"LIC Housing Finance Limited Q4 FY 2017 Earnings Conference Call"

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MODERATOR: **MR. PRAVEEN AGARWAL – AXIS CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the LIC Housing Finance Q4 FY 2017 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. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

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

Praveen Agarwal: Thank you, Raymond. Good afternoon, everybody and welcome to the earnings call of LIC Housing Finance. We have with us Mr. Vinay Sah – the newly appointed MD and CEO and Mr. Sudipto Sil to discuss the key highlights of the results.

I would request Mr. Sah to take us through the key financial highlights for the quarter post which we will open the session for Q&A. Over to you, sir!

Vinay Sah: Good afternoon to all and thanks Praveen. At the outset, I would like to extend a heartily welcome to all of you to this post earning conference call. As you would be aware, LIC Housing Finance declared its Q4 FY 2017 numbers yesterday.

The key highlights of the quarterly results are as follows: income from operations for the quarter at Rs. 3,662 crores which is up by 12%. Disbursements for the quarter Rs. 15,192 crores which is up by 15% year-on-year. Loan portfolio Rs. 1,44,534 crores which is up by 15.47%. Net interest income of Rs. 1,040 crores up 27% over the same period last year. Profit after tax Rs. 529.19 crores which is up by 18% over the same period last year. Gross NPA at 0.43% as compared to Rs. 0.45% over March 2016. Individual loan gross NPA at 0.20% as compared to 0.20% over last year. Net NPA at 0.14% as compared to 0.22% as on the corresponding date of the previous year. Dividends proposed are 310%, previous year it was around 275%.

The year that just concluded was a very eventful year with major local and global events dominating economies in market. However, despite challenging circumstances, external circumstances I am happy to share with you that the company has done exceedingly well in all areas of operations. And in disbursements the Company clocked a 15% growth for the quarter. Good growth was witnessed in the southern, western and eastern parts of the country. Growth picked-up in February end and especially in the month of March.

Loan book growth continued to grow at a healthy 15.47% over last year. Individual loan segment growth was at 14.2% out of that the core home loan segment grew by a little more than 9%. On a low base project loan also witnessed a decent growth from about Rs. 3,442 crores to approximately Rs. 5,510 crores. In the loan book composition, the retail loan comprises of more than 96% and developer loan are 3.8%. Within the retail book about 12% is in the LAP. The

LAP segment is largely with the salaried individuals with low ticket size of about Rs. 12 lakhs with LTVs of less than 30% based on their repayment capacity of the borrower with the self-occupied, un-encumbered, residential property taken as security.

Earlier during the year, we had indicated that the LAP plus developer segment would be around 15% and at present it is about 16%. We would be looking to maintain this component around current levels and focus on the home loan segment which has always been a core market segment. As far as project finance that is developer segment, our exposure is below 4% and we continue to look at that segment on a case by case basis and are extremely selective about it.

Our focus for the current year, as mentioned will be around the core home loan space with a major thrust on affordable housing. The new Pradhan Mantri Awas Yojana schemes for urban launched by the Government of India under MIG segment will cater to a large segment of the middle-class end user households which form a traditional and core segment of LICHFL. We expect to do good business under these schemes.

The last Union Budget has also brought affordable housing under the definition of infrastructure. This will ease access of funds to developers in the affordable segment which in turn will address supply side constraints. The implementation of RERA will also instill confidence among home buyers and transform demand to transactions.

Apart from the growth drivers from the broader demand of view, we have presently one of the lowest home loan rates in several years. This coupled with stable property prices pose great opportunity to home buyers especially for end users who have been in the wait and watch mode for a while. Though the market has been quite competitive but with our pan India spread good range of products and extremely fine pricing we are confident of a strong showing in FY 2018.

Our share of business from the non-metro locations have increased to 55% over the years, looking to the emerging prospects of growth in smaller centers, we have opened two new regional offices with headquarters at Bhopal and Patna in the current year. We also have plans of increasing our feet on street presence in these locations. Another growth strategy will be through our 100% subsidiary LICHFL financial services who have nearly doubled their share of originations from 4% to 9% last year. We expect great contributions from them in the current year.

In the area of customer retention, I would like to briefly touch upon the prepayment rates which are closely monitored, they are showing a declining trend for the fourth quarter in a row and are likely to dip further. Asset quality is an area where we have been consistently improving our performance. This year too our gross NPAs have come down to 0.43% from 0.45% last year. Gross NPAs in retail category now stand at an all-time low of 0.20% and net NPAs are at 0.14%. I may reiterate that the company has a zero-tolerance policy for NPAs and we have been very focused on maintaining a very good asset quality.

During the fourth quarter, we had a higher provision due to a one-time provisioning of about Rs. 50 crores made for developer loan account which was NPA three years back and moved to the D3 provisioning bucket of 100%. You would recollect that during Q1 of FY 2017 we had made a similar provisioning of Rs. 120 crores on two more accounts. With this, 100% provisions have been made on all large developer NPAs. Out of these accounts, we are extremely hopeful of a recovery in at least one account very shortly.

In terms of cost in first year in FY 2017 we had incurred a one-time additional cost of arrear wage revision to the tune of about Rs. 50 crores which had increase the cost to income ratio. We do not anticipate any such items in financial year 2018.

The cost of funds continued to trend downwards despite volatilities. The interest rates in the economy with the average cost coming down by 55 basis points during the year, this coupled with higher share of high margin business ensured, that the net interest income grew by a strong 27%. The net interest margins for the quarter stood at 2.97% up from 2.71% for Q4 FY 2016 which is a 24-quarter high. NIMs for full year also witnessed a growth from 2.52% to 2.70% marking yet another year of increase.

During FY 2017, we had increased our share of public deposit to 5% from about 3% helping us in diversifying our resource base. Our low incremental cost and optimal asset mix of high margin assets give us good margin visibility in FY 2018. Also about Rs. 12,000 crores of our high cost bonds averaging over 9% rate of interest are getting mature during the year that should help us reduce our average costs further.

Lastly, before I conclude and take your queries, I would like to share with you my excitement and happiness in taking over as MD and CEO of LIC Housing Finance. The Company now in its 20th year has been performing exceedingly well in a consistent and healthy manner with a highest standard of corporate governance and best practices in its business dealings. I hope that my experience, three decades of experience in LIC across various functions and geographies will be able to add value to the organization in all areas of operations. Thank you and welcome again to the conference call.

I will take your queries now.

Moderator: Sure. Thank you very much. We will now begin with the Question-and-Answer Session. The next question is from the line of Viral Shah from Credit Suisse. Please go ahead.

Sunil Tirumalai: This is Sunil Tirumalai from Credit Suisse. I had a couple of questions. So, you mentioned that the share of non-home loan segments that is LAP and developer loans at 15% - 16% is where it is going to be going forward. In that situation how should we look at spread and margin expansion? And related question is that you have given 280 basis points as incremental spread, I mean that is for the full year. I wanted the fourth quarter number if possible and between what is the incremental yield minus what is the incremental cost.

Vinay Sah: Well, as I said, next year also we are looking at 16% contribution from this. The margin should be stable with slight improvement expected.

Sunil Tirumalai: Yes, sir. And the incremental spread for the quarter and incremental yields and costs please.

Vinay Sah: Q4 was 7.68% incremental costs.

Sunil Tirumalai: Okay. And the incremental yields?

Vinay Sah: Yield was greater than 10%.

Sunil Tirumalai: Okay. So, you had spreads of 230 basis points, incremental spread of 230 basis points.

Vinay Sah: Yes.

Sunil Tirumalai: Okay. And has there been any change in the yields on the LAP book any reduction over there?

Vinay Sah: No.

Sunil Tirumalai: Right. And we also saw that the reported numbers you have given on a Y-T-D basis the prepayment rate that seem to have gone up from December to March quarter which suggest that the prepayment rate should have gone up. But you mentioned that it has come down. So, I could not reconcile the two statements.

Vinay Sah: Year-on-year it has come down.

Sunil Tirumalai: Right, okay. Okay, sir and last question is on you mentioned the subsidiary through which you are beginning to originate. I mean, I can understand the cost angle from that but I just want to understand how can it help generate new growth I mean new growth opportunities through that subsidiary that will be very helpful to understand. Thank you.

Vinay Sah: See, they will go to new areas also the spread will come. As I said their contribution was very low till yet. Last year it has gone up to about 10%. So, it goes to new areas, new customers, it is channel which we want to develop further for making more contributions to us.

Moderator: Thank you. We have the next question from the line of Mahrukh Adajania from IDFC Securities. Please go ahead.

Mahrukh Adajania: Sir, I just wanted to reconfirm your number for LAP disbursements was it 45 billion or higher?

Vinay Sah: Yes, it was Rs. 4,500 crores.

Mahrukh Adajania: Sir, and just in terms of pure retail loans excluding LAP, the growth rate in disbursements was only 2% though of course your overall disbursement growth was very impressive. But in terms of pure retail loans, it was only 2%.

Vinay Sah: It was about 6% to 7%, ma'am.

Mahrukh Adajania: Disbursal growth?

Vinay Sah: Yes.

Mahrukh Adajania: For the fourth quarter?

Vinay Sah: Yes.

Mahrukh Adajania: So, for the fourth quarter if LAP was 45% and total individual disbursals were like say 140 then…

Vinay Sah: Rs. 9,500 crores were retail and Rs. 4,500 crores were LAP.

Mahrukh Adajania: Correct. And last year LAP was Rs. 3,300 crores fourth quarter?

Vinay Sah: Yes, around that, yes.

Mahrukh Adajania: So, then it works out to a growth rate of under 5%.

Vinay Sah: This thing, retail was around Rs. 8,500 crores last year, ma'am.

Mahrukh Adajania: Okay. But your total individual was still 125 billion?

Vinay Sah: Yes, last year.

Mahrukh Adajania: Okay. So, then the LAP was higher?

Vinay Sah: LAP was…

Mahrukh Adajania: 43?

Vinay Sah: LAP was around Rs. 3,800 crores.

Mahrukh Adajania: Okay, sir. Fine. Even so your individual loan disbursements are somewhat weaker than your other your non-individual or not non-individual but developer LAP disbursals. So, how do you see the spanning in the next few quarters?

Vinay Sah: Ma'am, as I said, LAP plus project we have come to a share of about 16% and going ahead probably it would be around the same. May be marginal increase if it happens, it happens. But we will be focusing mainly on our retail only.

Mahrukh Adajania: Okay. I mean, how would you gather market share there because rates have come off you think that growth will pick-up that way or?

Vinay Sah: Yes, affordable housing we want to go in a big way. And more so we want the growth parameters we achieve based on retail.

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

Vishal Rampuriya: Sir, you mentioned in the call that the large part of LAP book has been given to salaried people. So what would be the end usage of this loan?

Vinay Sah: Mostly it is up gradation, renovation, etc., of property.

Vishal Rampuriya: Okay. And second question I have on this increase in this operating cost. So, how much would be the guidance for next year? Because in this quarter we have seen a very sharp increase in the operating cost both employee cost and the other cost?

Vinay Sah: I think, if you listen to me the employee cost and other things mainly where due to some payments and provisions for last year arrears we have been having in the range of about 15% to 16%. So, we will maintain around that only.

Vishal Rampuriya: Okay. And third question on new cost of fund. So, how do you see this cost of fund moving for next year given the maturity you mentioned about this Rs. 12,000 crores?

Vinay Sah: I think cost of understand should come down. As I see it should come down.

Vishal Rampuriya: By how many basis points?

Vinay Sah: That is anyone's guess.

Vishal Rampuriya: Okay. And sir, one last question on your prepayment. Sir, basically are we seeing more enquiries from the customer to lower the rates given that the competition has gone up. So, challenges in terms of balance transfer?

Vinay Sah: Yes, we have been getting enquiries but it is not very big number. I would say we have been getting enquiries for lowering of rate but I would not say it is very large.

Vishal Rampuriya: So, you mentioned that your incremental yield is around 10%. Can you split into home loan, LAP and your new project loans?

Vinay Sah: I would request Mr. Sudipto to just comment on that.

Sudipto Sil: See, this average yield is around say 10.3% or so that is not annualized, if you annualize it will be in the range of around 10.7% - 10.8%. And if you look at the bifurcation, the developer segment will be giving us an average yield of around 14%, 13.75% to 14%. Then the LAP will be around say 11ish and for the retail it will be lesser than that, it will be around 9% or so.

Vishal Rampuriya: So, this number is for the quarter or for the full year?

Sudipto Sil: I am just giving you the incremental you were interested in the incremental.

Vishal Rampuriya: Yes.

Sudipto Sil: So, 9% and around 14%.

Vishal Rampuriya: 13.75% or so.

Moderator: Thank you. The next question is from the line of Umang Shah from Emkay Global. Please go ahead.

Umang Shah: I just had two questions, one was during your opening comments you mentioned that there was a Rs. 50 crores kind of one-off expense in the employee expense, that is for the full year, right?

Vinay Sah: Yes, that is for the full year.

Umang Shah: And that is something which is non-recurring in nature?

Vinay Sah: No, it was I did not share with you. It was on account of provisioning made for the arrears paid for salary revision.

Umang Shah: Okay. And sir, the other operating expense of around Rs. 137 crores for this quarter that we had does that include any one-off?

Vinay Sah: No.

Umang Shah: Okay. So, that is also appearing a kind of a little higher. So, any specific reason what is driving that number?

Vinay Sah: See, there are two reasons to it. There is increase in the number of employees and then secondly, also I said, the pay revision happened. So, everyone is getting slightly higher salaries then we have paid more commission also. Commission growth is about 16%.

Umang Shah: Okay, got that. Sir, second question was pertaining to affordable housing. So, you mentioned that clearly affordable housing is something which the company is looking forward to any growth that you would like to peg for next one year to two years on an overall book basis as well as in the individual segment?

Vinay Sah: See, the overall growth I would say presently this year we had about 15%. I am looking at similar growth rates or maybe we add a couple of points to the growth rates for the next financial year. And affordable housing, there are two parts to it, one is that it confirms very well to our average ticket size that we have been having off about say Rs. 20 lakhs - Rs. 22 lakhs, so Rs. 12 lakhs to Rs. 18 lakhs. So, strictly going by I mean I cannot make a guess of what percentages would be this for the coming year. But as I said, a great amount of stress and follow-up will be on this segment.

Umang Shah: Understand. And sir, last data point what proportion of our liabilities are coming up for repricing this year and assets which are coming up for repricing in FY 2018?

Vinay Sah: See, biggest amount is what I shared with you about Rs. 12,000 crores is coming up. High cost bonds are coming up. The interest rates are 9% and above and then may be another asset of Rs. 5,000 crores to Rs. 6,000 crores.

Umang Shah: Okay. So, total broadly around Rs. 18,000 crores of liabilities will come in for repricing?

Vinay Sah: Yes.

Umang Shah: Okay. And sir, on the loan side?

Vinay Sah: This is on the loan side. Assets I said on the loan side only.

Umang Shah: Okay. So, Rs. 12,000 crores are the high cost bonds and Rs. 5,000 crores are on the loan side.

Moderator: Thank you. The next question is from the line of Avinash Singh from Jefferies. Please go ahead.

Avinash Singh: Regarding that LAP disbursal growth perhaps that would have driven your commission expense. I was more concerned have we changed something in the strategy towards the LAP disbursal because roughly 20% growth in this kind of environment it looks either I mean you have gone to a different segment you are catering or you have increased the ticket size. Can you provide some color on that?

Vinay Sah: See, our LAP, we do not have any high-volume cases or something like that. Our LAP is basically more so on the service segment basically coming from the salaried class. It is a small ticket size LAP and as you said I mean a large component coming from it in Q4 basically I mean, the focus was not there but it has come. Loan to values also if you average it out it would be around 30% - 35%. It is highly secured in that way.

Avinash Singh: Yes, I mean it is a bit difficult to connect. If you are not changing your strategy nothing is changing. So, was it that okay you change the incentive structure to your I mean the sales agent or DSA, did you give them more incentive this quarter?

Vinay Sah: No, the rates are same. There was no change in incentive structure or anything like that and the LAP as I said, it is currently around 13% but the share will remain around that only, may be goes to 14% - 15% that is it.

Avinash Singh: Okay. And on that this thing regarding one of the past project loans where you have provided and you expect some of recovery in near future. So, are you kind of certain because in certain cases one of your big projects there is some sort of litigation between the buyers and the lenders and all. So, is this expected recovery relate to that same project or you have got clarity on recovery?

Vinay Sah: See, I can just tell you that, I think I did make a mention of it in my address. We have three large loans which are under NPA for which 100% of provisioning has been done. The loan where we are expecting something, I cannot give you the names and other thins but that is not may be the loan which you are talking about and we are very confident that this one particular account recovery will be done and very soon.

Avinash Singh: Okay. Just one more, on that project loan does the run rate is going to continue or is it going to slow down because I mean if this run rate continues as you are guiding for that 16% non-core that will be difficult to maintain. So, are you going to slow down fresh sanction in this segment or what is going to be the strategy?

Vinay Sah: Actually, see, we are very selective about it. And overall portfolio share is not even 4% it is 3.8%. So, as I said the portfolio I mean we have no plans absolutely no plans of going all out after this. So, may be overall the share will remain at the same levels.

Moderator: Thank you. The next question is from the line of Pankaj Agarwal from Ambit Capital. Please go ahead.

Pankaj Agarwal: Sir, coming back to disbursement growth. This weak disbursement growth is it because of weak demand or is it some market share loss to other lenders? Disbursement in individual loan segment.

Vinay Sah: Yes, I would say it is general industry show that is happening here. I do not have a consolidation of overall results of all companies and we cannot comment on the industry growth as such. So, when everything comes up we may be better than the industry. But Yes, as you say the numbers could have been better had the market sentiment been better.

Pankaj Agarwal: Yes, sir, like if I look at banks they are growing in this segment at around 12% and one of your smaller competitors for them also disbursement growth was around 3% - 4%, right. So, my question was that if your overall disbursement growth for the industry is so low, what makes you so confident that growth will pick-up next year I mean, are there any signs which is giving you confidence that things will improve next year on individual loan segment?

Vinay Sah: See, the overall feeling is that now things have taken a turnaround last two quarters also things have picked-up and as I said before also, we would be concentrating and focusing a lot on affordable housing. If you heard me towards the end we are also looking at expansion of offices having more intermediaries appointed, enquires are also picking-up.

Pankaj Agarwal: Okay. And sir, second question was related to affordable housing. Have you done any internal calculations on the size of the opportunity that is one? And second, do you have distribution channel to tap this opportunity or do you need to add some distribution to tap this opportunity

Vinay Sah: See, I will make comment first on the distribution channel. Number one, increase in the number of offices especially two - three centers regional offices have been opened, people have been posted. So, we expect a good number of intermediaries to be added there. Second was my comment about having more focus on the activities and acquisitions through our subsidiary – LIC Housing Financial Services they in turn would be again growing to smaller places. The third thing again, what I shared with you in my address is that we are getting about 55% of the loans from other than metro centers, we are also looking at a new product which can cater to the affordable housing segment.

Pankaj Agarwal: Okay. And sir, finally, given that in affordable housing the ticket sizes are slightly on the lower side and especially you also need to add distribution channel, given the smaller ticket sizes, your per loan cost be higher then what you are doing right now? Does not it mean your operating expenses will grow faster than your loan book?

Vinay Sah: We would like to offset it by numbers. They are larger numbers of loans.

Pankaj Agarwal: Okay, you are saying more employee efficiency.

Vinay Sah: Yes.

Pankaj Agarwal: And any numbers from that, how many loans your employees are doing per employee and where you can go on this metrics?

Vinay Sah: No, we are right now working on it. It is one of our very major strategies and focus areas on which the central office is working on it. I would share with you that we have a very big conference, every year it happens, strategy conference which happens where all area managers throughout the country they are involved and such things are worked upon and shared there, so that we take our strategy ahead. It is going to happen soon.

Moderator: Thank you. The next question is from the line of Vibha Batra from Fare-Connect. Please go ahead.

Vibha Batra: The question is on leveraging. What would be your total debt divided by net cost, the total leverage?

Vinay Sah: Sudipto, can you respond to that?

Sudipto Sil: Yes, Vibha, the total debt on book is around Rs. 1,26,000 crores and the net worth is around Rs. 11,000 crores.

Vibha Batra: Okay. So, do you have some limit on the maximum leveraging you can go up to?

Sudipto Sil: We can go up to 16 times net on funds as per the NHB guidelines.

Vibha Batra: But is that the internal benchmark too?

Sudipto Sil: There is no internal benchmark and we are comfortable with the capital position as of now and we have no issues with the rating agencies as well. So, it is up to us when we increase our capital whenever we want to, headroom is available.

Vibha Batra: Okay. And in your borrowing profile, the proportion of commercial paper is very-very limited. But if we see on the asset side you have significant prepayments and if you were to add up normal repayments also broadly that may add up to may be 15% to 20% of your book and as against that your short-term liabilities are extremely limited. So, while one has some stance on leveraging. On liquidity, do you think you are being over conservative because if you have slightly higher proportion of CP that itself add 10 basis points - 15 basis points to your NIM.

Sudipto Sil: Yes, it is very good observation. Actually during the year about close to 15% of our borrowing has been done through commercial papers about 8,000 crores out of 55,000 odd crores.

Vibha Batra: So, it is a yearend figure.

Sudipto Sil: So, what we see actually is the year end figure. The CP comes in between the quarters or in between the years because it is short-term borrowings, it reduces our cost of funds, it provides us the liquidity and leaves us before the quarter end.

Vibha Batra: Okay. So, you are taking that.

Sudipto Sil: Yes, very judiciously without impinging on the ALM parameters.

Vibha Batra: Okay. But what about NHB refinance? NHB has some refinance for rural which I guess sort of your portfolio…

Sudipto Sil: We are fully drawn down on whatever limits are available with NHB and fresh limits we have also applied and very recently, they have come up with some urban housing and rural housing scheme just about a week back for this the new financial year we are applying again. As and when we are getting any good refinance program for NHB we are fully utilizing them.

Vibha Batra: Okay. And your Q4 borrowings were done at 7.68% percent but what would be the lowest cost that you did apart from commercial paper and at what rate was…

Sudipto Sil: We have borrowed NCDs very close to 7.2% that was long-term NCDs that we have borrowed with maturities more than five years that is what we have done. And we have also raised from the public deposits we have raised bulk deposits at close to 7%.

Vibha Batra: Okay. So, if we were to extrapolate that the incrementally this will be your borrowing mix on CP and 7.2% from NCD market I am assuming banking would be negligible. What would be the incremental cost of funds of course, it would change with the market but if you were to assume these rates what could be the incremental cost of funds in the next financial year?

Sudipto Sil: See, next financial period it is a slightly longer period to look at but quarter-to-quarter if you see considering the fact that we are looking at a stable interest rate scenario, I would believe that apart from the commercial paper for the tenure borrowings we should be able to borrow at in the range of around 7.6% to 7.8% and if you include the commercial papers about the 15% or whatever then it will come down to that extent because commercial papers we are borrowing at around 6.5% range.

Vibha Batra: Okay. So, may be the cost of funds will be anywhere 7.4% to 7.5%.

Sudipto Sil: Yes, 7.4% to 7.5%.

Vibha Batra: And what will be your weighted average rate of interest, I missed that. I think you said 14%, 11%, 9% for developer, LAP and retail. But if you were to take weighted average blended yield what would it be incrementally?

Sudipto Sil: See, it will be closer to 10% including all the three pieces of business put together.

Vibha Batra: Okay. So, there could be then marginal shrinkage in the spreads from what you are earning?

Sudipto Sil: Not really because when I indicated I have always tried to be conservative in my indication. The spreads will continue to be healthy.

Vibha Batra: Okay. And when your fixed loans come for repricing, they are repriced at lower at 9% or are they repriced to slightly higher than 9%?

Sudipto Sil: You are talking of the liabilities?

Vibha Batra: No, assets.

Sudipto Sil: Depending upon whatever rate of interest is there in the market in that point in time and also depends upon the product feature.

Vibha Batra: One more question, I read on the exchange announcements, the previous MD resigned.

Vinay Sah: No, the previous MD resigned in the sense she has been promoted and posted as Managing Director of Life Insurance Corporation. And she was on deputation to FHL. So, as a practice she had to resign and then…

Vibha Batra: Okay. But may be announcement itself could have included that.

Moderator: Thank you. The next question is from the line of Shekhar Singh from Excelsior Capital. Please go ahead.

Shekhar Singh: I just wanted to understand with this big opportunity opening up because of this affordable housing. Do you think the entire business dynamics might change do you foresee entry of new players change in distribution and is there a possibility that some of the players might actually like trade margins for getting higher growth, can that sort of scenarios also play out?

Vinay Sah: See, you have asked a lot of questions in that. The first thing is as far as opportunities go we feel that large big opportunity is there for everyone all players and there is enough for all the players to co-exist in this market. Rates probably see, it is a product which has a subsidiary part attached with it. So, the overall loan rate across the market may not go down substantially it is our feeling. May be some marginal adjustment some of the players may do. So, I do not think so and then probably large players have distinct advantage of reach, cost of funds, existing networks and other things as compared to the new players that may come in.

Shekhar Singh: Okay. And in this sort of new scenario which is opening up will online applications for housing loans and even getting approval online will that be differentiator in terms of distribution?

Vinay Sah: Online things happening may ease the application part of it. The processing and this has so many legalities associated with it, the contract per se, the property papers and all those things, the permissions, etc., so probably processing may not be too much of a differentiator only the application part is okay, processing the same things will continue as simple the thing has inspection of the property that has to be done. Well, someone has to go and inspect and backend whatever operations are happening today manually, they will happen manually. So, may be yes, but what do you say likely the enquires coming or application part of it that online will happen I think.

Shekhar Singh: Okay. And just in terms of new loan application say this is very new and we also do not have much of an idea as to what is the size it can actually come to. So, I am just trying to get your estimates on this. Say, in the current year in FY 2018, in case if you gave out Rs. 100 worth of loans on new disbursals for Rs. 100 then in FY 2018 can this Rs. 100 not just for you but for the entire housing finance company segment, can this Rs. 100 become Rs. 120 - Rs. 150 or can it be Rs. 200?

Vinay Sah: To start with, we are looking at this Rs. 100 becoming Rs. 115 to Rs. 116 - Rs. 117, okay. But much will depend on how the market evolves and housing you know it better, you know it. Most of the factors are external factors. So, it depends on that but still, as a company we are looking at a growth which is not less than what we have achieved this year.

Shekhar Singh: And sir, the way this opportunity is opening up then FY 2018 should be the year when it actually starts unfolding and the real effect of it we will be seeing in FY 2019 and FY 2020, is that correct?

Vinay Sah: I think Yes, it should start in FY 2018, Yes. The inflection should start.

Shekhar Singh: But so far like in terms of ground activity you would not have seen much because this is like very-very recent event.

Vinay Sah: Yes, I mean but things are happening because this is something which our honorable Prime Minister has announced and reiterated time and again, in the last two - three meetings that he has had so, things are picking up, enquires will pick-up this Prime Minister Awas Yojana was also for MIG was announced in March itself. So, things are beginning. But we would like to reach to the market before the market comes to us.

Shekhar Singh: Correct. But you still have not planned out any marketing…

Vinay Sah: Several things, I said, to start with more number of offices, more recruitment of intermediaries, focus on the functioning and reach of financial services, the new product that we are designing for affordable housing I mean all these things are in place.

Moderator: Thank you. We move to the next question. Next question is from the line of Adarsh P. from Nomura Securities. Please go ahead.

Adarsh P.: Sir, just a question one of your slides, you mentioned the loan to value incremental sanctioned on individual loans is like 44%. So, just wanted to confirm that because generally we hear about LTVs of like 65% to (+70%), so just wanted to check on the 44% number.

Vinay Sah: See, our LTVs traditionally have been quite low. LAP as I said earlier, probably we do not go beyond 30% in any case. So, that 44% is right.

Adarsh P.: So, I just wanted to check, so LAP you may be at 30% if I adjust that for LAPs proportion it is still 50% on mortgages.

Vinay Sah: Yes, around that only.

Adarsh P.: And can you give me your sense on the split in mortgages the core book between say construction and flat financing because construction LTVs will be significantly lower. Give some sense of what construction somebody taking buying a plot but then taking financing for construction would be?

Sudipto Sil: Yes. Adarsh actually what you actually want, under construction or self-construction slightly different.

Adarsh P.: Self-construction not under construction flats, more self-construction.

Sudipto Sil: Self-construction is very less. It is not even 10% very less. Around hardly 5% - 7% will be self-contraction.

Adarsh P.: So, even our incremental mortgage which are core not LAP book, the LTVs would be just 50%, is it?

Sudipto Sil: Right.

Moderator: Thank you. The next question is from the line of Viral Shah from Credit Suisse. Please go ahead.

Sunil Tirumalai: This is Sunil again. Just wanted to understand are we seeing any flow throughs from the pay commission increases which government staff would have seen? And if not, what is the timeline that we should expect that to come through? Thank you.

Vinay Sah: We have been getting good number of enquiries because of that also.

Sunil Tirumalai: Right. And when do you expect them to convert into actual business I mean going by your past experience?

Vinay Sah: I think next two - three quarters they should materialize.

Sunil Tirumalai: Okay. And do you think is there any reason for your share of that business should be any different from the last time?

Vinay Sah: We are very strong as far as employee sector is concerned. So, we would look at still managing a good share in this business.

Moderator: Thank you. Due to time constraints that would be the last question, I would now like to hand the conference back to the management for any closing comments.

Vinay Sah: No, I would like to thank all our participants today for having their faith in our Company. From our side, we are working on several new strategies and as I said earlier the Company as it is on a very strong foothold and I am happy to be associated with the Company. A very committed team here and we work with a lot of transparency, good governance and we assure all our friends that the Company again will give further better results in the coming quarters. Thank you.

Moderator: Thank you very much. On behalf of Axis Capital Limited, that concludes this conference. Thank you for joining us Ladies and gentlemen. You may now disconnect your lines.