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CIN – L85110KA1987PLC008699

CFHRO SE CS LODR 33/2025  
27/01/2025

ONLINE SUBMISSION

<b>National Stock Exchange of India Limited</b> Exchange Plaza, C-1, Block G Bandra Kurla Complex Bandra East Mumbai – 400 051  NSE Scrip Code: CANFINHOME	<b>BSE Limited</b> Corporate Relationship Department 25th Floor, P J Towers Dalal Street, Fort, Mumbai – 400 001  BSE Scrip Code: 511196
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Dear Sir/Madam,

**Sub: Schedule of Analysts/Investors Meet**

**Ref: 1. Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.**  
**2. Our letter no. CFHRO SE CS LODR 22/2025 dated 20/01/2025**

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In continuation to above referred letter, please find attached the Transcript of Q3 FY25 Earnings Conference Call held on January 20, 2025.

The aforesaid Transcript is also available on the website of the Company [www.canfinhomes.com](http://www.canfinhomes.com)

This is for your kind information and record.

Thanking you,

Yours faithfully,  
For Can Fin Homes limited

Nilesh Jain  
DGM & Company Secretary

Encl: as above



“Can Fin Homes Limited  
Q3 FY '25 Earnings Conference Call”  
January 20, 2025



**MANAGEMENT:** **MR. SURESH IYER – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – CAN FIN HOMES LIMITED**  
**MR. VIKRAM SAHA – DEPUTY-MANAGING DIRECTOR – CAN FIN HOMES LIMITED**  
**MR. APURAV AGARWAL – CHIEF FINANCIAL OFFICER – CAN FIN HOMES LIMITED**  
**MR. PRAKASH SHANBHOGUE – GENERAL MANAGER – CAN FIN HOMES LIMITED**  
**MR. PRASHANTH JOISHY – DEPUTY GENERAL MANAGER – CAN FIN HOMES LIMITED**

**MODERATOR:** **MR. NIDHESH JAIN – INVESTEC CAPITAL SERVICES**

**Moderator:**

Ladies and gentlemen, good day, and welcome to the Can Fin Homes Q3 FY '25 Earnings Conference Call hosted by Investec Capital Services India Private Limited. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nidhesh Jain from Investec Capital. Thank you, and over to you, sir.

**Nidhesh Jain:**

Thank you, Zico. Good afternoon, everyone. Welcome to the Q3 FY '25 Earnings Conference Call of Can Fin Homes Limited. To discuss the financial performance of Can Fin Homes and to address your queries, we have with us Mr. Suresh Iyer, MD and CEO; Mr. Vikram Saha, Deputy MD; Mr. Apurav Agarwal, CFO; Mr. Prakash Shanbhogue, General Manager; Mr. Prashanth Joishy from Can Fin Homes Limited.

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

**Suresh Iyer:**

Good afternoon, everyone. Thank you, Nidhesh, for the introduction. Welcome to this earnings call for Q3 of FY '25. Just to give a brief highlights of the performance of the quarter. In terms of disbursements, the Company had originally indicated that we would be doing somewhere in the range of about 5%, 10% higher than Q2. Unfortunately, we've had a slight setback in the state of Karnataka, particularly where because of the e-khata issue, we had some drop in disbursements.

And about INR400 crores of business we have had to pass on or in fact has not materialized because the registrations have not been happening. So as a result of which, on the disbursement front, the Company has only been able to have a very flat disbursements of INR1,879 crores as against what we had originally would have been somewhere in the range of about INR2,300 crores to INR2,400 crores.

As a result of this lower disbursements, we've had an impact in the AUM growth also, which now stands at 9% for the 3 quarters of the year. Going forward, in terms of disbursements, the position in Karnataka slightly appears to be improving with some e-khatas getting issued. As of about 20 days back, out of 10 lakh applications for e-khata, only about 45,000 approximately e-khatas have been issued.

But a very recent report also indicated that about 125,000 e-khatas have now been issued. So slowly, there seems to be some movement on the release of e-khatas. Going forward, this will be a very key monitorable for us in terms of our disbursement growth and, consequently, our AUM growth.

In terms of collections, the performance has been satisfactory. The gross NPA stands at 0.92%. There's been a slight increase in the NPA; however, SMA Stage 2 level has been almost the same. There is a minor 15 bps increase in the SMA 0, but as indicated last quarter also, we have

approximately about INR770 crores of portfolio wherein the outstandings are less than around 850, which is the check bounce charges.

So the customers have paid their installments, but because of the charges of about 850, which we have debited in the -- this thing. As a result of this, the accounts stand in the SMA 0 level. So barring the INR770 crores, the cases where the really SMA 0 where 1 installment of more than INR1,000 is outstanding, that is in line with what was there last quarter as well. In fact, it would be lower than the last quarter number.

In terms of the provisioning as a result of this, there is an increase in the provisioning as well. However, with this matter, which we are now following up, the provisioning in Q4 where we expect the recoveries to also improve, we expect that the provisioning in the Q4 will be very marginal, if at all and therefore, the credit cost for the entire year is likely to be in the guided range of about 15 bps only.

As for the AUM growth and the projections for the Q4, we expect the disbursements to be marginally in the range of what we have done in Q4 of last year and if Karnataka improves, then it could improve a little better than that as well. And therefore, as I mentioned, the release of e-khatas in the state of Karnataka is going to be a key monitorable in terms of disbursements and AUM growth.

On the liability side, we have had some positive developments. As of the beginning of the quarter, we had about 35% of our bank borrowings, which were linked to MCLR. But during the quarter, we have been able to shift all the loans either to repo rate or we have repaid those loans as a result of which the entire bank borrowing book that we are having is linked to either repo rate or is linked to the T-bills.

So we don't have any bank borrowings, which is linked to the MCLR. So this has also helped us slightly in bringing down our cost of borrowing because along with the shift to the repo rate, we've also been able to slightly negotiate the rate of interest on the term loans as well.

The second development on the liability side has been that we have also raised INR1,600 crores during the quarter from NHB, which has come at a lower rate of approximately 7.6%, which is lower than by 30 to 35 bps compared to the bank borrowing that we normally have. As a result of this, the cost of borrowing for the 9 months has come down by 2 bps.

On the other side, on the yield side, since we have been guiding that marginally, we have been looking at a little bit on the SENP product as well as on the LAP book because of that, we have also seen a slight improvement in our yield on the books, which stands at 10.14% for the 9 months ended as against 10.12% as at the end of the last quarter. So on the borrowing side, we have been able to reduce the borrowing cost by 2 bps, whereas on the yield, we have been able to improve by 2 bps as a result of which the spread has marginally improved.

So going forward, in terms of the spread and NIM, we continue to have the same guidance of 2.5% for spread and 3.5% for NIM. As a result of which we are hopeful that the year, we should be able to comfortably close with an ROE of 17% plus and ROA of 2.1% plus. In terms of the Opex, during the quarter, there has been no major change and whatever little has been

experienced because of the change in our IT systems in the first 3 quarters, the same has also continued in the fourth quarter of the calendar year.

Therefore, in terms of the overall cost for the year, the cost-to-income ratio has marginally come down compared to the second quarter. This fourth quarter also, there is no major cost factor, which is going to impact. So, the cost-to-income ratio may not vary much.

The only other aspect is that in terms of the IT, the Company has embarked on a major IT transformation project, so during the third quarter, we have concluded that RFP process, and we have been able to finalize on the bid, which is going to IBM. So going forward in the next coming 3 quarters, we'll be working with IBM to implement the entire IT transformation, which includes the LOS, the LMS, BMS, HRMS and all other modules, including certain aspects of infrastructure and security as well.

So this, of course, is likely as per the initial schedule to be implemented in the third quarter of the next financial year, which is in the October to December 2025 quarter. So a little bit of cost in the next year might slightly go up because of the capex and the opex, which will be there in the third and fourth quarter of the next financial year.

So this is in brief the broad highlights of the performance of the Company during the third quarter. I now leave it to the audience for any queries, please. Thank you.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mahrukh Adajania with Nuvama. Please go ahead.

**Mahrukh Adajania:**

Sir, my first question is on general growth, nothing to do with Karnataka. So a lot of lenders tell us that there's a volume decline. Most of the growth is being driven by value only. So does that hold true for you as well? So that's the first part of my question on growth.

And the second part is that in terms of rate competition, obviously, private banks have stopped competing on rates in a big way. But is there still a lot of rate competition in housing from NBFCs, PSU banks? Or has it settled down? Where do we stand on rate competition and competitive intensity? That's my second question.

And I have a third one also, on these RBI guidelines about parent and subsidiary not doing the same kind of business. Have you had a discussion with Canara Bank? Where do you stand on that?

**Suresh Iyer:**

Yes. Thank you, Mahrukh. I'll answer one by one. So in terms of the growth, as I mentioned probably in an interview in the morning, that other than Karnataka and Telangana, we have had a positive growth or rather we are doing quite well in the rest of the places. In fact, North and Rajasthan, Gujarat, Tamil Nadu, all these regions are doing well for us.

In terms of amount, we in fact, if you would have noticed that our average ticket size for the housing part has marginally come down from INR25 lakhs to INR23 lakhs, mainly because Karnataka and Telangana, we have had higher ticket sizes. So basically, in terms of the numbers, we have still been able to get the numbers. That is why only in terms of the whatever loss we've

had in Karnataka and a little bit in Telangana is what is reflecting. Otherwise, we are not seeing much of an issue in terms of numbers.

We continue to get the same amount of inquiries, although December somehow was a little soft, we felt. But then January, again, is looking good, the first 15 days. So I mean, it probably was just some other factor. I wouldn't give way to that.

The second, with regard to Rate of Interest as a factor. Actually, you are right, the rate of interest is not so much of a factor now. In fact, even in earlier days, it used to be more of takeover plus top-up, which was the major factor. And of course, rate of interest was always there, but it was always to another segment because it was always the Tier 1, metro and the very high-end customers who would be really going for it.

Otherwise, in the mid to lower end of the segment, rate was not anyway so much of a factor. It was more the speed of giving the loan, the ability to, first of all, give a loan to that particular segment and the geographical penetration, which were parameters -- which were the main key parameters for decision-making. So the rate of competition is not so much of an issue.

The third point regarding RBI guideline, which was the 4th October draft circular. Well, the parent bank has already given certain feedback to the RBI, and I guess all the other banks also have given feedback. So it is now up to the the RBI to come out with the guidelines or to take cognizance of or whatever decision or consider all those points, which have been suggested and then come out with it.

As of now, there is no clarity as to whether or when or how it will be implemented. So there has been no clear thing. But in the past also, we have indicated that if at all the RBI comes out with the guideline, Canara Bank will definitely have to implement it, and it has always abided by the regulations. So whatever will be there, will happen.

It looks like there could be some extension of time or probably there could be some exceptions or, I mean, some changes maybe going forward, will be implemented or something like that. Those are the kind of suggestions, which appear to have been shared by the various banks.

**Mahrukh Adajania:** Thank you, sir.

**Moderator:** Thank you. The next question is from Praveen Kumar from Acuitas Capital Advisors. Please go ahead.

**Praveen Kumar:** Thank you for the opportunity. I mean, I also had like two to three questions. The first one was on the NIMs that you have been delivering, but vis-a-vis your NIM targets were, as you keep guiding, it's closer to 3.5%, right? So while we understand that growth, there is a geographical flavor to the growth setback. But is there an opportunity to give up some of the yields and get closer to your NIM targets, but also drive growth? That was the first question.

Related question is on branch expansion. I think at the beginning of the year and during the year, you have guided to a net branch expansion of about 15 branches, whereas there doesn't seem to

be any addition during the year, it looks like you're still at 219 branches. So I wanted to get some clarity on that.

The third question was on your employee cost. Y-o-Y, there is a mid-teens kind of a growth in your employee cost, whereas the number of branches don't seem to have changed much. Now part of this could be driven by I think you have mentioned in the past that you wanted to bring down your DSA sourcing. Maybe part of it might be contributed by employees for that, but wanted to get more insights on that as well. Those are my three questions.

**Suresh Iyer:**

Yes. Thank you, Praveen. See, your question on NIM target of 3.5% that we have been guiding, whereas we have been roughly in the range of about 3.75%. But the second thing is we have also been guiding that we would not want to compromise on our spread, which is 2.5% and we have been hovering around 2.56%. This quarter, it is 2.6%, but otherwise, it was 2.54%, 2.56%. Therefore, there is not much of a scope to compromise too much on the pricing of the products particularly.

Therefore, there is not much of this thing. However, we have tried and you would have observed that we have also opened up our LAP a little bit, which we had shared a couple of quarters back. and as a result of which our LAP portfolio, which used to be about 5% has marginally improved to about 6% now. Similarly, the second change was that we had indicated we might also be looking at slight deviation or change from our... [inaudible 16:34]

So I don't know whether you were able to hear the first point. The first, as I said was that LAP, we have slightly improved from 5% to 6%, and that was one thing where we have tried. Second thing is SENP also, we have opened up a little bit. And from 72% salaried, now it has come down to 70%. So SENP and Professional is now constituting 30%. So that also is another area where we have slightly tried to push the growth or we have tried to expand our product range and segment range, so that we can target a little wider customer base. So that is one.

The second question was regarding branch expansion. So yes, we have guided for 15 branches. And we had also indicated that this 15 will be net. So basically, what has happened is during the second quarter and third quarter, I mean, sorry, mainly the third quarter, we have actually also reviewed our branches. Some of the branches which are very too close to each other and are kind of cannibalizing on the customer base or things like that or in some cases where the growth is not looking very positive, we have, in fact, closed or merged 10 of the branches and have opened 10 other branches vis-a-vis in slightly different geographies or maybe a little further away for things like that.

So basically, there have been 10 additional branches, which have come up because so that which will help us in tapping the customers in a little different geographies also. So the net is not appearing to be higher. And going forward, we still have about 15 branches, which are in the pipeline. 11 of the branches are almost beyond the stage of execution and everything, interior work and things like that. So in Q4, they will be opening up. 4 branches are at the execution stage with the landlords, so that also are in the pipeline. So 15 branches will be there.

Last year also, we had opened up the branches mainly in Q3 and Q4 only. So that is the way we have been going about. This quarter also, we will be looking at 15 branches, 10 which have been opened up. I have only replaced the other branches, but 15 net additional branches will now come up in this quarter.

The third is as regards employee cost. So yes, there has been an employee increase. The number of staff have also increased, and there is a sequential increase in the staff cost as well as the staff number. So two things: one, yes, we have strengthened some of the geographies where we had -- where the business [Inaudible-19:19] staff have also been actually used because we have strengthened our internal assurance functions also, so some of the staff have also been utilized for that. So the number is not looking in terms of the risk.

Plus we have also already in line with the new branches, which are going to be opened up. Some of the staff have already been recruited and are under training at some of the nearby branches for the new branches, which are also being planned. So that is the main thing. As and when the 15 branches in Q4 will get added, these staff will be moved to the new locations also. So I guess I've answered that also, Praveen.

**Praveen Kumar:** Thank you.

**Moderator:** The next question is from the line of Rajiv Mehta from YES Securities.

**Rajiv Mehta:** Sir, what percentage of this SMA 0 of INR260 crores would be accounts where just the check bounce charges are not paid? And related to it, have you also seen any increase in bounce rates in the recent past? And if you can also explain if there has been any increase, is it related to any particular product or any particular market?

**Suresh Iyer:** Yes. Is that it? Can I...

**Rajiv Mehta:** Yes, yes. I mean, I have a question. I have a few follow-ups later on.

**Suresh Iyer:** Sure. No, actually, as I mentioned earlier, in SMA 0, we have about INR2,590 crores, which are the portfolio, which is in SMA 0. Out of that, aggregating to INR770 crores are such cases where only the check bounce charges or some minimal charges are pending and the value of these charges and everything is to the tune of less than 850, including the GST that we charge. So that is the thing. INR770 crores is the portfolio in respect of which the charges only are pending, which means that customers have paid the EMI, but because of the charges and everything, they are outstanding.

Obviously, the portioning will first be towards the outstanding charges. Therefore, it may appear as this that the principal is outstanding, and they are rightly classified as SMA 0. But then if it is basically that the customer had a check bounce, but he immediately paid back the original EMI, but not the charges. So those are the kind of cases. That is aggregating to INR770 crores out of INR2,593 crores.

Second, as regards to check bounce, actually, for the last four quarters, our check bounce ratio, that is NACH bounce ratios have remained in the same level. We've not seen, it's only a marginal



decimal kind of a thing, which would have gone up 0.93, would have become 0.87 or something like that, but not beyond that. So we've not done it. But I guess we will. Since you mentioned it, I think it's a good point. We'll evaluate whether there is within that also any change or shift in the segment-wise analysis.

**Rajiv Mehta:**

Sir, just two follow-ups. One is, why the approvals are also down like disbursements by 20% Q-on-Q? So did we also went slow in sourcing of loans in this quarter? I mean, disbursement got stuck because of slow registrations, but why the sourcing or the approvals were also low in the quarter?

**Suresh Iyer:**

See, actually, in the month of October, when this issue of e-khata was new, we had about INR160 crores of cases, which were sanctioned, okay? And subsequent to that, the sanction also, we have a validity of 15 days. If the customer doesn't convert -- accept the sanction or doesn't further progress on that, we also temporarily hold the sanction or cancel the sanctions. So basically, we've had that kind of problem also. This is practically only one month equivalent of sanctions, which is thereabout. So INR150-odd crores that is there is only less than a month old sanctions, which we are still holding as valid sanctions.

**Rajiv Mehta:**

Just a last question on the consistent increase in portfolio yield, right? So even in this quarter, we had portfolio yield improving by 2 basis points at the overall portfolio level. So one, you explained is because of the changing product mix and the customer profile mix moving towards SENP. But there also seems to be some back book repricing happening. So is there a portion of the existing loans, which is being repriced upwards, I mean, or something, which is supporting the yields improving for us?

**Suresh Iyer:**

Yes. So there are major reason, of course, as I mentioned, is because of a portfolio of SENP, where we are charging 0.5 percentage point higher rate of interest. And that has also increased, as I mentioned, from 28% to 30%. Second is LAP book where, again, we are charging 0.5% higher than the linked to the particular segment. So effectively, that has also increased from 5% to 6%. This is the major increase. But the second thing is, yes, as an annual practice, we have a reappraisal of our customer profiling. And so if that happens and the customer profile slightly deteriorates, it could be a slight increase in the rate of interest.

Second thing is we have some portion of the book where customers go for a P+C, that is plot plus construction. If within 18 months, the customer does not initiate the construction, then in that case, we convert the loan and charge 2% higher by converting into a plot loan and reclassifying it as from a housing to a non-housing category. So that is another small percentage, which would have added a little bit. And yes, in some cases, there was an initial offer price for one year or something. And after that, we have a review to give a discount in the first year, so over the card rate. So that portfolio of some very small book would also get repriced, but that is not the major reason.

**Moderator:**

The next question comes from the line of Shreepal Doshi with Equirus.

**Shreepal Doshi:**

Sir, my question was on the disbursement side again. So you highlighted that there was an issue in Karnataka, but also in Hyderabad, in the Telangana state, what is the problem there?

**Suresh Iyer:**

See, in Telangana, we have already said that ever since the new government came out in February '24, that is the new Congress government, they have reviewed some of the approvals given by the previous TRS government. They have also set up a department called Hydra, okay? Now this Hydra, basically, what the claim is that there have been many approvals given by the previous government on land, which was either government-owned land or on water bodies.

So some of the cases, the government also went ahead and started doing demolition of such properties, wherein customers originally had a valid approved plan given by the previous municipal corporation of the previous government during the previous government regime. So this actually has affected the sentiment. A lot of project launches or things have happened.

We have also had customers who have canceled their loans and said that we are not going ahead with the transactions and things like that because the sentiment overall is getting affected. This has also affected particularly the real estate and this thing has affected the cash flow also in the state, particularly in Hyderabad and all. Of course, a month or two months back or something, the government did say that they would now not at least demolish the properties, but they would forward such cases to a new department of environment and things like that. But at least the sentiment has still not improved.

And we're having problems with new cases coming in over there, so we've had a negative growth in Telangana. In fact, Telangana is almost 33% down in terms of disbursement. And it has been there for the entire year now starting from the Q1 itself because this thing started somewhere in the early part of the financial year.

**Shreepal Doshi:**

Got it. And this is to contribute like what percent of our disbursement?

**Suresh Iyer:**

See, actually, Karnataka contributes about 34% and Telangana about 15%. So approximately between the two of them, it's about 50% of the business used to be from these two states.

**Shreepal Doshi:**

Got it, sir and sir, just a bit on the growth side and to the previous participant's question also on approval. So have we tightened our underwriting given the issues in the other retail products for the customers? So in terms of maybe earlier, there were deviations on FOIR or on LTV. So have we tried to look at that aspect apart from the Karnataka and Telangana issue that we are highlighting? But are we seeing this at a sector level or at our company level?

**Suresh Iyer:**

No, no. The Karnataka and Telangana issues are at the entire sector level only because I am sure other lenders also would be facing this problem. And I'm very sure they are facing this problem, at least whoever I've interacted with in the HFC forum or in other colleagues in the industry, they also share the same view about both the states of Karnataka and Telangana.

Other than that, in terms of credit norms, we have not tightened any new norms or any tightening we have not done. It's just the same as I indicated. In fact, on the contrary, we have opened up our LAP product, which was earlier being done only for existing customers. It was not there for new customers.

Therefore, if you would see that earlier we used to report our average ticket size for LAP as around INR8 lakhs, but this quarter, you would see that it has increased to INR13 lakhs. That is

because we have also started targeting new customers in the LAP product as well. So basically, we have not tightened any norms. We have, in fact, only opened up our LAP and we have also increased our focus on SENP. So there is no adverse or tightening of the norms.

**Shreepal Doshi:**

Got it. Got it and sir, just one last part was on the SMA-0 front. So if you look at like even without this impact of you highlighted the charges for the bouncing of the EMI. So apart from that if you look at the trend has been increasing only in the last 4 quarters. So do you see that this trend will go down or move downwards in the 4Q?

**Suresh Iyer:**

Well, of course, it should go down. But let me also say that SMA-0, we will definitely come down because this one issue also last quarter, we had indicated that this new RBI thing about not keeping an advance EMI is also hurting us. And otherwise, we used to keep and account it at the end of the month and advance is 1 EMI, we used to carry us an advance. So that was also helping us as a buffer for us, which is now not there.

But SMA-0, definitely, we will arrest and get it done. In terms of NPA, in fact, I can definitely say that in Q4, we will see some better numbers and it will come down to 0.8 or anything. But actually, if you look at the trend, 2021 onwards, in fact, it has been hovering between 0.91 and 0.8 or something. So roughly, that is the range in which our NPAs have been going.

Barring the 2 years when the COVID restructuring was there and all the SMA-2 accounts and SMA, many of the customers were eligible for COVID restructuring and, therefore, those accounts were classified as regular. But barring those 2 years, if you look at it from that point onwards, it has always been hovering around in the range of between 0.8% to 0.91% only in terms of NPA.

So that is what it is. I don't expect that it would go down and deteriorate any further. We will put pressure, sometimes the pressure works and it comes down, particularly in Q4 and all, it does come down. But the real picture is that it is hovering around 0.9%. I think that will be a more realistic way to look at it. We will definitely bring it down in Q4 and the year-end numbers would be closer to 0.8% in terms of NPA. But again, Q1, the same customers would be facing a problem because it is a proven fact now.

**Moderator:**

Thank you. The next question is from the line of Shweta from Elara. Please go ahead.

**Shweta:**

I have 2 questions. So the first being, admittedly, while e-khata registrations have not picked up that strongly, so for how many quarters do you see the Karnataka challenge spilling over? Second, so while incrementally our DSA sourcing has been coming down, which stands around 72%, 73% odd today and given the fact that our focus is also tilting towards LAP and SENP, so what is the kind of internal sourcing or change in customer sourcing, if you could highlight there? And lastly, I'm sorry, I'm harping on the same question. So while SMA-0 has been sticky for past 2 to 3 quarters, and you're guiding 0.8% kind of GNPA for FY '24, so is this stickiness now already behind?

**Suresh Iyer:**

Sure. Yes, thanks, Shweta. See, this e-khata issue, I would, I mean, say, as I had indicated earlier, has slightly opened up because from the last 20-odd days, the previous report was 45,000. Now it is 125,000. So, the government also in between had announced, the Karnataka Government,

that they are looking at deploying another 300 staff and providing the necessary infrastructure so that they can speed up the release of the e-khatas, issuance of e-khatas.

So definitely, going forward, the state government is also keen to get this problem resolved and obviously, it is also affecting the revenue for the state because registration and document, this stamp duty and all is a major source also for the government. So definitely, this will -- should not take very long. As I said, I mean, if it happens quickly for us, I mean, in Q4 also will look a little better. So that is the point.

I don't expect it to go on for very long. It is more of an operational issue, which should get resolved as things go forward. Second, as regards to internal sourcing, I would like to just highlight 2 points here. See, one is, the branches that we opened last year. We had about 14 branches, which again have got opened in the Q3 and Q4.

Today, if I look at 1-year closure, almost 1 year is over on an average for these branches. So they already reached a level where they are delivering about approximately INR75 lakhs per month per branch, these new branches. So they are very much in line for reaching the breakeven point in 1.5, 2 years period that we normally mention. So that is one area, which is helping us.

Second thing, as regards to the marketing staff, we have a sales team, which is a very small team now. But now almost 3% to 3.25% of the incremental business is already coming from this channel. So that is also one positive step that is happening. Right now, we only have about 34 people, and they are able to deliver about industry level productivity, and they have also been able to contribute or like in Q3, if you speak, they have about 3% to 3.25% business has come from this channel of 34 people.

So that is as regards to the internal sourcing. As regard to SMA and this, as I mentioned, while I said that Q4, we will put pressure and the customers will pay, and we will definitely try to work out something, so the GNPA would come down to 0.8%. But yes, traditionally, if you see from '21 onwards, it has been hovering in that range.

So even if a customer pays in Q4, I would probably say that the stress in the customers' cash flow is definitely there. So it might still again show up in the Q1 or Q2 or something. So this set of customers is roughly moving up and down. So approximately 0.9% is the actual GNPA. In a particular quarter, they could always be coming down with more pressure and all. As regards to SMA-0 that you mentioned, yes, we have identified that this is a major issue and since it's a recent development of this 1-month EMI advance being ruled out, so we are now looking at an alternate way how we can convince the customer.

We have increased the number of SMS that we send to the customer and all those kind of steps we are taking, whereby we should be able to bring that down. In fact, that earlier used to be somewhere in the range of about 1,800, 1,900 is the range in which SMA-0 used to be there. This last couple of months or quarters where we have slightly seen that uptick increase because of these charges, which also we will educate the customer. We will increase our follow-ups and bring it down.

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

**Abhijit Tibrewal:** Sir, just 1 question. If I look at the provisioning cover for our Stage 3 loans or NPA loans, last 4 quarters, they've been coming down from almost 48.6% to 45% now. While if I look at our standard loans cover, which is our Stage 1 and Stage 2 loans, last 4 quarters, they've been inching up from 0.45% to almost 0.56% now. So how to read this? And why is it happening?

**Suresh Iyer:** See, in terms of our NPA, okay, we are also now focusing on some of the old stickier loans. In fact, more than 48 months. We have kind of bucketed based on aging and the general tendency is always to focus on the incremental NPAs and then bring them down because this is a low-hanging fruit, okay? However, when it comes to the ECL calculation, that is the LGD, PD and LGD, of course, PD is of course there.

They are the default is already there. But LGD numbers will improve if we start looking at the older loans and start recovering from the older loans, which is something, which we are looking at doing. And in fact, that is one new that is something, which we are now very keenly monitoring that 48-plus month loans also I mean, bucket-wise, even 24 to 36, 36 to quarter, year-wise, 12, 12-month buckets, we have worked out. And we are also looking at older loans and trying to find out solutions from the older stickier loans. That's why it is in terms of the provisioning for this thing, we are able to slightly have seen some improvement.

The second part as regards the provisioning increasing for our Stage 1, Stage 2, obviously, it is because of the sudden increase in the flow from regular to SMA 0 or the flow from SMA 0 to SMA 1 that is what is also going to impact the calculation. So while the recovery is also happening, the flow is also equally there. That is where the numbers of ECL calculation will reflect those numbers.

So if only INR10 crores are recovered, and only INR10 crores flow then the numbers will be the percentage of flow will be less. Whereas if INR20 crores flow then even if you have recovered the INR20 crores, but because the flow as a number is higher, in terms of a calculation it will show a higher flow which will result in a higher provisioning. So in fact, that is also the number.

And obviously in Q4, as soon as the SMA 0 flow reduces, the maximum hit we have had is because of the SMA 0 flow and mainly because of the charges. The moment we are able to address that and bring it down, this will definitely come down.

**Abhijit Tibrewal:** Got it, sir. And just one follow-up on that and then the next question. So sir going forward, what is that provision cover that we have on mind on Stage 3, a more stable and normalized kind of a number? And the other thing is, I mean, earlier in the call you suggested that things are improving in Karnataka and the resolution should not take very long given that it's more of an operational issue.

Things get better during the course of this quarter. And let's say by March, April, when we get there, if things have been addressed then next year what is the run rate that we have in mind in terms of disbursements?

**Suresh Iyer:**

Yes, sure. See, in terms of our PCR for our NPA Stage 3, it has roughly been about 46% to 49% is where we have roughly been doing. As I said, it depends a little bit on how much stickier loans we are able to recover from and things like that. So that would be the case, but while on the ECL front, we will be providing whatever it is, given an opportunity if there is a slightly good year or something, or a good quarter, we will definitely like to increase by way of a management overlay.

Because in the ECL, we will have to provide whatever comes out as per the calculation, which is a very scientifically devised calculation of 5 year performance of the accounts and everything. So in terms of this, if it is possible and if it's a good year we will definitely like to increase or marginally keep some for rainy day in terms of the management overlay.

So that is the thinking that is there. In terms of E-Khata, yes, I said it's an operational issue. And yes we would like to and the government also is working. So it's only fingers crossed how soon it can be sorted out so that it will get converted into business. But going forward next year at least we don't expect that this will go on for too long. So as I said, with our North, with our Rajasthan, Gujarat, our Tamil Nadu and everybody doing well.

Next year, definitely, we continue to have the same target of INR12,000 crores disbursement. So that should be around 15% AUM growth that we will be looking for in FY '26.

**Abhijit Tibrewal:**

Got it sir. This is useful. Thank you and wish you and your team the very best.

**Moderator:**

Thank you. The next question is from Pavan Kumar from RatnaTraya Capital. Please go ahead.

**Pavan Kumar:**

Thanks for the opportunity. I just wanted to again, SMA 0, there has been a two consecutive quarter increase of INR500 crores, so almost like what I'm trying to understand is if it is like an issue which is passing by in that sense, it seems to have persisted for two quarters. And secondly, on credit cost guidance, if I understood right we are saying around 0.15 bps sorry, 15 bps. That would almost mean no provisions for the last quarter.

So how should we understand it and on a sustainable basis for the next year, what should be the kind of provision on it?

**Suresh Iyer:**

Sorry, I couldn't get your second question, please. I'm sorry.

**Pavan Kumar:**

If we are saying 15 bps guidance of credit cost for this year, that would mean almost like no provisions for the last quarter. So I was just trying to get some clarity on it. And also I wanted to understand next year, basically, what is the sustainable credit cost and also the cost-to-income kind of guidance?

**Suresh Iyer:**

Sure. See, in SMA 0, yes, last quarter we've had a INR500 approximate crores increase in the SMA 0. Prior to that, I think roughly it has been around 18, that percentage has remained the same. I'll work out for the quarter before that also, but earlier also we've had the same kind of a range. So I don't think that is ... I'll come back to you on that.

As regards the credit cost, yes, you are right. In Q4 normally it is the case where the recovery in NPA also happens plus this SMA 0 also should be coming down in which case we should be able to kind of contain our credit cost to the level of 15 bps approximately. That is correct. Going forward, since we have the similar kind of ratio of GNPA between hovering between 0.8% and 0.9% and the other provisioning also.

So I think we would continue to have the guidance of 15 bps approximately in terms of credit cost in the next year also. As for OPEX, yes, we will have an increase. We expect an increase in the next year because we have this implementation of this IT transformation project, which is approximately between INR250 crores to INR300 crores. So that is expected to be implemented in Q3.

So during the year of FY '26, there will be an increase in the OPEX and CAPEX for IT. And so approximately 18%, 18.5% is the cost-to-income ratio that we can target for FY '26.

**Pavan Kumar:** Okay. And just a clarification. So 15 bps are you saying would be the credit cost for Q4 or 15 bps is the credit cost for FY '25 as a whole? What is the guidance exactly?

**Suresh Iyer:** For the full year, we are talking about 15 bps.

**Pavan Kumar:** Okay. So that would imply almost like very minimal kind of provision?

**Suresh Iyer:** Minimal, very minimal, that is correct. Very minimal or nil to almost minimal kind of additional provisioning that will be required in Q4.

**Pavan Kumar:** Okay. Thanks Suresh. Best of luck.

**Moderator:** Thank you. The next question comes from Kunal Shah from Citigroup. Please go ahead.

**Kunal Shah:** Thanks for taking the question. So generally when there is this entire technology transformation particularly on LMS, LOS. We have seen for the other players a disruption in the business as well be it in terms of disbursements. So would it be fair to assume that we would also see some similar kind of disbursements and if you can quantify as to how long could that impact be in the next fiscal?

**Suresh Iyer:** You are right. On the one side, there has been generally a disruption in the business whenever there's an implementation. But obviously, we wouldn't – we don't want to project some - we are, in fact, trying our level best to see that there is no disruption. Although I am 100% sure there will be some impact because any of the transformation, the current system that we are using is almost 12 years, the team has been using it.

So any new system UI will change, the flow will change. There will be some amount of business process reengineering that will also be there. Some policies also will have to be reviewed. So keeping all that in mind, yes, 100%, there will be some impact. How much of impact, I will not be able to say, but our efforts will obviously be to absolutely minimize the impact.

And I think closer to the date of the implementation is when we will be able to exactly say because that will give us a clearer picture. We are just embarking on the discussion as to the



flow, the customization of the product, what is the level of policy changes and this thing. So once that is there, a little more clarity will come.

So I guess somewhere in the end of Q2 or somewhere in Q2 of next financial year is when we will have a better clearer picture on this aspect actually. But that's a very correct point, Kunal. I mean that there will be some disruption. We'll have to see how we manage it and how we can minimize it.

**Kunal Shah:**

Sure. Because that will also be skewed towards the busy season of second half, yes. So that was the general concern. Okay. And overall, in terms of cost you indicated that, yes, in terms of the cost to income, but if you can quantify in terms of how much could be the impact on OPEX in particular?

**Suresh Iyer:**

Sure. See currently in IT we are spending INR15 crores in a quarter -- sorry, INR15 crores in a month. I'm sorry INR15 crores -- INR1 crores per month INR15 crores approximately with additional things in a year. I'm sorry INR15 crores a year. And the revised cost is coming to approximately INR30 crores to INR35 crores is what is the opex that will come in the year because we have approximately INR30 crores, INR35 crores is the breakup. INR60 crores to INR75 crores is the capex and the balance of the cost is spread over 7 years. It's a 7 year RFP spread over 7 years.

So it will be around between INR30 crores to INR35 crores. So approximately INR15 crores to INR20 crores is the additional expense per year, which will accrue -- which will come because of the new project implementations.

**Kunal Shah:**

And employee side also, should we see any increase out there, in terms of like employees towards the technology and there also the cost can go up? Or this includes everything?

**Suresh Iyer:**

No. Actually, the employee cost will not be as much because we, as part of the RFP, have already stipulated that the [SI 50:47] will have to bring in about 50 staff, including the staff from the OEMs and that cost has been factored into the RFP cost itself. And we have also stipulated that post implementation, there has to be a handholding process wherein it will be maintained at that level. Thereafter, it will reduce to 30 people.

So the cost in terms of that is already factored into the RFP cost. However, yes, we will have to do some kind of strengthening of the team, but that will be about what we have identified. It is not a very, very large number. We already have a team of about 18 people in our IT. We already have identified a separate team of about 15 people from the business side also for project implementation.

So that is already inbuilt, currently factored into our existing staff cost also. We may have to add about 10-odd people, which will not be a big burden in terms of cost. That is as regard to this, yes.

**Kunal Shah:**

Sure and one clarification. You indicated in the opening remarks in terms of what was the impact of disbursements because of both Karnataka as well as Hyderabad?



- Suresh Iyer:** It's approximately INR432 crores to be exact is the total cost impact, which is because of these 2 states. And roughly, Karnataka would be around INR350 crores to INR400 crores, we would have lost because of this. We were approximately doing close to -- sorry?
- Kunal Shah:** This is in terms of disbursements?
- Suresh Iyer:** In terms of disbursement during the quarter. We were doing approximately INR275 crores to INR300 crores per month in Karnataka. That has come down to somewhere in the range of INR150 crores.
- Kunal Shah:** Okay. But still when we look at it, even if I add on to this in terms of INR430 odd crores, then also it would have been maybe lower than that of Q2, okay? So that's where the entire thing was maybe yes, if I -- so last time, it was like INR2,400 crores to INR2,380 crores. Even if I add on to this INR432-odd crores, then also it would have been near and there wouldn't have been any growth. So is it like maybe in the other -- some other geographies also, there is some slowdown out there?
- Suresh Iyer:** No, not really. In fact, as I said, there are a little ups and downs. But by and large, in fact, if you look at what they have been doing compared to Q3 of last year, Q4 of last year, there's definitely an increase. And the Diwali, there is quite a bit of holidays during the time, so that is a kind of a normal thing, which happens where if there are too many holidays, a little bit is affected.
- But we don't see much because of the other states. But these 2 states alone put together has been about INR432 crores, so it would have been around INR2,300-odd crores something of that sort.
- Kunal Shah:** Got it. Perfect. Yes. Thanks and all the best.
- Moderator:** Thank you. The next question is from the line of Anusha Raheja from Dalal & Broacha. Please go ahead.
- Anusha Raheja:** One question is on the AUM side. Sir, how are you looking at the demand environment currently? Is there any slowdown in the overall demand?
- Suresh Iyer:** Well, Anusha, not really. As I said, Karnataka is obviously, we are not able to estimate. It's definitely gone down. Other states, it's been quite fairly okay. Although in terms of affordable smaller ticket size, we have obviously not seeing much of a demand. Our ticket sizes have been roughly marginally improving or marginally been there only.
- You would see in our presentation also that our 20 lakhs to 30 lakhs and 30 lakhs plus ticket sizes is where the disbursement growth has also increased. Whereas in the 0 to 10 lakhs and 10 lakhs to 20 lakhs segment, it has actually come down. So there, we are seeing some lower this thing. But otherwise, it is okay. In, mostly, the majority of the segment where we are operating, we don't see much of a problem.
- Anusha Raheja:** Okay. And given the fact that nearly one-third contribution of the AUM comes from Telangana, and we are seeing some demand being impacted, so what is the best estimate in terms of AUM growth for FY '26?

**Suresh Iyer:**

No. Actually, I'll just clarify. Our Karnataka is about INR10,500 crores out of our entire INR37,000 crores and Telangana is about INR7,000 crores. So that would come to around 20% or a little less than 20% in terms of Telangana, the composition. But yes, Telangana is already impacted for the entire year.

So I think from here, even if there is a growth, there will be a growth only. We already have the worst, I can kind of say is over, you can say, because we've already completely for the entire year, been impacted in Telangana. So from here, that should not hurt us in the next financial year.

**Anusha Raheja:**

Okay. So can we expect the run rate of around 13% to 14% in FY '26?

**Suresh Iyer:**

In terms of AUM growth, yes, because as I said, we are targeting INR12,000 crores for the years. So look, considering our current rundown of about INR1,300 crores to INR1,400 crores per quarter, roughly, that will add to about INR5,200 crores to INR5,500 crores rundown, which -- so it should add about INR6,000 crores to the book, which will be approximately, yes, 15% or a little better, in fact. INR38,000-odd crores will be where we expect to end it this year.

**Anusha Raheja:**

Okay. And secondly, on the Opex side, if I heard it correctly, you said that INR250 crores to INR300 crores will be spent over the next 7 years time? And per annum, I think the cost will be closer to around INR35-odd crores. Is that correct?

**Suresh Iyer:**

Yes. In terms of Opex, INR35 crores so around INR60 crores to INR75 crores is the capex. So the remaining is around INR220 crores to INR230 crores, which is spread over 7 years in terms of the Opex, which will be, therefore about INR30 crores to INR35 crores per year. And that would be the cost once it is implemented and the handholding 3 months is over from the old system, so the old system will be sunset. So that cost of about INR15 crores that is there in the current year will almost stop.

**Anusha Raheja:**

Okay. And sir, lastly, if you can just elaborate more on your bank borrowings. Is it coming to you at a higher price? Or is it tough to negotiate with them? Because if we look at the macro numbers, overall banks' lending to NBFCs and HFCs has come down drastically in this Q3. So how you are placed in this scenario?

**Suresh Iyer:**

See, actually, for the banks, there was this RBI restriction or RBI guidance on the unsecured book. So basically, a lot of other lenders who have more exposure in unsecured, the banks actually have reduced their limits or their fresh sanctions to those entities because of which the overall bank exposure has slightly come down.

But on the contrary, because the limits to other institutions have kind of come down, it has opened up for us the avenues, because they have a sector-wise allocation. So, if NBFCs plus HFCs, they have an allocation and a couple of other players exit -- they exit from that particular segment, then our allocation goes up.

So actually, that is what has helped us in negotiating with them in the quarter for MCLR linked to repo rate also. And we are also getting fresh loans. Currently, I don't think there is a scope to

further bring down the cost because we are already enjoying a very, very low borrowing cost. Compared to the banks, today, we are getting a 7-year loan around 7.95%, 8%, 8.10%.

So I guess in terms of the rates, this would be probably the very, very attractive rates even among housing finance companies. So fresh further reduction is obviously not possible. But during the quarter, as I said, we have been able to maintain the older loans. In some of the cases, we have also been able to bring down where we have negotiated from MCLR to repo.

**Moderator:** The next question comes from the line of Siraj Khan, who is an Investor. Please go ahead.

**Siraj Khan:** The question was with regards to the NHB refinancing. The amount that we have drawn down of INR1,600-odd crores, that is from the refinancing window or the affordable housing window? I just want to understand what is that coming from?

**Suresh Iyer:** Yes. See, actually, NHB has this thing that earlier it used to give a 1:1 sanction, where if you are drawing INR100 crores from AHF, that is the Affordable Housing Fund, then an equivalent INR100 crores, you have to draw from the regular refinance window. So right now what we have drawn because the allocation with the NHB is less, so what they have done is they have given a ratio of 1:3. So if you are drawing INR100 crores from the AHF window, then you have to draw INR300 crores under the regular refinance window.

So, this time, INR1,600 crores we have drawn, we have got INR400 crores under the AHF window and INR1,200 crores under the regular refinance window. And the blended cost comes to around 7.6%, which is lower than the banks, because as I said, it is 7.95% to 8.10% is what we are raising from the banks. So, the blended cost of this INR1,600 crores is around 7.6% or thereabouts, which is about 30, 35 bps lower than the bank borrowing cost.

**Siraj Khan:** Understood. And just to follow up on this, do you see this ratio being changed and brought back to the 1:1 because the push for the affordable segment has to be there. The PMAY scheme also will come back client be on first of Q4. So do you think this will improve and, therefore, the cost of borrowings might improve?

**Suresh Iyer:** See, actually, last year, we had a higher ratio of 1:5, and that is why we had not drawn last year, we had a INR1,500 crores sanction from NHB that is in the last -- I'm talking about last financial year. We did not draw any fund from NHB because in a 1:5 ratio, the cost was coming to be a little higher than the blended cost was coming to be a little higher than the bank borrowing cost. It has already been reduced to 1:3 and which has helped us in this time bringing the blended cost was lower, so we have drawn the refinance.

Going forward, in fact, if the government allocates higher fund under the AHF window, then probably the NHB might look at it. But I guess it is a little unlikely because they would rather give now that the PMAY and the Interest Subsidy scheme has been announced, so the funding will obviously go to the direct beneficiaries rather than through this.

So I guess the government allocation of funding is more likely to be under the PMAY in the Interest Subsidy scheme rather than the AHF. This is my gut feeling, but the only way it can come down is if the government allocates more under the AHF.

- Siraj Khan:** Understood. And just finally, on the AUM mix, as you have earlier alluded that you are opening up your LAP and SEMP vertical. So currently, the SEMP is standing at 29% for Q3 FY'25 and it can be seen I mean professionally set at a much smaller rate. So where do you see -- do you have a target that we will take it up to this much percentage by next year? Or how do you want to take that ahead?
- Suresh Iyer:** See, for our Vision '28, whatever we have drawn up the strategy for up to '28, there the Board has given us a flexibility to maximum go up to 35% under SEMP plus professionals. So salaried will be not lower than 65%. So we have now a little window of another 5%, which we will be using in the next 3 years from now. So I guess this probably in the next year, we could probably look at further bringing it down to around 68%, 32%.
- Siraj Khan:** Understood. And just a final one. I wanted to know with respect to the disbursement target, did you mention that in the previous question for FY'26?
- Suresh Iyer:** See, yes, for disbursement, I mentioned that we will be at target. We will continue to hold our guidance for a target of INR12,000 crores for next financial year FY'26.
- Moderator:** Our last question comes from the line of Jigar Jani from B&K Securities.
- Jigar Jani:** Just a simple one. The IT Capex cost you will be taking completely in FY'26 or this will be apportioned over FY'26 and FY'27? And the INR35 crores that you're talking about every year will start from FY'27 once the Capex is completed. Is that understanding correct?
- Apurav Agarwal:** Hi Jigar, so the Capex would be amortized over the life, which is expected to be 6 to 7 years and the annual operational cost would be roughly around INR30 crores, INR35 crores, which we have already indicated. So accordingly, the cost-to-income ratio, we can target to close the next year by close to 18% to 19%.
- Jigar Jani:** Okay. Understood. And this disbursement target doesn't include any benefit from PMAY, right? You have not included anything from that?
- Suresh Iyer:** Not much. We have not factored much of the PMAY into this because it is just beginning. We don't know how much is the flow. September onwards, it has started, but we have not started receiving inquiries. In fact, we are still struggling with the common portal, which -- under the PMAY. So I think we've not factored that particularly into this target.
- Moderator:** Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments.
- Suresh Iyer:** Yes. Thank you, Nidhesh, and thank you to everyone for joining this call. Apologies that we had to cut short for the shortage of paucity of time. But we are open to any queries that you may have. And so once again, many thanks for joining this call. Thank you.
- Moderator:** Thank you, sir. On behalf of Investec Capital Services India Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.