



“LIC Housing Finance Q2 FY 2018
Results Conference Call”

October 31, 2017



ANALYST: MR. PRAVEEN AGARWAL - AXIS CAPITAL LIMITED

**MANAGEMENT: MR. VINAY SAH – MANAGING DIRECTOR AND CHIEF
EXECUTIVE OFFICER - LIC HOUSING FINANCE LIMITED
MR SUDIPTO SIL – DEPUTY CHIEF FINANCIAL OFFICER &
INVESTOR RELATIONS MANAGER- LIC HOUSING FINANCE
LIMITED**

- Moderator:** Good day ladies and gentlemen and a very warm welcome to the LIC Housing Finance Q2 FY2018 earnings conference call hosted by Axis Capital. 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. I now hand the conference over to Mr. Praveen Agarwal from Axis Capital. Thank you and over to you Sir!
- Praveen Agarwal:** Thank you Ali. Hello everybody and welcome to the earnings call of LIC Housing. We have with us Mr. Vinay Shah – MD and CEO and Mr. Sudipto Sil to discuss the quarterly results. I would request Mr. Shah to take us to the key highlights post, which we will open, the floor for Q&A. Over to you Mr. Shah!
- Vinay Shah:** Thank you. I would like to extend a hearty welcome to all of you for this post earnings conference call. LIC Housing Finance declared this Q2 FY2018 numbers yesterday late afternoon. The key highlights of the quarterly results are as follows:
- Revenue from operations for the quarter at Rs.3687 Crores up by about 7%, loan disbursements for the quarter Rs.10975 Crores up by about 20% Y-o-Y, loan portfolio at Rs.151417 Crores up by 16%, the individual loan portfolio was Rs.145486 Crores up by 14% and net interest income was 888 Crores up by about 3% over the same period last year.
- Profit after tax was 489.12 Crores against 494.76 Crores about 1% minus over the same period last year. Gross NPA at 0.80% as compared to 0.57% over September 2016. Individual loans GNPA at 0.44% as compared to 0.32% in the corresponding quarter last year. Net NPA at 0.43% as compared to 0.28% as on corresponding date of previous year.
- The quarter under review saw some major events in the economy the most important of which was the launch of GST. For our sector also we saw the launch and implementation of RERA in several states. The company witnessed a pickup in the investment growth as compared to Q1, the company clocked more than 18% growth and disbursement in the individual loan category for the quarter and more than 20% growth in overall disbursements.
- Good growth was witnessed in southern, western and central region and in some locations in the eastern part of the country. Loan sanctions for the company during the quarter have been close to 17% to 18% consistent to the Q1 numbers indicating a reasonably high healthy pipeline for coming quarters. During the quarter in affordable housing segment we have seen good traction more than 7% of our incremental loan in number terms were in the PMAY CLSS loan category.
- Our loan book continued to grow at a steady pace of almost 16% Y-o-Y individual loan segment growth was at 14% in the loan book composition the retail loan composition remain by and large unchanged from March levels. In the current quarter the GNPA levels in retail loan have by and

large been same as at the Q1 levels, however there is an increase in the non-retail segment, which has resulted in the increase in overall GNPA as well as resulted in higher position. We are working on the non-retail delinquencies continuously and recently we have got a couple of resolutions out of which one account that became NPA in Q1 has been recovered in Q2.

Similarly another earlier NPA which was there on our books for nearly two years has been resolved and we have started receiving repayments from them since lastly. We are confident that since the recent slippages in the non-retail segment are likely to be transitory in nature more are I think are out of sluggish sales due to various macro factors they would be recoverable in the next few quarters.

The cost of funds continues to trend downwards despite volatilities in the interest rates in the economy, which we had witnessed. The weighted average cost of funds reduced by 13 basis points during the quarter and 57 basis points over last September largely replicating the trend observed in the last year. Margins however declined year-on-year largely attributed to the reduction in the lending rates. In Q2 our incremental cost of funds were lower by 45 basis points than Q1 levels which should help address our margins in the coming quarters.

NIMs for the quarter was at 2.38% as against 2.68% for the corresponding quarter. In terms of cost to income ratio is remains stable at 15%-16% same as last year Q2. As far as the business outlook for next two quarters are concerned the triggers will likely to revolve around few things, the first is affordable housing which continues to deliver volume and likely to strengthen in next few years. The implementation of RERA and GST will as we see here a short-term impact from the real estate for the next two quarters, post that we see fairly strong pipeline of project launches.

With this brief introduction I would like to thank you and welcome you once again to this con call I would now take your queries.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question and answer session. We will take the first question from the line of Kunal Shah from Edelweiss Securities. Please go ahead.

Kunal Shah: Sir in terms of this slippage on the corporate developer loan book so was there any recovery and this is the net number and there was a gross slippage of higher number, how was that may be what was the slippage and how much was the recovery during this quarter?

Vinay Shah: The gross addition was to the tune of about 150 Crores and recoveries were to the extent of about 25%-26%.

- Kunal Shah:** Okay and the other account wherein you highlighted that we are receiving the payments so what would be the quantum of that and how significant would it be within the overall outstanding non-individual GNPA?
- Vinay Shah:** The overall outstanding is to the tune of about 30 Crores.
- Kunal Shah:** Okay on that account?
- Vinay Shah:** Yes.
- Kunal Shah:** Okay and again in terms of margin so it is almost like 2.38% and we had cut the lending rate as well by 20-odd basis points so how should we look at the trajectory out there definitely may be when you look at the second half it was much higher 2.5% and 2.8-odd% so how do we see it moving in this second half are there any levers we are seeing a significant growth coming through in LAP but despite that as well we have seen the decline in the NIMs so on the individual side it seems like spreads are coming off very significantly so what would be the outlook for the second half of next year?
- Vinay Shah:** See there are two things because of low borrowing cost also we have had fairly good incremental spreads in the current quarter was 2.40% as against 2.18% last year.
- Kunal Shah:** But that would be on account of LAP because LAP has grown by 50% year-on-year and even more than 35% Q-o-Q so maybe on the incremental when we look at individual spread there would be a LAP component because of which spreads are high?
- Vinay Shah:** Yes because of this asset mix also and cost of funds both together.
- Kunal Shah:** Okay but otherwise in the core home loan how is it moving?
- Vinay Shah:** Core home loan the growth part you mean?
- Kunal Shah:** No spread part.
- Vinay Shah:** Core loan also we would be having a spread of about 1.5%-1.6%.
- Kunal Shah:** Thank you.
- Moderator:** Thank you. We will take the next question from the line of Digant Haria from Antique Stock Broking. Please go ahead.
- Digant Haria:** Sir we have cut the home loan rates quite significantly this quarter but despite that the home loan growth rate continues to be in single digit so we have just calculating it was close to 9.4% for this

quarter also so is it because there lot of repayments which are happening or generally the business environment is not good to grow at more than 10% in individual home loan?

Vinay Shah: No individual home loans this quarter in fact the growth rates are very good. We have grown by about 13%, disbursements have grown, and only I am talking about core home loans.

Digant Haria: Right Sir but the loan book growth is 9.4% which means that the pre-payment rates are also pretty high so because when we compare with the loan book of individual home loans to loan book of individual home loan September 2016-September 2017 the growth comes to 9.4%?

Vinay Shah: Pre-payments actually have been the same over the last three quarters. We have been hovering around 10.5%-10.8%. So that percentage remains the same but as you say, yes, because of that if you say the growth rates if you factor in that would be above 9% but overall disbursement growth rate as I was saying for this quarter was one of the best for us.

Digant Haria: So last call we gave a loan growth guidance of 15% plus and margin guidance of 2.7% so that should be revised a little bit downwards right now after?

Vinay Shah: Yes, I would not expect a very drastic growth in that but we are working on it which should improve in Q3 but it may not reach 2.7% and the overall disbursement growth rate I still maintains the 15% we should be able to achieve I mean we should be in excess of 15%.

Participant: Thank you.

Moderator: Thank you. We will take the next question from the line of Vishal Rampuria from HDFC Securities. Please go ahead.

Vishal Rampuria: Sir one question on your disbursements within your disbursements how much you take care of loans?

Vinay Shah: How much is what?

Vishal Rampuria: How much would be you take over of loans from other lenders both your home loan and LAP loans?

Vinay Shah: I can give you an overall figure, it would be around 3500 Crores.

Vishal Rampuria: And how this number has moved say in last two three quarters?

Vinay Shah: Not much. Because as I said earlier also we ourselves have done this lowering of interest rate and we have done a lot of rewriting that in fact has affected our spread income but because of that the takeovers have been less, they have not increased.

- Vishal Rampuria:** So you are saying that because you have cut your interest rates you have been able to retain your customer's right?
- Vinay Shah:** We did rewriting for them. There were have been 144000 cases in H1 in total, amounting to 21000 Crores so this business was re-written at lower rates.
- Vishal Rampuria:** Okay so 21000 Crore of loan book has got reprised?
- Vinay Shah:** Yes.
- Vishal Rampuria:** How much more have to be reprised at lower rate?
- Vinay Shah:** Now the major part is over. Because it has shown a number wise each month we see there is a decline now.
- Vishal Rampuria:** Okay. And Sir in terms of your entire geography south, north, west which part is kind of growing fastest for you?
- Vinay Shah:** The fastest is UP followed by western side Maharashtra and Gujarat.
- Vishal Rampuria:** How about the southern market?
- Vinay Shah:** South growth wise is not that much but in south also Karnataka region is growing well, Hyderabad is growing well as AP and Telangana and Chennai the growth rate is slightly less I would say.
- Vishal Rampuria:** Bangalore?
- Vinay Shah:** Bangalore is okay. They would be at No.4 or something amongst the nine regions.
- Vishal Rampuria:** And Sir just one more question to ask you, in your ticket size how much will be the incremental ticket size on the home loan?
- Vinay Shah:** It is about 19 lakhs.
- Vishal Rampuria:** This is on sanction number or disbursal number?
- Vinay Shah:** Disbursal.
- Vishal Rampuria:** How much would be on sanction?
- Vinay Shah:** Sanction would be around the same.

- Vishal Rampuria:** Thank you.
- Moderator:** Thank you. We will take the next question from the line of Rahul Ranade from Goldman Sachs Asset Management. Please go ahead.
- Rahul Ranade:** Thanks for the opportunity. I just wanted to figure out what proportion of our borrowing would come up for renegotiation of rates or reprising over the next year and a half?
- Vinay Shah:** Next year, I mean I can give you figure up to March, two quarters it would be around 6000 Crores.
- Rahul Ranade:** Thank you.
- Moderator:** Thank you. We will take the next question from the line of Sangam Iyer from Subhkam Ventures. Please go ahead.
- Sangam Iyer:** Sir can you give us the breakup of your disbursement in terms of individual, LAP and developer loan?
- Vinay Shah:** You want as a quarter?
- Sangam Iyer:** Yes.
- Vinay Shah:** The individual pure housing loan was 8433 Crores, LAP and LRD was 1900 Crores and project was 600 Crores.
- Sangam Iyer:** Sir just to understand given the incremental growth was coming in from higher yielding book of LAP and developer loans etc., even though they are still quite a small component as compared to the overall book just wanted to understand this NIM compression that we are seeing so going forward if how do you see the NIMs panning out?
- Vinay Shah:** Because of some decrease in cost of borrowing, higher volumes in retail plus some increase in the share of LAP and project we do see a increase in NIMs in the coming quarter but as I said before also I am not still being at a very drastic sudden increase say going up to 2.7-2.75 immediately.
- Sangam Iyer:** Okay but do you see an exit rate of around 2.45 or 2.5 because of the renewals in borrowing also?
- Vinay Shah:** Yes.

- Sangam Iyer:** Okay. Sir finally on the sanctions growth that we had of around 17%-18% or the first half that we have seen what is the breakup between the three segments core individual LAP, LRD and developer?
- Vinay Shah:** See the LAP and individual would be around 19%-20%.
- Sangam Iyer:** Could you give us a breakup between the LAP and individual as well?
- Vinay Shah:** LAP would be around 11%-12% for the time being.
- Sangam Iyer:** Okay, in sanction?
- Vinay Shah:** And project is also around the same
- Sangam Iyer:** So you mean this is the mix you are saying?
- Vinay Shah:** No you asked for growth in sanction?
- Sangam Iyer:** I asked the mix in the sanctions.
- Sudipto Sil:** Yes, actually the overall growth in the retail segment which comprises of both in LAP as well as the other portion that is the core mortgages is around 18% to 19% and as far as project is concerned it is likely on the flattish side.
- Sangam Iyer:** Okay and the mix overall remains the similar?
- Sudipto Sil:** Mix remains the same.
- Sangam Iyer:** Okay so is there any ideal mix that we are looking at going forward say by the end of FY2018 or FY2019 between the three segments core individual and the non-core individual which is LAP and projects?
- Vinay Shah:** See for even 1% or 2% rise in project component that translates into 5000 Crores of business so we are not averse to increasing our LAP portfolio but as I said earlier in that we go on a case to case basis and due diligence and along with that we would like to have a 15% atleast 15% growth rate in our core portfolio home loans.
- Sangam Iyer:** Finally on the asset quality front, how do you see this segment both LAP and the developer component going forward because we have seen the realms where we have seen the maximum delinquencies happening?
- Vinay Shah:** Yes, see because the volumes are large once any account goes into this but for the current and balance H2 the balance two quarters I do not see any big amount going into as far as the project

loans so I do not see any bigger amount going into, this amount also I mean this one account which went actually we were not expecting it to go and some how towards end of the quarter it slipped into NPA and we are trying for its resolution hopefully let us hope by end of Q3 or Q4 we are able to resolve this.

Sangam Iyer: Got it Sir and for individual loans you said since RERA now post RERA implementation you said couple of more quarters it will take before things stabilize and supplies starts coming in terms of project launches so would you say that the actual benefit of RERA would actually be seen in FY2019 and FY2018 is kind of a washout in terms of the procedural impact going through for the second half as well?

Vinay Shah: Two things are RERA as it is most of I mean all the states have not implemented it. It has certainly has given rise in the customer trust on the whole system and it is a transitory delay, I would not say, so washout is a transitory delay and some of the feedbacks that we are getting from our people working down at the area office level and others is now may be I mean I cannot give you a very specific figure but may be 80%-90% of the buyers are end users. May be there is a decrease in the investment buyers.

Moderator: Thank you. We will take the next question from the line of Vibha Batra from Fair Connect. Please go ahead.

Vibha Batra: Sir we want to know the incremental yields in home loan LAP, LRD and construction finance?

Vinay Shah: See as far as the incremental in the core home loans are concerned on an annualized basis it will be around 8.7 to 8.8.

Vibha Batra: Annualized means first half?

Vinay Shah: Incremental

Vibha Batra: Incremental for which period for the quarter?

Vinay Shah: I am talking about right now because there has been a reduction in the lending rates in the month of May.

Vibha Batra: Okay so this will be current incremental lending yield in home loan, 8.7 to 8.8?

Vinay Shah: The LAP portion is concerned it will be upside of 10.5 and for the developers it will be in the range of around 13%.

Vibha Batra: Okay, 10.5 is both LAP and LRD where you disburse 1900-odd Crores?

Vinay Shah: Yes.

- Vibha Batra:** 8400 was the disbursement for LAP and construction finance was 600-odd Crores. Okay so what would be your incremental spread?
- Vinay Shah:** Incremental spread for the first half has been around 2.4%.
- Vibha Batra:** Okay so on an incremental basis your margin is higher than what your overall margin?
- Vinay Shah:** Yes, that is right.
- Vibha Batra:** So fundamentally you know now your 70% book is floating rate and large part of your liability is because your AAA rated is NCD and NCDs are typically fixed rate in nature so do you think on a long-term basis there could be a solution whereby there is whereby you could lower the interest rate risk so are you seeing a scenario where interest rates are declining and if the large part of your liability is longer duration and fixed rate possibly there could be a compression in NIM is there a fundamental solution to this?
- Vinay Shah:** Actually when you look at it the rates of interest decline in the market then what happen is that our incremental borrowing also comes down at a lower rate and if you see for the last several years the incremental borrowing as a position of our overall liabilities has been quite significantly high so we do get a benefit of lower rates even when the rates go down and obviously as far as yields are concerned to a great extent depends upon the competitive intensity in the market and actually the nature of borrowing helps us in terms of in times where the rates harden because it is kind of allows us to absorb the spikes immediately that gives us some kind of a breathing space where we can squeeze out the hikes.
- Vibha Batra:** Yes, but the last two quarters your NIMs have dropped?
- Vinay Shah:** The NIMs have dropped not because of the interest rate movements only. If you look at what had happened now this is a slightly I would say out of the normal situation that we had seen post demonetization where on a single day banks MCRs were cut by 90 basis points that I am talking off January so when that happened it obviously opened up a big gap between the lending rates and the bank book. In order to retain customers at that point in time the prudent action that needed to be taken was to allow our existing customers to come to a lower rate and remain with us otherwise we were anticipating loss of portfolio. So that point in time that was a prudent action that management had taken consciously and when that happened that reduced the earning yield on the portfolio to the extent we have started seeing the reduction in the income generation. So that see what happens is in situations of stable interest rate these kind of spikes do not happen and 90 basis points 100 basis points reduction in one particular day these are not normal situation.
- Vibha Batra:** Absolutely more of an exception, so you do not see it as this kind of a NIM compression going forward and they should go back to where they were?

- Vinay Shah:** We can fairly assume that probably the worse in terms of crunch is behind us and we are doing our incremental businesses at a decent spread which is quite better than the bank book and that should help us recover our margins assuming the interest rate remains at these levels.
- Vibha Batra:** Okay but given this chart, this number 18 that when in FY2015 your margins were 2.23% so what is fundamentally different from them and there was no exceptional event then?
- Vinay Shah:** See fundamental I would say this asset mix has been fundamentally different between then and now, if you are talking about 2015 whichever quarter you pick up distribution of high margin assets to our total book was much less than what it is today. Today we have got a higher component of high yield assets on our book, which allows us to absorb these kinds of shocks to some extent, and gives us a better visibility on margins.
- Vibha Batra:** That is very helpful. Thank you.
- Moderator:** Thank you. We will take the next question from the line of Ritika Dua from Elara Capital. Please go ahead.
- Ritika Dua:** Sir thanks for taking my question. Sir two data points actually firstly if you can please confirm that 21000-odd Crores number which you had said is the amount which is reprised and against the number of customer base was 1,41,000 so Sir did I get the number correctly?
- Vinay Shah:** Yes, 144000
- Ritika Dua:** Sir if you can just pardon like what period does this number?
- Vinay Shah:** Full H1.
- Ritika Dua:** Second question is that can I get the GNPA for the non-housing book and if I can get some like you have been helping us in the previous quarter as well in terms of the number of accounts were there and the kind of provisioning that we have hold against the same?
- Vinay Shah:** We projected 9.69, non-housing as you said and retail is 0.44 and this is nearly the same for both LAP and retail pure housing retail.
- Ritika Dua:** Sure Sir. Sir if I could like request for 9.69 number so like what is now the number of accounts, which are there. I think if I am not wrong it after last quarter it was some five to six accounts may be and you had even share like the average ticket size is, which was there last quarter so just wanted to know some more color as to because we have seen some additions this quarter so on an outstanding basis what are the roughly the average ticket sizes of these accounts which have slipped and what are the provisioning that we have hold against these x-number of accounts?

- Vinay Shah:** Account number is around seven and total NPA is 574.96 is to be exact so that divided by 7 would be the average ticket size. And what else you wanted?
- Ritika Dua:** Sir just provision number, which we hold against this?
- Vinay Shah:** Total provisioning?
- Ritika Dua:** Yes, Sir just against these particular set of accounts?
- Vinay Shah:** That would be around 60%.
- Ritika Dua:** That is very helpful. Thank you very much.
- Moderator:** Thank you. We will take the next question from the line of Manish Agarwal from Philip Capital. Please go ahead.
- Manish Agarwal:** Thanks for taking my question. Just to take the question on project NPA further can you give us some more granularity about what is our largest exposure and what is the smallest exposure that is one and what could be the project size typically?
- Vinay Shah:** You want in the total portfolio or in the NPA account?
- Manish Agarwal:** No in the project NPA account what would be in project NPA what is the largest exposure and what would be smallest exposure?
- Vinay Shah:** The largest would be around 130 and lowest would be around 25-30.
- Manish Agarwal:** What would be the typical projects size here and are we the sole lender or how it is?
- Vinay Shah:** This biggest project is that we are the sole lender.
- Manish Agarwal:** So what is the project size out there?
- Vinay Shah:** Project size?
- Manish Agarwal:** Value of the project line, you would be the 130 Crores so what would be the value of the project in that case?
- Vinay Shah:** It is two times the cover project line.
- Manish Agarwal:** Okay and for the smaller exposure we are the sole lender because what I was trying to understand is the profile of this project borrowers if you can give us what kind of project are there, are they

affordable in nature or what is the typical project size which happens and which geography if you can give some more highlights on that?

Vinay Shah: Geography is north.

Manish Agarwal: Okay so most of the your project NPA would be from the northern side?

Vinay Shah: Not most. I mean I am telling about the biggest one and mostly loans in project I think may be 90%-95% we are the sole financiers.

Manish Agarwal: That is helpful. Thank you.

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

Nishant Shah: Sir just one quick question, what is the interest reversal amount for this quarter?

Vinay Shah: Interest reversal due to an increase in NPA of around 120-odd Crores will be roughly to the tune of about 6 Crores to 7 Crores.

Nishant Shah: Okay. I am just trying to understand like if you go back to the slide#18 the reduction in NIM from 2.68 to 2.38 is it fair to assume that most of it is just due to the correction in your yields for the core home loan product or is the interest reversal also like a substantial part of this?

Vinay Shah: I think predominantly it will be the yield. The interest reversal will also certainly have a component there so the component will be small.

Nishant Shah: So less than 10%-20% something like that.

Vinay Shah: Yes.

Nishant Shah: That is it from me. Thank you.

Moderator: Thank you. We will take the next question from the line of Piran Engineer from Motilal Oswal Securities. Please go ahead.

Piran Engineer: Sir most of my questions have been answered. I just had one thing to clarify. Did you say that 6000 Crores of borrowings are up for re-pricing this second half?

Vinay Shah: Yes, that is right.

- Piran Engineer:** So I mean if I do some back calculation that you know translates into like 9% kind of annualized repayment rate of borrowings so that will suggest an average borrowing tenure of 11 years so is that something wrong in my calculation, then why would you be borrowing so long?
- Sudipto Sil:** There are no instruments also available for 11 years so that is certainly is not be I think there is some error in the way you calculated the base.
- Piran Engineer:** No I have just taken 6000 Crores divided by a borrower which is?
- Sudipto Sil:** The base should be taken, as a percentage of the NCDs. NCDs is around 80% of the total borrowing.
- Piran Engineer:** Okay but even if I change that it comes to 11% my repayment rate from 9% to 11%.
- Sudipto Sil:** See actually if you look at around 12,000 to 15000 Crores of bond maturities occur every year and that actually is around 15% of the outstanding bonds that we hold, some years, it might be 12000 sometime it may be 13000 but average that is the average, so if you look at it 15% repayment the average is actually working to between six and six and half years.
- Piran Engineer:** Yes, but that will be the weighted average tenure that is remaining right, not for an entity that has been raised today?
- Vinay Shah:** No.
- Piran Engineer:** I mean the point I am actually trying to make is that reprising of liability is really slow and if I look at our cost of funds being a AAA rated company this quarter was 8.3 or 8.4 and you know AA+ rated company like India Bull is already below 8%. So I am just trying to reconcile?
- Sudipto Sil:** I think there is a big mistake that you have made, if you have actually refer to one of slide the incremental cost is 7.23% I do not know where you got 8.3%.
- Piran Engineer:** No the cost in Q2.
- Sudipto Sil:** The cost in Q2 is 7.23%. I think you might have mixed it up with some other company but our incremental cost is 7.23% for Q2 for the first half the incremental cost is 7.44%.
- Piran Engineer:** I will take it offline then. Thank you so much.
- Moderator:** Thank you. We will take the next question from the line of Abhishek Minda from Goldman Sachs. Please go ahead.

- Abhishek Minda:** Good afternoon Sir. Thanks for taking my question. Just wanted to have a couple of data question so first was on how much of our fixed loans are coming up for conversion into floating over the next two quarters and then over the next year can you give me that number?
- Vinay Shah:** The number is very miniscule maybe 2000 to 3000.
- Abhishek Minda:** That is till March?
- Vinay Shah:** Yes.
- Abhishek Minda:** Also incrementally are we still sourcing fixed rated loans or I guess mostly it must be on the floating the incremental loan book?
- Vinay Shah:** Floating.
- Abhishek Minda:** What are our current incremental AUMs on the floating housing loans is it like 8.2 or 8.3% now?
- Vinay Shah:** The target is 8.35 to start off with but if you annualize it, it will be around 8.7 to 8.8 considering all I mean that is the entry target and then it goes up to higher 8.5 to 8.6, the annualized will come settle to around 8.7 to 8.8.
- Abhishek Minda:** Thank you so much.
- Moderator:** Thank you. We will take the next question from the line of Amit Rane from Quantum Securities. Please go ahead.
- Amit Rane:** Thank you for the opportunity. My question is on the provision cost. Last year we had provided for 281 Crores in FY2017 and in first half we have provided 162 Crores already so any outlook on this number going forward in second half?
- Vinay Shah:** Provisioning as we just discussed because of one NPA in the corporate loan side the provision had increased but otherwise if you see on the overall trend in retail loans the retail loan increases has been small. I think we should be fairly below last year's level in terms of the provisioning.
- Amit Rane:** Sir one question on employee cost as well, how much growth should we take Sir this year in employee cost?
- Vinay Shah:** Around 15% is the rate you can take.
- Amit Rane:** Thanks a lot.
- Moderator:** Thank you. We will take the next question from the line of Giriraj Daga from KM Vesaria Family Trust. Please go ahead.

- Giriraj Daga:** My first question related to like is there any number in mind where we would like to have non-housing book to go which include LAP and project finance, so like on a disbursement basis last quarter we had 77% home loan so is there any number we would like to see the number?
- Vinay Shah:** Number means?
- Giriraj Daga:** We would like to know a number like 20% or up to 20% we would like to grow?
- Vinay Shah:** See we have not assigned any number to that but may be yes around 20% both LAP and projects.
- Giriraj Daga:** Put together?
- Vinay Shah:** Together.
- Giriraj Daga:** So we are already at about 17% you already there. My second question is if you can give the second quarter of FY2017 what was the LAP disbursement?
- Sudipto Sil:** It was around 1200 Crores to 1300 Crores.
- Giriraj Daga:** Okay I am looking for one of the number the absolute number the individual home loan you have?
- Vinay Shah:** You can just deduct it from the total, if you want I can give you for the second quarter of last year.
- Giriraj Daga:** Yes.
- Vinay Shah:** So the second quarter of last year is around 7300-odd Crores.
- Giriraj Daga:** Sir when we say that we were doing all our incremental borrowing is in floating like are we considering that we are not growing less for the NCD market?
- Vinay Shah:** No I did not get your query.
- Giriraj Daga:** When we say incrementally our borrowing will still be NCD right, fixed?
- Vinay Shah:** Yes.
- Giriraj Daga:** Thanks a lot.
- Moderator:** Thank you. We take a next question from the line of Manish Shukla from Citigroup. Please go ahead.

- Manish Shukla:** Good afternoon. Thank you for the opportunity. Just some qualitative color on the LAP book could you give ballpark detail between let us say retail versus self-employed and residential versus non-residential as a collateral there?
- Vinay Shah:** Salaried is about 82%-83%
- Manish Shukla:** Even on the LAP book?
- Vinay Shah:** Yes.
- Manish Shukla:** Okay and collateral the residential versus non-residential in terms of the property that you are financing?
- Vinay Shah:** 95% is residential.
- Manish Shukla:** The other question is Sudipto slide #17 1H 2017 is shown as 11.21%, but if I roll-out to investor updates from last year 1Q and 2Q is about less than this?
- Sudipto Sil:** The one, which was given in last year, was not annualized if you just track the slide, this was not annualized and this is annualized.
- Manish Shukla:** So all the number on slide #17 are annualized.
- Sudipto Sil:** Yes.
- Manish Shukla:** Thank you.
- Moderator:** Thank you. We have next question from the line of Digant Haria from Antique Stock Broking. Please go ahead.
- Digant Haria:** Sir just one clarification that 21000 Crores of retail home loan which got reprised what would be the quantum of reprising is it 20 BPS or it was more?
- Vinay Shah:** It will depend on when that loan was taken. So for some cases on an average we can say it may be slightly higher than 20 also in some cases but by and large may be you can say between 20 and 30 on an average. See it will depend on when that loan was taken.
- Digant Haria:** Yes I got it the blended would be 20.
- Vinay Shah:** But on an average it should be more than that.
- Digant Haria:** Thank you.



*LIC Housing Finance Limited
October 31, 2017*

Moderator: Thank you very much. That was the last question in queue. I now hand the conference over to the management for their closing comments.

Vinay Shah: Thank you for participating in the call. As concluding comments we would like to assure that we are continuously trying to improve the performance on the areas and we have also this current quarter despite the stiff competition in the market one of the areas that there is some comfort is the growth in the disbursement especially in the core home loan sector. The incremental spread continues to be good, in fact may be one of the highest in recent times, which allows the some headroom for margin improvement going forward and there has been some resolution on the NPL especially on the corporate developer side including one on account, which has been quite sticky for sometime and we are expecting some improvement there as well. So overall there has been some misses in terms of asset quality and margin but overall we look at a better performance in the next two quarters because of the reasons just described. Thank you once again for being on the call. Thank you.

Moderator: Thank you. Ladies and gentlemen on behalf of Axis Capital that concludes this conference call for the day. Thank you for joining us. You may disconnect your lines.