



“CanFin Homes Limited
Q4 FY2021 Earnings Conference Call

May 03, 2021



ANALYST: **MR. UTSAV GOGIRWAR - INVESTEC CAPITAL SERVICES LIMITED**

MANAGEMENT: **MR. GIRISH KOUSGI – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER - CANFIN HOMES LIMITED**
MS. M. SHAMILA – BUSINESS HEAD - CANFIN HOMES LIMITED
MR. PRASHANTH JOISHY – CHIEF FINANCIAL OFFICER - CANFIN HOMES LIMITED

Moderator: Good day, ladies, and gentlemen, and welcome to CanFin Homes Limited Q4 FY2021 Earnings Conference Call hosted by Investec Capital Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Utsav Gogirwar from Investec Capital India. Thank you and over to you, Sir!

Utsav Gogirwar: Thank you Ayesha. Good morning, everyone. Welcome to the Q4 FY2021 and Full Year FY2021 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. Girish Kousgi - MD & CEO - CanFin Homes, Ms. Shamila, Business Head, and Mr. Prashanth Joishy, CFO of CanFin Homes Limited. I would now like to hand over the call to Mr. Girish Kousgi for his opening comments. Over to you, Sir.

Girish Kousgi: Good morning. Good morning to all the investors. Thanks for this call. At the outset, we feel extremely happy for the way we have done in Q4 and also for the whole year. It was a challenging year after COVID wave 1 literally two quarters we could not do any business. We started business as I mentioned earlier also in the last week of May and Q1 will be close to about 400 Crores. Q2, we did little more than double of Q1, 825 Crores and Q3 we did 1105 Crores. Q4 we crossed 2000 Crores.

Now the 2000 Crores is all time high in the history of CanFin and all-time numbers we did in February and March was far better than February. So, February and March was our two high months in the history of CanFin. Why I am saying this is that I think there were lot of confirms in Q2, Q3 conference calls on the growth, and I always mentioned that when we have an event like COVID, it is very important that we focus more on portfolio that is asset quality, liquidity and cost, because business would come in with only addition point when we press the accelerator that is typically going to come in and I always mentioned that from Q3 onwards, we will show growth and accordingly, Q3 we did well, Q4 was far, far, far better than Q3.

Q4 if you see on a YOY we grew by 44%, sequentially we grew by over 80%. If you look at the whole year, we were down by 20% and that is because we thought if we could (inaudible) 3.13 and even first quarter was suboptimal considering the COVID impact. On asset quality, last quarter was 0.99% including pro-forma. 0.68 was NPA and pro-forma was the balance, so we were at 0.99%, Q4 we were at 0.91% reduced by 8 BPS. So, we feel



CanFin Homes Limited
May 03, 2021

that the growth is only a question of the point so we have to decide when we have to accelerate on growth and that is the reason we had to time it appropriately last year. Now if you look at the book, we were degrowing. Now Q1, Q2, Q3 if you look at the book growth, it was not there at all, and it was negative in some quarters that is because of highly beatings because the portfolio was at a high yield and therefore all the banks and large HFCs they were quite aggressive on BT in and for it was BT out and therefore we lost the book.

We knew this is going to happen and therefore we changed the strategy with respect to pricing on two counts, one is to retain our book, a) and b) to also try and grow our disbursements so that will be able to grow our book. Now even this was a big change what we did last year and I always mentioned that because if we look at the corporate lending amongst all the banks, it has still not taken off, I think mentioning this in the last three, four quarters and therefore there will be no focus on banks especially into consumer loans and consumer secured within secured homes and within home as a segment BT because that is the easiest way of growing book and therefore we need to change the present strategy and therefore we changed it not only for incremental business, but also for the book and therefore, you will see some contraction in margins.

If you remember I have always kept on saying that for a profile like CanFin which is largely into affordable, focusing more on salaries, more corporate exposure, more focus on high ticket loans, more developer exposure for a company of this size, minimum of 3% and spread of 2.4% is what we see in the long run and therefore when we want to grow definitely it is a tradeoff between profitability and growth, we will definitely do a fine balance between these two protecting margins and profitability as indicated in the earlier conference calls that the NIM and spread would come down from the current levels and accordingly if you see NIM and spreads for this quarter definitely it has come down compared to last quarter. So, this will happen over a period of time and we will offset this with growth in volumes.

Now definitely there will be a question in terms of I have already told that we will maintain at 3% and 2.4% so, definitely will protect that. We will not go below that. We will try to balance both the business centres. Now, there might be certain questions which may come up for maybe after some time with respect to our revenue, so definitely when we are aggressive on pricing and when incremental book is being sourced at a much lower yield and some part of the portfolio is getting reprised because we want to retain our customers

definitely there will be impact on revenue because this is on the portfolio not just incremental.

We did very well in for Q4 but no more so in February and March. So, income would not be that high because we did only for February and March, hardly one and two months for Q4 and therefore you will see that our revenue was quite low if I have to compare on a yearly basis. So whole of last year and the previous year but however, if you look at the margin both gross and net profit we have improved.

I think most important is that we had set aside Rs.76 Crores towards COVID. Now out of Rs.750 Crores we are holding 70 Crores. We had plan of writing, some of the provisioning back which would have got added to profit, we did not do that considering the second wave so we have just kept that 70 Crores of provisioning which is subset of Rs.76 Crores what we had done in last year towards COVID. This apart, we had provisioned Rs.13 Crores which was partly for restructured provisioning and also partly for the interest write back, right? So it was conscious call that we will not write back though we had no option of writing it back in the month of March, even if we had written it back let us say some amount Rs.70 Crores which would be added to profit directly.

In terms of market, market is pretty robust now because of second wave because of lockdown in various states announced by various state governments, definitely in the last week or so, there will be some impact both on business and also on collections in most of the areas where we operate and this is true for any companies in financial states. So this is a quick brief on last quarter and the whole year. I will be happy to take any questions that you may have.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nitin Jain from Emkay Capital. Please go ahead.

Nitin Jain: Sir just two questions on the cost to income ratio so have we restated number for Q3 because the earlier presentation says 13% and now for December itself 16% and the second question of the similar topic, is we see a significant jump in the cost to income ratio quarter-on-quarter so where do we see the stabilizing? Thank you.

Girish Kousgi: The figure of 13% what we have shown in the presentation lease for the nine months ending because last Investor concall it was specifically solicited that it is better if will be quarter-on-quarter basis separately. So if we give only for the Q3 it is 60, it is nine months, it is 30

and also with respect to cost front if you see for the whole year it is about 15.5% so it will be in that range early.

Nitin Jain: On the follow-up question the jump quarter-on-quarter when we do see stabilizing?

Girish Kousgi: If we look at Q4, there was slightly increase in cost because of certain three or four items. One is the salary revision was due and therefore, we had to provide for that and also because the whole of last year, we had close to about 600 months being impacted by COVID and therefore CSF spend got the skewed towards Q3 and Q4 and also, there was some spend on the digitalization and because of this, you will see, there was a slight increase in the opex and therefore impacting the cost. But if you look at the whole year, it is about 15.5% and it will be on those lines in the future as well.

Nitin Jain: Congratulations on a good side of number. Thank you.

Moderator: Thank you. The next question is from the line of Gurpreet Arora from Aviva Life India. Please go ahead.

Gurpreet Arora: Thank you for the opportunity. Sir if you can highlight what will be sourcing mix for the quarter and for the full year?

Girish Kousgi: Sourcing mix for the quarter if we look at sourcing mix over the last few quarters and this up quarter, it is highly skewed towards bank borrowing but only because this is what really drives us the source is cost. So it so happened in this last few quarters we were able to raise from banks at a much better rate and therefore bank in the range of about 51% and then we also saw that the funding from NHB was coming at a lower cost and therefore NHB gives about 21%, market is considering.

Gurpreet Arora: I am sorry Sir by sourcing mix I meant in terms of disbursements what will be the sourcing mix?

Girish Kousgi: In terms of sourcing if you see at a portfolio level 71% was salaried and 29% was self-employed, non-professionals and if you look at after COVID especially after Q2 there was a slight change in the sourcing mix. So the salaried portion went up and if I have to take about incrementally in Q4 83% was salaried and 17% was self-employed nonprofessional that is because we do not see too many people, in the SENP segment and coming forward to avail the loan. However, we see slight increase in salaried segment is also because of the

recovery time for self-employed non-professional from COVID with respect to business loss would be slightly longer.

Gurpreet Arora: Sir in FY2020 DSAs had mobilized 58% of our total functions, if you can give a similar member for FY2021 as well?

Girish Kousgi: DSA sourcing would be in that ratio only 50-50, maybe, plus, or minus 3%-4%. There are three-four things; one is if you see the portfolio performance of DSA source and non-DSA source, there is no difference for us that is because our DSA model is different as far as DSA model would work only with respect to lead generation or just closing the file once the file is closed, we take over the entire case and we own the customer, we own the entire process right from the processing right till disbursement whereas if you typically see how it happens in the markets the DSA would source complete, the enrolment process would be part of the entire processing, sanction process then documentation, till disbursements. So, our model is different to that extent even our payout to DSAs is much lower than what the market pays and therefore we are not really too worried about DSA proportion either increasing or decreasing as long as we are able to do numbers and portfolio being intact.

Gurpreet Arora: Sir my second question is the Karnataka state governments decision to cut stamp duties one dwelling valued between Rs.35 lakhs and Rs.40 lakhs now if I look at our incremental ticket prices Rs.20 lakhs and assuming 80% to 90% on that so, this stamp duty cut would not benefit as largely, is that assessment right Sir?

Girish Kousgi: See stamp duty cut yes it is definitely benefitted I think more than that why there was increasing ticket sizes because of our aggression and also because of our pricing strategy so what happened was when we became competitive with respect to pricing though we were able to compete with some of the big banks and get into newer segment for example, focusing on business within city limits, earlier we were not. So I think that ensures that we were able to show better profile customers, slightly higher ticket loans and therefore there was increased in ticket size.

Gurpreet Arora: That is fine enough Sir. Sir my question is that the Karnataka stamp duty cut is for unit price between 35 and 45 lakhs and that is not our large target segment or if I can put it this way, if you can highlight what percentage of our portfolio can get benefited by this stamp duty cut?

Girish Kousgi: We have diversified across geographies. So our business share from Karnataka is not really substantial. It would be substantially about couple of years back but now we have many

geographies contributing so to that extent the benefit would be little less because if you look at the incremental sourcing Karnataka would be in the range of about 20% or 21% so the benefit will be that extent because we are presenting that affordable space.

Gurpreet Arora: My next question is on the opex side this pertains to opex side. I mean you maintained presence in 21 states in UP it is still 9% of our business limits in Southern India so from outside Southern India I have seen we have a large presence in Rajasthan, Maharashtra, UP and Haryana with 45-odd branches in terms of opex or in terms of strategic presence and how does these two things reconcile for us Sir?

Girish Kousgi: If you look at business south contributes approximately about 70%. If you look at number of branches south will be the range of 70%. If you look at our employees spread south will be almost on similar lines so in terms of employee productivity and contribution from each of these geographies I think there is a fair bit of balance. Since we also track the branch profitability and geographic profitability and inside productivity, so our contribution from South is more and this will continue in the future as well.

Moderator: Thank you. The next question is from the line of Manan Tijoriwala from ICICI Prudential Asset Management. Please go ahead.

Manan Tijoriwala: I have question on liabilities. So I understand around 25%, 26% in market borrowing, out of this how much will be commercial paper borrowing?

Girish Kousgi: As of March end, it is 19% is the commercial papers and balance is from NCDs. So what we do is we raise CP only as the backup so we should have undrawn limits and OD limits only against that we take CP. CP is more for arbitrage with respect to cost and not is for funding.

Manan Tijoriwala: This business causes ALM mismatch is it?

Girish Kousgi: No whatever the funds we have raised by the way of CP will be of a shorter nature. It is supported by the undrawn CC limit and OD limits. In the ALM the mismatch will not come into the picture at all.

Manan Tijoriwala: Sir one question on the yields, I think the calculated yields are coming at lower level around 8.55% to the AUM only reason for the discrepancy which you have reported yield is around 9.47%?

Girish Kousgi: It is calculated on the daily project basis on the AUM on a daily basis, it is fraction of calculation which is in order. If you take the weighted average concept on the overall basis or a quarterly basis, you are going to get this one because it is calculated on the daily project basis on the daily returns.

Moderator: Thank you. The next question is from the line of Siddhartha Bhotika from The Investment Trust of India. Please go ahead.

Siddhartha Bhotika: Sir is there any internal limit in terms of how much CPs you can carry on your book as a percentage of borrowing because if I look at NCD numbers which is currently in book the rupee issuance is about 19% of overall borrowing?

Girish Kousgi: As we told we do not have specific internal limit on the percentage wise but size wise we are an internal control. As we have explained earlier whatever CP raise is not for funding but for the cost leverage, the same is supported by the undrawn documented financial lines available with us. So if the financial line is more comfort is there, it will be going for the CPs but the overall borrowing we have cap internally accrual from the board, within that it will be there.

Siddhartha Bhotika: Is there any discomfort in using normal debentures which are like three-year, five years majority because you have issued very few of them and older ones are maturing now?

Girish Kousgi: So if you see the cost of funds for raising debentures was either quite high. Till last year we had an option of not raising but however from this year onwards we have to raise 25% of the incremental borrowing so from this year we will raise. Why we could not raise last two years is that purely because of cost so this year we have to raise so we will raise even though it will come at a slightly higher cost. Now as far as CP I want to stress CP is only raised only if you have a backup of undrawn limits so CP is used only for cost reduction purpose not for lending. We do not raise CP and lend because we have very high on liquidity, very high on liquidity. As of now we are covered for the next seven to eight months and at any given point in time now we will have 7 to 8 months of liquidity during COVID time we had one year or now we are at about 7 to 8 months so we are very high on liquidity and therefore since we have huge undrawn limits we try to reduce the cost by raising CPs.

Siddhartha Bhotika: If I can slip in one more question, what is our back book yield on advances and now the incremental advances high rates that we are lending it?

Girish Kousgi: The yield is 9.49%, spread is 2.78%, NIM is 3.69%. Incremental cost of funds is 4.5%. This is for Q4 and yield is 7.32%, 2.78% is the spread for the incremental borrowing over the incremental lending.

Siddhartha Bhotika: Thank you Sir. I will get back in the queue.

Moderator: Thank you. The next question is from the line of Rahul Maheshwari from Ambit Asset Management. Please go ahead.

Rahul Maheshwari: Good morning. First of all hope all is well at your end and your team during such time. Sir two basic questions, as you mentioned that yield strategy I think two quarters you had planned to make NIMs at 3% plus and spread at 2.4% band during this two quarters, the balance transfer is already higher looking at yields what it is as today, are you incremental yield at 7.32% where you have spread in coming quarter, what could have been balance transfer as a rate as compared to the package revenue when you started at that time, what was the balance transfer rate at that time and now are you witnessing in the April month and going forward? Are we stabilized in terms of balance transfer for the time being? This is my first question and I will ask later on second questions?

Girish Kousgi: With respect to balance transfer we saw during COVID time, it was much higher than the BT out rate. It was significantly higher. I mentioned the reason in the beginning of the conversation. So therefore we had to come out with this strategy. After this strategy, our BT out has drastically significantly come down and not only that we are also able to grow our book by doing more disbursement incrementally.

Rahul Maheshwari: It would be very helpful if you can give a range, and my question is not only on balance transfer going drastically down because that was the strategy which you talked and it is yielding but also if you can highlight that there is a chance that there is balance transfer in is also coming because the rate has now compensated to the banks though 20, 30 points lower but still?

Girish Kousgi: Just to give you a number we used to be in the range of Rs.250 Crores BT out. There was only BT out during COVID time that number for Q4 is 90 Crores. So two things have happened if you have to compare that with the business, what you have generated, if it will be approximately 90 on 2000. Earlier it used to be 250 so BT out has substantially come down. It has helped us to retain our customers and also to grow our disbursements. Three things have happened one is BT out has come down, BT in has gone up.

- Rahul Maheshwari:** How much that would be any range or percentage?
- Girish Kousgi:** So BT in if you compared to 2000 Crores may not be substantial. But if you compare to what we used to be earlier, we have tripled that amount.
- Rahul Maheshwari:** How is the April month and going forward the things are happening? Not quantitative number, but qualitative highlights or impacts would be very helpful whether looking because today is just another data had come just to give you on Mumbai there was a record once again, how the things are taking place again you are witnessing logistic challenges, kicking in because of the Karnataka and other cases of them all the things are going normal at least on housing side?
- Girish Kousgi:** April till about a week back, everything was normal. Now with lockdown being announced literally, every state in the country, so there will be impact on business and also on collection and this is true for the entire industry. April the start was very good, the first 15 days was really excellent both own business as well as collections. I think once the lockdown started definitely because the SROs will be closed because these run-on state government nowhere the SROs are opened. Obviously, mobility of people is a constraint now so definitely in April, there will be hit on business and also on collection. I think the good part is that we had significantly covered in the first 15 days of April because of pent-up demand. We will have to wait and watch how May would pan out. As I mentioned earlier, with respect to business it is only a question of time and with respect to collection the efficiencies might be lower, definitely lower and this is true for everyone. Even I have been in fact with the most of the HFCs and banks largely into housing so April definitely would have some impact. It all depends on how May would pan out but yes and it will be question of time to get back your collection efficiency in place and also business in place.
- Rahul Maheshwari:** Sir business prospecting base, as you mentioned that, the things were normal and at as good health so in last 15 days, from 100 X index it might have gone down to 90 or a 80X as an index in terms of the business?
- Girish Kousgi:** I did not get the second question. So the first 50 days was not normal. It was abnormal substantially high business we did.
- Rahul Maheshwari:** Later 20 days suppose a few days, hundreds, or business on first 15 days as an index on overall basis. The call has been 20%-30%, in later half 15 days of April?

Girish Kousgi: If I have to do April to April comparison, the fall would be as you are right it will be about 30% yet.

Rahul Maheshwari: Sir last question, as you mentioned that the strategy is very good on a growth side and it has to be competitive and all that how you look at on profitable basis because now at lower yield how the ROA of 0.2% whether it will kick in to your cost efficiency or the other parts, which is driving the source or we shall take new normal of ROA at 1.82%, as we mentioned on the NIM side of 3%, and the spread, so how it happens on the profitability side? It would be very helpful, if you can give that figures guidance is over the year?

Girish Kousgi: This strategy is not long term. This strategy was required because there was shown on the book. Now, we have reversed, not just reversed, we have disbursed highest-ever number in Q4 and also Q3 was very good. So this is a short-term strategy. This may last for another may be Q2 or Q4 exported depending on things when the strategy is required to be executed. The reason is very simple, unless and until corporate and SME sector the focus is going to be more on the segment and we do not want to lose market share. So when we say that this 3% and 2.4% also would happen for a period of time and this is not a long-term strategy so maybe after four quarters or three quarters if you feel that there is a facility to price it differently in certain markets certain profile for example, we would probably get back; however, the gap is not going to be 150 BPS, which used to be earlier between us and the best HFC or bank in the country maybe might be 0.5% or 0.75% so we would, we would very carefully spread this balance between growth and profitability. All I am saying is that since the growth is going to be substantial and we have higher liquidity we have the benefit of cost; I think we should be able to manage that. Yes, this is a transition. We have already into it for the last quarter, this may take another two- or three-quarter time, I think there you will normally at the end of the year for Q4, you will find that everything falling in place. So maybe in short-term there might be some impact on the margins and therefore profitability I think increase in volume that offset and also because of the opex coming down, to a certain extent and it is not going to reduce drastically but yes definitely to a certain extent our opex will also come down because the employee productivity and business per branch should go up.

Rahul Maheshwari: Data question how many employees if you can mention them?

Girish Kousgi: We have close to 1000 employees.

Moderator: Thank you. The next question is from the line of Ritika from Ocean Dial Asset Management Limited. Please go ahead.

CanFin Homes Limited
May 03, 2021

Ritika: Good afternoon Sir. Thank you for the opportunity. If you could kindly give some more color on the development that we have seen this quarter, in terms of maybe some states specific color or maybe in terms of while you have mentioned that BT in was tripled but if you would kindly give some more data points around there and also some color on salaried and self-employed so my question is where have you seen in this growth from is it more state specific, is this salaried, self-employed and if you can again quantify the percentage of BT in?

Girish Kousgi: It is spread over Q3 and Q4 not just in Q4. We have seen new geographies like Karnataka then Andhra, Telangana, Maharashtra, Rajasthan, and Gujarat contributing. Delhi not to that extent so, it is coming from most of the geographies where we have present because in the last state we have very less number of branches and therefore I am just going by what is my number of branches and number of employees, in the particular state. So we have got business from almost all the geographies, may be barring NCR, right? So in terms of segments we have seen salaried, increasing from about 71% about 83% that is the impact of COVID wave 1. This may continue so we would see that going forward also about 80% to 82% would come in from salaried and 18% from self employed at least for next three to four quarters, which means in a way the risk could be lower because salaried would give us such as portfolio quality. If you have to look at segments, for example, within builder, I think builder share has increased. We are funding for apartments, which used to be 25% on portfolio, I think incrementally that has increased because now we are competitive and because we are competitive lot of the new segments have opened up for us. So today we are able to probably try and fund to a customer who wants to buy from Cat A builder, which probably was not possible four quarters back. So I think these are three or four things from where now we have got this kind of growth. In terms of BT, yes BT out, has drastically come down, BT in has increased as you can see, in Q4 our incremental book growth is more than Rs.1000 Crores so these number needs to do, probably nine months or ten months earlier. Now, we have done in three months' time so there has been substantial positive impact on BT out and BT in.

Ritika: Sir on the second question on yield front, is it possible for you to help us understand that, while strategy is very clear and that obviously, bearing fruits, some more color around that this compression and yields we have seen on a quarter-on-quarter basis. How much would that be because of repricing the back book and how much you would have been because of lower increment? Is there a way we can get some color around that? What I am trying to understand is that how much after concerned incrementally, we have taken into account, by

reducing the rates for the back book, so that we are very sure that the prepayment rates which have come off now are largely where we are, we are going to be in the future?

Girish Kousgi: For example, if you see this pricing strategy is invoked last year about five months so we did start it in the month of November till March it is about five months so if you see the impact actually for the first one year or so for the impact in margin contraction will be largely from the repricing out of the portfolio than incremental business. So what will happen after one year because if you look at any companies, 80% of portfolio would be last three years sourcing so at a portfolio level, we are at about at 22% the portfolio repriced.

Ritika: 42%?

Girish Kousgi: 22%.

Ritika: I will come back.

Moderator: Thank you. The next question is from the line of Pranav Gupta from Aditya Birla Sunlife Insurance. Please go ahead.

Pranav Gupta: Good afternoon. Thanks for giving me an opportunity. I have two questions, based on the margin front, firstly you spoke about this strategy of going aggressive on pricing to get growth largely driven by the fact that banks are aggressive in this space now and whenever you see this strategy subsiding once banks also have other avenues to grow. Just wanted to understand Sir that given the current context a lot of banks have seen lot of paying in the unsecured book and they are talking of incrementally doing more of secured loans and especially housing space, same is the strategy from the bank does not come off and it may continue to be aggressive how do we look at the margins on a more longer-term basis probably two or three years. That is the first question.

Girish Kousgi: Assuming that we feel that in the next year or so I think it should get back to the situation which was pre-COVID, so if that happens then we will get back to our earlier way of doing business, maybe the gap will not be that much assuming that it may take a little longer time let us say next two or three years time for banks to really full of focus from mortgage then you will see margins being slightly more than 3%, more than 2.4% on movement spreads on CanFin on a large volume, so I think it will offset there.

Pranav Gupta: What if I understand it correctly, say this strategy does not come off from the bank, we are looking at more growth versus higher level of profitability sort of strategy in a longer term?

- Girish Kousgi:** Absolutely.
- Pranav Gupta:** Second question is on the funding mix, so we have seen obviously bank funding still you contribute a large chunk of your overall mix almost 52% and just wanted to understand what part of, what percentage of this book would be linked to very low tenure at your MCLR probably three months or six months?
- Girish Kousgi:** Most of the loans are term loans and it is long term, so it will be 7 to 10 years.
- Pranav Gupta:** I was asking about linkages to the MCLR, what percentage would be linked very short term MCLR for the bank funding?
- Girish Kousgi:** No, all the loans are linked to either MCLR or external benchmarks so it depends, these are long term loans. The tenure varies between 7 and 10 years and we have some old loans which is 15 years from initially to face. Now all these loans are either linked to MCLR or REPO, but the tenure is long, for example, there is a loan linked to MCLR, so whenever the bank changes MCLR, there is an impact on our portfolio either with respect to rate either going up or going down, but all the loans are long term and all the loans are either linked to REPO or MCLR.
- Pranav Gupta:** I understand that Sir, just wanted to understand that what percentage of the MCLR linked loan would be linked to three month or six-month MCLR, I am not talking about the tenure of the loans, I understand that the long tenure loans?
- Girish Kousgi:** MCLR is either one month or three months? Sometimes there at three and sometimes there at one.
- Pranav Gupta:** None of the bank's funding would be sort of length one-year MCLR if I understand that correctly?
- Girish Kousgi:** Not at all, higher the MCLR obviously there will be higher, so today we are enjoying low cost of fund, so our effort is to ensure that all the banks move to one month MCLR, but I think some bank they have their internal policy and therefore the three months MCLR itself would be quite less which can be comparable with certain bank one month MCLR, we are actually agnostic with respect to whether it is one month or three months, we are worried about the landing cost. As long as it fits into our cost strategy, we are okay with that.

Pranav Gupta: Just last one followup on this part only, right now, we are in the lower lost funding which is why we are able to go aggressive on the yield side as well as to get growth, but we start seeing some sort of hikes in the interest rates in the loan medium term. How do we manage this uphold repricing of MCLR linked loans?

Girish Kousgi: One is the repress the portfolio, number two we will also increase our lease by increasing rates for incremental sourcing. We have done that for many, many years. Now to ensure that we keep growing at a healthy rate, we have not adopted to strategy. So once the time is right we will get back to our earlier strategy.

Pranav Gupta: I have more questions. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Piran Engineer from Motilal Oswal Financial Services Limited. Please go ahead.

Piran Engineer: I had a couple of questions similar to what has already been asked. In the prior person asked, what is our incremental cost of bank probably if you could just tell us?

Girish Kousgi: Incremental cost of bank borrowing?

Piran Engineer: Bank borrowing because the reason I am asking is that we cannot always keep incrementally borrowing from CPs and my sense is 4.5% incremental cost of fund is not going to be sustainable, so if you could just guide to us to what your incremental cost of bank borrowing, that will be helpful?

Girish Kousgi: Incremental borrowing from bank is about 5.5% and I again want to reiterate for the benefit of all of us, the way we leverage we have guided the CP is only as a backup. For example, if I am raising Rs.500 Crores of CPs I should have Rs.500 Crores unutilized limits in my OD. If I do not have I will not raise it. So we do not use CPs for funding. We use CP only for cost reduction.

Piran Engineer: I agree on that Sir and my second question is what percentage of our bank book or other over the last two quarters how much have we reduced yields on the bank book?

Girish Kousgi: For example, if you see our portfolio cost of fund was in the range of 8%, now it is 6.87%, so incremental is 4.5%, cost of funds, on portfolio it is 6.87%, so we have repriced most of the loans.

Piran Engineer: Sorry, I meant, when I said loans I meant you are lows to customer on home loans, LAP, etc., in the last few months, our incremental loans have been at 6.97%, but in the bank book how much have we repriced them downwards over the last two quarters?

Girish Kousgi: Our incremental is now not 6.95%, we have increased the rates in April now it is 7.25%, but probably it is different, so we have roughly increased the rates from April onwards, so if you look at last two quarters definitely it was an offer, so our rack rate was different and behind a knock of our limited period and therefore that would have an impact on the margins for one year and then it will get repriced to the rack rate. So if you see the impact, impact would not be much.

Piran Engineer: I think I have not been clear; my limited question is you say the loans that were originated one, two, three years back, have they been repriced down to we know at the rate of 7.25% also are they significantly higher than that?

Girish Kousgi: As I mentioned at a portfolio level 22% of the portfolio is repriced and 22% of portfolio is repriced at what rate it depends on what is the risk rating of the customer and what is the price of product. For example, if it is self employed customers with high rates, the rate may not be 6.95%, the rate could be 7.5%. So we have repriced 22%, but all 23% is not 6.75% that is the question, all the 22% of portfolio is not repriced at 6.95% that is the answer. I hope I was able to clarify your doubts.

Piran Engineer: Yes. Now therefore what is the risk when the remaining 78% also slowly repriced and given the factors we do not have much downside benefit on cost of funds anymore I think cost of funds have bottomed out, do you think there is a risk that are incremental spread actually come below 2% compared to the guided range of 2.4?

Girish Kousgi: We would not I think that is what I have mentioned, so if the rates start increasing then the BT pressure will come down. We would not face that challenges at all. We will try to reprice loans from the higher side.

Piran Engineer: That is all from my end. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Abhijith from Sundaram Mutual Fund. Please go ahead.

Abhijith: Thanks for taking my question. I have two questions. First one is I am asking a very, very near-term question. If current restrictions economic restrictions activity restrictions that will

CanFin Homes Limited
May 03, 2021

continue do you think I mean saying this to underwriting policies will happen from banks and institutions like CanFin in the sense any tightening. Second point is on the same thing, if the demand from borrowers were to recover, will there be some reluctant till the time situation were to normalize in terms of business activity coming down? Will there be new resistance from the lender's side to sort of source these loans and also sanction, not disburse, what is your opinion, very, very near-term questions. Thank you. I have one more question and follow-up.

Girish Kousgi:

If you see after COVID wave one, we had not seen anything for the policy, but we had tightened up process. So what we had tightened that we have restored it back. Now we will see if it requires to again tighten the process after second wave we will do that, but that would not impact customer either with respect to eligibility or the loan tenure, so it would not impact at all. The only thing is we will do certain ability more due diligence on the customer, so it would not really impact, so if demand is back, we will be able to grow our business really well and because of COVID second wave, if the lockdown continues the impact is going to be for us which is true for the entire industry.

Abhijith:

Just to clarify even if the demand for borrowers were to be back there might be some reluctance until the activity comes back?

Girish Kousgi:

Which we have seen already because self employed as a mix has come down, so salary has increased, so we have seen that it should continue for another three to four quarters, till we are completely out of COVID we will see the strength, so what we are trying to do our decrease in efficiency rate, we are trying to cover that by increasing the share in the salaries.

Abhijith:

Second question on the incremental loans which are getting forced, how it is credit profile of these borrowers versus the one which we have raised before the competition from the banks intensified?

Girish Kousgi:

The book which we were losing earlier, now we are not losing that kind of book, we were but the number is very small. So the profiles obviously it ranges from very good to good to average kind of customers, so it is a mix of all the three because since there was pressure due to COVID, otherwise generally BT out will be only good set of customers but this time we have seen a trend that it is not just very good customers, it is very good, good, and average. When I say very good customer repayment track record is excellent. When we talk about good customers you can see one or two bounce in the last 12 months. When I say average you can see those kinds of cases either getting to SMA0 or 1 once in last 12

months, so we have seen little change in last one year that BT out was in all these three buckets.

Abhijith: Let me rephrase the question. If we were to look at risk base on one side, assuming potential credit cost and slippages, etc., versus the spread are you satisfied with the new launch which you are organising versus what used to happen pre-COVID in FY2019 etc., or do you think there the returns are getting squeezed?

Girish Kousgi: I will be happy if my investor is happy. Basically it is a call I need to balance. If my growth is moderate, I will be high in profitability. If my growth has to be high I will have to align this some of the big players and therefore my profitability will be moderate. So as of now we have chosen the part of high growth and moderate profitability and when it is conducive and if we have to definitely, we from my investors then if we see there we need to get back to moderate growth in high profitability, we would not hesitate to do that.

Abhijith: One last question Sir, can you coming from the collection efficiency in April in value trend, or you consider to you having on the collection efficiency?

Girish Kousgi: I would not be able to give the numbers, but yes collection efficiency compared to January, February or March, April was definitely less and this was also true in Q1 and Q2 of last year so I think April collection which has come down, so we should see how it will be in mix and this is true for all the companies, you must be hearing this all over, definitely because 15 days of lockdown across the country even announced by state governments, we will definitely have impact on collection.

Moderator: Thank you. The next question is from the line of Sayantan Bhowmick from PineBridge Investments. Please go ahead.

Sayantan Bhowmick: Thank you for the opportunity. I had a few questions. First thing, I wanted to understand you mentioned, the big thing and in an answer to some other question that this quarter expenses were higher due to some investments in IT, if you could just elaborate on what are we doing with respect to spending on IT and are there any further gaps we think we need to spend in the IT segment? That is my first question. Second question is if I do remember correctly last year our spending on CSR was lower than the required or the 2% that is what is prescribed have we spent sufficiently in FY2021 and what are we doing with respect to supporting the community or industry with respect to COVID? Is the company doing anything special or different in this segment? So these are my two questions.

- Girish Kousgi:** In terms of absolute numbers, spend in IT Rs.2.5 Crores.
- Sayantana Bhowmick:** It is not some much about the money, I am just trying to understand what are we doing with respect to spend, what are we doing different in terms of the IT spend?
- Girish Kousgi:** There are two things. One is we have strengthened our lease rent capacities that is number one and number two, some bit through spent on digitalization. Now with respect to CSR, last year we spent the entire amount and if you see close to 45% to 50% we have spent on COVID supporting state government, supporting central government in terms of supporting other than these two governments, to various hospitals which would indirectly or directly support COVID patients.
- Sayantana Bhowmick:** Would that be the same thing this year as well?
- Girish Kousgi:** I think so because looking at wave two, I think so we would at least will be committed to spend is about 25% to 40% for COVID or even more, it depends on how serious this would be in future as well.
- Sayantana Bhowmick:** Thank you for the answers.
- Moderator:** Thank you. The next question is from the line of Sanket Chheda from B&K Securities. Please go ahead.
- Sanket Chheda:** My question was that as of last quarter our overdue accounts other than the NPAs were about Rs.400 Crores, so where that pool stand, has it reduced from there?
- Girish Kousgi:** Generally, we do not know share details less than 90 DPD. All I can say is that you have seen for last one year during COVID, after COVID how our assets quality has held and last time in last couple of conference calls we also gave you and indication as what is the total delinquent pool of the industry given the certain mix, all I can say is that we are the lowest and we will ensure that we will maintain asset quality going forward as well.
- Sanket Chheda:** Thanks. That helps. My next question is on growth again not particular to Q2 or Q3, what would be our growth trajectory per se in the next three, four years, are we looking to continue at 18% x 20% run rate and within that a question on our yields on margin?

Girish Kousgi: Just answer your question definitely we want to grow 20% plus it all depends on COVID second wave otherwise our growth plan is intact and as far as margins have already indicated we will protect 3% and 2.4%.

Sanket Chheda: On margin I was asking that whether the cost of funds goes up, it is likely to go up systematically, so on relative basis in HFC space, our cost of fund now almost identical to HDFC and much lower than all the other HFCs, so that relative advantage is likely to continue is that understanding correct, because of the energy benefit and on bank side, the key changes that has happened as you had highlighted earlier that we are getting almost at a rate at which AAA rated corporate would get, so one is that relative advantage will continue, is that a right understanding and second since we are in the sweet spot, are we look into target slightly higher ticket price portfolio wherein based on the cost leadership we could acquire some quality customers and also entered higher growth without taking too much of a risk?

Girish Kousgi: Your understanding is right, yes that is our plan and if you see our ticket size has gone up from Rs.18 lakhs to Rs.20 lakhs, because we are now focusing on few other segments which will help us to grow our book much faster without taking any incremental risk?

Sanket Chheda: Last question again on a balance between growth and return ratio so currently this year including the Q4 impact we did ROA of 2.2% now going ahead for at least FY2022 and some bit of FY2023 do we see ROAs stabilizing at 2% from 2.2% or going down from there also, how do you see that?

Girish Kousgi: That I will leave it to you for calculation. So I have given you the growth rate has given you some kind of guidance on the asset quality I think your experts on calculating those ratios.

Moderator: Thank you. The next question is from the line of Jigar Mistry from Buoyant Capital. Please go ahead.

Jigar Mistry: Thank you. Good afternoon Sir. I had one clarification. If I understand the chronology right then there was a BT out, which actually forced CanFin Home to reduce the rates, after the 22% of the portfolio back book has been repriced. The question Sir is that why is the other 78% not repriced and why has not that BT yet out if the rate are significantly higher than what the incremental risk adjusted rates would be?

Girish Kousgi: If you look at any company, you would have the portfolio at different yields, some of the customers would come forward to reprice their loans, some of the customers the repricing

happen automatically because we have both the options, so just to answer the question this happened over a period of time, it will not happen in a span of two to three months' time, it will happen over a period of time, but eventually I think most of the portfolios will get repriced in the meanwhile if the rate goes up then the repricing may not happen or if the rate goes up substantially it can happen on the higher side, because we also reduced the portfolio in a rate of all the customers at a portfolio level, we will also do that, so that happens on a default mode.

Jigar Mistry: That is amply clear. The only other followup is that on a risk adjustment basis for that 78%, the portfolio yields versus the incremental views how much would that difference again everybody would be different rate, but if you adjust for that risk on an incremental basis what is the difference between the portfolio back book versus the incremental rate?

Girish Kousgi: Portfolio yield now is 9.49% and incremental is little less than 8%.

Jigar Mistry: For that 78%?

Girish Kousgi: Exactly 9.49% is yield on the portfolio.

Jigar Mistry: But that would include 22% that has been the repriced as well?

Girish Kousgi: It does not include.

Jigar Mistry: My question is that for the people, who is not yet sort of adjusted their books, for them if over the course of the next few months let us take out the interest rate increase or decrease from the secure for now. If those two who were to over the course of next three, four, five quarters reprice their book, what would be the downward revolution for that 78% that it is expected based on what the current incremental lending rates?

Girish Kousgi: Basically that is what we have calculated and therefore we said we will protect marginal for 3% and 2.4%, because it happens over a period of time and this when we talk about 9.49% it is 10.17%, so 10.17% came down to 9.49% gradually this yield also would come down, but we are also sure that this will not last for too long may be after few quarters rates will start inching up, if the rate goes up we will reduce, our cost will go down, our yield also we will ensure that we will price it appropriate to maintain the margins. If rate goes up we will increase the rate, if rates go down, we will take the decrease.

- Jigar Mistry:** Only thing Sir, it is a little bit counterintuitive because if the incremental spread, for incremental NIM is 2.4%, it would stand to reason that for the back book that has not been repriced, it would not have the same 2.4% NIM, it would actually have a much higher NIM which tend to go down as the asset gets repriced, but you are saying that is not clear?
- Girish Kousgi:** Today if you look at our yield on portfolio, it is 9.49%, if you look at cost on portfolio it is 6.87%. We have this at least to track going forward, so we will see what the cost on portfolio is and what is the yield on portfolio not just incremental even on the portfolio.
- Jigar Mistry:** Thank you.
- Moderator:** Thank you. The next question is from the line of Nirmal Bari from Sameeksha Capital. Please go ahead.
- Nirmal Bari:** Thanks. My first question is actually on the 89% salaried customer based that we have acquired in the previous quarter also, so if you can describe how similar are different is this customer base from the customers that we were acquiring say a year back and so in terms of credit score as well as in terms of their income ranges and all?
- Girish Kousgi:** It is not 89%, it is 83%, 83% was from salaried, incrementally in Q4, so if I have to compare the profile earlier we were sourcing salaried customers from private and government whose average income was in the range of 40000 to 42000 per month. Now the change is that the income would go right up to Rs.1 lakh, Rs.1.5 lakhs and which would typically be from a CAD-A or CAD-B corporate going for a CAD-A or CAD-B developer properties. That is the different.
- Nirmal Bari:** The second question is slightly related to this given that the customers will be coming to us only because of our led only, so now when four quarters or six quarters down the line we think of increasing the rates and when the market environment becomes such in our increasing these rates to 50-BPS of the lowest HFC or the largest HFC. What intent would this customer will have to stay with us, so why would not that be higher BT outs going forward?
- Girish Kousgi:** Basically if the difference in rate is up to 0.4% or 0.5% customers would not do BT out, so once the rate crosses point high that is then customer would do because if cost of moving also would be substantially high, so we will try and balance that.

Nirmal Bari: Second is on the digital spends you gave some description to previous participant, but I would like to know in further detail like the kind of customer base that we are now targeting, it is very digital savvy and tech savvy would not like so much of a physical interface as it typically there with CanFin so what are we doing under digital side to ensure a smoother customer journey as well as to take some of the processes better being handled physically to take them online?

Girish Kousgi: This is work-in-progress. We are in a transition space. It will take some more time, but we are on with respect to automation and digitalization. Some of the processes we will decide and some of the sourcing, we will try to strengthen for example we will eventually get into online sourcing and tax sourcing, we will integrate various DPI so we will strengthen our digital space with respect to sourcing. We cannot really get to pre-approve, but we will definitely reach a stage where we can approve on a pre-qualified basis.

Nirmal Bari: My last question is on this 22% of the book, it is actually a clarification that you said that 22% of the book has been repriced so when we talk of this 22% the total book that was outstanding as of November, of that 22% has been repriced, with that correct?

Girish Kousgi: No, this is the total book as of March end and we saw what is the percentage of book got repriced.

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

Sonal Minhas: Just carrying forward on the last question on the profile of customers you mentioned moving from the salary limit that you were talking about. I also wanted to have a clarificatory question on are we speaking to customers who for whom this is the first whom known or that limit is also getting relaxed, just trying to understand this is the first home loan for those customers?

Girish Kousgi: In our earlier model, we were sourcing slightly higher proportion of customers who are moved to company for home, now since we become aggressive on pricing and we are present in most of the bigger geographies, so we will have customers for them it will be second property but for self use or some, it could be even third, so when I say second, third it means that customer have bought a property, sold again would come for loan may be two or three transactions. Now you will see this mix which would be in line with most of the other HFCs but the proportion would change.

Sonal Minhas: Sir follow on question on this I know this is difficult to answer or put a number too, in our earlier model of 15%, 18% growth we used to be in an gross NPA of around 0.5% and ROA of north of 18% risk adjusted. I just wanted to know is this 0.5% now would be tending to more 1%. If I were to look at one year, two year down the line and our yields would be higher and hence the ROEs would remain in the same range, because there will be some internal calculations on strategy what would this lead to in two, three years from an NPA perspective, from an ROE perspective just trying to understand that?

Girish Kousgi: Since we are into secured and especially in mortgage, we had raised legal recourse. It is only question of timing. To answer your question, will we be able to reach to our earlier NPA levels? The answer is yes may be with an exception of 10% to 20% being higher, but question of time because may be next three years' time, any company for that matter would be at about 20%, 25% higher than the earlier NPA levels. Why I am saying this is it also depends from company to company, it also depends on how well you are secured, because now when we underwrite and we predominantly look at two things, one is customer capable? One is capability and second is what is the collateral value, now there is some kind of hit on capability because of COVID; however, as long as you are covered on the properties collateral side, so eventually the company would not make any loss and therefore I am saying it is only a question of time and it is a company gets into legal recourse then company would be able to recover most of its loan and therefore I said that you will see spike of 25% from the earlier levels and this could be true for any company.

Sonal Minhas: From an organization perspective, because if I may just generalize this these are territories where you have not operated in the recent past, is your mid to senior level management geared to first of all manage this kind of a growth and also I understand from a process perspective what is the risk involved in this because I think we all now got CanFin as the chief over the last seven, eight years just trying to understand from whatever perspective that what is it that is happening from bottoms up perspective, have you recruited somebody who understands this business of giving loans to let us say somebody who is second property or other property owner or giving collaterals may be the more top up loans, so there is a little bit of different mindset that is required. I just wanted to understand that from organization perspective, what has happened inside in terms key people or organization changes?

Girish Kousgi: If you look at the changes, change is not now, the change started about one-and-a-half years time. Now it only accelerated because of our change in pricing strategy now. So if we talk about employee mindset to be with profile of customers, we can broadly bucket this into

three bucket, one is in the up country locations could be Tier 3 or Tier 4 kind of cities, number two in main cities, within the city and in the outskirts, for example, let us say a city branch manager would be competent enough to deal with 5% customers on board the customers into a fold, and similarly branches which are in the outskirts or branches which are in small town would have a profiling structure that they will be able to deal with those kind of customers. So basically it all depends on the seniority and maturity of the branch managers to deal with these kinds of customers, so our hiring strategy versus aligned to our sourcing strategy.

Sonal Minhas:

That you basically talking about for the last one-and-a-half years we have been with. I think you mentioned that you are aligning yourself more to what your investors who wanted to do I think may be that was I just picked it up in the call just want to know what is the reason for this transition. Is there something you see your tuff being questioned and hence you moved on be on the call for the last one-and-a-half years, just trying to understand to be very honest little bit provocative also, why listen to investors, it is your business you are running it, why listen to investors it all nothing investors are usually very short term oriented in their mindset, so including us why have that mindset at all I think just trying to understand why do it at all?

Girish Kousgi:

Basically we believe in adding value to our customers and investors. Now from investor point of view, I think there should be value accretion quarter-on-quarter or may be year-on-year if that has to happen definitely company has to do well and when we say company has to do well, company has to do well on regularly increase in the book, so we found that whatever investors give us a feedback, there is a lot of value in that and therefore be aligned to that. Definitely we also want to add value to our customers. There is nothing called as good model or bad model. It all depends for example a company with the yield of let us say 14% or 15% can afford to have 2.5% of NPA. If a company with the yield of let us say 9% cannot effort have more 1% of NPA, so there is nothing called as right or wrong model, but as a company we thought we were short of growth, we also realized that it is the fact that we are short of growth and therefore we wanted to grow and therefore we have changed, they have aligned the strategy which also coincided with what the investors felt and therefore it is collaborative effort in terms of thought process, so we also want to grow which also probably is lined by most of our investors.

Sonal Minhas:

There is no doubt around growth being funneled for stake sales about in next one or two years or something aligned on strategic front in the company, there is nothing aligned on that which is leading to this aggressive mindset?

Girish Kousgi: I can only tell that we are not ready to that stake sale transaction after second stake sale even panned out, so our strategy is mores from operation point of view and adding value to all the stakeholders, it is regulator, customers, and investors, so this growth strategy has got nothing to do with stake sale.

Sonal Minhas: That is it from my side. Thanks a lot.

Moderator: Thank you. The next question is from the line of Gurpreet S Arora from Aviva Life India. Please go ahead.

Gurpreet S Arora: My questions have been answered. Thank you so much.

Moderator: Thank you. The next question is from the line of Sakshi Goenka from Alchemy Capital. Please go ahead.

Sakshi Goenka: I just one clarification, could you explain what you said that your yield on portfolio is about 9.5%, if I calculate the yield it comes to about 8.5%, just wanted to understand this 1% point discrepancy, is there any interest reversal which is happening on the interest income side, this quarter which is leading to such a big gap, generally the gap is not so big between your stated yield and your calculated yield Sir?

Girish Kousgi: My yield calculation I have explained earlier. It is on the actual loan for given rate for a given period. It is the system that the calculation, the various will not come into reach. We cannot take the portfolio quarter-on-quarter basis or anything, it is a particular loan wise calculation and calculation is correct. 9.43% is actually yields.

Sakshi Goenka: Thank you so much Sir.

Moderator: Thank you. The next question is from the line of Bhavya Sanghvi from Fortress Group. Please go ahead.

Bhavya Sanghvi: My questions have been answered. Thank you.

Moderator: Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Good afternoon Sir and thanks for taking my question. First thing is for the Q4 if you can give the breakup of BT out, BT in and natural run down on the portfolio?

Girish Kousgi: As I had mentioned our BT out is Rs.90 Crores, in Q4 we have done Rs.2000 Crores of business and BT out is Rs.90 Crores.

Sarvesh Gupta: What would be the natural run down on your portfolio in Q4?

Girish Kousgi: I mentioned it is about Rs.250 Crores per quarter, not natural, BT out.

Sarvesh Gupta: Second thing on this strategy of being content with the slightly lower spread, so one downside of that sort of strategy is that while you lose your margins on probably the entire book overtime, the growth is something that may or may not come, so one part of that growth is market share relative gains in market share with respect to the banks who might be charging a little bit lower, but the other part is the market growth itself, so if you want to comment something on your market as you are looking at where the things stand right now, if you are seeing some tangible changes in terms of how your customers are behaving towards buying real estate properties and how do you expect that to pan out?

Girish Kousgi: If you talk about repricing that portfolio, now the rate is not 6.97, 7.25, so if any customer wants to reprice, the rate will be 7.25%, it is not 6.95%, already there is a 30-BPS higher for repricing, so all I want to say is that irrespective of the rate of repricing or the repricing rate, we will always maintain what margins we have told 3% and 2.4% because probably next quarter, the repricing rate could be 5% or 7% and repricing rate of interest could be much higher than 7.25%, so 6.95 is now 6.3% and 6.95% I think probably is the percentage what got repriced will be about 20% assuming that 2% would have happened in April, this is the guess, total 22% is right and how much in Q4 and how much in April that number I need to see, but I am just giving an approximation out of 22%, 2% today would got repriced at a much higher rate than what it was in Q4, so I think it is a balancing act and it is a continuous process, so we will always watch out for portfolio yield, portfolio cost and therefore the margins what we need to maintain, so there are both pros and cons in both the models, when there it is a high growth moderate profitability or high profitability modern growth. We will try and balance that.

Sarvesh Gupta: That I understand from a market share perspective vis-à-vis your competitors, my question was more related from an overall market perspective itself, so your co-market has been say Karnataka salaried, so either you are seeing much higher growth rates in the overall market, are you seeing some signs of it which is different from the last few years and second is there can be other growth engines which is outside of salaried and outside of Karnataka, so are you seeing some more traction or you have some strategy to sort of tap outside of your core

segment, so I wanted a color on the market perspective and not from a market share perspective which is dependent on how you price the loans?

Girish Kousgi:

We have seen that market is quite robust. We have seen that in Q3 and Q4, market is very robust, only thing is now it all depends on how long wave two will last; however, there will be pent up demand. What we have seen in wave one, immediately after wave one market came back quite well, so same thing is going to continue after wave two as well. So market is very, very huge, we have enlarged our segments so I do not see any challenge in terms of growth at all. It may so happen in the next 15 days we have been able to much business because of lockdown, once lockdown is lifted then we will see normal business coming back. I do not see any issue on the demand perspective.

Sarvesh Gupta:

Okay and similar to last year, we expect that the lost business which may improve during the lockdown period should come back to us with equal vigor once the lockdown phase is over especially in Karnataka?

Girish Kousgi:

Exactly, we will see that is happening in Q3 and Q4, so same thing would continue. It may get phased out between three to four quarters, but we will see that is coming back. There will be deferment of buying a property, but I do not think so it may get cancelled. Even if it is cancelled it will be a very small percentage.

Sarvesh Gupta:

Understood Sir. Thanks a lot for taking the question and all the best for the coming quarters.

Moderator:

Thank you. The next question is from the line of Gaurav Jani from Centrum Broking. Please go ahead.

Gaurav Jani:

Thank you for taking my question Sir. Coming to the growth bit, just wanted a first abit on that, if you look at the disbursements from FY2018-2020, we have typically did about 5700 Crores also factoring there was lot of disbursements that would have happened in FY2020 right in the last 15 days of March, to tide it up with second wave on how do we look, at FY2022, so what is on the disbursement number will you look at, if you could just tell us on that and how can we achieve that number?

Girish Kousgi:

Our plan is about 20% as I mentioned. If there is lockdown for month, month, and a half I do not think so it is going to impact especially on the business front, because we can definitely cover that. If it lasts beyond one-and-a-half months then probably there will be slight moderations in the numbers.

- Gaurav Jani:** So 20% on the original base right?
- Girish Kousgi:** No, 20% I am comparing with not last year, because last year was not normal, last to last year.
- Gaurav Jani:** Last question is on the stage 2 numbers obviously you mentioned that we cannot disclose the numbers, but as it trended lower than for example FY2020, I mean the annual report mentioned about a 6% number, so has it gone lower than?
- Girish Kousgi:** I am not very sure where this 6% came from. All I am saying that the collection efficiency in April is definitely lesser than March, lesser than February lesser than January.
- Gaurav Jani:** I meant for the entire of 2021 versus as we ended FY2020, so I just wanted to have a sense on that?
- Girish Kousgi:** Sir, I did not get your question. I thought your question was that 6% SMA correct?
- Gaurav Jani:** SMA2 numbers were mentioned in the annual report for FY2020, my question is how would that have trended for the entire year of FY2021 as we close the FY2021, as we trended lower?
- Girish Kousgi:** FY2021 we did extremely well. FY2021 was great.
- Gaurav Jani:** Thank you.
- Girish Kousgi:** That also reflects in our GNPA number. So compared to Q3, which is 0.99, it came down to 0.91.
- Gaurav Jani:** Thank you.
- Moderator:** Thank you. We will take the last question from Avinash Tanawade from Dalal & Broacha. Please go ahead.
- Avinash Tanawade:** How many branches you are looking to add for the next two years?
- Girish Kousgi:** Every year we have planned to add about 15 branches, so maybe this year we will add more, because last year we could not add what we had targeted, so you can take the number as about 18 to 20.



CanFin Homes Limited
May 03, 2021

Avinash Tanawade: When we have compared with some companies like Aavas, they are charging for over 12% to 13% and they are able to maintain their asset quality and we are over the years of experiencing in terms of housing loans, so why we are not targeting that kind of customers who can place higher yield, what is your thought process in that?

Girish Kousgi: Basically our customer profile cannot be compared with the company you mentioned, because our mix is different and salary will be assessed based on documented income, so we take pay slips, we can bank statement, we take IDR. As far as non-salaried is concerned, we go by only declared income, so it is not assessment model, so these two are not comparable, so we can be more compared with likes of HDFC, LIC Housing, all these companies would assess based on documented income.

Avinash Tanawade: Thank you. That is it from my side.

Moderator: Thank you. That was the last question. I would now like to hand the conference over to Mr. Utsav Gogirwar for closing comments.

Utsav Gogirwar: Thanks everyone. Thanks friends.

Girish Kousgi: Thank you all the investors for attending this call. It is really encouraging with your ongoing support. With all your support and encouragement I think we were able to trip through last year which was the most difficult year at least in my experience of last 25 years in this industry. We look forward to do well in the coming quarters. Thank you and all the best.

Moderator: Thank you. On behalf of Investec Capital Services that concludes this conference. Thank you for joining us and you may now disconnect your lines.