I expect that there will be some issue in Telangana.

In that quarter, I was the only, I think I was the only, one to, highlight that point, and mention it, and, and, point it out. Everybody else, in fact, a couple of our investors came back to, to me after, a week or so, to say that, boss, you mentioned it, but then I have checked with other HFCs,

There is nothing like that. You are doing, you are, there is something wrong, you are trying to hide something else. Very next quarter, a couple of them came back and said, yes, you are right, look, everybody else has pointed it out. Same thing also, 27th of September, or 28th of September, our, this, e-khata issue happened. I was the first one to again mention the, e-khata issue.

Questioner: You were the first ones, exactly. Yes, I think later on, everybody started highlighting it. Yes. Everyone?

Management: That's what, so, what I am saying is over a period, I think this, this, this conservative thing will, will reflect, but then, this is what happens, the market doesn't...

Questioner: Appreciate it in the short term. No, I mean, but I think this is fine. In terms of, wholesale book, do you think you have any appetite, in terms of, aggressively growing the construction finance book. Because I think, see, I understand that, lot of project launches are happening in, let's say, bigger cities, or, luxury projects, and, stuff like that, right?

In affordable, I think, supply is also, facing a challenge. So, but, for construction finance, do you have any scope, to grow?

Management: There is scope, but I think, you know, the bigger challenge is, having a separate team for it. Today, I don't think anybody, in the current team, is having that capability, to manage a developer portfolio. Monitoring the escrow, monitoring the, RERA compliance, the sales, booking details, all those things, are very, very, critical for, construction finance. And, it's a different skill set. The same team, cannot be doing that.

Questioner: But, the APF that you are doing, can't that be done?

Management: APF is still, only about the, project approval, legal, technical clearances.

Questioner: Okay, you are saying, it is still, because, APF kicks in, at a stage, when construction is, almost, sort of, completed?

Management: No, APF kicks in, at whatever stage. But then, in APF, we don't have to see, whether the booking is there, or not, whether the, all the bookings, are going into the, escrow, into that, RERA account only, because in RERA, 70% account is separate, 30% account is separate. You have to see that, that account, goes into the 70% account, from there, maximum you only do, withdrawal of 30%.

All those things, are compliance issues, which if you are not monitoring, then, you can have a problem. These are, clear earning warning signals, and we need a, specific skill set, to monitor all those things. I mean, we were doing in, in GRUH, we were doing, construction finance.

We used to have a, good INR300 crores, INR400 crores portfolio, book also. But, we had a, separate team, which was, doing all these things, and, it is important, because, otherwise when the, bookings slow down, you will, you will, unless you are monitoring, you will not come to know.

Questioner: So, CF, at least in the near term, one should not build in, there will be a big traction?

Management: No, nothing will happen to CF also.

Questioner: Understood. On the technology front?

Management: Technology front, our, transformation project is, as of now, going completely, as per schedule.

Questioner: So, as per the schedule, in the third quarter, we will have that, second phase?

Management: Yes, yes, yes.

Questioner: That will take you, what about, 15-20 days of business, or less than that?

Management: We are working towards, minimizing that, to about a week or so. But, next quarter at least, we will at least, in terms of the disbursement, we will not, normally Q3 is, more than Q2. But, we will still work on, 2500 at least, in terms of the guidance, so that, we will obviously, try to do more.

But, we will guide for 2,500 only, because, howsoever, we will try, at least a week or so, there will be some downtime, Because, we will have to shift, to our, new LOS and LMS. Although, we have separated the teams, completely. But, in October, November, there will be some training, and all those things, where staff will be involved.

Questioner: And, this will be, on which platform?

Management: We have now, so IBM is bringing for us, Pennant for LOS, LMS. Then Infor work for GL, work line for HRMS, Newgen for DMS. Okay.

Questioner: And then, lastly, in terms of, capital requirements, so logically, at these rates, at least for next three to four years, we don't really need any capital, capital, right?

Management: No. Because, there is still a scope for, today our gearing has come down, to 6.79. Actually, we can go up to 7.5, in gearing also, without impacting our rating.

Questioner: So, when at current growth rates, you are delivering about 16%, 17% ROEs, right?

Management: Yes.

Questioner: So, to that extent, yes. I mean, you still have the scope to, inch-up growth, without, raising capital.

Management: Correct.

Questioner: Understood. And sir, this RBI, any follow up on that circular?

Management: No, nothing.

Questioner: Nothing?

Management: Nothing. In fact, we had the IRS meeting also, and there also, the RBI did not raise, this point. It was not even discussed. Any change of...

Questioner: No, I think, that is very interesting, because, HDB, IP also, sales through, otherwise, it would have been a problem. So, then we are sort of, covered there as well. So, any other risks, at this point of time, you feel, can come through?

Management: So, as I mentioned earlier, this, if the banks become, slightly aggressive, because, they have the advantage, of a higher, repo rate cut; so, that could, impact our, BTs a little bit. That is one thing. And, obviously, I will be, stupid, not to consider, this at all. There is always a little, even if I am -- we are working on, 100% reducing, or minimizing it, or trying our maximum, to minimize it.

There could be some, in the Q3. But that, we are working; as of now, it does not look like, but I mean, if you have to, worst case scenario, if the, transformation is something, but although we are not, seeing anything as of now.

Questioner: Sir, I recall, your term is for, 5 years, right? Which is, 3 plus 2, or it is 5 full?

Management: 3 plus 2. So, first renewal, is due in, March '26.

Questioner: And typically, it is a normal, board approval process, which then goes for, shareholder approval?

Management: Yes, board approval, followed by, shareholder approval.

Questioner: Understood. Understood. Got it. And, as of now, we would have, any Can bank, representative, representative, on deputation, in any of the functions?

Management: The DMD is from, Can bank.

Questioner: Yes, DMD is. Okay, understood. But apart from him, any other functions?

Management: No. Only at the board, we have.

Questioner: Yes, Board of course.

Management: Two Directors.

Questioner: Understood. Understood. I think, for us, probably the only, thing, which, which probably, we have been waiting for, is the growth part, which obviously, I mean, since the time you have come in, something or the other, has, has kept on happening, right? Personally, outside South, can't we grow, a little aggressively?

Management: We are doing it, we have opened, most of the branches, in the North and West only.

Questioner: No, I am saying, let's say for example, I am just, giving a hypothetical situation, right? So, let's say for example, if, if we have to sustainably, let's say, grow at about, 15% to 18%, in terms of the UN, now, while you open the branches, and the, employee productivity, starts reflecting into numbers, is there a thought process, that in the interim, can we just push up, let's say, DSA.

I know, we have been guiding, since day one, that we want to actually, bring down the DSA dependence, which is the right thing to do, but I am saying that, is that a thought process, that in the interim, you just push the pedal up, and then scale it down, or, or you think, it's better to, to kind of, take the longer route, and might as well?

Management: It is better to, we feel, it's better to take the longer route, build our own capability, in fact, now, there are two things, which, last time, we just started the sales team, it has shown, some positive outcomes, so we are going to further, now that, the pilot has gone well, and we were able to, last year, demonstrate that, with the 39 people also.

We were able to get some delta, and get a good amount of business, and they are not, a loss making proposition, because, with the model, that we have chosen, they need to do much more, than what a normal DST, DME would do, in other companies, because we are paying a higher salary, we are taking them on the road,

Questioner: Okay. These are not like, variable?

Management: No, no, no, because there the attrition rates, are as high as 65%, and above, so, to avoid that, we have decided to, go for the, on-road model, which means, they will have to do more, than the normal DST, DMEs, who will be able to, recover the cost, which we have demonstrated, in Q4, and Q3 of last year, having done that, this year, we have added that thing, so, I am sure as, that model continues to grow, -- this year also, the team delivers, and does about, INR600 crores, INR750 crore plus, of disbursement, through this channel, we have already crossed, INR100

crore in Q1, we are able to cross, INR750 crores in this, year, with about, 100, 120 people, then in that case, definitely, we will have the confidence, to add, keep on adding more people, and then that will, definitely show, get results, because basically, it's a people driven business, for us.

Questioner: In terms of, the sales channel, and the APF channel, in terms of disbursement, what will be the, sharing incremental numbers, today?

Management: Q4 of last year, we were touched 4%, this year Q1, we will touch 5%, in July...

Questioner: 4 combined?

Management: Yes, because whatever, APF business, they are eventually, they are putting in, their codes only,

Questioner: Yes, okay,

Management: So, it is 5%, and in Q -- in July, in fact, it is further, above 5% also,

Questioner: So, directionally, that share is, share is improving?

Management: Yes,

Questioner: And branches also, do the sourcing...

Management: Branches are also, doing something, yes,

Questioner: Right, in terms of, incremental hiring, that you have to do, yes, but, technically, there is no, bank like, pay formula, right? I mean, you, you can pay, as good or as bad, as any other, private lender?

Management: Not exactly, but, we have done, that correction, that is, in Q1, if you see, our, our opex slightly went down, because our salary, we did a, salary hike, that was, preceded by a compensation, benchmarking exercise, which we carried out, through, external agency, so, both that, we have done it, so, obviously, we have now put it, in that way, but, of course, it is not like, that we can take anybody, at any salary, depending on the grade, we have to take with, that kind of a, package, so that it is...

Questioner: No, which is fine, what I am trying...

Management: But, lateral hiring, yes, we can do,

Questioner: No, so, for you, for camping homes, would we have, something like a, the way we have, for banks, right, like IBA negotiated, or, is anything like that?

Management: No, nothing like that. In fact, earlier it was like that. Once in five years, only salary hike was happening.

Questioner: Even for camping homes?

Management: Even in camping homes, which we have now, changed, at least, from five, we have not made it, annual, but, at least, we have brought it down, to three, henceforth, we will further bring it down, so, otherwise, the salary hike, used to be only, once in five years. This, which has just changed, in this, so...

Questioner: But, again, it is not linked, to the bank compensation?

Management: No, it is not linked, to the bank compensation, but,

Questioner: But according to the grade, you are somewhere close.

Management: Roughly, it would be same before. This time, we have, slightly, following the, compensation benchmarking, we have done, a little bit of correction, so, that has changed, a little bit,

Questioner: Okay, and, incremental hiring, that you do, do they come -- do they form a part, of some, union, or some?

Management: No, we do not have, any union, and, even this, IBPS, or something, that we, that banks normally, hire from, we do not have, that kind of compulsion, also, we do, from the market, we advertise, on our, newspaper advertisements, for recruitment, and, we go through, agencies.

We also have, this, what do you call this, recruitment agencies, tied up with, Naukri, and all those things, so, we get from our, so, it is nothing to do with, so, all those things are not there, but, one part of it was, that once in five years only, the increment was there, which now, has been corrected.

Questioner: Yes, that all you changed so, because the attrition in this space, has also gone through the roof, to retain the talent, also it becomes...

Management: Correct.

Questioner: Very difficult, very difficult.

Management: We have ESOPs also, which Canara Bank doesn't have/

Questioner: Yes, correct.

Management: Which this, we also started last year only,

Questioner: And this goes up to what grade?

Management: Right now, it is, Chief Manager and above, so, roughly, it is, I would say, four levels below the, MD. The MD, DMD, earlier the General Manager, now the President, Vice President, Assistant Vice President, and Chief Manager,

Questioner: Chief Manager would, still be above the, Branch Manager level?

Management: Not exactly, some of the larger branches, are headed by Chief Manager,

Questioner: Okay, so, they become eligible for...

Management: Yes, they are also eligible,

Questioner: They are also eligible? And how big is the pool, as of now?

Management: Last year, it was approved for about, 1%, from the shareholder approval, we have taken for 1%, of the total thing, but then, out of that, what has been distributed, is again a further, 10% of that, so, it's actually only, over a period of 7 to 10 years, it will be completely exhausted, or 5 to 7 or 10 years, whatever it is, and then, it will, have to again go back,

Questioner: Sir, any other changes, you think you need to bring, in terms of joining, I mean, we have been interacting, since the time you have come through, right, I mean, a lot of changes, we have seen, systems, people, processors, verticalization, stuff like that, right, anything else, you think is pending, that we need to do, or maybe we will take, maybe another?

Management: No this, this digital onboarding, and digital, sourcing, is something, which now will happen, is one thing, which is pending, because of this, IT transformation, once the IT transformation happens, we will be able to, bring in that also, in a big way,

Questioner: But then, digital onboarding, you are saying, it will be your own, digital sourcing, or it, it can be, via, partners?

Management: We can do through partners, that is lead aggregators, also, who are there, from there also, we can buy onboard, and do this, and we can, that also will be there, that is one piece, which is there, because eventually, if you see, our DSA sourcing, we said, we will, is now 85%, or 80%, whatever, and we want to bring it down, to 60%, so the balance, 40%, was 20%, through direct sourcing.

That is the sales team, which has already been started, 10%, which anyway, my staff, the walk-ins, and all those things, that are happening, and the additional 10%, was to come from the, digital sourcing, that piece, has not even started, so that once, it starts, post our November implementation, we will be able to push, a little on that also.

Questioner: But do you think, that would require, some meaningful opex?

Management: No, it is all, inbuilt into this.

Questioner: No, I am saying, that advertising, or digital marketing, or something like that?

Management: No, we will be able to, obviously, there will be some, cost of, associated, with the leads, that we acquire, so, all these lead aggregators, who are there, we will have to, depending on the, type of data, that they are able to share, and give up, and what is the level of, validation they do, before passing on the lead, exclusivity, and all those, things considered, the rights differ, anywhere from, INR10 per lead, to up to INR150 per lead also.

Questioner: And that again, is not dependent, on conversion, right?

Management: No, it is a pure, you buy the lead, then it is up to you, whether you convert it or not.

Questioner: So, technically, by when you think, this piece will also be ready, by 1H of, FY'27?

Management: Yes, we should be able to start now, but I think, in once, the things, falling in place, by end of this financial year, at least we should be able to do something on that.

Questioner: So, so technically, in that sense, fair to assume, that by the end of this, financial year, you will have, all building blocks, in place, everything in place?

Management: Yes.

Questioner: So, technology in place, people in place, teams in place?

Management: Branch expansion in place.

Questioner: Branches everything in place, yes, so then technically, from next year onwards, the focus, then remains only on the exhibition.

Management: Even this year, in fact, last year itself, if you see, this year, if you see, entirely internally, team, if you ask, there is, everything is, there is, because, the recovery part, or the technology part, everything is already, either done, or is in the process, where now, nothing from my side, is required, so, from my side, and from the branch side, everything, the focus is only on disbursement and collection.

Questioner: Only on disbursement side, I think we, we have been just waiting for, for the growth piece to, sort of, come through?

Management: I know, so, people will ask me, what is the thing, I said, there was two years, the entire effort has been on, on putting things in place, so, now is the time, when the results, will start coming in, so, why should I even consider?

Questioner: Yes, I think your, your predecessor, has once again, changed the shop, so, see, usually, things take time, right, I mean, these are not, small entities, large organizations, and, old organization, it takes time to, time to run up, turn the ship, right? So, but I think, we, we have done a fair bit of, job, because, I mean, we are still delivering, as I said, at these growth rates also, we are delivering about, 16%, 17% ROEs, which, the companies, which are growing at, 30%, 40% are, are, some of them are, not yet delivering, right?

Management: Correct.

Questioner: So, I think that, book value compounding, is definitely there, it's, it's, more or less, now, just about that, growth rate to, to sort of come through?

Management: Correct.

Questioner: And this last question, that I have is, what would be the percentage, of pure fixed or, semi variable, loans in a loan mix?

Management: No, we don't have a, fixed rate, other than a, little personal loans, 4%,

Questioner: 4%, but that also, it is not, 96% is, floating, or no, full floating?

Management: Yes, floating, it's full floating, many,

Questioner: okay, so, there is no, risk of, timing of, repricing, of these loans, right?

Management: No, there is, in the sense that, in the asset side, we have about 33%, which is a, quarterly reset, and 67% is still, annual reset, so, when the rates are, coming down, and we pass on, it doesn't immediately, get reflected on the, asset side, so, there is a little bit, of a lag, there is, because you know, it will get, on the reset dates,

Questioner: So, the way to look at it is, let's say, in this May, if you, if you gave a, rate cut of, 25, by next May, the whole book, will get, reset,

Management: Will get reset,

Questioner: But, again, he said to, obviously, not everything, happens at one shot, one particular time.

Management: Correct.

Questioner: So, let's say, Umang came, to you in Jan, so, when his 12 months will be done, it will be done.

Management: If you are in quarterly, then January...

Questioner: If he comes in Feb, then, when his 12 months will be done, it will be done.

Management: Correct. Correct.

Questioner: It's not that, on the same date everything gets [inaudible 0:50:38].

Management: No, no.

Questioner: so, to some, extent that is visible in the spread.

Management: That is why the spread will slightly have a...

Questioner: So, we will not see, the reason, why is this question is, we will not see, any, sharp,

Management: No, we will not see,

Questioner: cut in the spread.

Management: No.

Questioner: It will happen that way. So even if it falling, it will fall slowly and that's about it.

Management: And that also, we have done already, up fronted, because we've, already witnessed it on, our liability side then we have passed on. In fact, because of the time lag on the asset side, we may only get a slight advantage in terms of the spread.

Questioner: Yes, because something similar happened with LIC housing finance, right, in the past? It was semi variable, so initially the spread, everybody thought that spreads are resilient and then fell with a big bang, in two quarters.

I mean your spreads get shaved off by some 20 bps, 30 bps, 40 basis points, so that creates too much of pressure. So, got it. I think that's mostly it that we have. I think we've covered everything. So, let's see how things go. Okay sir. Alright.

Management: Okay. Thank you.

Questioner: Thank you so much.