Can Fin Homes Ltd
(Sponsor: CANARA BANK)
HOME LOANS ◆ DEPOSITS
Translating Dreams into Reality

CAN FIN HOMES LIMITED
Registered Office
No. 29/1, 1st Floor, Sir M N Krishna Rao Road
Basavanagudi, Bengaluru – 560 004
E-mail: compsec@canfinhomes.com
Tel: 080 48536192 Fax :080 26565746
Web: www.canfinhomes.com
CIN: L85110KA1987PLC008699

CFHRO SE CS LODR 199/2022
October 22, 2022

ONLINE SUBMISSION

BSE Limited
Corporate Relationship Department
25th Floor, P J Towers
Dalal Street, Fort,
Mumbai – 400 001

BSE Scrip Code: 511196

Dear Sirs,

Sub: Transcript of Analyst/Investor Earnings Call for Q2FY23 Financial Results
Ref.: Our letter CFHRO SE CS LODR 194/2022 dated October 18, 2022

In continuation to our above referred letter, please find attached the Transcript of Analyst/ Investor conference call/earnings call held on October 18, 2022, Tuesday.

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: 2022.10.22 13:10:27 +05'30'

Veena G Kamath
DGM & Company Secretary

Encl: As above.

"Can Fin Homes Limited
Q2 FY 23 Earnings Conference Call"
October 18, 2022

MANAGEMENT: **MR. GIRISH KOUSGI – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER – CAN FIN HOMES LIMITED**
MR. AMITABH CHATTERJEE – DEPUTY MANAGING DIRECTOR – CAN FIN HOMES LIMITED
MS. SHAMILA – BUSINESS HEAD – CAN FIN HOMES LIMITED
MR. PRASHANTH JOISHY – CHIEF FINANCIAL OFFICER – CAN FIN HOMES LIMITED

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

Moderator: Ladies and gentlemen, good day, and welcome to the Can Fin Homes Limited Q2 FY '23 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 star then 0 on your touchtone phones. Please note that this conference is being recorded. I now hand the conference over to Nidhesh from Investec Capital Services. Thank you, and over to you.

Nidhesh Jain: Thank you, Mike. Good afternoon, everyone. Welcome to the Q2 FY '23 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 today; Mr. Girish Kousgi, MD and CEO of Can Fin Homes; Mr. Amitabh Chatterjee, Deputy Managing Director; Ms. Shamila, Business Head; and Mr. Prashanth Joishy, CFO of Can Fin Homes Limited.

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

Girish Kousgi: Good afternoon to all the investors and welcome to the earnings call. It's been a fruitful quarter, a very good quarter. I must say because we've done well in almost all the key parameters. If you look at book, we have grown by 22%. And if I have to talk about disbursement, even sequentially, we have grown by about 2%. If I have to compare on a Y-o-Y basis, it is a marginal growth. That's only because last year, quarter 1, there was COVID, and therefore we couldn't disburse much. So there was a spillover effect. And last year, quarter 2, we did very well. We did about INR 2,208 crores and this quarter, we have done INR 2,245 crores.

So if I have to compare Y-o-Y quarter, I think there has been a marginal increase. And if I have to talk about revenue on a quarterly Y-o-Y, we have grown at 40% and half yearly 38%, operating profit, 33%. And if I have to compare H1-on-H1, 37%. There is a growth of PAT by 15% if I have to compare to half yearly 31% over last year.

So, NIM has been pretty stable at about 3.55%. There has been a 5 bps drop in NIM and spread is 2.51%, dropped from 2.66%. So I had indicated earlier on a steady state, we'll be able to maintain 3% and 2.4% even though we are at 3.55% NIM and 2.51% spread, we will be able to maintain 3.5% and 2.5% for next few quarters. But in the long run, I think it is some ways settle down around 3% NIM and 2.4% of spread.

I think in last few quarters, there has been increase in the cost. And especially for last quarter, the cost went up from 5.8% to 6.04%. So there has been increase in cost by about 24 bps. And last quarter, the yield was 8.46% which improved to 8.55%. Incremental yield is about 9.02% and incremental cost of 6.48%.

Our portfolio yield, as I mentioned, is about 8.55%. And if we have to look at asset quality, it improved. Last quarter was 0.65%, this quarter is 0.62%. Net NPA on a like-for-like basis, apple-to-apple comparison, last quarter was 0.3%. This is under IRAC, and under IRAC this quarter, it is 0.28%.

What has happened is that we have moved to ECL model. We have migrated to ECL model. And therefore, there has been a rearrangement within the total provision between NPA and standard. So, we have withdrawn INR 21 crores from NPA, and that is now sitting in standard provisioning.

So total standard provisioning is about INR 33.5 crores. Out of INR 33.5 crores, INR 21 crores is something which has moved from NPA. And that is why you will see net NPA increase from 0.3% to 0.35%. So 0.3% what you're referring to last quarter is IRAC, equal comparison now is 0.28%. Under ECL, it is 0.35%. And therefore, we see that the net NPA has gone up and the PCR has come down. It's only an internal adjustment because of migration.

If you have to look at total slippage, it is INR 1 crore, net slippage because we have I think, INR 12 crores [inaudible 00:05:02] and we have recovered INR 13 crores. And therefore, you will see there with asset quality and the slippages being pretty okay. In terms of credit cost, it is 0.04%. Demand is pretty good. We are seeing this across all geographies, all segments. We are seeing this amongst all the products.

In terms of salaried and self-employed, we see salaried to be driving a better growth compared to self-employed non-professional. Self-employed non-professional has improved, it's improving every quarter, but I think another quarter or two, I think it will be back to 30% incrementally. Otherwise, you see good momentum across in spite of interest rate hike and also in spite of cost of construction going up, there has been on an average in some markets, 10% to 12% increase in the property prices especially, on the apartment side.

And construction, the cost has gone up by 6% to 7%. In spite of this increase, we are seeing the robust growth. This is no big brief on what happened in quarter 2. We'll be happy to engage because I'm sure there'll be a lot of questions because we have moved from IRAC to ECL, there will be a lot of questions. So I'll be happy to take any questions.

Moderator: Thank you very much. We will now begin the question-and-answer-session. Anyone who wishes to ask a question, may press star and one on your touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested use handsets while asking your questions. Ladies and gentlemen, we'll wait for a moment while the question queue assembles. We have the first question from the line of Dhaval from DSP. Please go ahead.

Dhaval Gada: Hi, sir. Thanks for the opportunity. I had three questions. First one is relating to the borrowings. So, in the last six quarters, we've sort of seen commercial paper share in the borrowing mix come down from 18%, 19% to about 8%. Incrementally, what is your thought process on the overall borrowing mix? And specifically for CPs, if you could give some perspective? So that's question number one.

The second question is relating to spreads. So, we've seen some moderation in spreads this quarter. Just if you could give, I know you've given a medium-term guidance of spread, but just directionally, would you expect next couple of quarters to be more similar -- in the similar zone as we've seen in the second quarter or there is further pressure likely some perspective on that would be useful?

And the last question is relating to the provisioning change. Could you provide the stock of standard asset provisioning and any other provisioning be it restructuring provision, etc. So some perspective on the entire provision be it, that would be the third question. Also the restructured book number?

Girish Kousgi: On the borrowing mix, we don't see too much of a change from the current mix in the near term. Yes, CP rates are going, because the overall rates are going up and which is also -- we can see a higher rate on [LGD 0:08:47]. So we are seeing increase in rate across be it term loans from banks, be it bonds or CP. So what we will do is this is very, very dynamic. So we are agnostic in terms of the source beyond regulatory requirement and therefore we'll be very, very watchful because our endeavor is to keep the cost of funds low.

So to that extent, we will be very conscious about getting the right mix at the right cost. Having said that, I think we will not be able to see too much of a change in the next couple of quarters. So borrowing mix will be almost, for example, today, we have from bank 54% as a mix. So the 54% maybe can become to 52%, but it will not become 45%. So there'll be a small change here and there, there is not much of a change in the mix.

In terms of margin, yes. We did increase rates in last 1 year. One thing is very sure. We have given guidance for long term that is 3% NIM and 2.4% spread. So that definitely we will protect. How we will do? Depending on the cost of funds. We will try to increase the yield, so that we get the right margin and profitability. But having said that, in the near term, I think it will be somewhere around 3.5% and 2.5%, this would continue for the next couple of quarters. But in the long run, it will be about 3%, 2.4%. This is more to do because of our profile. As a Can Fin, we are completely into retail, affordable low ticket. So we are not into high value, we are not into non-homes, we are not into build a funding in order to corporate funding.

And therefore, the ability of the portfolio to generate higher yield is limited to that extent. And therefore, we want to moderate in the long term our NIM at 3% and spread at 2.4% with respect to provisioning. Joishy will give you the details.

Prashanth Joishy: Yes. Regarding the NPA provisioning, in fact, I'm getting a lot of calls, so I thought to give a detailed explanation. The provisioning requirement to be maintained as per the RBI or NHB direction is, IRAC norms or resale model, whichever was higher. Since last quarter, it was the

IRAC norms, which was higher. Because of the ECL model, the standard asset attacks the provisioning at a higher rate compared to the IRAC norms on account of PD, LGD and non-recovery percentage.

In June, the provisioning what we disclosed is INR 97.85 crores for NPA, INR 10.17 crores for standard credit put together, it is INR 199.02 crores. This is the provisioning held in the books as of June 30, 2022. Now, when we do that calculation, we do the calculation as per the ECL model also. The ECL model provisioning at that time was to somewhere around INR 184 crores. The gap was to the extent of around INR 15 crores.

During this quarter, we have disbursed INR 2,245 crores. The full amount is a standard asset, which requires the provisioning at the rate of standard asset provisioning as per the ECL model. So on account of increased disbursement, the ECL model provisioning stood at INR 208.86 crores, whereas the IRAC provisioning stood at INR 204.83 crores.

Now the scenario has changed. ECL model has become more and IRAC has come down. So, company has to hold the provisioning whichever is higher. So, we have to migrate to the ECL model. On account of that, the provision required for NPA as per the ECL model comes to INR 77.53 crores, which was INR 97.85 crores in June. So that means the provision has been come down by INR 20.31 crores. Whereas as for the standard asset provisioning, which is required to be maintained comes to INR 131.33 crores against what we had INR 101.17 crores. That means there is a difference of INR 30.16 crores which we have to provide.

Further for undisbursed write-off credit, we do have to provide as per the ECL model, which comes to INR 3.38 crores. So on account of this, during the quarter, there was a withdrawal of provisioning on NPA to the extent of INR 20.31 crores and creation of additional provisioning in respect of standard asset to the extent of INR 33.5 crores.

So with this, the total provision held in the books, will be INR 131.33 crores for the standard assets. INR 77.53 crores is for the NPA. Put together is INR 208.86 crores, apart from them, restructure for provision, we are holding in the books to the extent of INR 67 crores. So total provision in the books as on date stood at INR 279.94 crores. This is the total provisioning movement because we are getting benefited because I thought this is the right opportunity to explain everything in detail. So most of the repetitive calls can be cleared it out. Thank you.

Dhaval Gada: And the stock of standard restructured book?

Prashanth Joishy: Dhaval, this have been disclosed in the SEBI result, it is INR 704.85 crores. It is there in the SEBI results, second page notes, point number six.

Girish Kousgi: Also Joishy, please share the original amount of INR 709 crores. What is that outstanding today because this will be with the interest accrual. No, the original amount outstanding [inaudible 00:14:21]?

Prashanth Joishy: Yes, it was INR 694 crores, is that right?

Girish Kousgi: Now it is how much?

Prashanth Joishy: INR 708.95 crores, out of which [inaudible 0:14:33].

Moderator: This is the operator. Can you hear us on the call, the management?

Girish Kousgi: So from the initial restructured book, close to about INR 62 crores have been closed. Now the INR 704.85 crores includes interest accrual. So which means out of the original book, INR 60 crores worth of loans are closed already.

Dhaval Gada: So the outstanding is sir, INR 645 crores approximately?

Girish Kousgi: From the original amount because what happened in restructured accounts, there'll be interest accrual, right? So this INR 704.85 crores includes interest accrual. But the cause of this is -- that is INR 709 crores minus INR 62 crores that is the actual cost.

Dhaval Gada: Understood, sir. Thank you. All the best.

Girish Kousgi: So it's about INR 647 crores, outstanding is INR 647 crores with interest it is INR 705 crores.

Moderator: Thank you. We have the next question from the line of Harsh Shah from L&T Mutual Fund.

Harsh Shah: Yes. Thank you for the opportunity. Sir, just a couple of questions. One, you mentioned the long-term NIM guidance of around 3%. Just two questions on that. Currently, we are at 3.55%, and for this year, we are guiding for 3.5%. First, what are the levers to maintain that NIM? And once we come down to 3% on an average plus-minus 10 basis points. What are the levers that we will have at that time to maintain our ROI 2%, because our credit cost is also lower. Our total cost as a percentage of asset is also not inched-up significantly. So at 3% NIM, will we be able to do 2% ROI?

Girish Kousgi: See, our guidance on margin in the long run is about 3% and not in the near future. For the simple reason, I think once we grow on a larger base, showing growth to be difficult. But still, we want to maintain that growth level. And therefore, there, it will be a trade-off between growth and margins. So margin the threshold would be 3% and 2.4%, right.

Now having said that, we would also figure out revenues where we can try and increase our NIM, but we do want to tell that at this point in time, because it's very, very dynamic. I'm not getting into the ratios. All I'm saying is that our growth in terms of disbursement and book will be 18% to 20%. In terms of margins, it will be 3% and 2.4%, in the near term, 3.5% and 2.5%. So whether we'll be able to maintain ROI of 2%, I think all those things, I will leave it to the investors. We can also work on that, but at this point in time, we are confident of -- see, because for us, margin is more a function of what is the profitable that we need to maintain, and it depends on the cost.

So depending on the cost of funds, we would moderate the yield. So today, we are at a particular yield because that is the decision point. And if you have to improve yield on portfolio A, B on incrementally also that we can try and do. So it is something which is in our control. It's only a decision point from when we want to trigger that action.

So, just to cut short the answer, if you have to maintain profitability and the return ratios, we can always moderate the yield and ensure that we show a higher profit, we show higher margins. it's an action point. When we reach that time, then we will trigger the action.

Harsh Shah: So when you say moderate yield, what do you mean by that?

Girish Kousgi: Moderate yield is increase or decrease in yield for example...

Harsh Shah: Is the flexibility you are saying?

Girish Kousgi: Exactly, yes. So for example, today, we are at yield of, let's say, 8.55% now. And let's say, over the next few quarters, if you have to increase yield to show better margins. So we will also try and build the book at a higher rate and also on the portfolio, depending on the increase in the overall interest rate in the market.

Harsh Shah: So sir, that change in yield, does that require you to lend to a new set of borrowers? I mean on you're not -- that does not classify under your current set of borrowers? Or is it the existing borrowers, where you will increase the rate? Or is it a mix?

Girish Kousgi: Yes. Whatever we have discussed now on what we'll be discussing in this call will be based on no change in profile or the segment. There is no change in policy, no change in product, no change in profile, no change in segment, no change at all. The only change is going to be today, we are 100% retail what we're discussing now going forward will be 99.5% retail and 0.5% would be builder funding. So that we are experimenting now with very small ticket size. So that's why the small change of builder funding up to 0.5% over a period of next 3 years, there will be no change in strategy whatsoever.

Harsh Shah: Understood, sir. And just a second question to the rest of the team also where are we in terms of hiring the new CEO? Are we at a preliminary stage, have you shortlisted, are we at an advanced stage? When are we?

Girish Kousgi: See, we have already given the task to the headhunting agency. And we are in the process there. Short listing has begun. So we expect introduce to take this shortly, depending upon which candidate is selected. We expect that whoever is selected will be given some time. By that estimate, we estimate that around maybe new MD and CEO will be able to join at the end of this quarter.

Harsh Shah: Okay. So before the end of the calendar year?

Girish Kousgi: Yes.

Moderator: Thank you. We have the next question from the line of Punit Mittal from Global Core Capital HK Limited.

Punit Mittal: Just one question. When one observation and if you could comments on it. When the news of the resignation of the MD came out, the stock price started falling way before the official announcement came out on the exchanges. So naturally, this information was passed on externally before the material news was published on the exchanges. Has the company looked into it of why that happened and who is responsible for that? Or has the company not observed any such thing?

Girish Kousgi: See, as far as we are aware, we have maintained complete confidentiality till sustain we reported to the exchanges, right? So I think as far as we know from the company, management side, I think there has been no laps on managing this entire resignation process.

Moderator: Thank you. We have the next question from the line of Shreepal Doshi from Equirus.

Shreepal Doshi: Hi, sir. And congrats for the strong growth that can be delivered during the quarter. Sir, just one clarification. On the outstanding restructured, standard restructuring book, you said that is INR 647 crores, on which we are carrying a provision of INR 67 crores?

Girish Kousgi: Yes.

Shreepal Doshi: Is that right?

Girish Kousgi: Yes.

Shreepal Doshi: And sir with respect to the ECL norms, like going forward, would we be disclosing the Stage 1, 2, 3 and the coverage on the same or if you could share currently, it would be very helpful?

Girish Kousgi: The disclosure will be as for the RBI guidance, what we are required to do. So the same format is maintained.

Shreepal Doshi: And then on the yield side, have you taken any rate hike during the quarter? Any changes on the rack rate?

Prashanth Joishy: In quarter 2, we haven't increased because we had increased in quarter 1.

Shreepal Doshi: And so going ahead, like are we planning to increase in the next quarter?

Prashanth Joishy: This quarter, we are planning to.

Shreepal Doshi: It would be by how many basis points?

Prashanth Joishy: That we have not decided because last quarter, I think just before quarter 2 could begin, we had discussed in our internal meetings and we declared that we should not immediately increase because we are pretty comfortable on the yield spread and the overall margin and therefore, we didn't increase the rates. So this quarter, we plan to increase and it will be marginal because even now we are pretty comfortable on the margin.

Shreepal Doshi: Sir, one last question. It is with respect to the Chief Risk Officer. So I think there was a filing wherein Mr. Udhaya Kumar was designated as interim CRO. So because I think it was a superannuation of Mr. Narendra I suppose. So are we in the process of finding a replacement for that position as well?

Girish Kousgi: Yes. We are in the process of hiring CRO. And that process is already on. And we have shortlisted a few candidates, and we have to see when, who is going to join.

Shreepal Doshi: Okay. Is there any update that, that is there for the CFO position?

Girish Kousgi: This is the same thing for CFO also. Same holds true for the CFO also.

Moderator: Thank you. We have the next question from the line of Ratik Gupta from Guardian Asset Management.

Ratik Gupta: So I wanted to understand the relation between the average business for the brands and the employees. What I see is there has been a decrease in your average business per brands for this quarter as against the previous quarter, while there has been an increase in the average business per employee. And also, we are seeing a decrease in the employee expense for this quarter in a significant as compared to the previous one. So can you give a limelight on that?

Prashanth Joishy: Regarding the employee expenses last quarter was INR 22 crores, this quarter it is INR 17.83 crores, mainly on the account of actual valuation that is as per accounting standard 15, where we have to make the provision, if the valuation of the investments are less than the committed. Now as we're aware that recent valuation has gone up this quarter, so the provisioning, what is required has been come down.

Last quarter that is Q1, we made a provision to the extent of around INR 4.5 crores [inaudible 0:26:11] considering PL encashment, sick leave and gratuity expenses. That is why it has gone to positive growth, but for which it was hanging around INR 16.8 crores. This year, it is INR 17.8 crores with the additional provision of INR 0.51 crore or INR 51 lakhs, what is mandated for reassessment, but for which, it is INR 16.87 crores. Employee costs almost remain the same as such.

Girish Kousgi: In terms of income, average business per employee last quarter was 30.87, and now it is 31. This is a marginal increase.

Ratik Gupta: Yes. But there has been also a decrease in the average business per branch. So I mean, what we can...

Girish Kousgi: We opened four new branches. So there is no difference in the branch count as well. But for four.

Ratik Gupta: And my second question is on the borrowing going forward, are we looking to increase our deposits or how is it? And if you can give me interest wise on what is the average interest rate that you're carrying for market borrowing and the CP deposit?

Girish Kousgi: See, in terms of deposit, of course, definitely, we are keen on increasing our deposit base, but that also depends on what is the additional cost burden we are willing to take in our cost structure, because as of now, the cost of raising deposit is much higher than many other sources. So having said this, our long-term strategy would be to try and increase the deposit base. Near term, it depends on how well it will fit into a cost structure.

Ratik Gupta: And can you give me the average interest rate you're carrying for market borrowing and the CP?

Prashanth Joishy: Market borrowing is below 5% as of now. And the deposit cost is higher than the average borrowing cost of the company.

Moderator: We have the next question from the line of Rishab Dugar from CD Equisearch.

Rishab Dugar: Sir I want to understand what is your competitive advantage in lending compared to banks and other housing finance companies?

Prashanth Joishy: So today, if you look at market, market is quite large. There are a set of institutions which are building book at 8%, even less than 8% and some at 9%, some at 11%, some at over 14%, 15%, okay? Now if you see there'll be slight difference in the profile. And there'll be a slight difference in the nature of property, and there will be a slight difference in the geography in which they operate. So we are in between. We are not as competitive as banks by design in terms of pricing. And also, we are very competitive compared to the next set of institutions which are using -- which are building book at a higher yield. So this market gives scope for institutions to operate at different yields depending on the risk appetite of each institution.

So if you have to -- so for example, we will have overlap in terms of business with PSU banks, with private banks, with HFCs with NBFCs. At the same time, we'll also have -- within HFC, there are different categories of HFCs, broadly categorizing based on the yield at which they build the portfolio. So we are in between, so we have that advantage of moderating if we want to grow our book.

Now we can be a little competitive on pricing and slightly better our profile and growth. At the same time, if you want to balance and increase our margins and profitability, assuming we have enough and more growth coming in, then we can probably try and build book at the higher portfolio. So just to answer your question in short, I think market is quite robust. It's huge. And therefore, there is opportunity for all types of institutions to build book at different yield levels. So we are, as of now, somewhere in between.

Rishab Dugar: So you talked about that there is opportunity for all yield levels, but I just want to understand that how much do you think these things matter when money per se is a commodity and whoever lends competitively gets the business?

Girish Kousgi: It is, it actually depends on the risk appetite. So for example today, banks, they have cost of funds advantage and therefore, they go to CAT A builders, CAT A corporates. We don't have cost of fund advantage compared to banks. We have an advantage compared to all the HFCs and NBFCs, rather we are the best in the market as of now.

So, but we can't really compete with big banks on cost. And therefore, our segment is CAT B builders, CAT C builders, CAT B corporates, CAT C corporates. If you look at a set of other institutions, they're focused on probably CAT C builders, CAT D builders. So, there are different segmentations. So depending on the risk appetite and how well they underwrite and manage the portfolio, they can figure out in which segment they need to operate.

Moderator: Thank you. We have the next question from the line of Ankit Shah from White Equity.

Ankit Shah: Sir, just one question. What is the collection efficiency in restructured, which become due?

Girish Kousgi: See in restructured as I mentioned now, the outstanding is about INR 647 crores from the original pause of INR 709 crores. In restructured book, about 21% of customers are paying in advance. Now out of the cases, what has fallen due, not even a single case is in DPD.

Moderator: We have the next question from the line of Mahek Talati from YellowJersey Investment Advisors.

Mahek Talati: First of all, congratulations on a good set of numbers. Hello?

Girish Kousgi: Yes, please go ahead. Thank you so much. I think a small correction. Out of the entire restructured pool, INR 1 crore is in NPA now. And initially, we had anticipated that 7% of the restructured book that is approximately INR 700 crores. So 7% would come to INR 49 crores.

So INR 49 crores would slip NPA and after a couple of quarters looking at the performance, we moderated that to 5%, that is about INR 35 crores.

Now the outstanding is INR 650 crores. So we expect in future, 5% of INR 650 crores to move into NPA, that is about INR 32 crores approximately. We have close to INR 49 crores, which we plan to recover from the existing NPA pool. So on a net basis, I think our GNP will be still -- it will be around 0.6 to 0.65. Yes, please go ahead.

Mahek Talati: Sir first of all like, are there any plans for the Canara Bank to exit from our company or do they plan to stay with us for the long term?

Girish Kousgi: As of now, I think bank doesn't have any plan to exit from the company. I think last earnings call, Canara Bank has clarified, they don't want to have any plans to exit from the company.

Mahek Talati: And sir, how do we look at the growth from here in terms of net disbursement going forward? And comparing ourselves to other companies like how do we play pauses in the market in terms of the growth journey from here on? Do we plan to have any strategy to capture the market share as such in the affordable housing segment itself?

Girish Kousgi: No. See, we don't chase market share. We have a plan, we have a vision and we try to execute to reach there. As of now, our plan is to grow at 18%, 20% for the next three to four years' time. And I think that is well in place looking at the demand and the way we generate source, underwrite and manage the portfolio. So we are right up there.

So we generally don't focus on market share, but we focus on we need to double in the next four years. And therefore, what should be the growth rate. And therefore, what should be the internal enablement that we need to be ready with to try and achieve that growth rate. So, growth story is very much there. We will grow. Our focus is on growth. We will grow. At the same time, maintain profitability, keeping the risk fabric unaltered, which means GNPA will be very much under control, of course, with high liquidity.

Mahek Talati: And sir you mentioned that you are trying your hands with the builder finance with a small ticket size, of course. If this works fine, like in what time journey, like how much time will you be able to comment if this worked in favor or not? And if it works fine, does the company plan to increase the exposure in this particular direction as well?

Girish Kousgi: So actually, we raised our funding to builders two years back. So it's not that we are new to the segment. We wait, of course, that was a few years back. And this might take another, let's say, 12 to 18 months' time to have some reasonable exposure, not in terms of percentage, because we don't see never intend to cross 0.5% of the portfolio at least in next three years' time. So in the next 12 to 18 months' time, we might have a very small book.

I think then we will be able to comment, but we don't want to lose out this opportunity. Having said that, we know it's very risky. So we will start very, very small. And this is more of a pilot, I could say. And I think once we are successful in pilot, then we will gradually probably try and increase, but definitely not more than 0.5% in next three years at a portfolio level.

Mahek Talati: And sir like from this quarter's results, we see the interest cost has gone up further in absolute terms, of course, is primarily because we have not passed on the cost to the user -- to the customers?

Girish Kousgi: Partly, yes. You're right.

Mahek Talati: Okay. And what will be the other reason for that?

Girish Kousgi: There has been increase in cost by 24 bps, from 5.8 to 6.04. Now if you look at the yield, I think yield has gone up only by I think, 7 or 8 bps.

Moderator: We have the next question from the line of Sakshi Goenka from Sohum Asset Manager.

Sakshi Goenka: Congrats for the good quarter and thank you for the opportunity. Sir, just two sets of questions. First, if you could tell us what is the rack rate? And secondly, I just wanted to understand the cost of funds you mentioned that you're implementing cost of fund is currently at about 6.48%, 6.5%. sir, if we look at all sorts of borrowing avenues, the 1-year CP or even bank MCLR, they are much-much higher than your incremental cost of funding. Just wanted to understand, is your bank borrowing fixed in the sense it's not linked to MCLR, because how are you managing such low incremental cost of funds?

Girish Kousgi: Thanks for the question. I think we've been a leader in managing cost for many, many years. You're right, our rack rate is 8.75%. And depending on the product, depending on so many other parameters, the rate could be more because our incremental yield is 9.02%. Our rack is 8.75%, the incremental yield is 9.02%, incremental cost is 6.48%. At a portfolio level, our yield is 8.55% and cost is 6.04%, which has increased now by 20 points compared to last quarter.

Now I think, I must at least thank my team for managing costs very effectively. So we are a very efficient team, and they've been managing this. Having said this, the way we manage cost is that we don't use CP for funding purpose. We use CP as a cost effective -- not tool, but to keep the cost lower because we feel that generally, CP rates would be a little lower than other source of borrowing. And therefore, we have that arbitrate, which we can try and encash.

Suppose if CP rates goes up, then we will not avail any CP. So, we are agnostic in terms of source as long as we took the right cost and if it fits into a structure, then we would try and go and this is beyond the regulatory norms. So for example, for all the incremental borrowing, 25% has to come in by way of NCD. So that's irrespective of cost, we'll go and raise. The time the issue to keep the cost low. Otherwise, we are agnostic with respect to the resource. And that is where we're able to manage our cost better.

Sakshi Goenka: Sir, is the bank borrowing linked to MCLR?

Girish Kousgi: See in fact, almost all barring some of the borrowings from NHB, which is fixed, some are fixed for some period and then, of course, it's floating. Other is, by and large, all the borrowings are linked to variable. In some way there, it could be repo-linked, it could be T-Bill linked, right? I think in some form or the other, almost all the loans are variable. But for the lending, what we get from NHB. So there, we have some portion of fixed.

Moderator: We have the next question from the line of Punit Bahlani from Nomura.

Punit Bahlani: Yes. Just one data keeping question from my side. Can you share the number of like the amount of write-offs for this quarter and for the entire H1 '23?

Girish Kousgi: This quarter is 0, last quarter is 0, last one year is 0. We have not written-off anything at all, last one year is 0. In fact, the last two years, just a minute, so it's 0. Last two years, it's 0. In fact, we've not written-off at all.

Moderator: We have the next question from the line of Anusha Raheja from Dalal & Broacha.

Anusha Raheja: Thanks for taking my question. Just one question from high end. Why you're looking for replacement at the top team, like you said, there will be a replacement for CRO, CFO, and MD and CEO. MD and CEO, we understand he got a better opportunity, but why at the CRO and CFO level?

Girish Kousgi: See Board has decided since company is going to hire some professionals from the market. So in line with that, it has been decided that CFO and CRO has to be hired from the market.

Anusha Raheja: Apart from that, any other reason?

Girish Kousgi: No, no, there is absolutely no other reason. All the existing CRO and CFO are the employees of the company since long, and they will remain with the company.

Moderator: Thank you. We have the next question from the line of Shreepal Doshi from Equirus.

Shreepal Doshi: Sir thank you for giving me the opportunity once again. So the question was on yields. So if I look at the calculated yields and the difference between calculated yields and the reported yields is significant. So the calculated yield comes out to be at close to 9.3% versus your reported yield of 8.6%. Sir, I just wanted to understand what explains this significant difference here, like what all things does come in the base when you calculate it? So, I just wanted to understand it, sir.

Girish Kousgi: No, calculated yield, see incremental yield is 9.02% as we told earlier in the con call. The book yield is at 8.55%. So what you told is correct, 9.02% is correct yield, but it is only for the quarter means, that means such that disbursement what we've done is 9.02%. And overall is 8.55%. There is a book yield.

Shreepal Doshi: Sir in the book, you only take the advances or like right?

Girish Kousgi: It consists of all advance, housing loans, non-housing loans, yield on our investments and all put together. It is the average yield of each and every loan.

Shreepal Doshi: And sir what would be the impact of the investment yield on our overall yield if you could just give some color for this quarter at least?

Girish Kousgi: Yes. Investment yield will be now almost at par with slightly higher than our incremental average cost.

Moderator: We have the next question from the line of Dhruvish Pujara from Mirabilis Investment.

Dhruvish Pujara: Yes. Thanks for the opportunity. So, I have two questions. First is on the 4 branches which we expanded in the current quarter. So, three out of the four come from Telangana. So wanted to understand like the thought process there. So, like is the market dynamics different there at less than competition or what is driving that?

And secondly, what is our Telangana geography AUM mix. And also you can state the top three states AUM mix? So that's the first question. And second, you already touched upon this, but I'm trying to reiterate and understand it better. So in the annual report, you have disclosed the bank-wise borrowing, there we have shown the exposure versus the rate.

So if you do a weighted average of that and if you compare that with the respective bank's MCLR, it is at least 100 to 120 basis points lower. So trying to understand what is making the banks lend us at 100 to 120 basis points lower? And what will make them to continue doing this? So, yes, those are the two questions. Thanks.

Girish Kousgi: So if we look at the entire country, what is working for Can Fin well, is the southern region. So within South, if you see, I think initial days, Karnataka was doing really well. Now along with Karnataka, Telangana is doing very well, which is basically Hyderabad, and few districts, right? And therefore, of course, even TN-1, I mean inter-TN is doing well. AP also is doing well. But within five states in South, Kerala is very, very, very small for us.

From the rest four states, I think top two states are Karnataka and Telangana and therefore, we had plan to open more branches in Telangana and Karnataka. So, we have opened two branches in Karnataka that is Bangalore and three in Hyderabad, okay. So, our focus would be on the states which can give us more value, in terms of business proposition, and therefore, we had chosen this. This is the first question I think you asked.

And see today, I think we feel that for any finance company, be it HFC or NBFC, the starting point is the asset quality, which is NPA. So if a company is able to manage the portfolio well because we do business based out of -- basically, it's a leverage business. So, the entire business works on borrowed fund.

And therefore, the company has to be very-very clear in terms of managing the portfolio well. Since we are the lowest in the industry, I think a lot of banks draw that comfort, and they lend us at AAA rate rather sometime, we get the best rate. So I think, fortunately, this has been continuing in a very-very long time. And we feel that as long as we're able to show growth, maintain profitability and keep the portfolio well, keep asset quality stable, I think, we will enjoy this recognition from all the banks to be lent at a lower rate.

Dhruvish Pujara: So sir, one question here. So can you also state the percentage of AUM coming from Karnataka and Telangana individually?

Girish Kousgi: So Karnataka and Telangana would be close to about 42% to 43%.

Dhruvish Pujara: And out of this 30% would be coming from Karnataka, right?

Girish Kousgi: No, no, no. See for example, Karnataka and Telangana would be almost same.

Dhruvish Pujara: So over time, I think the Karnataka exposure as a percentage of total AUM would have come down because earlier, I think, there was some...

Girish Kousgi: Yes, even though absolute numbers it has gone up, as a share, it has come down. Because other states are now contributing.

Dhruvish Pujara: And last question. So is there any change in the guidance, which we have given on the 10 to 15 branch expansion for the FY '23 breakup? I mean this quarter 4...

Girish Kousgi: On an annual basis, I think around 12 to 15 branches is the plan. So there is no change in that guidance.

Dhruvish Pujara: And the branches, which we will open in this year, I mean, in what time frame do we expect them to do a disbursement per branch, what we have right now? So would it take maybe a year or two?

Girish Kousgi: For us on an average, a brand would take about eight to nine months to breakeven.

Dhruvish Pujara: And what time would it take to do the disbursement per branch?

Girish Kousgi: Month one.

Moderator: Thank you. We have the next question from the line of Jigar Jani from Edelweiss.

Jigar Jani: Thank you for taking my question. A couple of questions from my end. The first one is on the restructured book, so can you let me know how much could be still in moratorium and how much would? And when would it most of the book come out of moratorium? That is the first question. And the second is on credit cost, what would be your guidance for the full year now because I presume the provisions that you have taken in this quarter are largely to, because of the increased standard asset provisioning, if I'm not wrong because we have not had any incremental tax we possess through this quarter?

Girish Kousgi: So credit cost guidance for the full year would be in the range of 0.12 to 0.14. For the maximum cap I'm talking about. In fact, for this quarter it is 0.04.

Prashanth Joishy: Yes. Regarding the restructured books, we have given, answered your question?

Jigar Jani: So restructured book is in moratorium. Is it the entire book as of now?

Prashanth Joishy: Yes. See, we have disclosed that in the SEBI results in note five, the outstanding restructured book as on date, after the Can Fin accounting is INR 794.5 crores. And they are coming out of the restructuring in sales planner from December, January, February and March quarter. And by the end of the financial year all the loan accounts will be out of the restructured book.

Moderator: Thank you. We have the next question from the line of Aahan Tulshan from Trivantage Capital Ltd. Please go ahead.

Aahan Tulshan: Thank you for taking my question. I just had one question. If you could speak a little more about the demand trends that you have been notifying whether across customer, different customer segments and different geographies, if you could talk about that a little bit? Thank you.

Girish Kousgi: Yes. So we are seeing demand from almost all geographies, but we are little -- we're a little slow on Kerala and a little slow on the Delhi NCR region. But for this, we are seeing demand coming from all the other geographies. So in terms of segment, it is very good and affordable. It is very good in non-affordable also.

The affordable is slightly higher than non-affordable and because of the increase in construction costs; in the premium segment, we see slightly less demand maybe by 5% or so. Otherwise, I think, by and large, demand is good across geography, across segment, across products. In terms of profile, self-employed till slightly less demand vis-a-vis compared to salaried. This is for Can Fin. So we feel that in another 1 or 2 quarters, we will again get back to incremental mix of 70 is salaried and 30 is self-employed.

Moderator: We have the next question from the line of Umang Shah from Kotak Mahindra AMC.

Umang Shah: Thanks for the opportunity. Sir, two questions that I have. One is on the provisioning front. So how should we look at it going forward? I mean, do we follow the ECL model or depending on the balance sheet structure, we'll keep on providing as per IRAC or keep switching between IRAC and ECL?

Girish Kousgi: Yes, I think it's a very good question. I think structurally, even though technically, it says IRAC or ECL whichever is higher, but if you see the structure; ECL is always going to be higher compared to IRAC. And therefore, going forward, the provisioning would be based on ECL model.

Umang Shah: And basically, the credit cost guidance that you have spoken about takes this into consideration?

Girish Kousgi: Yes. Exactly.

Umang Shah: Perfect. Sir, second question is on how should we look at the equity raise that we had anticipated earlier? So about INR 1,000 crores is what we were looking at. Any changes in terms of time lines or plans or are we still intend to kind of close it by the end of this fiscal?

Girish Kousgi: Yes. We are planning to raise capital. This could be now probably before March. So having said that, it may not be the full amount. It may part of the enabling total content, because as of now, our DR is less than eight. And capital adequacy is very comfortable. So, basically, if we raise, it's going to be growth capital. So we have planned. So, but we have not decided on the timing and the quantum. Of course, we've been saying this for a long time. That's only because we are ready, we are ready to raise capital. As and when we feel the need, we will raise capital. But it may not be near future, but we are ready in terms of raising capital. And therefore, each time we take enabling effort and be ready.

Moderator: Thank you. We have the next question from the line of Gaurav Jani from Prabhudas Lilladher.

Gaurav Jani: Congrats on a good quarter. A couple of book-keeping questions, please. One is, sir, what was the investment income for the quarter?

Girish Kousgi: Yes. Sure. Second question?

Gaurav Jani: Yes. So I would want the investment income for Q1 and Q2, that is the first half put together also. Secondly, the tax rate this quarter was higher, so what will be the reason for that?

Girish Kousgi: So actually, no, no. In fact, the tax, there's no change in the tax rate. See, we had withdrawn INR 21 crores from NPA, right? So on that there was additional tax. And therefore, if you calculate the total amount of tax, and it comes to INR 30 crores. Actually, there is no change in the tax rate only because we withdrew from NPA and now it is sitting in standard. I think that additional thing is adding on to the total tax component.

Prashanth Joishy: And the interest from investment income, what we held for SLR, LCR is INR 41.52 crores, as of after ending 30th September, the same was INR 19.12 crores as of June.

Gaurav Jani: This helps, sir. Secondly, more of a structural question. So, if you look at the cost of funds trajectory, the pass-through was pretty quick in terms of the rise, right? Now, I'm sure systemic rates would stabilize at a point in time. So, would that mean that the following quarter or the ended quarter, this cost of funds rise would immediately get divested and probably we are looking at a better margin directly?

Girish Kousgi: No, this quarter, I think given the interest rate scenario in the market, I think the rates could slightly go up, so we're also prepared for that. And we'll also increase our yields. Just in case if it stabilizes, then we might still increase it, but by a small portion, small amount.

Gaurav Jani: So, I meant stabilization in terms of, say, about two, three quarters down the line?

Girish Kousgi: Yes, definitely. We don't expect interest rate increase by a large extent in the next few quarters, so in that sense, it will get stabilized even our yield will get fixed.

Gaurav Jani: Sure. Last question sir, more on the management side; so one is, when is the CEO, CFO, CRO tenure ending? And how would, if that is the case, would it impact the intensity of the business?

Prashanth Joishy: I think our present MD is demitting office on 20th of this month, and I think it will be -- business will be as usual, because the team remains and guidance remains for the same. And we'll do as we have been doing well. And so we are confident that the present momentum will be continued.

Gaurav Jani: Sure. So in the interim, someone else would -- maybe internal CEO something or how would that come through because I think you mentioned that by the year-end as well the new person could join so?

Girish Kousgi: Till such time new person join. Board has given me, I am the MD of the company to run the assets of the company.

Gaurav Jani: Sure. And sir, when is the CFO and CRO tenure ending?

Girish Kousgi: So, CFO and CRO are the present, they don't have any definite tenure. They are the permanent employees of the company. Till new CFO, CRO join; they will be functioning as CFO and CRO.

Moderator: Thank you. We have the next question from the line of Bhuvnesh Garg from Investec Capital.

Bhuvnesh Garg: Thank you for the opportunity. I just want to know your growth stage two numbers for the quarter and provisions against it?

Girish Kousgi: Can you please, repeat again?

Bhuvnesh Garg: The growth stage two number for the quarter and the provisions against growth stage two?

Girish Kousgi: You want to know the Stage two accounts. Stage two loans are around INR 1,050 crores, and provision held against the Stage two loans is around INR 60 crores.

Bhuvnesh Garg: Okay. This INR 1,050 crores includes a restructured book as well, right?

Girish Kousgi: No, restructured book separately INR 704 crores, put together, if you take into consideration; it was INR 1,750 crores against which we hold the provision of INR 60 crores.

Moderator: Thank you. We have the next question from the line of Chirag Sureka from UTI Mutual Fund.

Chirag Sureka: Thank you for the opportunity, sir. Can you throw some light on the existing funding lines and the liquidity policy that we follow? And have we seen any cost impact in the incremental funds that we are raising from banks and capital market?

Girish Kousgi: Yes. We generally maintain seven to eight months of liquidity, this used to be higher earlier, but we thought that is too much. And therefore, since we have better planning and better milestone in terms of business as well as fundraising. And therefore, we maintain seven to eight months of liquidity. Yes, we have seen an increase in cost. And sometimes, it's very dynamic, so we see increase in cost between various sources of funds. So this will continue for the next few quarters as well, may not be drastically, but to a certain extent, the cost would go up. So, our liquidity is in the range of seven to eight months.

Chirag Sureka: And in absolute amount, what could be the sort of bank lines that we would be having currently unutilized bank lines, I mean?

Prashanth Joishy: Unutilized bank lines, what we are currently having to the extent of around INR 3,860 crores.

Chirag Sureka: And this will be included NHB funding as well?

Prashanth Joishy: NHB funding is yet to be sanctioned for the company. That will be around INR 2,500 crores. That is in the pipeline. We have a couple of loan sanctions, which are in the final stage. If we take that will be around INR 5,000 crores, and this is already documented unavailed, amount is INR 3,860 crores. If you see the NHB and other banks, which have been in their final stage, consider that will be totally going to come around INR 8,800 crores, that is around 6 to 7 months of our commitment line.

Moderator: Thank you. We have the next question from the line of Varun Basrur from Julius Baer Wealth Advisors.

Varun Basrur: Yes, good afternoon, sir. Thanks for taking my question. Just two questions. One is, what percentage of the advances is from self-construction property, and in this case, what is the loan to value? And the second question is, how much of the loans that we have are sourced from the parent company?

Girish Kousgi: Okay. The self-construction would be about -- self-construction also includes plot purchase and construction, so this is about 30%. And business from parent bank, we don't have any formal arrangement with the parent, so we do market sourcing.

Varun Basrur: All right. And market sourcing, how much is from DSAs and how much is from our own branches?

Girish Kousgi: So DSA is about 79% and the rest is from branch. So when we say DSA, it's only origination and the entire process is managed by the branch, but in terms of mix, 79% is DSA and the rest is from branch.

Varun Basrur: Sorry, in self-construction, what's LTV?

Girish Kousgi: LTV will be, so if it is self-construction; that is without including the composite, LTV is about 65%.

Moderator: Thank you. That was the last question. I would now like to hand it over to the management for closing comments.

Girish Kousgi: From Can Fin side, we thank all the investors for standing with us since all this long year. And we expect the same patronage will continue in the future also. Thank you. And I thank all the investors are supporting Can Fin and supporting me in this entire journey of three years. I think with all your support, Can Fin has put up very good show in the last three years.

Every single quarter, I think it has been a milestone quarter for us. In spite of COVID, wave one, wave two and wave three; then we had moratorium, we had restructuring, we had difficult times, I think, in all the times, I think all of you have supported Can Fin and me. I thank you all and look forward to engage with you very shortly. Thank you.

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.