



“CanFin Homes Limited Q2 FY2018
Earnings Conference Call”

October 24, 2017



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Moderator: Ladies and gentlemen, good day and welcome to the CanFin Homes Limited Q2 FY2018 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. I now hand the conference over to Mr. Utsav Gogirwar from Investec Capital Services. Thank you and over to you Sir!

Utsav Gogirwar: Thanks Stanford. Welcome to the Q2 FY2018 earnings conference call of CanFin Homes Limited. To discuss the financial performance of CanFin Homes and to address your queries, we have with us today Mr. Sarada Kumar Hota – Managing Director of CanFin Homes and Mr. Atanu Bagchi – CFO and DGM. I would now like to handover the call to Mr. Hota for his opening comments.

Sarada Kumar Hota: Good afternoon. Hota here. I would like to before presenting my Q2 numbers of CanFin Homes, I like to wish everybody a belated Happy Diwali wishes. The numbers for the Q2 as far as the topline is concerned this has been a best number so far for any quarter for any single quarter for the company both in terms of sanctions as well as the disbursements. This has been the highest ever for any single quarter so far and the outstanding loan book has grown by 21% year-on-year. The fresh sanctions and disbursements if you compare for the single quarter sequentially the sanctions are up by 33% compared to Q1 and disbursements are up by 17%. If you see the year-on-year then it is 4% jump is there for Q2 compared to the Q1.

This is how the topline growth is concerned. As far as bottomline is concerned for the quarter the income has grown by 15%, the expenditure has been contained at sub-10%, which is around 9% so operating profit is up by 31% and the PAT up by 36%. This is mainly propelled by NII growth of around 27%. We have been in a position to hold down to our margins of around 3.65% and the ROA we are holding on to about 2% level and ROE we are still around that 25%.

Another very strong point for the quarter where the money has come from is the revenue growth because of a very strong NII growth not because of any improvement in margin but mainly because of the topline growth that is the revenue have grown. Another one is the cost to income ratio. The cost to income ratio for Q1 for the first time for CanFin it came below 15% it was at 14.90% in Q1. We have bettered it to 14.6% now. I think as far as the cost to income ratio and as far as the margins are concerned the Company has been doing consistently.

Leverage is one more issue, we are discussing after the Q1 earnings call. The leverage has been improved because the growth that is anticipated and which we expect that it is coming anytime that big growth the wave of growth in housing sector that we anticipate compared to that our approvals



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are far better so that is where the leverage ratio has improved because beyond the 11% that Q1 it has come down to 10% almost 10.45% now may be a quarter percent improvement is there.

This is where there are improvements. Tier I it is still at around 18.8%. The total CRR in tier I is around 16.5% for the Company. So we are well capitalized. Growth has returned. If you have got a copy of my presentation that we have uploaded in both the exchanges as well as in the Company's website we have given the quarter-on-quarter position for last 12 quarter, then we have given one more presentation about how the month-on-month growth has come about as far as the new approvals and disbursements are concerned so that you get a view of year-on-year comparison, it means how compared to last year, last year April to current year April. Last year all 12 months and we have superimposed the current year month-on-month improvement, how it look so that you get a fair idea about the outlook path.

I think from our management side this is in nutshell. The results are almost akin to all the quarters that I think this is the sixth quarter that I am presenting the numbers of the Company and it has been almost the same story CanFin always comes with numbers like this and these are predictable numbers.

We will be glad to take your questions and clarify if anywhere you feel like we can clarify beyond the numbers in our presentation as well as our press release. Mr. Bagchi is there with me. Funds cost will be one area and normally the CFO should be credited about so funds cost has been fairly good and we have been in a position is to continue it further and yield as well as been reduced we have been passing on whatever cost benefit is accrued to the Company so margins are almost stable, there is no improvement in margins but margins are stabilised at around 3.65%.

Now we will be taking the questions, you can open it for the participants.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin with the question and answer session. We take the first question from the line of Nishant Shah from Macquarie. Please go ahead.

Nishant Shah: Congratulations on a good set of numbers. Just like a couple of questions, one on the operating environment like how do you see the housing environment as such like for the overall sector? Secondly can you get some more granularity like from where is the most demand in the affordable segment, in the high value segment, somewhere in the mid-pockets something like that and some other colour if you can give like what is growing more salaried, non-salaried, government salaried something like that, if not for your company atleast for the industry level?



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Sarada Kumar Hota: Yes, for my Company as far as CanFin is concerned, we are more into salaried space and last four five years we have entered into the non-salaried space as well and that is a space really where a lot of opportunity lies. As far as particularly if you see for the economy the role of SMEs if you recognize the role of SMEs and role of entrepreneurs going forward then certainly non-salaried space has got lot much to offer and lot of demand will come from that segment. Because salaried space has been the usual space for any banks or any SSBs. As far as the segments are concerned salaried space continues to be, CanFin continues to be the darling of the salaried class but off late our exposure to non-salaried class as well has been quite good and our experience is good enough in that segment as we graduate in the underwriting skills and as my branches they graduate in the underwriting skills for the business class and as we gain the confidence of those people we are entering but we are very cautiously going into that space. As of now if you see the composition it is something like 70:30, 70 is salaried and 30 is non-salaried so fair enough 30% non-salaried is a good enough thing, which really helps you in a better mix in terms of returns and the risk in returns both. Now coming to the opportunity what you are asking. Going forward certainly if the opportunity and if the housing sector as a sector as a whole if you see from the point of view of housing for all by 2022 then certainly it will be the affordable housing only, which will hold the key but affordable housing is need not only be in the LIG but certainly in the metro and the urban agglomerates that the Tier I and Tier II cities it will be mostly in LIG and MIG I these two will be the driving focus. Because as far as MIG II is concerned MIG II is somebody who earns more than a lakh a month 12 lakhs annual income that segment I can say because their number is not that big, but far as the demand side is concerned, if you see the youngsters for CanFin we operate mostly in the first time home loan buyers segment. Majority of my customers are first time home loan buyers. The average years of my incremental borrowers is something like 40 so that being the situation certainly we are more into the first time home loan buyers not into the second sales or third sales. So as far as this segment is concerned the demand is huge. This is a segment where supply side issues are there but demand is huge.

Nishant Shah: Thanks. I appreciate the elaborate answer. Can I squeeze in just one more question, any update on the rights issue when you are planning to come out and like for the quantum?

Sarada Kumar Hota: Yes, Sir there is a question even after the post Q1 when we had declared about the rights issue, I have taken a permission for rights issue up to 1000 Crores because of the high growth that we anticipate. I have made it very clear that the company is very well capitalized. Why we wanted that is to improve our leverage ratio because till Q2, the growth is not that big really that my leverage ratio is coming under pressure or something. It has improved really. So that is why we are just taking sometime but it is matter of time we will come to the market and we will inform all our investors because it is a right issue, only the existing investors might be communicated to certainly



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right time we will come and we are waiting for opportune time, I should not raise the money and keep it idle because there will be costs involved.

Nishant Shah: Appreciate it. Thank you Sir.

Moderator: Thank you. We take the next question from the line of Agastya Dave from CAO Capital. Please go ahead.

Agastya Dave: Thank you for the opportunity Sir. I had questions. One was again on the rights issue so you clarified that Q2 was slow enough for you not to worry about little bit but sooner or later you will come across that bridge so when do you expect based on how the trends are in October and the way you have projected on slide #12 you obviously will have a huge base effect, which would start hitting you in Q3 or Q4. So I was just wondering Sir the growth sooner or later will again pickup, some of your competitor companies have reported 30% - 25% disbursement growth sooner or later that will hit you so what kind of commentary can you give on growth going forward, pickup in this disbursements specifically on the rights issue hence tentatively when can we expect the rights issue, just a tentative update as of now?

Sarada Kumar Hota: As far as growth is concerned, I do not consider that my 21% growth is anyway it is a subdued growth or it is a good growth. We will foresee a substantially big numbers really going forward that is what my slide #11-12 why we have given is as of now we are comparing a period, which was a pre-demonetisation pre-RERA period in the base, with the post demonetisation, post RERA, post GST period so we are comparing risk to not comparables. That is why in next slide we have given you quarter-on-quarter compared to Q1 how things are looking and month-on-month, I have given a position if you see the previous base effect is going to play because when in isolation for Q3 to Q3 to Q4 to Q4 for all the companies it might be different but as far as whole year is concerned still there will be a drag of good period previously and now the growth has to come post RERA, RERA complied projects are coming up now but when the right opportunity comes individual housing loan improvement will be on there is a ready stock for possession or ready stock for buying. So that lead period we need to understand. As far as you told with the competitors or with our peers whoever have posted, somebody posting 40% 50% growth, I think you need to compare that what is the growth of housing loan as a sector in that and what is the growth of housing loan sector particularly in LIG and MIG means where we operate, so I am not really interested in at what rate somebody else is growing but I am certainly interested in whether my growth is a good growth or not and because we operate only mostly 90% of my portfolio is into housing only 10% is in non-housing. If you see a build alone portfolio it is 0.5% is the loan, I should not compare.

Agastya Dave: So Sir are you seeing now with every post, if you are mentioning post RERA post GST, for GST I do not think full impact is still out that would be my personal opinion but RERA definitely this was debarred by all accounts but September onwards have you seen atleast a RERA part resolving itself and how gauge GST impact? Obviously this is non-salaried part will be heavily influenced by both these circumstances, so I was just wondering what are you seeing today and is it just a matter of time or are we looking at a bit of a slightly longer may be another quarter of slower growth and then Q4 onwards we start, when do you see that, just your sense on it?

Sarada Kumar Hota: Now the current growth whatever we have and if you see my number that is why only I have given you the month-on-month number. If you see for the Q2 none of the months we have really clocked for any month the enquiry have been less or the approvals have been less, because it has been in all the month if you see which is more than 500 Crore of fresh approvals that the company has been doing, if that is so, let us not be under the assumption that no growth is still alluring, growth has come returned. Only thing is the positive impact of RERA, which has started accruing from August-September or now that is going to be the really a big driver for as far as the buyers confidence is concerned, individual home buyer confidence that has been because of RERA many peoples they had deferred their decisions and now we can expect with the festive season on and going forward in Q3 and Q4, I think it should be a very good quarter and let us not compare with the FY2019 again what we foresee in FY2019. Going forward FY2019 and FY2020 have to be the best year so far in housing loans any housing loan companies life because if FY2019 and FY2020, I have been telling this and I am maintaining my stand if FY2019 and FY2020 are not good years then housing for all by 2022 will not be possible.

Agastya Dave: Yes. I agreed Sir. Just last question and again the rights issue.

Sarada Kumar Hota: Yes, at the right time any time it may happen. We will certainly request notification and we will come but once we have taken permission we are holding the permission so that the formalities should not take longer. The plan is to we require time really.

Agastya Dave: Thank you very much Sir. Good Luck.

Moderator: Thank you. We take the next question from the line of Sangam Iyer from Subhkam Ventures. Please go ahead.

Sangam Iyer: Thank you for the opportunity. Sir just taking the question forward, which the previous participant had asked, Sir regarding our outlook that we have given for 17000 Crores for the full year as a loan book our incremental disbursement going forward has to be in the tune of almost 800 Crores plus per quarter to achieve that kind of a number given the kind of repayment schedule that we are

having so basically are we talking about an incremental sanctions of almost 2100 Crores coming through in the coming quarters to achieve this kind of a disbursement outlook because on a percentage wise it would be different because we have a base effect etc., because of demonetization the fact that in absolute terms also this is pretty high number that we are talking here?

Sarada Kumar Hota: Yes, certainly with every month passing by it is let us say to be more and more difficult. Arithmetic wise yes, I agree but the thing is we never know really because first time we are going through a festive season, let us see Q3 post Q3 I will be in a position to comment whether I need to revise or I do not, because as of now I do not want to revise when still five months are there in my hands.

Sangam Iyer: So Sir just wanted to understand October how has that been because that would be one of the confidence boosters for us going into the second half?

Sarada Kumar Hota: Let us see, I have presented that is what not to answer this questions I have put things in black and white that so far none of the months from Q2 none of the months it has dipped.

Sangam Iyer: Sir secondly you had given one ratio at the starting of the comment, which was salaried to non-salaried being 70:30 can you further give us a break up in terms of salaried, professionals and non-salaried?

Sarada Kumar Hota: I do not have that breakup really because the professionals we are taking under salaried only it is SMP, SEMP is it is the non-professional and non-salaried.

Sangam Iyer: Okay, so basically under non-salaried it would be the SME segment etc., that would come in?

Sarada Kumar Hota: They will come but if a doctor or engineer or somebody is having a practice then they will come under salaried.

Sangam Iyer: Sir secondly in terms of the competition in the system currently, which we had seen pickup with all the banks like SBI etc., deploying heavily on the grounds for getting housing loan has it tapered down a little bit or could you give us some light in terms of how things are progressing on the competition front and also on the repayment schedule that we might be having because of this competition?

Sarada Kumar Hota: The repayment schedule not an issue, but certainly the sanctions portfolio is always a preferred portfolio for question, so we experience around something like 17%-18% takeover it is the usual thing, debited from our book and as far as competition is concerned naturally when, now competition is there from everybody but certainly not from the new players. Competition is more

from the banking sector. There are big players who will be always because they had got the cost advantage, better cost of funds, so much of CASA and the SSBs do not have the advantage of CASA so you have got your limitation as far as reducing the rate of interest is concerned. With that only we need to operate. It has to be only the service only the differentiator otherwise we can never match in terms of rate of interest, we cannot flex our muscles.

Sangam Iyer: From a strategy perspective to achieve this goal of 17000 Crores what is that we need to do incrementally or deploy incrementally to go through that without diluting much on the asset quality or from the profitability?

Sarada Kumar Hota: Sir it has to be. The Q3 and Q4 you need to toil extra that is all and another thing is one more segment is particularly some of the non-housing segments where we are not operating so far because those segments were not regulated, now we can look into those segments as well. Otherwise it is other than hard work and because we do not want to change our character of CanFin. We will continue to have focus only on those LIG and lower MIG segments because it is been our forte if we want to become like a bank then what will happen is only we will be creating the portfolio, which is to be posed by other.

Sangam Iyer: Right, so Sir just a last question post GST with more declaration happening at the SME segment, which earlier was not happening are we seeing that the addressable pie for us is increasing significantly with a better margin profile, which is something that would tilt the mix for us as you move towards the second half of this year?

Sarada Kumar Hota: Let us see, GST still in very nascent stage really and there are so many things. Everyday there are GST counsel meeting, there are improvements and there are betterments let us see, I think the GST issue also is going to settle down like the RERA issue because these are all going to be advantageous in the long run so the short-term whatever hiccups are there we need to take it at the positive only.

Sangam Iyer: Congratulations and all the best.

Moderator: Thank you. We take the next question from the line of Jahnvi Goradia from Motilal Oswal Asset Management. Please go ahead.

Jahnvi Goradia: Congratulations Sir. Sir my question is mainly on margins and if you look at the mix of salaried versus self-employed it is roughly 75:25 but on an incremental basis it is 60:40 meaning the growth in the self-employed segment is higher than the salaried so in that perspective what is your sense on margins because over the quarter although the self-employed has grown the spread has remained

almost constant, delinquencies are also constant so going ahead if the self-employed segment continues to grow at the rate faster than salaried then do you think there is more scope for margins expansion or do you think you will pass on the benefit to the customer?

Sarada Kumar Hota: No as far as rightly you told they may present bifurcation is something like around 25:26 to 74:75 on the salaried but the thing is suppose somebody is low risk customer because we have got a risk base pricing, if somebody is a low risk customer and he is salaried or non-salaried either way that is taken care-off I need to offer a best rate and I need to offer whatever cost benefit accrues to us we need to pass them. Otherwise I suppose I cannot build a portfolio that is one. There is a possibility of balance transfers. That is one. Another thing is that as far as the incremental portfolio is concerned, yes, in the incremental portfolio the share of non-salaried is gradually increasing, gradually increasing because one more reason for that is salaried class is a class, which were really reeling particularly last two-three quarters post demonetization and post because of the RERA. This is a segment, which always they wait and they defer their decisions because of they have access to the information and because they can wait they can afford to wait, salaried space. So the salaried class has been I think in the last two three quarters if you see that why their proportion has not grown and how non-salaried has been growing because non-salaried class they do not wait for those things, because their earnings are not related to that nor they are so very choosy, salaried class particularly in the LIG and the lower MIG segments it is normal human behavior that is somebody is selling is house whether this property is RERA complied or not, then why should I get into trouble, let me wait, so that wait factor, that wait and watch factor, I think that is being clarified. Now going forward you can expect that in the second half-year, the growth will be driven by salaried class and not by non-salaried class.

Jahnvi Goradia: Okay in that case then margins should remain constant essentially is what you are telling?

Sarada Kumar Hota: We do not have much impact of salaried non-salaried. It is rather in my margins bigger impact is that of how is your asset quality and one more thing is what is the composition of your risk category.

Jahnvi Goradia: Okay got it. Sir and in terms of cost to income ratio do you think we are at the lowest or do you think there is more leverage possible?

Sarada Kumar Hota: Let us see, because cost to income ratio always it would not be so sharp but the thing is there is a scope for improvement because the new units whatever are there they keep on yielding more the productivity improvement always leads to better cost to income ratio because per employee and per branch business as it goes on improving certainly cost to income ratio will drop further. There is still scope.



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- Jahnvi Goradia:** Thank you so much Sir.
- Moderator:** Thank you. We take the next question from the line of Shubhranshu Mishra from Motilal Oswal Securities. Please go ahead.
- Shubhranshu Mishra:** Good afternoon Sir. Thank you for the opportunity and congratulations for good set of numbers. Sir you given the slide, which says that you touched on 35000 Crores of loan book by FY2020 I just wanted to understand what gives you the confidence because that is almost like 2x of this year ending so how do you plan to achieve that target, if you can elaborate on that?
- Sarada Kumar Hota:** The 35000 Crores is the vision document that we have made it very clear. I think I have been inferring almost every quarter and all earnings call because as far as 35000 Crores is concerned this is what we adopted in 2014 when we are drafting the five-year plan. So at that point in time may be 35000 Crore was the right number for 2020 and as far as guidance is concerned for current year guidance is 17000 Crores and the vision document we do not want to touch because basically vision not a guidance. Vision is something, which really drives you to achieve those set of numbers and as we envisage by FY2019 and FY2020 who knows the 35000 Crores is possible or not possible.
- Shubhranshu Mishra:** Right Sir. So from a modeling perspective how do we model it in Sir, what kind of a number should we look at?
- Sarada Kumar Hota:** Current year it is still 17000 Crores I hold on to. I am not changing my numbers for the second half year even though it appears to be a little difficult. With every month going by it appears to be difficult what as the CEO of the company I am not a guy really to shy away from the target that we have set for ourselves.
- Shubhranshu Mishra:** What would be the reasonable number for FY2020 Sir?
- Sarada Kumar Hota:** Not to say now. I will ask you one question. Last year this day that was the October 24th whether you were aware that there will be demonetization declared on November 8th. How many of us had known that there will be a subsidy for a guy who earns one and half lakh a month. He comes under MIG 2 so these are all changes who had known that the real estate sector will be regulated. There will be RERA coming in is not it? So if those things were uncertainty those things were never ever thought off, till yesterday when we were growing at 70% or 25% the industry were growing at 25% to 30% there was no incentive, no CLSS, now when there is a CLSS there is a RERA, to boost the customer confidence only thing is so far the market was growing at the let us say creamy segment, second house or third house not in the first house where CanFin operates from the beginning



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CanFin operates for the first time home loan buyers mostly, small ticket. Now attraction is generating in that segment, the government focus is for that segment that everybody the multiple homebuyers have been discouraged in this project. If you are holding a second housing loan now you are at a disadvantage earlier on the entire interest on that housing loan you are getting a tax benefit now that is also capped, is not it? So first time home owners has been given a lot of advantage, lot of benefit, creation of stock for the housing the builders community there is lot many advantages if they going into creation of stock in affordable segment. This segment has got supply side issues. FY2019 as the supply side issues are addressed now big players are coming into affordable segment now. So once the supply side is addressed, I suppose that there will be lot of demand already remains. There will be lot of activity for the players like CanFin. I think you require many more CanFin's really or many more big players whose benefit size is loan book size is more than ten times of ours till then inadequate to match the gap that remains for 2020 to happen.

Shubhranshu Mishra: Sir my next question would be about SMP risk weights have been lower your capital consumption incrementally would be lower so how do we look at your dividend policy going forward Sir?

Sarada Kumar Hota: Dividend policy we will have to declare dividend policy Sir, let see board will take a call at the right time.

Shubhranshu Mishra: So we expected to increase going forward, how do we look at the dividends?

Sarada Kumar Hota: No comments on that.

Shubhranshu Mishra: Okay. And Sir you mentioned that supply side issues what we have also been seeing is the input industries like Havells has not reported great volumes numbers or cement industry not reporting great volume numbers so we just want to understand where is this particular demand coming from for the housing segment, if you can give a qualitative as well as quantitative view it will be a great Sir?

Sarada Kumar Hota: Sir we witness really a substantial growth from those particular states where the RERA was enacted quickly or there have been supplies already created in those affordable segments. Affordable segments in the sense that I am not talking about those rural housing or those EW segment particularly as far as CanFin is concerned, my knowledge goes in that segment LIG and lower MIG segment where we operate in, in those segments there is a lot of some positive traction and very good growth in those states where they were a little ahead in terms of implementation of RERA. So going forward we see positives there let us see.



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Shubhranshu Mishra: Right. Sir one last question over the last 11-12 quarters what I see is that your yields have compressed only by around 80-odd BPS while your cost of funds have compressed by roughly 200-odd BPS, which is giving you the said expansion so how do we read into this Sir going forward into your spreads and I mean do we see further yield compression going forward Sir?

Sarada Kumar Hota: No. Whatever cost advantage is there we have been passing on to the borrowers, because CanFin is another thing if you have seen new rates, which is there, it is declared unlike many SSBs CanFin is the first SSB where we have declared, annual resetting of the rates going forward. So we want to be transparent as far as what we charge to the customers, so if there is a cost advantage accruing to the company, the company is willing to share it with the borrowers, and we are not looking at really having those big margins in our book or having those one-time margins. That is where if you look at my margin improvement it has been pretty consistent over those eleven twelve quarters the numbers what we have given in our presentation and how it came about is you can look at the funding basket. We have changed the mix of our borrowings that is where credits go to Mr. Bagchi, who is sitting me, my CFO has been very calculative as far as managing the funds cost and as CEO I am holding on to the liquidity path, so I do not allow him that much, still he has been in a position to control the cost. Fairly it is good enough. We have been doing good so far. No comments again, no futuristic comments as far as margins are concerned because there is a limit to this as far as SSBs are concerned. So you can have your own estimates Sir.

Shubhranshu Mishra: Thank you so much for your time Sir. Best of luck for the future.

Moderator: Thank you. We will take the next question from the line of Rohan Mandora from Equirius Securities. Please go ahead.

Rohan Mandora: Sir thanks for the opportunity. Sir with respect to the commentary like we are very positive on the affordable housing segment going ahead so just want to know like with regards to opening of the affordable housing loan centers we have been pretty slow in the first half so any particular reason for that and do we plan, because you have a target of around 20 centers by the end of the year so do we plan to ramp that up quickly or how would the opening be?

Sarada Kumar Hota: Yes, it has been 15 so far because the affordable housing loan centers what we have opened was by conversion of the satellite spaces into AHL space. We saw it as a model even before the affordable housing segment was given that push in the budget because it has a pre-budget initiated by us, much before the budget really we had started it, now the thing is we do not want to open the affordable housing loan centers in places where there is no satellite office or the new branches wherever we are opening we are doing very calculated and in a cautious way, so that may be one of the reason that we have not gone for opening of all offices together, after the numbers in the



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presentation what you were seeing is 12 vacancies three more we have added in the first week of October so it is 15 as of now. Let us see half way mark we have crossed, like before the year end we have a plan of 30, let us see, you should have the right people they have to do this, otherwise most of the branches also now they are engaging in same affordable range only, CanFin funds mostly in the affordable range, that is in LIG and lower MIG segment.

Rohan Mandora: Sir as I read it correctly, one of the reasons for going slow is certainly we do not need sometime to train employees to be positioned in these new centers is that one of the constraint that we have taken?

Sarada Kumar Hota: I did not get, what is that?

Rohan Mandora: Sir with respect to opening the new centers or the new branches like you mentioned that you are going slightly cautious on that so one of the key constraint that we are facing is with respect to the trained employees are there to man these new centres and hence once we...?

Sarada Kumar Hota: No not exactly that not the manpower. What I am telling is suppose particularly CanFin it sources almost one-third of the business from Karnataka, another around 15%-16% from Tamil Nadu another 16%-17% from Andhra and Telangana. This is the main region and there have been some issues all through last year from September 2016 onwards as far as Tamil Nadu is concerned. Because the registrations were not happening, this was not happening so the state was going slow certainly the number of satellite offices that we had and number of agencies that we have planned we have to put. Right time once the growth comes to open an office and not go and just open an office for namesake that I have got these many offices. We are thinking off very profitable growth whether it is loan book or whether it is a branch expansion, network expansion we should not grow just for the sake of growing. It should be a profitable growth. It should add to the bottomline so keeping a right balance between the topline and bottomline that we are conscious about. We are not looking at real those numbers nor we are not running for those growth numbers.

Rohan Mandora: Sure. Sir like with respect to the market at the borrowing profile market borrowing constitute around 59% right now so any target where we would like to stop in increasing the market borrowing at 65% or 70%?

Sarada Kumar Hota: No it is not so really. There are companies which have up to 80% or 85% also he can go in market borrowing if the market really encourages you and if the market is okay because as far as managing your liquidity is concerned yes, you need to borrow loan that is all you need to take care off. They also take a fair call depending on how the market grows, how it is panning out let us see.



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Rohan Mandora: Okay. And this annual risk based pricing that we had discussed right now, so is that already implemented or will that implement in a next financial year?

Sarada Kumar Hota: No risk base pricing is already there in the company.

Rohan Mandora: No Sir this is annual reset of the pricing to the existing borrowers?

Sarada Kumar Hota: No annual resetting as of now whoever has reset their numbers because the existing borrowers, all the existing borrower owns, they need to opt for switching to this annual resetting, at the anniversary year end, anniversary month end, suppose he had taken a loan in the month of July or we have reset last July now it is October if he reset first of November next year whatever the rates then whether it is higher or lower because we were in very well regime so the rate will be reset to that number automatically without charging any higher fees. So from next year onwards as far as interest adjustment charge is concerned, it will not so happen that there is a rate of interest reduction or there is a rate of interest change and it has not been passed on to the borrower.

Rohan Mandora: Okay so as of now what percentage of the borrowers would already be availing that benefit right now?

Sarada Kumar Hota: Right now the people are repaying their loans and switching over. They have got time. It is a continual thing. If somebody is not willing not opted for this annual resetting for their cases, it will be continue to be in the same rate.

Rohan Mandora: Right so on the current outstanding that we have what percentage would have opted is what I wanted to know 15%, 18%?

Sarada Kumar Hota: No we wish that 100% people migrated to that; from our side we are pushing. Let us see.

Rohan Mandora: Thanks a lot.

Moderator: Thank you. We take a next question from the line of Kartik Mehta from Canara Robeco Asset Management. Please go ahead.

Kartik Mehta: Good afternoon Sir, congratulations on good set of numbers. Hello Mr. Bagchi how are you?

Atanu Bagchi: Fine Kartik.



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Kartik Mehta: Sir my question was on that what is the yield on advances for the salaried incremental new customer when it is coming to you what is the yield that we are giving as of now?

Sarada Kumar Hota: I do not have a breakup like this what is for salaried and what is for non-salaried. Approximately I can tell you how much is for housing and non-housing. Housing may be around something like sub-10% or around 10% and non-housing may be around 12.5% plus or 13% like that it may be that is how the average yield it comes to whatever we are getting on my number.

Kartik Mehta: Sir the reason behind asking this question is that your...

Sarada Kumar Hota: Salaried and non-salaried not much of difference really. It is hardly 25 BPS or 50 BPS will be the difference in higher risk salaried, otherwise this 10.5% is my yield the 10.5% yield is mostly come from the salaried space, which is around 10%, which is around almost 90% of the portfolio where the average yield will be around 10% non-salaried it may little more which comprises around 10% for us 10%-11% is a non-salaried.

Kartik Mehta: Okay. But generally you know even in the salaried 10% is higher given the way the margins?

Sarada Kumar Hota: No it goes based on your risk category because we do not offer the best rates to everybody. Not like banks.

Kartik Mehta: Okay so my point was that the incremental spreads are coming under pressure or not so that is what the reason that I am asking this question?

Sarada Kumar Hota: Not that much but certainly yields will come under pressure when the competition increases certainly you cannot say that there is no pressure, there will be pressure. How to manage this, how to manage mix?

Kartik Mehta: So the NIM is the function of your obviously the cost advantage what you are having on a borrowing front, which is saving you but if there is a level where we below that it cannot fall beyond a point and on the advances front obviously competition is playing a very big role as of now, so eventually your spread would be incrementally come in at a pressure that is what the point I was asking?

Sarada Kumar Hota: If we are talking about the profit planning that is my core area really. I was getting that in Canara Bank and I would like to tell you, you think of the situation suppose the yield curve inwards and then in that case what happens to long-term borrowings that I have made and which sits for quite sometime even that will play is not it, so either way you have got this plusses and minuses of all the

situations we need to keep on managing well because as far as margin is concerned it is not always only a function of yield and cost, it has got a function of even how is your the funding cost another thing is how is your what is the asset quality? Asset quality has got a big role to play as far as your yields are concerned.

Kartik Mehta: That is true. Second point was on asset quality front, you know that generally we see September quarter we see picking out of the NPA numbers and Q3 and Q4 we have a very good recovery so are you sensing that even in this financial year it will be playing out as well just like what it was last quarter?

Sarada Kumar Hota: Yes, it is good always.

Kartik Mehta: But this is for the first time we have gone like after long time on 40 basis point on gross NPA front after long time so you give it a because of RERA or the GST or whatever could be demonetisation?

Sarada Kumar Hota: This is not because of RERA or GST it is mostly because of the post demonetization. Now post demonetisation there was two-month deferment. It is not waiver it has been a waiver. Not that would have remained in the system but the thing is in the month of January all the three EMIs were due. You can spread for one month, two month, and three months but somehow one more, if a seven-month default is there means that account slips to NPA.

Kartik Mehta: So we would be able to go back to 20 BPS or 25 BPS at historical trend from the current 40 BPS?

Sarada Kumar Hota: Let us see, no comments on that that how much we will be in a position to achieve but certainly our endeavor will be asset quality has been the main forte of CanFin, let us see.

Kartik Mehta: Yes, that is why it has been a main forte of the CanFin.

Sarada Kumar Hota: But still I support the present 0.18% net NPA or 0.40% of gross NPA is many people really they envy these numbers that how we have posted.

Kartik Mehta: And lastly what are the current pre-payment rates for our company?

Sarada Kumar Hota: It is around 17%-18% that is the usual rate for CanFin.

Kartik Mehta: So you are not seeing any sort of like trend what is, is it constant of late?



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Sarada Kumar Hota: No of late last, if you see last few quarters or few it may be three four quarters when the banks have been pretty active IN housing space the competition is there, earlier wherever we were operating only the HCG space it was, now naturally competition has come.

Kartik Mehta: So this 17%-18% is since last three four quarters right, or it is trending upwards?

Sarada Kumar Hota: It depends like exactly I have not measured, but the thing is there is pressure, pressure is building, we will have to face all this. Despite all the pressures the growth numbers we need to take those discounts.

Kartik Mehta: Thanks a lot. Best of luck.

Moderator: Thank you. We take the next question from the line of G. Vivek from GS Investment. Please go ahead.

G Vivek: Sir few questions regarding number one is about the significant competition intensity, how competition intensity is increasing and how are we coping up and second was about the Pradan Mantri Awas Yojana the subsidy which is given the total corpus level is it around 1500 Crores and does it get exhausted very easily so that is it more of the hype or reality?

Sarada Kumar Hota: What is that? As far as subsidy administration is concerned that is different story because all the banks the qualified cases they have been claiming and money will be coming that I do not have the numbers really that how much the government has done so far and how much subsidy has been utilized but as far as in our cases are concerned mostly because the NHB is the nodal agency, the claims have been very fairly settled by NHB and almost very promptly they have been handling, there is no such case of delay. There may be cases of rejections where somebody was not entitled to it and if you should submit again. But as far as the CLSS subsidy administration is concerned it has been pretty notified. Only thing is the carpet area restrictions and the supplies in those segments are not that much which are confirming to those norms. Once the supply side is better I think CLSS is going to play a big play a very major driver for creating the demand. As far as the competition part you told, yes, competition would remain. Competition has to be there. Unless competition is there, there is no enjoyment. It has to be there but as far as companies like CanFin is concerned we do not find really pressures from the new players because new players would not be offering those rates or those services like the existing players we have got more than and they have got a new area there, so we do not find competition from them rather I see competition more from the peer SSBs as well as from the banks.



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G Vivek: Yes, because everybody is now focusing into the retail segment only the corporate lending is slowing down everyone is focusing in banks and everything?

Sarada Kumar Hota: Banks because they have got the average cost of fund for any bank for that matter as of now is damn low but the thing is we still do a good we post a good numbers because the area the segment in which we operate is normally not a segment where banks to operate, the LIG and my average ticket sizes are around 20 lakhs less than 20 lakh per housing loan. The banks they look at the HNI segment, they look at the big numbers, high ticket, and big ticket, so that is the difference.

G Vivek: What about the supply of affordable housing, the land is very costly in India even anywhere you go, the supply itself is restricted for affordable housing?

Sarada Kumar Hota: Yes, supply is restricted but the thing is I think the focus of the builder community towards this segment was not as much. With the budgetary allocations for them and the advantages given to them there are many big players who are coming into this space, creating those talks confirming to those carpet area norms. One more big advantage was earlier it was a super built up area norm and now it has been made carpet area so it is a decent home somebody gets. Supply side will get addressed say it is a matter of time because as far as the project is concerned considering the project, taking the clearances then after that creating the stock ready for sale or for buying it would not come immediately, it takes time. Let us give that time for the industry to create those stocks.

G Vivek: So despite the headwinds in the form of RERA, demonetization and slow down in economy and the IT and you must have heard about the job losses, which are happening in IT and Telecom and other segments also the opportunity size still remains sufficient enough for our company to grow?

Sarada Kumar Hota: The job losses I do not know really we have not experience anything in CanFin even though we headquartered in Bengaluru and IT sector lay offs you are talking. We do not experience any trace on account of IT sector on job losses or anything of that sort, rather we see lot of positives now coming in after post RERA. Because of RERA all those states where RERA has been understood by people because it is not that it is being in place, it is important that the alternate home loan buyers should understand and he should gain the confidence that yes the property where I am existing or the apartment, which I am taking or the house, which I am taking from the particular builder is RERA complied so that is confidence. So first is where they have little advance where there was growth has picked up really and it is phenomenal growth and never before growth they are witnessing. There are no reasons that we should be skeptic. As far as RERA is concerned this is the best thing that could have happened. And before the demonetization I stand by the same thing, I think demonetization helped in discovery of the real values of those properties somehow the cash component has gone.

- G Vivek:** Okay and Sir do you get to notice that the government servant basically what percentage of your clients are from the government side because the relationship between CanFin and government organization is very long I think so?
- Sarada Kumar Hota:** Yes, we have got many of the both government as well as the public sector and private sector tie-ups. There were many home borrowers are there from organizations, but we have not measured really how much is a government sector and how much is a private sector or public sector employees. All salaried we consider as salaried anybody who earns a fixed income every month is salaried for us.
- G Vivek:** Thank you.
- Moderator:** We take the next question from the line of Nishchint Chawathe from Kotak Securities. Please go ahead.
- Nishchint Chawathe:** If I look at your yield on non-housing loans there seems to have been a sharp rise when I look at it on a year-on-year basis so I was just curious to find if I am reading the trend right and is there any specific reasons for this?
- Sarada Kumar Hota:** Where you saw my yield on?
- Nishchint Chawathe:** I mean it is calculated based on the interest income that you report, so the calculated number moves up from 11.2 to 13.4?
- Sarada Kumar Hota:** No I do not say anything of that sort, really because as a portfolio it is coming down because growth in housing it is not that non-housing absolute numbers have come down but housing absolute numbers have grown phenomenally.
- Nishchint Chawathe:** I am referring to the yield on non-housing?
- Sarada Kumar Hota:** That is what I am telling. As far as yield on non-housing is concerned, non-housing portfolio because we do not have we have not grown that big into non-housing nor there is a credit pickup so much in non-housing. Non-housing sector is not growing that big right now that may be one of the reasons that where the rate of interest will be less might have been prepaid or their number is been coming down whereas the personal loan, the mortgage loan which are there for little longer term that those might be the one of the reasons otherwise I do not see any reason. I do not see any aggression as far as the movement of yield in non-housing or housing is concerned both where

there is a drop because we have passed on the benefit to non-housing as well the rate of interest reduction.

Nishchint Chawathe: And on the GMPL side very roughly what could be the contribution of non-housing?

Sarada Kumar Hota: Pardon Sir.

Nishchint Chawathe: On GMPL side what would be the contribution of non-housing?

Sarada Kumar Hota: Because my non-housing portfolio itself is very small so naturally it is not that big.

Nishchint Chawathe: I think non-housing is 11% of the portfolio so I will be see that in terms of the contribution to GMPL level it would be like 11% or it would be like 30% or whatever because typically if you try to see non-housing tends to have high GMPLs?

Sarada Kumar Hota: It is not exactly. I do not see really much of the difference in delinquencies as far as housing and non-housing are concerned. It is almost the same or even salaried or non-salaried I do not see a much difference.

Nishchint Chawathe: Thank you very much and all the best.

Moderator: Thank you. We take the next question from the line of Sangeeta Purushottam from Cogito Advisors. Please go ahead.

Sangeeta Purushottam: Good afternoon Sir. Congratulations for good set of numbers. Sir my question really is related to something that you mentioned, if I hear you right basically what you are saying is that there is a lot of demand that you are witnessing but that has not translated into actual disbursements to the same extent because of the constraints faced on the supply side because of GST and RERA. Would that be a fair assessment?

Sarada Kumar Hota: Yes, because of one thing is RERA as well as the GST benefit gained by government for the subsidy for the MIG 1 and MIG 2 or for the LIG which were there earlier, almost it is 2.6 lakhs upfront benefit. This is I have not been in a position to really boost the demand so far because for those particular specified carpet area of those size of properties the supply side is now being created. You do not have ready stock really where somebody is confirming or who is willing to say that even if the property was there it may be 1000 square feet, but not confirming to those 600 square feet or 900 square feet of carpet area, which is required for MIG 1 or MIG 2. Those were the two issues. This is one. Another thing is as far as RERA is concerned, RERA is coming this year

itself from the month somewhere in Q4 of last year if you see any of those news portals or just you Google then you will get those expert comments that why you should defer your home defer your home buying to July 31, 2017. You tell me anybody who has got access to this information should he go for particularly the salaried class or the people who are earning in the LIG and MIG segment why should they jump into going for buying a home as long as it is okay staying in a rented accommodation, so they had been deferring. Now that RERA complied properties are there so you have that confidence that yes, if I invest in this particular project, I am getting the delivery within this due time, if not my interest is protected, so the buyer's confidence, individual home loans buyers' confidence is going to create the demand, so print player those who are waiting because of lack of clarity of RERA or lack of their understanding about which project is RERA complied and which is not, people who have deferred so far are going to plunge in and they are going to buy.

Sangeeta Purushottam: Right Sir what we understand is that on the ground there is a lot of confusion about some of the provisions of RERA and it is a process by which some builders have got themselves RERA complied and others have not done so, so how do we actually see this I agree that people would have deferred buying because they knew that RERA is coming, but at what point do we see this whole thing settling down? Is it going to take another couple of quarters or is it very difficult to say right now whether it will be two quarters, three quarters, or four quarters?

Sarada Kumar Hota: As far as how many quarters if you ask me I will tell that quarter two the last few months, I have given month-on-month by number and even I have declared this quarter two was the best ever quarters as far as fresh approvals are concerned. I presume that as far as the market is concerned the growth has returned. Only thing is when it is going to kick and where it will kick, I think nobody can make a guess now. We need to witness those growths really coming and every quarter end I wish that we should be discussing whether this growth is there like people putting questions to me that whether this margin is ultimate or anything further improvement is there. No comments. Therefore the same way each quarter going forward till 2022 every quarter we will be witnessing, I do not know what will be the growth numbers. No expert can say now that the growth rates will be 30%, 40%, or 50%.

Sangeeta Purushottam: Right. Now the other issue is that given that increase competition from banks that you alluded to earlier, we need our growth to be a little higher than before because the prepayment pressure is also building up right?

Sarada Kumar Hota: Yes. Right Madam, but in that sense I will say it is strategy in CanFin. We do not believe in really creating a stock and allowing it to be taken over because first thing we do not create such stocks or my loan book is not growing at those 40% to 50% that I can create a book and I can dispose that book or make it available for posting, rather I prefer that we should stick on to our niche area that

has been our strength. You keep growing in a segment, which is yours. Do not try to look at the others where they are growing and which segment they are growing. Where my strength lies let me grow and leverage on my strength and grow in that area so that as far as the competition is concerned it is not going to touch me. Not many banks will be interested in really the loans that I give. How many loans of Rs.20 lakh they will give. They will be interested in one loan of Rs.1 Crore rather than five loans of Rs.20 lakhs or seven loans of Rs.15 lakh.

Sangeeta Purushottam: Right, but Sir this 17% to 18% kind of prepayments that we are seeing this is coming from other banks taking over right?

Sarada Kumar Hota: Yes normally it is takeover. This is the balance transfer case.

Sangeeta Purushottam: Right so that is still reasonably high number, so there are banks?

Sarada Kumar Hota: No it has been around that only Madam. It has been around that for any Company. It will always be like that because there will be few till then because we give loans, if the average ticket price is around Rs.20 for us then there must be new cases where we give them Rs.50 lakhs to Rs.60 lakhs and there will be fewer at Rs.10 lakhs to Rs.12 lakhs in the three areas. So what happens is all those guys who have got a little bigger ticket size or may be because I have got a risk based pricing and somebody does not have because the banks do not have a risk based pricing except for barring only one I suppose from Bank of Baroda, I suppose they declare that risk based pricing. I do not know if anybody else has got a risk based pricing. So if my best price is 8.5% for housing loan for a low risk category guy if he comes into the medium risk then I charge higher and then the differential rate of interest between CanFin and between a bank it increases. So they tend to switch. Those people they tend to switch. Naturally that threat is there as long as the banks are active and the other credit segments are not growing. I do not know how long really it will go. Let us see. That is why we want to stick on to. The best way to fight this competition is to stick on to your own strength area and your own niche area, never wish o try to become like a bank or trade into those big tickets.

Sangeeta Purushottam: Right. Thank you Sir.

Moderator: Thank you. We take the next question from the line of Nirmal Bari from Sameeksha Capital. Please go ahead.

Nirmal Bari: Thank you Sir for taking my question. Most of the questions have been answered. One point that I noticed in the presentation was on the central processing unit that we have setup in Bengaluru, so

what is the function of that unit and does that take away the power from branches to give loans as to sanction loans?

Sarada Kumar Hota: No. What we have done is for the central processing unit as of now the branches are having their limited powers for those small tickets. Only for those proposals, which are sourced through DSAs and the proposals beyond a level for the branches we have centralized because I will be in a position to staff it better and standardize the process because we have gone online. The entire thing is online now. The movement of data and the movement of files is not an issue, so we prefer that I can deploy the rest of my people for underwriting in the CPC and it can be faster and more people can be relieved for either marketing or for servicing.

Nirmal Bari: Going forward it would remain a similar structure as in the branches would be sanctioning up to a certain limit or do we plan to move the sanctioning entirely to CPC?

Sarada Kumar Hota: No we do not want to withdraw the sanctioning power from branches in entire rather than we are looking keeping those small ticket ones in the branches only. The only thing is I do not require permission from branches. So they can be better deployed for other profitable jobs.

Nirmal Bari: Thanks Sir.

Moderator: Thank you. We take the next question from the line of Jehan Bhadha from JM Financial. Please go ahead.

Jehan Bhadha: Sir what is the contribution of our primary sales that is from the builder and resale flats in our book?

Sarada Kumar Hota: Sorry I do not have the numbers precisely, but going by the trend. If you see the average age of the borrower and the type of loans that we give mostly we give to first time home loan buyers and mostly it will be primary sale or construction basis and because the second sales are not as much because if you are more into balance transfers and takeovers then second sales will be more in your book. So my book does not have much of a really takeover from other banks. The asset created by somebody else and coming back to my book that sort of things are not there.

Jehan Bhadha: Because Sir if I look at the top 10 cities Bengaluru is of course a part of that and so there are these now the real estate agencies, which have given out data, which says that these top cities primary sales has been going down at about 8% to 10% over the last three to four years, but in spite of that our growth has been pretty strong, so can you help reconcile?

Sarada Kumar Hota: I would like to clarify because where they are telling the primary sales are coming down is because where the inventories are there. Inventories are there in the upper segment, which is lying unsold. So the primary sales where people are doing for investment purpose because that has been disincentivized. If you are having a second home earlier it was a benefit. After the last budget it is a disincentive for you because the carrying cost will be much more. You will be shelling out a very heavy interest whereas the benefit what you get in terms of the tax break will be restricted to equivalent to a first home only. Another thing is if you sell your second property, if you are holding on to multiple properties if you are going to sell it, 100% benefit has been given and there is a lot of benefit on capital gains point of view, so that the government is promoting pushing you to go in and dispose off if you are holding multiple.

Jehan Bhadha: Got it. Thanks.

Sarada Kumar Hota: We are mostly into primarily frills only.

Moderator: Thank you. We take the next question from the line of Ronak Raichura from Asian Markets Securities. Please go ahead.

Ronak Raichura: Hello Sir. Good afternoon Sir. Congratulations on a great set of numbers. Sir my question was twofold. One is there any region specific delinquency that you are seeing in your books because you said 75% of your book effectively comes from the southern regions and a lot of it from Karnataka, Andhra, and Telangana region and my second question is in terms of classification of the portfolios into S1, S2, and S3 could you give us a broad idea as to what percentage would be in each of this categories?

Sarada Kumar Hota: It will be primarily S1. S2 and S3 as far as the new approvals are concerned I can tell you it is something like the S3 will be very negligible. It will be very small fraction maybe around 10% to 15% in S2 and remainder may be in S1 as far as new approvals are concerned. These are the approximate broadly it will be majority will be 60% to 75% will be in S1 and 60% to 70%. The remainder will be in S2. S1 and F3 will be very less.

Ronak Raichura: Any region specific delinquency like since our gross NPA?

Sarada Kumar Hota: I wish to make it very clear there is no difference in delinquency when it comes to either region wise or salaried or non-salaried wise or housing or non-housing wise. The people who want because in a mortgage-bagged asset if there is a delinquency then certainly either it was intentionally so or otherwise there is something wrong happening in somebody's life, somebody



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dies or business goes, or something happens. Otherwise there is no reason why there should be delinquency.

Ronak Raichura: Sir one last question on this is let us say if somebody has been classified as an S1 initially and he makes a default and therefore his risk profile now changes do you also reprise the loan to an S2 category loan subsequently?

Sarada Kumar Hota: Yes Sir. The annual resetting also is that we have brought in it comes with annual risk rating.

Ronak Raichura: So every year the borrower is reprofiled?

Sarada Kumar Hota: The subsequent reprofiling is based on risk rating is based on the repayment track record and the LTV. If there is an improvement in the LTV by the loan coming down certainly that will improve.

Ronak Raichura: Great. So then this percentages that you mentioned would be just of the incremental loans or your current?

Sarada Kumar Hota: What I told you is about the incremental loans only. For the existing portfolio maybe I will present sometime when I get the data.

Ronak Raichura: Got it. Thanks a lot.

Moderator: Thank you. We take the next question from the line of Bunty Chawla from B&K Securities. Please go ahead.

Bunty Chawla: Thank you for giving me the opportunity. Can you update on the portfolio of Tamil Nadu, which you said was facing some issues, so what is the update currently now on that portfolio?

Sarada Kumar Hota: Now it has started. It is business as usual in any case but there were issues as far as the primary sales are concerned. These things were not happening because there was a High Court case pending for that. The privates were almost it has come to north in most of the places. Now things are almost coming to normalcy, so last year Tamil Nadu as a state is concerned the entire state the primary sales had suffered. Secondary sales opened, but primary sales had dropped.

Bunty Chawla: So can we say during this quarter Tamil Nadu portfolio disbursement was normal run rate has started during this quarter itself?

Sarada Kumar Hota: Normal run rate has started yes.



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- Bunty Chawla:** Means during Q2 there was a normal run rate of disbursement in Tamil Nadu State right?
- Sarada Kumar Hota:** Yes you can say that post September whatever issue last year they had gradually we are coming back to normalcy.
- Bunty Chawla:** Gradually we are coming back to normal and next thing what we observed...
- Moderator:** Mr. Chawla we are taking one question from the participant.
- Bunty Chawla:** No issues. Thank you very much.
- Moderator:** We take the next question from the line of Ritika Dua from Elara Capital. Please go ahead.
- Ritika Dua:** Thank you. My questions have been answered. Thank you so much.
- Moderator:** Thank you. We take the next question from the line of Vibha Batra from Fair Connect. Please go ahead.
- Vibha Batra:** Thank you for taking my question. My question is related to in today's paper there is news that Canara Bank may be looking at divestment of noncore assets and CanFin Home is being quoted as one of those assets. So my question is that do you have a plan B if indeed Canara were to divest your AAA rating may or may not remain and second is that in the leveraging, which is 10.4 times today rating agencies are giving you AAA despite titrating because there is a strong parentage? If that were to change how materially would your cost of funds go up because like any good company who are relying on their capital markets and if indeed leveraging also changes it could have double impact on your ROE, so what would be your views on that?
- Sarada Kumar Hota:** First thing I am not in the know of the things those you are telling, so based on this premise subsequently whatever impact part you have discussed I will not be in a position to comment as long as I do not have the knowledge of what the bank has been planning about because if you know yes I belong to the bank. I am a GM of Canara Bank on deputation to CanFin as MD. I am not in the know of things, so I will not be in a position to comment on that now.
- Vibha Batra:** Thank you.
- Moderator:** Thank you. We take the next question from the line of Omkar Kulkarni from Individual Investor. Please go ahead.



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- Omkar Kulkarni:** Hello Sir. In order to achieve the Rs.17000 Crores target or the preference would be given to achieving that target or on their offset quality front?
- Sarada Kumar Hota:** Sir always I stand by my growth, but not at the cost of quality. Rs.17000 Crores is the guidance that we have given. It is the target for all of us that we will try to run for those numbers, but not at the cost. We are not desperate for Rs.17000 Crores. No heaven is going to fall if Rs.17000 Crores is not achieved if I am at Rs.16900 Crores, but certainly if I compromise as far as the asset quality is concerned to achieve that number the **(inaudible) 1.19.01** will be blame me.
- Omkar Kulkarni:** Why I am asking this because last two quarters the asset quality has deteriorated a little bit, so that is why I asked this question?
- Sarada Kumar Hota:** That is why always we will keep a fine balance. We do not want, but let us see always because fresh growth as well is required to keep your asset quality good than keep your earning receivables also. So we will have to have a fine balance between the two. Let us see, but we are not interested in growing at the cost of quality.
- Omkar Kulkarni:** So this 0.5% gross NPA will that be the highest like 0.5% will be the maximum?
- Sarada Kumar Hota:** As of now it is 0.40% I suppose.
- Omkar Kulkarni:** That is why I am asking 0.5% can you maintain this?
- Sarada Kumar Hota:** I do not want to comment, but why should I commit for 0.50% when I am at 0.40% now.
- Omkar Kulkarni:** I am just asking whether that will be the upper limit?
- Sarada Kumar Hota:** As of now, keep the upper limit at 0.40% that has been the biggest number so far we have posted.
- Omkar Kulkarni:** Thanks a lot.
- Moderator:** Thank you. We take the next question from the line of Vishal Singhania from Individual Investor. Please go ahead.
- Vishal Singhania:** Good evening Sir. Sir how many states have enacted RERA and have all the issues related to RERA have been sorted out?



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Sarada Kumar Hota: Yes most of states the RERA, it is not that RERA not being in place. It is more important that the customers and the home buyers understanding the RERA and getting that confidence, so maybe it will take some time that RERA complied projects should be there. The customer should know about yes this project is RERA complied and he should have that confidence to invest money.

Vishal Singhania: Sir when do you expect that the operating environment will be completely normal post RERA and GST?

Sarada Kumar Hota: Now it means if we think that we are not yet at that level that clarity has emerged 100% or the entire cities since they are aware of the RERA issues then certainly we should positive going forward. Whatever present numbers are there, the future should have better numbers.

Vishal Singhania: So we have these large housing financing companies who are doing a lot of developer financing? Are we doing that?

Sarada Kumar Hota: We are not into that because if you see my builder loan portfolio, it is very small. We are not into that segment. It is 0.05% is the total builder loan in my portfolio, but certainly builder loans we are we are looking at one of the opportunities as far as the RERA compliant new projects are concerned because we are not into that segment because the segment was not regulated. Now that sector is regulated, we will be interested in entering that segment again, but not that having our own caps as to how much what should be the number. Our growth story will be from individual housing.

Vishal Singhania: Thank you.

Moderator: Thank you. We take the next question from the line of Ronak Raichura from Asian Markets Securities. Please go ahead.

Ronak Raichura: Sir just one more question. Again regarding your asset quality itself. Sir so you answered that this is not region specific and all. It is more to do with the specific guys. Sir I am sure since this is the highest gross NPA recorded by CanFin in quite a few quarters, you say you would have tried to assess the possible reasons. Now one of the things you said was because of the demonetization some EMIs got deferred. So three EMIs had to be serviced together, so my question is how long can this last and is there any other reason that you would have analyzed as to why the gross NPA relief short up to these levels?

Sarada Kumar Hota: Sir many at times what happens if you have run a lot really and if you have grown at 25%, 30%, 35%, and 40% growth and if the assets mature, I think it should be fair enough the company has



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run at 40% standalone and 0.40% or this gross NPA whatever you are witnessing this much allowance should not be given. You give 1000 loans and four loans should not go bad. 0.04 amounts to four loans in every 1000. Is it not? If somebody is posting really those numbers, I think once this portfolio seasons you grant a loan for 20 years tenure or 30 years tenure. After five years, six years, or seven years every year there will be a few percentage, which will keep on dropping to NPA and you know to handle those cases. Whether you recover you take it and this is the story of finance and I being a banker I really admire CanFin as a company by people here. The 0.40% is something, which really the banking industry envies, gross NPAs were really this low.

Ronak Raichura:

Sir then would it be a fair assessment that as and when we kind of grow our book our gross NPA numbers it will be more upward trending because with the growth in the size obviously delinquencies will also rise correct?

Sarada Kumar Hota:

You should be in a position to that is what. It is really the art of management that is how quickly you can realize those assets. One advantage for CanFin is or any SSB for that matter unlike bank we do not have a clean asset book. We have got all mortgage bagged asset book. So you have got something to fall back on how quickly you can realize those assets that is why the NPAs must show off first. Unless the NPAs are showed up in the book you cannot initiate action. So there has to be trade of between how long you can continue to run and recover those one EMI each year and when you should say thanks, bye, and let us meet in the DRT or in the recovery.

Ronak Raichura:

Sir one more last question. Sir one thought, which we were just discussing is just like I am just giving a peer example like you have Canara Bank as your parent and so has the company also thought of some kind of a plan where you can leverage the branch network of Canara Bank instead of opening specifically CanFin Homes related branches because they themselves would be a third or fourth largest PSU banks with a lot of high reach and that could really impact the cost to income ratios for the company because you do not have to set up a new branch all together. You can just use the branch network of your parent?

Sarada Kumar Hota:

I do not know. I think the parent has decided that way only because this is a 30-year-old company Sir this October 29, 2017 we will be completing 30th year of CanFin and since 1991 this company is listed and maybe it is really again manageable to ask this question. I have not seen really this sort of hands off approach as far as the parent and the child is concerned. As of now if I am sitting here as MD of the company, yes we have got an independent board of powers which takes the decision and there is no mix up as far as either sourcing of business is concerned or delivery is concerned. Canara Bank caters to its own niche area and CanFin caters to its own niche area. There is no advantage of their branch network being taken by CanFin or CanFin's branch network being taken advantage of by Canara Bank.



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- Ronak Raichura:** The question cropped up because HDFC does that actually. It uses HDFC Banks kind of branch networks. Thanks a lot Sir. I appreciate your response. Thanks a lot.
- Moderator:** Thank you. We will take the next question from the line of Bharat Jain from Manthan Research. Please go ahead.
- Bharat Jain:** Thanks for taking my question. In one of the calls, I think you have said that in AP this fiscal you will be doing about Rs.1500 Crores to Rs.200 Crores of disbursals are we on track on doing that?
- Sarada Kumar Hota:** I did not get you Sir. What is that?
- Bharat Jain:** In one of the investor conference calls, I remember you guys were saying that in AP/Andhra Pradesh, Telangana, and Hyderabad combined, you guys would be doing about Rs.1500 Crores to Rs.200 Crores of disbursals this year? Are we on track of doing that?
- Sarada Kumar Hota:** It is not on a concall really. We are opening our Malkajgiri branch I suppose and there was somebody asked me this question. It is quite possible Sir we are on those. Andhra and Telangana it should not be difficult really for building such a portfolio because that is what we are aiming at.
- Bharat Jain:** Thank you and just one more question. In terms of RERA implementation is there a target in terms of by which all the under construction or the upcoming properties will fall under RERA for all states or is it extendable like from what I have heard in Tamil Nadu they are saying that they have got time till January or February for under construction property to not be under RERA if they want to be, so is there timeline of such sort?
- Sarada Kumar Hota:** RERA, each state has got its own because this is a state sector. It is around the Central RERA Act, but each state has got something specific like in Andhra and Telangana they have got, which all old properties will be I suppose in this or there in Andhra, when the approval was given. All approvals prior to January 1, 2017 does not require RERA compliance. Somewhere else it is there that 50% of the construction should have been over by that date. Who defines 50%? There is another document whereas individual home loan buyer knows that or not, so that educating the customer, the clarity as far as the RERA complied properties are concerned that I suppose it will take some time. It has to sync in as far as the individual home loan buyers are concerned. Each state has got its own act. The people need to understand. Everybody the builder community, the banker's community, and the housing finance companies, all of us we are working towards that. I think it is a matter of time really, but as far as the growth is concerned when growth will come that question I will answer that growth has returned. The only thing is we should witness every quarter end we



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should be celebrating that yes whether this was the growth rate we had discussed about. Going forward every quarter should be a better quarter.

Bharat Jain: That is it from me. Thank you.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.

Sarada Kumar Hota: Thanks all for the questions whatever you asked. Wherever you felt like that we could not answer you can please reach out to us and we will try to incorporate all those questions whatever have come today in our next quarter's earnings presentation as well as all our investors when opportunity comes we will keep interacting and the management is always open, as far as discussions are concerned. I thank all of you for the so intelligent questions and we carry the inputs from you, which we consider, that are valuable. Many of the investors were there in the concall I thank all of you for having reposed this faith and I stand by Diwali is just over and the numbers have been really good. As management yes we are satisfied about the numbers we could post demonetisation, post RERA, and post Q1 the number, which is still subdued in quarter one. I think Q2 it is looking up. It is fairly good numbers and going forward let us expect that this Diwali bring in all good numbers and good set of numbers in the quarters ahead. Thanks all. Utsav is online.

Utsav Gogirwar: Thank you Sir. Thanks a lot.

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