



“CanFin Homes Limited
Q3 Financial Year 2022 Conference Call”

January 27, 2022



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Moderator: Ladies and gentlemen good day and welcome to CanFin Homes Limited Q3 FY2022 earnings conference call, hosted by Investec Capital Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mr. Nidhesh Jain from Investec Capital Services. Thank you and over to you Sir!

Nidhesh Jain: Thank you Faizon. Good afternoon everyone. Welcome to the Q3 FY2022 earnings conference call of CanFin Homes Limited. To discuss the financial performance of CanFin and to address your queries, we have with us today Mr. Girish Kousgi, MD and CEO of CanFin Homes, Mr. Amitabh Chatterjee, Deputy Managing Director, Mr. Prashanth Joishy, CFO and Ms. Shamila, Business Head. I would now like to hand over the call to Mr. Kousgi for his opening comments. Over to you Sir!

Girish Kousgi: Good afternoon to all the investors. We had a good quarter backed up by last quarter's which was pretty decent. Outlook is very, very positive. We are seeing a good trend since last year third quarter onwards and Q4 of last year was pretty good, Q1 of this year was impacted due to COVID second wave. Market is quite robust. The only thing is we lost about 45 days in first quarter of this year and therefore you know it did impact business which all of you are aware and Q2 we came back very strongly and Q3 also we have done very good in most of the parameters.

In terms of market I think this market is going to be robust for next few years. Real estate, as a space has really improved and revived and this buoyancy will stay for another four to five years in our sense and we are able to get business from across all the geographies barring one or two. All the segments whether it is builder or non-builder and this is across all types of cities whether it is metro, whether it is big cities, mid-sized cities or small cities.

In terms of profile there has been increased demand from salary. SCLT demand was quite low after COVID, I think it really went down drastically. Now slowly confidence is coming back and we are also seeing that the share of self-employed non-professional incrementally is going up, but it is still not back to 30 because ideally at a portfolio level we were at 70:30 and after COVID I think this changed drastically and now it is really coming back. Last quarter it was 74% and incentive was 26% so this 26% was much lower in the earlier quarters.

We were able to clog all-time high book growth. We showed about 19.5% to growth. In fact we had a lot of challenge last year as all of you are aware because we had a lot of pressure on BT so that has now come down drastically since last four quarters so last year Q1, Q2, and

Q3 and to a certain extent in Q4 of the last year we had a lot of pressure on BT now it has come down.

Just to give you a sense for the BT amount for Q3 was about 78 Crores, the same number last year Q1 was three times higher. So it is it has now come back to normalized position or rather it is better than pre-COVID levels.

In terms of uh disbursement we have grown by 126% YoY, it may not be the right comparison because obviously last year because of COVID no we could not dispose well, same thing was with the entire industry but still if you look at the book, book has grown because whether we were disbursing or not I think book could by and large be the same but for the runoff. So on book we have grown at 19.5% and we have done all time high disbursements in Q3 and prior to Q3 all-time high was Q2 and prior to Q2 all-time high was Q4 of last year.

In last four quarter three quarters have been all-time high disbursements in this history, so which means that every quarter we are trying to improve our disbursement and if you look at the sequential growth it is not marginal, it is quite substantial growth, what we had done. For example if you look at this quarter, this quarter we have disbursed 2472 Crores, which is a good sequential growth of 12% and if you look at last quarter, it was 2208 Crores and prior to that was Q1 because of COVID impact so we disbursed 893 Crores and if you look at quarter prior to that which was Q4 of last year it was 2001 Crores.

So in last four quarters last three quarter disbursement is all-time high and same thing is true with even sanctions also. Q4 of last year was 2201 Crores and Q1 was low because of COVID, it was 829 Crores, Q2 was 2288 Crores and Q3 approvals are 2762 Crores. In last year we did change the pricing strategy because there was a lot of pressure on the book and the book was depleting. BT out was significantly higher and there was no opportunity outside because of lockdown and COVID and therefore we had to drop the rates. We did that in last year that had an impact on margins and in this year from April till now we have increased rates twice and our yield has improved from 7.99% which was in Q2 to 8.05% in Q3 and now you will see increasing trend.

Coming quarter NIM will be higher than 8.05% and if you look at the cost of funds I think it is pretty constant, it is pretty stable. Q3 was 5.56 and Q2 was 5.57% and if you look at Q1 it was at 5.6%, it is pretty consistent and here are there I think one or two BPS will be different otherwise it is maintained.

Incremental cost of funds for Q3 was 4.98% and for full year was 5.56%. So if you look at spread, spread improved from 2.42% which was in Q2 to 2.49% in Q3 and Q1 was 2.4%. So



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if you look at NIM, NIM was 3.53% last quarter and this quarter is 3.74% and Q1 was 3.31%. So in last three quarters largely if we have to talk about margins are improving, disbursements are improving with every passing quarter, approvals are improving, book is growing.

Now there is a challenge of revenue and PAT. Now the issue is that the last year same time our leads was higher. We dropped price and that had an impact for next three to four quarters because of the lag effect. Now this year, we have increased rates. So now margins are improving our book is growing disbursements are growing and this quarter if I have to have to look at less than nine months for example I think PAT is flat and revenue there is a degrowth. Now that is purely because of the lag effect of rate change.

Now next quarter we expect that if we look at whole of this year vis-à-vis compared to whole of last year there will be growth in our PAT and the revenue would be flat. Now starting Q1 of next year then we will back to normal state. The impact of rate drop, the impact of rate hike I think both would have got adjusted to and from Q1 onwards, you will see the benefits of increase in rates what we did this year.

So I think that is where we stand in terms of revenue and PAT. In terms of margins as I mentioned I think last three quarters there is increasing trend both on spread and NIM. NIM for this quarter was 3.74% that also has an effect of investment because of NCR requirement. If I discount that our NIM will be 3.65% against NIM of 3.53% which was in Q2 and even in this quarter we have to make investments due to LCR and therefore this 3.65% will definitely improve on 3.65% but of course that point that nine basis is because of the LCR investment because our return on investment is much higher than the cost and therefore this nine BPS got added to that. So this we will see in Q4 also but not significantly after Q4 and therefore I am saying we should read probably NIM at 3.65% against a 3.74% because this nine BPS increase may not be recurring in nature.

In terms of asset quality we were able to improve NPA from 0.78 to 0.71. This quarter we were able to collect from the NPA pool write back certain amount and also we ensured that recent RBI circular now which was announced on November 12 that did not have much of impact because we preponed all our collections and we were able to manage collections efficiently and our collection efficiency is improved. Now actually it is back to what or maybe now it is better than pre-COVID levels. I would open the floor for discussion.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Shripal Doshi from Equirus. Please go ahead.

- Shripal Doshi:** Thank you for giving me the opportunity and congrats on the good kind of numbers. The first question would be with respect to credit cost what caused a sudden increase in the standard asset provisioning that we have done during the quarter?
- Girish Kousgi:** Basically when we increase our disbursements my provision would go up because I have to provide on the incremental growth in the book. So if you look at Q3 we grew uh incremental book by your 1500 Crores and therefore one of my provisioning to that extent will go up.
- Shripal Doshi:** But so would that not be the part of the ECL that we do, I mean initial provisioning that we sort of calculate?
- Girish Kousgi:** No because we look at both ECL and IRAC but we are holding 240 Crores which is per the IRAC. We hold higher. We are holding 240 Crores and as per ECL it is about 157 Crores. So we are holding 240 Crores.
- Shripal Doshi:** Which is higher than the required as per the ECL model?
- Girish Kousgi:** We are holding far higher than what is required. We are holding 240.14 against 156 as per ECL model provisioning required is 156 Crores as per IRAC it is 240.
- Shripal Doshi:** So how are we seeing the collection efficiency trend?
- Girish Kousgi:** You also asked about credit cost, the credit cost is 0.4% is the change in credit cost.
- Shripal Doshi:** For standard assets you are saying, right?
- Girish Kousgi:** No, it is overall. For standard assets it is 0.45, which is a flat change. So this time, why PAT is low is only because of provisioning under let us say about 11 Crores and 5 Crores for NPA bucket movement.
- Shripal Doshi:** Sir, how are we seeing the collection efficiency trends in the restructured pool? Have you seen any slippage from there?
- Girish Kousgi:** No actually a restructured pool out of the sets where it is not due, 20 Crores we have closed which means customers have paid back so the fraud has come down by 20 Crores from the restructured pool and now very few accounts are due and there is we have 100% collection. Actually to be very honest it is too early to comment on this structured pool because till Q3 we had very few accounts where EMIs are due where the interest or EMIs are due and in such accounts we have collected 100% but outside this pool where the restructuring option is



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availed but customers have come forward and closed the loan only. It is closure of loan only is about 20 Crores.

Shripal Doshi: The third question was with respect to the strong disbursement that we have seen what is the infrastructure that we are planning to add in terms of the branches and employees going ahead because if you look at since March 2019 you broadly added 12, 13 branches and while I understand that we have been rationalizing branches in terms of relocating and closing some of the inefficient branches but incrementally what is the thought process?

Girish Kousgi: Basically last year we took a call that we will open six branches because of COVID and other reasons and otherwise on a yearly basis on the steady state we would open about 12 to 15 branches. So going forward you will see you know branch expansion. Having said that you know we were able to grow our book without increasing too many branches from about 19000 Crores to about 25000 Crores.

Shripal Doshi: So incrementally we will need to add branches?

Girish Kousgi: Yes.

Shripal Doshi: Got it. I will come in the queue for any more questions. We will look for the next quarter.

Moderator: The next question is from the line of Mahrukh Adajania, an individual analyst. Please go ahead.

Mahrukh Adajania: Good afternoon Sir and congratulations. I had a couple of questions firstly the impact on the of the LCR has been positive for you is what you said how did that happen?

Girish Kousgi: Basically my cost of fund is 5.5% and we had to invest in government bonds which fetches 7% so they have a positive carry.

Mahrukh Adajania: The other question again is on RBI norms you did clarify that you did not have impact because you preponed collections and your collection efficiency is improving but in terms of your upgrade from NPL to standard were you doing it after receiving all EMIs or how did that happen earlier and will there be any follow-on impact from that in your next quarter's asset quality?

Girish Kousgi: From now from November 12 onwards any upgradation was based on the entire arrear collection as for the new RBI guideline. Now all active accounts went through this collection process for two months after the RBI circular which is for the month of November and second

is month of December so two months we have seen all live accounts have gone through this process and we are able to manage because we preponed collections and therefore the impact this to NPA was negligible. For example earlier let us say in let us say Q3 no we had time till the first of December 31 to collect now October at 31 days, then November had 30 days and therefore December 29 only was the cutoff, December 29 was the 90th day for all assimilated collections so to collect so that it does not flow to NPA, so we lost two days because of this new guideline, so we preponed and we collected all by 29th of December so that nothing flows to NPA. I think largely our strategy was in terms of arresting the flow and to a certain extent wherever we could upgrade the account you know we collected full arrears and upgraded the account.

Mahrukh Adajania: Just in terms of rates say if your benchmark lending rate were to change today when will your outstanding or your old loans repriced after how much lag beginning of next quarter or how does that work because the create price we just want to assess the impact on your margins?

Girish Kousgi: The entire book will get repriced in one year.

Mahrukh Adajania: In one year?

Girish Kousgi: Yes. Suppose let us say tomorrow if there is change in REPO and the rate goes up, if I want to increase it I can pass on this in about 15 days time. In the natural course it takes the entire portfolio will get repriced in one year.

Mahrukh Adajania: Got it but how much of your loans are REPO linked?

Girish Kousgi: All the loans.

Mahrukh Adajania: All the loans. Got it Sir. Thank you.

Moderator: Thank you. The next question is from the line of Utsav Gogirwar from ICICI Prudential Life Insurance. Please go ahead.

Utsav Gogirwar: Thanks for the opportunity Sir and congratulations on a good set of numbers. My first question is with respect to the strategy and competitive dynamics. So if we look at about the extra rate the starting rack rate on individual housing is roughly around 8.25% and the gap between say Canfin rack rate and the lowest lender is roughly around 175 to 180 basis point. This is a similar gap one year back it was around 40-basis point. So I just want to understand what has changed in last one year in terms of strategy or the way we are doing the business because of which we are able to charge higher at the same time the disbursements are also



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doing, all-time disbursement we are doing. So just want to understand on the strategy first also if you can also talk about competitive dynamics in the current environment that is also helpful?

Girish Kousgi:

So basically what has changed there is nothing has changed think they are almost back to pre-COVID. So I think buying the Omicron that is the COVID third wave I think we are back to pre-COVID times in terms of demand and market dynamics. Now we had changed the pricing strategy because there was COVID first wave which impacted the entire economy and there was national lockdown and therefore no business opportunity was not available outside and therefore there was a lot of pressure on the balance transfer. Now so then for book retention it was absolutely necessary for us to be competitive on the yield and therefore we have to drop the rates to retain customers when market opened up when market improved we increased rates and which is where we are able to grow our disbursements grow our book and still retain existing customers. I think one big change is that now economic activity is back we are almost back to pre-COVID levels in terms of demand and economic activity that is the only change because for many, many years we have been operating at, at least 150 bps higher than bank home loan rates. So I think that is something that we have managed over three decades so now we are back to those times.

Utsav Gogirwar:

Sir my second question is with respect to the cost of funds. Now if you look at our total borrowing makes around 15% is CP and that although it has come down in compared to say last one or two quarters but in a rising interest rate environment how do you see the cost of funds movement especially next year and what are the levers are available with us to control the cost of funds.

Girish Kousgi:

So basically we feel that in next couple of quarters rates will start inching up but we expect rate to go increase by about 100 to 125 bps in next four to six quarters that is something that we have budgeted and we can easily manage that because we have operated when the rates were high and then the rates drop. So now again the rates will start reaching up. So I think that two will be a challenge at all. Our strategy broadly would remain the same so we are actually agnostic in terms of stores of funds as long as they get the cost increase. So our strategy would remain the same and we would easily be able to manage the increase in rates between 100 to 150 bps.

Utsav Gogirwar:

Sure Sir all the best that is it from my side.

Moderator:

Thank you. The next question is from the line of Nitin Jain from Fairview Capital. Please go ahead. As there is no response I have muted the line. The next question is from the line of Devansh Nigotia from SIMPL. Please go ahead.

Devansh Nigotia: Thanks for the opportunity and congratulations on good dispersion. Sir last quarter we mentioned that we were going to start initiating legal action and SARFAESI for the NPA pool. So what exactly is our progress there because there is a possibility of some reversal the credit cause there, so, if you can just throw some light there.

Girish Kousgi: So in quarter three we were able to know crack close to 17 Crores in NPA pool so that legal action is on now so all this SARFAESI initiation, SARFAESI action all that is on across all the states. So we are able to crack about 17 odd Crores that is where you see that 0.78 has come down to 0.71 so we were able to crack about 17 odd Crores since we going forward this number will increase.

Devansh Nigotia: Sir but then if I adjust the 16 Crores credit cost in this quarter that is after the 50% reversal in this NPA pool of 17 Crores right if that is the right understanding because you mentioned that 50% is already provided in this pool so then how will this interplay.

Girish Kousgi: So it could be 50 it could be 100 so it is from various buckets. Yes, regarding that 16 Crores what we provided 11 Crores pertaining to standard assets so it is only 5.5 Crores pertains to the NPA bucket movement.

Devansh Nigotia: But the NPA pool that has been sold will also be reversed.

Girish Kousgi: Yes, that has been reversed assets, yes, the total if we calculate on this overall provision required is 7 Crores overall breakdown is 1.7 so that impact is 5.3.

Devansh Nigotia: And we have mentioned the collection efficiency of 100% in the restructured book. So this was for the pool that was due for three months or six months periods, this you highlighted in our earlier remarks.

Girish Kousgi: Restructured pool has started from October onwards so it is too early to analyze the collection position in the restructured pools. See because the accounts very few accounts have fallen due now and there we have collected 100%. I think beyond this from the pool where neither interest nor EMI is due so the process come down to 20 Crores already.

Devansh Nigotia: Okay. Thanks a lot sir. this is from my side.

Girish Kousgi: And just to give you a number 20% of customers here EMI has not fall in due they are actually significantly, over 700 customers out of 4400 customers they started paying so restructured book should reduce going forward. It should reduce because in these 700 accounts where they are paying neither interest now our EMI is due.

- Devansh Nigotia:** Thank you.
- Moderator:** Thank you. The next question is from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.
- Abhijit Tibrewal:** Thanks for taking the question. First couple of data keeping questions, if you could just share what was the quantum of borrowing start at the end of December 2021.
- Girish Kousgi:** Borrowing stood at 22550 Crores.
- Abhijit Tibrewal:** 22550 Crores.
- Girish Kousgi:** Yes.
- Abhijit Tibrewal:** And SIR what was the incremental yields during the quarter.
- Girish Kousgi:** Incremental yield is 8.02.
- Abhijit Tibrewal:** Sir 8.02 incremental and despite that we are talking about 8.05 portfolio in this yield.
- Girish Kousgi:** Yes, 8.05 is a yield on portfolio and incremental is 8.02 on housing loans we have take that NCR investment is our see that 8.02 is on the housing loans that is the advances if we consider the NCR investment written what we have earned it comes to around 6 bps more than that one it comes around 8.07 yield of 8.02 is purely on the housing loans incremental yield we refer to housing loans only treating the NCR which is just started now we kept out of the preview for the purpose of incremental yield calculation.
- Abhijit Tibrewal:** So then fair to say that I mean instead of a drag on your margins because of this new LCR requirement you are actually seeing your NIMs and so called your yields going up because of the implementation of this LCR requirement from December onwards.
- Girish Kousgi:** See I will tell you I think we cannot comment on how this is going to behave in future because today the yield is higher after few quarters you never know yield could be lower I think only thing is we have to comply with LCR terms and we are complying at this point in time there is a cost of tariff.
- Abhijit Tibrewal:** Sir the other question that I had was I mean I see that in your presentation you have I think restated your borrowing mix that you gave during the last quarter. So I mean what have you



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done if you now rate CPs from bank do you now classify it under banks or do you now classify it in the CPs.

Girish Kousgi:

The borrowing from the CP remains CP only now bank borrowings have become more cheaper than the CP because we have to take into consideration both costs as well as real imp actors into mind. So that is why there is a 3% shift to the bank borrowings and CPs are come down by 2% from quarter-on-quarter sequential basis.

Abhijit Tibrewal:

Sir and maybe the last question from my end before I come back into question queue was there any one offs in your operating expenses during the quarter either because of let us say CSR expenses or technology spends or would it be fair to say that your operating expenses during the quarter are a direct reflection of your higher disbursements or have you kind of upfronted some of the expenses that you typically book during the fourth quarter of the fiscal year.

Girish Kousgi:

No there is nothing one off expenses like that way it is an ongoing where the AS15 provision in the company has provided in respect of all staff expenses. So that has been come into the effect which is likely one for more than what it was there corresponding quarter large sequential quarter that is where there is a slight up is there as such in the expenses side.

Abhijit Tibrewal:

Sir if I can squeeze in this one last question sir rather two parts to this question One is I mean why have you had to increase the provision cover on the NPA pool is it because these are I would say legacy and because these are legacy NPA loans and because you are not able to resolve them and because of the aging you have increased the provision cover on your NPA loans from 40% to 45% and sir lastly what impact has this omicron driven third wave had on your disbursements during the month of January.

Girish Kousgi:

So one is that the provisioning for NPA is basically bucket moment because now after November 12th know we had to collect the entire arrears to upgrade the asset. So now this 5 odd Crores is only for NPA bucket movement. Now and the balance as clarified by Joshi is for standard assets. Now Omicron had an impact even though severity was low obviously the efficiency of our employees was quite less vis-à-vis compared to other months because of omicron. In terms of business impact we have not seen much, so I would say the impact could be hardly some 4% or 5% in the month of January which you feel we can easily cover up in next two months.

Abhijit Tibrewal:

Sir, congratulations on a good quarter and wish you the very best. Thank you so much.

- Moderator:** Thank you. The next question is from the line of Harsh Vardhan Agarwal from IDFC AMC. Please go ahead.
- Vardhan Agarwal:** Hi! Sir, thanks for the opportunity. Sir one thing I wanted to understand of you said that the incremental yield are at 8.02% but what I check on your website the lowest rate mentioned is 8.45 so just wanted to understand why this divergence in the yield.
- Girish Kousgi:** No see that wherever the rate of interest when we do the rate of interest increase it is having a lag effect of one year the reset will take place over a period of next one year so the 8.25 rate what we implemented in the Q3 is for the prospective lending and the existing book will get reset in the next one year. So that is what I think the impact will come in the next one year.
- Vardhan Agarwal:** Sir but in future the incremental yields are at 8.02 it means the fresh loans that you have given is that 8.02.
- Girish Kousgi:** Yes, correct so the incremental yield is 8.02 because it also depends on the mix of products that we have generated and we also had offers so we have a rack rate and we also have an offer you must have seen home loan rates at 6.5% or maybe 6.4% so we also have an offer it is not as low as 6.5 but we also have an offer when the rates are lower than rack rate that is subject to certain conditions like zero score of so and so on stuff like that, but the average yield incremental yield is 8.02 so I think if you look at quarter three the yield is 8.02.
- Vardhan Agarwal:** Okay sure, and sir one last thing I wanted to understand was on the reprising of the book so just for my understanding let us just say if I were to take a loan in January 2021 which was at 7.25 rate so come January 2022 is it that my loan would be repriced at 8.25 automatically.
- Girish Kousgi:** No it would not, if you have taken under the offer then it will get back to the rack rate if you have taken at the rack rate then here it will not change.
- Vardhan Agarwal:** Sorry Sir we did not get the last segment.
- Girish Kousgi:** Suppose if you have avail the loan at the rack rate then your rate will not change if you avail loan at a discounted rate then it will go back to the rack rate your rate will change only the light change rate for all when there is change in the intersect scenario.
- Vardhan Agarwal:** No sir because what I understand was earlier we were calling that automatically when we change rates after one year the bankbook automatically gets reprised onto that rate so we have discontinued that working with that book.



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Girish Kousgi: It depends on the risk rating depending on the performance of the account the rates will get changed, but if you have taken at rack rate let us say nothing changes then your rack rate remains.

Vardhan Agarwal: Okay sure got it thanks.

Moderator: Thank you. The next question is from the line of Ankush Agarwal from Surge Capital. Please go ahead,

Ankush Agarwal: Hi! Sir, thank you for taking my question. So Sir again let us taking little bit on this set of loans. So our entire book is variable interest rate book rate with resets annually so for example if I take a loan currently in the month of January 2021 the reset for my loan will happens in January sorry, I took a loan in January 2022 it will get reset in January 2023 that is the right understanding right.

Girish Kousgi: Yes.

Ankush Agarwal: And in case there is some increase interest rate environment going on if you want you can still reprise in the middle in between this one year period we have got this execution.

Girish Kousgi: Yes, we can reprise anytime depending on the market conditions.

Ankush Agarwal: So similarly on our borrowing side how much of our borrowings are like linked to repo rate and our variable.

Girish Kousgi: 100% because I think borrowing few loans I think all the loans are variable so it is directly indirectly linked to Repo.

Ankush Agarwal: So I think bank borrowings NMP borrowings those are the majority I think CP would be fixed right.

Girish Kousgi: Yes, correct.

Ankush Agarwal: So more or less in case the interest rate started rising quite fast we can reprise our book instantly if you want.

Girish Kousgi: Yes.



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Ankush Agarwal: Right thank you and sir secondly what kind of leverage are we looking at like on the higher end.

Girish Kousgi: I mean if you saw that last year it was coming down and now because of this rate change there has been slight change in the PAT numbers and therefore there is slight, so I think we are comfortable up to eight and we also have plan to raise capital.

Ankush Agarwal: So we are looking to raise capital at eight times that is what you are saying.

Girish Kousgi: No, two things one is we also comfortable up to eight, and we also plan to raise capital. So these are two different.

Ankush Agarwal: So you would not look to go above it that is what you are seeing because I think till 2019-2018 I think we were about nine.

Girish Kousgi: Yes that is right.

Ankush Agarwal: So why this changing start Sir.

Girish Kousgi: Sorry come again.

Ankush Agarwal: why this changing starts when earlier we used to go up to nine and eight, ten times leverage and now we are seeing that we would not go above eight so why it is to...

Girish Kousgi: Yes, earlier it was more but I think now we have internally we have worked out and we want to be around eight I mean that is what we have seen we are comfortable with and as per the regulator I think there is enough scope but I think no to be competitive in the market even in terms of borrowing I think all the banks would expect us to be quite low on the leverage and therefore we want to keep it around eightyish.

Ankush Agarwal: And Sir another thing on this cost to income ratio I mean it has increased quite a lot this year I think it is now for this quarter we have clogged at 19% I think just before COVID and all the year it was around 15%, 16% so what is the reason for this.

Girish Kousgi: So I think one is provisioning.

Ankush Agarwal: No I think our cost to income ratio that we given in the presentation is excluding provisions.

- Girish Kousgi:** No that there is a AS15 provisioning we are referring to the provisioning as per accounting standard 15 what you have to provide for that is to the extent of around 5 crores has been come for this q4uater which is slightly higher compared to the previous quarter and some more expansions have been slightly increased because volume of business has increased because of that it is in the region by 1.6% compared to the sequential previous quarter.
- Ankush Agarwal:** So in the medium to long-term where do you think this number would settle Sir.
- Girish Kousgi:** This is somewhere around 16%, 17% is the average range where it is going to be hovering over a period of time. 16% to 17%.
- Ankush Agarwal:** Sir just one last feedback if on your quarterly presentation if we can improve a little bit on the disclosure side for example like some of the basic material like book value and our absolute borrowings are not there in our quarterly presentation so if you can add that, that will be very helpful going ahead.
- Girish Kousgi:** Book value and sorry.
- Ankush Agarwal:** Borrowing some of the basic material what is the total debt what is the book value those kind of basic stuff is also missing right.
- Girish Kousgi:** Okay right thanks for the session we will incorporate.
- Ankush Agarwal:** Thank you, that was very helpful.
- Moderator:** Thank you. The next question is from the line of Aswin Kumar Balasubramanian from HSBC AMC. Please go ahead.
- Aswin Balasubramanian:** Sir on the LCR you mentioned that you had a positive impact so just wanted to understand what would be the nature of the investments which you will have for LCR and also what will be the quantum in terms of the investment book that you need to hold for LCR.
- Girish Kousgi:** Our quantum is 600 Crores and the nature is GSEC now yield what we are getting is about 7% about 6.7% that is 7% so I think that is where we have some impact structural impact on the loan.
- Aswin Balasubramanian:** So Sir these would be longer tenure GSEC quarter is it.
- Girish Kousgi:** Yes, ten years.



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Aswin Balasubramanian: And the 600 Crores is the additional from LCRF or if the total investments on your balance sheet.

Girish Kousgi: This will come in the investments in the balance sheet because this is started from this financial year, it is on total amount, it is total amount not incremental.

Aswin Balasubramanian: Okay got it, and also I mean if I just noticed in your presentation in terms of LAP segment although the base is small well it is still a good growth this quarter so I mean is that incrementally more focus on that segment or what is the strategy there and what would be the customer segment there for you.

Girish Kousgi: So I think customer segment is same our policy is same underwriting signs are same only thing is our LAP book was very small in the entire portfolio it was only about 5% so we thought we will double the book in next three years. So that 5% will become 10% in next three years so we would maintain 90 home and 10 LAP so because generally within the 10 non-home loan we have a top-up loan so if I exclude that LAP is pure LAP is only 5%. So we thought we should now grow that book we have an opportunity there without compromising on the risk profile of the company. So that is our plan that is the next three years so you will see LAP for book growing at a much faster phase at home loan.

Aswin Balasubramanian: And just one more question in earlier quarters I mean your rack rate was also a bit lower and you had a change in strategy in terms of wanting to sort of be competitive with banks so currently given that your rack rate is much higher and your incremental yield is at 8% so is there again like a change in strategy of customer segment in terms of the segment which you are catering to versus the segment which banks are catering to because even no banks are offering let us say 6%, 6.5%, 6.7% kind of rates on home loans.

Girish Kousgi: Yes, earlier if you see the difference between banks and that it was about 150 and under unprecedented products 200 bps 150-200 bps. So now the difference is not that much so now we would be probably 100 bps higher than banks. So to that extent certain markets have opened up for us where we see an opportunity of growing our book of that. Having said that I think the starting point for us is to maintain our margin. So we will, I think I had mentioned this earlier also 3 and 2.4 is what we would definitely procuring I know today our NIM is 3.74 and the spread is 2.4 even and obviously it will improve but I think what we will protect is 2.4 and 3.

Aswin Balasubramanian: Thank you.



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Moderator: Thank you. The next question is from the line of Anuj Jain from Value Quest Capital. Please go ahead.

Anuj Jain: Hi! Sir, thanks for the opportunity. I have few queries regarding loan book so first is what is our highest exposure to any single real estate project. Real estate project, see now the total book only is less than 1 Crore. No I mean to say via home loans, via individual home loans.

Girish Kousgi: It is prudent my maximum exposure would be on an independent property would be about 3 Crores.

Anuj Jain: And what is our highest exposure to any single developer.

Girish Kousgi: See this developer is less than 1 Cr.

Anuj Jain: Sorry let me rephrase my question my query is through individual home loans what is our exposure to any single developer or any single project let us say for example in any particular tier 2 city there is like five different projects of a single developer and we are financing those through home loans so do we have any cap on the exposure to any single project like that.

Girish Kousgi: Understood see if you look at our portfolio 75% is non-builder and 25% is builder and this 25% we fund for apartments in the project which is nearing completion we do not fund that maybe clean stage or maybe at a 50% or a 60% share we fund only when the project is nearing completion and to that extent our completion risk is quite low and let us say there is a builder and we have funded in five projects and these three projects are complete, these three products are complete I do not carry any risk there because the properties are registered and the building is complete project is complete so I do not see any risk there so that would be out of my exposure bucket. So at any given point in time at an enterprise level out over the 25% of incremental sourcing or maybe if I can take last one and a half years closing because the kind of projects what we fund would typically get completed in about 12 to 18 months because we focus on small builders small projects not high rise or maybe it can be kind developers so my risk would be always with the range of 7% to 8% in terms of completion.

Anuj Jain: Understood and sir can you also provide a state wise exposure of our loan book.

Girish Kousgi: State wise exposure we can provide the details to you. So for example earlier Karnataka used to contribute about 30%. So now we are well diversified now south contributes to about 67%, 68% of business if you want any particular state we can share that with you.

Anuj Jain: So within this south if you can just tell us like top five states and their contribution.

- Girish Kousgi:** I did not get your question.
- Anuj Jain:** So within south region what is the distribution among different states Karnataka, Tamil Nadu, Maharashtra?
- Girish Kousgi:** I would say on an incremental basis Telangana does about 150 Crores so entire Karnataka would deliver about 210, 215 Crores, TN would be quite lower would be about 110, 115 Crores so this is the split in south and AP is 70 and telangana would be 150 Crores. So together erstwhile Andhra Pradesh would do about 150 plus 70, 220 Crores.
- Anuj Jain:** Understood. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Gaurav Kochar from Mirae Asset. Please go ahead.
- Gaurav Kochar:** Hi! good afternoon Sir. Sir just to understand the margin dynamics and the impact of LCR so in the numerator in the net interest income while the interest income would flow the interest income on the LCR bit but in the denominator would you include investments.
- Girish Kousgi:** Yes, we input investment because it is started only from December onward as such that is why the denominator is smaller but what in terms of time it will be getting passed on average basis which is getting added just like housing loans.
- Gaurav Kochar:** Okay, so this 9 basis points you are attributing to is because of lower base of denominator hence then on the numerator there is a full impact of interest income on LCR and the denominator is slightly small, is that the reason why there is a basis point different?
- Girish Kousgi:** Yes, that is why we are telling that yield excluding the investment yield it is NIM is putting at 3.65 and with the LCR investment income it is 3.74 so the sort of difference is only the outcome of that one.
- Gaurav Kochar:** Okay sure. So going ahead you expect this margin actually to this 3.65 structurally should that improve in the next say one year or so that core margin excluding the impact of LCR.
- Girish Kousgi:** Yes, 3.6 I think we should take it as 3.65 because this LCR yield may not be recurring in nature it will better but the quantum will be very less and therefore 3.65 is the reference point with previous quarter of 3.53 yes this 3.65 has scooped to improve.

Gaurav Kochar: Okay just the second question was on the incremental yields you mentioned 8.02 on the home loan portfolio sir if our incremental rack rate is 8.25 which is the minimum and incremental yield is 8.02 so are we giving a discount I think in one of the questions earlier also you alluded to but I was not quite sure so just wanted your comments on the incremental book that you are disbursing. Is there a discount given there also and hence the weighted averages yield has gone up.

Girish Kousgi: Not for a limited period this is incremental discounts.

Gaurav Kochar: Okay sure so incrementally I mean given this was a festive season maybe that is why but going ahead maybe in 4K or beyond the marginal yield should be higher than 8.25 should we assume that.

Girish Kousgi: I would put it this way so my yield the last quarter was 7.99 this quarter is 8.05 I think this 8.05 will improve quarter-on-quarter.

Gaurav Kochar: So specific to home loan that yield has some legs to move up maybe towards that 8.25 blended basis 8.25 is...

Girish Kousgi: Yes, home loan, non home loan I think both will improve and the yield will and also whatever rate revision we have done that portfolio changes would happen in some time because there is always a lag effect. So yield will improve.

Gaurav Kochar: And sir given the leverage is less than the maybe the threshold that you have just spoken about and given the ROEs are high and growth is also in mid to high teens. Why do you want to raise capital just wanted your thoughts one and secondly on the leverage bit do you see any because right now also we are getting borrowings at very competitive rates so do you expect post capital raise the cost of funds or the rating so to speak improve going ahead.

Girish Kousgi: We will not raise too much of capital but we feel we need to raise bit of capital so that our cost also would come down and even the leverage would drop so we want to raise some capital not large amount we had enabling approval of 2000 Crores so we might say part of that amount in next couple of quarters.

Gaurav Kochar: Okay, understood and thank you Sir all the best.

Moderator: Thank you. The next question is from the line of Ritika from Ocean Dial. Please go ahead.

Ritika: Thanks for the opportunity. Sir firstly just one if you had touched upon the self-employed segment which obviously used to be a higher share how are we seeing the trends on an incremental basis and anything that we are looking to as a strategy to maybe again gradually increase this pie that is the first question.

Girish Kousgi: Sure I think it used to be 30% incrementally earlier then after COVID started it came down to about 12% and then increased to 15, 18 now it has come back to 26%, so I think in another quarter also it will be back to 30% we do not want to force it to increase sourcing from self-employed and change the mix because we had our challenges of COVID in last two years so we want this FENP as a segment to come back naturally and now it is almost back so from 30 it went down to 12 then we saw 15, 18 now it is 26 so I think another quarter or two it might be back to 30%.

Ritika: And Sir any changes that we would have made to our underwriting to again get back to these numbers and or do you think that generally the ground or rather the business impact had over the time reduced and that is how we were comfortable again going back here or had we done something.

Girish Kousgi: We have not made any changes not only for FENP even for salary we have not made any changes because of COVID the only changed some processes we only tightened the process because of COVID and after first wave in the month of January we restored all the processes back and after that we have not made any changes to the process also so we do not feel that there is a need or necessity and that is why we are pretty comfortable whether the FENP share goes down or goes up.

Ritika: Sure sir and the second question is that just firstly just confirming did we share that 210 to 215 Crores is the incremental share of or maybe after the 2000 plus Crores disbursement that we do 210 to 215 came from Karnataka did I get that correct.

Girish Kousgi: No incremental for example if we have done 2472 Crores in quarter 3 so every month what we get from Karnataka is around that number it is not book it is only incrementally.

Ritika: No understood Sir this is the monthly number which you shared.

Girish Kousgi: Exactly yes monthly number.

Ritika: Understood yes because that is why I was saying it then if the share came down very sharply so I just wanted to check out this. Great Sir those are my two questions. Thank you and all of the best.



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- Moderator:** Thank you. The next question is from the line of Mayank Gulgulia from SUD Life. Please go ahead.
- Mayank Gulgulia:** Hi! Sir, so we had shared like entire loan book will be replaced with a period of one year. So and if you want we can change in between also. So like let us say if like right now it is at 8% is like a 4% REPO plus 4% credit spread and this spread we can change any point of time and remaining 4% repo rate that will change as and when RBI change the policy is it that the way because lending is there.
- Girish Kousgi:** See whatever incremental closing I do and if I give any offer that offer will go back to rack rate after one year that is number one number two every year we do review all the accounts and we have a risk categorization S1, S2, S3 and depending on the category there is a low rate which gets loaded to the account. So these two things we do apart from these two if at all there is any change in the interest rate scenario whether rate goes up or goes down we perform that either benefit or that increase to the customer.
- Mayank Gulgulia:** Sir so our lending book is running through our rate not the RBI repo rate.
- Girish Kousgi:** Everything is into our repo rate indirectly because we borrow from banks and all those loans are linked either to T build or to repo whether internal or external benchmark so indirectly or directly everything is linked to market.
- Mayank Gulgulia:** So like typically when someone borrows from the bank it is like repo rate plus some spread so like to our customer how do we communicate like in terms of yield like in our typical agreement how is it estimate.
- Girish Kousgi:** We communicate to a customer saying that this is the rate this is the margin that is all.
- Mayank Gulgulia:** Okay thanks a lot.
- Moderator:** Thank you. The next question is from the line of Chandrasekhar Sridhar from Fidelity International. Please go ahead.
- Chandrasekhar Sridhar:** Hi do you have any thoughts of reducing the CP book any further and if so is there a timeline which you could suggest and second is I am just going through your asset liability statement it seems which published the annual report beyond two months issue we seem to be running a negative ALM all the way up to five year rise any thoughts on how do you correct this.

Girish Kousgi: No CP is what we are telling CP is raised only as a cost leverage and not a source of funds it is backed up by the undrawn bank limits are there. So it is a cost leverage concept only and since the backed up documented bank units are there, there is also a drawdown schedule as well as the due date within which we should avail accordingly the funding has been planned in such a way that throughout the year the cost of the fund remains lower at the same time within the due date the bank funds are being addressed. So when all these things have been done the airline is always kept in mind so that whatever the dispatch is there at a particular point of time it will cover up so that utilization of the bank borrowing cost of the funds as well as ALM is matches and think in line with.

Chandrasekhar Sridhar: Sorry I think they are actually not matches what your ALM statement seems to be suggesting because it seems like from beyond two months up to almost five years it seems that there is a mismatch.

Girish Kousgi: Well there is a mismatch is there because the housing loan connection is for a period of 15 to 20 years whereas the bank borrowing is seven to ten years there is a gap will be there but there is also a tolerance limit will be there it is one to one match will never come in the housing finance industry there is a tolerance limit also will result within which we can function. So whatever we are talking about is keeping that tolerance limit also in the mind and accordingly we are working on that.

Chandrasekhar Sridhar: Thank you.

Moderator: Thank you. The next question is from the line of Pratik Singhania from Sage One Investment Managers. Please go ahead.

Pratik Singhania: Sir, my question is pertaining to a scenario of say suppose the economy against comes completely back on track after COVID and say if banks which are getting much more competitive in retail they tend to like give some leaver reduce some filtration process in terms of evaluating the credit rating. So in that case if we have to simultaneously review our credit rating and say if we want to like give some benefit or some leeway to the borrowers then in that case like how our book or growth would pan out if we want to do that.

Girish Kousgi: See we have managed normal competition from banks for many, many years right what happened during COVID was abnormal competition so because of this abnormal competition we have to drop place. If it was normal composition I think this is a steady state for us and we would very easily manage the differential and not take competition on right so I do not think so that situation would because COVID is work probably once in a century kind of event and therefore we have to make this change and in fact for making this change we have

seen that in last six to eight quarters you have done pretty well given the context of COVID both in terms of book retention or disbursements or in PA management. So if it is normal competition there is no issue because the difference is always going to be there if it is abnormal let us say like COVID then obviously we also need to change the strategy to see how best we can manage things.

Pratik Singhania: So sir are you seeing this competitive intensity reducing from bank like as and when we are opening.

Girish Kousgi: Drastically it has come down that is what I told see last year quarter one, quarter two, quarter three, huge competition and quarter four we saw that competition was there but it started coming down. Now from quarter one till now it is normal business for us and normal competition because from April we increased rates and in spite of increasing rates in last four quarters, three quarters have been all time ever highest disbursements in the history.

Pratik Singhania: Okay so again like banks would be focusing again back to more of corporate as well.

Girish Kousgi: What actually happened was see now economic activity is improving and obviously SME as a segment has improved corporate credit has kicked off and therefore dependency on mortgage for growing bank book also has come down drastically and therefore now there is normal competition so we do not see too much of competition now from banks the way we saw last year.

Pratik Singhania: Okay got it. Thank you Sir, that answers my question. Thank you.

Moderator: Thank you. The next question is from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

Abhijit Tibrewal: Yes Sir, thank you for allowing me a follow-up question. Sir two data keeping questions and then one final question if you could just help us with the stage two loans number and what is the provision that you are carrying on stage two loans.

Girish Kousgi: You want the provisioning as per state two loans is as per the Ind-AS as well as IRAC norms? What you want?

Abhijit Tibrewal: Yes, Sir, so first thing is what is the proportion of stage two loans right now and what are the provisions that we are carrying on those stage two loans.

- Girish Kousgi:** Stage two loans as of now is 427 Crores that is SMA2 what we classify as stage 2 out of the total book of 25091 Crores so provisioning of stage 2 as per the IRAC norms whatever we have to maintain is to the extent of around 69 Crores whereas as per the ECL model it comes to 45 Crores.
- Abhijit Tibrewal:** Sure Sir. Sir during your opening remarks you also talked about the BT out numbers that you saw during the quarter if you could just repeat that for us.
- Girish Kousgi:** Okay BT in quarter 3 was about 78 Crores which means about 26 Crores every month this number used to be three times higher last year quarter three.
- Abhijit Tibrewal:** Sorry quarter two how much was it.
- Girish Kousgi:** No last year quarter three this number was from 278 Crores the ECL model it is 78 Crores.
- Abhijit Tibrewal:** Got it Sir and Sir then the last question that I had thank you so much for this. The last question that I had is and there seems to be some confusion around the reprising of loans so if I understand you correctly during the call so if someone had taken a home loan from you at 7% which was Q4 of last fiscal year let us say January or February last year this year given that your rack rate is now 8.25% so that 7% loan that someone took last year in this January or February it will get reprised to 8.25%.
- Girish Kousgi:** Yes, what you said is right it gets reprised annually whatever the current rate it get reprised at that.
- Abhijit Tibrewal:** And sir do you have leavers to kind of make sure because I mean if someone sees a 125 basis points kind of an increase in home loan rates when clearly the home loan rates of banks have not increased as much will there be any retention policies in place which could kind of lead to a similar pressure on your earnings in the coming quarters and Sir lastly is I mean given the kind of disbursements that we have seen during this year what is it that you are talking targeting in terms of a disbursement growth in FY2023.
- Girish Kousgi:** Let me explain to you again on the interstate scale. See for example let us say today my rate is 8.25 that is a rack rate I have an offer where I offer 7.5% now the 7.5% is for one year so after one year the 7.5 becomes 8.25 number one. Number two whenever I give loan every year so we have S1, S2, S3, S1 being the best, S3 being the worst relatively. So based on the change of risk rating my rate also would change. Number three whenever there is change in the interest rate scenario it could be the rate could increase or decrease that I would be if we



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take a call we will be able to pass on that or that increase in cost of our customers so these three are the aspects what comes under interest rate changes.

Abhijit Tibrewal: My second question was I mean what is the disbursement growth that we have in mind in FY2022.

Girish Kousgi: We will be able to grow at 18%, 20% both on disbursements and book.

Abhijit Tibrewal: I am sorry sir can you repeat yourself once again.

Girish Kousgi: 18% to 20%.

Abhijit Tibrewal: Disbursement growth.

Girish Kousgi: Yes.

Abhijit Tibrewal: All right Sir thank you so much for your patient answering. Thank you.

Girish Kousgi: Thank you. The next question is from the line of Nischint Chawathe from Kotak Securities. Please go ahead.

Nischint Chawathe: Hi! So this is just a clarification I know you touched upon this in the call but what is the reason for increase in the NPL coverage during the quarter.

Girish Kousgi: The NPL coverage increase because of the aging factor as well there is a stage movement in the NPA because of stage movement we banded the provision. Within the NPA bucket something moving from six months to the individual because when the account becomes NPA you will provide 15%.

Nischint Chawathe: Yes got it.

Girish Kousgi: Yes, 150 and then eventually 100 yes.

Nischint Chawathe: And just one thing on the investments that you are making for LCR if government securities what would be the duration of those bonds.

Girish Kousgi: Ten years.

Nischint Chawathe: And then in that sense I mean assuming a scenario of rising interest rates you would probably have to take some NPAs with that.



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- Girish Kousgi:** WE have that option, yes.
- Nischint Chawathe:** Okay and just one last question what are your approval rates or rejection rates which are very important.
- Girish Kousgi:** So approval rates we have blended we have about 88% approval rate is 88%.
- Nischint Chawathe:** And is that sort of changed over times.
- Girish Kousgi:** Yes, during COVID time and all it came down to about 84%, 85% and then again now it is back to it, it hovers between 88% to 90%.
- Nischint Chawathe:** Sure and did you anywhere in the call mentioned that the demand for salaried loans is higher than non-salaried at this point of time.
- Girish Kousgi:** Yes, I did mention that demand for the salaried is quite high compared to SEMC but however SCMP has improved over the last few quarters from 30% incrementally it has gone down to 12% and then 15%, 18% now it is back to 26%.
- Nischint Chawathe:** But is that because of tightening of screens from your side for SCNP customers or because of theta the demand was lower.
- Girish Kousgi:** We have not done any change with respect to policy or credit underwriting or the process it is only market dynamics.
- Nischint Chawathe:** Sure, great. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Karan Agarwal from Quest Investment. Please go ahead.
- Karan Agarwal:** Thank you for taking my question sir. So I have two questions, one is on the comparative side of competition intensity and the other is on the technology intensity, so coming to the first question. The current annual income of our target customer is 6 lakhs is that correct.
- Girish Kousgi:** It is about 30000 to 40000 per month.
- Karan Agarwal:** And as I could recall in the previous quarter or a quarter before that we were targeting customers who have a monthly income of close to 1 lakh, 1.5 lakh is that correct.

Girish Kousgi: No our our average income of our customers is about 38000 to 40000 per month. I also mentioned that we also focus on the high value salary, but that is an exception.

Karan Agarwal: Okay thank you Sir got it and the second question is on the technology initiatives which Canfin Homes is taking for example I checked on my Google store Google app store that we do not even have a app for a customer right on the other hand there are players who focus on small ticket affordable housing companies there they have an app and moves to 17% of the customers interact through the NBFCs through the app itself. So what are we doing in terms of the technology on a digital initiative.

Girish Kousgi: See there are two aspects to this I have seen the entire digital journey for various products in last five to seven years. Now as a company we focus on automation or when I say automation we work on Jocata, then we will have frontend so we are working on automation but not really on the digital journey per se because there are certain risks operated in digital journey I do not want to get into details in this call but because this is not a small ticket personal loan or a personal loan if the ticket size is lower so that they can have a digital journey here there are so many manual mix like legal and technical having said that I think mortgage as a product they now need a lot of automation and we are working on that and at the same time we are also working on changing the entire IT infrastructure within so as part of that we will have online sourcing TAP sourcing online collection integrations various APIs and stuff like that.

Karan Agarwal: Okay Sir and the account aggregator framework that if the government has come out we are working to integrate that into our business as well right.

Girish Kousgi: Please come again what was that.

Karan Agarwal: Sir the account aggregator framework is the government which the RBI has come up with Canfin is working to incorporate that into our business as well right for underwriting.

Girish Kousgi: No I do not think there is still understudy. That is still understudy as of now we have in-house everything is in-house and we do not plan to outsource unless there is the regulation on this.

Karan Agarwal: Okay thank you sir.

Moderator: Thank you. The next question is from the line of Pooja Ahuja from Monarch Network Capital. Please go ahead.

Pooja Ahuja: Hi! Sir thank you for the opportunity. Sir firstly I wanted to understand on the credit cost on a sustainable basis for the next two, three years how much credit cost can we expect.

- Girish Kousgi:** I do not think so there will be too much of change in the trade costs because we believe that we will be able to maintain MPA less than 1% and today it is 0.71 so we do not expect too much of credit cost and we also have planned to work on the NPA pool on the restructured pool so you will not see too much of a difference in credit cost.
- Pooja Ahuja:** Versus let us say the pre-COVID level is that what we are estimating.
- Girish Kousgi:** Yes, it will be in that level.
- Pooja Ahuja:** Okay sure and secondly the two levers that the real estate sector as a whole was seeing in terms of stable home prices and low interest rates how do you see the impact of these two levers sort of increasing seen an incremental trend that can probably impact demand if at all.
- Girish Kousgi:** So I think we are already reaping the benefit of these two changes, the visibility is very high and the real estate business are actually yield off and the demand is quite robust. So this would definitely help the industry and also ask for the company at least for next four or five years the only thing which might change is that probably increase in interest rates I think I mentioned that we will be able to observe that up to 125 to 150 bps.
- Pooja Ahuja:** Okay sure Sir and just one data keeping question Sir what was the BT out number in the last quarter and let us say pre-COVID.
- Girish Kousgi:** Quarter two of 70 Crores.
- Pooja Ahuja:** And maybe let us say in Q3 FY2020.
- Girish Kousgi:** See I am expecting maximum 30 Crores per month.
- Pooja Ahuja:** Okay sure sir that is it for my end. Thank you.
- Moderator:** Thank you. The next question is from the line of Gaurav Jani from Centrum Broking. Please go ahead.
- Gaurav Jani:** Thanks for taking my question sir. Sir firstly just a color on the disbursals. So in terms of Q4 brining the backdrop of the third wave how should you look at disbursal for quarter four also in coming January.
- Girish Kousgi:** I think typically quarter four should show improvement over quarter three assuming that omicron will not aggravate.

- Gaurav Jani:** Okay so it could be higher than that which having found that have improved in this quarter.
- Girish Kousgi:** Yes, if the omicron is there from now I think quarter by Q3 my side is again compared to quarter three.
- Gaurav Jani:** Sir just an extension of the previous question in terms of borrowing mix so in the near-term I mean next quarter of two quarters how should you look at the borrowings would be at similar levels that we saw in Q3.
- Girish Kousgi:** See I think there would not be much change in the borrowing mix it all depends because nothing I think borrowings will not change in a quarter-to-quarter it takes about three to four quarters for the meaningful change in the competition bank would still be close to 50% of the total borrowings and we can see it is a bit of increase in NCD because every incremental sourcing requires 25% of NCD so NCD you can see slightly inching up and I think the rest would still remain the same not much of change.
- Gaurav Jani:** Sir could you quantify the borrowing numbers of a quarter.
- Girish Kousgi:** Sorry come again.
- Gaurav Jani:** Borrowing number for the quarter.
- Girish Kousgi:** Incremental borrowing for the quarter you are talking about Q20
- Gaurav Jani:** Yes, Q3 closing figures of borrowings.
- Girish Kousgi:** Closing figures of borrowing is 23550 the book borrowing book is 23550.
- Gaurav Jani:** Just one last question sir a clarification on the provisioning bit so conceptually speaking the provision on the restructured I mean the ex of the structure standards as a provision would be...
- Girish Kousgi:** No, your voice is breaking sorry if you could please repeat the question.
- Gaurav Jani:** What I was asking is in terms of the provision on the restructured and the provision on standard asset ex of restructuring that would be under the same head right.
- Girish Kousgi:** That is under same head yes.

- Gaurav Jani:** And could you quantify the restructured book in the current quarter please last time I think we had quantified a number of...
- Girish Kousgi:** See total resolution relation to a 650 Crores resolution one was 77 Crores both put together today the outstanding is 7 and 11 Crores and 20 Crores of the book has been repaired.
- Gaurav Jani:** So 7, 11 minus 20 is the number that we have to look at right.
- Girish Kousgi:** Yes, 690 is the book outstanding as of 31st of December.
- Gaurav Jani:** Okay got that is it from mine. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Rahul from multi-act. Please go ahead.
- Rahul:** Yes, thanks for the opportunity. Sir, just wanted to reconfirm again you said that you made 40 basis point of provision on standard asset is that correct.
- Girish Kousgi:** It is 0.45.
- Rahul:** But when I look at the provision number for this quarter and divided by the increase in loan book I get a slightly higher percentage so can you just explain this.
- Girish Kousgi:** See this 11 this 10.97 Crores which is standard asset so this is restructuring is some bit and the balance is for increase in incremental book.
- Rahul:** So on a going forward basis we should expect 45 basis points.
- Girish Kousgi:** For example for next quarter you would not have anything on restructuring it can be only standard provisioning on a book increase and NPA.
- Rahul:** Okay got it. Thanks.
- Moderator:** Thank you. The next question is from the line of Dhruvish from Mirabilis Investments. Please go ahead.
- Dhruvish:** So in last quarter we talked about raising some 750 odd Crores of NCDs and I think we have raised some 275 Crores in November so wanted to know the rate of the same and when do we expect the remainder to be raised in the time frame.

Girish Kousgi: 275 Crores based at around 6.10% for 39 months and remaining we have to raise in this quarter we are already tied up with the couple of investors it is only the rate they were all waiting for the future results to be out to finalize the thing probably in the next two months we are going to raise the balance.

Dhruvish: And the rate can you repeat like to 275.

Girish Kousgi: 6.10% 39 months is what we raised last that is 275 Crores.

Dhruvish: And so this was because like the 750 was because we were going to mature certain entities is that correct right.

Girish Kousgi: No, it is not matching of one to one asset. No NCDs are matured during this quarter.

Dhruvish: No I mean I think there was some maturity in the quarter two or quarter one.

Girish Kousgi: yes, quarter one it was there quarter one there is the maturity of NCD this what we raised is through to the purpose of incremental borrowings is always 25% from NCD as per the SEBI guidelines this is one step towards that range.

Dhruvish: So what was the amount which got matured in quarter one and the rate.

Girish Kousgi: This matured you are talking about what is the matured. Matured quarter is around 250, 260 Crores as such what is make sure and the rate because it has been raised around three as the fact the rate was somewhere around 7 plus.

Dhruvish: Okay got it and with this like you said the remainder 475 is expected in the next two months. So can we expect the CP to go down I mean I understand the CP is for the undrawn and not for sourcing but since you said the long-term rate is lower than the CP percentage to go down since we plan to raise the remaining 475 in the next two months.

Girish Kousgi: No see I will tell you because the CP is used for cost leverage it is not for funding purpose so if you see an opportunity where we can try and learn cost we might use CP as a channel so all I could say is that the CP will be raised only against only the backup only if you have undrawn term loan limits or undrawn closing CC limits.

Dhruvish: Okay got it and my second question is with respect to the COVID buffer so if I recall the number correctly it is some 33 Crores right. So like what our stance on the reversal of the same or utilization is since like the NPAs are controlled and even the stage 2 is quite



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controlled. So from this quarter note we are on underlying basis whatever COVID excess provisioning we had we had utilized that.

Girish Kousgi: Okay got it, thanks.

Moderator: Thank you. Ladies and gentlemen that was the last question for today I would now like to hand the conference over to Mr. Girish Kousgi for closing comments.

Girish Kousgi: Thank you so much. I think market is quite good and as I mentioned that I think we are on the growth path disbursement there is a increasing trend book is increasing margins are improving the quarter and quarter and even the NPA is under control not just NPA the entire SMA and the fifth quality per se is pretty good the collection efficiency is back to pre-COVID level and hopefully we should be able to show up this performance in the coming quarter as I mentioned in the coming quarter we can see for the whole year there will be some kind of increase in the PAT but revenue would still be flat I think starting from first quarter of next year I think we will be now pre-COVID level the only change being aggressive on growth in terms of disbursement and book. Thank you very much.

Moderator: Thank you. Ladies and gentlemen on behalf of Investec Capital Services that concludes this conference call. Thank you for joining us. You may now disconnect your lines.