



## “Can Fin Homes Limited Q1 FY-21 Earnings Conference Call”

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**MODERATOR:** **MR. UTSAV GOGIRWAR – INVESTEC CAPITAL SERVICES INDIA PRIVATE LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Can Fin Homes Limited's Q1 FY21 Earnings Conference Call hosted by Investec Capital Services India Private Limited. As a reminder, all participants' 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 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. Utsav Gogirwar from Investec. Thank you and over to you, sir.

**Utsav Gogirwar:** Good afternoon everyone. Welcome to the Q1 FY21 Earnings Conference Call of Can Fin Homes Limited. To discuss the financial performance of Can Fin Homes and to address your queries, we have with us today, Mr. Girish Kousgi – MD and CEO of Can Fin Homes Limited; Mr. Shreekant Bhandiwad – Deputy MD; Mr. Prashanth Joishy – CFO of Can Fin Homes Limited; Ms. Shamila – Business Head.

I would now like to hand over the call to Mr. Girish Kousgi for his opening comments. Over to you, sir.

**Girish Kousgi:** Thank you, Utsav. Thank you all the investors for joining this call, earnings call for quarter 1. With me, I have Shreekant Bhandiwad, who is the DMD; Shamila, Business Head; Joishy, CFO.

I will give you a brief of the financials and then I will share my thoughts on how we have managed and what is the outlook and then we will take questions if any. Q1 was pretty good for Can Fin, I will put it that way. In spite of COVID we were able to manage well. We showed growth of income by 8%; PAT by 15%; NIA we showed a growth of 25%, that is Rs. 191 crores. This is Year-on-Year compared to Rs. 153 crores last year.

NIM was quite stable at 3.7% which is pretty good for a housing finance company. We have managed to maintain yield above 10% till the dropping rate scenario. Since our cost is coming down yields also would come down however we will try and manage and we will maintain the spread and NIM. Cost of funds for us was about 7.31%. Incremental will be slightly less than that but this is as of June compared to 7.93% Year-on-Year.

Spread of 2.72%. So as I mentioned the PAT was about close to 16%, we showed 16% growth. Only in disbursements we could not show because whole of we had challenge in March because from 24<sup>th</sup> of March we had to close down due to COVID and national lockdown. So we lost about 8 critical days in March and whole of April we lost. I am just connecting this with Q4 or else there is nothing to do with Q4 as such.

So April full month we did not do business. May first three weeks we did not do business. We started doing business from last week of May. In the month of April and May when we were not doing business the entire team was working from home and they were basically focusing on collections and moratorium. So we were trying to call all the customers, bring in the awareness and try to get customer's option for either morat or no morat. So the entire team was working from home but we could not do business.

So in Q1 we effectively did business for five weeks. Full month of June and one week of May and that is why you will see a sharp drop in disbursements. However, as far as book is concerned, we have shown a growth of 10%. In terms of liability mix, not much of change. Close to 60% is bank funding. NHV is 20%, then the market is 20% and the rest is deposits. Out of market CP is 9% and NCD is about 11%.

What really drives the mix is the cost of funds. So if we are able to try and keep our cost low we are open to any source of fund and not necessarily banks, not necessarily an NHV or market is depending. So whichever cost comes to us at a lower level we are open for that. Otherwise there is not much change much to the mix.

In terms of portfolio mix, we are still highly focused on HL compared to non-HL. HL is about 95% and non-HL is 5%. HL includes 5% of top up and 90% is home loan. In terms of profile mix, salaried continues to be at 71%; SMP 29%. There would not be much change in this as well. Now in terms of how we have managed, as I mentioned because of COVID we had lot of challenges. One is to ensure safety of all the employees.

So we were shut for the whole month of April, sorry, till 19<sup>th</sup> of April. From March 24<sup>th</sup> till 19<sup>th</sup> of April we had shut all our branches and we were operating from home. 20<sup>th</sup> April we started functioning. We had opened about 50% of branches and slowly this number went up and from 20<sup>th</sup> of April till 3<sup>rd</sup> week of May gradually this 50% went up and I think by last week of April all the branches were opened barring one or two branches which was in COVID area where we were not allowed to open.

These branches were in containment areas. I think about 5, 6 branches. Otherwise we were almost about 98%, 99% of branches were opened. May we started business. We were completely focusing on the available stocks and June is then we saw some demand coming back. I am not able to really confirm whether it was new or it was pent up. I think it look like more of pent up.

But however we have seen that the trend month-on-month was actually increasing. So in terms of outlook for business, we feel that business is slowly coming back in the space where we are operating. We operate in affordable space. Again in affordable the builder segment is taking more time than what we expected. So the non-builder segment which is basically construction, composite loans then resale and purchase; that is where we are seeing slight demand increasing month-on-month.

Currently it will be at about 65% of the original levels. So may be in another two quarters or so may be after December; December-January we will see complete demand coming back. In terms of outlook for NPAs, see we have been very clearly focused on four pillars that is the liquidity, asset quality, profitability and growth.

So we always said that nothing supersedes anything but we equally focused on all the four. Now because of COVID I think the sequence is slightly changed. Now the focus is more on asset quality because if we are able to manage asset quality for next couple of quarters, once the growth is back then I do not think so it will be difficult task for us to pick up market share. And therefore, we are completely focused now on asset quality. Of course, we do business whatever is available depending on the opportunity at a profitable level.

So this is what our focus is. Q2 we may not see real increase in NPAs. As an industry I am talking about. Some might see Q2, Q3 and Q4 troubling and some hiccups in Q3 and Q4 troubling more than Q2 because how well Q2 would be depends on what was the opening stock of SMA2 and what is their efforts in terms of trying to collect.

So this is the outlook on NPAs. I think in next four quarters or so we will be able to bring back NPA to the levels of what it was in Q3. That is 0.8%. So there will be increase in NPAs. Let us say in Q3 and Q4 but the increase may not be substantial compared to the increase what the industry will see. Whether it is home, whether it is non-home, whether it is salaried, whether it is self-employed, non-professional.

So, this is the outlook on asset quality on business. So this is what we are trying to do. I would request to open the floor for Q&A.

**Moderator:** Thank you very much. We will now begin the question-and-answer session.

The first question is from the line of Rahul Nair from SBI Mutual Fund. Please go ahead.

**Rahul Nair:** My first question was what was the liquidity available with us?

**Girish Kousgi:** Okay, liquidity available is close to Rs. 4,000 crores. This is un-availed, approved but un-availed limits, mainly from banks. So we are pretty high on liquidity. So this we are maintaining quarter-on-quarter.

**Rahul Nair:** Okay, so we would be maintaining this liquidity till Q4 or we will be bringing this down?

**Girish Kousgi:** No, if you look at last three quarters, every quarter we were high on liquidity. And this will continue for at least next, I mean, we have to actually decide on what level of liquidity that we are comfortable with. So we always buffer for next seven to eight months' time. And with every passing quarter we will try and moderate that number. So as of now we are comfortable till, let us say for next seven to eight months' time.

**Rahul Nair:** Okay. And my second question was on MORAT. What was the moratorium position as on June and probably July end?

**Girish Kousgi:** So I would put it this way. So for us the way we calculate MORAT is different. See for us MORAT means full MORAT and part MORAT. Why I am saying this is that, option 1 we had opted out, okay? And number two is, we had full MORAT, we had part MORAT. So from a conservative perspective, if customer has paid five out of six EMIs, or four out of six EMIs, we consider those accounts as MORAT. And we offer moratorium to the customer.

In terms of provisioning, in terms of all our calculations, we have taken that as MORAT. So that is 28%, okay? Now, if I have to assume the next question and answer, number of customers who have not paid anything, that is about 14%. So, like-to-like would be 14%. Since we are clubbing MORAT with the bounce and part MORAT, it is 28%.

**Rahul Nair:** Okay, and one more question. Do we have any capital raise plans during the year?

**Girish Kousgi:** Yes, we do have capital raise plan. In fact we had AGM yesterday. So in the AGM shareholders approved one of the agenda items, which was to raise capital. We have a plan. When are we going to raise this year, in what form and what amount, that we have not decided. We will take call at the appropriate time. But we do have plans.

**Rahul Nair:** Okay, but you have received approval for what amount?

**Girish Kousgi:** Rs. 1,000 crores.

**Rahul Nair:** Rs. 1,000 crores. And is there any update on the stakes sale plan by Canara?

**Girish Kousgi:** No, there is no update. There is no update. I think whatever you are aware even I am aware of the same thing. So there is no update after the last news what we all are aware of.

**Moderator:** Thank you. The next question is from the line of Amit Ganatra from HDFC Asset Management. Please go ahead.

**Amit Ganatra:** I have couple of questions. The first question is that, when I looked at your annual report, disclosures on stage 1, stage 2, stage 3, there was a big difference between stage 3 and gross NPA this time around. Can you explain what is the reason?

**Girish Kousgi:** So basically that is summation of our NPA, which is Rs. 157 crores, and Rs. 210 crores which was the SMA 2. So we have clubbed together and shown. I think that is the difference.

**Amit Ganatra:** So effectively when you had reported your stage 3, you have not freezed the classification?

**Girish Kousgi:** No, we have taken a conservative approach because we have to provide 10% on SMA 2, which is Rs. 210 crores. If you look at last quarter, we have provided Rs. 21 crores on SMA 2 base of

Rs. 210 crores. So in stage 3, on a conservative basis we have taken Rs. 210 crores plus the NPA. And therefore, I think it comes to about Rs. 368 crores.

**Amit Ganatra:**

Okay, and does it also mean that your stage 2 movement also reflects the actual movement till March and it is not frozen off as of Feb 29, because your stage 2 assets also went up significantly year-on-year?

**Management:**

No, stage 1 and stage 2 remained as it is. Stage 3, the movement has taken care because the MORAT concept is applicable from March. So for the conservative approach we moved it only that SMA 2 to the stage 3 for in March as well. But see one thing, provisioning we have to maintain either as per the ECR model or IRAC norms, which is IRAC norms is higher, so provision has been made according to that. This is the same disclosure is there in the annual report.

**Amit Ganatra:**

Got it. The second question is on, today in the TV interview you said that something that has been SMA 2, that can probably become NPA in September quarter because 50 days overdues are already passed. Now look at your stage 2 book. It is almost Rs. 1,000 crores plus.

On top of that there is Rs. 210 crores of default NPA recognition that you have done. So in that context, what makes you confident that, you have also then also added that for you the NPA addition will be there, but it will not be significant. But these numbers are actually quite large, as compared to what your current NPAs are. So what makes you confident that your NPA numbers will not go up meaningfully despite this kind of pipeline?

**Girish Kousgi:**

Okay, so I was referring to opening balance of SMA 0, 1, and 2 as of March 1<sup>st</sup>, because that is when MORAT started. And for the last quarter we had over a 10% on SMA 2. So there are lot of recovery which has happened out of that Rs. 210 crores base. And therefore I said that, because what will happen is MORAT gets over in August. And if September month EMI is not paid, let us say on SMA 2 accounts, those accounts will become NPA.

Since there is significant amount, significant recovery what we have done in last few months on SMA to pull itself, and therefore we are sure that our NPA would not increase. Or rather it will increase marginally next quarter. Because this is based on our collection experience in last few months, especially on the SMA accounts.

And same thing is true for even SMA 0 and 1. And just to add, I have told this in various public forum as well. Our delinquent pool is the lowest in the industry. Why I am making this statement is that, so if you look at the portfolio, so there are certain regular set of accounts which typically, if we talk about industry it will be about 80% to 81% and the rest which is about 19% to 20% would be the delinquent pool. So delinquent pool would mean SMA 0, 1, 2, NPA and the pool in recovery. So, for us this delinquent pool or the regular pool, regular pool is very high for us and delinquent pool is very less.

So once MORAT ends, the propensity of customer defaulting would be more in the delinquent pool. If your delinquent pool itself is less, that means the flow is going to be far lesser, even in terms of percentage compared to the industry. Because regular customers they are used to paying EMIs from time-to-time and only because of MORAT they have taken this option of moratorium. In the absence of too many job losses or pay cut, we have done a detailed check on all our customers, and for us job loss is hardly any percentage. It is actually less than a percentage. And pay cut is around 4.5% to 5%.

So we do not see any major issue either because of job cut, sorry because of pay cut or job loss. And therefore the flow from regular pool into SMA is going to be very less for us and the flow from SMA customers into LPA is going to be, in terms of percentage, very less. Because of our recovery efforts in last few months it is going to be hardly anything in Q2.

**Moderator:** Thank you. The next question is from Ashutosh Garud from Ocean Dial. Please go ahead.

**Ashutosh Garud:** I wanted to understand on a qualitative or quantitative aspect, if you can give some color on the self-employed book of, even though it is in the housing segment, how has the self-employed book, I mean any color on those, how it is panning out on the NPA front or the payment front? And what are your communications with that particular book?

**Shreekant Bhandiwad:** Yes non-salaried, over the book almost 70% is salaried and around 30% is non-salaried. So when we analyze the portfolio, so the non-salaried, there is slightly higher delinquency compared to salaried. Salaried is overall it is okay. Non-salaried there is slight increase in delinquency compared to salaried portfolio. So, but it is not that high. We will be able to manage in the next two to three quarters.

**Girish Kousgi:** And just to add to Shreekant, see non-salaried SENP is definitely much riskier than salaried. It is a known fact. But what we have done is, we have ensured that we have taken care of so many other aspects which are qualitative in terms of, for example the collateral what we fund is only residential and commercial. Now ticket size is low. We keep the ticket size low because the risk is diversified and we will be able to assess them better. Because in our country we have most of the customers, most of the business people do not show actual income.

Number three, we do not fund on non-assessed income, which means we do not have surrogate products. We do not fund on banking product, or liquid income plan. So we only go by declared income. So to that extent income is understated and therefore we have a comfort there. Last but not the least, our company from the beginning we have been focusing on salaried. And therefore SENP is quite less in terms of the mix, it is just about 29% to 30%. So wherever we do SENP, we ensure that we do SENP only because of two reasons: (1) In that state scope for salaried is less. (2) SENP, the repayment culture is good.

For example Gujarat, for example, Rajasthan. So Rajasthan and Gujarat you will see a lot of self-employed people. Not just that, repayment culture is very good. If we pull bureau and

check, if you do an analysis city-wise or state-wise you will find that Gujarat and Rajasthan, even though the profile is self-employed, credit culture is good.

So we choose geographies very carefully and we do more business in geographies which are safe, even though we do self-employed. So we have taken lot of mitigants to ensure that our SENP, we do not have a higher delinquency. However, whatever checks, whatever precautions you take, SENP delinquencies are slightly higher than salaried even for us.

**Ashutosh Garud:**

Any comments on the cost-to-income ratio which has been, this quarter you have seen a positive direction for that? So any plans of sustaining any aspects of your cost which you see might have gone down permanently because of this current scenario? Any new ways of implementing the OPEX?

**Girish Kousgi:**

Not much, I would say. I think this is basically because of the interest income. So I think there is no one item or few items to say that we have been able to curtail costs. It is largely because of COVID. I think a quarter later or two quarters later it will come back to the same level. So this reduction in cost-to-income ratio should not be read otherwise. It is largely because of COVID.

**Ashutosh Garud:**

Okay, and sir you also mentioned earlier where you seemed confident on your NPAs coming back to normal by the end of this financial year. So does that mean that FY22, on a general, assuming that there is no escalation in the COVID situation in the country, do you think FY22 is going to be a kind of a normal business year for you on those lines what you mentioned earlier?

**Girish Kousgi:**

Three things I would like to clarify. One is, it is not end of this financial year. I told four quarters from now. So that is Q2, Q3, Q4 and Q1 of next year. So it is not this, because Q3 and Q3 would be peak and Q4 we will be able to contain to a certain extent. And the next quarter we will be able to bring it down. So in next four to five quarters we will be able to bring it back to the levels of Q3 of last year. That is 0.8%. So I am talking about next four quarters.

On the business outlook, we feel that, if COVID does not deteriorate, as of now there are signs of COVID not deteriorating. Only a couple of states are quite high. Otherwise in rest of the states, even though number of cases are not coming down drastically, at least the effectiveness I think is reducing. So that we feel in next two to three quarters' time business would be slowly back. I am talking about affordable space, within affordable excluding the builders' space. So which for us is about 75%.

And therefore, I feel that business would be back. I am not very sure how next year would look like, but I can only tell that whatever is the industry growth rate, we would grow at a much faster rate than the industry.

- Moderator:** Thank you. The next question is from the line of Piran Engineer from Motilal Oswal Financial Services. Please go ahead.
- Piran Engineer:** Thanks for the explanation on the MORAT. I just have a couple of clarifications. So the SMA 2 number was Rs. 210 crores as of Feb 29<sup>th</sup>, right?
- Girish Kousgi:** Yes.
- Piran Engineer:** And so now what is that number like? Since you said we have recovered a lot over the last quarter?
- Girish Kousgi:** That number is very, very less as of now. As I told you we have done a lot of recovery, and therefore I was so sure of saying that next quarter you would not see, you will see only marginal, you may see marginal increase in NPA. So we are pretty comfortable on that number. Significant portion of that pool is already collected.
- Piran Engineer:** Okay, that is very good to hear. Sir, and secondly, you said 14% of customers have not paid at all. That is between April and August, right?
- Girish Kousgi:** No, this I am talking about overall, because see, we have taken the most conservative approach. Even if you look at our provisioning, we have provided Rs. 73 crores. And if you compare this with the industry I think we will be the only HFC for that sake, which would have provided for COVID such a huge amount. So that is only because we are so confident of our book and our collection mechanism and therefore we have done that. So we are pretty comfortable on our SMA books.
- And this MORAT of 14%, as I told you the risk of any flow would be more in delinquent. And for us that pool is less. In fact this is true for the entire industry. Any company which had a smaller pool of SMA 2 and if they had done good recovery in last few months, their increase in NPA would be hardly anything in Q2. So that is what I was saying for Can Fin and similarly.
- Piran Engineer:** I do get that. No, my question mainly came from the point that one of your competitors had 7% to 8% of customers who had not paid at all in 1Q, but then half of them ended up paying in July and August. So I wanted to understand, you all also experienced such a phenomenon?
- Girish Kousgi:** No, as I mentioned in the beginning, 14% of customers, they have not paid for six months.
- Piran Engineer:** Sir, and lastly, just a data keeping question. What is our capitalized interest this quarter and our borrowing number? Outstanding borrowing?
- Girish Kousgi:** Outstanding borrowing number I will share with you and typically we have accrued interest on all these accounts wherever we feel that the case is going to turn NPA, of course we would not

recognize income on those accounts. So I think that would be hardly anything as I mentioned. I will share with you what is the borrowing number. Rs. 18,200 crores.

**Piran Engineer:** Okay sir. Sir, that is awesome and if you could always put the borrowing number in the PPT that will be helpful. Just as a hygiene factor. That will be good for us also.

**Girish Kousgi:** Sure. We take your feedback and we will do that.

**Moderator:** Thank you. The next question is from Aswin Balasubramanian from HSBC Asset Management. Please go ahead.

**Aswin Balasubramanian:** Just want to understand about this 14% number, which have not paid for six months. So if you can give some color in terms of like, these customers are it mainly self-employed customers who have not been able to restart their business? Or is it like salaried customers who have had job losses and so on? And in that case like, how will you approach the post moratorium period? Would you be like restructuring these loans going forward? I mean what would be the approach you would take in order to recover these loans. That is my first question.

And the second question is, on the remaining of 14% you said that is part payment. So there again is it like, the trend is improving from the second MORAT onwards? Or is it more like, there are customers who paid in March and April and then again slipped closer June also or something like that?

**Girish Kousgi:** Sure. So this 14% which is part payment is basically customers initially they did not pay, but later on they paid. So that is the part MORAT, which means with every passing month the number kept on increasing and therefore, if I have to talk about this 14%, in the later part of the MORAT period all these customers started paying. Which means we have a better comfort because they are used to paying at least last two months, three months, four months. So that is on the 14% part.

The other 14% where we say that lot of customers, the 14% of customers who have not paid anything, this is a mix of in terms of profile SENP and salaried. Since our SENP base is quite low, we are pretty comfortable there in spite of MORAT because here the regular pool is substantially high and delinquent pool anyway SMA 0 and 1 we still have time to work on that. And SMA 2 as I told, we have significantly reduced in terms of collection.

So on the 14% I gave a view that lot of customers have paid in the recent months of the MORAT period. The other 14% is a mix of both SENP and salaried. And also I mentioned that because of job loss, job loss for us is a very small percentage, and that would not really impact much.

Pay cut is about 4.5% to 5%. And when I say pay cut it is, pay cut is in the manageable level. In the sense, somewhere 15% to 20% pay cuts. So even that would not really impact in terms

of too much of flows. All this is part of the 14% MORAT. And this MORAT again is a split of both regular and delinquent. So delinquent, when you talk about delinquent, largely these customers are SMA 0 and 1. Since we have already taken care of SMA 2 to a large extent. So we do not see too much of flow from regular pool or even delinquent pool because our SMA 0 and 1 we have done lot of, team has done good work in last few months. And we still have another three months to get this completely out of SMA.

So in that extent, SMA 2 is what really matters for Q2, which we have taken care significantly. SMA 0 and 1 MORAT cases would impact Q3. One, we have taken care. Number two, we still have another three to four months. Therefore I was very confident in saying that we will be able to manage our NPA numbers. Hope I have addressed all your queries.

**Aswin Balasubramanian:** And in terms of your yield which is on your book, which is about 10%. This despite 90% being housing loans. So when do these loans repaid, I am assuming most of them will be floating rate loans? So I mean, what would be the nature because banks today all are offering at may be let us say 7% or so. So from that perspective, how quickly would this re-priced?

**Girish Kousgi:** So, we give only on floating rate basis. Because now I do not think so any company give on fixed. So it is completely floating. And even our lending rates are in a way linked to our cost, which is bank, finance, CP, then borrowing from market in terms of NCD and deposits. So yes, there is lot of competition from banks, both PSU and Private and also large HFCs. And therefore our geographies are different, our customer profile is different. We focus on niche segment.

So this competition was there in the past, it is there now. It will be there for next four to five decades as well. So that is there, because there is no answer for this. Only because banks are not able to reach out to all the home buyers, HFCs are surviving. And to an extent our pricing is slightly higher than bank pricing.

So we try to use our USP in terms of service. And being present in geographies where others are not able to easily reach has kept us on the edge and performs till now. So we will continue with that. Our yields will come down because our cost also will come down. We will try and maintain spread and NIM.

**Aswin Balasubramanian:** And what would be the incremental cost at which you will be borrowing from banks as on today?

**Girish Kousgi:** Cost is about 7.31%. Incremental will be around 7%.

**Moderator:** Thank you. The next question is from Anirban Sarkar from Principal Asset Management. Please go ahead.

**Anirban Sarkar:** Just one question. I am trying to understand the movement in your loan book based on disbursements and repayments. So what I am seeing is that in this quarter our repayment rate is a bit on the lower side, which is understandable given that a big part of the book is in moratorium.

So the repayment rate annually comes to around 5%. Now our normal increment rate is at around 17% to 18%, in that range. So if 72% of our loan book has been paying EMIs regularly, given that 28% is paying either fully or partly, not paying fully or partly, so 72% is paying fully. So given that 72% of the book is paying fully, this increment rate seems a little low, compared to the normalized rate?

**Girish Kousgi:** No, see there are two things. One is, we need to understand first of all why this 28%, because our option was, first option was MORAT, which was opt out, which means the hit rate would be low, which means very high moratorium rate. So that is on the percentage front. Now, on all these cases, interest will accrue. Which is why the amount what you are seeing seems to be, interest will accrue in all these accounts, but for the accounts where we feel that it would slip to NPA and therefore we would not recognize. That will be hardly very few cases. Otherwise interest would accrue on all these accounts.

**Anirban Sarkar:** So sir, what would be the amount of interest accrued, but not received during the first quarter?

**Girish Kousgi:** So it is, see we can just calculate, on the entire portfolio the yield is about 10% and if you take about 14%, because there is not much difference in percentage between number of customers and the amount. So you can say that 14% is when they have paid part. You can take average 2.5 to 3 EMIs, 2.5 EMIs. And on the balance 14% is where we have not received any EMIs because of the MORAT option.

**Anirban Sarkar:** Right, and therefore the interest accrued part comes to really low, right? So that is where I am coming from. That you know our calculated repayment for the quarter is around Rs. 266 crores?

**Girish Kousgi:** No, I am let us see, sorry, the repayment rate also depends on the strategy which each company would adopt. For example, in Can Fin we have a very strong retention team because we know that we are funding at a higher rate. And obviously it will be good opportunity for other HFCs and banks for a takeover. So we have a good retention team which very closely works with the customer to try and return all the customers.

So our BT out percentage for example, or our customer foreclosure for example are the normal repayments. So we cannot do much about normal repayment because that is the normal amortization. Otherwise we have a very tight control on BT out and customer foreclosure. So this percentage would differ. However, what you are saying is right in terms of industry perspective. We are better than the industry and therefore maybe you are seeing this gap.

**Anirban Sarkar:** Sure sir. And the other thing that I wanted to know is that, if you could summarize how many price cuts we have taken in our yields in year-to-date FY21 that would be great?

**Girish Kousgi:** Sir, I think I would draw your attention to look at our NIM and spread for last three to four quarters, sir. Because always I have maintained that for a housing finance company NIM of more than 3% is good enough and spread of about 2.2% to 2.4%, but you can see our NIM and spread, even though we have been maintaining that we are already at a high level. Fortunately, till date it is increasing, but we will not be able to assure that we will maintain this, but definitely NIM will be more than 3 and spread will be more than 2.4 or so.

Today if you look at our NIM and spread and if you compare this with last three or four quarters, it is, not that it was designed like that but we see that there is an increasing trend of both NIM and spread. But we do not subscribe to this because there will be lot of pressure going forward.

We will maintain. But 3.7%, 2.7%, definitely not the one which HFC should have. Luckily we have this kind of numbers. But going forward there will be slight change. May be 10 bps, 20 bps here and there, but we will broadly maintain this. The trend for last three to four quarters, it is going up.

**Moderator:** Thank you. The next question is from Harsh Agrawal from Infina Finance. Please go ahead.

**Harsh Agrawal:** Sir, just wanted to understand, when we say this MORAT number of 28%, that is on the basis of the number of customers. So what is, in terms of AUM?

**Girish Kousgi:** It is, see last time also I have mentioned this. So in terms of numbers it is 28%, in terms of amount it is 29%.

**Harsh Agrawal:** Okay, sir 29% of total AUM is under MORAT and again when you say that 14% customers have not paid any EMIs since March, so what would be the AUM these 14% customers would contribute?

**Girish Kousgi:** Not much of a difference. So it is about 49% to 51%. It is not much of a difference. Because our ticket size itself is quite low, we focus on affordable. And we do not do high value loans. So, not much, whether it is SENP, or salaried, whether it is delinquent or regular. Even if we look at geography wise, I think the difference is not there.

**Harsh Agrawal:** Right sir, but then the only point that I am trying to understand is like, because the other 14% of the customers which have made part payment, they would be contributing much lesser than the 14% of the book, right? Because the customer would still remain on the book but in the last five, six months he would have made some payments, some EMIs to you. So the contribution to AUM would be much lower?

- Management:** You are right, correct.
- Harsh Agrawal:** Yes, so that is why I wanted to understand like, if the AUM is 29% under MORAT, so how much of AUM would be contributed by the 14% customers?
- Girish Kousgi:** We have not seen anything. We have not seen that number in terms of AUM now, but when we did this check little, a few weeks back, the amount was almost 50:50. And therefore because the ticket size and in terms of number of customers also it is exactly 50%, in terms of AUM also it will be almost same. Maybe 1% here and there.
- Harsh Agrawal:** Okay, so can I understand it this way that the 14% customers who are not paying, who have not paid any EMIs are have actually less than average outstanding on the book, maybe like because their average ticket size is somewhere between Rs. 18 lakhs to Rs. 20 lakhs. So these 14% customers have an average outstanding of much less than Rs. 18 lakhs to Rs. 20 lakhs?
- Girish Kousgi:** No, it is like this. See, when I spoke about ticket size, I was talking about at the time of sanction. So when I saw this number even on outstanding basis, it was coming to almost same. But it may so happen, if your question is to ask, 'has recent book have opted for a higher MORAT in terms of percentage compared to vintage book'? So that is what I was coming to.
- See, if you look at any HFC, bulk of the portfolio would be of last three years. 75% to 80%. So we saw that for the last three years. We saw that the latest year was little lesser compared to earlier two years. So not much of a difference there because the 80% of the book is of last three years only.
- Moderator:** Thank you. The next question is from the line of Nirmal Bari from Sameeksha Capital. Please go ahead.
- Nirmal Bari:** My first question is on the interest rate decrease. So we have reduced the interest rates from 1<sup>st</sup> of July by about 55 basis points. That is the rack rate at the lowest level has decreased by about 55 basis points. So should we expect a similar decrease in our yields going forward into the year as loans get reprised? Or would it be higher since we are also running some, we were also running some teaser schemes earlier in the year?
- Girish Kousgi:** So this is a continuous activity. So we also, when we reduce the card rate, we also reprice the book depending on the timing. So it is a continuous process. Whatever happened last year, whatever happened last to last year would happen this year as well.
- So just to answer your question, reduction in card rate would not amount to equivalent reduction on the portfolio, but however there will be some drop in yield on the portfolio as well. But this is no different from what we have been doing for last several years.

And therefore, just to answer your question in simple words, if I drop by card rate, my yield will come down. And reason for that would be my cost would have come down. So my guiding principle would be, what is my cost of borrowing? So basis that my card rate and the portfolio yield also will depend in terms of reduction.

**Nirmal Bari:** Okay, so we should not expect a similar decline in yields?

**Girish Kousgi:** No, you can, if the interest rate trend is downwards, we can expect a drop in yield. But what is important to note is that we have told that we will maintain our spread and NIM. See, I would drop rates only if my cost is going down.

So we would maintain NIM of more than 3% and spread of about 2.38% to 2.4%. Today it is 2.7% and today NIM is 3.7%. But we would definitely maintain more than 3% in terms of NIM and more than, it will be around 2.4% in terms of spread.

**Nirmal Bari:** Okay. My second question is on repayments. An earlier participant had alluded to it and you had answered it, but if you can tell me what would be the normalized repayment of principal, excluding of BT out in a normal quarter? That would be helpful.

**Girish Kousgi:** See whatever repayment happen on a month-on-month basis, since we have a very strong control on BT out and foreclosure, so our normal repayment would be almost close to about 68% to 70%. And the rest would be a combination of foreclosure and BT.

**Nirmal Bari:** So if I look at the figure a year back, it was about Rs. 700 crores. So about 70% of that would be about Rs. 500 crores would be the normal repayment in a quarter?

**Girish Kousgi:** Not necessary. It also depends on my acquisition. It also depends on my pricing strategy. So this would keep varying. But on an average I can say that we have a pretty strong team since last few quarters for retention. So not necessarily. Yes, there could be a difference of 3% to 4%, but by and large you are right in terms of mix.

**Nirmal Bari:** Okay and the last question is on the retention part only. Since now the card rates that we are offering, or the rates that we are offering are significantly above the rates that some of these public sector banks are offering and they are actively pitching for loan take outs.

So how has been the trend of loan take outs in the current quarter, July onwards? Since the lockdown has been released a bit and people can actually move out. Are we seeing increased trend of loan take outs now?

**Girish Kousgi:** So, during COVID, especially last quarter, I think at an industry level, we saw that there were a lot of takeovers in the industry because demand was down and no company was able to do business in the normal course because visits were not possible. Property visits, customer visits

were not possible. And in home loan there are so many legal which might require registration at sub-registrar office.

Because of all these things we saw that BT was quite high and it was true for us as well. And therefore we had thought about this much earlier, to put up retention team. So, if we compare to earlier months, yes there is slight increase in BT out, but at the same time we also did BT in.

So if I see the net off effect, nothing much, but yes, if we have to talk about standalone BTs, I think typically BT is 20% market. So during this time we thought this 20% went to about 40%. And if you see 40% of overall base, since the base has come down, this 40% increase also would not really mean much because, let us say for example, there are two HFCs, HFC A, HFC B, and HFC C. And let us say Can Fin is HFC D. And if A takes over from B, B takes over from C, and therefore the net effect would be hardly anything.

**Nirmal Bari:** Okay and we are actively participating in the loan takeout from other HFCs.

**Girish Kousgi:** Both. So if you ask me, we have lost little more cases in terms of percentage during COVID. At the same time we have also gained from other HFCs which were, where the price was slightly higher than Can Fin. So BT in BT out it averages out. And as a mix, BT went up from 20% to about 40%. And once business picks up I think this will again go back to 20%.

**Moderator:** Thank you. The next question is from the line of Sanket Chheda from B&K Securities. Please go ahead.

**Sanket Chheda:** I had just two questions. First is on your view on the onetime restructuring. Have we formulated any internal strategy around it? And how are we going to use this as a tool in case of delinquent accounts?

And my second question is as you said that the NPAs are unlikely to go up materially high, given the robust collection efforts in last three to four months, I would be happy if you could give out some numbers, whether they can increase three fold, four folds, but they will be below 4% to 5% and not excellent number on NPA but at least an upper limit have you worked around any numbers around that?

**Girish Kousgi:** On the restructuring we are waiting for guidelines from RBI, but as a company our strategy is to offer restructuring to very few customers who actually deserve it. So when I say deserve, it depends on whether there is a job loss, or business loss for a prolonged period. And only then we will do it. So to that extent the number of cases which will get restructured, I am not able to commit at this point in time, but I can only say it will be very less.

On NPA, let me talk about industry. So if you talk about industry, home loan NPAs will go by 85% to 90%. So today if home loan NPA is 'x', because of COVID, in next couple of quarters NPA will be 1.9x. If it is loan against property or non-home loan, then the NPAs would be

150% more. So today if it is 'x', it will be 2.5x. This is what the industry is expecting in terms of growth in NPA.

Now all I am saying is that even for Can Fin there will be increase in NPAs. I am not saying no. I am only saying that we have very good robust collection mechanism and we have been tracking every single account from the beginning. And therefore, NPA for us also it will go up, but it will not be in line with the industry growth. It will be far less than the growth rate of the industry in terms of NPA both for home and non-home. I would not be in a position to give you a number because even we are not very sure.

**Sanket Chheda:**

Yes, that is very helpful. And one more question if I can just make. On the NHB borrowing, we used to have a very high share of NHB borrowing weigh in FY14, FY15. And then the share of NHB borrowing had dropped. And again we are ramping that up.

So any particular reason because NHB borrowing would always be cheaper when compared to bank borrowings or any other market borrowings? So why that share had gone down and plus what is the room available now to inch up that further? We are currently at 20%. How far it can go?

**Shamila M:**

Yes, reason is the cost. When the cost of NHB borrowings at that point was a little higher, so we had restricted. And now the rates, the cost of funds are really low. The NHB what we are getting is at a very good rate. So that is the reason why it is moving up a little.

**Girish Kousgi:**

So as a company our focus is very clearly on safeguarding interest of the stakeholders. All stakeholders including shareholders. So what drives the source of borrowing is only cost. Be it bank, be it NHB, be it any bank for that matter, be it market, be it deposits. What drives is cost.

So if we are getting funds from NHB at a lower cost, we would take from NHB. If we are getting lower rates from banks, we will take from banks. So I think that is the only reason. Otherwise there is no other reason. So this mix as of now, NHB is 20%. Earlier I think it was quite less because their rates are very high.

And now they also have lot of mandate too, because to ensure that they disburse more loans and rates are competitive. So the only guiding factor is rate. So this 20 can become 30 next year if we are able to get much cheaper than banks, subject to, because NHB also has certain limits for each company depending on the balance sheet strength. So we will utilize full amount if we are getting at a good cost.

**Moderator:**

Thank you. The next question is from Sweta Jain from ANSL. Please go ahead.

**Sweta Jain:**

I think most of my questions are answered. Just a few, one to two questions. Sir, is there any disbursement target or a number that internally we are looking at for this year and for next year?

**Shreekant Bhandiwad:** As of now it is difficult to project any number because we also do not know how the COVID will, how long it will spread and what will be its actual impact. So may be by another two or three months or by the end of October we will be able to see the impact and then we will be able to give some kind of a projection. But in the present scenario it is difficult to give any kind of projection. But internally we are planning to reach a level of about Rs. 5,000 crores of our disbursements.

**Sweta Jain:** Okay so that is?

**Girish Kousgi:** So just to add see we feel as a company we feel our strategy now is to we are very comfortable on liquidity and touchwood I think that will continue in the quarters to come. So if we can take care of asset quality which we are doing, our team is doing really well on the asset quality. If we can take care of asset quality now for next three to four quarters and then growth is only a question of time.

So if once market opens up, then company would be future ready in terms of taking on growth to show whatever growth rate which will be much above than the industry growth rates. So it is more of a strategy what we have adopted that now the entire focus is on collections and recovery. We are not letting go any business, but I think the demand is low. We are trying to channelize our energy more on recoveries. As Shreekant mentioned last year we disbursed about Rs. 5,500 crores.

Our attempt is to get closer to that. We may not be able to reach that number because we lost effectively one quarter I must say. And still demand is quite low. So we would make an attempt to reach that number which is why Shreekant mentioned Rs. 5,000 crores.

**Sweta Jain:** Sir, second question. With respect to the branch expansion, I think you have mentioned we are looking to add 10 branches this year. So can you throw some light as to what geographies are we looking at and how are we planning branch expansion next year or is it too early to think about expansion next year?

**Shreekant Bhandiwad:** No, we are planning to open 10 branches. Now our main focus is on Tier-2 and Tier-3 cities. Especially outside metros also and also Tier-2 and Tier-3 cities. So it all depends upon what is the impact of COVID and how far we will be able to move out and relocate people and open the branches. So, as of now, we may not be able to open any branch during this quarter and we will start the process by next quarter. And hopefully by year end, we'll be able to open few of these branches and it is too early to predict for next year.

**Sweta Jain:** Right. And sir just last question if I can squeeze in. With respect to credit costs. Do we see this going up in future like in next couple of quarters or where are we looking at the credit cost?

**Girish Kousgi:** Credit cost is currently around 0.35% and it remained constant at that rate only. And as I explained that NPA will not increase much, it will remain at that level only.

**Moderator:** Thank you. The next question is from Shubhranshu Mishra from BOB Capital Markets. Please go ahead.

**Shubhranshu Mishra:** Two, basic questions one, after seeing the lockdown and operating in the present environment, have we changed any of our operations and if yes, what are the kind of OPEX benefits structurally we are going to see in the next couple of quarters. Second question is sir, any changes that we have done to our credit engine in terms of increasing our LPV or changing any kind of negative areas, negative people or negative kind of customers that we have added to our list. So these are my two questions sir?

**Girish Kousgi:** Okay, so just to answer your question. We have done a lot of changes in terms of processing. Nothing would yield immediate benefit in terms of reduction in cost. So whatever reduction cost you have seen that is largely because of COVID because we couldn't travel, we couldn't do all those things, otherwise in terms of policy we have tightened some of our policies and COVID was a good eye opener for the entire industry. And therefore, we have reorganized our policies geographically to a certain extent and also in terms of profile, but all this for tightening and not loosening. And we see huge growth opportunity in future as well in spite of tightening for the simple reason, market has shrunk. Even the market has shrunk a lot of players, number of players have come down because while we talk about liquidity being very high for Can Fin, asset quality being stable for last three quarters and we are also saying that in next two to four quarters it will not go up drastically and will be able to bring it back to the current level in next four to five quarters. However, industry is facing a lot of challenge in terms of liquidity and flow of funds, because of that, even the demand has shrunk available demand would be good enough for good existing companies to do and gain market share. So, to that extent, we will be able to grow at the rate at which we want to, once we are comfortable in terms of managing the other three pieces that is liquidity, profitability and asset quality.

So, I don't think so, yes, to answer your question, we have tightened the process, we have tightened the policy in certain geographies, in certain products. To ensure that we become little more wise and prudent at least for next two, three quarters, this is not permanent, this is temporary and once things ease down, we would probably go back to our original policy which itself is very robust and prudent.

**Moderator:** Thank you. The next question is from Gaurav Jani from Centrum Broking. Please go ahead.

**Gaurav Jani:** So just if you could, your commentary on collections, that was helpful, but if you could just quantify, what has been the trends that are we seeing in July and for example August now, we're nearing the end of August. So would be helpful if we could, throughout some numbers, please. Thanks.

**Girish Kousgi:** Okay. So, we are quite conscious about couple of geographies, in terms of going slow otherwise in all other geographies, because of COVID, because COVID has still not come down in those geographies and therefore it is risk in terms of for our employees to go out and

also in terms of customers coming and seeking loan. So we are going a little slow in couple of geographies, otherwise we are trying to utilize the opportunity available. In terms of business level, it's back close to about 65% to, in some markets 65% and some markets 70% which is still about 35% less than the normal level. So, every passing month, we see that the current month is better than the previous month. So, currently it's about I would say 67%, 68% business is back in the affordable space.

**Management:** And also collection is improving month-on-month.

**Girish Kousgi:** Yes, only April was not that good for collection for the entire industry and same thing is true for Can Fin. That is also mainly because a lot of HFCs were focusing on how to manage this moratorium, because the guideline came by end of March. And every company was very busy formulating policy for implementing moratorium and therefore April collection was pretty low. And for us that number was about 42% and now if we talk about June it was in excess of 70%. So drastically collection percentages have increased with every passing number.

**Moderator:** Thank you. The next question is from the line of Nitin Jain from ASK Capital. Please go ahead.

**Nitin Jain:** Sir, I have a long-term kind of question, sir I've been observing that Can Fin has improved its debt to equity ratio over the last three to four years, from somewhere around 10.5, 11 to close to 8 now. The larger players in the market like a HDFC, et cetera are close to a debt equity of 5. So what is our vision going forward, like do we plan to bring it down further, what is the thinking on this?

**Girish Kousgi:** See, there is no benchmark for DER for housing finance company. Some company believes in keeping that ratio low, some companies are comfortable at a slightly higher number. So as far as we're concerned, we feel 7.5 to 8 is the right level at which our company should be in. Even though we have plan of raising equity we feel that around 8% is good enough because we have a very strong parent and Can Fin is not, in all meaningful words Can Fin is not equal to any other private HFC. So, we are somewhere in between, in terms of the entity I'm talking about not in terms of performance, in terms of entity we are somewhere in between, HFC which is private and HFC which is PSU, we are somewhere in between and therefore, we have better comfort with respect to parent age, and therefore we feel that and also the strength of balance sheet is such we feel 8%, 7.5% to 8% is definitely a comfortable level. Having said that, in terms of entity we're in between in terms of performance parameters, we are better than the best. All parameters, most of the parameters we score better than most of the HFCs. But for the size, we always believe that size if it comes with profitability, it is great if size comes without profitability, then obviously big is beautiful, we have growth plans but we want to maintain profitability and therefore the only difference today what I can see is the size but for that we are better off in almost all the parameters.

**Moderator:** Thank you. The next question is from Pooja Ahuja from Equentis. Please go ahead.

- Pooja Ahuja:** Most of my questions have been answered. Just wanted to know are you seeing any geography specific trends in your morat book?
- Girish Kousgi:** No, we don't find any, such a distinct differentiation in morat. Maybe slightly higher in NCR region and slightly less in South, but overall there is no such differentiation very, very distinct differentiation.
- Moderator:** Thank you very much. The next question is from Rahul Picha from Multi-Act. Please go ahead.
- Rahul Picha:** Sir earlier in the call you said that in spite of higher cost customers come to you for better service. So can you please elaborate a bit on what you mean by better service?
- Girish Kousgi:** It's a very, very touchy subject. All I'm saying is that, today we have so many PSU banks, we also have private banks. So, in most of the PSU banks, there is no need to maintain minimum balance, or the minimum balance is quite low it's as low as Rs.500 or Rs.1000, whereas in private banks, I've seen Rs.5000 or Rs.10,000. So, I'm only saying that there will be difference in offering and that will be backed by, USP. So by and large, all I'm saying is that today HFCs are in a position to offer better service to customers in terms of TATs and advice, and therefore probably we have an edge in terms of sourcing at a slightly better rate. That the only difference it existed for last several decades. And it will also continue for next few decades, that is the only difference and the reason why HFCs are able to survive and do good business in spite of competition from PSUs and private banks.
- Rahul Picha:** Okay. Secondly sir, earlier you had also said that the delinquent pool for you is lower than the industry. Can you explain that again?
- Girish Kousgi:** Okay, what it meant was, so suppose let's say the portfolio size is 100 crores, so if there is an overdue of one day and above that is delinquent pool, that is basically it could be SMA-0, SMA-1, SMA-2, NPA or in recovery bucket. So there are five buckets very clearly that is a delinquent pool. So, regular customers are customers who pay EMIs regularly without even a single day delay. So, if you see this regular versus delinquent mix. We have a better mix. I can talk about industry, industry for home loan it's about 19% is delinquent and regular is about 80%, 81% and for loan against property it's as high as 27%, so 27% to 30%. So, I'm saying we have a better mix in terms of both HL and LAP. Why it is important because, what will be the NPA in next three to four quarters because of COVID it would largely dependent on how big is the delinquent pool and what is the mix between regular and delinquent.
- Moderator:** Thank you. We'll be able to take one last question. We take the last question from the line of Rohan Mandora from Equirus Securities. Please go ahead.
- Girish Kousgi:** Mr. Rayomand. If we have more questions, we can take more questions. There is no dearth for time. We can keep it open for another 20 minutes, half an hour, not an issue at all. So please

don't deprive any investor of asking questions. We are open, we can be on for another half an hour, 45 minutes not an issue.

**Moderator:** Absolutely. Sure sir.

**Rahul Picha:** So sir on this moratorium piece of the 14% which have not paid anything for the six months. So you indicate that around 5% to 6% is such which has been a pay cut or job losses, but for the remainder in your discussions with the customer what is the rationale for them on sitting or conserving the liquidity, any other thoughts?

**Girish Kousgi:** Sure, two things. One is no, not 5% of this 14% is because of pay cut and job loss. No, I only told out of the entire portfolio, job loss is about it's about 0.5% and pay cut is to the tune of 5%. So it's not part of 14 no, it's entire portfolio. So, it is maybe both put together 5% of 100 not 14% because lots of customers even though there is pay cut, they have not even opted for morat and they're paying regularly. So, these are two different things.

Now second question, why people have opted for morat. People have opted for morat for so many reasons. One is, it is school admission time, number two because of COVID there is a lot of uncertainty so they wanted to conserve cash. And number three, just because there is an option available from the regulator and from the company they have opted for morat, but also it is true that a lot of customers realize that if they opt for morat they will end up paying few more installments at the end or they will have to pay interest-on-interest and therefore a lot of customers who had the capability of paying they have comeback and started paying.

**Rahul Picha:** Sure. So the 5% which have seen some pay cut but still paying so what is the percentage which is under moratorium which is staying right now within that pool of pay cut customer?

**Girish Kousgi:** That is as of now it is very less but we can't go by that let me also tell you that with a caveat we need to see September and then decide, because August is when the morat gets over. So, but we've seen a lot of people out of the 5% they're actually paying and they have not even opted for morat. Since we reached out to all the customers to understand the impact of COVID in terms of job loss and pay cut we got this number otherwise as of now neither job loss nor pay cut seems to be a problem in terms of managing our delinquency.

**Rahul Picha:** Sur what percentage of the book would re-price over the next six months the back book?

**Girish Kousgi:** It depends on the market situation and also it depends on timing. At what point in time, how many sets of customers had opted for what loan under what option. So on an average every month it will be about 3% to 4%. And this has been happening since very, very long time and it will continue.

**Rahul Picha:** Sure, and sir on that remaining 14%, which are under partial moratorium, so when you started paying, they're clearing the entire EMI amount of the recent month?

- Girish Kousgi:** Enter EMI, when I say part it is only part of six EMIs, not part of one EMI, so it is entire EMI
- Moderator:** Thank you. The next question is from the line of Sangeeta Purushottam from Cogito Advisors. Please go ahead.
- Sangeeta Purushottam:** My question was that, when you're looking at new disbursements right now, have you actually tightened your underwriting standards and how are you looking at it in terms of new client sanctions. The second question I have is that, when do you actually think that you will be in a position where you will be comfortable focusing on growth, is that likely to be maybe six months later, what is your sense and what is the customer behavior in terms of seeking new loans, given that property prices are down, interest rates are down, are you seeing any pickup in inquiries or demand happening also, if could give us some indication of these?
- Girish Kousgi:** Okay, so we have tightened our policies to a certain extent, we have put more filters so that we get better profiles than what we're getting earlier. Nothing to do with the profile or the geography but only because of COVID because income levels of customers would have changed because of COVID and therefore, there's a slight change in the policy and process #A, #B will we be comfortable doing business if growth comes back, definitely we will, but it won't be at the cost of profitability, at the cost of asset quality, because today as an investor all of you are more worried about asset quality than growth. And this is true for entire industry and for us it is in our DNA, because Can Fin is known for asset quality and our focus is always little bit more on asset quality. Whenever growth comes back we will definitely grow because for us growth is not a concern any HFC can easily grow, they can grow from 10,000 crores to 1 lakh crore book. So for growth, I don't think so there is a challenge at all, but what is the challenge is only asset quality. So, as long as we are able to build the book in the right way, we are absolutely okay in terms of growing much, much, much above then the market growth rate.
- Sangeeta Purushottam:** Right. And are you actually seeing, has been for example an increase in people wanting loans, what is consumer behavior right now, because we're seeing two different trends. One is there's some pressure on incomes and there is a concern and therefore a desire to conserve cash at the same time, the property markets are close to a bottom. Interest rates are at almost decade lows. So how you think consumers respond to these two slightly opposing forces?
- Girish Kousgi:** So probably if I have to name job loss, I would have to name job loss in top 10 companies where the salary levels are upwards of Rs.70,000, Rs.80,000, which means where it hits the most is employees who are at a very high cost. Since our focus is affordable the propensity of our customers losing jobs because our customers are neither migrant labors nor high profile customers. For example, companies like Infosys, Wipro and Accenture, there employees would hardly be our customers for long time, they might for a year or two, but not for a long time because our segment is different 50% of our customer profile is from government and 50% is from private space. So to their employers cost, CTC of the employee won't be that high. So whenever any company wants to cut cost because of drop in revenue due to COVID, they would always look at top down approach either in terms of income. To that extent the

impact on HFCs focusing on affordable would be less. So you're right, in terms of customer comfort customer would first try to get back to normalcy and therefore customer would first like to look to raise personal Minhas loan or take some limits and the credit card and then only think of home, to that extent demand in home is going to take a little longer than the demand what you seen in personal Minhas loans and credit cards and therefore I said that it will take about two, to two and a half quarters for demand to come back.

**Moderator:** Thank you. The next question is from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

**Dixit Doshi:** Sir firstly, in the mortgage book of 14%, where customers have paid some EMI, so is it more towards the six EMIs or more towards the zero EMIs if you can just elaborate?

**Girish Kousgi:** The 14% is very clearly as I told you the reasons are multiple, this 14% of customers they have taken morat for entire six months but, however most of the customers are also, this has a pool of regular, this has a pool of delinquent, this also has a small portion of pay cut. So, this is complete morat 14% is complete morat.

**Dixit Doshi:** No, 14% have not paid anything and other 14% have paid some EMIs out of the six EMIs?

**Girish Kousgi:** Correct.

**Dixit Doshi:** So, those who have paid some EMIs are more towards like four EMIs out of six and five out of six or one out of six or two out of six?

**Girish Kousgi:** So, we have all the combinations there are two things one is, there is recently factor to this and number two, in morat two lot of customers have come back and paid.

**Dixit Doshi:** Okay. Secondly sir, historically whenever we have raised funds, we have preferred a right issue. So how do you see it going forward because in case of right issue, even Canara Bank has to invest or do you see we might go for a QIP?

**Girish Kousgi:** We haven't decided at this point in time what should be the, we have not decided even the quantum and in what form we should raise equity whether it's going to be right or QIP and if so, what quantum we have taken enabling approval up to 1000 crores. So we haven't really given a thought to that because we feel that it is quite some time for us to look at that option. So, we will decide at the right time what option is favorable to the company and to the shareholders.

**Dixit Doshi:** Okay. Sir one more small question like, let say if somebody has not paid any EMIs in all the six months of morat so he will need to pay the September EMI in September and the entire six EMIs in September or how it will go?

- Girish Kousgi:** No, so let us say customer have availed morat for entire six months, he has to pay only one EMI in September that is September EMI and October only one EMI that is October EMI and the six EMIs what will happen is that what customer has not paid. That would be his tenor would increase and he would pay basically let us say, I'm a customer, I've taken morat for six months and what will happen my residual let's say tenor is 60 months that 60 might become 68 or 69. So, customer will end up paying only one EMI after the morat period.
- Dixit Doshi:** Okay and just too small questions, one you mentioned that we fund to a project, we fund less to a project where the builders are involved and more towards a single kind of accommodation like a bungalow or a single project. So if you can split between the building system and the single flat?
- Girish Kousgi:** See it is not by designer it is more by design, our builders when I say builder funding for individual apartment, that is about 25% and the rest is 75%.
- Dixit Doshi:** Okay. And sir lastly, just a small question. So, last week we had a board meeting and the board meeting lasted almost for two, two and a half hour and then it got postponed. So obviously the corporate governance is very high at Can Fin Homes and we have seen it in past. But if you can just elaborate a reason for postponing the meeting after almost three hours of board meetings?
- Girish Kousgi:** Whenever we do board meeting, we also have other meetings like NFC, Risk Management Committee, Stakeholders Committee Meeting, we have Audit Committee and the last item would be adoption of results. So this is the format most of the companies follow because, ones we, suppose if we do the reverse first we adopt, we have meetings for adoption of financials. And then other meetings we are very sensitive about this information and therefore, always at the far end of the schedule, we will have both audit and board for adoption of results. So it so happened that we had to postpone because of COVID reasons, otherwise everything was as per planned.
- Moderator:** Thank you. The next question is from the line of Jaikishan Parmar from Angel Broking Private Limited. Please go ahead.
- Jaikishan Parmar:** I have one question, for last two quarters we have higher provision cost compared to other HFC if we compare it with the loan book, and so just can you give us what would EBITDA there for next two quarters or it will remain high for next three, four quarters just rough idea on that sir?
- Girish Kousgi:** So, we have very clearly mentioned that we have provided more than what is required, significantly higher than what is required. So, keeping that in mind in next few quarters provisioning won't be substantial.

**Jaikishan Parmar:** So, if I ask you in percentage term financial year 21 would be tentative rough estimate would what?

**Girish Kousgi:** I have already indicated that our NPAs will see only marginal increase in Q2 and not substantial increase in either Q3 or Q4. That is an indication that whatever provisioning which we feel is required at extreme situation. We have provided more than that now only, so in that sense you would not see provisioning other than whatever is required because of standard and few lakhs here and there, so it won't be substantial.

**Jaikishan Parmar:** Okay. So, I can interpret that you have assumed worst case scenario for this provision cost?

**Girish Kousgi:** No. We have assumed much beyond worse situation therefore, I said more than required. And also because we have an option of writing it back this March. So, it's only temporary it's only a question of another two, three quarters we can write back the entire amount. Whatever is not required to be provisioned, we can always write back. So, if this is not the worst possible scenario, worst possible scenario requirement whatever is the number we have provided much more than that.

**Moderator:** Thank you. The next question is from the line of Sonal Minhas from Prescient Capital. Please go ahead.

**Sonal Minhas:** I have two questions. One was regarding the delinquent pool where you were making comparison of campaign vis-à-vis the market. I just wanted to know what are the numbers for campaign when you said the industry is at around 18% and the LAP portfolios is between 27%, 30%. And I'm assuming we're comparing this as of March because post March everybody has been on a different barometer. So, that was one and secondly, when you talk about provisioning, it's linked to so we have 14% of the portfolio, which is not paid at all. Is it, in a scenario where we assume let's say this 14% becomes the non-painful after September is the provisioning enough on the balance sheet to actually capture that stress, just a theoretical question from my side?

**Girish Kousgi:** Okay, so you will be pleasantly surprised to know that our delinquent pool as a percentage is much, much, much lesser than the industry average. I won't be able to share the numbers because these numbers are not in public domain and therefore I reserve my comments on that but, far, far, far lower, I can only tell, I will tell you industry average, it can differ from company-to-company industry average NPA to total delinquency as a multiple it will be, as a blend of both CRF, HL and non HL would be in the multiple of 17 to 18 times. If CRF is not there, it will be in the range of 13 to 14 multiple so, that's all I can share with you on this friend.

Number two, we have been very conservative in terms of provisioning and whatever we talk about 14 plus 14, 28% we have provided much, much beyond this percentage what we talk about.

**Sonal Minhas:** Okay, so a follow-on question on that sir, and just tell me if you can't share. So, this 14% is not paid at all, as of June would you be able to share any trend as of July, August, or that's something which you reserve for the next quarter?

**Girish Kousgi:** No, whatever number I quoted now this is for the entire six month I have not split because you've seen some of the HFCs, they have given numbers month wise, since we have taken the most conservative approach even if a customer has paid five installments out of six. I have still offered morat to that customer and have provided. So we have taken the most conservative approach and therefore our approach is different. Our approach is full morat, part morat, part morat could be five paid out of six or so. And it's a big comfort for us in terms of providing big comfort for the investor as well because we have taken the most conservative approach. And I'm saying the most conservative approach the amount what we have provided is much more than what we feel we would require in the worst possible scenario.

**Sonal Minhas:** Understand that sir. And sir just a last question on collections, if I may. So are the collections moved to digital given people are not able to reach certain geographies, if you could share some trends on that, that will be helpful just to understand if there is any transition happening there in the company?

**Girish Kousgi:** We are already up on the automation piece where 98 to 98.5% we get to electronic mode. So that is anyway now in place but we are still working on further automating in terms of tab, in terms of mobile and all those things are in the pipeline. But in terms of electronic, it's close to 98%, 99% we're already there on that. So, to answer your question, it is not cash collection, cash collection would largely be there for the delinquent pool because there we will have to reach out to customers and then collect. Otherwise, it is completely electronic.

**Sonal Minhas:** Got it. And sir just a request been a shareholder of the company for the last, two, two and a half years. And you've changed the format of the presentation in the last quarter and this quarter. We used to cover a few more details, comparatively, is there a conscious choice to actually share less and more concise information in the management presentations or just want to understand your side of it, the earlier presentations used to be far more detailed?

**Girish Kousgi:** Not at all, the idea is to share as much information as possible with the shareholders. So, you can let us know what specific information you want and we will incorporate that we are very open to that, there were certain things we thought, which would be of no interest to you or us in a big way and therefore we have tweak, if you are looking for any particular information, you can give us feedback, you will incorporate that. Only thing is, we don't want to be bias in terms of geography.

**Sonal Minhas:** I was just saying, more around the asset quality that used to be far more detail, I agree with you the geography part was not that much required to be honest, I agree with you.

**Girish Kousgi:** Yes. So, in terms of NPA and all, earlier we were also getting into detail, presentation in terms of number of cases where surface is initiated and stuff like that. So now see, I'll tell you what has happened is in last three, four years, we have adopted more customer friendly approach towards customers. So we would for example, just to give an example, now we would not. We are not clinical in terms of going to the customer through surface, if you feel that customer is going to pay. So if we can give a little long rope to customer and if we know the customer is going to pay, we would wait for that time so that customer would also be comfortable in paying so we've made some new changes in our approach towards recovery and collection. Other than that there is no change at all, in terms of data, certain minute details may not be required but there is by and enlarge whatever information is required as an investor for you to know be comfortable with we are willing to share.

**Moderator:** Thank you. The next question is from the line of Shreepal Doshi from Equirus Securities. Please go ahead.

**Shreepal Doshi:** Sir my first question is with regards to, you had mentioned that your re-pricing of loans is mostly 3.5% to 4% per month so that gives a number of close to 42%, 49% of the loan getting reprieved so, then how is the calculation something up then to?

**Girish Kousgi:** We have an option while customer avails the loan if customer has offered for this option only then it will come for re-pricing.

**Management:** We have an annual resetting new options available to the customer. So usually if you divide by 12 months it should be average, but some of the loans re re-priced in April and May so in the remaining part it is slightly less. So maybe 8% to 9% every month loans get re-priced to the annual resetting options, those who have opted for annual resetting. So, usually 8% to 10% of the loans get re priced in that pool. So, anyways we reduce rate of interest so it will not impact the whole portfolio in one go, whereas every month to the extent of about 8% to 10% of the loans get re-priced.

**Girish Kousgi:** So it is 3.5% on the portfolio in that pool about 89%, that's the way to read it.

**Shreepal Doshi:** Okay got it. Sir my second question is with regards to we're seeing slow, weak growth on the developer portfolio, like the flats that we fund in that particular category. So how do we see that ramping up, or that sort of trending in the next 12 months?

**Girish Kousgi:** See that is not part of our strategy but if there is any one or two good developer, we feel that we can take exposure on we will take exposure however, such exposure would be less than 0.5% of our entire book.

**Shreepal Doshi:** I didn't mean the developer funding side, I meant the houses that we fund in net developer category, the flats that we fund basically the home loans. So we have seen the slowdown there. So how do we see that trending for the next 12 months?

- Girish Kousgi:** So, basically if you look at even in affordable space, Tier-2, 3 and 4 kind of cities and our developer project coming up, demand there we can see maybe in next three to four quarters, not in next two quarters. So in next two quarters, we can see demand mostly in non-builder space. In builder space, it will take some more time because developers are really struck with liquidity and flow of credit has drastically come down and therefore we fund based on progress of the project. And therefore, we feel that demand to get back in that space takes a bit longer than what we can see in non-builders' affordable space.
- Shreepal Doshi:** Okay. And sir one last question with regards to like how was our disbursements in some of the key states like Karnataka, Tamil Nadu, Andhra Pradesh, and however we see things like turning in Tamil Nadu now for us?
- Girish Kousgi:** So basically, Tamil Nadu is doing very well, I'm talking standalone, I'm talking independent of COVID. So for a minute, I'll keep COVID aside and then if I have to talk about geographies for us, all the geographies are doing very well. Karnataka is doing well, TN is doing well, AP and Telangana are doing well. So all the geographies are doing very well. Kerala is doing well given the size of the state and no market available there. Now the only difference now is because of COVID because of COVID couple of states where COVID cases are still high. There no obviously the proportion of business what they are doing is less than we were actually doing earlier, so it's question of another month or two we will pick up there as well. That's got more to do with COVID otherwise to answer your question TN which used to contribute very less in the past now has picked up very well.
- Shreepal Doshi:** Tami Nadu, okay. And sir what percent of our mix in the disbursements in the developer category, so basically my question is that, within the housing loan, what would be driven by developer category and non-developer category?
- Girish Kousgi:** I answered this earlier. 25% is apartments, 75% is composite loan, resale, purchase all.
- Girish Kousgi:** House construction.
- Moderator:** Thank you. The next question is from the line of Piran Engineer from Motilal Oswal Financial Services. Please go ahead.
- Piran Engineer:** Sorry all my questions have been answered. Thanks.
- Moderator:** Thank you. We move to the next question; the next question is from the line of Nirmal Bari from Sameeksha Capital. Please go ahead.
- Nirmal Bari:** Just one small clarification the data that we are seeing on moratorium that is as of when, the 28% moratorium?

- Girish Kousgi:** So that you can say because now we are in August. So, we have given now the complete morat details.
- Nirmal Bari:** Okay. So this is as of August.
- Girish Kousgi:** This is for the entire morat period of six months.
- Nirmal Bari:** So if we were to look at a similar number in for June and what would it be?
- Girish Kousgi:** No, the approach what you've taken is different. For example, there are two approaches. So approach one ism some customers will tell I want morat in March, I don't want morat in April. I will pay in April, I want morat in May I will pay in July. Now, there are various approaches what we have done is, even if one EMI is not paid out of six for us in terms of provisioning, we have taken that particular customer as morat customer and we have obtained the necessary documentation from the customer. So, the approach what we have adopted is the most conservative approach in terms of provisioning and in terms of considering morat percentage and therefore, I should only talk about the entire period for example, just to answer your question, let us say my morat was, today what we are talking about 14% if it was 12% in June, now the 12% has no meaning now, because I have to still work on 14%, right. And therefore, we have taken morat for the entire period because that is the entire pool where we need to work on.
- Nirmal Bari:** Yes, sir that makes sense. My question was more from the perspective of the repayments that I'd asked earlier. So, I just wanted the number of, the percentage of portfolio that was complete, that had zero delinquencies as of June, if that is possible, the stage one?
- Girish Kousgi:** So if you're asking the mix, the proportion, so out of morat customers, what proportion is from regular, what proportion is from delinquent by and large in the industry, the proportion would be fairly high for delinquent cases, and therefore I always kept on saying that our delinquent pool itself is so low and therefore the percentage looks high, because a delinquent pool is low, so therefore, we'll be able to container delinquencies.
- Nirmal Bari:** Is it possible to get the stage one number for June end, the stage one assets?
- Girish Kousgi:** No. I'm not very sure whether we can share that number.
- Nirmal Bari:** Thank you. The next question is from Rahul Picha from Multi-Act. Please go ahead.
- Rahul Picha:** Sir, if I remember correctly or morat one percentage was 28% so, of that amount what was full morat?
- Girish Kousgi:** No, 28 is full, 14% is where customer has opted full morat, out of that.

- Rahul Picha:** No, sir that is for now. I'm asking as of May end morat one was also 28% right?
- Girish Kousgi:** No, morat one was 45, morat two was 12 and the average we took that was some 28% and incidentally, both the numbers are same that's all. See because our morat, our option was opted out, so by default the hit rate is very low. So there is a lot of education which happened to the customers later on therefore this percentages have changed.
- Moderator:** Thank you. The next question is Swechha Jain from ANS Wealth. Please go ahead.
- Swechha Jain:** I just have a follow up question with respect to the 28%. Morat, will you be able to give us a split as to what percentage is SCNP and what percentage is salaried?
- Girish Kousgi:** See, in terms of our regular and delinquent mix of salary CNP there is not much difference either in terms of morat there is not much difference.
- Swechha Jain:** Okay. But if you were to give a number can you give a number to it?
- Girish Kousgi:** I will give you in terms of proportion so SCNP would be 54%, 55% and salaried would be about 46%, 47%.
- Swechha Jain:** Sir and just another follow up is with respect to provisioning. So do you see any extra or one of provisioning, that you're looking at in next three, four quarters or you think it's just going to be the way it is?
- Girish Kousgi:** No, as of now everything is very, pretty comfortable to us. So we don't see any unexpected provisioning to be made in the near future.
- Moderator:** Thank you. The next question is from the line of Prasanna Surpuriya from Validus Wealth Managers. Please go ahead.
- Prasanna Surpuriya:** The first one is, so we had mentioned somewhere a target of 40,000 crores of loan book for FY22. So where are we now in terms of that target, does it get postponed by a year or two years, how do we see that that's the first question?
- Girish Kousgi:** That was something which we had a vision a few years back that got changed, few quarters back itself, the book what we're seeing by this March because as of now, the focus as I mentioned is completely on asset quality and of course growth, but we are looking at book of about 23,000 and odd crores by March. So, the 40,000 crores was very, very old statement, we have revised that long back.
- Prasanna Surpuriya:** Okay. So, 23,000 crores is what you are saying for FY21?
- Girish Kousgi:** It will not a guidance it will be about (+23,000) crores.

- Prasanna Surpuriya:** Okay. In terms of the share for our housing to non-housing where do we see that moving ahead, do you expect the non-housing to sort of in shop from 5% or going ahead a little bit to 10, 15?
- Girish Kousgi:** In the normal course 5 would 10 but because of COVID at least for next three to four quarters, we don't see that proportion changing.
- Prasanna Surpuriya:** Okay. And in terms of the capital you mentioned that you have taken an approval from the board for 5000 crores, the mix and the timing is yet undecided. But any approximate at least timeline this year, next year?
- Girish Kousgi:** We have obtained shareholders' approval in the AGM for raising up to 1000 crores capital, timing and the form is not decided it's an enabling approval we may raise in this financial year.
- Prasanna Surpuriya:** Okay. And any further updates on the stake sell by Canara Bank?
- Girish Kousgi:** No, no update on that.
- Moderator:** Thank you. The next question is from the line of Manish Shah who is an Individual Investor. Please go ahead.
- Manish Shah:** Sir my question was the same, that will the fund raising of 1000 crores will happen in this calendar yet?
- Girish Kousgi:** I'm not very sure of that because we have a very comfortable CAGR and DER. So, this is only enabling approval if we've seen that we need to raise we might raise in this financial year, calendar year I'm not very sure. Even this financial year if we need we will race.
- Manish Shah:** And my second question was sir, which are our five biggest geographies our biggest pace?
- Girish Kousgi:** Biggest base so predominantly, see South was a big region for us. That continues to be big region for us, though we have spread across the country so from proportions South is big for us.
- Manish Shah:** No, after South?
- Girish Kousgi:** Rajasthan, Gujarat, Maharashtra also and have fairly good presence in NCR also.
- Moderator:** Thank you very much. We'll take that as the last question. I would now like to hand the conference back to the management team for closing comments.
- Girish Kousgi:** As our MD Girish, told so the focus will be mainly on asset quality and we'll also focus on growth, henceforth though we could not do much in Q1. But anyway, business also we have not come back to all this 60% to 65% of your normal business. So the main pillars, wherein

we'll be focusing will be on asset quality, liquidity, profitability and growth. So these will be the guiding pillar for us in the next three to four quarters and definitely things will improve, quarter after quarter and Q2 will be hopefully much better than what we have shown as far as business is concerned and asset quality, we have already made enough provision and definitely we will be able to contain the NPAs and their also delinquent portfolio. Q3 definitely will be a, Q3 onwards growth will come back and by the year end business front will be able to do almost close to what we did last year and asset quality also there will be some slight increase but hopefully by year end, we will be able to contain it to almost 1% of our portfolio. This is what we are planning for the next couple of quarters. Thank you.

**Girish Kousgi:**

Thank you very much.

**Moderator:**

Thank you. On behalf of Investec Capital Services that concludes the conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.