



“LIC Housing Finance Limited Q3 FY 2018 Earnings
Conference Call”

January 29, 2018



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MODERATOR: MR. VIKASH MUNDHRA -- AXIS CAPITAL LIMITED



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Moderator: Ladies and Gentlemen, Good Day and Welcome to the LIC Housing Finance Q3 FY 2018 Earnings Conference Call hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. In case you need the assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vikash Mundhra from Axis Capital Limited. Thank you and over to you, sir!

Vikash Mundhra: Thank You, Aman. Hi, Good Afternoon, Everybody and Welcome to the Q3 FY 2018 Earnings Conference Call of LIC Housing Finance. We have with us Mr. Vinay Sah – Managing Director and CEO; and Mr. Sudipto Sil – Deputy CFO to discuss the Results.

I now request Mr. Sah to take us through the key financial highlights for the quarter, a post which we will open the session for Question-and-Answer Session. Over to you, sir!

Vinay Sah: Good Afternoon. At the outset, I would like to extend a hearty welcome to all of you to this post-earnings conference call. As you would be aware, LIC Housing Finance declared its Q3 FY 2018 numbers on Thursday late afternoon.

The key results of the of the Quarterly Results are as follows:

Revenue from operations up for the quarter at Rs. 3,738 crores, up by 6%. Individual Loan disbursements, up by 32% to Rs. 11,324 crores. Out of which, Individual Loans clocked a disbursement of Rs. 9,177 crores, which is up by 38%. Total loan disbursements including loan to developers for the quarter was Rs. 12,301 crores, which was up 27% year-on-year.

The outstanding loan portfolio at Rs. 1,56,175 crores, up by 15%. Out of which, Individual Loan portfolio stood at Rs. 1,49,986 crores, which was up by 15%.

Net interest income was Rs. 898 crores, as against Rs. 915 crores for the same period last year. Profit after tax Rs. 491 crores, against Rs. 499 crores in the same period last year. Gross NPA at 0.87% as compared to 0.56% over December 2016.

Individual Loan GNPA at 0.47% as compared to 0.32% in the corresponding quarter last year. Net NPA at 0.49% as compared to 0.27% as on the corresponding date of the previous year.

The quarter under review saw a strong uptick in demand across all the categories as the growth strengthened over the previous quarters of the year. Overall, disbursements growth including in non-individual segment was 27%. Individual Disbursement growth for the quarter was at 32%



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whereas the Home Loan disbursement grew a strong 38%. Good growth was witnessed in the Western, Central, Southern and in some locations in the Eastern part of the country.

Loan sanctions for the company during the quarter have been higher than 30% consistent to the previous quarter's increasing trend indicating a reasonably healthy pipeline for the coming quarter.

During the quarter in the Affordable Housing Segment, we have seen a very good traction more than 8% of our incremental disbursement in the individual category were in the PMAY CLSS loan category, it was Rs. 9,021 crores out of Rs. 11,300 odd crores.

In the beginning of the year, we had created two new regional headquarters at Bhopal and Patna. For the nine months, the growth rates from these two regions are in the range of 30% to 40%. Our overall year-to-date growth in disbursements at nearly 23% is ahead of our initial projections. We are encouraged by the buoyancy in the business and our outlook for Q4 as well as FY 2019 stands positive. Overall, loan book continued at a steady pace of more than 15% year-on-year.

Individual Loan segment growth was at 15%. In the loan book composition, the retail loan composition remained by in charge unchanged from the March 2017 levels. With the increase disbursements volumes, the loan book growth will also improve its growth trajectory in the quarter to follow.

As of December 2017, core Home Loan book growth was nearly 11%, highest in several quarters. In the current quarter, the GNPA levels have seen some increases from the Q2 level that is from September 2017 as against 0.80% in Q2 FY 2018 GNPA have risen to 0.87%. With the Individual Loan GNPA increasing from 0.43% to 0.47% sequentially. We expect it to decline in Q4 with no further increases. The increases in the developer loan portfolio are more transitory in nature and that too are expected to decline.

During the quarter, there has been a steep spike in the G-Sec yields with the benchmark 10-year G-Sec climbing relentlessly by almost 70 bps one way throughout the quarter. However, despite such increases, we have been able to not only contain the cost of funds but also achieve a decline in our overall cost of funds by about 5 bps during the quarter. Also, our incremental cost of funds on a year-to-date was a shade below our Q2 numbers by a couple of basis points. Our incremental spreads despite the sharp increases in the interest rate scenario stood at 2.44% for nine months. Sequentially, net interest margins declined by about 5 basis points. With interest hardening in the system, there is likely to be lesser pressure on the asset yield. We believe that the margins have bottomed out in the quarter and look to a margin recovery in Q4.

Further going out into the next financial year more than Rs. 20,000 crores of high-cost NCDs are set to mature which should offer some further margin benefits. The fee-based component



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of the income is also an area on which we have been focusing. Fees structures and some services have been revised upwards which will result in better fee-based revenues for us in the fourth quarter and going forward.

With this brief introduction, I would like to thank you and welcome you all again once to this call. I will now take on queries.

Moderator: Thank you very much. Ladies and Gentlemen, we will now begin the Question-and-Answer Session. The first question is from the line of Digant Haria from Antique Stock Broking. Please go ahead.

Digant Haria: Sir, I am talking about individual Home Loans that the disbursement growth is 38% but the loan book growth is just 10%. So like have we seen some very-very aggressive competition that people are poaching away a lot of customers from us. I agree, it is a trend which others are also facing but I think the trend is much more marked in our case versus some other players who have reported numbers.

Vinay Sah: See, as you rightly said the growth rates around 38% as far as disbursement goes and the loan book growth has been around 11% as I said for retail. Now exits do happen, there are regular exits also. I can give you some numbers to this. Current year the exits are to the tune of about Rs. 19,000 crores, which is again showing a growth rate of around 23% - 24%.

Digant Haria: Okay. So, sir, do you expect that like when can we move from this 10% kind of a number of a 14% - 15% in individual Home Loans like should the system as a whole grow after this RERA or you think competition will subside or we will become a little more aggressive like when do we get out of this 9% - 10% kind of growth in the individual Home Loan space?

Vinay Sah: I think, a couple of quarters we should be around those percentages. I can give you one more feedback is that Q2 we have suddenly experienced that probably the exits were heavy. So, we took a very conscious decision of making some tweaking changes in our rewriting rules and thereby in Q3 growth has gone down, the exit growth rate has gone down.

Digant Haria: Okay. And sir, the last question is, on this margin front like have we seen the worst of margins already like we at 2.33% now for the quarter three. Should we start looking at stabilization or a little bit of improvement from the coming quarters or this interest rate going up could actually further pressurize our margins?

Vinay Sah: No, the pressure is there. But I am sure that Q4 onwards there will be an upward trend.

Moderator: Thank you. The next question is from the line of Vishal Rampuria from HDFC Securities. Please go ahead.



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- Vishal Rampuria:** Sir, I want to understand within Individual Disbursement how much was balance transfer for us?
- Vinay Sah:** Balance transfer as in?
- Vishal Rampuria:** Within the Individual Loans disburse for the quarter how much was the balance transfer which we have done from other banks?
- Vinay Sah:** It would not be much, it would be in the range of about Rs. 400 crores - Rs. 500 crores for the quarter.
- Vishal Rampuria:** So this is what we have poached from other banks, is it right?
- Vinay Sah:** I would not use that word.
- Vishal Rampuria:** Okay, take over. Okay. And sir, the quarter again, we have continuous pressure on yield. So can you throw some more light that from where this kind of pressure is coming, is it from the lower yield from the new loans or is it the current loans getting repriced at a lower rate?
- Vinay Sah:** See, it is the effect of everything. The rates being offered for the new products are one of the lowest. Then rewriting also as I said before the rewriting was done so naturally the rates were decreased. Third also another component is that our project portfolio where the margins are heavy that is only 4% for a book share. So, it is a combination of all these factors it is not anything particular like I said when I spoke that probably disbursement wise this has been one of our best quarters.
- Vishal Rampuria:** Yes, no doubt.
- Vinay Sah:** One of the best quarter's and the retail core also showing a growth rate of 38% something and not only growth I would like to make a comment on the volumes also. Growth can be attributed, someone may have a feeling that last year probably was not such a good quarter or something, I mean we crossed we did nearly Rs. 9,200 crores only for a retail product. Those type of volumes we have not seen in the last so many quarters.
- Vishal Rampuria:** Right. Okay. And sir, page #17 slide number, you have given the yield on advances for the nine months, can you give me the yield for the quarter both yield and the cost of fund?
- Vinay Sah:** The incremental cost of funds for the quarter is around 7.38%.
- Vishal Rampuria:** No, I do not incremental, I want the total cost.
- Vinay Sah:** Total will be same.



- Sudipto Sil:** It was 7.42%.
- Vishal Rampuria:** And how much is the yield on advances.
- Vinay Sah:** Incremental spread is around 2.44, 9.86% is the yield.
- Vishal Rampuria:** 9.86% is the yield for the quarter, right?
- Vinay Sah:** 9.86%.
- Vishal Rampuria:** And what is the cost of fund for the quarter?
- Sudipto Sil:** 7.42%.
- Vinay Sah:** 7.42%
- Vishal Rampuria:** So 7.38% is for the quarter, is there any incremental cost?
- Vinay Sah:** 7.38% is incremental.
- Vishal Rampuria:** Yes, 7.42% you are saying is the total cost of the quarter, average cost.
- Vinay Sah:** No, 7.42% is the nine monthly.
- Vishal Rampuria:** So can you give me for the quarter.
- Vinay Sah:** Cost?
- Vishal Rampuria:** Cost of fund for the quarter.
- Sudipto Sil:** 7.38%.
- Moderator:** Thank you. The next question is from the line of Giriraj Daga from Visaria Family Trust. Please go ahead.
- Giriraj Daga:** First question is regarding the margins. You have seen interest rates have gone up and we have seen also banks have also marginally increased their rate. So do we now expect that the prepayment should come down, on the contrary, we might have some repricing at our existing loan on a higher side, is there a possibility do you see in the next one or two quarter?
- Vinay Sah:** I doubt. I mean, much will depend on the interest rate scenario which comes after the RBI guidelines were announced. But I do not see the rates going immediately in a couple of quarters.



- Giriraj Daga:** Okay. G-Sec remain stable at this level for next six months.
- Vinay Sah:** Yes.
- Giriraj Daga:** Okay. Second question is that like what kind of project loan or LAP we can have as a percentage over the next four quarters to eight quarters, what kind of numbers we are looking at?
- Vinay Sah:** The results, you must have seen that our income has grown up by 6%. Had there been a bigger share of project loans probably there would be scope for more increase. The loan book currently has a share of 4% but if we see only the annual incremental share it goes up to about 6%. So Q4 also we would personally like to strategically target a higher share for Q4. We not looking at it as something ideal mix or something, so internally last year we did about Rs. 3,200 odd crores of project loans. Currently, initially, we were aiming at about Rs. 4,000 crores or so but now we would like to increase it about Rs. 5,000 crores.
- Giriraj Daga:** Understood. Any target for next year you would like to have in mind?
- Vinay Sah:** No.
- Giriraj Daga:** Okay. My last question is if I look at the prepayment like say like the net effect of the LAP book, like a significant premium in the LAP book also prepayment/repayment, if I look at last few quarter numbers, the last quarter in LAP there was a significant amount of repayment.
- Vinay Sah:** In the total book you are saying?
- Giriraj Daga:** Yes, total book I am saying.
- Vinay Sah:** By in large the repayments and the prepayments in the LAP are similar as compared with the Home Loans depending upon the fact that of course, the LAP is a fairly recent I would portfolio accretion. There could be slight reduction there. But overall the trend should be by in large similar.
- Giriraj Daga:** No. See, broad number like I got a Rs. 1,500 crores number as a repayment our disbursement was...
- Sudipto Sil:** No, I will tell you the LAP, if I see it as a share I can tell you only LAP we are having a share of about 13% now and in the portfolios. So if that also has gone up by about 46% last year December we were having a non-core not exactly LAP but a non-core retail as we call it the size was Rs. 14,000 crores now it is more than Rs. 20,000 crores.
- Giriraj Daga:** Quarter-on-quarter it has not gone up despite Rs. 2,100 crores of disbursement that was the point I was making, sir.



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- Vinay Sah:** Yes.
- Moderator:** Thank you. The next question is from the line of Nidhesh Jain from Investec. Please go ahead.
- Nidhesh Jain:** Sir, can you share the disbursement number for LAP and housing for this quarter?
- Vinay Sah:** Number of loans or you want amount?
- Nidhesh Jain:** Amount.
- Vinay Sah:** Amount, yes. Retail core was Rs. **9,180 crores 19..00** and non-core was Rs. 2,150 crores.
- Nidhesh Jain:** Rs. 2,115 crores?
- Vinay Sah:** 50, five-zero.
- Nidhesh Jain:** Five-zero.
- Vinay Sah:** The total retail was Rs. 11,325 crores odd.
- Nidhesh Jain:** LAP was Rs. 2,150 crores?
- Vinay Sah:** Yes.
- Nidhesh Jain:** And sir, going forward do you expect a share of LAP going up because LAP has now been stagnated on a quarter-on-quarter basis?
- Vinay Sah:** This also is having a share of about 17% - 18% for us. So probably it would not go much too high. The share would be in the same range around. Maybe it goes up by 1% or 2%, not more.
- Nidhesh Jain:** And sir, can you share the incremental yields between these three products, core housing, non-core and the project finance, incremental yield on these three products?
- Sudipto Sil:** As far as the card rate is concerned for the core Home Loan it is around 8.35 onwards whereas for the non-core segment that includes LAP and some other products is around 10.50 onwards compared to that we developer loans. By in large you can say in the range between 12 and 13.
- Nidhesh Jain:** And these numbers are not annualized, so annualized card rates
- Sudipto Sil:** These are not annualized, and these are only the card rates. For example, interest rate variations could be there. So for example, though the card rate for core Home Loans is 8.35 there will be some product which will be offered at a higher rate also.



- Nidhesh Jain:** Okay. Sir, looking at these numbers the incremental yield on the individual portfolio is actually very-very similar to on-book yield on the individual portfolio, is that right assessment or?
- Sudipto Sil:** Yes, by in large you can say. So considering the asset mix.
- Nidhesh Jain:** Yes. So by in large going forward, there should not be a yield pressure which we have seen in last three quarters for the company because the incremental yield and the on-book yield are broadly similar.
- Sudipto Sil:** Yes. See, actually, that is in the opening comments only what was mentioned is that now that the interest rate cycle itself is hardening and we are seeing the reversal of the interest rate cycle. The competitive pressure on pricing and yields should generally come down.
- Nidhesh Jain:** Yes. And so in last two quarters - three quarters, we have seen that our book was also pricing because of we have reduced our PLR and there was a competitive pressure of your probably back book repricing at a lower rate that will now stop.
- Sudipto Sil:** That will ease out. We cannot say that it will stop fully but it will certainly ease out significantly.
- Nidhesh Jain:** And lastly, sir, on the cost of fund side, is it reasonable to expect that we will continue to see lower cost of fund on an entire book because some of the higher cost borrowings will reprice at a lower rate.
- Sudipto Sil:** Yes, that is of course, in addition to that at present also despite the fact that the interest rate scenario is hardened. We are still borrowing below our weighted average cost of funds by almost 35 basis points - 40 basis points, that should continue to yield some benefit on the weighted average cost of funds. So we can expect it to trend down.
- Moderator:** Thank you. The next question is from the line of Nilang Mehta from HSBC Global Asset Management. Please go ahead.
- Nilang Mehta:** Maybe my question is repetitive. But I just thought, I will just reconfirm, you mentioned your incremental cost of borrowing for this quarter is around 7.38%, right?
- Sudipto Sil:** Yes.
- Nilang Mehta:** And as we go into the next quarter, the 10-year yield is already at 7.35%, what do you expect this quarter to look like assuming current rates stay and generally you know February and March are tight on liquidity?
- Sudipto Sil:** See, Nilang, the G-Sec as you have very rightly understood I mentioned the 10-year G-Sec is around 7.33% - 7.34% levels and the yield curve right now for the corporate bond is quite



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flattish between say a one-year tenure and up to five years to six-year tenure, it is quite flattish. But overall the borrowing plan for the next quarter that is Q4 will also include reasonably good infusion of low-cost commercial papers that is what we have been doing in the earlier quarters also and we will continue to do in this quarter also. That should help us to ease the overall cost of funds.

Nilang Mehta: Okay. So you would be running some temporary mismatches or you are taking ALM calls, when is it?

Sudipto Sil: It is not ALM call per se. Actually, about two quarterback when the G-Sec has come down significantly and there was almost no difference between a G-Sec and a repo rate at that point in time we had done fairly large quantum of long-term borrowing. So that has actually opened up some space for us to do short-term borrowings. So that is how we are approaching it.

Nilang Mehta: Okay. Let me say your incremental yields like around 9.86 is what you mentioned. Can you give a split so your Home Loans or retail Home Loans on average are happening at what level?

Sudipto Sil: See, average annualized Home Loan rates will be in the range of around 8.7%.

Nilang Mehta: And do you mentioned in the opening remarks your high-cost debentures which are coming up for renewal? Can you just give that amount and cost over there?

Sudipto Sil: See, it is around a little more than Rs. 20,000 and at this point, they are carrying an average coupon 8.5%.

Nilang Mehta: And they steadily mature into FY 2019?

Sudipto Sil: Yes, across the year.

Nilang Mehta: Okay. And considering that rate cycle has changed a bit and obviously, it is not going down and might start hardening. From a product point of view, are you planning to introduce some of your older products which use to do the three-year fix, five-year kind of products or you think still that is not the right time to come up with these products?

Vinay Sah: The products the mixture of fixed some of them are still there and I would not like to use the word re-launching but maybe yes, some focus may shift in certain segments for that. But the products are already...

Nilang Mehta: Yes, I understand. My question was whether you start refocusing on these things?

Vinay Sah: Yes, we have to.



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- Nilang Mehta:** Okay. And sir, you also mentioned that from developer loan perspective you rejig your credit appraisal system, is that what you said, I did not get your comment in the start.
- Vinay Sah:** No. That is an ongoing process. But we have a very strong SOP, already a very strong SOP but there is a re-look into it and we did have a re-look some four months - five months back.
- Nilang Mehta:** Okay. And I just wanted to reconfirm your LAP which you still to continue to do is only to salaried people predominantly and the credit underwriting there is similar to your retail Home Loan which you in terms of
- Vinay Sah:** Yes.
- Sudipto Sil:** It is predominantly to salaried and the assessment is done almost exactly the same way for Home Loans.
- Moderator:** Thank you. The next question is from the line of Dhaval Gada from Sundaram Mutual Fund. Please go ahead.
- Dhaval Gada:** Sorry, if I am repeating this question, I joined late. A couple of data points. First, what are the interest income reversal for the quarter and nine months 2018?
- Sudipto Sil:** See, interest rate reversal will be to the extent of the increase in the NPL sequentially. The NPL increase sequentially is about Rs. 100 crores or so Rs. 120 odd crores. So to that extent for three months we can assume 9% rate of interest.
- Dhaval Gada:** Okay. And for nine months, would you have that number?
- Vinay Sah:** This is actually as on date, this is how it is calculated. And it is actually the same because whatever is accrual till six months will have to be reversed when you book the fresh accruals for the current quarter.
- Dhaval Gada:** Okay. And the second question was what is the quantum of individual Home Loans which got repriced in the nine months?
- Vinay Sah:** It was to the tune of Rs. 27, 400 crores.
- Dhaval Gada:** Okay. And lastly sir, on the LAP I think, this is a question which was asked earlier about some prepayments happening in the LAP. Could you sort of quantitatively give some numbers? What is the kind of prepayments we are seeing in the LAP book?
- Vinay Sah:** There has been no major account going into that. These are the usual ones and that is what I made a comment that in fact, LAP the book has grown up to Q3 by about 27%.



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Moderator: Thank you. We have the next question from the line of Roshan Chutkey from ICICI Prudential AMC. Please go ahead.

Roshan Chutkey: So just wanted to understand this comment of yours, you want to do more of short-term CPs going forward, why do you want to do it if you are seeing a flattish yield curve between one year to five years tenures?

Sudipto Sil: The reason is that the differential between a commercial paper and a tenure borrowing is almost 150 basis points and we are not doing the commercial paper at the risk of kind of distorting the ALM, it is within the space which is provided in the ALM because we have already done a lot of long-term borrowings when the G-Sec was 6.6 or 6.7.

Roshan Chutkey: Okay. But just because there is space why do you want to do it? If given a choice you would want to do as long tenure as borrowing as possible, right?

Sudipto Sil: Not necessarily because it depends upon the overall ALM structure. When there are short-term assets also being added onto their book then there is basically no risk, you are actually balancing it off against the short-term assets that we have created on the book. It is against the cash flows of those short-term assets that you are planning these borrowings.

Moderator: Thank you. The next question is from the line of Nishant Shah from Macquarie. Please go ahead.

Nishant Shah: Just a couple of questions. First, I would like to know what is the repricing pipeline that we have both on the asset side and on the liability side like how much of our borrowings are going to come up for repricing in FY 2019 and how much of the Individual Loans of our earlier fix rate product are going to come up for repricing?

Sudipto Sil: Yes, actually as far as the borrowing is concerned on the NCDs of about Rs. 20,000 crores is coming up in next one financial that is FY 2019 for the full financial year about Rs. 20,000 crores is coming up for repricing. As far as the assets are concerned, see now most of the assets are already in floating. So the residual amount of assets which are coming up for repricing the number will be very small.

Nishant Shah: Could you quantify that?

Sudipto Sil: I think it will be around Rs. 3,000 crores to Rs. 4,000 crores.

Nishant Shah: And these are repriced about what 50 bps lower, right?

Sudipto Sil: No, some of them could actually get repriced higher depending upon the kind of rate at which it was contracted. Depending upon also the rate of interest prevailing at the time of conversion.



- Nishant Shah:** Would we have that number off hand?
- Sudipto Sil:** I would consider it to be neutral. There could be some assets which will reprice upwards as well, as well as some assets which could get repriced downwards.
- Nishant Shah:** So the broad point that we take forward is that on a net basis because of Rs. 20,000 crores of liabilities are going to get repriced downwards that is going to give you some cushion on your incremental spreads.
- Sudipto Sil:** Right.
- Nishant Shah:** Okay, sure. And the second question is on our corporate NPLs, the builder segment. So what is the progress? These NPLs have been just piling on for quite a bit last quarter we had indicated that there was some solution probably likely in one of the large accounts of like 1.3 billion. So any progress on any of the seven NPLs that we have on the corporate side?
- Vinay Sah:** No, like I mentioned last time in fact after Q1 also I had made a comment that probably we were looking into a very close solution to one of our very old account also. But it was just a slip between the cup and the lip sort of thing. So I would not like to now make a commitment but then the only thing is that it can happen any day. In one of the accounts, in fact, the money has been deposited in account with the Court. But as you know the Court may give order today maybe after one month, after three months we are keeping our fingers crossed because the day it happens the money will come to us. That is the problem, but I am still very hopeful that Q4 should see a resolution of at least a couple of accounts.
- Nishant Shah:** And would we need to have any provisioning requirements against these?
- Sudipto Sil:** No, they are fully provided.
- Nishant Shah:** Fully provided like the net of recoveries that you expect, right?
- Sudipto Sil:** No. Actually, the recovery could be of the entire amount. So there could be a provision reversal as well.
- Moderator:** Thank you. The next question is from the line of Kunal Shah from Edelweiss Securities. Please go ahead.
- Kunal Shah:** Sorry, just to touch upon the previous question in terms of the corporate NPLs, so what is the exact provisioning against the corporate NPLs which are there?
- Sudipto Sil:** See, there are some accounts we have been provided fully, 100% provision has happened. Couple of accounts which have gone into NPA in this current financial year as per the requirement of the NHB 15% has been provided.



- Kunal Shah:** So on this Rs. 655 crores that is the corporate NPL as of Q3?
- Sudipto Sil:** Correct.
- Kunal Shah:** So what is the amount out there?
- Sudipto Sil:** Yes, as far as the total amount of Rs. 655 crores is concerned, the specific provision against this is approximately around Rs. 360 crores.
- Kunal Shah:** Okay. And any seasoning expected again say in the coming quarters or next two quarters on this or maybe we are comfortable with it?
- Sudipto Sil:** We do not see seasoning of any of the major accounts because three very old accounts have been fully provided for. Two accounts which were large ones which have slipped into NPA in this current year, I think they are still in the early buckets, there is no transition of buckets in the next couple of quarters.
- Kunal Shah:** So provisioning on this might not go up with the resolution we should only expect the recovery is coming through.
- Sudipto Sil:** Right.
- Kunal Shah:** Okay. Any color in terms of the increase which has been there in this corporate GNPLs this quarter?
- Sudipto Sil:** They are basically very small accounts in current quarter you are saying, they are small accounts. Not any of the lumpy accounts.
- Kunal Shah:** No, but technical largely?
- Sudipto Sil:** Mostly technically.
- Kunal Shah:** Okay. And just lastly, in terms of the incremental spreads, so that has moved up and particularly yields have also gone up. So is it more to do with the mix during the quarter be it maybe in terms of the project loans or is there any other reason for it? And would there be pressure on these incremental spreads because maybe I do not know yields are still holding, okay and that is the reason not able to get it as to how that has happened in this particular quarter?
- Sudipto Sil:** See, as far as the current Q3 yields are concerned, I would say that to some extent probably overall the situation will be a little less pressuring because of the interest rate scenario itself is reversing. So the pressure on yields going forward should ease a little bit. As far as only cost side is concerned, as I just mentioned that we still continue to borrow at levels which are lower



than our weighted average cost of funds plus some amount of short-term borrowings should help us hold on to those incremental spreads to some extent.

Kunal Shah: Okay. So maybe at least on the yield side also we do not see any kind of downside going forward?

Sudipto Sil: No, right now overall in the market generally everybody is holding onto their price points. Nobody is talking of any rate reduction.

Moderator: Thank you. The next question is from the line of Anand Laddha from HDFC Mutual Fund. Please go ahead.

Anand Laddha: You had given the break-up of the gross NPA on the individual and corporate. Within the individual gross NPA, Rs. 704 crores gross NPA, what could be the break-up between Individual Loan and LAP?

Vinay Sah: You want a break-up between LAP and...

Anand Laddha: The break-up of gross NPA between LAP and normal Individual Loan NPA, pure Home Loan NPA.

Vinay Sah: Yes, LAP would be 0.55%.

Anand Laddha: Okay, fine.

Vinay Sah: Individual would be about 0.53%.

Anand Laddha: Individual would be 0.53%.

Vinay Sah: Yes.

Anand Laddha: Okay. Sir, if I have to look at from the borrowing side, borrowing from short-term like CPs are just 3% for total borrowing. Is there any plan, is there any thought of management to increase this proportion further?

Vinay Sah: No, this will go up actually. What you see the share of the total borrowings but CPs as Mr. Sudipto was saying probably he is looking to our short-term payments also, within our ALM ratios we will take it more.

Anand Laddha: But is there any thought of the management. So probably over next four quarters or next six quarters, this 3% proportion can go to 7% - 8% of the borrowing.



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- Sudipto Sil:** No. Actually Anand, probably as on a quarter ending reporting day the number will still be around 3% to 4%, typically do a lot of borrowing intra-quarter.
- Anand Laddha:** Okay. We typically look at borrowings for two months, one month in between the quarter and end of the quarter it remains the same.
- Sudipto Sil:** Yes. Not one month, one month is too short between two months and three months.
- Anand Laddha:** Okay. And just a data point. If you can just give me an absolute amount of disbursement on the LAP segment this quarter?
- Vinay Sah:** Rs. 2,146 crores.
- Moderator:** Thank you. The next question is from the line of Nishchint Chawathe from Kotak Securities. Please go ahead.
- Nishchint Chawathe:** Just one question from my side. Within the retail business, are you able to see any specific trend in NPLs which we did in the LAP and housing segment?
- Vinay Sah:** They are approximately at on the same. It is not that one sector is contributing more or so.
- Nishchint Chawathe:** Can you share the numbers if possible?
- Vinay Sah:** LAP is about 0.55% and individual is 0.53%.
- Moderator:** Thank you. The next question is from the line of Vishal Rampuria from HDFC Securities. Please go ahead.
- Vishal Rampuria:** So just a follow-up question to ask you. One is that, how much was the LAP disbursement growth for the quarter?
- Vinay Sah:** For the quarter it was about 14%.
- Vishal Rampuria:** Secondly, sir, you spoke about some progress on the builder book. So can you throw some more light because I think you just spoke only about one account. But overall right now the NPA numbers are roughly 10% to 11% for the builder books. How do you see this number coming down over the next one year or so?
- Vinay Sah:** See, builder book, what happens is because our volumes are less so probably like the ratio is shown as 10.5% but the amount if you see is about only Rs. 650-odd crores. And this if you take into consideration the major accounts, so the number wise not many of the project's loans get into this. And as I said before probably the position would improve drastically once we get these at least one or two accounts sorted out in this quarter.



- Sudipto Sil:** If I just may add, out of Rs. 650 crores of NPAs on the developer side five accounts itself accounts for more than Rs. 450 crores and in all those five accounts there are various stages of resolution. As our MD mentioned, in one of them we have even received the money which is deposited in account under Court's direction. And there are also progress on some other accounts. So it was basically five accounts.
- Vinay Sah:** I was very hopeful even after June quarter that the money will come to us that time the money was not with the Court, but the proceedings were in a very advanced stage we were thinking that we will get it. But suddenly the borrower again went to a different Court and during this time the money has come now, it is a battle between two Courts and all those things. But again, anyway it can happen, it is that sort of a thing.
- Vishal Rampuria:** Okay. So overall you are saying that so given the level of resolution we probably expect probably this number get half in next one year or so. So from Rs. 650 crores we can easily come down to Rs. 350 crores or Rs. 400 crores?
- Vinay Sah:** Definitely.
- Moderator:** Thank you. The next question is from the line of Nilang Mehta from HSBC Global Asset Management. Please go ahead.
- Nilang Mehta:** Just a couple of follow-ups. So on the developer loan side while our base is small, and we have been growing that on and off. The overall market seems highly competitive with a lot of other NBFCs extremely aggressive in the lending space and yields coming down. how do you see ourselves competing in this space and where? My question is coming from the point where whether we will be able to compete at this space since we have not been there lending very aggressively or not actively in this space in the past. So just wanted your sense that how we will ensure that the new growth if you ride will maintain asset quality as we go ahead?
- Vinay Sah:** Very consciously we had decided at the start of the year that probably we will not like our project shares to go up very drastically and today also we maintain that. In between, looking to the market dynamics, we did have a relook into our underwriting rules also, not exactly relaxing them but making it more market-friendly. And after that also, in fact, Q3 was not that good as far as project loans are concerned. But if I see it from the sanction point of view probably I am very hopeful not in Q4 towards the end but maybe this month or early February, we may touch last year's figures very-very soon. Last year we did about Rs. 3,200 crores. I am in the line of touching those figures by mid-February or so and as I said the underwriting standards have not been lowered or diluted so that the asset quality is not a question that will come up later on.



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- Nilang Mehta:** Okay. But my question is like as you said this quarter was not great. So where you would have missed out. Is it because of pricing or is it because of the underwriting which you are looking to do in terms of collateral and all that would have cost some of the potential disbursements?
- Vinay Sah:** It is a combination of pricing also then sanction. The project loans 90% of the disbursements do not happen very fast. Some of them are immediate, some of them are over staggered stages of construction and other things so they do not. That is what I am saying, sanction wise December was not bad particularly the month of December. So probably all those which have got sanctioned in December will come up for disbursement in this month.
- Nilang Mehta:** Okay. My other question was sir on distribution and your sales strategy. So when you said you opened two regional offices Patna and one more place and growth have been strong. So have you been able to map out where the market leaders or the new competition is and how geographically we are spread and what are the gaps we need to fill?
- Vinay Sah:** See, this is a constant activity. Every year we have performance budgeting event which is scheduled normally in the month of February wherein all these things are factored in regional offices also, the corporate office also sits down and evaluate what all regions we need to enter more from the point of view of our presence as also from the point of view of presence of the competitors. These two regions as I had said probably earlier our central region which was comprised of U. P., Uttaranchal, M. P. and Chhattisgarh, they were doing volumes which were say nearly half of the Southern zone. Today, if I combine both the thing they are doing as much as south zone and growth wise they are the top two. I would like to make one more point as I said, next year planning for opening of new offices, more presence and all these that is going on and last year we had opened two regional offices and around six area offices. Current year regional offices we would not be opening because the controlling office wise it is a fairly good number. But we plan to open nearly around 18 to 20 new area offices next year.
- Moderator:** Thank you. The next question is from the line of Kamal Verma from CLSA. Please go ahead.
- Kamal Verma:** Couple of questions. One if I could have the Home Loan disbursement for the previous two quarters, 1Q and 2Q if you have that handy?
- Vinay Sah:** Yes.
- Kamal Verma:** Home loans not the individuals.
- Vinay Sah:** June quarter it was Rs. 8,286 crores. September quarter it was Rs. 10,300 crores.
- Kamal Verma:** Okay. And if I may ask sir, the way generally 3Q because of all the festive season tends to be higher why would the disbursements on the Home Loan part come down from Rs. 10,300 crores to Rs. 9,100 crores?



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- Vinay Sah:** No, this is current year, I am telling you the retail portion. Current quarter it is Rs. 11,300 crores.
- Kamal Verma:** Sir, that is individual, right? Rs. 11,300 crores?
- Vinay Sah:** Yes, individual. Yes, total retail.
- Kamal Verma:** Sir, I only wanted the Home Loan piece, the core book.
- Vinay Sah:** Okay, core book you want.
- Kamal Verma:** Individual number I have, you gave it in the PPT.
- Vinay Sah:** Q1 was Rs. 6,894 crores. Q2 was Rs. 8,434 crores Now this is Rs. 9,177 crores.
- Kamal Verma:** And sir, in the presentation you do give out the nine months yield and nine months spread. Could you share with us the spreads for this quarter on stock basis?
- Sudipto Sil:** See, the stock basis for the quarter it will be the same only, no.
- Kamal Verma:** Okay. Because generally, it has been coming off because the absolute margins are coming off I believe it will follow the track line of margins.
- Sudipto Sil:** Yes, there has been a small decline year-on-year by about the spreads has also declined by about 6 basis points and margins have come down by 5 basis points.
- Kamal Verma:** Okay. And also just wanted to understand when we look at the stock growth in LAP book, so you know the LAP book is whatever Rs. 20,000 odd crores and Rs. 20,600 crores and last quarter it was just touching Rs. 19,000 crores - Rs. 20,000 crores. So the just quarterly growth of about 3%, there is one way to look at how the quarterly build-up the book is happening and the other way is to look at Y-O-Y because it adjusts for seasonality. So how is this book building up to go back to of whatever increasing the share or being even flat on a Y-O-Y basis or I think the idea you were saying at the margin this number could be growing faster than the overall book. So 3% - 4% sequential will probably still mean you will probably in 12 months from now we will see a 15% - 20% growth in the book, is that how you are looking at it?
- Sudipto Sil:** Yes, just to share with you another data point if you look at the asset composition as on March 2017 and if you compare nine months down the line, the asset composition has changed very-very minutely by about half a percentage point, not even one full percentage point. So that is a part of the strategy where we had articulated where the LAP book or the non-core book will be allowed to grow a particular percent to a particular composition of the total assets and from there onwards we will maintain it at that level. So that is exactly how it is panning. Then after



March probably we will see both the two pieces of the book might be growing at by in large at the same year-on-year once the base has been corrected.

Kamal Verma: Okay. And lastly from the provisioning perspective currently you are running at like 44% NPL coverage, some of your NPL loans possibly can even get repaid as you were mentioning. But in the near-term will there be any seasoning related aspect that we should be aware of in terms of how one or two large NPLs moving from D2 to D3 sort of bucket?

Sudipto Sil: No, not in this couple of quarters.

Moderator: Thank you. Next question is from the line of Bunty Chawla from B&K Securities. Please go ahead.

Bunty Chawla: Just on this data point, you have said Rs. 27,400 crores were repriced in the nine months FY 2018, right? Can you give the similar number of accounts in that case how much were the accounts?

Vinay Sah: 1,90,000.

Bunty Chawla: And similarly, on the developer portfolio, you have said few small project loans have turned NPA. So can you share the amount per se on that?

Vinay Sah: For the quarter?

Bunty Chawla: For the quarter, sir.

Vinay Sah: It was around Rs. 73 crores - Rs. 74 crores.

Vinay Sah: Rs. 73 crores - Rs. 74 crores, which is equivalent to Rs. 130 crores you said in Q2 number, right?

Vinay Sah: Yes.

Moderator: Thank you. Ladies and Gentlemen, due to time constraints that was our last question, I would now like to hand the conference over to the management for their closing comments. Thank you and over to you.

Vinay Sah: Thank you. For your participation. As I said before, this quarter has been one of our better quarters as far as disbursements go. The income levels have gone up. We would like to of course work more upon the spread8s reduction as far as the borrowing cost is concerned. We are seeing still a higher contribution from the project loans so that we further build-up on our yields. Thank you very much.