# "CanFin Homes Limited Q3 FY2019 Earnings Conference Call"

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**Moderator:** Ladies and gentlemen good day and welcome to the CanFin Homes Limited Q3 FY2019 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 telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Utsav Gogirwar from Investec Capital Services. Thank you and over to you, Sir!

**Utsav Gogirwar:** Thanks Janice. Good morning all. Welcome to the Q3 FY2019 earnings conference call of CanFin Homes Limited. To discuss the financial performance of CanFin Homes Limited and to address your queries we have with us today Mr. Sarada Kumar Hota, Managing Director of CanFin Homes, Mr. Shreekant Bhandiwad, Deputy Managing Director, and Mr. Atanu Bagchi, CFO & DGM. I would now like to hand over the call to Mr. Hota for his opening comments. Over to you Sir!

**Sarada Kumar Hota:** Good morning. Thanks Utsav. The Q3 the numbers were declared posted yesterday and we had uploaded the presentation copies as well so that we discuss more about how things happened and how things, what we could not were released. Briefly I will give a presentation on where the positives as well as the negatives where we have concerns. The growth wise, it was a tricky quarter for us and Q3 because this time Dussehra, Diwali, Christmas all holidays came during this Q3 only unlike in the previous year when the Dussehra was in the second quarter and Diwali and the Christmas in the third quarter, so the active number of days available to us were not many, as well we started the quarter the month of October started with lot of discussions around HFCs, NBFCs, the liquidities, so it was a really tricky quarter for not alone for CanFin Homes I suppose for the NBFC industry and the HFC industry as a whole.

We are very, very happy that in spite of all those discussions around the things around CanFin never stopped in terms of it is doing business we never had liquidity, so neither then nor today nor any point in time we had to really rush for contracting any high cost borrowing. Rather because the marginal cost was going up because of the rise in the bond yield and almost a 20% fits in our borrowings from the market instruments to the bank borrowings and NHB borrowing both if you put under the bank bracket then there is a 20% dip between the market borrowing and the banks borrowing. So marginal cost for the quarter is something like 8%, for the nine months period it is at 7.89%. We had been successful in passing on this rise in cost to the borrowers there was a 50 basis point increase in the rate of interest that is one of the reasons where we wanted to regulate our growth into profitable growth rather than just growing like that. So it was more a calibrated one, yes there were certainly the issues the trend where how to hold on to the asset quality and grow how to hold on to the margins and then grow that we have been fairly successful in the sense that the margins, the ROA, ROE, the cost to income ratio, all the return ratios we have been in a position to hold on to, there is improvement in the capital adequacy of the company to almost 19.4% now and almost it is something like 17.5 Tier-I ratio, internal accruals are fair enough very strong positive days in the quarter one, the NII which is the core earning that is the difference between interest income and interest expenditure. In Q1 the growth was 3%, in Q2 it was 2%, but in Q3 standalone if you see there is a 7% rise in the net interest income.

The NII growth of 7% really is quite satisfying it shows that I think we are doing comfortably well in terms of the balance in between the growth and the return ratios, the earnings because the company believes that it has growth, but it has to be profitable growth and as compared to 8% growth in the PAT in Q2, in Q3 there is a 21% increase in the PAT, there is a 16% increase in the PBT and for the nine month period as well there has been improvement that the PBT has grown by 11% and PAT has grown by 13%.

The cost and yield both these figures are already presented, it is at 7.89% cost, 10.06% yield, so if the cost went up from the September to December by 6 basis points the yield has gone up by 7 basis points that were protecting our spread well. One concern has been the NPA ratio the gross NPA has gone up from 0.63 to 0.71 there is a 8 basis point increase, but this is not that all earning and we are not worried because in almost all the Q3 when the Dussehra, Diwali period comes certainly some of the recovery takes hitting a bit, but these are all deferred you can say, in terms of the efforts towards controlling the slippage and upgrading these accounts or recovery, the action is in place and almost in 560 accounts SARFAESI action is initiated. We have taken similar position on in case of 270 accounts almost 75 accounts physical projects and almost three dozen accounts have been sold out during the nine months period, so we are quite hopeful.

Normally SARFAESI action what happens is it takes around 7, 8, 9 months period to complete the process so Q4 we are holding our fingers crossed I think everything should be the better number because there are no holidays now. Active number of days wise that we will be having quite very good time available both for the borrowers all the sanctions those have happened in Q3, we will come up for disbursement during Q4 and always Q4 has been the best quarter for CanFin and we are pretty hopeful that FY2019 ends with all good numbers and the receivables will improve here after from this place on.

One more slide I have added in the presentation this time and it was intentional that we wanted to convey to our investor community that the company is changing, we are realigning ourselves that is the last, but one slide the strategic initiatives the slide #14 that is where we have shown that how we are realigning the company in last 10, 11 quarters from March 2016 onwards how we have changed, the composition of our branch network compared to 54 branches in metro and 56 branches in non-metro now the metro branches are 66 and non-metro has grown almost it has doubled to 109. The contribution of non-metros from 28% in March 2016 just two-and-a-half years back now they contribute almost 40% to our fresh approvals.

The share in the loan book from 23% the number has altered positions now it is 32% almost a third of business comes from the non-metros and going forward this is going to grow only and if you see in terms of growth year-on-year at December while the metro is growing at 11% non-metro is growing at 30%. If you see then still two third of our business we source from the metros and the metro is growing at 11% then I have got the only answer I can see is this moves will be gradual, it is not that metros we are not growing, but the competition is come to that level and my pricing is such vis-à-vis the banks that the difference is a bit more now because of the marginal cost of funds and the HFCs have gone up substantially. So we are realigning ourselves, we are expanding more in the non-metro growth center and current year we are planning to add something like 30 more those all will be in tier-3, tier-4 cities. This is all from my side. Now any specific queries I will be happy to answer along with me my DMD and CFO both are present. We can proceed with Q&A.

**Moderator:** Thank you very much. Ladies and gentlemen we will now begin the question and answer session. We would take the first question from the line of Nirmal Bari from Sameeksha Capital. Please go ahead.

**Nirmal Bari:** My first question is on the gross NPAs, if you can throw some light on why was the increase and then whether that increase was from housing segment or whether it was from LAP as well as the geographical breakup of the total gross NPA that we have on the book at present?

**Sarada Kumar Hota:** I think I have ensured in my initial remark I will just elaborate on that, that why there is increase in the gross NPA. Normally what happens is during the festive season it becomes difficult decision for the recovery staff to go and ask somebody on a festive day that your EMI is defaulted, but there will be certainly such cases will be there where you need to really cease and recover your money. So Q3 by and large historically it remains like that as far as the gross NPA ratios are concerned, if you see even last year the gross NPAs it was increasing the jump in Q3 if you see it will be substantial, so Q3 it is always it goes like that, if you get all the festivities during Q3 it gets impaired, but there is no such case where there is problem in terms of getting back the money if you ask me about the geographical space have you say it is by and large there is no specific trend that one particular state that it is default and the other people are not, these people are bad or that people are good it is not like that, but if you say whether it is housing or nonhousing or if it is the salaried or non-salaried naturally the delinquency rates for the nonhousing and non-salaried will be a bit higher always compared to housing and salaried and that is where really the pricing takes care of that risk part, but yes we keep a spread between the markup between the salaried and non-salaried, the housing and nonhousing the pricing is done accordingly. So that risk part is taken care of. So it has to be, you cannot really be in the business and you can say that no I will not lend to a non-salaried or I will not lend to this geography or that geography, so nothing specific really these are well priced it goes well with the returns that we make from the pool of assets. As a pool if you see it is fairly that my yields have gone up certainly somewhere even the non-salaried and the SNP segment is also paying that extra portion.

So if you have to balance your the margins and your growth it has to be fairly balanced growth, yes you can ask me to what level certainly we have got our own potential the feelings to what level, still it is 70% for the company, 72% which comes from salaried and it is 90% of our book, which is housing, so primarily we continue to remain a salaried housing player in the market and nonhousing is just 10% we do not want to increase beyond that.

**Nirmal Bari:** Sir the Karnataka has continued to be sluggish for us, but it seems the market is in general picking up in Bengaluru and surrounding areas in listed market, so is it that we are facing higher competition over there?

**Sarada Kumar Hota:** Yes I agree sir certainly this is evident it is not only Bengaluru there is one typical issue is that in the metros the NBFCs at this pricing October month, Q3 was, that is what I am referring to, if you see Q3 particularly September end onwards when the bond first thing is the bond yields have started going up. Q3 onwards the pricing is such the liquidity is not an issue, but certainly the cost is not in our hands it is governed by how the market is facing, if the banks are increasing their NCLR or if the bond yields are going up you cannot help it, you need to pass on, if you have to pass on you can just see the competition between the banks and if you compare a bank and the NBFC or a HFC for the bank the cost of fund is decided by how much CASA you have because basically I am a banker I am telling. Now you take worst of the bank his cost of funds will be something like **(audio cut) 14:26** whereas for HFC for me the cost of funds marginal cost is the NCLR of banks, nobody will lend me below NCLR and the money market rates that have also gone up so I will have to pass on I cannot compete in terms of pricing with the banks so going by the present situation and maybe for the next few years that the banks will continue to really give fair competition in the metros and in the Tier-I cities for housing the very reason being is they have got capital resource this is the most capitalized segment where you do not burn your capital that very fast and if you have to keep the institution going you will have to engage people, so it makes sense really for the banks to get into retail in a very aggressive way.

For HFCs how quickly and how well we are realigning ourselves that matters that is what two years back I still remember when people are asking me for growth rate why you are not why you have slowed down you do not say it is slowed down I will rather say that how we are maneuvering our growth and the movement in margins. First to have a fair balance you should have really a very, very fair understanding of how much to grow at so that my margins and my spread that is not going well, if I give a 30% growth and my delinquency ratios really goes beyond 1% and the margins are dropping below 3% naturally you will ask me question for that as well. So as management we always take a fair decision as to where to take the growth rate and where to take the bottom of my margin that is comfortable for me to do business. Whenever there is a pressure on margins and such severe competition you would have seen that last not today two years back, three years back we started from April we started April 2016 if you see the branch expansion plan of CanFin Homes. During my last two years and three quarters in this company in the helm we have opened 65 branches out of 65, 53 are in non-metro, March 2016 when I got the company I got the company with 54 metro branches and 56 non-metro branches equal, today the metro branches are 66, non-metro are 109 and we have disclosed that we are opening 30 more in the non-metro, so it will be 60 versus 140. So that is how we are realigning ourselves. The company has to keep on evolving as the competition increases as the banks will push you to your own territory we need to find our own territory like the banks are finding the competitor is finding their own new horizons new geographies we are filing our own new geographies. As long as we keep growing and keep evolving ourselves, if you do not keep evolving then I think we will not be relevant. As long as we are in a position to make a fair balance growth rate has not dropped it is almost at 17% and the Q4 certainly we see lot of traction and things would improve.

**Nirmal Bari:** And finally on the provisions. We had about 100 Crores of provisions, 100, 101 Crores of provisions at the end of FY2018 and then we have not provided anything?

**Sarada Kumar Hota:** You asked me that why we did not really pull out any even in Q3, we migrated from GAAP to Ind-AS and we have not pulled out anything even today I am holding lot of surplus provision and for standard assets. NHB has allowed for the individual home loans when the provision percentage was reduced from 0.40 to 0.25 the guideline is you need not provide extra for the increased growth, but you cannot pull out, so whatever provision we are holding that is still adequate and it will take care of maybe few more quarters as far as our standard asset growth is concerned because there is a class in the provision rate for standard assets from 0.4 to 0.25 and being a basically home loan player that is where the advantage accrues to us. Even under NPA still we are holding surplus.

**Nirmal Bari:** Yes that I understand.

**Moderator:** Mr. Bari I am so sorry to interrupt, requesting you to please join the question queue if you have followup, as we have people waiting for their turn.

**Nirmal Bari:** Actually this is on the last question itself if I can complete and then I will join the queue back.

**Moderator:** Alright you may go ahead.

**Nirmal Bari:** Sir if you can give some data on your last given default it would be helpful for us as investors to see how much the provisions will last and when would usually to start providing?

**Sarada Kumar Hota:** This maybe I will have to disclose we will put out a presentation if you want for that we will see you can wait for that, but certainly I can say that under Ind-AS one is what is the probability of default, what is the loss in due and another thing is how much is your security that also helps because I have got a fully mortgage backed, fully asset backed portfolio that is where really the HFCs are in a better position because it is not backed by stock, it is not backed by hypothecations, it is backed by mortgages. So normally the LGD is not that great for us the numbers are really very, very small. If you see I do not write off the last nine quarters not even a rupee has been written off by this company I never require we are in a potion to recover. If you have really bloated your book if there is a problem in your LTV then maybe that is a worry or CanFin no worry 100% of this NPAs we can recover there is a strong LTV and the mortgages are available we are in a position to sell. I already told you almost more than two dozen accounts have been sold in the second quarter third quarter.

**Nirmal Bari:** Thanks.

**Moderator:** Thank you. Next question is from the line of Agastya Dave from CAO Capital. Please go ahead.

**Agastya Dave:** Sir in the last conference call you mentioned that you expected given the circumstances the run downs and the competition to kind of start easing from the HFC side, from the NBFC side. Did you notice that the prepayment rates or refinance rates in your portfolio have they gone down?

**Sarada Kumar Hota:** Thank you sir very good question at least to remember what I told and we have given somewhere in the previous concall also I told yes there is a substantial reduction in terms of quantum if I say it has come down to less than half of 40 we are losing every month, so that is certainly there, but simultaneously what we have done is I think gradually the competition is making our rate that the rate at which we give loans these are really not that competitive in the sense I cannot compete with the banks with the pricing power so naturally we need to move to such geography that is what our growth in last two-and-a-half years what the expansion plan that was strategic I really owe it to our investor community and the analyst who put me those queries when someone in June first week of 2016 I was there in Mumbai addressing people that what you do if there is some issues because of the concentration risk down south and their own metros. As I told in March 2016 we had 50:50 it has 54 branches in metro and 56 in non-metro and most of these business it was coming almost close to 37%, 38% of the business is to come from Karnataka alone. So now fairly we have been in a position to really expand realign the company and get back to business and we are holding onto that growth rate I think this growth rates in the current circumstances are one of the finest we have moderated our growth rate in the metros intentionally to around 11% because it is not profitable for me if I lend somebody at 9.5% now that is my best rate because my marginal cost is something like 8% plus, so it makes sense really when I lend it at a bit higher rate in the non-metros and there are takers will stay with me. Otherwise the balance transfer I produce the side and somebody else is they have to take it away matured one that is where we are realigning ourselves. Statistics way if you ask me I can say you the monthly run down has come down to something like half.

**Agastya Dave:** Sir next question was on the funding mix you have shifted a lot to the banks, but last time around I had asked you the NHB side and you had said that the costs are high enough that it was not keeping sense to refinance using NHB facilities, but this quarter I was expecting a larger share from NHB and NHB in fact has shrunk, so what is your expectation going forward, how will the funding mix change for the next year, I know it is a very fluid situation, but what would be your best estimate as of now and sir in this some question there is, given our brand equity why do not we have higher deposits adjusted for SLRs do the deposits do not make sense?

**Sarada Kumar Hota:** You are right sir, certainly deposit gives you double advantage not only the funds more than the funds it is a cliental base that you give, that will be captive cliental base and many times the referrals is a big chunk big source of new business for CanFin, so certainly we are trying to push our deposit portfolio to increase it, but as far as NHBs is concerned I will like to clarify in previous quarter it was 7% this quarter it is at 13%. Year-on-year it is low because it has reduced because of the high cost something we have repaid that, but if you see the current quarter there is a increase in the NHB refinance we have sourced something like more than around 1000 Crores from NHB during the quarter and we are comfortable with NHB refinance or any other bank refinance going by the rate, so if the market borrowing is cheaper I am okay with NCD, if the bank borrowing is cheaper then I am okay with the bank because NHB was not having those directed funds earlier around 12% of my total borrowings was from NHB that had come down to around 7% in the last quarter in the September quarter if you see the presentation that has increased from 7%, 8% to 13% because 1000 Crores we have sourced from NHB now that they have started the affordable housing fund, which is a directed lending and we get that at cheaper rate and we enjoy 3.5% spread on that. It is not important really at what cost I am raising the money, at what cost I am in a position to deploy that money may come for me. If somebody is giving me money at 10% and I can deploy at 13% it is okay, so most important is the rate at which I am sourcing NHB funds were not available on the directed lending it was only on the general refinance I was getting much cheaper in the market and from banks so we had not sourced anything from them now that route, affordable housing fund is a really big help for all the HFCs and NHB is playing pretty proactive and pretty positive role so that we have also sourced and I suppose going forward we will be looking to source more under that because the CanFin comes in mostly in that bracket all affordable housing funds only that is for LICs whatever we give loans like 10, 6 lakh annual income to get. Banking channel also it has increased, but the cost of funds if we are in a position to hold on to 7.89% for the nine month period less than 8% I do not know really now for NBFCs whether how comfortable you are for this cost of funds we should give some credit to my CFO is sitting with me he will be happy.

**Agastya Dave:** Sir your cost to income has been trending down and it is now 14% and I was just wondering here you anticipate demand to come back right so will we be able to maintain at 14% or at the branch level we have to do some new expenditure and we can see this going up now, have we reach the bottom or more scope for operating leverage?

**Sarada Kumar Hota:** I think cost to income ratio I stand by I think I have clarified this point even in earlier conference calls our new branches that we have opened those branches will start giving real business the business will be substantially high and per branch business will go up once those branches mature so going forward there is no reason as to why the cost to income ratio should be higher than what we have now. So we are pretty hopeful I am really not comfortable with this and our target is because there is somebody with a single digit they inspire us.

**Agastya Dave:** Yes that was my question sir. Thank you very much and good luck sir and see you in next quarter sir. Thank you.

**Moderator:** Thank you. Next question is from the line of Digant Haria from Antique Stock Broking. Please go ahead.

**Digant Haria:** Sir wanted to know what is the proportion of loan book, which comes from Karnataka and Tamil Nadu and what is the proportion of incremental disbursements, which are happening in these two states?

**Sarada Kumar Hota:** Sir I think in the first slide we have given the Karnataka it is something like less than 32% it used to be in the range of something like close to 37%, 38% three years back so that has come down to around 31%, 31.5%, but still Karnataka is our main stay, even today in terms of the new sanctions and approvals if you see the volume is not small still they are the major player and still we say that yes we are very comfortable and we are confident about the potential that this will hold there. The present level is because of certain issues from the supply side post RERA because the people whom we fund are basically the first time home loan buyers who used to if you say annually of 50000 annual income monthly income they are entailed to a loan of 25 lakh if they are in 5 lakh more equity then they will be looking for a house for some 30 lakhs, 35 lakhs max in that bracket the supply is really it has suffered significantly in last two, two-and-a-half years post RERA particularly July 2017. So the new launches are now coming up it is getting addressed, as it gets addressed I think there is no reason as to why the Karnataka should be a worry for us that is why we are holding on this is our strength of CanFin is Karnataka and South so it will continue to remain our dominant field because we understand the market well, we know that this demand, which remains unserved I stand by it, demand is very much there it remains unserved when this demand comes back it will come back on the supply side, you give RERA 30 lakhs, 35 lakhs worth properties and there is no doubt of really home loans profit that the growth in Karnataka market or Tamil Nadu market most of these markets are really growing back to normalcy and simultaneously what we are doing is from Bengaluru we are opening more branches now in your country in the periphery so we are also realigning ourselves.

**Digant Haria:** Sir second question is on the margins our spreads were at around roughly 3% for the last year and I think that was best ever in the history of CanFin maybe this year my calculation show that we will end at say 2.5% or 2.6% kind of spread so where do you see this as we study say like would we go back to 2014-2015 levels of 2.2 or we stay at around 2.4%, 2.5% spread because I understand as we go out of Karnataka we will have some spreads, which will be lower than our home market, so any thoughts on this would be great?

**Sarada Kumar Hota:** It is otherwise, because in Karnataka my presence is more in, in and around Bengaluru where competition is more, ticket size is a bit more, as the ticket size is small or my margin improves so that is how we are expanding in to the non-metros even in Karnataka we are expanding into Hubli, Dharwad, Shimoga those brands is Tumkur, Davanagere we are growing those areas we are posting more people into, we have recruited huge staff strength in those areas, we are trying to reinforce the capabilities of the company in the non-metros because that is where the margin lies.

**Digant Haria:** This will be the bottom for margins more or less or at least the steady state it is not the bottom?

**Sarada Kumar Hota:** I think this quarter is not the bottom improved our previous quarter sir see my number. My margins have gone up.

**Digant Haria:** Like 10 bps of decline I doubt it is not a big deal.

**Sarada Kumar Hota:** No there is no decline compared to last quarter this quarter for the quarter or for the nine month period both ways it has improved. If you see the spread, there is a one basis point improvement. If you see the margins, it has gone up from 3.17% to 3.18% because whatever cost to increase was there compared to that the yield has improved by a higher pace. If you see year-on-year you are looking like that. All these margins have to be seen sequentially because they feature some changes sequentially.

**Digant Haria:** Alright, thank you and I will come back if I have more questions.

**Moderator:** Thank you. The next question is from the line of Kunal Shah from Edelweiss. Please go ahead.

**Kunal Shah:** Particularly on non-metro side if you can just share how would be the profile of the customers, is it more non-salaried out there and what would be the yield differential between the metro and the non-metro?

**Sarada Kumar Hota:** There would not be much yield difference between the metro and non-metro. There will be a difference in the ticket price. In the metro, the average ticket will be around Rs.30 lakh. In the non-metro it will be in the range of Rs.10 lakh to Rs.12 lakh. When it is in the Rs.10 lakh to Rs.12 lakh, I can source funds either under PSL or under affordable housing. When it is Rs.30 lakh I will fund from the general market or under general refinance of NHB or from a bank borrowing, so it depends on my lending into non-metro the small ticket helps me in sourcing cheaper funds it is not the yield it is not the rate of interest that really decides.

**Kunal Shah:** Profile would be different?

**Sarada Kumar Hota:** Profile would be by and large even in the non-metros it is salaried.

**Kunal Shah:** Even on the non-metros, it will be..

**Sarada Kumar Hota:** Even in the non-metros, it is salaried primarily because there will be teachers, there will be road transport company, the government employees, there will be railway employees.

**Kunal Shah:** It is not like self employed and the mortgaged parties slightly higher?

**Sarada Kumar Hota:** No. Self employed will be more in the metros not in non-metros.

**Kunal Shah:** In terms of cost to income how would be the differential between the metro and the non-metro would the non-metro lead to slightly higher cost to income?

**Sarada Kumar Hota:** Cost to income will be cheaper in the non-metro. First thing I pay Rs.1 lakh for the same square feet premises here in metro whereas then I will pay Rs.10000 I will get one.

**Kunal Shah:** Sir not too much of a differential on the cost to income between the metro and non-metro?

**Sarada Kumar Hota:** Cost to income if you see because cost to income is not precisely only the operating cost. It takes into account the NII you make from those operations as well. As I told you if my cost of fund is cheaper for the non-metro so naturally the cost to income will be much lower in the non-metro compared to the metro.

**Kunal Shah:** What is the incremental cost of funds for us?

**Sarada Kumar Hota:** Incremental cost of funds is something like it was 7.83% in the last quarter and 7.89% now. Incremental is something around 8% for the quarter.

**Kunal Shah:** Incremental cost is 8%?

**Sarada Kumar Hota:** Then you should ask me the incremental yield as well that is 10.20%.

**Kunal Shah:** So may be the spreads are still around 2.2% out there?

**Sarada Kumar Hota:** Yes still around 2.2%.

**Kunal Shah:** So incremental spread is around 2.2%. Thank you.

**Sarada Kumar Hota:** This figure was 2.05% in the previous quarter for the last quarter.

**Kunal Shah:** This was 2.05%. Thanks a lot.

**Moderator:** Thank you. The next question is from the line of Atul Mehra from Motilal Oswal Asset Management. Please go ahead.

**Atul Mehra:** Congratulations on a good performance. Sir just one thing just extending the previous question, so as we look at spreads for the next year for instance how is the outlook like, so will this 2.2% be maintained or is there anything else that in terms of we should look at?

**Sarada Kumar Hota:** Sir I am not looking at precisely the spreads. I am looking more at the margins NIM and NII. I am really very happy that the core earning is NII. For us, if you see my balances it is almost 99% of my revenue it comes from the core business. The fee income component is not that great really. Even that comes from the same business that is the processing fee mostly. The interest earning is accounted under NII and the processing fee and other service charges are accounted under fee income, so it is primarily from the loan origination and related to the loan. There is not much of really third party business that CanFin engages in. That amount is still very small because till last year we are not into even cross selling of insurance business because Memorandum of Article as one rupee change, so if you see the NII growth and the margins growth that is really very, very relevant. For the first quarter, NII is the difference between interest income and expenditure that growth was 3%. It had come down to that level because the prices are under the trade and Q2 it was 2%. This quarter standalone if you see it is 7% increase. There is a very, very clear signal that things are moving upwards and in terms of margins the Q1 it was 3.18%, Q2 3.17%, now it is 3.18%. For the standalone for the quarter it is 3.20% and even the spreads while the cost has gone up from 7.93% for Q2 to 8% now, seven basis points increase, the yield has gone up from 9.98% to 10.20% there is a 22 basis points increase in the improvement in the yields that is why the spread has gone up by almost 14 BPS. I think going forward only thing I can say I cannot predict what would be the margin, but certainly for the management the margins and the return risks use are very, very important as important as growth for us. If it is a profitable growth it is okay, otherwise we are willing to really lie low and wait for growth to come back and not desperate for growth for the sake of putting up.

**Atul Mehra:** Secondly in terms of the next on similar question on growth, so as we head into next year, so do you see the environment improving from year on for your say disbursements can provide 10% for next year or is there anything else that there is now like hitting local market of Karnataka have things improved?

**Sarada Kumar Hota:** No it is not only Karnataka it is really in the metros where we are seeing slowdown. Karnataka is coming back. I think Q4 it should be much better year end compared to the previous quarters in the sense October month current year you should not see as a normal October normal Q3. This Q3 had so many discussions around, so many things being discussed about, which was really even the lender even the people where your source money from whether it is the money market whether it is the banks. There are people who are willing to pay exorbitant rates and pick money for the sake of maintaining their liquidity. While you are operating in the same market so naturally you will have to pay a price in the sense you are getting funded 8%, but somebody else is willing to pay 8.5% for the same money, so that naturally what it says it is really this year market. While being in the market unit to know really in such case that how to pass on. We have been successfully in passing on the cost. We are not worried. Growth is coming back for sure. Every quarter has been a better quarter. I will see in terms of growth even though for the quarter my disbursements are flat compared to previous year I am very happy because previous year Q3 had more number of active days. This year Q3 had at least 10 days were less compared to in terms of number of holidays, in terms of liquidity, the discussions around in the first month of the quarter. You begin the quarter with so many people asking you what is your liquidity position, is not it, so it was not a normal quarter that way I am very comfortable and optimistic because November and December we have seen in October CanFin was growing, CanFin has never stopped nor liquidity has been an issue for us. Thanks to a very strong parentage and very strong fundamentals that we hold into.

**Atul Mehra:** Just one final question Sir in terms of real estate especially the smaller builders, which are a major kind of client deal for our clients how do we look at the status for them now that liquidity is such a problem for especially the smaller builders so are you seeing any kind of stress within the lot of builders that our plans would be dealing with?

**Sarada Kumar Hota:** My builder book is very small. We are looking that particular space as an opportunity for us, but the thing is many of them they are yet to come back. They are growing. They are certainly coming back, but the taste is not that great because if you go beyond eight units and go beyond 500 square meters, you will have to comply with RERA, so people who were operating in a free regime any regulation comes naturally there will be some initial waiting period to watch and then to jump into that was there. Now gradually they are coming back. By and large those people they are getting support from the bigger builders, they are arranging their funds and many a times if somebody has really having a proven track record like few builders those with CanFin for over a decade for them we are willing. If somebody is really willing to start those units, we are willing too, but naturally in Karnataka in Bengaluru City Metro particularly that particular space has suffered some supply side, because the big builders you can count them in your fingers whereas the small builders who are creating the stock for first-time home loan buyer their numbers were in 100s and those guys are yet to come back. They are gradually coming back. Things will improve. That is where I say that yes every successive next quarter would be a better quarter for South as well as for Bengaluru City because demand remains unserved. A bit of regulatory advantages also may be required. They are working for let us see and the government is focusing on that now.

**Moderator:** Thank you. The next question is from the line of Anupam Singh from Florintree Advisors. Please go ahead.

**Anupam Singh:** Good morning Sir. A couple of questions, one bookkeeping question, the net worth as on December end quarter and the other question will be a followup from one of the questions yesterday on the call, so in Karnataka and Tamil Nadu if you could just give more light on the loan book composition and the growth in both the loan book and disbursement for the quarter and nine months?

**Sarada Kumar Hota:** The second question what you asked I can…we will ask our people to note down and they can pass on to you. I do not have ready on my hand right now about the growth rate, but both the places things are improving. We see a lot of traction now both in Karnataka as well as in Tamil Nadu because the new supply side that is picking up and we have got again plans afoot out of next year 30 branches that we are opening. We are opening many branches in the up country Karnataka and Tamil Nadu market, so if there is no growth we will not be expanding that is one. Another thing is you asked about the net worth. The internal net worth are fairly good enough for us, which is visible in terms of our debt equity the leverage ratio. It has improved to 10.05 now from 10.19 in the last quarter it has come up to 10.05. It is hovering around 10. So net worth wise internal accruals are fair enough, which is taking care of our borrowing, which is capped at 16 times the net worth, so there is no issues in terms of borrowing power of the company or in terms of capital efficacy of the company. It adds to a tier 1. It adds to your borrowing power. The internal accruals are fair enough that is visible from the 21.5% of ROE. I think if you want any specific question on net worth beyond that I can answer.

**Moderator:** Thank you. We will take the next question from the line of Sagar Shah from KSA Securities. Please go ahead.

**Sagar Shah:** Good morning Sir. My first question Sir was regarding a followup actually from which the last participant asked that we are basically facing competition basically in tier 1 and metro cities so basically looking at tier 2 or tier 3, they are underpenetrated actually, but as far as our borrowing goes actually, we have borrowed more from our banks and reduced our borrowings from the market borrowing, so something like as you have said in the previous answer actually that if we want to something like disburse our loans to the tier 2 and tier 3 cities then you need funding from actually more from the market borrowings actually, so can you justify actually?

**Shreekant Bhandiwad:** Sir I will say one thing really what happens is when your ticket size is small you are open to more sources of funds. It is not only the market and the banks. From the banks all the borrowings are not on the same line. From the NHB all the borrowings are not on the same conditions. There is one which qualifies for affordable directed lending or the PFL priority factor lending, borrowing under priority factor lending from the banks, which comes cheap. One is under the general advances their advances route that they lend to you like any other corporate where it comes at MCLR, but what happens is the PFL it come even below MCLR and when it comes to affordable housing fund of NHB it comes much below the MCLR. That is almost like CASA for us, so that is where we want to grow and the ticket size may be it will come down a bit because in the up country location ticket size will be less. Lesser the ticket size and as long as it is into sell rate space and the assessed income, we are not worried. It is comfortable. We do not want to get into the cash salary segment where incomes are not evidenced. It should be formal income that is what only, so in the up country locations sourcing has not been an issue and not necessarily that needs to be funded by market borrowing. That is not true. Banks will be more than willing to lend if your portfolio is from the non metro rate. You will get it at a cheaper rate.

**Moderator:** Thank you. The next question is from the line of Yash Agarwal from JM Financial. Please go ahead.

**Yash Agarwal:** Sir I had a question what is the difference in the cost of funds for metros and non metros so how much benefit do you have when you lend to non metros?

**Sarada Kumar Hota:** We do not work out that way. I told you about the sources. It is not that metros and non metros. It is about the ticket size. Even in metros suppose you can lend, if somebody is willing to take from you a home loan of Rs.10 lakh or Rs.12 lakhs then you will get it at a cheaper rate.

**Yash Agarwal:** How much is the difference in the lower ticket size?

**Sarada Kumar Hota:** Pardon.

**Yash Agarwal:** Can you quantify the difference?

**Sarada Kumar Hota:** It depends. This difference was not that great, but now that the MCLRs have gone up, now that NHB general refinance rates have gone up if you see the rate for the affordable and rate for the non affordable portfolios, there is a fairly big margin. They are different. If you are willing to lend at something like more than Rs.30 lakhs or Rs.50 lakhs maybe you might not be getting even 1% spread on your loan book.

**Moderator:** Thank you. The next question is from the line of Ritika Dua from Elara Capital. Please go ahead.

**Ritika Dua:** Thank you. My questions have been answered.

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

**Pranay Rajani:** My question is regarding to fee income, so if you see Q2 versus Q3 there has been a substantial increase in the fee income close to around 62%, so have you adapted any agency model of anything or what is it that there has been a substantial increase in this?

**Shreekant Bhandiwad:** The fee income comes from the processing fee. The more number of loans we do based on that. The previous year many times depends on the days as well that how much was there in the previous year and how much we are doing this year. Quarter-on-quarter this year because now under Ind-As it is not like we see income from processing that you receive you can account for the quarter. The part of that it is not refundable that you take for the immediate quarter, but otherwise the entire fee income is amortized over the tenure of the loan under Ind-As that is how the accounting takes place, so they balance it under GAAP in the balance. The P&L under GAAP and P&L under Ind-As under fee income particularly you will get a substantial difference in the earnings. Even in the previous year whatever fee income we had sourced part of that really comes back to this year. Over the life of the loan you will have to amortize that. That is why maybe you are seeing this difference otherwise there has not been any increase in our rates. One source certainly has gone up that is from the insurances, but that figure is not that great, not a big figure in this.

**Pranay Rajani:** My questions have been answered.

**Moderator:** Thank you. The next question is from the line of Ronak Raichura from Asian Market Securities. Please go ahead.

**Ronak Raichura:** Sir my first question is would it be possible for you to quantify the percentage of your loan book into metro versus non metro and my second question is more related to the builder segment? You are saying that you are seeing the small builders really returning, but Sir with the cost of funding really rising and the NBFC liquidity crunch. Real estate companies are really leverage businesses and with the liquidity as well as the interest rates against them what makes you to really confident that the small builders segment is actually coming up well?

**Sarada Kumar Hota:** As far as your first question goes how much I source from metro and how much from non metro it is something like two-third and one-third. I had given a detailed presentation if you see my slide number 14 in the presentation on strategic initiative, there is a table I have given. It is two-third we source from metro and around one third almost 32% comes from the non metro whereas in terms of sanctions it is almost 40% of the new approvals new business almost 40% we source from the non metro and in terms of growth the loan book growth for the nine months period of current year compared that is December 2018 to December 2017 if you compare year-on-year the metro is growing at something like 11% whereas the non metros are growing at something like 30% that is the growth rate. It means the company is changing and we are trying to grow our loan book more in the non metros. As far as this ticket size is concerned why I am confident is liquidity has never been in the soup for CanFin that is first thing. The next thing is certainly cost has gone up. Pricing is an issue so as this pricing wherever I can sell my product I am willing to go to that area. That is how it is that we are migrating from the metro gradually shifting base from the metro to the non metro more because the competition is not that deep from the banks particularly who have got that funding power the pricing power because of very cheap cost of funds post demonetization. Otherwise liquidity has not been issue for CanFin Homes and we have always remained with adequate liquidity always at hand that has not been growth. For the growth rate that the market can give we have got adequate liquidity and good number of bankers as well as the investors really put money for the growth of CanFin. You do not find nowadays the same rates for AAA rated X Company and Y Company getting the same rates. If we are AAA and if we are holding onto our cost of funds at these levels it is still at below 8% for the nine month period I think it is really we are pretty happy about it.

**Moderator:** Thank you. The next question is from the line of Pravesh Kochar from Blackstone. Please go ahead.

**Pravesh Kochar:** Thanks for taking my question and congratulations on a great quarter. Just in terms of strategy, I wanted to understand this whole shift into non metro if you could throw some light on three points in this segment. A, what is the yield that you make on these small ticket customers vis-à-vis your core customers that you compete with banks? B, what is the competition you are seeing in this segment, so I presume that you would not be seeing a lot of banks out there in this non metro ticket size segment. Third is just in terms of the new branches that are coming up the number of people per branch on these smaller branches how small is that versus your bigger branches is metros, thank you?

**Sarada Kumar Hota:** Sir as far as competition is concerned, competition has always remained. We have grown like that over the last 31 years. The only thing is how you balance the margins and growth. As far as the non metro is concerned certainly the competition is not as intense as in metro because the one thing is the banks are available or not if I am competing with one branch of some X bank or Y bank here you are competing, each of my branch is competing with 100 banks and some 50 HFCs in the same geographies same area so that is the level of competition.. It is not that we are…Still I am sourcing. I source two-third of my loan book from the metro only. Still we are fighting and we are relevant there. It is not that we are rendered irrelevant for the metros. It is not so. The thing is right now in the metros supply side in my the ticket size is very, very less and if I increase my ticket size beyond this Rs.18 lakhs, Rs.17 lakhs, and Rs.20 lakhs, then certainly my margins suffers. For lending to somebody in more than Rs.30 lakhs or more than Rs.40 lakhs or Rs.50 lakhs worth a home loan for a bank cost of fund is sub 6. Even if the bank is lending at 8.87% they enjoy clear spread of something like 2.75% or 3% spread. I am not talking margin 3% spread whereas for me the marginal cost for the company is the MCLR of the bank that is at 8% plus. If 8% is my marginal cost and if I am lending at 8.75% it does not make sense so that is how my rate of interest is 9.5% that is the base rate. We had increased in the month of October itself. We had in mind when we raised the rate of interest twice once on October 1, 2018 to 9.25% and again to 9.5% on October 15, 2018 we had in mind that yes I am willing to sacrifice a growth in metro, but the margins holding onto my spread and the profitable growth is much more important to me. That is all. You just balance between your growth and margins nothing beyond that.

**Pravesh Kochar:** Understood and for these low ticket customers what is the yield vis-à-vis 9.5% for your core customers?

**Sarada Kumar Hota:** If I am sourcing these funds from a PFL route or from the affordable housing fund route from NHB then that is almost like a bank cost of fund I enjoy.

**Pravesh Kochar:** No Sir the yield that you charge your customers?

**Sarada Kumar Hota:** Always for a small ticket the yield will be much higher

**Pravesh Kochar:** Which will be 12% to 13%.

**Sarada Kumar Hota:** How much? No, the yield will be high at same rate, same 9.5% what I offer to the metro guy if you are willing to purchase the property in Bengaluru if you borrow at 9.5% of course we have got a risk-based pricing and it differs from the ticket size. If the ticket size is more than Rs.30 lakhs, the rate of interest will be higher. If it is less than Rs.30 lakh it will be at 9.5% for salaried S1. If you are a non salaried again the pricing there will be a markup because we follow in CanFin we are the first HFC in the country to introduce risk-based pricing. We are the only HFC right now in the country to have introduced the involved resetting of rate of interest.

**Moderator:** Thank you. The next question is from the line of Jignesh Shial from Emkay Global. Please go ahead.

**Jignesh Shial:** Thanks for the opportunity. Sir just had this question on your NHB borrowings, which technically has been 13% now, so is there a special window, which has been opened last quarter because of some difference?

**Sarada Kumar Hota:** No that Sir. It is not a special window because of the credit crunch. Because of that they have opened windows for the people who want to borrow, but affordable housing fund was the government's initiative. The government had declared and NFCs it is for direct lending to people who are in less than Rs.6 lakhs income range and there was a separate press release from NHB as well. Previously this used to be under RHF and UHF rural housing fund and urban housing fund, which had stopped some, one and a half to two years back and there was no further funding under that route because this affordable housing fund has been worked out. Now under AHF some Rs.10000 Crores or so was released initially then subsequently at NHB's funding, they have opened. This is a new tap that has opened particularly for the HFCs as well as banks. It is available to all that if you are lending in those affordable segment and the low ticket then you are getting that fund from that particular. It is for directed lending. We will have to markup that particular security and create that sort of security only.

**Moderator:** Sure. Thank you. The next question is from the line of Venkat Subhramaniam from Organic Capital. Please go ahead.

**Venkat Subhramaniam:** Your vision 2022 statement has not changed in spite of slightly lower than the inflicted growth that is assumedthere so which means if you need to get there you probably will need to grow at more than the 26% that is actually there in that slide, so how comfortable are we and what will that mean to our cost income ratio, which has been dancing around a little bit?

**Sarada Kumar Hota:** Sir we are aiming at one thing the vision 2022 why 2022 is aligned to the vision 2022 to the housing for all by 2022 of the government. If housing for all is going to happen and if the mission is taken it as a mission mode and we are working on that direction then certainly it is not that the demand has gone away or the people who were thinking of buying homes, therefore they have changed their mind, it is only the supply side in the low ticket for the first time home-loan buyer. The moment it is addressed, the recent changes in the real industry whether it is RERA, whether it is GST, things are realigning. The government is giving so much of benefit, the CLSS is a major big driver never ever thought of – I think nobody would have thought of that even for MIG there will be a CLSS. So these are really big steps from the government side in **(inaudible) 1:03:41**. There is no reason as to why 2022 will not happen, if that happens and the demand is to be catered in the next three years why Rs.40000 Crores cannot happen. So we are expecting may be that Rs.40000 Crores may happen may be with a quarter to go or two quarters to go to 2020 it may happen. Because whenever the supply side is addressed, the demand is waiting there, the demand has gone off. It remains unserved. You create the supply side and immediately you may find that one particular year the growth rate has gone up ahead of 30% in the formal ticket size, in the formal range of the salaried space itself. Right now, the salaried space has slowed down because this is one segment middle class part time salary on or they are always, because we belong to all that, we started our career as a salaried middle class guy dreaming of dream home planning to have a house in a metro, but the pocket was not permitting, so you go for a loan, but you cannot afford a big loan because you do not have a big salary. So you want to supply in the ticket size where people go for their demand for value. One, RERA complied properties in that low ticket size that comes up I think you will see really adequate growth both in south as well as north and that point in time, it will be the south which will be firing with all cylinders.

**Moderator:** Thank you very much. The next question is from the line of Sangam Iyer from Consilium Investment. Please go ahead.

**Sangam Iyer**: Good morning Hota Sir. Sir I had a couple of questions. First, just small clarification. The refinance rate which has come down significantly, but given that the competition from banks have not come down and which actually accelerate more, how do we join both the dots here, because they are the once who are more active in terms of taking away the good serviced loan from CanFin, so how does both these go in tandem?

**Sarada Kumar Hota:** This is a tricky question Sir fairly. This is where really we are engaged in day in and day out that how to stay relevant despite the competition, how to manage our hold onto our cost still I get take it 9.5%, so that is one of the reason that yes Sir. If they operate in the ticket size of more than Rs.30 lakhs we operate in less than 30 lakhs ticket size, only thing is if we are doing when the competition was not there from the banks if I was lending in 40 lakhs, 50 lakh ticket size in metros, now that has come down to 30 lakh ticket size that is the difference. Our previous expansion plan in 2011 to 2016 period if you see, we had grown primarily in metros, because in and around metro, the growth was happening. The cities were expanding. The major housing boom it came in and around the big cities and metros that is how the company grew around that. So our growth plan is always to stay relevant, to stay awake to the reality and keep changing, keep evolving along with the change in the market that is really life and once we find that competition is going to be this if in the metros when banks started getting into the space in big way because they are having their own capital issues. This being the most capital light it is obvious for the banks to get into space, so this is become really so very lucrative, now the housing space, but everybody is eyeing on the same pie. So it is always good that where I can compete with them, let me compete, where I can compete. Let me go to some other territory where there is less competition and somebody is willing to pay me that margin that I want. So it is a tradeoff between growth and margin changing place, reinventing yourself, strategizing to move into newer geographies tier 2, tier ,3 I think it is going to be mainstay for HFCs going forward. May be the next cycle when the rate of interest again starts declining, maybe our metro branches may need to come back once again and the things will change again. That is how we have seen already. We have crossed three decades hence we have experienced many cycles of this interest rate cycle and the changing things, so CanFin is mature enough not to worry.

**Moderator**: Thank you. The next question is from the line of Sweta Daptardar from Prabhudas Lilladhar. Please go ahead.

**Sweta Daptardar**: Good afternoon Sir. My question is pertaining to the funding mix. You partially addressed this, so the deposit base today is somewhere around 1% to 2%, so is it that the constraint coming from the parent bank wherein the customer base is overlapping and hence you are facing competition there. Secondly, again this year you have already addressed, but I am not convinced on the part that when you are growing your non-metro portfolio in the ticket size of 11 lakhs to 12 lakhs then into your funding side of the liability side not tilting towards small tenure borrowings?

**Sarada Kumar Hota:** Smaller tenure borrowings, I think you can go for when things are very fine, most of my borrowings are long-term borrowings even in the city out of that market borrowing of something like 38%, it is only 12% in cities and although cities as well you will be mostly you will find, it will be nine month CP, 12 month CP, but do not worry we are not in that very small maturity so where you can and run for the two month CP or three month CP, we are not into that. If you ask me personally, because of this restraint I think we are not affected, we are not impaired at all when the liquidity was there to hit the NBFC market even today, in September end if you remember there was some HFV, some NBFCs who are raising it to two month CP at 8.8 plus then what should be the. That way, we are very comfortable that yes we have kept our, the greed for those big margins of 4% plus has never really affected, they never touched CanFin and it should remain like that, that is where the value systems that is where the fundamental really comes into play. I have heard from this conference call when I was answering it was really great tough to answer when there are X,Y, Z growing at 30% and when we slowdown to 25% and then to 18% and 17% now. But now we stand vindicated that yes, you should know really not only how to put your foot on the accelerator, but when to moderate your growth. If the growth is not profitable, we are not okay with that and whenever we are growing to 10 lakh, 12 lakh you are telling, this 10 lakh, 12 lakh ticket size in the upcountry has always remained for us even those portfolios are salaried portfolio because supplies are available in that ticket size. In the metros, the average ticket size is around 25 lakhs, 30 lakhs, 35 lakhs where we used to operate or 40 lakhs in that range not beyond that. So there is no change as far as the ticket size or the segment that we are catering to, still it is 90% housing for CanFin, still it is 72% salaried for CanFin. Only thing is geography is we are changing a bit when the metro we are facing that much competition why not you expand in the non-metros, so that you have a diverse instead of concentration risk around 1, 2, 3 or 5 or 10 metro cities expand the base that is how we have grown into non-metros by more than 100, it is almost that 109 now, 110 now and another 30 branches we are planning next year.

**Sweta Daptardar**: How much the deposit base, is it because the customer might be overlapping with…?

**Sarada Kumar Hota:**: Sorry, I could not answer that question. Neither on deposit term nor on the loan book asset side. On liability or asset side, there is no relation with the loan book or the liability book of Canara Bank, I made it very clear. Neither we source any deposits from Canara Bank Customers nor we source any of our assets from the Canara Bank counters nor Canara Bank anyway competes with CanFin, because we operate in different niche segments, the bank's focus is different, our focus is different, so there is no competition as far as either the deposit or the asset side is concerned, but certainly if we have got a strong bank as current, it gives a lot of comfort in terms of the support system in terms of the comfort that you enjoy that yes, there is a strong father behind.

**Moderator**: Thank you. Next question is from the line of Vaibhav Kacholia from VK Capital. Please go ahead.

**Vaibhav Kacholia**: Based on what you said, the future of our institution is more towards the priority sector and affordable house lending that will become more than 50% going forward?

**Sarada Kumar Hota:** Sir even now, it is something like almost 97% of account and that comes under the CLSS, 57% account and 42% of by volume it comes under LIG segment in terms of the income wise and almost 40% of accounts and 53% of the volume wise of the total loan book, the new approvals that is for the MIG segment. So primarily we are into LIG and lower MIG only, but only thing is you can source the cheaper funds if you are into 10 lakhs, 12 lakhs, 15 lakhs, 20 lakhs where it is an LIG less than 6 lakhs per year income range, you can access the affordable housing fund of NHB as also the PFL, so that is where the funding becomes little easier for you and cheaper for you.

**Vaibhav Kacholia**: So 1% of our loans are to that segment Sir below 6 lakhs income?

**Sarada Kumar Hota:** Below 6 lakhs income it is almost half of the portfolio by 60%, by 57% by number and almost 40% to 43% by volume out of my incremental borrowing I am talking about the portfolio, I think it will be much more than that.

**Vaibhav Kacholia**: Okay right and Sir this 40000 Crore target you can be held because there will be repayments also and there will be balance transfers also, so even outside of that even if the industry grows you think we can hit that number at the lowest rate?

**Sarada Kumar Hota:** Sir, if you see the number wise, we grew from Rs.2000 Crores odd to Rs.10600 Crores we took from 2011 to 2016 five years, okay for that around Rs.8000 Crores it took five years for us. In the last two and a half years, we have had Rs.8000 Crores. So why that would not be possible when the net worth is increased, when the company has expanded deep into with Rs.190 and ahead of some 200 network, the branches and affordable housing loan centers operating, why it should not be doable. Right now, I am growing at 17%.

**Vaibhav Kacholia**: At the 17% there will be repayments also and there will be balance transfers also out of that right?

**Sarada Kumar Hota:** This 17% is after all of those.

**Vaibhav Kacholia**: Okay.

**Sarada Kumar Hota:** Is not it, it is not, if there was no repayment, this was again when there was a huge amount of **(inaudible) 1:16:11** and balance transfers, which has come down drastically in the Q3 because of the liquidity.

**Vaibhav Kacholia**: Okay, right Sir. Thank you so much.

**Moderator**: Thank you. Next question is from the line of Akash Datani from HDFC Securities. Please go ahead.

**Akash Datani**: All my questions have been answered. Thank you.

**Moderator**: Thank you. We will take the next question is from the line of Sangam Iyer from Consilium Investment. Please go ahead.

**Sangam Iyer**: It is a followup on the refinancing part, so given that for the last three years, you have focused predominantly on non-metro side and build that base there, would it be fair to now assume that going forward given the incremental growth came from the nonmetros for the last two, three years. The refinance rate now that we are seeing to more or less stabilize at this rate and kind of come down going forward given that incremental competition from bank is more on the metro side.

**Sarada Kumar Hota**: I think you are right.

**Sangam Iyer**: That is a fair assumption, right Sir?

**Sarada Kumar Hota:** Yes.

**Sangam Iyer**: And Sir secondly on the supply side issue which we have been again highlighting because of RERA, liquidity issue for the builders funding has also been a big issue that has been highlighted over the last couple of quarters. So how do we see even though a few of the smaller builders are coming and again raising themselves through the RERA, but funding becoming an issue would that become a big constraint going forward in the next financial year for the real estate segment as a whole which could constrain your growth?

**Mr. Atanu Bagchi:** I do not think, there will be always what happens market also realigns itself. As a financier, I really see lot of opportunity. There are many who have locked in their money in the huge project whereas this small builders who is coming up with 40 unit project, 30 unit project in those cases you will not find defaults happening. Most of the defaults where delivery has not taken place where accounts of people are home buyers or they are taking the builder to NCLT in all those cases that is all with big projects only, you will not find a small project with 30 units or 25 units or 40 units really defaulting anytime because there is a direct supervision of the home buyer in such cases, every month they will be going because the small time buyer – he always looks for value for money and that is how market operates, it will be self-regulated one, where if the people put money, they go and see that how far it has been done or not as I have given a lot of money that comes and when the roof comes, when they inside the interiors are happening, so this case is really a very good space that going forward, the small builder loan book that we have this constitutes, this sort of players only few players, who had been with CanFin over a decade and first thing is delivery is faster, in a big project you take four years to complete and still not delivered in a small project 20 units, 30 units, 40 units, they deliver in a years' time, because that guy, poor guy he keeps very small margin, but the turnover is to increase, so that is his livelihood, he earns his livelihood.

**Sangam Iyer**: Would we be open to tying up with these developers also to fund their short-term gaps etc., so that the projects are completed on time?

**Sarada Kumar Hota:** No, certainly we do, but we are not willing to really in those cases where suppose somebody's project is stuck and already there is lot of borrowings on his side and he has not been in a position to complete. Those guys are right now being helped by many of the big builders. They have got their own sources of funding, projects are getting completed and we are open to – I look at that as an opportunity, but we are very, very selective in our construction finance. We have got our own internal restrictions and the ceilings what that called how much we can, the exposure ceilings on construction finance as well as into non-salaried space or non-housing space.

**Sangam Iyer**: And Sir lastly on the disbursement side incrementally at least in the new calendar year now as things picked up post the festivities and other things?

**Sarada Kumar Hota:** Why new calender year Sir even November, December, there are a lot of that.

**Sangam Iyer**: Okay, great Sir. All the best Sir.

**Moderator**: Thank you. the next question is from the line of Kislay Upadhyay from Abakkus. Please go ahead.

**Kislay Upadhyay**: Small clarification on something that you mentioned, you mentioned that we are increasing our proportion of loan, the ticket size of Rs.11 lakhs to Rs.12 lakhs compared to Rs.30 lakhs, so first question is what is the proportion right now and secondly if we are increasing the proportion, why has these funding from NHB decreased from 18% to 13% from December 2017 to December 2018?

**Sarada Kumar Hota:** Last year I think you are comparing year-on-year. You have not seen September how much I had sourced from NHB is 7%, so it has gone up.

**Kislay Upadhyay**: So over the past one year has the ticket size proportion from Rs.11 lakhs to Rs.12 lakhs increased and…?

**Sarada Kumar Hota:** Not that NHB is the only source for me for this multiple, because the affordable housing fund was launched by NHB much late. It was only recently during this financial year earlier it was not there that is the first thing, So under general refinance we consider all our borrowings from NHB like borrowing from any other bank, so wherever I gets it we go there it is like that because important is cost of funds for us. Only under the directed lending it comes cheaper for NHB, so if you are taking either under those affordable funds or it is a mix of it, you see if the weighted cost for you works out fine then it is okay, so primarily it is for the company that it should be profitable, the borrowing should be profitable, because there is no dearth of funds, source of funds for us are many and we do not have source that people are not willing to put money for CanFin's growth. We do not have liquidity source really at any point in time. For the next full quarter we keep liquidity in hand.

**Moderator**: Thank you very much. Well, due to time constraint we will take the last question from the line of Bhavik Mehta from Antique Stock Broking. Please go ahead.

**Bhavik Mehta**: Could you give me the absolute borrowing number as on December 2018?

**Sarada Kumar Hota:** Absolute borrowing number?

**Bhavik Mehta**: The borrowing figure?

**Sarada Kumar Hota:** The total borrowing figure for the company as on December 31, 2018, was Rs.15500 Crores because what you can do is Sir just see the loan book, reduce my net worth remaining is borrowing. It is as simple as that.

**Bhavik Mehta**: Okay Sir. Thank you so much.

**Moderator**: Thank you very much. Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to the management for their closing comments.

**Sarada Kumar Hota:** The New Year started with so very good interaction with all of you, there are many lessons that we are taking, your concerns, your appreciations, your good words has really been in the mainstay for CanFin to tear through all those difficult times and come this far. Thank you and I wish all of you and your family members a very, very Happy New Year and we wish that the first quarter of the New Year that is Q4, the year ends with very good numbers for all of us. Good day and good bye.

**Moderator**: Thank you very much. Ladies and gentlemen on behalf of Investec Capital Services, we conclude today's conference. Thank you all for joining us and you may disconnect your lines now.