



“LIC Housing Finance Limited Q1 FY20 Earnings Conference Call”

August 5, 2019



**MANAGEMENT: MR. SIDDHARTHA MOHANTY – MANAGING DIRECTOR
& CEO
MR. SUDIPTO SIL – CHIEF FINANCIAL OFFICER**

MODERATORS: MR. VIKASH MUNDHRA, AXIS CAPITAL LIMITED



*LIC Housing Finance Limited
August 5, 2019*

Moderator: Ladies and gentlemen, good day and welcome to the LIC Housing Finance Q1 FY20 earnings conference call hosted by Axis Capital Limited. As a reminder, all participants' 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. Vikash Mundhra from Axis Capital Limited. Thank you and over to you Mr. Mundhra.

Vikash Mundhra: Good afternoon everybody and welcome to the Q1 FY20 earnings conference call of LIC Housing Finance. Representing LIC Housing Finance, we have with us newly appointed Managing Director & CEO – Mr. Siddhartha Mohanty and Mr. Sudipto Sil – Chief Financial Officer to discuss the Q1 FY20 results. I now request Mr. Mohanty to take us through the key financial highlights for the quarter post which we will have the Q&A session. Over to you sir.

Siddhartha Mohanty: Good afternoon and welcome to the post earnings call of LIC Housing Finance Limited. As you would be knowing, LIC HFL declared its Q1 FY20 results on Saturday. This is my first interaction with the analysts and investors as MD & CEO of LIC HFL after having taken over on 1st August 2019.

Revenue from operations is 4757 crores as against 4005 crores for the corresponding quarter of the previous year with a growth of 19%. Outstanding loan portfolio stands at 1,97,768 crores as against 1,69,866 crores as on 30th June of 2018 reflecting a growth of 16% out of which individual loan portfolio stood at 1,84,155 crores as against 1,61,467 crores, up by 14%. Within the individual loan portfolio, home loan portfolio stood at 1,49,341 crores as against 1,32,901 crores with a growth of 12.4%.

Net interest income stands at 1154 crores as against 980 crores, up by 18%. Disbursements during the quarter were at 10,261 crores as against 9594 crores for the same period in the previous year, a growth of 7%. Disbursements in the home loan segment clocked a growth of 8% during the quarter and stood at 7871 crores. Disbursements in the project loan and construction finance were lower at 829 crores as against 889 crores. Net interest margins for the quarter were at 2.35% as against 2.32% for Q1 FY19. Profit before tax clocked a growth of 7% to 840.89 crores from 788.40 crores. Profit after tax for the quarter stood at 610.68 crores as against 567.94 crores, a growth of 8%.

The environment during the 1st quarter of financial year 2019-20 continued to be quite challenging in terms of overall demand and external factors. However, considering the situation, the company performed fairly on the business front recording an overall



*LIC Housing Finance Limited
August 5, 2019*

disbursement of 10,261 crores, recording a growth of 7%. Company recorded a growth of 8% in individual home loans from 7260 crores to 7871 crores. Amongst the regions, the central, south central, south eastern, and western regions registered good growth.

On the affordable housing front, under PMAY CLSS scheme, the company continued to perform quite well. For the quarter under review, the company disbursed 10,073 accounts totalling 2021 crores under this scheme accounting for nearly 25% of the retail disbursement in volume terms and 21% in value terms and has received a subsidy of 219 crores for the beneficiaries. This will be our focus area for the current year. This year, we have opened 9 more marketing offices in tier 2 and tier 3 cities like Shahdol, Guna, Basti, Chittoor, Jadcherla and others with a clear focus on affordable housing business.

This year's union budget has laid a lot of focus on affordable housing segment through announcement of several initiatives like additional deduction of 1.5 lakh on interest paid for home loans for properties up to 45 lakhs. We believe this is a very good initiative taken by the government towards its "Housing for all by 2022" program. As we are firmly entrenched in this segment, we are very confident of playing a leading role in this area. Considering the overall market conditions, we have done lower disbursement in the project loans and construction finance which were 829 crores as against 889 crores.

On the portfolio growth front, the total portfolio recorded a stable and consistent growth of 16%. Growth in the individual home loan segment clocked multi-quarter high of 12.4%. Pursuant to the introduction of Indian Accounting Standard, companies are required to report expected credit loss (ECL) on their loan assets and provisions thereon. In terms of asset quality, there has been an increase in Stage-III exposure at default which has increased by 44 basis points from March 2019, i.e., 1.54% to 1.98%.

On the project loan and construction finance portfolio, the increase was attributable mainly to a couple of accounts. We have adopted a multi-pronged strategy to address the NPA situation including an account-by-account scrutiny at each level including at the corporate office level. Legal action has also been initiated in these cases. In most of these cases, the delinquency is due to slow sales due to which installment payments are getting delayed resulting in transition from Stage-I to Stage-II and Stage-II to Stage-III. However, we take minimum 1.5% security cover for construction finance. The value of underlying security is significantly higher than our loan exposure. Since many of the projects are complete, which gives us confidence of recovery. We are according highest priority to this area across the company. The top 8 project loan NPA accounts account for 65% of the total NPA in project loan, and every effort is underway to resolve this.

On the cost of funds side, margins have remained largely stable year-on-year. We have witnessed a reduction in incremental cost of funds by 19 basis points from 8.43% to 8.24%.

The net interest income growth has been nearly 18%, higher than our portfolio growth. The funding environment and liquidity conditions remain favorable. During the quarter under review, we have raised funds through NCDs, bank loans, NHB refinance, and other instruments including public deposits. Looking at the overall interest rate scenario, we expect some reduction in the incremental cost of funds.

With this brief introduction, I would like to invite your queries.

Moderator: We will now begin the question & answer session. The first question is from the line of Mohit Mangal from CRISIL. Please go ahead.

Mohit Mangal: Sir, I have got a couple of questions. The first is, can you tell about the incremental yield? Also, on your presentation, the tier 1 and tier 2 is of March '19. So, can you provide the data as of June 2019?

Siddhartha Mohanty: Incremental yield is 9.55, non-annualized. Incremental cost is 8.24% that is annualized.

Sudipto Sil: The tier 1 and tier 2 by and large will be in the same range. We will publish it once it is approved by the regulator. It has to be first provided to the regulator. Only then it will be placed on the presentation but it will be by and large in the same levels.

Mohit Mangal: Regarding the provisions, the overall provisions including the standard assets, some figure on that?

Siddhartha Mohanty: 1919 crores total provision we have made including provision for standard also.

Moderator: The next question is from the line of Pranay Rajani from B&K Securities. Please go ahead.

Pranay Rajani: Just a few data-keeping points. Can you please provide the gross NPA and net NPA numbers, also along with the bifurcation for individual and developer gross NPA percentage?

Siddhartha Mohanty: Gross NPA retail is 1.25% and overall total NPA is 1.98% including projects.

Pranay Rajani: On just for the developer front?

Siddhartha Mohanty: Developer it will be 10% plus. It will be around 10.5% to 11%.

Moderator: The next question is from the line of Hardik Shah from Max Life Insurance. Please go ahead.

Hardik Shah: Sir, a couple of questions. What is the gearing for the current period and what is the peak gearing you would like to operate at?



*LIC Housing Finance Limited
August 5, 2019*

- Sudipto Sil:** The gearing as of right now is around 10.5 times and we will probably remain at present around ballpark this range.
- Hardik Shah:** Any plans for capital raise?
- Sudipto Sil:** We have seen that NHB circular. At appropriate time, it will be informed when the broad takes a decision.
- Hardik Shah:** There is a spike in the NPA for the builder book, it was around 7% in Q4 which is now 10%. So, are there some large slippages?
- Siddhartha Mohanty:** What happened is only 2-3 accounts which we still are in discussion, they were standard up to March but somehow they slipped into NPA and the amount is a bit high. That's why it has gone up, and if you look at our builder portfolio, it is just 7% of our total book. 7% of that is very negligible considering the total volume of our business size.
- Hardik Shah:** As a percentage of net worth, it becomes significant, that's why.
- Siddhartha Mohanty:** That is there.
- Hardik Shah:** Going forward, any peak number at which you will operate for the builder book?
- Siddhartha Mohanty:** Now, our focus is on affordable housing but builder book we are open to good quality projects. We are not totally stopping, we are there, and particularly we will promote those projects which cater to affordable housing. That will be our focus area.
- Moderator:** The next question is from the line of Kunal Shah from Edelweiss Financial Service. Please go ahead.
- Kunal Shah:** Again coming onto this delinquencies in the corporate developer books, if you can give more color in terms of the location and which was the highest account and is this specific to one project or whether this is more of a project loan? More clarity in terms of where this 600-700 odd crores came in from?
- Siddhartha Mohanty:** It is not confined to any specific region or area, it is spread. As per new norms, suppose some builder has taken loan on 2 projects. One project is standard but if the other is not standard, then also you will have to show that as NPA. So, that has also affected. And it is not specific to anything.
- Kunal Shah:** This constitutes how many accounts? Is it like three, four, two?



*LIC Housing Finance Limited
August 5, 2019*

- Siddhartha Mohanty:** This time it is 3 accounts I think.
- Kunal Shah:** And largest of this would be how much?
- Siddhartha Mohanty:** 200 crores.
- Kunal Shah:** Because total is almost I would say 700 crores. 900 to 1600 crores, so total is 700. I am not sure if it is 3 accounts, what is the broader split up?
- Siddhartha Mohanty:** Mainly 3 accounts. They account for this 600-700.
- Kunal Shah:** In terms of the slippage, there is no recovery at all.
- Siddhartha Mohanty:** That I will tell you. You will also be glad to know. Whatever NPA was there in the March quarter, we recovered some 377 crores in the June quarter.
- Kunal Shah:** This is individual or non-individual?
- Siddhartha Mohanty:** This is retail. But despite that recovery, if you see total, project and retail, some additions are there. That's why total NPA has gone up. Efforts are there, recovery is there.
- Kunal Shah:** But on the non-individual, there is no recovery during this quarter.
- Siddhartha Mohanty:** In non-individual, there is marginal recovery. Even those who are accounted as NPA, they are also paying but they are not paying full. So, they are categorized as NPA and a delay is there.
- Kunal Shah:** Sir, just maybe in terms of understanding, this 600-700 crores kind of an increase is the exposure to maybe the entire group.
- Siddhartha Mohanty:** Not one group. Different, yes.
- Kunal Shah:** But if you want to look at it in terms of the projects purely wherein maybe there would be some delay, what would be the quantum? I think maybe because of the norm, you have to consider the overall exposure to that particular entity as GNPL but stress would still be restricted or delinquency would still be there in a few accounts. So, if we have to quantify that, how much would that be?
- Sudipto Sil:** Kunal, the ones that our MD just referred to which are right now paying but we have considered them additionally, that will account for around 150 odd crores which is at present performing and standard assets but because of the new norms, we have considered them as NPA.

- Kunal Shah:** So, out of 700 crores increase, 150 is the classification and 550 is the actual delay.
- Sudipto Sil:** Yes, correct.
- Kunal Shah:** Just on the individual side also if we look at it, there is an increase over the last 4-5 quarters from 0.4 to 1.26 and now it is at the highest level, maybe I think 1.26. So, what are we seeing over here? Is it largely LAP or individual and why we are seeing this kind of stress? Because I think across the industry, it has been sustained quite well. So, want to understand even on the individual side the higher NPLs.
- Siddhartha Mohanty:** Actually, in individual, it is total. Not only confined to 1 segment within individual but it is individual as well as LAP and all these are taken together. It has gone to 1.26. And that increase also we are controlling. That is now contained. Because we are expanding in individual segment largely, particularly affordable housing, that will also be controlled.
- Kunal Shah:** Increase in LAP or the retail?
- Siddhartha Mohanty:** Both taken together.
- Moderator:** The next question is from the line of Dhaval Gada from DSP Mutual Fund. Please go ahead.
- Dhaval Gada:** Sir, if you could start by giving the GNPA for the individual home loan segment, what is that number for the quarter and same period last year?
- Siddhartha Mohanty:** Individual retail is 1.26. Core home loan is 2307 crores.
- Dhaval Gada:** What was this number for the same period last year, sir?
- Siddhartha Mohanty:** Same period it was 1295.47 crores as against that it is now 2307 crores.
- Dhaval Gada:** Just to clarify, this 1.25% is for....
- Siddhartha Mohanty:** Individual total.
- Dhaval Gada:** I am asking for only home loan what is the number, sir?
- Siddhartha Mohanty:** Home loan will be 1.03.
- Dhaval Gada:** 0.9% was the number last quarter. What is this number this quarter?
- Siddhartha Mohanty:** Now 1.02. Only individual home loan is 1.02.

- Dhaval Gada:** And the same number for the June quarter last year was how much?
- Siddhartha Mohanty:** 0.69.
- Dhaval Gada:** So, basically this quarter actually LAP NPAs are stable. It is the home loan....
- Siddhartha Mohanty:** Slightly.
- Dhaval Gada:** And the second question is on the pricing environment. You mentioned that you expect some reduction in the funding cost. Similar commentary around pricing. So, just overall, how do you see pricing and spreads going forward?
- Siddhartha Mohanty:** I think pricing will stabilize looking at the overall environment and easing of liquidity situation. I expect the price to be stable to positive.
- Dhaval Gada:** Do you expect the spreads to remain around this level?
- Siddhartha Mohanty:** Spreads will be, I think, stable to positive.
- Dhaval Gada:** On recoveries from the developer portfolio, any number or timeline that you have in mind? By when you expect resolution on this developer NPAs?
- Siddhartha Mohanty:** Actually, we are always after the developers to recover as early as possible but at least 2 to 3 quarters time may be taken to resolve these developers' issues.
- Dhaval Gada:** Sir, what is the net NPA ratio?
- Siddhartha Mohanty:** 1.4%.
- Dhaval Gada:** And the same number last year was how much?
- Siddhartha Mohanty:** Last year same number was 0.80.
- Moderator:** The next question is from the line of Digant Haria from Antique Stock Broking Limited. Please go ahead.
- Digant Haria:** Sir, in your commentary, you said that now going ahead, the focus will be on affordable housing and we would probably be doing less of LAP and developer loans. In that context, what sort of margins should we expect in the coming quarters? Because at least the public sector banks are still quite aggressive on that normal individual home loan segment.



*LIC Housing Finance Limited
August 5, 2019*

- Sudipto Sil:** As far as margin outlook is concerned, what our MD just mentioned a few minutes back is that spreads as well as margins, the outlook is stable to slightly positive. In terms of affordable housing, there is no dilution in terms of margins. It is basically a volume play. But having said that, because the ticket sizes of these accounts are much-much smaller, the risk gets dispersed.
- Digant Haria:** Just the repeat of what Dhaval asked before that NPA in the LAP segment would be 2.03%, right?
- Siddhartha Mohanty:** Approximately (+2).
- Moderator:** The next question is from the line of Umang Shah from HSBC. Please go ahead.
- Umang Shah:** I have just 2 questions. One is the data point. I missed the data given in the opening remarks about the volume and the value proportion of affordable housing in the incremental business.
- Siddhartha Mohanty:** Volume-wise, current year so far we have disbursed 10,073 loans under PMAY amounting to 2021 crores which contributes to 24% of our total disbursement in terms of volume and 21% in terms of value.
- Umang Shah:** This is for Q1, right?
- Siddhartha Mohanty:** For Q1 only.
- Umang Shah:** My second question is related to the ECL model. Basically, what is the database that we follow? The base data is for what vintage?
- Sudipto Sil:** It is 20 quarters.
- Umang Shah:** And rolling forward every quarter?
- Sudipto Sil:** Yes, it is a rolling model.
- Moderator:** The next question is from the line of Jignesh Shial from Emkay Global Financial Service. Please go ahead.
- Jignesh Shial:** Just a quick data-keeping question only. What is our absolute quantum of gross NPA for the quarter?
- Siddhartha Mohanty:** 3887.17 crores.
- Jignesh Shial:** What was the same amount last year same quarter Q1 FY19?



*LIC Housing Finance Limited
August 5, 2019*

- Siddhartha Mohanty:** 2036.32 crores.
- Jignesh Shial:** What would be your net NPA number for this quarter? 1.98, is it correct?
- Sudipto Sil:** That is gross NPA, 1.98. The net NPA is 1.40.
- Jignesh Shial:** Goss NPA in individual, just reconfirming it, is 2307 crores?
- Sudipto Sil:** Yes.
- Jignesh Shial:** And in corporate is 1580?
- Sudipto Sil:** The balance of 3887.17 crores.
- Moderator:** The next question is from the line of Darpin Shah from HDFC Securities. Please go ahead.
- Darpin Shah:** Did I hear correctly that 8 accounts in developer loans form 65% of the NPA?
- Siddhartha Mohanty:** Yes, that's correct.
- Darpin Shah:** Can you also highlight what are the recovery processes we have started in these accounts and till what level we have reached? And the second is how much provision coverage we are carrying in these developer loan accounts?
- Siddhartha Mohanty:** All legal action we have initiated. Simultaneously, there is discussion also, negotiation going on. SARFAESI action already initiated.
- Darpin Shah:** In all the accounts or in the top 7-8 accounts?
- Siddhartha Mohanty:** Recently we are yet to initiate. This quarter whatever has gone 3-4 accounts, that we have to initiate but all others we have already initiated. Then, negotiation also is going on because some accounts are still paying. They are not paying full amount. Partial payment continues. That demonstrates their positive approach and the intention to pay and that is why they are paying.
- Darpin Shah:** Then, can we see a resolution in the next quarter or two?
- Siddhartha Mohanty:** I think in 2-3 quarters, some accounts will be resolved.
- Darpin Shah:** How much can we expect?

- Siddhartha Mohanty:** To tell that exactly is very difficult. The way we are interacting and getting response, I am hopeful that at least by the year end, some accounts will come out of NPA.
- Darpin Shah:** How much is the provision coverage we are having in these accounts in the developer book?
- Sudipto Sil:** Recently whatever provisions have been made are made mostly on account of delinquencies in the builder accounts, but overall if you want the coverage, then putting together all the standard as well as the non-standard assets, the total provisions on the book will be 1900 crores. Specifically, for the builder loans, it will be approximately around 490 crores, a little less than 500 crores.
- Darpin Shah:** And that includes standard?
- Sudipto Sil:** Yes.
- Darpin Shah:** And excluding standard asset provision, how much it will be?
- Sudipto Sil:** You knock off 95 crores. It will be around 400 crores.
- Moderator:** The next question is from the line of Abhijit Tibrewal from ICICI Securities. Please go ahead.
- Abhijit Tibrewal:** Sir, if I look at your cost of borrowing, I see cost of borrowings have come down for NCDs, CPs, and NHB but our cost of borrowings have not come down for the bank term loans. Is there anything that we should know or anything that you would like to comment?
- Sudipto Sil:** You certainly will be aware of it that the rate of transmission as far as the bank MCLR is concerned is happening but happening in small bits, 5 basis points or so. But another thing which you would have certainly noted I am sure is that the overall exposure, i.e., the borrowings from our bank loans has come down between March and June. The reason for that is because the cost of funds from that source is more expensive. So, we have cut down the exposure there.
- Abhijit Tibrewal:** Sir, out of the total credit cost of 353 crores in the quarter, what was the quantum of write-offs that we took?
- Sudipto Sil:** No write-offs.
- Abhijit Tibrewal:** The 600-700 crores that you are talking about, were they the slippages in developer or project finance in Q1?
- Sudipto Sil:** Yes.



*LIC Housing Finance Limited
August 5, 2019*

- Abhijit Tibrewal:** Sir, if I heard it right, you talked about those 8 projects which account for 65% of the total NPAs in project finance. Geographically, where are they exactly?
- Sudipto Sil:** That is spread across.
- Abhijit Tibrewal:** Nothing specific to Delhi, NCR, or Mumbai region?
- Sudipto Sil:** No.
- Moderator:** The next question is from the line of Bunty Chawla from B&K Securities. Please go ahead.
- Bunty Chawla:** Just one data-keeping point if you can share. Total provisioning you said 1900 crores with respect to ECL provisioning. Can you share the same number with respect to NHB guidelines?
- Sudipto Sil:** NHB guidelines, it is 1912 crores.
- Bunty Chawla:** Okay, not much of a difference between the two.
- Moderator:** The next question is from the line of Sagar Shah from Alphaline Wealth Advisors. Please go ahead.
- Sagar Shah:** My first question is regarding your GNPL outlook actually. As you have done 1900 crores provisions as per ECL provisions, what is your outlook on the remaining book of ours looking at the current environment?
- Sudipto Sil:** What exactly you want to know?
- Sagar Shah:** Of your remaining book, what is your outlook regarding the same? Are you seeing the remaining book as standard or you expecting some slippages in the coming quarters from that book?
- Siddhartha Mohanty:** We have strengthened our recovery mechanism. Account-wise account, we are now strictly monitoring but we do not have control on other external factors. What we see at least if we are able to stabilize, because there is recovery. As I told, 1st quarter we recovered some 377 crores but slippage is a little more. But in the remaining quarters, our focus will be more on recovery, asset quality, all those things will be there. So, I don't think much increase at least if I am able to stabilize it or reduce it. That, I think, will be a good performance.
- Sagar Shah:** You told that our cost of funds you expect it to decrease actually looking at the current state of environment. So, are we going to pass on the rates for the incremental loans that we are going to give going ahead and will we expect pressure on the NIMs going ahead?



*LIC Housing Finance Limited
August 5, 2019*

Siddhartha Mohanty: Now, one loan scheme we have floated that is up to 31st August at 8.4% interest rate. We are now giving new home loan at 8.4%. That means we are also passing on to new customers whatever interest benefit that is there.

Sagar Shah: Do we expect pressure on our spreads or NIMs going ahead or will we maintain the same in the coming quarters?

Sudipto Sil: If you look at the funding environment, it has become quite comfortable. There is a significant amount of liquidity which has come into the system, and even today also, the tenure has come down quite a bit. So, there is no pressure as far as the funding side is concerned at this point in time.

Moderator: The next question is from the line of Adarsh from Nomura. Please go ahead.

Adarsh Parasrampuria: On your Stage-II assets, that number is increasing. I just wanted some color on what is happening there and more importantly the composition there. Can you break that up between retail and corporate? And what is the provisioning policy? Because your provisioning was very low. The book keeps growing in percentage terms as well. So, how do we look at the coverage on this Stage-II book?

Sudipto Sil: In the opening remarks, what we mentioned is that there is certainly a delay which is happening due to which there is a transition from Stage-II to Stage-III as well as from Stage-I to Stage-II. That is something which is there. As far as the breakdown of the Stage-II is concerned, on the retail side, it is around a little less than 4.5. On the non-retail segment, it is slightly more than 6. That is how it stacks up in terms of the Stage-II in these 2 areas. As regards the provisioning cover is concerned, the provisioning is derived out of an ECL model and we have also kept in mind the provisioning required as per the NHB and we have actually done slightly more than what was required as far as the NHB provisioning requirement was because that was the number which came out of the ECL which is basically a model which takes into consideration the potential of probability of default and the loss given default. And whenever there is a deterioration in the collections or delinquency string, it actually captures that into the provisioning requirement. That is actually taken care much-much more dynamically in the ECL model.

Adarsh Parasrampuria: Sir, the only problem with that is you have 20 quarters of data and as you rolled for 2-3-4 more quarters, you didn't have problems for the first 3 years of your ECL model data and last 2 years is only where the NPAs have gone up. As you roll forward, the experience or at least the NPA that shows up now will reflect or become a larger part of your ECL model, which would imply that your slippage rate from Stage-II to Stage-III and Stage-I to Stage-II will also increase. I am just wondering why will this not happen and hence require larger ECL provisioning as we go in the next 2-3-4 quarters?

- Sudipto Sil:** That is exactly what has happened this quarter itself. The ECL model factors the probability and the loss given default. Mind you, it is all a predictive model. The concerns that you have articulated are already factored into the ECL model which has given this number.
- Adarsh Parasrampuria:** Somebody asked about resolutions. You know broadly what the security cover is now on the 5 large accounts and we have been talking about some recoveries for the last 2-3 years on NPAs that happened about a year to year and a half back. What is the status on those?
- Sudipto Sil:** As far as the security cover is concerned, the minimum-security cover taken in 1.5x. Average if you take on all these cases, the LTV will be in the range between 40 to 50. So, the security cover will be almost 2x on an average because some repayment has also happened on the exposures that they had taken initially. That is as far as the LTV and the security cover is concerned without considering any appreciation in the land value from a point to point basis. That is irrespective of that. If there is an underlying increase in the value of land on a point-to-point basis, that has not been factored in. That is one thing. As far as the recovery is concerned, you would recollect last year in the 1st quarter, we had made a recovery where the amount recovered was almost 70% higher than the exposure taken. So, it takes time but because the underlying value of the security is quite good in our view and the legislative process obviously whatever the legal processes taken will take its time but we are still confident that we will not undertake any losses on all these accounts on these exposures.
- Adarsh Parasrampuria:** What constitutes Stage-II? Is it like any overdue or overdue beyond 60 days or 30 days?
- Sudipto Sil:** It is beyond 30 days. Very strictly we have enforced that. There is a delay, there is no doubt about that. Payment delays are there. In fact, there are payments which are coming to us after 30 days but we have very strictly considered them as Stage-II. And we have disclosed them also.
- Moderator:** The next question is from the line of Nilang Mehta from HSBC Global. Please go ahead.
- Nilang Mehta:** Sir, can you tell me the new slippages which have happened on the developers side? What is the vintage of this loan? When were they given? Which year?
- Siddhartha Mohanty:** Three to four years. It is not first year quick mortality but it has run for more than 3 years and 4 years in some cases.
- Nilang Mehta:** These are project loans, right sir?
- Siddhartha Mohanty:** Yes, project loans and the projects are almost complete. But sales are not happening. That is why there is some problem.



*LIC Housing Finance Limited
August 5, 2019*

- Nilang Mehta:** The project is complete and because of sales traction not being there, there are cash flow issues and that is why it has become an NPA.
- Siddhartha Mohanty:** Yes.
- Nilang Mehta:** Any of your loans which are stuck right now where projects are not progressing because of cash flows not being available on sales or from financing side? Or all the NPAs are mostly completed projects?
- Siddhartha Mohanty:** No such cases. Mostly it is affected because of slow sales.
- Moderator:** The next question is from the line of Bhaskar Basu from Jefferies Group. Please go ahead.
- Bhaskar Basu:** Just one question. Follow-up on this developer loan. You mentioned that 2 or 3 accounts which have slipped during the quarter and obviously 150 crores which are projects which are still paying, but within the projects which have slipped, where are these located, and between the three, what would be the stage of completion. I heard you mentioned that most of them are complete but some more color would be really helpful.
- Siddhartha Mohanty:** These are not confined to one region, these are spread. Some projects are almost complete, sales are not happening. Almost 80% to 90% sales have happened but still there are inventories. At other places, more than 80% completion is there in some projects.
- Bhaskar Basu:** Just to understand, these are multiple loans on multiple projects to a particular developer. Is that what you mean when you are saying that these are in different locations?
- Siddhartha Mohanty:** These are different builders and different projects.
- Bhaskar Basu:** But if there are 2-3 accounts which means that 2-3 builders which are involved....
- Siddhartha Mohanty:** Yes, 2-3 projects in different locations?
- Bhaskar Basu:** So, where would these 3 locations be?
- Sudipto Sil:** The top 10 cities.
- Siddhartha Mohanty:** Big cities.
- Bhaskar Basu:** Just one more question on the incremental yield if you can break it down between home loan and developers. Housekeeping questions from me.



*LIC Housing Finance Limited
August 5, 2019*

- Sudipto Sil:** I am telling you on the annualized basis, Bhaskar. 9.97 is for the home loan piece. For the non-core portion, i.e., ex- of home loan in the retail segment, that is 11.4%. For developers, 13.52 to be more precise.
- Moderator:** The next question is from the line of Hardik Shah from Max Life Insurance. Please go ahead.
- Hardik Shah:** Sir, just a followup question. What is the ALM position in the less than one-year bucket?
- Sudipto Sil:** Less than one-year bucket, it is within the NHB norms of 15%.
- Hardik Shah:** But what would the mismatch be?
- Sudipto Sil:** Mismatch is around 13% or so. Within 15% is the maximum that NHB allows. We have 13%.
- Hardik Shah:** How would the shorter buckets look?
- Sudipto Sil:** You are asking overall or zero to 1 year?
- Hardik Shah:** Zero to 1 year.
- Sudipto Sil:** Zero to 1 year is -13. Overall it is positive by 50.3%.
- Hardik Shah:** Sir, out of the builder loans, how many will be to the subvention schemes?
- Sudipto Sil:** None of them.
- Moderator:** The next question is from the line of Dhaval Gada from DSP Mutual Fund. Please go ahead.
- Dhaval Gada:** Sudipto, just one question related to this individual home loan NPA of about 1% plus. Would it be like the highest since 2010? Just wanted to check that.
- Sudipto Sil:** No. I think 2011 or 2012 was slightly higher.
- Dhaval Gada:** Any sort of corrective action that we are taking on this segment to address? Any thoughts around this level of NPAs?
- Siddhartha Mohanty:** We have actually formed a task force to monitor each individual loan account. Down the line, at area office level and back office level, we are closely monitoring. Before the due date also, notice goes and SMS goes to the customers reminding them that due date is there, they should pay. If they fail, immediately next day again message goes. Our people also go and contact them. So, there is always pressure. So, I don't think individual loan segment will increase in default.



*LIC Housing Finance Limited
August 5, 2019*

- Moderator:** The next question is from the line of Mohit Surana from CLSA. Please go ahead.
- Mohit Surana:** I just wanted to get your thoughts on the growth going forward.
- Siddhartha Mohanty:** For the current year, looking at the total environment, we are very hopeful. I see at least 15% growth in the current year in our home loan segment.
- Moderator:** The next question is from the line of Abhijit Tibrewal from ICICI Securities. Please go ahead.
- Abhijit Tibrewal:** Sir, just wanted to understand this particular quarter, we have shown a great amount of caution in the developer or project finance segment. Can we expect the same amount of caution in the coming quarters? The reason I ask this is September quarter last year, we disbursed about 3000 crores in the project segment. So, can we expect the same level of caution in the coming quarters or we will again start evaluating opportunities in the project segment or the developer segment?
- Siddhartha Mohanty:** Project or developer segment, as compared to last year, we gave 60 crores less loan. It was earlier 89 crores. This quarter we gave 29 crores. We do not per se discourage project loan. We are for project loan but our credit appraisal will be more stringent looking at the present environment and we will focus more on marketability so that the builder gets cash flow and repays our money in time. Those things will be there, and we will definitely promote those projects which are into affordable housing so that our money is secured. I cannot compare that last year we gave so much and this year so much. There is no question of being cautious but being careful. That will be there but we will be more careful and more stringent.
- Abhijit Tibrewal:** I just wanted to gather your thoughts, why do we think there is a deterioration in the asset quality in the individual home loan segment?
- Siddhartha Mohanty:** This is the 1st quarter and I don't see any specific reason. It is just seasonality and some loans if they don't pay within 3 months, they pay next month. So, those also slip into but individual loans, there will be some NPA but our effective monitoring and all those things are there. So, we are hopeful in that segment, NPA will never increase.
- Moderator:** Ladies and gentlemen, due to time constraints, that was the last question. I will now hand the conference to the management for closing comments.
- Siddhartha Mohanty:** Thank you everybody. It was a very good interaction with all of you. We assure you to take care of your concerns and we are committed to give better performance in the coming quarters. Thank you very much.



*LIC Housing Finance Limited
August 5, 2019*

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