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CFHRO SE CS LODR 99/2023
May 03, 2023

ONLINE SUBMISSION

National Stock Exchange of India Ltd.,
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E)
Mumbai – 400 051

NSE Symbol: CANFINHOME

Dear Sirs,

Sub: Transcript of Earnings Call for Q4FY23 Financial Results
Ref.: Our letter CFHRO SE CS LODR 91/2023 dated April 27, 2023

In continuation to our above referred letter, please find attached the Transcript of Analyst/ Investor conference call/earnings call held on April 27, 2023, Thursday.

The aforesaid Transcript is also made available in the Company's website i.e., https://www.canfinhomes.com/analyst-meet.aspx

This intimation is submitted pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Kindly take the same on the record.

Thanking you,

Yours faithfully,
For Can Fin Homes Ltd.,

VEENA GANESH KAMATH
Digitally signed by VEENA GANESH KAMATH
Date: 2023.05.03 17:50:27 +05'30'

Veena G Kamath
DGM & Company Secretary

Encl: As above.

"Can Fin Homes Limited Q4 FY2023 Earnings Conference Call"

April 27, 2023

ANALYST: **MR. NIDESH JAIN– INVESTEC CAPITAL SERVICES**

MANAGEMENT: **MR. SURESH S IYER– MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER – CAN FIN HOMES LIMITED**
MR. AMITABH CHATTERJEE – DEPUTY MANAGING DIRECTOR – CAN FIN HOMES LIMITED
MR. APURAV AGRAWAL – CHIEF FINANCIAL OFFICER – CAN FIN HOMES LIMITED
MS. SHAMILA – BUSINESS HEAD – CAN FIN HOMES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Can Fin Homes Q4 FY2023 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. Nidhesh Jain from Investec Capital Services. Thank you and over to you Sir!

Nidhesh Jain: Thank you Aman. Good afternoon, everyone. Welcome to the Q4 FY2023 earnings 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 & CEO; Mr. Amitabh Chatterjee, Deputy Managing Director; Mr. Apurav Agrawal, CFO; Ms. Shamila, Business Head of Can Fin Homes Limited. I would now like to hand over the call to Mr. Iyer for his opening comments. Over to you Sir!

Suresh Iyer: Good afternoon and thank you Nidhesh and thank you everyone for joining this call on the Q4 results of Can Fin. Just to give brief highlights of the fourth Q4 performance and results that was declared yesterday. So, the company has had a good disbursement growth of 8% for the entire year and a portfolio growth of 18%. The NPA has come down from 0.64% to 0.55% gross and net NPA has also come down to 0.26, so on the collections and recovery front the performance has been good. We have been able to bring down the NPA. The provisions we have had taken a conservative view and therefore the provision coverage ratio has also improved over the last year, which I believe would give a good comfort to all the people. On the NIM front and the spread front as you all know the rates have been going up and therefore in the earlier quarters on the liability side the entire interest going up because of the impact of the increase in rates whereas on the asset side we had gradual increase which was happening because of the reset at different points in time and the entire impact of this rate hike on the asset side has not yet experienced in the books and in the coming two quarters also we expect the impact of this rate hike because of the interest reset tenure and therefore the interest spread will slightly start improving going forward which you would have seen has already happened in the Q4 as well because a sizeable chunk of about 10000 Crores has witnessed the impact of a rate hike in this quarter so that is about it in terms of the performance. The cost-to-income ratio is also down from 18.32 to 16.93 and I will leave to all of you for questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Devansh Nigotia from SIMPL. Please go ahead.

Devansh Nigotia: Yes, Sir thanks for the opportunity. Asset liability statement that we share every three months or six months or there for April to June quarter there is 3500 Crores mismatch so just wanted to gain clarity on that?

Suresh Iyer: We are carrying sanctions and unavailed limits from the bank which takes care of a short-term liquidity management.

Devansh Nigotia: How much is the limit?

Suresh Iyer: The limit is roughly around 4600 right now.

Devansh Nigotia: So basically, the April to June bucket mismatch will be taken care of unavailed sanction limits with the bank?

Suresh Iyer: Yes.

Devansh Nigotia: We were looking to raise capital so any update on that, are we still evaluating or any thought process if you can share?

Suresh Iyer: As of now there is no immediate step for the raising of capital, as and when the need arises, we will be looking at it.

Devansh Nigotia: So, eight times leverage is what you are comfortable with?

Suresh Iyer: Yes, about eight times I think even with the rating agencies I feel there is no issue with gearing of about eight, in fact the gearing has slightly come down in the last one year now it is below 8 actually.

Devansh Nigotia: The salaried customer mix we shared 50% are government salaried so what prevents them for taking a BT towards bank because they can save 1.5% over there so what prevents them from going to the banks if you can just share is there an entry barrier?

Suresh Iyer: The fact that they have come to us is also because of the service and dedicated team because we have a single product company so obviously the 100% focus is on giving customer service. Second thing is we have a network where the branch managers themselves are directly dealing with the customers so there is an association of the customers with our staff as well and actually for up to 1% and all the actual impact on the EMI on an ongoing basis is not much so the kind of service that we are getting and the comfort of coming to us and having a loan sanctioned in a quick time and the local service that is available for that they are ready to pay a little bit of a premium which converted into EMI terms does not become much. So, if you can see the prepayment rates are not at all worrying in fact it is quite of a steady state there is no such worry on the prepayment rates either.

Devansh Nigotia: Undrawn limits that we have with the banks what is the interest rate that we pay on?

Company Speaker: So, these are basically linked to certain benchmarks that would be decided at the time that we draw them so basically it would be decided on the time of the disbursement drawdown.

Suresh Iyer: In case you are asking us whether we have to pay any charges for holding onto these undisbursed portions no there are no such charges. It is only a sanction limit where the meter will start once we draw the funds.

Devansh Nigotia: I am confused that if the repayment that will happen will be more than the disbursements a little more in this April to June bucket for 3.5 so we are fulfilling the banks but there is some interest that we will be paying on that so that is what my question?

Suresh Iyer: I will just explain. So we have a monthly collection which is approximately a little around 500 to 550 Crores so in the one quarter itself we will be collecting in terms of the EMI and in terms of whatever collections that come from the customers is the trend that we have observed including the prepayments comes to around 500 Crores a month which is 1500 Crores in the quarter that plus if you look at the undrawn limits that we are having so we are quite comfortable in terms of the liability or this thing which is coming due for payment and one more thing that we are not taking into accounting that SLA statement that is as per norms so we should not take the available CP limit which is available that anytime we can draw from market and to meet our funds. As per guidelines it is not used for taking as an inflow of fund for the computation of SLA statement.

Devansh Nigotia: Thanks a lot. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Gaurav Kochar from Mirae Asset. Please go ahead.

Gaurav Kochar: Hi thanks for taking my question. Good afternoon gentlemen and congrats on the quarter. Sir you made a standard asset provisioning of 25 Crores in this quarter can you explain the reason for creating this, is this for strengthening the restructured provisions or in general some strengthening of stage 2 provisions?

Suresh Iyer: As I mentioned in the beginning itself that we are just strengthening and taking a conservative and strengthening a further improvement in the provision coverage ratio and it is in the ECL model whatever is there that we have taken so beyond that there is a slight addition that is being carried just to improve on a conservative basis the PCR.

Gaurav Kochar: So, what would be the total quantum of provisions that we are carrying on balance sheet as on March 31, 2023?

Suresh Iyer: 312.

Gaurav Kochar: What was it last quarter if that number is handy?

Suresh Iyer: 290.

Gaurav Kochar: Alright and this would be across buckets stage 1, 2 and 3 understood thanks for that. The second question is with respect to the jump in the yield that 8.87 went to 9.87 during the quarter and earlier in the call you mentioned that there is some bit of repricing which is still pending and which will happen over the next couple of quarters so just wanted to understand in this context and also the cost of funding inching up to 7.5 where should ideally the NIM settle in FY2024. This quarter it was at 3.37 so incrementally given that spread has improved and spread will continue to improve can we expect this to move towards 3.5, 3.6 mark over the next few quarters?

Suresh Iyer: So just to explain in the last quarter out of the entire book of about 30000 Crores we had about approximately close to some 10000 Crores which came for a reset and where the interest rate was hiked at the time of reset that has what has helped us in improving the NIM and yield on the book. Additional to that in fact the rate impact on the new customers also we have been charging at the higher rate post the rate hike, so the new customers have all been coming at a higher rate, so both these factors have resulted in the yield improving from eight point something to 9.8 plus that is point number one. In terms of the second part of your question as to what is the quantum of the portfolio which is yet to experience a rate hike we still have about 18000 Crores which is yet to receive part or full of the rate hike that has to be passed on. This will come over the next two quarters that is in the April to June quarter another 5500 Crores of book is likely to come up for a little bit of rate hike and in the quarter subsequent to that that is in the July to September quarter another about 7500 Crores plus is likely to come for a reset so both these things will help us in further improving the yields and right now it is about 3.45 so yes we can expect around 3.5 or thereabouts or a little better also probably going forward. The other side you said about the cost of 7.51 so almost the entire liability side we have already experienced the rate hike on the liability side so from going forward unless there is some negative impact or something the rates is remaining stable as they are as of the moment, further increase on the cost side is not very likely.

Gaurav Kochar: Alright, so the yield repricing would continue in the next two quarters whereas on the cost side large part of it is already behind us is that a fair sort of statement?

Suresh Iyer: Not a fair part almost 50% of the rate hike on the asset side has been passed on, another 50% is likely to come up so around 3.5% kind of a NIM is something we can look at which is 3.45 a few 5 to 7 BPS improvement in the NIM can be expected.

Gaurav Kochar: Sure. Sir mathematically that number looks higher because if let us say half of your book is going to be repriced let us say even by 100 basis points that would take the yields up by 50 to 75 basis points and at the same time on the cost side if it is largely done or maybe another 10 to 15 basis points comes up I think you are talking about 30 basis points of incremental margins over and above 337 you reported so mathematically this looks like a 360, 370 kind of a number but you are saying it will be more or less in the range of 3.5?

Suresh Iyer: Yes, so it is not entire 100 BPS kind of increase that we are looking at because last year we increased our rates on three occasions so part of the portfolio has already experienced the full three cycles completely or the three rate hikes has been passed on. In some two rates rate revisions are yet to be passed on and in some only one is yet to be passed on so that way on the entire remaining 50% the entire 1% plus is not likely to pass on there has been two parts some of it will experience about 85 BPS the others will experience about 35 BPS that is the kind of breakup.

Gaurav Kochar: Sure and just lastly on AUM growth whilst overall AUM growth remained healthy at 18% the disbursement was slightly soft about 25 odd billion so going forward now that you have taken over next year what would be the disbursement target maybe let us say overall yearly disbursement target and in that context what kind of AUM growth are we looking at from a medium term maybe two, three years?

Suresh Iyer: As I again explained in the beginning that the rate hike that has happened or other I would like to say the rate hike that has happened has slightly impacted the demand as you would also have seen from the commentaries from other rating agencies as well as from banks that these rate hikes have impacted the EMI and therefore there is a rethink by some customers and resulting in slight impact on the demand even ICRA for that matter had represented about 13% kind of a growth on all. Having said that now with the rates being stable we can look at some improvement in the demand and from supply side also post the CLSS is being getting over there was a slight shortage or reduction in the supply which also should come back in the market so once that happens in the coming year probably in the second half definitely we can expect the demand to be really picking up, so on a portfolio basis we are confident that about 18 to 20% kind of a growth in the loan book should be possible.

Gaurav Kochar: Sure, great Sir and just related question to this. If I look at our average ticket size around 25 lakhs maybe at Gruh the ticket sizes were slightly lower maybe more affordable sort of a segment in Gruh finance is there a possibility of maybe the share of the lower ticket loans incrementally increasing or moving towards the 10 to 15 lakh category or the shares of 10 to 15 lakh category increasing over the next two to three years is there a possibility of that?

Suresh Iyer: As of the moment if you look at the branch network there is a difference in the branch network that Gruh was having and the branch network that here at Can Fin is there. Today here we are having a maximum presence in the metro and urban towns and the business is coming from the towns as well as from the periphery areas whereas Gruh had a very large portion of branches which are in the deeper pockets. So obviously the deeper pocket the property costs themselves are a little on the lower side whereas here if you look at the urban towns and the metro the property cost itself is on the higher side like you would not get a property even in the periphery of Bengaluru or Pune or places like that at a cost of less than 35, 40 lakhs so that being the difference if that mix has to change then deeper penetration will have to come which will be from branch expansion so that cannot happen very quickly or overnight so as of the moment the focus will remain in the sweet spot which is around 20 to 25 lakhs.

Gaurav Kochar: Sure. Perfect. Great Sir. Thanks a lot and all the best.

Moderator: Thank you. The next question is from the line of Ankush Agrawal from Surge Capital. Please go ahead.

Ankush Agrawal: Hi Sir. Thank you for taking my question. Firstly Suresh Sir now that you have joined Can Fin so I wanted to know what would be your key priorities and focus for next coming years like in terms of say branch expansion or adding new product portfolios or in terms of what kind of construct do you look at Can Fin in terms of spread if you can highlight that?

Suresh Iyer: In terms of the first part of your question regards expansion yes in the last three years because of this COVID and all there was a pause in terms of the branch expansion which we would be looking at. In terms of the presence geographically we are having a very wide spread presence across the country so within those existing areas of operations definitely there are opportunities in large upcoming towns and big cities where we can look at so we will be looking at it but it is on a gradual basis where we will be looking about 10 to 15 branches a year that will be something on a very manageable basis that we can look at and that is what we will be looking at. In terms of the business mix there is a very healthy mix as of the moment of 70% of salaried and incrementally also and SENP of about 30%. It is a very comfortable mix as of the moment which we would like to continue and the focus will continue to be on growing the business from the retail segment.

Ankush Agrawal: In terms of kind of ROA, ROE and leverage that you target?

Suresh Iyer: So, the ROA is right now inching up and it is already 2.17 ROA and so I think that is a very comfortable kind of ROA that we are looking at. The ROE is also now about 17 it has just crossed 17 so I think in terms of this it is a very healthy ROE, ROA.

Ankush Agrawal: For the loan book we have guided that you are confident on 18 to 20% growth for FY2024 but in terms of disbursement do you believe that there would be disbursement growth to accompany this loan book growth?

Suresh Iyer: Yes, so about 20% growth in the loan book will be able to help us achieve or maintain this 20% loan book growth as well.

Ankush Agrawal: But at 20% disbursement growth I believe the loan book growth will be much higher right?

Suresh Iyer: No, it would not be very high because you also have to look at the prepayments and the amortization that happens. So if you look at our 20% growth going forward you are talking about somewhere in the range of about 10500 odd kind of Crores and from that if you look at the prepayments and all there would be prepayments and amortization happening so net about 6 to 7000 Crores is the growth that will happen in the book which will be about 20%.

Ankush Agrawal: Thank you. That is all Sir.

Moderator: Thank you. The next question is from the line of Dhaval from DSP. Please go ahead.

Dhaval: Just on the distribution side so you highlighted that about 10 to 15 branches that you are looking to add just from a medium term perspective I think currently the business is largely sourced from the DSA network how do you see the sourcing mix and the branch expansion journey would it change or by and large you will move in the current template any thoughts around sourcing and distribution network?

Suresh Iyer: In terms of the present thing the DSA channel is a very strong sourcing channel for us and that will continue but yes there is a lot of opportunities in tapping the existing customer base and getting business from our existing walk-in customers and doing some digital marketing as well so we will be exploring that so that probably could slightly increase the composition from the direct business also but the DSA business will continue to constitute a sizeable portion of our sourcing.

Dhaval: Understood and in terms of geographic concentration historically Karnataka, Tamil Nadu used to be a big part over a period of time while they are still significant today the share has been coming down over the last few years just if you take a three-year view how do you think about geographic concentration and within that sort of opportunities in Tier-2, Tier-3 any thoughts around that would be useful?

Suresh Iyer: So our present composition of the book is that about close to 65% plus of the book is coming from the southern states and the remaining from the rest of the country, so obviously though the base is lower the growth can still be on the higher side but this can inch up somewhere in the range of about 60:40.

Dhaval: Got it and just last couple of things in terms of gaps any gaps that you see either on the technology side or any other HR side or any gaps that you believe that needs to be filled in the next three, six, nine month period any thoughts around that?

Suresh Iyer: There is no major thing something to be worried about actually. The normal thing that is there that would always be there. I do not see any kind of a challenge in that sense, the team is quite stable, well experienced, the processes are very much in place, the audit and the audit pillars are very much in place, compliance and regulation. There are all these aspects when you look at it; it is a very kind of robust machine which is already in place so nothing which I would say is an area of concern.

Dhaval: Got it and last question is on the hiring of CRO and the CFO where are we in that?

Suresh Iyer: They are already on board.

Dhaval: Great and CRO?

Suresh Iyer: We do have a gentlemen who is presently looking at it but yes, we will be looking at somebody going forward because we still have people retiring and senior people on board so we will be looking at something.

Dhaval: Great. Wish you all the very best. Thank you.

Moderator: Thank you. The next question is from the line of Rajeev from YES Securities. Please go ahead.

Rajeev: This is Rajeev. Thanks for taking my question. Sir the first question is on the BT out quantum in this quarter what was it and what was it in the last quarter and also if you can tell us what are the movements in stage 2 assets on sequential basis?

Company Speaker: The BT out per quarter is roughly in the range of 100 Crores.

Rajeev: In a quarter?

Company Speaker: Yes, in a quarter, full quarter.

Rajeev: An upward of same number last quarter will be?

Suresh Iyer: We have not seen any change in the pressure coming for balance transfer whatever is the regular course of business that is happening that is what we have been experiencing.

Rajeev: Correct but what I see is that the absolute portfolio rundown in the quarter is lower than the preceding quarter what would explain that Sir?

Suresh Iyer: So we also had a CLSS claim that was received, in this quarter total about 272 Crores is the CLSS that also was there during the year so that is also one of the reasons why this is on the higher side and as you know the CLSS credit that is received has to straight go to the principle.

Rajeev: Sir on cost of funds you are expecting that the cost of funds may not increase significantly from here-on but I was looking at your marginal cost of funds for the quarter it is 7.5 and your stock cost of fund is 6.3 so if the marginal rate is so higher than the existing overall rate then it has to go up materially?

Suresh Iyer: On the yield also now we have seen about 8.99% and going forward we have these two tranches of totaling up to about 18000 Crores which is due for reset in the coming two quarters plus the incremental business is also happening with an average yield of about 9.8% plus so that way if you look at the math the spread will continue to be maintained at a present rate of 2.65.

Company Speaker: One more thing this quarter we have raised NCD to the tune of 1000 Crores at a rate of 8.45 as a mandatory requirement so I think that has led to a slight increase in marginal cost of funds.

Rajeev: Got it and Sir what are your thoughts on tapping the assessed income segment so while you spoke about the ticket size remaining where it is the composition of salaried and self-employed remaining where it is but from a customer profile perspective in formal income are we thinking on those lines or would we be thinking on those lines sometimes in the future?

Suresh Iyer: As of now we are comfortable with the present 70:30 kind of a mix and right now we look at it as we go forward but as of the moment, we are quite comfortable with the 70:30 mix.

Rajeev: Sure, my one question on stage two assets I was requiring those details.

Company Speaker: So, stage 2 assets have not moved much.

Rajeev: Thank you. Best of luck.

Moderator: Thank you. The next question is from the line of Onkar Ghugardare from Shree Investments. Please go ahead.

Onkar Ghugardare: Just wanted to know at the beginning of the presentation you have stated that journey has just started 35 years and counting and it is just the beginning why do you say like that, just wanted to know?

Suresh Iyer: It is a very big market and we are still a small player so there is a huge scope for growth and it is a very long runway so basically that is what we look at it. That is why we are very positive about this.

Onkar Ghugardare: Yes, but in terms of growth rate if you talk about that it has been average other players are growing at a much faster rate and with kind of similar NPA?

Suresh Iyer: What I am trying to say is that it is not from the point of view of our growth or immediate growth or in that kind of a spurt in growth or anything but from the point of view that at 35 years also we are young because we still have a long way to build the organization and that we also have a long runway in terms of the housing market in India so from that potential we have from 31000 Crores to about a lakh of Crores is still something which is very much in the not so far away dream for us.

Onkar Ghugardare: Yes, but as far as the addressable market is concerned it is for each and every player in the housing finance company?

Suresh Iyer: We also are very positive about; others also share the same view that is about it.

Onkar Ghugardare: Earlier you used to give certain targets for like next year or two years you stopped giving that any particular reason for that?

Suresh Iyer: We just shared. I think there was an earlier question as to what is the long book growth so we did mention about the loan book growth in the range of 18 to 20% that is what we will do.

Onkar Ghugardare: Bur earlier it was given in your presentation you have just removed that I was asking about that.

Suresh Iyer: There is nothing of that sort but I think this has been the standard thing we have been talking about 18 to 20 is kind of what we have been saying for the last few years. The story will remain the same 18 to 20 we are quite comfortable it is a healthy growth rate at the same time it is a very manageable growth rate so that is what we will look at.

Onkar Ghugardare: As far as the debt to equity you were saying eight times leverage you are comfortable with you just said it is 7.97% you said that whenever it is required is there any particular level in your mind that at this point we will do it at certain gearing we will do it?

Suresh Iyer: See as of the moment looking at the growth trend if you look at it, the internal accruals and healthy profit ratio that we are having the internal accruals should also be able to give us a good amount of scope for growth plus if you look at the requirement or the regulatory limit it is 12 times of the network you can borrow so there is still a good runway that we are having.

Onkar Ghugardare: Correct but you have not gone beyond this like for many years now right?

Suresh Iyer: I think Sir if you look at maybe 2018-2019 that time our debt equity was more it was close to 9 and 10 so from that it has now been reduced to 8 so 8 is comfortable for us and our bankers are quite comfortable at giving at a cheaper rate at this leverage ratio.

Onkar Ghugardare: So, in the near term there is nothing in the offering you are saying right?

Suresh Iyer: We have got enabling clause in AGM about raising of capital, if we find that good growth opportunities are there then we may review our position and if required there is always an enabling clause we can raise a capital.

Onkar Ghugardare: As far as the current situation is concerned how is the situation?

Suresh Iyer: I think maybe in coming two to three quarters we do not feel any need as such and with the profits which are being plowed back we should be able to take through for the year also.

Onkar Ghugardare: Just one question on the demand side any pressure you are seeing on the housing demand side?

Suresh Iyer: As we said in the beginning yes because of the rate there was a little bit of slowdown which we expect will change as the rates are now remaining flat and will hopefully start going down also so that should also push the demand.

Onkar Ghugardare: Your personal opinion on the rate cut which you would be expecting say next two to three years, particularly your opinion not the company's opinion?

Suresh Iyer: I can talk about wishful thinking but I guess qualified opinion can only be given by the RBI otherwise it can only be wishful thinking.

Onkar Ghugardare: Correct. Thank you.

Moderator: Thank you. The next question is from the line of Pooja Ahuja from Monarch Networth. Please go ahead.

Pooja Ahuja: Thanks for the opportunity. Sir since you have mentioned in this quarter you have taken higher standard asset provisioning and increase the PCR so for the next two, three years could you guide in terms of credit cost what sort of numbers are we building in?

Suresh Iyer: It is not because of that we are expecting any higher credit cost that we have made this provision. As we said that we are quite comfortable with the collections and the recovery position is quite comfortable. Just this thing of being on the conservative side and to improve the PCR ratio we have actually had this additional provision otherwise we are quite comfortable so we do not expect to see any spike or any increase in the credit cost going forward also.

Pooja Ahuja: 10 to 15 BPS is that a sustainable level of credit cost we can expect?

Suresh Iyer: I think credit cost should hover around maybe 5 BPS or maybe maximum 7 BPS.

Pooja Ahuja: Thank you and secondly on the borrowing mix you have seen that the CP share has gone down just wanted your perspective on how do we see this mix going forward?

Company Speaker: So, CP is used as cost leverage tool and as you experience with the markets capital markets are not so favorable in the closing quarters of the year, so we analyze whatever is the best possible solution be it from the banks side or from the capital market accordingly we choose the source of funding.

Pooja Ahuja: Alright. That is it from my end. Thank you.

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

Jigar Jani: Thanks for taking my questions. Couple of questions. So, I am just looking at your slide on slide #12 we have seen an increasing spread on a sequential basis but our NIMs have compressed on sequential basis so any one-offs there in the NIM figure?

Suresh Iyer: What was the last part of it is there any?

Jigar Jani: Any one-offs because we have seen net interest margin you reported net interest margin dropped from 3.47 to 3.37 despite spreads increasing by 2.24 to 2.36?

Suresh Iyer: Yes, so there is just a timing difference in this quarter but on the longer term basis if you look at the coming quarter there will be likely improvement in the spread and NIMs because as I explained earlier we are expecting on the asset side rates to be slightly adjusted as an impact of the reset happens.

Jigar Jani: So when you say 7.51 is the cost in this slide that is the cost for the entire quarter or is it the exit cost that you are giving us because there is another slide on slide #16 where you are giving the quarter four cost to be slightly lower so just wanted to reconcile which is the quarterly cost?

Company Speaker: Yes, what happens is in this slide we give the incremental cost of borrowing for the specific quarter and in next slide we give the total cost of funds for the next quarter.

Jigar Jani: Understood and right now what would be the incremental cost of borrowing would it be similar?

Company Speaker: I think it will be on the lower side than the last quarter because last quarter we had to raise NCD as per the regulations of SEBI which was on the higher side and the composition of the NCD was also on higher side to comply with the regulations. This quarter incremental cost of borrowing should be lesser than the last quarter.

Jigar Jani: May be any figure you could guide to 10, 20, 50 BPS how much would be lower?

Company Speaker: It is difficult. I think it is generally first quarter the disbursement generally does not happen as it happened in the fourth quarter, this depends on what will be our requirement of funds. At that point of time we will see what will be our incremental cost of borrowing for this quarter, maybe if CP is prevailing at lower rate and come down and our ALM supports raising of CP we may raise CP also that could be at much lower rate than the bank borrowing.

Jigar Jani: Understood and Sir what is the outstanding restructured book and has some part of restructured book started paying and how has been the performance there in terms of collection efficiency and numbers basically bounce rates if you could guide something?

Suresh Iyer: So, the total restructured book is around 695 Crores. It has just in fact effective February started coming out of it so it is actually too early to give a prediction or kind of this thing as to how it will behave so the efforts we have already initiated and the customers are also will come back and start paying so that is the kind of thing. It is not a very large book that is there and we expect that the repayments also will start. I guess the next quarter will be a better time to really give you a picture as we will be in a position to give you a picture as to what is the trend of the repayment.

Jigar Jani: Sure, and Sir last question is on the cost-to-income ratio any guidance can it hover around 16 to 17% level?

Suresh Iyer: We are already at a tag below 17% and we can expect it in the same range of about 16 to 18% kind of range that it will operate.

Jigar Jani: Thank you so much for answering my questions and best of luck.

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

Abhijit Tibrewal: Yes, thank you for taking my questions. Firstly I just wanted to understand has there been some change in the way we classify bank borrowings and NHB borrowings the reason I asked is if I look at the funding mix and the borrowing mix that we give please correct me if I am wrong but numbers for March 2022 has been restated, some reclassification between banks and NHBs just looking at your Q4 presentation of FY2022 and Q4 presentation of FY2023?

Suresh Iyer: Abhijit actually what has happened from the year 2021 – 2022 as per SEBI LODR we have to raise NCDs to the 25% of the incremental borrowings. In future you can find that NCD finding a place of 25% in the borrowing mix in the coming future because in incremental borrowing whatever this is also the NCD in that case our bank borrowings may come down that is one thing that is what we envisage in the future and our CPs have decreased because as told because we find that bank borrowings are cheaper than the CP borrowings so if again if we find that bank borrowing are costly and CP it is a low cost our CP may increase so that is the major change which has happened and likely to happen.

Abhijit Tibrewal: Understood Sir. Sir basically the way we used to kind of classify basically and the way we used to report our borrowing mix has not really changed right?

Suresh Iyer: It has not changed there is no change.

Abhijit Tibrewal: Sir secondly you did touch upon the demand outlook and the fact that most other many institutions have also acknowledged that there was some at least sentimental impact in demand on mortgages customers were delaying their purchases, but some expectations of stability in interest rates you are expecting this demand to recover in the second half of this fiscal year is that the right way to kind of look at it?

Suresh Iyer: You are right so if the rates remain steady and/or if they come down then the demand, I think will be back in market should see an improvement.

Abhijit Tibrewal: Got it that is specifically why I asked basically what I was trying to understand is during an interest rate upcycle the fact that as a franchise we do annual reset on interest rate on a rolling basis there are always merit in I would say customers sticking around with us but now that interest rates are stabilizing and then there are expectations that whenever in the next six months, nine months, whatever the interest rates start coming down the fact that their interest rates will be reset on an annual basis while banks will be very prompt in passing on any repo rate cuts is there a risk that customers might want to move on or take balance transfers to other lending institutions given that you have seen such cycles what is it that you would typically do in the interest rate down cycle? How do you kind of retain those customers?

Suresh Iyer: See first of all this kind of a 200-bps rate hike in a very short period is kind of unprecedented. Normally any rate hike or reduction happens in a more gradual manner and so therefore this kind of a very high difference between the prevailing rates for new customers and existing customers is not usually there so if the rates start going down in a gradual manner the difference between the current and the existing rates for the customer and for the new customer would not affect much and the reset will not be much of a problem; however, as regards to what we normally do for such kind of things we have an internal rating system and we look at the customer and based on the rating of the customer which is on multiple parameters and gets reset every year we will try to retain the customers who are really good and we will look at that. That is an option that we can always think of and look at to retain the best customer but normally as I said it is normally not so much of an issue if it is a gradual kind of reduction over a period of time.

Abhijit Tibrewal: Sir just maybe adding on to that hypothetically speaking given that there has been a very sharp I would say maybe 10 to 11 months very sharp increase of 250 basis points increase in repo rates for whatever reasons again hypothetically speaking if there is let us say a 50 basis points kind of a rate cut any time this fiscal year so what you are suggesting is while we will continue to have annual resets just like we have contractually but there is still that room to retain that customer who kind of comes to us and say that listen I am getting 50 bps and 75 bps lower from another bank so that flexibility still remains with us is what I understand right?

Suresh Iyer: The flexibility is there but as I also said that a small difference in the rate would not be too very difficult to convince because in terms of the customer the EMI that matters and the

EMI generally does not change it is EMI remaining constant the general impact is given in the balance tenure so customers generally do not react so much to these kind of things and floating interest rate or variable rate thing has been prevalent for more than close to 20 years now so the customers are also aware of how it operates.

Abhijit Tibrewal: Last question from my side you have already kind of suggested that we have increased the provisioning cover on standard loans consecutively so that point is well received but on two things that I wanted to understand here given that more often than not when we do not take basically provisions during a particular quarter we kind of defended by saying that lot of this moves in line with the LGDs, PDs and what is the requirement of ECL and then obviously there are quarters where we conservatively take provisions to shore up the provisioning coverage ratio, basically are we now kind of comfortable with these kind of provisioning cover or new thing that there could be quarters going forward where we could see that conservatively we might choose to build onto that provisioning cover?

Suresh Iyer: You mean to say would there be a position of adding to this kind of cover or you are saying would there will be withdrawal just seeking clarity?

Abhijit Tibrewal: What I mean is going forward will there still be a case of adding on to this provisioning to further increase the provisioning cover?

Suresh Iyer: We would definitely like to have a strong; definitely add to the strength of the balance sheet so a little provisioning would definitely be something we would look at opportune times.

Abhijit Tibrewal: Great Sir. I think this is very useful and Sir Congratulations on assuming the role of the CEO at Can Fin Homes.

Moderator: Thank you. Our next question is from the line of Pavan Kumar from RatnaTraya Capital. Please go ahead.

Pavan Kumar: Sir can you give us the recovery numbers for this quarter and last quarter and secondly in the stage two portion of restructured book where we were not being paid any EMI so what is the size of that portion?

Suresh Iyer: Sorry.

Pavan Kumar: What is the restructured portion of the book?

Suresh Iyer: The restructured book about Rs.695 Crores in fact has just started coming out of it I think mostly from February so the major chunk of it is yet to come out of the restructuring so it is too early a time to actually talk or give you a picture on the performance of the restructured accounts. Probably as I said earlier the next quarter would be a time when we would be able to give you a clearer picture on how the accounts are moving.

Pavan Kumar: But can you give us roughly what percentage of these accounts would we be paying right now any EMIs?

Suresh Iyer: So we have almost in terms of the collection about 78% of the dues for the borrowers coming out of moratorium have already paid and are regular have started servicing the payments those who have come out of it which is actually is a very small number.

Pavan Kumar: What would be the recovery number for this quarter and last quarter Sir and for the year if you could share?

Suresh Iyer: You mean roll forward and roll back.

Pavan Kumar: Yes.

Suresh Iyer: We have about Rs. 54 Crores has been the roll forward and about Rs. 52 Crores is the roll back during the current year.

Company Speaker: Just to clarify see we have recovered around Rs.16 Crores of NPA and slippage was to the tune of Rs.8.62 Crores that is in Q4.

Pavan Kumar: This is in Q4 and the Rs.53 Crores and Rs.48 Crores was for the entire year as well?

Suresh Iyer: I will just total.

Company Speaker: In fact our recoveries are more than the slippages.

Pavan Kumar: What would be your pool of recoveries Sir because I am assuming the recoveries being slippages is not a normal condition right or is it?

Suresh Iyer: Normal condition and whatever NPA is there we have identified around close to Rs.70 Crores of NPA which we are targeting to recover depending upon the availability of purchases for the properties so these we are targeting. Let us see what happens because I think these are the targeted numbers for this year.

Pavan Kumar: Going forward as an earlier participant also asked is the provisioning going to be bulky in Q4 as the case right now or would it be spread evenly over from here on?

Suresh Iyer: We would definitely be maintaining this kind of a PCR ratio and let us see whatever is required if a good opportunity comes around we would also like to add to this.

Pavan Kumar: Fine. Thank you.

Moderator: Thank you. The next question is from the line of Shreepal Doshi from Equirus. Please go ahead.

Shreepal Doshi: Good evening and thank you for giving me the opportunity. My question was with respect to the superannuation of our employees who have been part of the organization for quite some time so what is the thought process to fill in that senior management positions over the next two years?

Suresh Iyer: So we have a very stable team not only at the top but across the various branches so we have a lot of people even in the second level and a good amount of succession planning that is happening where we have enough people who can be groomed and can be brought up to the level as and when there are vacancies in the senior teams so that is not an issue because across the branches we have enough number of people who have been stable for a long time in the organization.

Shreepal Doshi: But Sir we will be open to say hiring from the open market as well or the thought process would be to groom and upscale?

Suresh Iyer: If at all there is opening and we require from outside we will be open to it.

Shreepal Doshi: Got it Sir. Thank you so much Sir.

Moderator: Thank you. The next question is from the line of Nilesh Jethani from BOI MF. Please go ahead.

Nilesh Jethani: Thanks for the opportunity. Most of my questions have been answered. I had one question. Historically pre-COVID our spreads when we compared to the banks, etc., was typically

1.5% with regards to the interest rates what we charge and during COVID we brought it down to 0.75% the spread between what we as Can Fin charge and what banks typically charge but now with most of the COVID, etc., behind us and the state of economy is largely coming back to normalcy just wanted to understand what outlook do we carry with regards to charging clients on interest rates versus what banks are charging today? Thank you.

Suresh Iyer: We will be operating in a very competitive scenario wherever it is possible but at the same time maintaining a healthy spread and NIMs so a 2.5% kind of a spread and a 3.5% kind of a NIM is something we will be looking at and within that ambit we will be kind of pricing our loans that is how it will operate.

Nilesh Jethani: Got it and to achieve that number how far are we with regards to yields the incremental yield what we can charge to the clients?

Suresh Iyer: So right now we are almost about anywhere between 50 to 100 bps compared to the market a little on the higher side compared to the best in the market but looking to our kind of segment that we are operating considering the kind of service and everything that we are able to offer we are able to manage this kind of a difference in interest rate.

Nilesh Jethani: Got it. Thank you so much.

Moderator: Thank you. The next question is from the line of Gaurav Jani from Prabhudas Lilladher. Please go ahead.

Gaurav Jani: Thank you and congrats on a good quarter. Just a few questions one is can you quantify the total investment for this whole year?

Company Speaker: So, the total investment income for the year is Rs.109 Crores.

Gaurav Jani: Understood and we would right now be at a LCR of 60%?

Company Speaker: Much more than that.

Gaurav Jani: Can you quantify that please?

Suresh Iyer: We are in the range of about 100% so the requirement is for 60% but we are maintaining close to 100% on an average this thing.

Gaurav Jani: So, the point is no further drag basically in the margin which is the LCR?

Suresh Iyer: No. You are talking about the increase from 60% to 70%. We are already in a very comfortable position so we will not be required to add to this portfolio going forward.

Gaurav Jani: Understood. Secondly Sir the tax rate for the quarter was lower while you have created contingent provisions so probably there were not also any write-offs Sir why is the tax rate low?

Company Speaker: The tax rate is based on certain assumptions and at each year end we analyze the actual amount of deduction or exemption that we are eligible to so that is being audited last quarter of the year and also we are able to generate the exact amount of provisions that we can take an allowance from the income tax. Accordingly in this current quarter with that income tax computation could be arrived at and accordingly a little provision was reinstated or actualized to the overall number.

Suresh Iyer: If you look at it close to 90% plus of the book is purely long term housing so in fact on the entire book practically you can say we are getting the benefit of 3618 so the 20% if you look at corporate tax rate of 25% effectively the tax rate should be 20 considering that almost 100% of our book is eligible for the 36 (1) (viii) benefit of long term housing so that is the calculation which determines the actual tax rate.

Gaurav Jani: Sustainable basis 25 to 26 should be looked at as the tax rate?

Suresh Iyer: As I said looking to the 36 (1) (viii) benefit almost our entire book is eligible for long term housing benefits of 36 (1) (viii) so going by that considering a 25% tax rate our actual tax rate effective tax rate should be lower so you can say somewhere in the range of about 22% or something can be looked at.

Gaurav Jani: Because historically Sir it was a bit higher so just wanted to reconfirm on that?

Suresh Iyer: No, you are right, so these 36 (1) (viii) benefits is something which comes at a very large rate, so we have just computed it and that has been what we have taken closer to the actual based on our experience.

Gaurav Jani: Understood. Just a clarification Sir furthering your point on the provision bid from here on just to reconfirm you would like to maintain a sort of a 50% to 53% from here on?

Suresh Iyer: We would like to maintain a healthy PCR that is correct. That is why we have also increased it from the previous 54% to 62% so we are kind of just strengthening the balance sheet.

Gaurav Jani: Understood last question Sir just a data keeping one if you could just quantify the total slippages and the recoveries upgrades for the full year?

Suresh Iyer: Roll forward is Rs.54 Crores during the year and roll back or the ones which came out of NPA because of full recovery from those accounts and regularization of the accounts is about Rs.52 Crores.

Gaurav Jani: Understood. Thanks, and all the best.

Moderator: Thank you. The next question is from the line of Darshan Shah from Multi-Act. Please go ahead.

Darshan Shah: Thanks for the opportunity. I just have two questions. One is, is there any exceptional item or one-off in fees and commission income for the quarter and what would be the collection efficiency of the restructured book in the month of March and April?

Suresh Iyer: What is the second part of the question?

Darshan Shah: Collection efficiency in the restructured book in the month of March and April?

Suresh Iyer: To answer your first part of the question about any charges so if you recollect we had this COVID period where we were not levying a lot of charges which as per the Supreme Court ruling we were not levying a lot of charges which were regular as per the fees and charge structure of the company so now that the COVID is beyond us we have those kind of charges which are there are being levied to the customer like whatever for delayed payment and things like that and so that is one of the reasons and as for the second portion add to this I still say it is too early to predict the kind of a recovery ratio or collection efficiency from the restructured book because a very small component has come out of restructuring; however, on whatever it is here about 78% is the portfolio which is now servicing out of small portfolio that has come out of restructuring.

Darshan Shah: What is the proportion of the portfolio which is still not out of moratorium?

Suresh Iyer: So, we still have about 75% is yet to come out and whatever has come out has come out only in February and March mostly in March.

Darshan Shah: So, by when will this 75% come out of the moratorium?

Suresh Iyer: So, this Rs.695 Crores will be out of restructuring by the end of November 2023.

Darshan Shah: So, on the fees and commission income so is this a new normal now in terms of the quarterly run rate?

Suresh Iyer: Annually you can say this will be the kind of a new norm this kind of a piece.

Darshan Shah: Thanks. That is it from my side.

Moderator: Thank you. The next question is from the line of Jaskirath from IIFL. Please go ahead.

Jaskirath: Congratulations Sir for the good set of numbers so one of my questions has already been answered about the expansion of branches so the next question is that how much time does it take for you guys to open a branch in a new city and how much time does the branch gets to its break-even point?

Suresh Iyer: There are three parts to it one is we already have satellite centers where we have an experienced staff, we already have a customer base and once we upgrade the staff there will be almost minimal or nil break-even time because we already have a customer base which is servicing. Two if it is on the geographies where we are already operating and near to the existing centers from where we are operating again it will again be very short period of about one-and-a-half years and if it is absolutely new geography then in that case it would probably cross about two years in time.

Jaskirath: In the coming one or two years what would be your trajectory of the geographical expansion like will it be more focused on North or it will continue towards the South area only?

Suresh Iyer: No it will be balanced because right now also we have about 65% of the book in the South but we still have a good penetration and presence in the other rest of the country as well so it will all be almost mixed you can say but overall in terms of the overall book as I mentioned earlier we would like to move from a 65% plus in the South to close to 60% in the South and 40% in the near future is what we are targeting 60% to 40%.

Jaskirath: Thank you.

Moderator: Thank you. The next question is from the line of Sanket from DAM Capital. Please go ahead.

Sanket: Sir congrats on a healthy set of numbers. Just one thing on credit cost you told earlier that it would be 5 to 7 bps going ahead is that right, was it an annual guidance or a quarterly one?

Suresh Iyer: Going forward it is not that it is a new normal but as of now that is the kind of total credit cost that is being experienced and I guess that would be maxed about 10 bps is what we can look at.

Sanket: For the full year, is it?

Suresh Iyer: Yes.

Sanket: That was the only question.

Moderator: Thank you. The next question is from the line of Palak Shah from Prabhudas Lilladher. Please go ahead. Since there is no response from the line we will move to the next question that is from the line of Nischint Chawathe from Kotak. Please go ahead.

Nischint Chawathe: Thanks for the opportunity. Of your total borrowings of I think around 54% odd are linked are bank loans are these loans linked to MCLR or are they linked to external benchmark rates?

Company Speaker: So, it is a mix of all so broadly if I say 43% of my bank borrowing is linked to repo and other rates like MCLR or some specially agreed rates with the banks so broadly like half of it is linked to repo.

Nischint Chawathe: Sure, got it and on the asset side I believe your weighted average has kind of gone up almost 50 to 55 basis points over the last four quarters is that the rate hike that is passed on to your customers or have you kind of increased rates higher?

Suresh Iyer: So there has been rate hike in three tranches which we did last year which amounts to about Rs.10000 Crores of the book which is about one third of the book has already experienced the rate hikes and then the remaining portfolio of about Rs.18000 Crores is yet to experience either two or one rate hike depending on the time when the reset clause happens so that is one part of it and secondly yield has also gone up because the incremental book that is the entire incremental lending that has happened has also happened at a higher rate of interest. Today incremental yield in the current the last quarter is around 9.87 these are the two reasons why the yield has gone up.

Nischint Chawathe: In terms of resets your book will reset like once in six months or how does it work?

Suresh Iyer: It is annual.

Nischint Chawathe: So, you mean the rate to your customers are reset once in a year?

Suresh Iyer: Once a year yes.

Nischint Chawathe: If you could put a number in terms of over the last four quarters cumulatively how much have you raised for your customers?

Suresh Iyer: How much have we.

Nischint Chawathe: For the existing customers?

Suresh Iyer: We have raised 135 bps in three branches of 50, 50 and another last is 35 so the last one as I said is Rs.12000 Crores which has experienced the full 135 bps rate hike then there is a chunk which has experienced one of it already because they were booked after or they have already come for reset post the first year tranch they are yet to happen for two tranches and then another jump which is yet to experience the third tranch.

Nischint Chawathe: The third tranch was done in the Q3 or Q4?

Suresh Iyer: The third tranch was done in the Q3 you are right in November.

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

Moderator: Thank you. The next question is from the line of Amit Ganatra from Invesco AMC. Please go ahead.

Amit Ganatra: Good evening, Sir. I joined the call late so I do not know whether this question was asked but I heard you are talking about 18% to 20% kind of loan growth now if your disbursement growth this year is only 8% and sanction growth is only 5% for the full year do not you think you need at least 14% to 15% kind of a disbursement growth on a sustainable basis to achieve this 18% to 20% kind of loan growth?

Suresh Iyer: Yes so we did mention that we would be looking around close to 20% growth in the disbursements to achieve or maintain this 18% to 20% loan growth so currently we have done close to Rs.9000 Crores disbursement so with a 20% growth we will be somewhere around Rs.10800 Crores and then considering the repayment and the amortization and prepayments in BT house the net growth would be around Rs.6000 Crores to Rs.7000 Crores which would become a 20% growth on the loan book so we will require about 20% growth in the disbursements.

Amit Ganatra: This 20% growth that you are talking about will it be more consistent across quarters or it will be back ended?

Suresh Iyer: So normally the industry is talking about is works in the 45% to 55% or 40% to 60% depending close to 45% in the first half and 55% business in the second half that is how it normally operates.

Amit Ganatra: Have you done any specific changes to the way you do business to achieve this kind of a growth because 20% is quite high as compared to what you achieved this year right?

Suresh Iyer: Yes considering what has happened in the current year yes but as I mentioned earlier if the rates are stable and if the rates are coming down even better then the demand also which is there because there is a quite a bit of latent demand but because of the light reduction in supply post closure of the CLSS and this rate hike there is a kind of a postponement of decision by the customer so I guess that should kind of change once the rate stabilizes.

Amit Ganatra: Thank you.

Moderator: Thank you. The next question is from the line of Dhaval from DSP Investment Managers. Please go ahead. Since the line is on hold we move to the next question that is from the line of Ankush Agrawal from Surge Capital. Please go ahead.

Ankush Agrawal: Thank you for the opportunity again so can you highlight the incremental cost of funds for different sources of borrowings like banks, NHBs?

Suresh Iyer: So, it is like cumulative gain it has increased by 97 bps but exact quantum like by the nature of borrowing.

Ankush Agrawal: I am not saying by nature of borrowing the quantum but the incremental cost of funds the bank is like 6% to 7% and 8% and CP is at 5% like incremental cost of funds?

Suresh Iyer: Yes on the NHB book we can say that as of the moment they are going somewhere in the range of because we also have a sizable chunk of funds coming from the affordable low cost housing kind of a project refinance scheme so that is somewhere around about 6% kind of a range and CP of course will vary depending on the timing and everything that we look at it. NCD the last we borrowed was at a higher cost but again that will all depend on the rates in the market because these are all market driven and if the rates are coming down as we just responded about 43% or close to half of it is linked to repo so that should also start coming down.

Ankush Agrawal: But in terms of the year so say the cheapest source would be NHB I am assuming right from that sense?

Suresh Iyer: NHB yes. NHB is quite low cost for us.

Ankush Agrawal: After NHB second cheapest cost of fund would be say a bank borrowing and the last highest cost of borrowing source should be NCDs in the normal scenario?

Suresh Iyer: Keeping aside the CPs which are obviously short term in nature around the long-term funds you are right NHB followed by banks and then NCDs.

Ankush Agrawal: Right so now with this rule of incremental borrowing for 25% should come from NCDs so that would structurally increase the cost of funds for us right because now we are at about 17% to 18% share from NCDs which would eventually next to say 25%?

Suresh Iyer: Correct that is what we said that that was the reason why in Q4 also our incremental cost was slightly on the higher side because we did raise at a higher rate the NCDs which was a regulatory requirement 25% of the long-term borrowing has to be from market sourcing.

Ankush Agrawal: So, this would be applicable across the industry for all housing financial?

Company Speaker: This requirement is specific to the large corporate borrowers as per the SEBI so those who have got listed securities are having a long term borrowings of more than Rs.100 Crores; there is an eligibility or applicability which is quantified as a large corporate borrower to which this regulation applies.

Ankush Agrawal: Got it. That was helpful. Thank you.

Moderator: Thank you. The next question is from the line of Sneha Ganatra from Star Union. Please go ahead.

Sneha Ganatra: Sir is there any talk going on with the rating agency?

Suresh Iyer: They should now anytime come for an annual review that is it otherwise nothing. Any particular reason you are asking this question?

Sneha Ganatra: Any scope for the rating upgrade that is the only question I wanted to ask?

Suresh Iyer: Yes obviously we will be pushing them to look at the fresh financials but any such thing they obviously would require the fresh financials otherwise they would not be able to look at it so now that we have the annual results ready we will be definitely talking with them and anyway it is time that they will also be approaching us for the review.

Sneha Ganatra: Got it. All the best Sir.

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

Ritika: Sir just on that 25% incremental borrowing on the long-term basis which we have to do as per the SEBI regulation where does it settle at as a percentage of the overall liability?

Company Speaker: Right now, if I see the total NCD stands at roughly 17% of the total borrowing as of now.

Suresh Iyer: Whatever is the incremental borrowing 25% has to be raised to NCDs so right now whatever that old bank borrowings they are slowly replaced by the NCD so it will finally settle at 25%.

Ritika: So, the stock also eventually should be 25% is just the clarification I wanted?

Suresh Iyer: Yes, close to 25% because we have a very small component of short-term borrowings.

Ritika: Right and obviously there was this regulation we obviously have also been hearing the SEBI Chairman being a little more stricter on this because I think this particular norm was there but not being met so what are the penalties there if one does not meet this and when it is like that you necessarily have to meet this by now?

Suresh Iyer: No generally we have to raise in the same year further it can be extended to next year at least but what we are doing we are doing in the same year.

Ritika: Obviously this 25% it has to be reached only like and it reaches mathematically, it is not that it is in the next two to three years you necessarily have to be 25% so I was trying to just understand that?

Suresh Iyer: So, whatever borrowing we raise now there is slight change whatever borrowing we raised this year long-term borrowing incremental long-term borrowing 25% has to be raised through NCDs it can be extended to next two years that is one plus two.

Ritika: Understood. Thank you. That is it from my side.

Suresh Iyer: This is only talking about the incremental borrowings so if you have the borrowings prior to the implementation or prior to this particular circular coming those borrowings will not apply so only when this come for a reprising or when we have to replace them with fresh borrowing then on that component we will have to maintain 25%.

Ritika: Sir could you please repeat that please?

Suresh Iyer: So, prior to the circular coming in place whatever were the borrowings which are still continuing they will not obviously come for replacement in the coming year.

Ritika: So, this is only for the increment and not the stocking what you are trying to say?

Suresh Iyer: If our book is Rs.30000 Crores and entire Rs.30000 Crores does not come for a reprising or a part of it will come this year on that 25% will have to be there so over a period all the entire borrowing book will come for repayment and replacement at that time this particular norm will have to be implemented so this could run over the next three to five or seven years also because there are long-term borrowings from NHB refinance and everything which were already there which are long term in nature of up to seven years.

Company Speaker: Also, Ritika just to add because we have been very conservative for these statutory compliances so although SEBI allowed it for us within a block of three years to be managed but on a conservative we have been doing it year-on-year. We have not been taking it to the next year also, although it is available to us.

Ritika: Yes so that is why I asked because I do not know how to put it but it is because it is a fixed rate and currently the rate cycle where we were if we could have postponed it next year I think that is the kind of question I wanted to understand that if choice B was allowed to be pushed next year assuming that maybe rates might have been a little better so I understand you are saying you are being conservative and you want to comply the very same year.

Suresh Iyer: So next year is uncertain Madam so what we feel that if it is supporting what margin we foresee then we will raise so that is why we have raised.

Company Speaker: Secondly NCDs also if you look at it what we have been raising are for a tenure of about 39 months so because of that in fact even if that happens it will be over a period of the next three years and a quarter it will come for fresh replacement. At that time if the rates are coming down they can always be replaced at that time so it is not a very long term kind of NCDs that we are raising.

Moderator: Thank you. Ladies and gentlemen that would be our last question for today. I now hand the conference over to Mr. Suresh Iyer, MD & CEO for closing comments. Thank you and over to you Sir!

Suresh Iyer: Thank you everyone. It was a great pleasure interacting with all of you and appreciate that you have all taken so much time to discuss the results with us. We are open to any discussion. Thank you so much. Thank you for joining us today.

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