“CanFin Homes Limited Q4 FY2018 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the CanFin Homes Limited Q4 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 "*" and then "0" on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Utsav Gogirwar from Investec Capital Services. Thank you and over to you!

Utsav Gogirwar: Thanks Bikram. Good morning all. Welcome to the Q4 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 & DGM. I would now like to hand over the call to Mr. Hota for his opening comments.

Sarada Kumar Hota: Thank you Utsav. Good morning. Financial Year 2018 from many aspects it was a remarkable year for CanFin, remarkable from the point of view of with the numbers that we have posted, the number that we have scaled and from the point of view of the housing finance industry as a whole because this was the year in the backdrop of the post-demonetisation, RERA, and GST, it was so to say impacted year followed by the divestment process in CanFin by the current bank.

Notwithstanding all those, I think the market is looking up. We are pretty positive. In all my concalls earlier, I have told that the things are looking up and the future is pretty positive for the industry as a whole and for housing finance sector particularly for CanFin.

The three landmarks during the current year is we crossed the loan book of 15000 Crores last quarter. For the first time net interest income has crossed 500 Crores and we posted a PAT of 302 Crores that is we crossed the 300 Crores of PAT, 500 Crores of NII and 15000 Crores of loan book numbers. I wish to highlight that CanFin had been predominantly dealing only on the individual housing loans because our housing loan portfolio is a pretty big portfolio. It is almost more than 90% now. It is close to 91% and out of the fresh disbursements it primarily goes into the 91% of our fresh loans are into individual housing and only 9.3% is to non-housing.

Considering all those that the average ticket size that CanFin deals with is around 18 lakhs in housing, 18 lakhs few years back and 18 lakhs today means totally if put the inflation factors, somehow we are keeping our niche segment intact, but we are not growing in terms of the ticket size, which means we are gradually becoming more affordable and we are dealing with that particular segment. The year-on-year growth in quarterly disbursements has improved consistently. In my presentation, I have shown that how it has grown from 4% in Q2 that is if you compare quarter-on-quarter compared to last year and this year, 9% in Q3 and 12% now in Q4 that is how the disbursements have grown.

Even the CanFin had been positive, the quarterly growth in outstanding loan book this is what, what bothering every quarter-on-quarter because the Q1 we have started with negative, Q2 with minus 19%, Q3 with minus 15%. Q4 was the first quarter where the company has been in a position to show a better outstanding growth compared to the previous year that the outstanding has grown by 10% year-on-year Q4 of current year compared to Q4 of last year. So, there are many positives. The net interest income is up by 21%, PAT is up by around 28% and consistently we are maintaining around and above the 3.5% mark, ROA above 2%, that is 2.09, ROA above 22 of around 22.4 and EPS is 22.67.

The cost-to-income ratio we had been in a position to hold on to that 15.2% compared to last year it used to be 17% plus. Gross NPA and net NPA, yes this has been in the question. I appreciate that why everybody is enquiring about and in all the discussions in previous quarter, I had told that asset quality for the Company CanFin it is of paramount important for the management, for the employee as CanFin as a brand, we have stood by our asset quality and even today asset quality wise suppose we are one of the finest. Compared to CanFin's old record of 0.19%, 0.27%, yes it appears to be higher, but going by the increasing delinquency levels particularly post-demonetisation, I think we had been in a position to hold on and the Team CanFin needs some appreciation because we have declared earlier that this year we had allowed such accounts where the effects are more than 60 days delinquency consistently there, we have allowed such accounts to be dropped to NPA so that we can clean the book.

FY2018 in many sense, was a year of consolidation and year of cleansing the book, preparing the Company for the future growth. More than 370 accounts amounting to around 60 Crores were marked for recovery. SARFAESI notice we have received. The securities we have sold in almost close to 30 accounts from close to 7 Crores were recovered that way and 120 accounts were upgraded amounting to around 20 Crores. So the results are positive. Quarter-on-quarter if you compare gross NPA we had been in a position in Q4 to reduce it from 0.46% to 0.43% and net NPA from 0.25% to 0.20%.

Even quantum wise the gross NPA and net NPA, there is a decline compared to Q3, but it is big positive. Capital adequacy for the Company, it has improved to above 19%, Tier 1 is close to 17% and average business per employee and per branch, this has remained around, per branch business is around 109 Crores and for employee business is around 24 Crores. I think this is all for Q4. Q4 alone standalone if you see, yes there is a margin and decline sequentially compared to the previous quarter. I wish to clarify here that, yes Q4 the growth had been little standard as far as it has got an impact of the rise in bond yields, margin is a concern going forward to hold on to, so that is why we have increased our rate of interest as well.

One of the major impacts in terms of Q4 per se is the point of concern for the management is rising cost, funding cost that the CFO as well as the team there, the treasury there, are working on that how to hold on to the costs and wherever there is an increase in cost we had been fair enough.

When there was a reduction we have passed on to the borrower, and when there is an increase also we are passing on to the borrower. Current year one more impact was huge amount of takeover, different competition from the banking system in particular because if you see the amount that we sanctioned and disbursed and the incremental loan book growth, yes up to Q3 that is what it was reflecting in terms of the negative growth in quarter-on-quarter incremental outstanding whereas Q4 has been fairly stable and we are hopeful that going forward the competition will somewhere even out and things will be fine for housing finance companies.

The provision requirement, yes this is again one more deviation from the past that is why we have not maintained 0% net NPA at the year-end. Before the question comes I want to clarify that earlier we used to take the tax benefits only on the write offs, now as per Section 36(17A), which is the Income Tax Act, the maximum that you can avail tax benefit is 5% of the taxable income. So that comes to something around 20 Crores that is why even though my requirement was not as much we have picked fresh charge on P&L towards the NPA at around 20 Crores only because the benefits that we are getting is only on that amount.

Effective requirement of the provision was something like incremental requirement was the excess that is made is around 13.8 Crores, the provision required was only 22.09 Crores whereas we are holding a total provision of 35.87 Crores, so the fresh charge on current year P&L was not as much what we have maintained. One more aspect, I would like to cover with this 0.2% of provision coverage is around 63%. We have disclosed the movement of provision and movement of NPAs in one of the slides so that it can be appreciated that current year the variations, the fresh slippages were something to the tune of around 56 Crores on an opening balance of 28 Crores, 27.91 Crores was the opening balance of NPA whereas we have added something like 3 to 6 Crores that is the amount of slippage, so there is no denying that delinquencies have increased over the year and when we were growing at a faster pace, certainly these things are inevitable, but the company is poised, the companies feedstock’s the situation and that is where wherever possible whether it is in terms of the provisions made or in terms the recovery resources, be it substantial amount of recovery resources had been diverted towards recovery. That is the reason that we had been in a position to hold on to 0.43% of gross NPA, which suppose you will appreciate.

That is all from our side and one more thing is, yes we have changed the guidance. 2020 there was a guidance, which was made 35 Crores in 2014–2015. In between the demonetisation, the RERA has come, there are so many changes during last two years FY2017 and FY2018, so now it was time that we recast even though it is a vision document, even now it remains a vision document but we have given a modest vision statement of 40000 Crores by 2022, why we have taken it to 2022 is again because that is the year, which is the housing for all concludes so we had said we kept it. It works out to a CAGR of around 26%. We think many are happy about those numbers, many are skeptical about those numbers, but always I say that yes unless you put a decent numbers on board you can drive towards that.

Current year business, we are planning at 19500 Crores for the year FY2019 that accounts for a growth rate of 24% and 20 new branches we are opening. Total network we want to take it to around 190 and last year we have decided for this we require a growth capital, not for capital per se, but for the leverage purpose, so we are on with those rights that planned by the company may be at appropriate time where quickly we will be coming out with those plans. That is all from the management side. I will be happy to clarify any queries those you have.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Rohan Mandora from Equirus Securities. Please go ahead.

Rohan Mandora: Good morning Sir. Thanks for the opportunity. Sir what is the strength of the marketing executives that we have as of now and Sir how would it be divided among the category one, category two and category three branches?

Sarada Kumar Hota: Pardon that I did get Sir what is that marketing.

Rohan Mandora: Marketing executives what is the strength the total amount of marketing executives that we have as of now and how is it divided among category one, category two and category three branches?

Sarada Kumar Hota: In CanFin, we do not have a separate band of marketing executives. The branch function is they themselves we do the marketing at our branches ourselves in the sense there is no dedicated marketing work force, but the existing people in the branches, the executives and the officers all of them we have got a target for how much we will have through direct sourcing, so that is done over by our branches themselves. The total number of executives that the company has of now that is if you are going by the executives, I suppose you are talking from the point of view of the marketing executives who are called equivalent to our junior officer's level or something. If you say that we have got the officer cadre is more than 250 in the company, there are 75 managers, around 40 senior managers and the executives that we call is chief managers, AGMs, and the DGMs, the top functionary their number is something close to around 50.

Rohan Mandora: Sir this 250 field officers, how are they split between category one, category two and category three branches?

Sarada Kumar Hota: Normally the small branches and the newly opened branches will be having one manager, one officer and one JOC, junior officer. We have got the big branches where the quantum of sanction is more and big ticket loans are there in metros and all those centers depending on outstanding as well as the fresh ransom to categorize of branches are done from small branch, medium branch, large branch, very large and extra large branches. The extra large branches will be headed by normally AGMs where business will be more than something close to Rs.400 Crores to Rs.500 Crores and the VLBs will be headed chief managers; the large branches are headed by senior managers and medium branches by managers. It is like that.

Rohan Mandora: As of now as I understand we are not sourcing loans from the Canara Bank branches, but is there any possibility of relooking at the arrangement wherein we may look at Canara Bank branches as one of the sourcing points?

Sarada Kumar Hota: As far as looking at it is concerned yes all opportunities are there, options are there, but so far CanFin has been grown that way because CanFin is into a different segment where as compared to the bank, so the bank's focus will be mostly into the SNI clients and the big ticket loans whereas CanFin is into affordable, so certainly what your telling is many banks do that, but in Canara Bank and CanFin relationship has never been like that, but that is a possibility.

Rohan Mandora: So as of now there is no decision on cards with regards to?

Sarada Kumar Hota: There is no sourcing or no direct intervention of Canara Bank as far as CanFin operations are concerned.

Rohan Mandora: If I come to slide number 32 of the presentation in that the other expenses, which are there establishment expenses that was Rs.15.53 Crores as of nine month FY2018 and it is currently Rs.15 Crores for financial year full year and also the other opex that thing for the full year is Rs.15 Crores versus Rs.5148 Crores in 3Q basically in nine months FY2018, so is there any reclassification that has happened here?

Sarada Kumar Hota: Pardon. I did not get you. Can you repeat please?

Rohan Mandora: Slide 32 of the presentation where we are giving the bifurcation of the other expenses in that the establishment expenses that in nine months FY2018 was around Rs.15.53 Crores and for full year basis it is Rs.15 Crores and correspondingly the other opex that was Rs.5.48 Crores for nine months and it is Rs.15 Crores for full year, so is there any reclassification that has happened here Sir? Has the establishment expenses declined for the full year versus nine months?

Sarada Kumar Hota: No there is no reclassification or regrouping. The numbers are the same only compared to Q3. Q3 numbers I do not have comparison that way, but I can give you the numbers.

Rohan Mandora: The numbers I have on the slide, so that is okay.

Sarada Kumar Hota: There is no reclassification. If you want further grouping you can wait for the annual report, the details will come Sir. You can very well compare.

Rohan Mandora: Sir lastly RBI had come out with a circular on Friday wherein they have allowed borrowing under automatic route and for HFCs, so Sir how do we treat this as an impact on our cost of fund like would we be availing this route and what kind of benefits can accrue to us?

Sarada Kumar Hota: All options are open. Now that newer options are coming, newer ways are coming certainly company is looking at all options. Let us see going forward we will see as long as the funds are cheaper and we are in a position to hold on to our cost of funds we are happy. Whenever required and if there is a cheaper course certainly we will be looking into exploring out all those plans, because still now quarter-on-quarter my cost of funds have come down. It was 8.35 last year, then it came down to 7.84, then 7.76, 7.72 and now 7.70. So the cost of funds has been consistently reducing, but incremental funds cost if you see the marginal cost, I think Q4 the overall bond market yields have gone up. The MCLR of banks have gone up, so going forward it will have an impact unless we plan something and that includes the often that it holds.

Rohan Mandora: Sir what is the incremental cost of funds right now for us?

Sarada Kumar Hota: Pardon.

Rohan Mandora: Incremental cost of funds for us?

Sarada Kumar Hota: Incremental cost of funds for us fortunately CanFin is better placed. We do not say anybody more than the MCLR as far as the banks are concerned and as far as the money market is concerned, the money market is fine always we go with the benchmark rate mostly.

Rohan Mandora: Thanks a lot Sir.

Moderator: Thank you Sir. We have the next question from the line of Sachin Shah from Emkay Investment Managers. Please go ahead.

Sachin Shah: Good morning Sir. Thank you so much this opportunity. What I would like to understand is that you have mentioned a bit about the rights issue? Can you elaborate this a little bit more and what kind of fund raising that you would like to do and when and how or what kind of a balance sheet leverage that you are comfortable with?

Sarada Kumar Hota: For the balance sheet as far as the growth numbers are concerned that we have given already. As far as growth is concerned, I do not require capital, but what I can say is the HFCs we are bound by the NHB guidelines that my borrowing power is maximum 16 times of the net owned funds, so when 16 times cap is there is lot of gap even now because right now if you see my debt equity the leverage is around 10.3 or 10.4. So that being the position there is lot of scope still to borrow, but what will happen is if you cross 12% normally you do not command the best rates as far as the banking industry is concerned as far as the market is concerned even though NHB allows 16 times we want to keep but going forward no point in time, we are raising an over leverage of something if it cross 12% my cost of funds will go up. We want to keep the leverage comfortable so that the growth that we have envisaged is the borrowing power should not be constraint.

Sachin Shah: Sir the growth we are anticipating is something about what 25% plus in terms of the loan book growth?

Sarada Kumar Hota: The current year growth we are projecting is around 24% because there will be still impact of our own state Karnataka is going into elections now in first quarter and there are three more states going into elections in Q3 and so certainly we do not expect that there will be a miraculous jump, but going forward certainly things are pretty positive. As of now if you see I have disclosed that is why the minus Karnataka what is the growth rate because Karnataka is growing at around single digits for the Company right now. Tamil Nadu has come back to the growth path. The rest of the country is growing at phenomenal rate. Really they have come back. Wherever RERA has stabilized all the quarters I have been telling, this time I have disclosed the numbers that as far as RERA is concerned wherever RERA is stabilized it is growing very fast.

Sachin Shah: Very good and the other thing was that any sense on what could the rights issue size be around?

Sarada Kumar Hota: Sir we have taken permission of up to Rs.1000 Crores.

Sachin Shah: How much Sir Rs.1000 Crores or Rs.2000 Crores?

Sarada Kumar Hota: Up to Rs.1000 Crores.

Sachin Shah: Up to Rs.1000 Crores.

Sarada Kumar Hota: Up to Rs.1000 Crores, so Rs.1000 Crores is for upper selling that we have taken. We will go by let us see we will reassess the requirements. There is a board level committee, which is looking into this and definitely we will take a call quickly.

Sachin Shah: The other thing was that will the parent, which is Canara Bank also participate in the rights issue in the same proportion of what they own right now?

Sarada Kumar Hota: Literally, I think we should not expect beyond this indication from the bank that now the bank the interest of the parent bank on the company is so much, now they have posted an EMD. One more whole time director and who as well happens to be Mr. Srikanth who was inducted to the board day before yesterday. He happens to be one of the youngest DGMs and the MD is one of the youngest DMs in the bank, so if the bank has hired one of their youngest top executives again to supplement to strengthen the Company's board certainly they are serious and without discussing with the key investors and the major investors, I have not reiterated that yes we are on with the rights issue.

Sachin Shah: Perfect Sir. Thank you so much. That is all from my side.

Moderator: Thank you Mr. Shah. We have the next question from the line of Nishant Shah from Macquarie. Please go ahead.

Nishant Shah: Sir a couple of questions. First is the confidence on growth last time also we had guided for a loan growth target for FY2018, but we fell a little bit short of that. I grant it is probably because a little bit of the Karnataka elections apart from this election what are other changes are there on the ground, which gives us this confidence of being able to achieve 24% loan growth? Could you articulate that a little bit? Second on the loan mix, so increasingly we are growing in the non-salaried segment, so I think if I calculate it correctly it is about 35% growth in non-salaried segment. Does this explain why our NPLs are rising or could you give like the segmental breakup between non-salaried and NPLs and salaried NPLs that would be helpful?

Sarada Kumar Hota: No, the salaried and the self-employed naturally they behave differently, but always that is factored in terms of your pricing because we charge a higher risk premium or when it comes to the self-employed category, so that is not a concern. There is not such a big difference between the salaried and non-salaried if you factor in the risk premium that you charge. That is already factored in, so it is not there. Where we have the issue is when a company is growing beyond the market growth rate, so somewhere we were growing. The Company was growing at around 30% plus in few years, but normally in a housing loan segment what happens is first two years you will not come to know anything about the book that you are building, so along with those growth rates what followed is demonetisation, RERA, and GST such reforms, which are positive for the industry, but if you have got uncontrolled growth then certainly there will be a bit of delinquencies. When delinquencies creep in then lot of your energy would have gone towards that, so that is why 2018 from that point of view I will tell that yes we have force marked many of the accounts as NPAs and we have initiated a recovery action. I have disclosed the numbers. You can grow through that particular slide on the NPA and provision movement, but how much amount we have provided, which was really is the provision, but because 100% of my loan book is backed by mortgages definitely the things are realizable. We do not believe in. It is a constant basis and that there is no point in same thing 0% net NPA that is why we have not provided, but delinquencies are increasing, which is a concern that is for sure. If you have got a controlled and regulated growth, I think for a long, long that is better for a company, but we are aggressive. As far as aggression is concerned and as long as CanFin is growing few percentage points higher than or better than the market, I am happy about. We should not really look at you are growing at 30% why you have slowed down to 18%, but if you see the rest of the companies that is the growth rate that is available in the market. If market is growing at 15% or 16% forever growth is 17%, 18% as long as I am growing a bit ahead of that I think we should be happy. Because if you are running for short-term growth target going forward I think housing finance mortgage market is treasurer than you may end up building a book, which is going to be net to going growing forward so that way company and the board, we are pretty conscious. We always say that we are consciously conservative in our loan underwriting process. We want to stick onto our list segment. SENP is not a worry. SENP is going to grow because the salaried space when the interest rate competition is so much and they HFCs going forward it will not the possible really to afford those rates for us because we do not have CASA. Post demonetisation all the banks are surplus with CASA and you take the worst of the bank and their cost of funds is sufficient. To earn my incremental fund costs are higher and when my average cost of funds is at these ranges, which is one of the finest in the market by 7.70 is one of the finest amongst HFCs. You see the different between the banks and this one at least 2% is point is difference. So you cannot complete with the bank if you want to be a bank so this is being not be a bank. We are NBFC. We must realize and that is where we make profit by service that you give better service and growth it. Currently growth as far as the growth how we are calculating this growth you told. I will say that is yes. Karnataka had issues because of delayed implementation of RERA because of only few months back, they were close to 700 properties where notices have been issued by operating, those who are not RERA complied so you need to have RERA complied stocks for the reputed growth for go for buying. Otherwise it will not buy get deferred. Why we revised the numbers and why we missed the numbers that also I will be give clarification. When we started the year, we had Rs.17000 Crores number on the board. We revised to Rs.16000 Crores when we found that yes it is not gettable not because the Company is not doing well because the outside market, which is like this. Karnataka outsourced a third of my loan book from Karnataka so when I am growing elsewhere that is why I have disclosed what is the growth rate elsewhere. Now post election and now the RERA is going to stabilize and all these sooner or later may be growth two, you will start getting good numbers from the south industry in particular. Till Tamil Nadu grows at something at the range of their growth rate is around 15%, 16% not like the growth rates that we have posted. So elsewhere certainly the Company is growing at 25%, 26% or 30% plus that it makes up to this 18.3%.

Nishant Shah: Okay Sure. From Karnataka state point of view is RERA implementation absolutely done? Are there more projects coming up some thoughts there?

Sarada Kumar Hota: Now things have started. Things are looking up and even in Karnataka the new projects launched and the new loan approvals that have shown on improvement. I suppose by Q1 and I do not expect very good numbers from Karnataka because the state will be busy with elections and all those may be by quarter so we can expect Karnataka will look up.

Nishant Shah: Sure and just one question I want to squeeze in on the funding mix, the NHB refinance share has dropped quite significantly year on year from about 30% to half like about 15% so what has led to this and what will let look like in future?

Sarada Kumar Hota: I am getting cheaper funds elsewhere.

Nishant Shah: Simple answer. Thank you so much.

Moderator: Thank you very much Mr. Shah. We have next question from the line of Bunty Chawla from B&K Securities. Please go ahead.

Bunty Chawla: Thank you for giving me this opportunity. Just a question on this employee cost during the quarter March 2018 has risen by 20%, 21% Y-O-Y basis so any specific one of our, if this same run it we can carry forward?

Sarada Kumar Hota: Employee cost one is AS-15 that is gratuity amount has increased from Rs.10 lakh to Rs.20 lakh that impact is there. Another one the part of the incentives and all those that comes back that will go in, it would not be at this pace.

Bunty Chawla: Okay so can you guide something on for FY2019 cost-to-income ratio what will be that?

Sarada Kumar Hota: Cost-to-income ratio I suppose this should be down only because that was particularly I can say because the increased branch network and when new branches start branch productivity improves, employee productivity improve going forward the employee cost will certainly come down because we will be leveraging on the existing network.

Bunty Chawla: Okay and one more thing, you said in the start in the presentation you said that there is a cause of concern for the management as the interest rises so can you throw what we are doing for the management of stable margins or what is the guidance for the margin going forward?

Sarada Kumar Hota: Finance cost, we command fixed cost as of now. We have some of the best price as of now, but going forward if the MCLR rate is going to be increased and the bond market is going to be behave this way there is uptrend that is what everybody is expecting, not that only, there will be a pass on to the borrowers. That way it will give rise to competition so when it gives rise to the competition, competition will need to get into such markets and strengthen such markets where people are not directly into this. So that is why last year if we see we had opened some main branches in affordable housing loan centers, most of them are in or all the new branches are mostly in non-south potential pockets and current year we are planning 20 branches all these are in non-south potential pockets. Somebody was commenting life on the branch trends has gone from 172 to 173. It is not so. From the cost point of time wherever the things are productivity level is not up to the expectations in the annualized branch network, some of the circulate officers almost have been disclosed now. The most remain branches, so all these rationalization and branch opening goes hand on hand, so normally branch expansion in the existing branches is giving more returns going forward. I think that would work. CanFin has to go and penetrate deeper into the south market and into the newer markets in non-south area. This is what our broad idea is.

Bunty Chawla: Okay Sir. So qualitatively can we say we can able to stabilize the margins at current levels for FY2019 or it should be decline by some few BPS here or there?

Atanu Bagchi: At least that should be the management turnover side.

Bunty Chawla: Lastly can you specify on the Tamil Nadu, how has been that during Q4? How has been improvement and how has been growth in Tamil Nadu state?

Sarada Kumar Hota: Tamil Nadu has come up to double-digits. They are growing at around 15%, 16% growth rate going forward I suppose this will improve.

Bunty Chawla: It should improve to 15%, 16% going forward?

Sarada Kumar Hota: 15%, 16% is what they recorded last financial year.

Bunty Chawla: So can we say FY2019 should be back?

Sarada Kumar Hota: Yes it should be back into normal.

Bunty Chawla: Thank you very much Sir.

Moderator: Thank you Mr. Chawla. We have next question from the line of Dhaval Gada from Sundaram Asset Management Company. Please go ahead.

Dhaval Gada: Sir couple of questions; first could you highlight the incremental yields that we earn on the salaried, home loan and the non-salaried, what is the incremental for the Q4?

Sarada Kumar Hota: Incremental yield you can work out Sir that last quarter my yields on advances was something like 10.39, this time there is 6 basis points dip. It is at 10.33. As far as salaried and non-salaried function we do not calculate that way but if you go by salaried always salaried and non-salaried difference will be something like some 40 to 50 BPS difference will be there. Because we got risk based pricing in CanFin. There will be difference of around 40-50 BPS between salaried and non-salaried overall.

Dhaval Gada: Okay and after the rate increase that you have taken few weeks back how would this move in the first quarter in your assessment, what percentage of the book will get reprised?

Sarada Kumar Hota: CanFin is the only HFCs again, which has introduced to the annual resetting of interest rates Sir so what will happen is my loans will come for reprising month on month. Supposed the loan was sanctioned in the month of April that will come for reprising on May 1, 2018 because the loan was sanctioned in the month of May, it will come for reprising on June 1, 2018 that is how it is. Then people who have opted for the switchovers, substantial amount of such loans were reprised already. 8.95 is the current rate so many people who had already opted and gone into a lower zone, there they will be getting increased increment compared to 8.5 to 8.95 that difference will come 45 BPS not on the entire because it will come incrementally month on month it will come.

Dhaval Gada: Just one more thing you mentioned in the call that NHB funding is relatively expensive so incrementally what is funding cost of the NHB borrowing that we have?

Sarada Kumar Hota: We had borrowings from NHB, which will come for the resetting, because it helps we got it for rate Sir, incremental if you asked it will not be constant, it is NHB gives based on treasury. He will have to raise fund somebody and give it to you.

Dhaval Gada: Right.

Sarada Kumar Hota: That is how within NHB we always club NHB as part of other bank, personal housing bank it is, so they are lenders apart from being regulator, as far as regulation is concerned there are they regulators, but as far as lending part is concerned we compare always NHB stay with any other banks.

Dhaval Gada: Okay Sir.

Sarada Kumar Hota: They take fund based on their marginal cost.

Dhaval Gada: Lastly I could not find the loan book mix between geography wise for Karnataka and Tamil Nadu if you could provide that you would be helpful Sir?

Sarada Kumar Hota: I will tell you Sir. Karnataka is around 34% this used to be close to 40% just one-and-a-half years to two years back. Tamil Nadu is around 15% and this used to be around 17%, 17.5%. AP and Telangana it is something like in 1% that is to be around 18% that is reserve, because the share of Karnataka and Tamil Nadu has come down, Telangana and AP and other places it has increased. Kerala around 2.5%, North NCR gives me almost close to 12%, a little more than 12%, Rajasthan gives around 3.5%, Haryana, Chandigarh, MP they give around 2%, 2% each and remaining 5% almost comes from the West, Chhattisgarh, Odisha, Bihar that is the belt around 1% that is smaller pocket for us.

Dhaval Gada: Thanks a lot Sir and all the best. Thank you.

Moderator: Thank you Sir. We have next question from the line of Shubhranshu Mishra from Motilal Oswal Securities. Please go ahead.

Shubhranshu Mishra: Thank you for the opportunity. Just taking a cue from the previous question Sir. Our growth is likely to be stunted in Karnataka and Tamil Nadu, which are the key markets for us so how confident are we about the growth number that we are forecasting around Rs.19500 Crores in FY2019 Sir? How do we think that this will come around in FY2019?

Sarada Kumar Hota: When the growth rates in these places supposed Karnataka is in the single-digit growth I told you just to think of there is a 3% increase only in one phase then overall impact even rest of the countries is not growing then it impacted it increases my total growth by 1% because of third of my seasons comes from Karnataka. Till yesterday that was a strong point for CanFin or South dominance for strong point for CanFin because the repayment behavior is good in South. Their assets quality used to be very good. If not that Karnataka will remain this way. It is a temporary phenomenon. People who are there in Karnataka not that the population of Karnataka who are influx into Bengaluru is reducing so once the RERA stabilizes, new stocks are created certainly it is jump for demand, which is going to come as the way so we are hopeful that it is matter of time again we went wrong in our calculations last year when we projected Rs.17000 Crores because we thought RERA will stabilize in all the states quickly. It took their own time because all states do not behave in the same registration. So now what was the strong point that has been really dragging as of now but going forward we expect our strength will remain our strength only, because all this deferred demand when it comes back again because of our dominance in south and our preference of customers to CanFin, we are going to have their reliance, they will also improve when it comes. It is only matter of time. If I fall short of my loan book target in FY2018 by Rs.250 Crores, I expect that Rs.250 Crores will translate into somewhere Rs.500 Crores incremental growth in Karnataka going forward when things are better. Let us not calculate really one quarter or one year we must look at a long-term perspective.

Shubhranshu Mishra: You are fairly confident of FY2019 target in that case?

Sarada Kumar Hota: Yes, in case something wrong happens one more something comes nobody knows but you should as of now given the current assumptions and current scenario Rs.19500 Crores is not easy what a target we want to achieve when we are aiming for that that I can assure you.

Shubhranshu Mishra: Because you also suggested that there has been increased competition and take over from the banks who have lower cost of fund so that is another vector of competition, which might hamper your growth so how are we prepared to tackle that Sir?

Sarada Kumar Hota: If you see from Rs.15743 Crores to Rs.19500 Crores it is Rs.3700 Crores so certainly I am eyeing at something like close to Rs.7500 Crores of CanFin and around Rs.6500 Crores of disbursement, so the ratio of disbursement to run down and after that how much will be my incremental loan book that has been factored in. I wish and we expect that going forward when the other markets when MSME, agriculture, corporate sector looks up the love of banks for retail will not last long. I do not know whether they will be in a position to cater to the banks alone.

SSEs what they have got their fruits and they will have to kick in, SSEs will have their own share.

Shubhranshu Mishra: One data keeping point Sir, can you split your disbursement in terms of balance transfers, new sales and resale for fourth quarter as well as the full year Sir?

Sarada Kumar Hota: For the full year I can tell you, which is something in the range of whatever is the total gap between the disbursement and this is because we are old SSE, we are not a SSE that loan book is created and it remains high, I disburse Rs.1000 Crores and my loan book was Rs.5000 Crores. Because we are 30-year-old company and there are repayments are there always, but the takeovers are in the range of something like if you have last year we disbursed Rs.5200 Crores, Rs.2430 Crores is the incremental outstanding that is less than 50% that it went up by. Out of the 50% you can assume that something like it will be 50,50, because last year first two quarters till third quarter the take over still substantial.

Shubhranshu Mishra: There was one data point that you used to give earlier in last presentation, what has been the disbursement in January, February and March of this year Sir?

Sarada Kumar Hota: January, February and March is certainly were partly impacted because of the states own process because whatever said and done even though we wish to say that yes the management was not involved, because CanFin team was not involved but certainly it was on the psychology of the employees, their employee sentiment gets affected, so Q3 March was further impacted.

Shubhranshu Mishra: Can I have the numbers for January, February and March the disbursement number?

Sarada Kumar Hota: Right now I am not holding, we will try to give it again.

Shubhranshu Mishra: Thank you for your time Sir. Best of luck.

Moderator: Thank you, Mr Mishra. We have a next question from the line of Shweta Daptardar from Prabhudas Lilladher. Please go ahead.

Shweta Daptardar: Good morning Sir. Thanks for the opportunity. Sir just two questions; one coming to the SARFAESI action, which you have initiated on Rs.60 Crores odd accounts, so almost Rs.26 Crores accounts have been, addressed so remaining Rs.34 Crores what are the stages at which these accounts are into?

Sarada Kumar Hota: Madam this will be into different stages, some will be in the notice period many times what happens is within the 60 days notice period itself you get back the money and you need not go for really either secure and position. One symbolic position then some will be in the chase of the CMM order we would have filed for physical order and somewhere will be in the chase of reserve price fixed auction, many times auctions to fail again you will have to go for visit auction so that is the process these are in different stages but one thing we have made it clear and we are sincere in terms of recovery put that when all my entire portfolio is back by mortgages an account terms into NPA we allow a month or two after 20%. So that is the different setting.

Shweta Daptardar: Okay, so recoveries going forward FY2019 should be much better than FY2018?

Sarada Kumar Hota: It takes its own time. It should be better off. It should be better in the sense because there were some force marking in the year FY2018 first time that in the first quarter we allowed many counts to drop, so that we can initiate recovery. FY2019 should be better you are right.

Shweta Daptardar: Because your write-off number also looks much higher year-on-year I mean I understand you stated few reasons for that. Can you elaborate more on it?

Sarada Kumar Hota: Madam, normally what it sense is it is an SSE really it is not that we have written off these accounts and that stops the effort of recovery. I look at a substantial income out of those written off accounts as well because the company puts separate target for recovery under those accounts which has been written off, I need to clean the books so we have written off but not that in the branch puts the efforts of recovery will stop even in those accounts.

Shweta Daptardar: The second question you have partially answered this, but given our dominance in south and the confidence that you just mentioned that Karnataka will revive because one-third of our loan sourcing comes from there, so how do you see the branch scalability going forward? Is it going to be in Karnataka and south or you wish to move out of the home and see more augmentation there, because I am little confused you are still confident that Karnataka will also revive despite these elections and RERA taking longer etc.

Sarada Kumar Hota: Elections are over in May is not it?

Shweta Daptardar: Correct.

Sarada Kumar Hota: First fortnight of May elections will be over, 12th is the date.

Shweta Daptardar: Correct. You mentioned Q1 will be under pressure?

Sarada Kumar Hota: If you see our branch expansion and again the new branches that we have opened last year, most of the branches are in non-south locations. We have opened two more branches in Jaipur, we opened a branch in Surat, we opened branches in Jabalpur and Mandideep, we opened branches in Chetanpura Industrial Estate. So the new branches subsequently were opened, we opened in Bhilai. These are the branches we are going to, wherever there is grow most of our expansions going forward will be in non-south as far as branch is concerned. In south, we are strengthening our deeper rural pockets and deeper up country locations because in metros competition is more, the metros were the people have got many options, their interest rate is sensitive. So when I come at a premium certainly we are planning to get into such markets where we can command the premium and people loans that interest rates because they will be looking for really the affordability of loan and how ease of access to the loan.

Shweta Daptardar: Thank you Sir. I will come back with a followup.

Moderator: Thank you. We have next question from the line of Ritika Dua from Elara Capital. Please go ahead.

Ritika Dua: Thank you for the opportunity. Again back on the Tamil Nadu question. Is the Tamil Nadu reviving more on the back that fourth quarter last year was subdued or have you actually seen signs of pickup in terms of may be the registration because firstly if I could club that with this is your loan book in Tamil Nadu more coming from the resale or from the new sale or is it more self-construction linked because the issue with Tamil Nadu has been the land registration, Sir if you can just combine that when give a flavour?

Sarada Kumar Hota: We are not expecting that the growth in Tamil Nadu as far as that it will come back to 30% because the primary sales have not yet come. It is mostly either second sales or construction activities or somebody wants a land and these are going to construct one, but the team has got into and we have got widespread network in Tamil Nadu, not like concentration in and around Bengaluru and Karnataka. So Tamil Nadu that way it has been in a position to improve the growth rate to something like 16%, 17% in those branches, which is fairly good and going forward I think the team is hopeful that there will be in a position to take it somewhere ahead of 20% plus growth rates will be doable. The land reforms are there in it is still an ongoing process for them clarity is yet to emerge and no loans are pending as yet, primary sales are affected that is I agree with you, but still they are improving.

Ritika Dua: Certainly I got your point. Thank you. Second question is on the opex front, so we have good target to look forward to so what are the commensurate increase in branches also if you are envisioning over up till FY2022?

Sarada Kumar Hota: FY2022 we are planning right now current year we are opening 20 branches, going forward it will be in those ranges every year.

Ritika Dua: Secondly because we have been very conscious on profitability, which like I think we increased our rates much higher than anybody else despite the pressure on prepayments and balance transfer, so we are sitting at a very healthy and I think probably higher spreads. Do you have threshold in terms of spread below, which you would not like to grow, or would you like to maintain a minimum kind of a number and if that can be answered?

Sarada Kumar Hota: It is not that yes, our increase is so very steep last year some point in time yes, we tried that yes we bring down our rate at par or close to the banks, but CanFin rates always if you remember historically our rate of interest used to be around 30, 35-basis points higher than the best rate available in the market. That used to be our rate always and we cannot April 1, 2018 we declared our increase in rate of interest and first week itself some banks came up with their increase in their rate of interest, so we are ahead of them that is the only difference. Going forward another thing is my increase in rate of interest does not impact the entire loan book that I granted last year, because we are into the month annual resetting of the loan book. So the loans which were given in the month of February or March, will enjoy those rates till the next February or March. So I do not expect that there will be – I think the annual resetting is one of the reasons where which has really helped us in protecting our loan book through Q4, Q4 and around is not that much that is improving and in terms of our transparency and the openness to the rates that we charged we have been fair enough and we have been very clear in terms of the fair practice code and the charter of the customer base.

Ritika Dua: One last question Sir. On the rights issue what is the final stance you have, because while business carries on but I think even you commented that even in some bit of business also gets impacted and employees hear such news because this has been like really partly because of the parent's decision and what is the clarity here, we once wanted to self focus and now we wanted to move up to 30, now we have totally probably not looking for that and we are concentrating again on the business and we are looking for a rights issue again, so at least is this is the final stance that we want to go ahead with that, the parent is staying and we are looking to even we are part of the rights issue?

Sarada Kumar Hota: I think the question can be answered better by bank, but as far as rights issue is concerned we are on with the rights issue because it was planned earlier, in between yes because of the divestment process and all those it was deferred, it is not that decision stalled or we have aborted the process any point in time. From bank's point of view whether the parent is holding on or the stake will part will flow till, I will say that yes there are enough indications, but now they have strengthened the board, the MD of the bank in the previous interview, which all the channels he mentioned that we are interested in strengthening the company and we are not selling it off now, so now that they have posted another pretty owned DGM of the bank who has heading again Rajasthan operations, I do not know, it is just a coincidence that I was heading Rajasthan operations before I came into CanFin and Srikanth also come through Jaipur, he was in-charge of Jaipur that was the best circle of the bank last year and he is pretty young, he is having more than 10 years to go. The bank would not spare such young budding executives if bank is not serious about business in CanFin. Those are the indications I think we should not try somebody to spell out and surely open words that what they want to do.

Ritika Dua: Very helpful Sir. Thank you so much. That is it from my side.

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

Nirmal Bari: Thanks for taking my question. I would like to understand a bit on the movement of NPA slide that is slide number 19, we have shown the reductions for the year at Rs.16.11 Crores whereas the write back and write off is Rs.26.93 Crores, so why is this gap?

Sarada Kumar Hota: Pardon.

Nirmal Bari: The slide number 19 in our presentation the movement of gross NPA reduction for the year has been Rs.16.11 Crores whereas the write off or write back of provisions has been Rs.26.93 Crores, so why is this gap?

Sarada Kumar Hota: Because always what happens is all accounts do not, if you see there is a difference in the closing balance as well, in 67.49 closing balance my provision is 35.87 that is why the difference.

Nirmal Bari: No, but like generally if either the account would get upgraded?

Sarada Kumar Hota: No, I suppose you are talking about the net movement, this is not the net movement, some of the reductions are included in the additions, which slipped into in some quarter and those have been recovered, so that is why you are getting the difference.

Nirmal Bari: So is it possible to get a breakup of the write off and write back part of this Rs.26.93 Crores?

Sarada Kumar Hota: Normally what happens is in a particular quarter, it warrants a higher provision because some accounts slipped into NPA, we initiated SARFAESI actions; the accounts are recovered after that. Once the account is recovered from that account the provision rates will be listed, those are write backs and there are some accounts, which are written off. When the accounts are written off that provision is consumed there, it may be the provision made during the earlier year, it may be the provision made during the current year, so if you see that way it is with interest rates, but I have clarified that the provision that was required for me during the current year was not as much, what I required is Rs.13.78 Crores only, but the provision we have made, what we are holding is 35.87, so still there is substantial ad hoc, ad hoc created is 13.78. The provision required was only Rs.22 Crores, I am holding Rs.35 Crores. The additional is around Rs.20 Crores is there. Why we did not provide more is because of the tax benefit on provision, earlier we used to from current year onwards it is like this under 36-17A you get up to the 5% of your taxable income, you get rebate in the new provisions made, the charge to the P&L, so that is it is restricted at Rs.20 Crores, so we took a conscious decision, no point in really trenching at 0 net NPA when I am going to recover all those because there is a mortgage available and SARFAESI available why should I make 100% provision and after that again I write back.

Nirmal Bari: Going forward we would be following this policy?

Sarada Kumar Hota: Yes we will be following this policy, unless warranted there is no point making because ultimately end of the day again it comes back to 33. Should I lock my income, my additional revenue what is warranted beyond that if I keep them what happens is I am curtailing my profit figure, which in terms gets ploughs back into the capital. Capital means it helps me really reducing that much of capital requirement and if capital is costly why should I lock in those free capital in provisions, I do not earn anything. So profitable deployment of that funds is really when you plough back into profit and throw profit into capital that your borrowings are also goes up, your capital adequacy go up, ultimately the money remains with you, even if you are making a provision it is money set aside it is not money spent and that money you are going to wiped back, so we prefer instead of putting the money, keeping that much money in provision let us keep it in the reserve that is the only difference.

Nirmal Bari: Sir second question on the NPAs front is, we have traditionally seen that Q1 there is a seasonality with NPAs and the NPA number is higher as compared to Q4, so since we have been recording accelerated NPAs for the past four quarters do we anticipate that this year also we will kind of see the same seasonality been playing out, the Q1 NPAs to be higher than what we have seen?

Sarada Kumar Hota: I do not think so because last year it had got its own impacts of, we have told some lag impact of demonetisation and all those things because two months of deferment was permitted. For the month of December and January people were asked not to pay, but those were not deferred to the end, those became due in the month of February. You ask anybody for a housing loan EMI, three EMIs together certainly there is going to be delinquency, you stop one month payment of your housing loan EMI your own case I am telling at least I do not have the capacity to fund my one-and-a-half months EMI, so that is natural.

Moderator: Thank you. We have a next question from the line of Ronak Raichura from AMSEC Portfolio Management Services. Please go ahead.

Ronak Raichura: Based on the previous interactions you said that Karnataka and Tamil Nadu accounts for close to 49% of your total loan book, now my question is also in your previous interactions you mentioned that generally the audience in Karnataka is very well read and they are very educated, Sir then my question is if Karnataka is such a pivotal point in our loan book would not the rising of the interest rates to about 8.95% be very, very aggressive as compared to the competition because if they are really well read then it could cause the impact in a loan growth because we have been really about 30, 35 basis points higher than the competition?

Sarada Kumar Hota: Historically we had been at those levels, we are never at par with the bank's best rate available in the market. Historically CanFin has grown with those rates, those different P&Ls. Why people prefer CanFin in Southeast is I say the thing as I said earlier and now also I repeat that yes

Bengaluru customers are very well educated and well read, and majority of the youngsters because the average days of my incremental borrower is around 40, so all of them are really well read that is the one of the reason that not that Karnataka all the banks are not growing or all the SSBs are not growing at all, but my clientele base, those are into LIC and lower MIG segment where people are well read and mostly salaried class. Another thing is in south when it comes to CanFin brand it attracts, the service to delivery, how quickly we can, the turnaround time that matters, the trust in Canara Bank brand and CanFin brand that helps, that is why we command a premium and that is how we have grown, we have never been offering the best rate.

Ronak Raichura: So we are not so rate sensitive is basically?

Sarada Kumar Hota: Rate sensitivity off late is increasing that is why we are planning and if you see our growth story and where we are increasing, our focus is into the off country locations to the peripheries. My clients do not live within the city limits of Bengaluru, they are in the periphery or they are in the off country locations Hubli, Dharwad, Davanagere, Shimoga, Mangaluru, Mysuru, these are the places.

Ronak Raichura: Sir my second question is are we also targeting any specific loan mix, any conscious decision to increase our non-housing portfolio because now that RERA has actually got implemented, do you also look at increasing your builder loan book or something because that is where the real growth also is coming, so is CanFin making any special efforts because currently your housing loan is about 90% of the total loan book, so is there is a conscious effort to actually deviate from this and get into a little higher yield segment to get the growth?

Sarada Kumar Hota: Yes we are looking at, we are looking at all those options, particularly non-housing, now RERA has really opened another avenue for us, we are not that big into the builder loan segment because CanFin if you see the initial objective when 1987 the Company started it started with two basic objectives, one is to create individual housing stock and another one was to create the home ownership. Home ownership we have been pretty the first. Initially also the first few years yes we are doing good in terms of creating the housing stock, the top slate if you see creating the housing stock the company had stayed away from the builder loan segment, it was limited to very, very few loyal customers only because the sector was not regulated, now the sector was regulated, certainly we look at that as an another option, but we are not getting into big deal to take big exposure, so we have got our own prudential feeling but that is…

Ronak Raichura: My point is, is there like you have guided for a loan book figure, do you have a guidance even for growing this particular segment like non-housing segment?

Sarada Kumar Hota: Yes. You can always state that our intention will be to grow the non-housing book.

Ronak Raichura: No Sir, but in terms of guidance, in terms of a number to that particular segment?

Sarada Kumar Hota: Number I would not give. I will say that from the present level of around 10% we would like to bring it back or something like 10.5% to 11% closer to – we will be interested in increasing the non-housing book a bit unless the mix is I would say that your margins will be impacted.

Ronak Raichura: Sir, one last question. Sir, your employee count has actually reduced by 20 in this quarter as compared to the previous quarter, but your employee expenses has jumped about 18% quarter on quarter. You also mentioned something on the gratuity front, so is it purely because of that - I mean because the employee count has actually reduced.

Sarada Kumar Hota: Employee count has reduced means cost should go up, maybe somebody is retiring that is why terminal benefits would have settled, which was provided earlier that has nothing to do with it and whereas last year if you see our employee count present year has gone up by almost more than 100.

Ronak Raichura: Okay.

Sarada Kumar Hota: Year on year if you compare, it has gone by more than 100.

Ronak Raichura: Okay Sir. Thanks.

Moderator: Thank you Sir. We have a next question from the line of Ayushi Modha from CD Equisearch. Please go ahead.

Ayushi Modha: Sir, has your finance cost has gone up by 12.7% year on year for the last quarter?

Sarada Kumar Hota: Last quarter?

Ayushi Modha: Yes, Q4?

Sarada Kumar Hota: No, not that much.

Ayushi Modha: Sir, but your interest income has gone by only 10.7%, so would you explain that?

Sarada Kumar Hota: Income has gone up by 10.7%, total interest income is around 11% increase in the cost and expenditure up by around 12%, that expenditure I told the major increase you are seeing is in stock expenses.

Ayushi Modha: Sorry the increase is in?

Sarada Kumar Hota: Stock expenditure. There is a marginal increase in terms of percentage and so because…

Ayushi Modha: No Sir I am talking about the finance cost?

Sarada Kumar Hota: Finance cost, there is not much, it is 11.7 and 12.7.

Ayushi Modha: Exactly Sir, so your finance cost has gone by 12.7% whereas your income has only gone by almost 11%?

Sarada Kumar Hota: No, that is because one of the reasons is the loan book growth and our average loan book growth, that matters and going for unless– we expect that the growth has got a role there that apart the incremental if you see the yield and cost. For the quarter if you work out the yield and cost, somewhere the trades are coming under a pressure a bit. We are still holding onto our tradeoffs around 2.5% in the book and the margins of 3.5%, but still then that has got a play out.

Ayushi Modha: Sure Sir, but like your year loan book is growing by over 20%, so how come your interest covers up by only 11%?

Sarada Kumar Hota: Because housing only is growing, the growth is more in housing now, we does not carry really that high yields, where growth is high. Last one year if you see the mix, the previous question was on that count only because right now growth there in housing for all is in the play. So the non-housing sector consciously we are planning to increase whereas the housing loan growth rate has been substantially higher and housing loan do carry a lesser rate whereas your funding cost remains the same, your sourcing cost that is going off increasing and increasing. If the incremental loan book carries a lesser yield that is one of the reasons, so we are consciously planning as in which you say one-quarter impact let us see how Q1 plays out.

Ayushi Modha: Though there is expected to be a shift in loan book composition more towards non-housing.

Sarada Kumar Hota: Composition yes, composition is one of the tools that the management face and consciously we are – that is the most important tools, from re-pricing because we are carrying most of our borrowing because we are not a bank, we do not have really so much of…another thing is that if you are seeing my funding basket, it is primarily either from bank loan, MSP borrowing or from money market instrument. Money market instrument always are fixed rate borrowing. So when those old borrowings when it gets re-priced, these are coming for re-pricing now, I have got such loans in my portfolio, those are declared in the annual report also, you can see that when these are maturing and all whether it is giving 8.5%, 8.3%, 8.4% and whereas I am lending at those rates. Going forward when re-pricing takes place I suppose, current year quite a substantial amount is coming for re-pricing that is where we have pretty much growth.

Ayushi Modha: Okay Sir. Thank you so much.

Moderator: Thank you. We have a next question from the line of Aman Jain from Parasthan Securities. Please go ahead.

Aman Jain: Just want to know your branch expansion target, currently you have 170 branches by 2022, if you want to achieve the current Rs.40,000 Crore target, how many branches would be required in total by that point of time and what would be the yearly target in terms of branch roll outs?

Sarada Kumar Hota: Around 15 to 20 branches in a year. Current year we are planning 20 branches, going forward it will be in those ranges 15 to 20 branches. Again last year we planned for 12, we have opened 9 and three more license that we are holding, four more year holding, so we are opening around 15 to 20 branches per year, new branches.

Aman Jain: Okay. So basically in next four years, we will open another 60 to 80 branches that should be sufficient enough to reach our target, correct?

Sarada Kumar Hota: Yes, it should be fair enough, 60 branches could be fair enough, we do not require more than 225, 225 should be the number it should take for 2022.

Aman Jain: Okay and that is one, secondly how about the state breakup in terms of geographical breakup, the next 60 to 80 branches, which we would be opening?

Sarada Kumar Hota: Geographical breakup is you see, last few years the non-south portion has substantially increased, last one year itself, the share of Karnataka has come down from 40 to 34 now. Around 37% to 38% it used to be, it has come to 33%-34% because healthcare market is growing faster and you can say really, going forward suppose FY2019 Karnataka rebounds, things are stabilized, more potential and more demand is there in south. It is not the south does not have demand. It is a temporary phenomenon. So our strength of this south dominance is going to come out any point in time, even the branch expansion current year we have planned mostly in non-south location, I can say that FY2020, I will open only in non-south. If south market is revived, we are willing to go wherever business is there.

Aman Jain: Okay, any specific reason for the last financial year, we rolled out only three branches?

Sarada Kumar Hota: Only three branches, I think you are seeing the net number, we have closed down 10 satellite offices.

Aman Jain: Okay. You are saying open 13 branches?

Sarada Kumar Hota: Yes, the satellite offices were one man branches, which are not going good that is why - I suppose you are not read my previous quarterly presentations and press releases.

Aman Jain: Okay, so then the question arises, 60-80 this is a net number we are talking about or the gross number we are talking about in terms of branches…

Sarada Kumar Hota: These are the gross number we are talking about, if the branches stops growing or if the branch, we did not find it suitable after opening the office because primarily a new branch is opened in a place, if it is a branch normally we do not close down. But we had explored the possibility of **(inaudible) 1:16:42** to the rural south places. We penetrate deeper into south through the mode of satellite offices. So one of the satellite offices, those are not branches, they were not holding the loan book, they were only sourcing, so the total network that we have seen two years back, we had 120 branches and 50 satellite offices. Those 50 satellite offices are now down into only 20 satellite offices. Right now it is 153 branches and 20 satellite offices. So it is not that network has come down, network has improved substantially because those three-people branches which are doing good are converted into branches. Those who are not doing have been closed down, so opening and closing that is called put together rationalization of branch network is also a simultaneous process along with the opening the branches.

Aman Jain: Okay, apologies for repeating the question, but my only question is the 60 to 80 branch opening, which you were talking about, is that a gross number or net number.

Sarada Kumar Hota: I told you gross number – net number you can fairly take at 225 for 2022.

Aman Jain: 225, okay from current 170.

Sarada Kumar Hota: Yes, 50 more branches would be fair enough for you.

Aman Jain: 50 should be able to take care of our aspirations to grow our loan book to Rs. 40,000 Crores.

Sarada Kumar Hota: Yes that is what our aspiration is.

Aman Jain: Okay. Thank you Sir. That is my question.

Moderator: Thank you Sir. We have a next question from the line of Bhavik Mehta from Antique Stock Broking. Please go ahead.

Bhavik Mehta: Good morning Sir. Could I get a data point question on what is the CP proportion of our total borrowings?

Sarada Kumar Hota: Sir the CP last year it used to be around 20%, our money market borrowing was around 50% last year also, current year also around that, 51% was in the last year, which this year is at 50%. I have told earlier we used to keep the CPs at always around less than 20%. The last year it is 20%, but this year-end it is around 15%.

Bhavik Mehta: Okay Sir and Sir what amount of our book would be coming up for re-pricing of borrowing book?

Sarada Kumar Hota: Our borrowing book you can divide it that out of the incremental book whatever it is, month on month whatever is disbursed that comes for re-pricing in the next month first, that is how it is because CanFin is already into the annual resetting mode. Normally in existing industry what happens is when rate of interest is increased, the entire portfolio increased, when reduced that is not passed on. We need to approach the company and reduce after paying the interest adjustments. We have gone with the annual resetting mode, so entire the portfolio will come for re-pricing month on month. Suppose you had availed a loan in the month of April, it would come for re-pricing in 1st of May.

Bhavik Mehta: Okay. Thank you very much Sir.

Moderator: Thank you Sir. We have a last question from the line of Ronak Raichura from Amsec Portfolio Management Services. Please go ahead.

Ronak Raichura: Sir I just had one technical query, Sir when I add up - based on the balance sheet that you have declared in the results, when I add up your long terms loans and advances with the short terms, I get a figure, which is little lower than the loan book, I had over 15,095 Crores versus the loan book, which has shown at 15,743 Crores. So I just wanted to know is there…

Sarada Kumar Hota: Sir you can do one thing your – and across your this to Mr Bagchi he will send you the breakup of all those, maybe one column you are missing somewhere

Ronak Raichura: Okay Sir. Thank you Sir.

Moderator: Thank you Sir. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments. Over to you Sir!

Sarada Kumar Hota: Thank you all the investors and analysts who were on the concall and thanks. This is really great learning experience, the number of time I keep meeting all of you over the conference call. This has been a fairly good learning experience for us. We get the perspectives from your side. I can only assure that yes, management of CanFin and the Board of CanFin are pretty conscious of all your concerns wherever you have. Most of our concerns are alive, the concerns that you have, which we have all those and going forward it will be the competition and margin, best way how to manage those, yes the management is working towards that. So one thing I will certainly say…I can particular say as far as growth is concerned, as far as the fundamentals of the company are concerned, we are more particular about the quality of assets, so that we do not comprise –for growth we do not comprise with the quality because that going forward, the posterity should not blame the particular regime that now you did something wrong and today we are in that is one of the prime point of importance. The CanFin has been always historically and fundamentally and vertically very strong company. So we are maintaining those strengths and we do not want to deviate from these fundamentals, we do not want to take the soul of the company.

With that, I can assure that growth rate of your company will be a tad better than the market always; we are always working towards that the entire management team and all my executives from team CanFin say thanks to all of you. Thank you.

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