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CFHRO SE CS LODR 288/2025
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ONLINE SUBMISSION

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Dear Sir/Madam,

Sub: Transcript of Q2 FY26 Earnings Conference Call

Ref: 1. Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
2. Our letter no. CFHRO SE CS LODR 287/2025 dated October 20, 2025

In continuation to above referred letter, please find enclosed the Transcript of Q2 FY26 Earnings Conference Call held on October 20, 2025.

The aforesaid Transcript is also available on the website of the Company www.canfinhomes.com

This is for your kind information and record.

Thanking you,

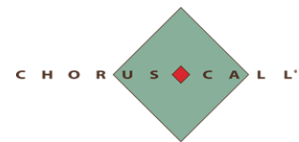
Yours faithfully,
For Can Fin Homes limited

Nilesh Jain
Company Secretary

Encl: as above



“Can Fin Homes Limited
Quarter 2 FY '26 Earnings Conference Call”
October 20, 2025



**MANAGEMENT: MR. SURESH IYER – MANAGING DIRECTOR AND CEO
– CAN FIN HOMES LIMITED**

**MR. ABHISHEK MISHRA – CHIEF FINANCIAL OFFICER
– CAN FIN HOMES LIMITED**

MODERATOR: MR. NIDHESH JAIN – INVESTEC CAPITAL SERVICES

Nidhesh Jain:

Good morning, everyone. Welcome to the Quarter 2 FY '26 Earnings Conference Call of Can Fin Homes Limited, hosted by Investec Capital. We will start with the management commentary, followed by a Q&A session. To discuss the financial performance of Can Fin Homes and to address your queries, we have with us, Mr. Suresh Iyer, MD and CEO; and Mr. Abhishek Mishra, Chief Financial Officer of the company.

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

Suresh Iyer:

Thank you, Nidhesh. A very good morning to all of you, and a very happy Diwali to all of you. So thank you for joining our earnings call. We will just take you through the brief highlights of the performance. In terms of the disbursement for Q2, the company had given a guidance of INR2,500 crores, and we have achieved that.

And in terms of disbursement for the first time, in the second quarter, we have crossed the number of INR2,500 crores in terms of disbursement. In fact, in Q1 also, it was the first time that for any of the Q1 in the year, we had crossed the number of INR2,000 crores. And in Q2, again, we have achieved INR2,500 crores, which is a positive number in terms of the trend that we also have a good pipeline in hand.

The second, in terms of disbursement, we have also had a good performance in Karnataka as well as Telangana, the company has had problems in the past. Karnataka, in fact, in the month of September, we have touched a number of INR270 crores, whereas last year in Q2, we had touched INR78 crores, and we were roughly doing about INR275 crores on an average. So we are almost back to that number.

And Karnataka state has recently made a couple of announcements. One is that B-Khata properties can also be converted to A-Khata. And second thing is, even for other properties, E-Khata will be possible within 15 days' time. So article has also come. So we are positive that Karnataka should continue this kind of a trajectory. And with that, we should definitely be positive by the end of the third quarter itself in Karnataka for YTD business.

In terms of Telangana, where the negative was much higher, it was almost 30%. We have been able to bring down the negative growth in Telangana from 30% to 27%. Month-on-month in Telangana like in Karnataka, we've had a positive growth month each 1 being better than the previous. But Telangana will take a little longer time. So probably in Q4 is when we will move into the green.

In terms of AUM, we've had a slightly higher prepayments because of which our AUM growth has been a little lower. In fact, it has slightly dropped below 9%. However, this INR200 crores additional prepayment that was witnessed is not entirely because of takeover also. Detailed analysis shows that it's mainly -- while, INR120 crores prepayment and loan closures have increased which may not necessarily be because of takeovers, but closures have increased by INR120 crores.

But the remaining INR80 crores is because of customers paying more than the regular EMIs and reducing their liabilities, but the loans are still live in our books. So that gives an indication that

probably the cash, in the hands of the people has improved. So we see that it might help us in terms of the collections as well if the general cash on the system or the availability of cash with the customers has increased. And that prepayment of this INR120 crores loan closures is predominantly or mainly 40% of that is mainly in 1 particular state of Telangana, where we have witnessed a surprisingly higher prepayments.

In terms of delinquency, as we had indicated or as we had guided that we would like to bring the number below INR3,900 crores. So we have achieved that as well. And our overall delinquency has come to 3,850 approximately. So that's almost INR130 crores reduction in absolute value in delinquency.

And this delinquency has been almost across the board because SMA 0 has also reduced. SMA2 has also reduced compared to last quarter and NPA also, there is a marginal reduction. As a result of this, our credit costs have been very, very low. In fact, only for the growth we've had to provide for the provisioning of INR3 crores. Otherwise, in terms of the delinquent accounts, there is almost 0 kind of provisioning that we've had to make in this quarter.

Going forward, in Q3 also, we expect that our delinquencies might slightly come down. The reduction in our SMA 0 means that we will be able to devote more time for higher buckets as well. And we expect, as we had indicated last year, we have seen the result due to ruin our SMA-2 reduction. In SMA 1 and 2, we also expect that in Q3, we might slightly be able to bring it down.

So we are targeting around 3,750 kind of -- so almost another INR100 crores reduction in SMA in Q3. So which means that in Q3 also, our expectation for our credit cost is going to be quite low. Not to mention that our NPAs will obviously come down March, which will see a lot of reduction in Q4. So that may again help in Q4, but at least in Q3, our expectation is that we should be able to bring down our delinquency by another INR100 crores in absolute value.

The quarter highlight, of course, has been our improvement in NIM. The spread has also improved from 2.62 % as at the end of Q1 to 2.79% as at the end of Q2, and our NIM has also crossed 4%. Mainly, this has been driven by the fact that we have achieved the entire 100 basis points benefit in our repo rate cut and across all our bank borrowings. As at the end of the last quarter, that is Q1 earnings call, we had indicated that there is at least 1 large term loan where we are yet to receive the benefit, which we received in July and August. So that has also helped us.

Going forward, we have received NHB sanction, a refinance action of INR1,500 crores. And the indicative rate that we have been informed is approximately 6.8% for that on a blended rate, including the affordable housing and the regular refinance. So that means we will get some rate advantage because of this refinance borrowing also in Q3.

And not to mention that effective July, NHB has also announced their PLR rate cut of 30 basis points. All our variable rates, which is approximately around INR3,000 crores of NHB refinance in the regular category is on variable or floating rates. So over the next 2 quarters, this 30 basis points will also be experienced in our books.

However, in the current quarter, we had almost 8% of loans moving from annual reset to quarterly reset. And as of the end of the second quarter, we have 59% of our loans still continuing in annual reset, which means this 59% in the next couple of quarters should also move to quarterly reset and there would be a slight rate benefit, which will pass on to such customers.

So I guess this NHB refinance rate benefit as well as this PLR rate cut of NHB might probably be offset by this movement from annual reset to quarterly reset. But we at least feel that we can safely move to a guidance of 2.75% for spread and 3.75 for NIM going forward.

And a little higher, we have kept it slightly conservative because in terms of NIM because we feel that even if required, we may -- it will give us a little buffer to offer an attractive rate in Q4 to push the business. So keeping that in mind, I think we would still like to keep it at 3.75 for NIM and 2.75 for spread.

Going forward, 1 major announcement during our achievement or event during the quarter has been our IT transformation front. Our IT transformation, which is scheduled to go live in Q3, it was supposed to be in two parts. The first part, which is the implementation of some of the modules like our SD-WAN, our mailing solutions, Active Directory. Also in terms of our ALM borrowing and treasury modules, that was scheduled to go live on 30th of September.

And we are very pleased to share that this has happened as per the schedule. And all these modules that is SD-WAN implementation across all our branches, meaning solutions across all our users, our active directory and treasury borrowing and ALM module has been implemented on 30th of September.

We are now working towards a second phase, which is a major phase, which is our LOS, LMS, HRMS and our deposits module along with the accounts package, which is scheduled to happen in the Q3. So we are -- as of now, we are working towards that, and things are under control, and we'll come back to you as and when it is implemented.

For the third quarter, in terms of guidance, as indicated, our spread in NIMs, we would like to restate it at around 2.75 and 3.75. Delinquency since our total delinquencies have been coming down and Q3 also, we expect it to be down. So our credit cost, I guess, would be a little less in Q3 similar to Q2. So that should help in overall, our credit cost for the year also are likely to be lower than our guidance of 15 bps.

Disbursement as we have an IT transformation schedule for this quarter, we would like to take that into account that while everything has been under control as of now in terms of the IT transformation. But this quarter we will also be required to give training across in branches to our staff we will also be required to go live. So that will affect a couple of days.

So while with the INR2,500 crores disbursement in Q2, one would have expected it to move up to INR2,800 crores or thereabouts in Q3, but we would like to push for INR2,500, which will be more realistic because we have to take cognizance of the fact that there's an IT transformation.

So for Q3, we will push for INR2,500 crores. However, our sales team impact has been positive. It has been doing well. And this quarter also, they have contributed to almost 7% of the incremental business. And our productivity of the sales staff has also been quite healthy. So therefore, while Q3, we are looking at a slightly moderated disbursement target.

But in Q4, we will push it up so that we hold our guidance in terms of 12% to 13% AUM growth and 10,500 overall for the year disbursement. So that's in short our brief of the highlights or highlights of the Q2 performance.

Once again, wishing all of you a very happy Diwali, and I'll leave it for question and answers. Thank you.

Nidhesh Jain:

As of the first question is from Sucrit. Please unmute yourself to ask your question.

Sucrit:

My question is since Can Fin Homes has outlined its focus on expanding affordable housing finance, what are the biggest execution challenges you foresee in scaling this segment, especially in terms of credit quality, regional penetration and regulatory alignment. How is the organization preparing to overcome these while maintaining growth momentum in its customer trust? Thank you.

Suresh Iyer:

Sure. See, actually, the challenges are, I would say, for this affordable housing business or housing business per se. So I think it is ground presence of feet on street, which is a critical aspect. And so far, Can Fin has not had a sales team or a feet-on-street channel, and it's been more reliant on the DSA channel.

So while the DSA channel has been very good for us, but our growth from our own sourcing has been a challenge, which now we are implementing. We are correcting that situation. And we have been increasing our sales team as well. So that is one thing.

In terms of the overall housing industry as per se, if you were to look at it, I think geographical expansion or presence is definitely one factor which pushes a growth, 3% to 4% growth comes from increase in our branch network, which we have also been doing this year.

In fact, in H1 itself, we have opened 14 branches. And last year, in Q4, practically, we opened another 15. So in the last 6 to 8, 9 months, we have actually opened 29 branches which will also help us in giving this growth. So presence on the ground, both in terms of branch network as well as in terms of feet on street is one challenge, which has to be there.

Otherwise, in terms of our potential, I think there is a good potential, in fact, even in Tier 2 towns and all that is a good amount of potential. And I don't see that as a major challenge for us. But I think these are the only things that I believe.

In the pure affordable segment, if you look at it, the below 15 lakh segment, then there would be -- it is a slightly different ball game. Supply there becomes a major component and supply, we have observed is something which is purely determined by the kind of government incentives, which come.

So, whenever the government had introduced a very strong CLSS and it was doing well, the affordable segment and below INR20 lakh or below INR15 lakh segment was doing very well. And in 2022, when the CLSS was withdrawn, post that, this growth in the affordable below INR15 lakh segment has been coming down.

So I think that is -- if you look at the below INR15 lakhs. And for above INR15 lakh and the regular segment or the average 2 BHK kind of a segment. And this thing there, it is purely the geographical presence and feet-on-street.

Sucrit:

And my final and last question is around margins. Now with the rising cost of fund and competitive pressure in the retail lending, how are you planning to protect the margins, especially in terms of liability mix, branch productivity and operating cost control, what kind of financial planning has been put in place to sustain the profitability without compromising growth? Thank you.

Suresh Iyer:

See, in case of liability side, we have had a good franchisee for both bank borrowings, NHB refinance and debentures. In case of bank borrowings, we took a conscious call about two years back that we will move all our MCLR linked loans to Repo linked loans because even when the repo rate cuts are announced, the MCLR do not come down into the same kind of a thing. In fact, they don't actually come down because banks also have to protect their spread. So we consciously moved and that has helped us in our liability or cost of borrowing management.

The second of course thing is that we have, for our NCD also, we have got a second rating also dual rating for the additional INR10,000 crores, which was approved by our shareholders. And that also has been AAA rating we have received during this quarter. So now we have a double rating. So we will be in a position to go for a slightly longer tenure or five year end of debentures also. But of course, that will be slightly higher, but we will take a conscious call it keeping our ALM also in mind.

The second thing is in terms of our NHB refinance. There, in fact, we since we are dealing with this affordable segment, we are able to take the full advantage of the affordable housing fund refinance that is available. So in this INR1,500 crores that we have received a sanction, 40% has to be classified under the -- has to be qualifying under the affordable housing fund. So that's about INR600 crores, which we are very confident we should be able to do because that's a segment we are mainly dealing. So that is one advantage we will have. So going forward, I believe we should not have a problem in at least the cost of borrowing.

Today, the bank term loans that we are raising, the highest cost is around 7.10%, the incremental sanctions that we are receiving, that is for a long-term rate of interest. If it is for a short term or WCDL kind of a limit that is being sanctioned, it is even lower than 7%, below 7%. So in fact, our highest cost borrowing from banks is around 7.10%. That is one.

In terms of -- as I mentioned earlier, our blended cost per incremental refinance should be around 6.8. So that leaves NCDs. So we have a slight flexibility to look at that. In terms of guidance, as I had earlier mentioned, our current NIM is around 4.02 as at end of Q2, but we would guide for

3.75 because that gives us a little buffer to slightly offer some good rate in Q4 to push business. So that's what it is.

Sucrit: I think that is a good guidance from your part. I wish the entire team happy Diwali and best of luck for the next Q3.

Nidhesh Jain: Thank you. The next question is from Shreepal Doshi. Shreepal, please unmute yourself and ask your question.

Shreepal Doshi: Thank you for giving me the opportunity. My question was pertaining to lending rates. So far, we had taken as on July, I think, 25 basis point rate cut. Anything further that we are planning to do on the asset side, let's say, with respect to passing on the rate benefit? And so overall -- so the implication of the same on the margins in Q3 and Q4? And also, you highlighted that 59% of the -- 59% of our loan book is still at annual reset, so which will also shift to quarterly reset. So just some color -- a little bit more detail on that front as well.

Suresh Iyer: Sure. Sure. See, actually, in the last quarter guidance -- earnings call, we had mentioned that we may probably look at a rate cut of another 10 basis points in the month of September. So we passed on 10 basis points to our existing and new customers in May, another 15 basis points in July. So we were looking at something. But as you -- as you know, that the bond rate slightly went up by about 7 to 8 basis points because of the geopolitical situation.

So, we felt that we'll hold on to the rates. And I think since no other NBFC or HFC other than as an LIC has done the rate reduction for existing customers, I think the market is also fine with that. So I guess we will probably look at that. However, yes, as I mentioned, there will be some movement because this quarter, we have seen now 8% of our customers move from annual reset to quarterly reset. So if this trend continues, another about 8% to 10% will again move in Q3.

So in which case, there will be some impact, which will be offset, as I said, by our NHB borrowing, which we would like to do. And so I guess, that will take care. But in Q4, we might look at some kind of a rate cut depending on our prepayments and our disbursements to see if we can push growth. Because we would like to definitely ensure that it's there. And Q4 generally also sees some kind of offers from all the players, in terms of maybe some year-end offer or processing fee waivers and things like that. So we will react depending on what -- how the market behaves.

Shreepal Doshi: Got it. That is helpful. And sir, the second question was on, let's say, the momentum in Karnataka and Telangana for us, particularly, wherein you give also in higher prepayments. So are we back to INR300 crores disbursement per month in Karnataka. And also in Telangana, how do you see things shaping up incrementally with respect to getting back to INR140 crores, INR150 crores disbursement per month? Or we will try to compensate the loss here by growing in some other northern states? Just some thought process on this front?

Suresh Iyer: Sure. See, in case of Karnataka, INR300 crores now is definitely possible kind of a monthly disbursement. We would -- that is what we will be aiming for, if not now, at least by Q4 because this month, and that is in the month of September, we have touched INR270 crores for Karnataka

disbursement alone. And last year in Q2, we had done an average of about INR275 crores, and we had touched INR278 crores. So therefore, we are almost back to that kind of a number now.

And with the two announcements that I just shared, we feel that the registrations will also happen faster. And in this quarter, with this kind of a INR270 crores to INR280 crores kind of a disbursement also, we will easily be able to not only move back to the green, but we should be able to do a 3% to 4% YTD growth in Karnataka by the end of third quarter itself.

Because last year in Q3 was badly hit because of our -- we were almost doing INR150 crores, INR160 crores on the average disbursement in Karnataka because of the e-khata. So if you are able to do INR280 crores average disbursement per month in Karnataka, it will be a big support for us, and we should be able to do that.

Karnataka definitely is looking positive. Again, the announcements have come and let's see how soon the government is able to implement it, and we should be able to do that. Telangana also, in fact, in this month in September, we were able to cross INR100 crores. But Telangana, I would still feel that INR140 is not a number we would want to touch. We would-be really happy with INR120 crores, INR125 crores. Because that is a state where our delinquencies are also, as I mentioned, slightly moved up. So we would like to focus on that as well.

And Telangana, right now, the hydra impact, while it is still -- at least it is not there in terms of the fear of the customers, but at least in the growth, we need to still see the construction activity improving or picking up to the old levels. Because at the end of the day, it is only what is constructed can be financed and things like that. So for us, it also depends on how the state pushes in terms of the construction activity. So Telangana, we will be positive by Q4, but at least we may not touch INR140 crores. I think we'll be happy with about INR125 crores average disbursement per month in Q4.

As far as the other zones are concerned, we have a good growth coming across all our other zones. Our North and East Zone continue to be doing around 30% kind of a growth it is there. And Tamil Nadu and West Zones are also now doing 25% growth. In fact, West Zone this quarter has had a good growth and that has helped in pushing it up also in the 25% bracket kind of thing. The last quarter, we had a -- it was around 18% to 20% was the growth in West Zone, which now has picked up to around 25%.

Shreepal Doshi:

All right. This is very helpful. Sir, just one last question. On the liability side, are we looking at any foreign borrowing platform or avenue to -- on the liability side or we are very well, let's say, equipped with the domestic platform that we have.

Suresh Iyer:

See, if you are talking about ECBs, we are as of the moment not looking at ECBs. However, I think there is a good scope and we have been talking to a couple of foreign banks who are interested in green funding. So, obviously for that, we need to identify portfolio and be able to show them the actual funding that we are doing for green housing and all, which we have actually started, because we need to also have some sizable amount of data to show in terms of our green lending.

So, that we have been, for the last one year, capturing in our books in terms of what is in our valuation reports and all as to what are the green funding actions that our customers are doing in terms of rooftop solar or rainwater harvesting or LED lighting and all those kind of things we are capturing. So, we will be talking to them and see how if we can explore some kind of green funding for -- from foreign banks. That is something which we will probably look at, but not in terms of ECB, at least not at the moment.

Shreepal Doshi:

Got it. Got it. That is very helpful, sir. And Happy Diwali to the entire family.

Suresh Iyer:

A very happy Diwali to you.

Nidhesh Jain:

The next question is from Suraj Das. Suraj, I am unmuting you. Please unmute yourself to ask a question.

Suraj Das:

Hello. Hi. Hi. Thanks for the opportunity and wish you a happy Diwali, sir. I think few questions have already been answered, but just again, I mean, coming back to this Karnataka. Sir, if you can give the absolute amount Karnataka disbursement this quarter versus last quarter or Y-o-Y?

Suresh Iyer:

See, Karnataka, this quarter, I'll give you the number. I think, as I said, we have done -- every month, we have done more than INR250 crores. So I think the average would be somewhere around INR260 crores for this quarter in Karnataka. And in September, we touched INR270 crores.

So month-on-month, I'll probably be able to -- I'll give you separately on a month-on-month, but I guess it will be around INR260 crores, because we started with INR250 crores in July and then moved off. So, yes, we -- I think it would be around INR260 crores is what would be the figure.

Suraj Das:

Sure, sir. Understood. Sir, in terms of BT, outer BT, have you seen any change in the trend there?

Suresh Iyer:

See, not as much in other states, but Telangana, as I mentioned, we have got INR120 crores. So, see, BT, we have been capturing the data of prepayment, whether it is a part prepayment or full prepayment. In many cases, customers have also given the number that they are prepaying out of their own funds. But still, wherever there is a loan closure, we at least from, on this side, have considered it as a prepayment or a BT out.

So, totally our loan closures have increased by INR120 crores in this quarter. While our total prepayments have increased by INR200 crores, the loan closures where the account is no more with us is only about INR120 crores. The remaining INR80 crores is where the customers have made some excess payments, but the account is still with us.

So, this INR120 crores is spread out, but mainly out of that INR120 crores, almost 40% is in one single state of Telangana. And we believe that we had taken a tough stand with some of our DSAs in Telangana, and we have deactivated a lot of them post the fraud we experienced in '23, '24. And that is the effect where the DSAs are moving out the book to some other players. Because now some other players have also become active in Telangana, which was not the case last year because of the Hydra issue.

So, I guess, now they are having the option to move it to other lenders. And I believe that is what has happened mainly in our case, whereas in Telangana, we have had the BT out much higher. Other states also we have seen some BT out, but it is only about INR8 crores, INR10 crores, INR14 crores, something like that. So, it is not a major thing in any particular state except in the case of Telangana

And INR80 crores, as I said, the increase is mainly where the loan accounts are still with us. Now, this is a slightly, I would like to read it as, the cash or the surplus in the hands of the customers is now on the higher side, because we have also seen an increase in our deposit portfolio in spite of fast cutting rates on 1st of July. So, in spite of us dropping our deposit rates, we -- our deposit also by a small number has also picked up.

So, that shows that, the cash in the hands of the customers probably is increasing or the surplus funds or cash flow is improving. So, I think that is, can be looked at both ways. That should help us in our corrections also, but to some extent that would have an impact on our delinquency.

This quarter we are looking at little more slicing and dicing of our portfolio to see how we can retain the book, whether we can move some of our customers from who are making a prepayment to rather move to a deposit and save their capital and things like that. So, we are looking at all those measures. We will be putting some more effort in retaining the book. But yes, it has slightly increased across the Board, but mainly in the state of Telangana.

Suraj Das:

Sure, sir. Thanks for the elaborate answer. And sir, on the margin, I think, next couple of quarters you will give guidance on margin, but how do you see FY '27 margin? How much further, let us say, rate cut you want to pass on the asset side and probably on the liability side, how much benefit you might see? So, how do you see FY '27 margins going ahead?

Suresh Iyer:

See, frankly speaking, the kind of this geopolitical things that are happening, there has been a little bit of volatility. So, we have actually not passed on the thing. But if -- keeping in mind that, inflation has been so low and the repo rate cuts do come, then in that case, yes, we will pass on to our customers at that point in time.

And so, another 10 basis points or something, we can definitely look at if the next rate cut happens. But as of now the -- what we see is that in Q4, liquidity pressure will also result in slightly the borrowing cost going up. So, you do not want to act in haste and do some guessing which will affect our spread in Q4.

Suraj Das:

Sure. But you -- can you see margins moving north of 375-basis-point going into FY '27?

Suresh Iyer:

I believe we have already received the entire benefit of the repo rate cut in all our bank borrowing. So, going forward, further reduction in our cost of borrowing, barring for our NHB borrowing is not much, there is not much scope left. So -- and a yield, obviously, we will have to see that we are competitive in the market. So, I do not think there is a possibility much to further increase our NIMs and spreads.

Suraj Das:

Sure. And sir, last question on the opex side. Obviously, I think, we have been investing in the franchise a lot for the next level of growth. And if I look at opex as a percentage of AUM or

assets for the last couple of years, it is slightly inching up only. How do you see opex to AUM or opex to asset whatever metrics you will look at going ahead, given that further, you were trying to increase the outsourcing via marketing, digital and all of that?

Suresh Iyer:

Sure. See, in case of opex, we have invested in 2 things, one, of course, in our own sales team, the second is in terms of our IT, okay? The IT is going to result in an additional cost, net cost increase of about INR40 crores from next year onwards. So next year, at least our cost-to-income ratio, we expect should be around 19.5% or 19% to 19.5% is what it will be next year because current year, whatever spending we are doing is getting capitalized because it is still in the implementation phase. So that is 1 thing.

In terms of our sales team, of course, we are investing in our sales team. We are investing in a brand expansion as well. But I think that is not something which is going to be a major impact. And having said that, from next year, at least once our IT is implemented, we should see some good reduction in our productivity, and we may be able to release some staff.

So the staff -- increase in staff strength because of this may probably we may be able to move within our teams to sales rather than having to recruit from the market because we'll see some improvement in our efficiency and productivity because of the IT implementation.

Nidhesh Jain:

The next question is from Prithviraj Patil. Prithviraj, please unmute yourself.

Prithviraj Patil:

So I have a question on the DA or the co-lending arrangements that we have. So we were going to incorporate a policy in Q3, that is what I had heard from the previous con-call. So if there's any update on that, that's the first question.

Suresh Iyer:

No. In fact, that's a good point. In fact, we had indicated, but we have not done in this quarter, we have not been able to get the policy done. I think we will push it for the Q3 only. We have not been able to do that. But as of now, we are seeing a good growth for organic growth itself coming. So we have not been -- we've not gone for that inorganic growth as of the moment. But yes, there is a good opportunity, and we will be looking at that in Q3 or Q4 maybe.

Prithviraj Patil:

Yes. So the next question was on the employee count. So if you can just give us a number for Q1 and Q2 and what is the growth in the employee? And also the salary rebasing that happens, what is the cycle that we follow? Is it in Q2 or in Q1?

Suresh Iyer:

See, the salary increase is just like in other PSUs and all, our salary hikes happened once in -- used to happen once in 5 years, which we have now changed it to once in 3 years. So we had it in the beginning of FY '26. So we -- in the first quarter itself, we implemented it. And the idea is that every year -- whenever it happens, that is once in 3 years, it will happen in the first quarter of the year.

So we've already had that impact in the first quarter. And in Q2, it's just been the same as Q1 in terms of the salary expenses and all, there's not much of a change. So that is already incorporated into our this thing. In terms of our total team strength, we have about 1,317 people.

Prithviraj Patil:

[inaudible 0:35:46].

- Suresh Iyer:** 1,317, sorry 1,317, which was 1,134 in September '24 and which was 1,184 in March '25.
- Prithviraj Patil:** Yes. Got it. And the last question is, if you can just elaborate on the roadmap that you've shared with us, the roadmap 2028 if there's any points, any AUM target that you have as such?
- Suresh Iyer:** Yes, sure. So we have given a slide in our presentation where we have done the 4 pillars where we would like to work on and where we are moving in terms of each of these 4 pillars, that is the geographical concentration; South versus rest of India, product mix segment and sourcing. So now the 1 point that you mentioned is about the AUM growth.
- So this year, we are looking at 12% to 13% AUM growth. But next year onwards, we would definitely like to work at 15%, at least kind of AUM growth. That's the kind of growth that we are looking at in terms of, for the -- so FY '27 and FY '28, it should be 15% AUM growth.
- Nidhesh Jain:** The next question is from Kushan Parikh. Kushan, please unmute yourself and ask your question.
- Kushan Parikh:** Just again on the margins. So we spoke about certain PLR cuts, etcetera, that we got on the NHP side, which is the only bit of borrowing cost reduction that you expect now going forward, which should be a few basis points at best.
- We were at about 2.9% spread in Q2 when we are guiding for 2.75. Should we expect that over the next 2 quarters as we push for growth in Q4, we should be at that 2.75 and that should largely be driven by lower yields? Is that the thought process?
- And from a longer-term perspective, we also said that FY '27, we may pass on another 10 basis points. So should we expect that next year on 265 -- spread of 265 is more sustainable over the long term? If could help us understand.
- Suresh Iyer:** So if you actually look at it, our spread at the end of Q2 is 2.79, but our stand-alone Q2 spread is around 2.93. So that being the case, same way in terms of our margin, for the quarter margin is 4.02, whereas for Q1 plus Q2 put together, it is 3.83. So basically, what -- there is a little bit of a buffer in terms of this thing because if the same kind of borrowing continues in Q3 as in Q2, where we are able to raise that 7.17 as against the entire 6-month borrowing cost of 7.29. Then in that case, yes, there is a little buffer there also available.
- But as I mentioned that this 2.75 and 3.75 that we have guided is more as keeping a little buffer in case we have to offer something, then we will want to react and we would want to offer it so that we can also achieve some bit of a growth. So that's basically the kind of thing. Whereas, having said that, today, in Q2 also, we have seen a good amount of organic growth opportunity, and we would like to, therefore, see that if it continues. I think we may -- it's more of a buffer that we would like to hold on to.
- And second, as regards to your 10 basis points cut, what I mentioned was that if the repo rate cuts come through, then we would be able to pass on something to our customers. So which means that, again, like we have followed the policy in this year, we will first experience it on the liability side where our entire bank borrowings are linked to repo rate. So when the repo rate

cut is announced, we will first experience it in terms of our bank borrowings, which is almost 55%, 57% of our liability side.

And then therefore, it will allow us to offer a 10% customer -- pass on to our customers, which therefore may not impact our spread in that sense. So if it is 2.75 and 3.75 at the end of Q4, then Q1 will not start at 2.65 because we will first experience then pass on.

Kushan Parikh: Understood. So the way to think about this is 275 is the base, given the benefits that you are seeing in Q2, it could be higher also for full year?

Suresh Iyer: It could be in the sense that, yes, there is a little -- if the rates hold, then as I said that our banks, we are borrowing at 7.10%, that is the highest long-term borrowing. Short-term borrowings are even below 7%. Our NHB borrowing in this quarter will be at a blended rate of 6.8%. So therefore, our incremental borrowing also will be at a rate below our current cost of borrowing rate, which means, yes, there is a little bit of buffer, which we can use to look at something.

Nidhesh Jain: The next question is from Abhijit Tibrewal. Abhijit please unmute yourself and ask your question.

Abhijit Tibrewal: Just two things I'm trying to understand. First things first, I mean, are in the call, you spoke about 10,000.

Suresh Iyer: Sorry, we can't hear you.

Abhijit Tibrewal: Yes, is it better now?

Suresh Iyer: Yes, yes, please continue. Yes.

Abhijit Tibrewal: So sir, I was asking earlier in the call, you shared that you are guiding for INR10,500 crores of disbursements in FY '26, right? Is that understanding right? And 12% to 13%.

Suresh Iyer: That is correct.

Abhijit Tibrewal: We are still guiding for INR2,500 crores given the IT transformation. I mean what numbers are we thinking for FY -- 4Q FY '26. That has to be substantially higher than INR3,000 crores, right?

Suresh Iyer: That is correct. See, actually, the confidence comes from the third one, our branch expansion, unlike in the previous 2 years, we've already brought it front-ended it right now. 14 branches out of the 15 that we had planned have already opened and operational with the staff and the offices and everything red. So that should also help us in getting in H2 on business.

The second thing is our sales team, which we also increased the staff strength from kind of we want to now about 100, which is effectively about 94 or something. That is also starting to deliver as against INR101 crores, which the sales team was able to source in this quarter, they have delivered about INR185 crores.

And that also considering that the productivity levels also, which dropped because we added people in the month of June have again come back to the level in the month of September, which

means that within 3 months, we've been able to improve the productivity levels of the new stock as well. So that is what is giving us the confidence that we should be able to do it.

And as I said, I mean because of an IT implementation, we would -- we are looking at around INR2,500. But I mean, ideally speaking, we should have done about INR2,800 now and about INR3,000 or INR2,300 includes Q4. But we may have to push a little more in Q4. That will be helped by the fact that we will have a little bit of efficiency in terms of our IT, which has been there. And therefore, we are quite positive. We should be able to push in Q4.

Abhijit Tibrewal:

And then, sir, main last question I had was on margins in space. We have already had a lot of discussions in this call on stringent margins. But 2 sub-questions here. One is, I mean, like you rightly shared sir, except for maybe can in LIC and maybe about charge housing. No 1 else have really taken rate cuts among HFCs.

So suffice to say that, a, there is not too much of international competition, which is there among HFCs at least, right? And the other thing is, I mean, there is no, I mean, real pressure from RBI either to pass on rate cuts. That is one. And the other thing is, I mean, like to acknowledge except for NHB, where we will see some benefit in the coming quarters.

So I wanted to understand customers who are on annual resets until now -- and please correct me if I'm wrong, but my understanding was customers are on annual resets, right? They are on a rolling basis, not that everyone gets reset at the same time, depending on when they had taken that loan, they will have a reset, right?

So what proportion of customers, right, have already seen some resets you said, right, a little less than 60 % are on annual resets now. But even those annual recent customers would have seen their rates being reset is what I'm trying to ask. So if you could help us understand, out of the total book, right, what proportion of customers have already seen some resets, and to that extent, right, whenever the full set of customers see at least 1 cycle of research, right?

Suffice to say that going forward, I mean, like you said, I mean, in addition to some of the buffer that you are keeping for yourself to push growth in 4Q. From here, the margins compress, right, for the next few quarters, margins and spreads compare for the next few quarters because of these customers who will also see these sets who are currently on annual basis.

Suresh Iyer:

Sure. So firstly, what you have mentioned about this rate cut, whether there is a rational pricing. So there is -- you're right, there is not majorly nobody is rushing to kind of pass on the rates or anybody is rushing to give the kind of offer that used to be seen earlier because everybody is now conscious about the profitability, and there is a lot of pressure to also maintain and do this.

So that way, in fact, as responsible corporate, we have been 1 of the very, very few to actually pass on to our customers, which I'm sure we will get the benefit. Our customers will also appreciate.

As regard to the second, yes, there is a not a kind of a pressure from RBI, but there is a general feeling that people should do it. So all the PSU Banks have done it, LIC has done it. So I have -

- we have done it and LIC Housing has done it. But in case when it comes to NBFCs and HFCs who are not directly coming under the RBI or anything like that.

That, in fact, yes, definitely, the RBA is not kind of putting so much pressure for any rate cut. And as I had mentioned, I think I've been mentioning again and again that the RBI has taken a view that since the prepayment penalty has been removed and customers can move from 1 end to another lender without any cost implication.

Therefore, our customers will take a conscious call and will move were. And to that extent, RBI has also brought in the key PAT statement, which has to be sent every quarter. The updated quarterly statement and everything has to be done.

So basically, the transparency and is being increased, and everybody is following that guideline and because of which now the customers are more aware and they are in a position to take a decision and they are free to move without any prepayment penalty. So I guess RBI should be at least the objective, if not contrary met is at least met in the sense that customers have the flexibility now. So that is not so much of a problem.

The third as regards, you know, the annual reset, this quarter we had, you know, as at the beginning of the year, we had 72% customers who were at annual reset. In the first quarter, it moved down to 67%, which means that only about 5% customers moved from annual to quarterly and whoever moved from annual to quarterly got the entire benefit of the lower rate.

Same way, in this quarter from 67, it has come down to 59. So, about 8% customers have moved into it. Now, the remaining 59% who are there, they also, as you rightly said, move in a month-on-month basis. So, it is not that the entire set will move in one single month. So, if the disbursement was done in the month of April, then the next April, their reset will happen. Those who have taken in the month of August, it will happen in the next August and so on.

So, right now, from July as we speak, you know, already, you know, one quarter or one fourth of the customers have already seen the reduction in their rate, even in the annual reset category. And therefore, going forward, whatever the 59% or the three-fourths of the customers are left, they will also do on a, you know, divided basis. So, it is not that the entire process is going to come in one particular month.

Plus, this, whatever pass-on we have to do to our customers will be offset by the reduction in our NHB PLR and in our lower cost borrowing that we will do in this quarter. Because our maximum rate at which we are borrowing from banks is 7.10 and NHB refinance will come at 6.8, which is lower than the 7.29 cost of borrowing that we have reported for end of Q2.

Abhijit Tibrewal:

But -- so, basically, the takeaway is, I mean, like we said earlier, and I'm just reiterating that, spends and margins can largely be maintained at these levels, given that your incremental cost of borrowings will also be lower than your cost of borrowings.

Suresh Iyer:

So unless -- correct. So unless we go for a rate cut to our customers, which is presently not called for or which is not actually be in demand by the customers. Or else if you know some sudden spike or some situation happens where the borrowing costs go up. Other than that, today, we

don't see -- I mean, as of the moment, it appears to be a very comfortable sale that we will be able to hold on to this trend.

Abhijit Tibrewal: Got it, sir. That is all from my side. And thank you so much for patiently answering my questions, and I wish you and your team a very happy Diwali.

Suresh Iyer: Thank you. Thank you, Abhijit, and wish you also a happy Diwali.

Abhijit Tibrewal: Thank you so much.

Nidhesh Jain: Thank you. The next question is from Shreyansh Gattani. Please unmute yourself to ask your question. Shreyansh, you can unmute yourself to ask your question.

Shreyansh Gattani: Hello?

Suresh Iyer: Yes, Shreyansh, we can hear you.

Shreyansh Gattani: Hi. I just had a couple of questions. So, the first 1 was on the strategic road map. So, I see that one of the biggest changes that we'll be seeing is going from the salaried professional mix going lower to self-employed. So, how do you see this in terms of the credit quality that we have currently versus what you would foresee in the future?

Like it seems like you should be seeing some kind of deterioration from now, but I could be wrong. If you could just give some color on that, overall, even the geographic mix and the housing to non-housing ratio going lower, so if you could give some color on how do you see credit quality.

Suresh Iyer: See, actually, two things here in terms of our SENP. One, this reduction in our NPA that we have seen in this quarter has entirely been in our SENP book. That is, in fact, our target book, our gross NPA and our target portfolio is around 0.68%, whereas in case of our NPA in our SENP is higher than 1%. That's why our blended, it is 0.94.

But in this quarter, whatever that INR378 crores has come down to INR373 crores, the reduction has been in the SENP category, NPA in absolute value. So, that is one thing which indicates that as I -- which actually, you know, all supports the fact that general cash flow in the market seems to be slightly improving because, one, the SENP repayment has started coming. The pre-payment or the excess payment made by the customers is also slightly increased, plus our deposit base has gone up. So that is slightly an indication of that. That is point number one.

And second point is that we have an internal credit scoring methodology. So, basically, it is not that we only look at the category. And though we are charging 0.5% higher, but we do have our CIBIL score and all other parameters that we look at. Today, if I have to give you the figure, our -- in terms of our CIBIL score category, we have almost 86% of our customers who are having a CIBIL score of more than 700.

This is both in case of salaried and self-employed. This is the kind of trend. So, kind of reflects that the quality of the customers that we are onboarding is also fairly good. So, I would believe

that it should not reflect so much in terms of delinquency. Although traditionally, it has always been that SENP NPAs have been a little higher than salaried segment NPAs.

Shreyansh Gattani:

Got it. Right. Yes, that's where my question was coming from because typically, we see higher delinquencies there. All right. Okay. The second question is actually around the short-term IT transformation that you had. So, I'm trying to understand what kind of retraining is needed that we would see a reduction because most of our sales comes from DSAs. So, like do they need to be retrained or I'm trying to understand the reduction in the guidance for this quarter, if you could give some details on that.

Suresh Iyer:

Sure. Okay. See, actually, the current IT package that we are having has been in place from 2011. So that clearly shows that for the last 12 to 14 years, the team has been only working on one single software, okay? And therefore, a lot of changes are expected in terms of not only the UI/UX, but also in terms of the process flow, you know, the methodology of doing any of the transactions that our staff have been doing.

So, that is something which will require a little bit of getting used to. That is one thing. And that will also mean we'll have to give all the staff clear training in terms of the entire new UI/UX, the new flow of transactions and everything.

Secondly, we are also adding a lot of additional features into this, obviously, because it's the latest up-to-date kind of a market software that we have on board -- we are onboarding. So, obviously, that will mean that a lot of new learning will also be there for the staff. So, this is just getting the -- getting used to the kind of thing. Otherwise, basics of the business don't change.

And so that is where the training will be required where our teams will have to go through all those things. And there could be some feeding problems like in terms of some wrong way of doing things, this system is stuck, we have to be guided of, help desk will have to step in and tell them how to now get through this particular activity and all.

So, basically, those things where we will have to do it. Obviously, when the training happens at least, I mean, the implementation happens at least there will be a 1 or 2 days where there will be a rollover from the old package to the new package. So, there will be a system downtime also.

Obviously, we will try to align it with kind of a Saturday, Sunday kind of a thing where it's a holiday, and we will try to do it in that sense. But still, you know, that kind of a buffer is something we will have to factor in those things. The IT transformations while fingers crossed, you would like to have it everything going fine, but you never know you will have to slightly take an extra knee.

Shreyansh Gattani:

Got it. That's very helpful. And my last question is on the geographic mix. So, just trying to understand, what is driving us just in the North, not the East-West and are we indicating like that we don't want to grow, it's just a diversification that we're doing or is this that we are almost saturated from what we can do in the Southern markets because, I mean, there's a lot of room anyway. So, since we know that kind of market for a long period of time, what's the purpose of just North and not the other regions if it's just diversification?

Suresh Iyer:

No, it's not only that we are opening only North and in the West. Actually, we have open branches in Tamil Nadu also. We have open branches in Andhra Pradesh also. So, it's not that we are not opening in the South, but considering that if you look at the breakup, we have the number of branches in the South is much higher compared that four states are having almost 70% of the branches or 65% of the branches.

Whereas entire large states, including Maharashtra, including Delhi, including Gujarat, MP, Rajasthan and all and UP, which is now doing very well, in spite of all those large states also, the number of branches was a little less. So, we are having more number of branches opening in the North and West, but not that we are not expanding in the Southern geography.

Only Telangana and Karnataka we have consciously not gone for an expansion because today the growth itself is a little bit of a issue because of the E-khata issue and because of the hydra issue. So, obviously, it doesn't make sense to now open more branches here, but as now the growth is picking up, in fact, we are looking at some more branches in Karnataka and Telangana also now. So, going forward, we will be looking at some more branches in these two states.

Shreyansh Gattani:

Got it. That's very helpful. Thank you so much and wishing you a very happy Diwali.

Suresh Iyer:

Thank you. Wish you also a very happy Diwali.

Nidhesh Jain:

Thank you. The last question for the day is from Kamal. Kamal, I have enabled your mic. Please unmute yourself and ask your question.

Kamal:

Hi, thank you sir for the opportunity. While most of my questions have been answered, just a couple of questions. Firstly, what is our incremental lending rate to the customers and going forward, what is the strategy while we give loans to our customers? We make them be at quarterly reset or is it annual reset or do they have some options of opting where do we want to reset our rate of interest?

Suresh Iyer:

Sure. See, in case of the incremental lending rate, I suppose you finished your question.

Kamal:

Yes, sir.

Suresh Iyer:

So, incremental lending rate, our lowest rate for the best customer in the housing category starts from 8.7%. We were earlier doing at 8.95% was the lowest rate. Now, 25 basis point that you passed down in two branches. Now, our lowest rate is 8.7%. And our rating is that for obviously for when it comes from housing to non-housing, there is a slight extra rate of interest is slightly higher.

If it is again from a salary to a self-employed, there is a slight higher rate we are doing it. And third, again, if it is a product difference, which is LAP or top-up, then again there is a slight higher. So, depending on the combination of this, we do it. So, 8.7 is the lowest and I guess the highest would be around 11.5.

Also, we do have a rate card of 12.5, but looking to the profile of the customers, I think all of them fall below 11.5. We do not have the customers below 700 or 650 CIBIL score. So, that is

the, in terms of the lending rate, that is where the blended cost, if you see comes to around 10.08 is the blended lending rate on the incremental side, because we have about 60% of the customers under salaried, 40% under self-employed.

So, that is the mix on the self-employed. The half a percent higher is also there. As regards reset, in fact, from January 2024 we have changed the policy. All new customers are compulsorily on quarterly reset only. We are not giving the option over there for a quarterly or annual reset.

It is only a quarterly reset. But existing customers, as on 31st of December 2023 those customers for moving into quarterly reset will have to go for some slight documentation and they will have to opt for it, which we keep sending reminders every quarter, every month to these customers, SMSs and WhatsApp.

And whenever they come to our office or whenever the reset is due, we again contact them to give them an option to reset to quarterly reset. So, that is where we have seen that 72 coming to 67, coming to 59 quarter-on-quarter. That is the position, but new customers are all on quarterly reset. Existing customers will move slowly over a period of time.

Kamal:

Okay. Thank you so much. If I could squeeze in one more. What was the BT-out rate for the current quarter and this quarter, our trade cost was very low. Apologies, I joined a bit late. So, if you could just give some color on the provisions and how do we expect it to pan out for the rest of the year?

Suresh Iyer:

Okay. So, right now, if I look at the balance transfer, which is takeover of loans, balance transfer or even where customers have said that we want to close the loan out of our own funds. We have considered this as a balance transfer because the customer may be saying this, but actually it may be a takeover. So, considering all that totally out of the INR1661 crores, about INR390 crores is where it is because of this reason.

Otherwise, in terms of customers making part repayment, but continuing the loan with us, obviously that cannot be a takeover. And the remaining thing is where the customer has sold their property and bought another property, that also obviously is a genuine transaction, not a BT-out. So, excluding all those things, the takeover, balance transfer and everything is approximately around INR390 crores, which was around INR275 crores in the previous quarter.

So, here about INR120 crores has gone up. Mainly about INR45 odd crores mainly increases in Telangana state, which I mentioned earlier. So, this is the -- so while 1661 is the total amortization plus part repayment plus loan closure, the actual loan closure is about INR390 crores out of the INR1661. That is one. And the second point, I am sorry, I missed or I did not, you mentioned one more point.

Kamal:

Yes, the provision this quarter was...

Suresh Iyer:

Yes. So, in terms of provisioning, as I said, we have had a reduction in our total delinquency across the boards in terms of SMA 0 has also come down in Q2 over Q1, SMA 2 has also come down in Q2 over Q1 and NPA has also reduced by around INR6 odd crores in Q2 over Q1. So, as a result of this, the incremental ECL provision for the delinquent portfolio has not been much.

Only that INR3 crores that has happened is mainly because our book has already grown from by around INR850 crores, INR900 crores in the quarter. So, obviously, we have to have some provisioning for the growth part of it. So, that is what it is. So, if our delinquency further comes down across the boards in Q3 over Q2, which is what we are looking at, then in that case in Q3 also the provisioning may not be a high number. It could be for growth that we will have to make a provision.

Kamal:

Okay. Thank you so much for the answer.

Nidhesh Jain:

Thank you all the participants. This concludes our Q&A session. I would now like to hand over the call to Mr. Suresh Iyer for his closing comments. Thank you.

Suresh Iyer:

Yes. Thank you, Nidhesh and thank you to everyone for joining the earnings call of Can Fin Homes for Q2 results. As explained, it has been a very interactive and we have our CFO also here, Abhishek or myself we are there. So, any further queries also you can get back to us. And otherwise, it has been a very interactive thing and I hope you have been able to answer all your queries. Once again, I wish all of you and your families a very happy Diwali. Thank you.

Nidhesh Jain:

Thank you.