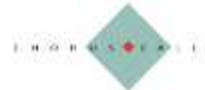




“LIC Housing Finance Limited Q2 FY2020 Earnings Conference Call”

October 22, 2019



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Moderator: Good day ladies and gentlemen and a very warm welcome to the LIC Housing Finance Q2 FY2020 Earnings Conference Call, hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode. 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 call will be for 60 minutes. I will now hand the conference over to Mr. Praveen Agarwal from Axis Capital Limited. Thank you and over to you Sir!

Praveen Agarwal: Thank Ali. Hello everybody and welcome to this earnings call of LIC Housing Finance. From the management team we have Mr. Siddhartha Mohanty, MD and CEO and Mr. Sudipto Sil, CFO. I would request Mr. Mohanty to share his initial thoughts on the result post which we will open the floor for Q&A. Over to you Sir!

Siddharth Mohanty: Good afternoon and welcome to the post earnings conference call of LIC Housing Finance Limited. As you would be knowing LIC HFL declared its Q2 FY2020 results on Saturday, October 19, 2019. The key highlights of the results are revenue from operations Rs.4973 Crores as against Rs.4202 Crores for the corresponding quarter of the previous year with a growth of 18%. Outstanding loan portfolio is at Rs.203037 Crores against Rs.177393 Crores as on September 2018 reflecting a growth of 14% and out of this, individual loan portfolio stood at Rs.189351 Crores as against Rs.166457 Crores with a growth of 14%. Within the individual loan portfolio, home loan portfolio stood at Rs.105459 Crores against Rs.136350 Crores with a growth of 13%.

Disbursements during the quarter were Rs.12173 Crores as against Rs.14295 Crores for the same period in the previous year. Disbursements in the home loan segment clocked a healthy growth of 16% during this quarter and stood at Rs.10136 Crores, disbursements in the project loan construction finance were lower at Rs.445 Crores against Rs.2970 Crores. Net interest income for the Q2 was Rs.1213 Crores against Rs.1047 Crores up by 16%. Net interest margin for the quarter were at 2.42 as against 2.41 for quarter FY2019. Profit before tax clocked a growth of 15% to Rs.856.06 Crores from Rs.745.35 Crores. Profit after tax for the quarter stood at Rs.772.20 Crores as against Rs.573.16 Crores with a growth of 35%.

Environment during the Q2 of FY2019-20 continued to be quite challenging; however, considering the situation, company performed fairly on the business front recording an overall disbursement of Rs.12173 Crores out of which individual loans disbursed was Rs.10136 Crores against Rs.8739 Crores for the corresponding quarter in the previous year,



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recording a growth of 16%. Among the regions, our central, south eastern, and northern regions registered good growth. On affordable housing front under PMAY CLSS Scheme, company continued to perform exceedingly well. For the half year, the company disbursed nearly 25000 accounts totalling Rs.5000 Crores under this scheme accounting for nearly 26% of retail disbursements in volume terms and 24% in value terms and has received a subsidy of more than Rs.400 Crores for the beneficiaries.

In terms of growth, these segments had shown 68% growth in volume and 77% growth in value terms on a year-on-year comparison basis. Looking at this, we are very confident of significantly improving from our last year's performance. Considering the overall market conditions, we have done lower disbursements in the project loan construction finance which is Rs.445 Crores against Rs.2970 Crores. Disbursements in LAP and other non-housing have also come in lower by almost Rs.1000 Crores. On the portfolio growth front, the total portfolio recorded a stable and consistent growth of 14%, growth in the individual home loan segment registered 13% year-on-year. Pursuant to the introduction of Indian Accounting Standard, companies are required to report Expected Credit Loss (ECL) on their loan assets and provision thereon.

In terms of asset quality, there has been an increase in stage 3 exposure at default which has increased by 40-basis point from June 2019 from 1.98% to 2.38%, this is a matter of highest priority and concern for us and we are taking necessary action. However, we are also receiving some part payments in several accounts and are confident of recovery since the value of the underlying security is quite higher than our loan exposure. Many of the projects are either complete or nearing completion which gives us confidence that the recovery will improve as the sales increase. As mentioned, we are occurring highest priority to this area across the company. Provisions under the ECL have also increased from Rs.1559 Crores to Rs.2195 Crores out of which stage 3 ECL provisions has increased from Rs.1170 Crores to Rs.2083 Crores.

On the cost of fund side, margins have remained largely stable at 2.42% as against 2.41% over the previous year and against 2.35% over June 2019. We have witnessed a reduction in incremental cost of funds by 20-basis points from 8.24% in Q1 FY2020 to 8.04 for Q2 FY2020. The funding environment and liquidity conditions remain quite favorable. During the quarter under review, we have raised Rs.10000 Crores through NCDs, Rs.3600 Crores through CPs and Rs.3000 Crores through public deposits in addition to bank loans. With this brief introduction, I would like to invite you for your queries. Thank you.



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- Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Aditya Srinath from Quantum Asset Management. Please go ahead.
- Aditya Srinath:** Thank you for the opportunity. There were just a couple of question that I had. First of in terms of the pure floating rate loans, I noticed it fell between the first and second quarter from 93% to 82% I was just wondering what drove that. Secondly, I would like in terms of Rs.13685 Crore split the project loan that we have reported, I just wanted to know what is the split between the corporate and builder book over there and if the split in disbursements over there if that would be available. Thank you.
- Sudipto Sil:** For the second question, mostly it is the builder loans only, builder and project finance and disbursement figures we have already shared that on the opening comments that it was for the quarter 2907 as against Rs.2970 for the previous quarter only Rs.45 Crores.
- Aditya Srinath:** For the first question Sir?
- Sudipto Sil:** Actually, the first is, this is basically some new products which we had launched, initial period which was fixed that is the only difference.
- Aditya Srinath:** Okay and just lastly would we be looking at a capital raised as well within this year?
- Siddharth Mohanty:** That will be taken care of whenever we require, our board will take care.
- Aditya Srinath:** Right Sir. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Akash Dattani from HDFC Securities. Please go ahead.
- Akash Dattani:** Good afternoon and thank you for taking my questions. Sir My first question could you give us to split of GNPA between individual home loans, LAP and other products and the construction/developer finance book?
- Siddharth Mohanty:** Individual loan NPA is 1.20%.
- Akash Dattani:** And is this for home loan only?
- Siddharth Mohanty:** This is individual retail home loan.



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- Akash Dattani:** Okay that is great.
- Siddharth Mohanty:** And our total average under individual it comes to 1.66 including individual, LAP, and commercial all those things if you take together, so it is 1.66, but including project finance construction loan it is coming to 2.38.
- Akash Dattani:** Okay that is great and secondly, do you see over the past couple of quarters there has been a significant buildup in stress while not too alarming do you see this trend continuing?
- Siddharth Mohanty:** Now I believe since the government has taken so many initiatives on both sides, on the supply side of credit as well as boosting consumption demand in retail side, so I believe there will be some improvement, some positive indication will be there in coming quarters even during the quarter also out of the NPA, because our NPA has gone up you have seen despite that too we have recovered from during the quarter some Rs.40 Crores from those accounts Rs.28 Crores for part principal payment and Rs.12 Crores per interest payment even if we have received those accounts still continue to be NPA as per norms. That indicates builders, our borrowers they demonstrate their intention to pay, they are making part payments means their intention is to pay.
- Akash Dattani:** Okay and this is from the developer finance book you are saying right?
- Siddharth Mohanty:** It is from all. It is little under developer is also there. If you take developer and retail both amounts will go up, principal will be nearly Rs.38 Crores and interest will be something Rs.27.50 Crores or Rs.28 Crores total, retail and developer total together Rs.38 Crores and Rs.28 Crores and these are part payment, these are from NPA accounts only we have received this much amount.
- Akash Dattani:** With banks now you know offering a lot of external benchmark linked loans, how do you see – how will LIC Housing Finance compete, what is the outlook or strategy there?
- Siddharth Mohanty:** External linking your rate to external benchmark that is for banks and not yet for HFCs, but in any case, we have to operate in the ecosystem unless my rate is competitive, I cannot compete with banks, so whether linking to external benchmark or not, our rate will be competitive and look into cost of fund being stable or going down, you will find that we will be there. We will have competitive rate and today also we have the most competitive rate in the market.
- Akash Dattani:** Okay and Sir on cost of funds, could you see shed some light on the re-pricing of your borrowings in the coming year, how would you see that happening?



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- Sudipto Sil:** In the next six months, this predicted year, from the next six months that is October to March about Rs.17500 Crores of bonds are going to get redeemed, getting mature and they are presently carrying a coupon of around 8.3 and looking at the blend we expect that we should be able to fund them at least by 35 to 40-basis points lower.
- Akash Dattani:** Okay and my last question was so in the previous concall, there was mentioned of the task force that was constituted to adjust asset quality matters in the developer book, so any progress or any insight that you all would like to share on that?
- Siddharth Mohanty:** We have formed a dedicated team to follow up with builder loans, dedicated team is there, they are monitoring and they are advised to take all action including legal action and they are negotiating with the builders even last moment we could not get some big loan amount that which I expect in the coming days that is why it has gone up, so dedicated team is closely monitoring each account and our objective is to ensure that there is no further slippage at least whatever has been done that has to be recovered further slippage how to arrest that, so they are looking into that.
- Akash Dattani:** Okay that is great. That is it from my end. Thank you very much.
- Siddharth Mohanty:** Thank you.
- Moderator:** Thank you. The next question is from the line of Dhaval Gada from DSP Mutual Fund. Please go ahead.
- Dhaval Gada:** A couple of questions. First on asset quality, could you just give the split between gross NPA for salaried and self-employed segment and also gross NPAs in the top seven cities and rest of India, just wanted to understand where is the problem?
- Siddharth Mohanty:** We do not maintain that salaried or like that, but salaried class as such it is very negligible. Salaried class, we do not have any bad experience. Overall you see retail and construction finance, so there is gap. Obviously our builder percentage is higher than individual retail, so looking to both sides, average it comes to 2.38, but salaried class there is no such, we do not maintain that type of thing, but experience is good.
- Dhaval Gada:** Okay, between geographies top seven versus rest of India any color there?
- Siddharth Mohanty:** It is spread across.



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- Dhaval Gada:** Okay, one data point on asset quality, could you give the individual home loan GNPA for Q2 FY2019, the same number 1.2 number that you give, what was the number same period last year?
- Siddharth Mohanty:** Last September, the individual housing loan was 0.76.
- Dhaval Gada:** Okay and overall individual was 0.81?
- Siddharth Mohanty:** Overall was 0.81 and now it is 1.05 for Q2 individual housing.
- Dhaval Gada:** Is that 1.2 or 1.05 Sir?
- Siddharth Mohanty:** 1.05 is only individual, if you tell total that will come, because in individual housing loan, non-housing individual loan, non-housing commercial, we segregate it to three categories under individual then that is the total retail, retail constitutes individual housing loan, non-individual loan and non-individual commercial.
- Dhaval Gada:** And individual housing is 1.05.
- Siddharth Mohanty:** Individual housing is 1.05.
- Dhaval Gada:** Okay, I understood and just one last thing on LAP disbursement I missed I joined the call late, but what was the number for this quarter, LAP disbursement?
- Siddharth Mohanty:** Rs.1592 Crores.
- Dhaval Gada:** And Sudipto just one question on number restated for the base year, what is the reason if you have mentioned that ever?
- Sudipto Sil:** Which line item can I please?
- Dhaval Gada:** The loan figure for the base?
- Sudipto Sil:** Loan figure there is no restatement. Outstanding loan?
- Dhaval Gada:** Yes.



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- Sudipto Sil:** Outstanding loan, the only restatement could be the impact of Ind-AS as you would be going, the outstanding loan as per Ind-AS and the outstanding loan as per IGAAP, there is a slight difference, but the difference is not even 1%.
- Dhaval Gada:** I understood, okay, perfect, thank you so much.
- Sudipto Sil:** Now it is at par both are comparable.
- Dhaval Gada:** Thanks.
- Moderator:** Thank you. The next question is from the line of Hardik Shah from Max Life Insurance. Please go ahead.
- Hardik Shah:** Sir, a couple of questions. Sir builder book entry is last quarter I believe was around 11% what would be that now?
- Siddhartha Mohanty:** That is one I think another 3% gone up.
- Hardik Shah:** Around 14%?
- Siddhartha Mohanty:** Yes.
- Hardik Shah:** In terms of recovery measures have you been for SARFAESI in any properties?
- Siddhartha Mohanty:** All. Some we are deciding and some already SARFAESI action is already in place.
- Hardik Shah:** What would be the quantum of that?
- Siddhartha Mohanty:** The exact quantum I think 50% to 60% of the entry amount already under SARFAESI.
- Hardik Shah:** Sir what is the capital adequacy for your Q2?
- Sudipto Sil:** Capital adequacy approximately should be in the range of 12.3% to 12.5%.
- Hardik Shah:** so it is very close to tier I and overall?
- Sudipto Sil:** Overall will be more than 14%.
- Hardik Shah:** Sir finally in terms of ALM how would your less than one-year profile looks like?



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- Sudipto Sil:** Sorry can you please repeat?
- Hardik Shah:** ALM profile for less than one year?
- Sudipto Sil:** Less than one within limit within NHB limit of 15%.
- Hardik Shah:** What would be the mismatch percentage?
- Sudipto Sil:** Sorry.
- Hardik Shah:** What would be the mismatch?
- Sudipto Sil:** Mismatch will be... maximum permissible is 15%. Ours will be around 13% odd thereabouts.
- Hardik Shah:** And unutilized lines for your guys?
- Sudipto Sil:** Unutilized lines will be more than Rs.10000 Crores to Rs.15000 Crores?
- Hardik Shah:** Thank you so much.
- Moderator:** Thank you. 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. If you could just provide the interest income breakup for individual and for project I mean global split between individual and projects?
- Siddhartha Mohanty:** The interest income.
- Pranay Rajani:** Yes?
- Siddhartha Mohanty:** I will just give you the data.
- Pranay Rajani:** Apart from this what would be your incremental yields product wise on overall basis, home loans and non-home loans?
- Siddhartha Mohanty:** Interest income on individual that is there in the presentation slide number 14, but I will just repeat for your convenience. Rs.4530 Crores that is for the individual, that is for the quarter. Project will be around Rs.380 Crores.



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- Pranay Rajani:** Alright Sir and also on the incremental yield basis if you could share the data for product wise and segment wise?
- Siddhartha Mohanty:** Incremental yield wise I am just giving you the non-annualized numbers, you can analysis them. That interest will be around 40 basis points. Separately it is say for the individual retail home loans only the pure home loans incremental this is around 8.84%, so you can annualize. That will add about 40 basis points. For the non-home loan retail that will be 10.5%. Builder loans will be 12.7% and blended will be 9.3%.
- Pranay Rajani:** I am sorry Sir?
- Siddhartha Mohanty:** Blended will be 9.3%.
- Pranay Rajani:** Blended will be 9.3% and also if you could just share the net NPA number for the quarter?
- Sudipto Sil:** Net NPA actually if you look at it as of now the net NPA figures for the NHB the purpose only we are calculating. For the provisioning purpose, it is always the figure for the ECL. The net NPL as for the ECL stage 3 is concerned, it is Rs.2083 Crores.
- Pranay Rajani:** Rs.2083 Crores alright. That would be all Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Udit Kariwala from Ambit Capital. Please go ahead.
- Udit Kariwala:** Good afternoon Sir. I had two questions. First is that we have seen that corporate tax rate has gone down and as per my understanding or as per the regulations, HFCs earning certain profits on the individual book can be parked in as reserves and you do not need to pay tax on that. So what is the reason for a drastic decrease in the tax in the current quarter and has that been done in consultation with the IT Department or it is an internal call which the management has taken?
- Sudipto Sil:** No it is actually as per the change. I will give you the difference. The tax rate, which was applied in the Q1 you are probably referring to that. The Q1 tax rates have been applied at almost the full rates because it is to be prepared on the basis of the amount of anticipated profit and the rate of taxation, which comes out of that, so that was the reason for preparing the tax provision as on Q1. Now in the Q2 what has happened is that there has obviously been a change in the taxation structure in terms of lower tax rate on the components. We will continue to get the benefit of a particular a section 3618 because that apparently is a



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rebate that is what we are interpreting it. So the overall tax rate has come down and it will stabilize by and large at around 21% to 22% plus whatever surcharge is applicable.

Udit Kariwala: So correct me if I am wrong. Sir what we are trying to say is that?

Siddhartha Mohanty: Whatever impact has to be taken for the extra taxation, which was provided for Q1 has already been absorbed in Q2.

Udit Kariwala: Which is fine, but what I am trying to understand is that without the benefit of section 36, which you mentioned, the rate has to be around 33%, but taking the benefit, it comes to around 28% broadly right? Now after the corporate tax now reducing to 25% the benefit will still continue or on that section 31?

Siddhartha Mohanty: Section 36 and not 31.

Sudipto Sil: Earlier we are not taking.

Udit Kariwala: Sorry so that benefit curtails?

Sudipto Sil: That is a rebate.

Udit Kariwala: Okay Hence you are saying for this quarter the tax rate is currently around 10% right, which is because of the Q1?

Sudipto Sil: That is because the 10% rate is not the applicable tax rate.

Udit Kariwala: Q1 you have factored in and Sir you have already spelled out the delinquency numbers, but I got a little confused between the three numbers, which were given? So if you just give out the NPA numbers?

Sudipto Sil: I will just first explain. Sir we will give you the numbers. There are different categories of loans. One is the builder loans as you are aware. The second is your home loans and the third one is within the retail segments there is also a segment, which is the non-home loan segment, so that is the reason three numbers were given. Now Sir will tell you the number.

Siddhartha Mohanty: Actually as I told earlier home loan total, it is coming to 1.05% NPA and the non-housing individual it is 2.36%.

Udit Kariwala: Non-housing individual



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- Siddhartha Mohanty:** Nonhousing individual, so overall retail is coming to 1.52%, but the project construction that comes to 14.8%, so overall comes to 2.38% that is the breakup of our NPA segment wise.
- Udit Kariwala:** So the housing loan you are saying is around 1.05%.
- Siddhartha Mohanty:** 1% to 1.05% yes.
- Udit Kariwala:** Which is the core housing book?
- Siddhartha Mohanty:** Pure housing yes and within that also if you see our experience in particularly affordable Pradhan Mantri Awas Yojana, NPA is almost nil 0.07%, so that is the area we are focusing now.
- Udit Kariwala:** And just one followup on this. If I just break the numbers then the delinquency in the lab book has gone up in this quarter, right?
- Sudipto Sil:** No it has not gone up significantly. It was around 2.2ish in Q2. From there it has gone up to 2.36%.
- Udit Kariwala:** Fair thank you so much.
- Moderator:** Thank you. The next question is from the line of Kunal Shah from Edelweiss. Please go ahead.
- Kunal Shah:** Again coming up on tax, so was there any DTA mark down during the quarter or because we had DTA in our books and most of the financial companies have marked it down, so has there been any adjustment on that count?
- Siddhartha Mohanty:** There was also a provision of DTL in our book deferred tax liability.
- Kunal Shah:** On a net basis, there was still a deferred tax?
- Sudipto Sil:** Yes that impact has been absorbed already.
- Kunal Shah:** No Sir that should have been around about Rs.150 Crores odd, so how much was the impact in this quarter?
- Sudipto Sil:** What I understand is that the full impact has been already absorbed.



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- Siddhartha Mohanty:** Already taken.
- Kunal Shah:** No if you can quantify the amount?
- Sudipto Sil:** The amount exactly I am not having right now, but the full impact has been already absorbed because we have to also see from the DTL which was there. So further creation of deferred tax liability under ECL is not required, so you to have also compute... you have to also compare that aspect.
- Kunal Shah:** But whatever was down it is largely taken care of in this quarter?
- Sudipto Sil:** Yes.
- Siddhartha Mohanty:** Yes.
- Kunal Shah:** Secondly in terms of stage two so despite the stage three moving up, we have seen stage two being there at 4.74% odd so going forward do we see similar kind of run rate even in the stage three because finally it flows largely from stage two and there is no change as such, so may 30 to 40 bps kind of an increase should that be the expectation going forward as well or how different is this stage two from what it was there in Q1?
- Siddhartha Mohanty:** Actually I see some improvement will be there. There will not be much increase from stage two to stage three, but let us see because of some cases where we had to get at the last moment, we could not get from these accounts that could have been out of NPA, but somehow that could not materialize, but as I told earlier, we have received a good amount principal Rs.37.5 Crores and interest Rs.27.5 Crores from these NPA accounts. I do not think there will be much increase from stage two to stage three.
- Sudipto Sil:** Some payment is still coming. Even in the NPA accounts, we have just captured the NPA account details about whatever accounts were NPA as on 30 June 2019 within that also, during the last 90 days we have received about Rs.64 Crores total including Rs.37 Crores of principal plus interest of Rs.27 Crores that is only for the quarter. Similarly whatever has been categorized in stage two also there are some payments, which are coming. It may not be full payment, but part payment is coming, so that gives some confidence at least the payment cycle has not completely got stopped. In fact in the retail segment we can share that about 2000 accounts, out of total number of retail accounts, which were NPA as on June 30, 2019 there were 2000 accounts, which have made payments.
- Kunal Shah:** Out of?



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- Sudipto Sil:** Out of the NPAs, which were there as on June 30, 2019 so roughly 20% to 25% of the accounts have started making payments also.
- Kunal Shah:** Overall when we look at the deterioration, which is there may be almost like 15% of the developer pool of 1.5% of the individual size definitely it seems to be...?
- Siddhartha Mohanty:** 1.05%.
- Kunal Shah:** No overall individual **(inaudible) 32:44** loan and the non- home loan that 1.52% and in fact like when I look at even like the pure home loan that is also upwards of 1% odd so what is the reason? Maybe I think is it maybe when we look at most of the other players in fact that they are at a much lower levels so what is like the conservative approach upfronting of most of the stress in the book and we are more or less done with wherein say the other players will catch up or may this was largely because of the underwriting or specific geographies wherein we were present, which is leading to this kind of may be higher GNPL compared to the peers?
- Siddhartha Mohanty:** No if you see current business pattern actually this builder book has gone down. There is significant degrowth in the builder loan in the current year. These are loans, which were given earlier and looking at overall scenario sales has gone slow so some of the projects they are at the final stage of construction, but they are not able to complete and hand over the projects. Some of the projects are 80% to 90% complete so overall if you see these are the problems, but look into present initiatives by the system the government, banks and everything now credit flow is there, so I am hopeful at least that will help in easing out the present position and festive season sale will also increase. So let us see in the coming Q3 some improvement will be there.
- Kunal Shah:** No main question is on the retail side, which is much higher than the...?
- Siddhartha Mohanty:** Retail particularly within retail affordable segment. We are focusing in retail not high end or premium. We are focusing on affordable, so that is doing very well.
- Kunal Shah:** No but something like under construction wherein we are seeing more GNPLs flowing for us compared to the peers is it largely because of that you are on the left side or may be the nonhousing there has been increase, so what is leading to the overall rise and being much higher than the industry average?
- Sudipto Sil:** We cannot comment about that as far as the other competitors, etc., what you just mentioned sometime back, but if you see the retail home loans if you look at the quality and



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I would say the nature of the loans, which are very low LTV. This is mostly in the nature of delays as far as the home loans are concerned. Under construction does not impact LAP.

Kunal Shah: But on retail home loan it would?

Sudipto Sil: It does. To some extent, but it is not such a problem because at the end of the day for retail home loan customer what is more important is his individual CIBIL score, which will get impacted if stops payment for whatever reason.

Kunal Shah: What would be the proportion for us to under construction on the retail side home loan?

Sudipto Sil: It is not immediately available, but generally over the last three to four years what we have seen the share of under construction has been coming down because of some kind of uncertainty related to completion of projects and steadily the customers preference towards occupying readymade or ready to move in that has increased steadily and it has not happened in a couple of quarters. It has been happening for the last three to four years, so the share of customers opting for a ready to move in has increased significantly in the last three to four years and if you see in the last couple of years, the rate of new launches have also been coming down.

Kunal Shah: Lastly in terms of the rise in the corporate or may be the developer book if you can just give some color on it in terms of the number of accounts whether this has flown purely from the stage two to stage three and how has been the behavior of this portfolio maybe was it like over the last three months wherein we saw this deterioration or it was may be the stress over the last six to nine months?

Sudipto Sil: Actually it was the movement from stage two to stage three. The stage two means that already probably they were in the 30 to 90 days basket already, so that 30 to 90 days has now moved on to a stage three, which is more than 90 days and in the interim period may be a couple of months have added, so the last three to four months. A number of accounts would have been around four to five, which would have contributed predominantly.

Kunal Shah: Okay and any specific reason or it is in general everywhere?

Sudipto Sil: No it is across.

Kunal Shah: Okay. Thank you.



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- Moderator:** Thank you. The next question is from the line of Hardik Shah from Max Life Insurance. Please go ahead.
- Hardik Shah:** Sir what portion of the builder book would be at the moratorium today?
- Siddhartha Mohanty:** 30 to 40 accounts.
- Hardik Shah:** In terms of percentage of the book?
- Siddhartha Mohanty:** 35% to 36% within 40%.
- Hardik Shah:** And this moratorium would be for how much period?
- Sudipto Sil:** Generally between 12 to 18.
- Hardik Shah:** Further 12 to 18 months?
- Sudipto Sil:** 12 to 18 months generally.
- Hardik Shah:** Thank you.
- Moderator:** Thank you. The next question is from the line of Mohit Mangal from CRISIL. Please go ahead.
- Mohit Mangal:** Thanks for the opportunity. Sir I was just looking at your presentation and I found that the bank in the overall borrowing mix has increased from 13.65% to 15.46% and there is also a benefit in terms of weighted average cost on it for about 20 to 25 basis point, so do we see this trend going forward wherein use bank as a major funding source for the company?
- Sudipto Sil:** It will be one of the important sources and certainly what we will be focusing upon is to see wherever we can get the best pricing and within the ALM requirement, so bank funding incrementally has been increased, but the cost of fund there also will be coming down. As you would be knowing that most of the banks have been reducing their MCLR so that presents a slight opportunity in reduction of costs also.
- Mohit Mangal:** Thanks so much.
- Moderator:** Thank you. The next question is from the line of Sagar Shah from Alpha Line Wealth. Please go ahead.



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- Sagar Shah:** Good morning Sir. My questions have been answered. Sir just one actually question.
- Moderator:** Sagar you are not audible.
- Sagar Shah:** My first question is can you give me the geographic diversification of your loans please Sir?
- Siddhartha Mohanty:** You can refer to one of the presentations where we have mentioned in one of the slides that the definition we have given is metro versus non-metro. If you look at the metro versus metro that is on slide number nine.
- Sagar Shah:** Top seven cities...
- Sudipto Sil:** Top seven that is basically metro under top seven cities is Mumbai MMR region, NCR, Bengaluru, Chennai, Hyderabad, Pune and Kolkata. That contributes 44% current year's disbursements and the balance 56% of all other cities.
- Sagar Shah:** From the non-housing, okay. My second question is the followup of actually the previous one, the stage 2 as you are referring to 4.74% of your total loans actually so the stage 2 loans exposure at default, so how confident are you on that percentage of your portfolio to not to slip to the stage 3?
- Siddhartha Mohanty:** As we mentioned, the payments are coming, but the fact is that as far as the builder loans is concerned which comprises major portion of the incremental NPLs in the last maybe one year or so, there the sales have been coming down, sales are reported slower. So we expect there was the sales position improve, there will be an improvement not only in the stage 2 and also in the stage 3 whatever sales are happening the money comes to us, but the sales which were happening at a particular rate per month that has come down significantly in the last maybe two to three quarters.
- Sagar Shah:** So how much percentage of the builder loans is from stage 2?
- Siddhartha Mohanty:** Stage 2 about maybe Rs.400 Crores will be stage 2.
- Sagar Shah:** Rs.400 Crores, okay. From that developer loan of the total developer book, how much percentage is actually a kind of project loans how much percentage of that project is 50% or below constructed actually?
- Siddhartha Mohanty:** Can you please repeat your queries?



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Sagar Shah: Of your total project loans what percentage is 50% or less construction that has been done?

Siddhartha Mohanty: It will be more than 50% to 60% where the construction is ahead of 60% whatever disbursement you would have made in the last may be one year or so obviously for those projects our exposure will also be at stage of this construction, our disbursement will be stage of construction link and there obviously whatever we have disbursed recently the stage of construction will be initial cases.

Sagar Shah: Okay so currently your focusing more as Sir Said, you are focusing more on the affordable housing what PMAY Yojana?

Siddhartha Mohanty: Yes.

Sagar Shah: Going ahead are we going to see disbursements more in that field itself because for the last one-year LIC housing finance and gross NPAs have been inching, moving up actually heavy quarter by quarter and building loans only that is why so it does not make any sense for the company to move ahead in that segment especially in this kind of environment?

Siddhartha Mohanty: Affordable obviously we will focus some affordable and PMAY because their you see asset quality is far, far better, superior, our experience is good but that does not mean if you go to projects come particularly projects who is a catered to this segmented, projects which cater to affordable housing projects, which are under PMAY those also will be definitely funding those projects, good projects, because most (inaudible) 43:44 sell.

Sagar Shah: Okay but that would not be in those PMAY projects I guess Sir they would not be in the term metro city right?

Siddhartha Mohanty: Those are in metro cities only, yes we are in fact metro cities PMAYs are there outskirts of metro of course. Those are there and they get also some incentive, developer also gets some incentive from the government some tax rebate, those things are there if that is registered under PMAY.

Sagar Shah: So if that is the case can we expect at least the ECL stage 3 from 2.38 to at least below 2 in FY2020 or maybe in FY2021?

Siddhartha Mohanty: Definitely that position will improve.

Sagar Shah: Okay good luck for the future Sir. Thank you.



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- Moderator:** Thank you. The next question is from the line of Rakhi Prasad from Alder Capital. Please go ahead.
- Rakhi Prasad:** I wanted to get a sense more about the builder book in terms of the split between metro and non-metro cities and also how the NPA for the builder book has split between metro and non-metro cities?
- Siddhartha Mohanty:** Actually entire builder book is spread across the seven top cities and our experience is across all the cities we cannot say particular region has more NPA or particular region has less NPA, our experienced has mixed across.
- Rakhi Prasad:** So any Mumbai and Delhi would that proportion be larger among the top seven?
- Siddhartha Mohanty:** Everywhere it is there.
- Rakhi Prasad:** It is equally spread across the regions?
- Siddhartha Mohanty:** Yes.
- Rakhi Prasad:** Okay so then all these NPAs are sitting in these top seven cities then?
- Siddhartha Mohanty:** Yes.
- Rakhi Prasad:** Equally spread?
- Siddhartha Mohanty:** Equally I cannot say. There will be variation but it is spread.
- Rakhi Prasad:** Okay thank you.
- Moderator:** Thank you. The next question is from the line of Gaurav Kochar from Mirae Asset. Please go ahead.
- Gaurav Kochar:** Just one question on your stage 2 assets which you have disclosed in June, which was around 4.74% of the book and still stands at 4.74% of the book and you said Sir correct me if I am wrong about Rs.500 Crores of project loans from part of this so if I deduct that amount I mean the remaining would come from individual home and LAP side if I am not wrong?
- Siddhartha Mohanty:** Yes.



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- Gaurav Kochar:** So which means that roughly around 4.5% sort of stage 2 assets come from your individual home loans and LAP?
- Siddhartha Mohanty:** Around 4 point something, yes.
- Gaurav Kochar:** That is the very high number if you consider the NPAs stage 3 is only 1%, 1.5%, your stage 2 assets is 4.5% of the total?
- Siddhartha Mohanty:** That is okay. There is nothing wrong in that because obviously as you mentioned majority of the accounts in the retail especially in the home loans are in the nature of delays and there has always been the case right now we are disclosing stage 1, stage 2, stage 3 separately, but this segment which was more than 30 days and less than 90 days have always has been in this.
- Gaurav Kochar:** Okay because if I look at previous June 2018 that number was 3.83. that number is...?
- Siddhartha Mohanty:** It was 4.16 in the last September.
- Gaurav Kochar:** Yes and that number has gone up...
- Siddhartha Mohanty:** That included the project loans also.
- Gaurav Kochar:** Right, so you are saying the individual home loan experience has been similar. Why are you confidence that this number would not...?
- Siddhartha Mohanty:** They have been consistent. We did not say similar but it has been consistent.
- Gaurav Kochar:** Okay so you are reasonably confident that this would not slip into stage 3 assets in the near future?
- Siddhartha Mohanty:** Yes for example in December 2018 the stage 2 assets overall was 4.93 so today if you see as compare to December the stage 2 has actually come down to 4.73. It has been in that range.
- Gaurav Kochar:** Okay any reason Sir your ECL provision on stage 2 assets has gone down from Rs.129-odd Crores in last quarter to Rs.82 Crores in this quarter?
- Siddhartha Mohanty:** ECL provisioning is a formula driven kind of number which comes out depending upon the expected credit loss in a specific segment so when a particular asset has been considered say



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for example in the stage 3 if it has moved from stage that particular lumpy asset has moved from stage 2 to stage 3 then obviously it will not be required in stage 2.

Gaurav Kochar: Okay. That is it from my side.

Moderator: Thank you. The next question is from the line of Nischint Chawathe from Kotak Securities. Please go ahead.

Nischint Chawathe: Just one question with pertains to really the disbursement from the figure. I guess your detailed disbursement or retail individual home loan disbursement was in single digit I think my math works around 6%-7% so I am just curious as to what are your thoughts over here when does it really pick up?

Sudipto Sil: No individual home loan disbursement is not in single digit Nischint. Individual home loans disbursement for the quarter if you are asking is Rs.10136 Crores as against Rs.8739 Crores and it is 16% maybe you are looking at including the LAP. Including the LAP, obviously as we mentioned opening comments whatever MD mentioned in the opening comments, the LAP disbursements are almost Rs.1000 Crores lower as compared to Q2 of last year, so if you add these two then yes what you are saying is right, but I am talking about only home loans, home loans there is 16% growth.

Nischint Chawathe: Okay got it thanks. Thank you very much.

Moderator: Thank you. The next question is from the line of Piran Engineer from Motilal Oswal. Please go ahead. As there is no response we move to the next question from the line of Devesh Kayal from Carmelian Capital. Please go ahead.

Devesh Kayal: What is your cumulative provision we have provided till now on the builder book?

Sudipto Sil: The total is Rs.233 Crores.

Devesh Kayal: That is it from my side.

Moderator: Thank you. The next question is from the Umang Shah from HSBC Securities. Please go ahead.

Umang Shah: Just wanted to know, so if you look at our bank borrowing weighted average cost, we have seen quite a bit reduction in the weighted average cost of fund but this similar fall does not reflect in our NCD borrowings, has it to do something with our older borrowings still...?



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- Siddhartha Mohanty:** Obviously you must be aware that bank borrowing is a floating borrowing so as and when the MCLR has reduced or whenever we have been able to negotiate it has come down but NCDs are fixed borrowing so NCD overall borrowing cost will come down as and when new infusion of funds come in at a lower rate and also the existing book which matures, the number which we have shared a few minutes back when that runs off and that gets replaced you will see a benefit there also.
- Umang Shah:** So basically over the next two to three quarters we should see some meaningful reduction in the NCD borrowing cost?
- Siddhartha Mohanty:** Yes it is happening even as we see, it is happening even now, just to give you an example of the movement which has happened, say last year around this time that is October 2018, a 10-year paper would have been placed at upside of 9% today if you do it, it will be around 8%. Similarly for a shorter end paper may be two years paper would have been placed at in the ballpark of 9.2% to 9.3% it was an inverted yield curve, today it will be almost 200 basis points cheaper.
- Umang Shah:** Okay understood that is helpful. Second question was regarding one of the result notes mentioned about inspection report for 2017-18 received from NHB any specific observations or it is just business as usual?
- Siddhartha Mohanty:** No it is a normal, general inspection, every year it happens.
- Sudipto Sil:** Every year they do inspections and they have their observation.
- Umang Shah:** Okay just last data point which I wanted to confirm so our LAP disbursements hover at about Rs.1590 odd Crores this quarter versus Rs.2500-odd Crores in the previous year.
- Siddhartha Mohanty:** Correct.
- Umang Shah:** And our steady state tax rate should be now closer to about 25%, 22% plus the surcharge?
- Siddhartha Mohanty:** Okay alright thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Abhijit Tibrewal from ICICI Securities. Please go ahead.
- Abhijit Tibrewal:** Just had a couple of questions so one thing I am seeing our intangible assets have gone materially is it because of that Ind-AS 116 right to use assets?



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Siddhartha Mohanty: Yes.

Abhijit Tibrewal: Okay alright sometime back you talked about pure floating rate loans coming down to 82% because for new product that we have. I was guessing it is a semi-fixed kind of product right. So for how many years is it fixed?

Siddhartha Mohanty: It is short period, six months.

Abhijit Tibrewal: Okay alright. Sir what I am noticing is I mean our processing fees which includes fee and commission income, they have been coming down so I mean what I am seeing on your website as well we have been waiving off the processing fees right?

Siddhartha Mohanty: Not necessarily see actually the processing fee waiver is only maybe for specific sales promotion activities like festival or for some exhibition etc., fee collection has increased but the accounting of that fees post the introduction of Ind-AS has changed now it is only the unamortized portion of the fees will be reflected as fees and commission everything else will be categorized along with the assets in effective interest rate methodology.

Abhijit Tibrewal: Okay sorry to bother you again on the taxation bit just wanted to understand I mean if I look at H1 our blended tax rate comes to about 18.5% and when I look at your balance sheet there are no...?

Siddhartha Mohanty: Blended on what?

Abhijit Tibrewal: I mean if I take your PBT and the tax?

Siddhartha Mohanty: PBT you have to add back the provision.

Abhijit Tibrewal: Okay I mean just even if I have had to add that back just another thing I add is we had no DTLs as on March 31, 2019 in the balance sheet.

Siddhartha Mohanty: DT?

Abhijit Tibrewal: There were no DTLs as on March 31, 2019 in the balance sheet.

Siddhartha Mohanty: DTL?



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- Abhijit Periwal:** Right, so I mean so whatever DTAs that we had on the balance sheet, they were supposed to be written down I mean after the new taxation comes in so how is that we got a benefit I mean what I am trying to understand here is the impact was...?
- Siddhartha Mohanty:** They are two different issues, one thing is that the benefit actually the reduced tax rate, you should not look at it as a benefit, it does only because of the reduced tax rate and also because we had actually provided much higher and much higher tax rate in the Q1, so that is what is getting set off and whatever impact of DTA had to be taken has been taken, so it is net of that, it is not that DTA impact has not been passed or something like that.
- Abhijit Periwal:** Okay you mean the entire DTA impact has been done away within Q2, there will be no further impact in the rest of the financial year.
- Siddhartha Mohanty:** Yes.
- Abhijit Periwal:** Alright Sir thank you so much and all the best.
- Moderator:** Thank you. We will take the last two questions. The next question will be from the line of Deepak Poddar from Sapphire Capital. Please go ahead.
- Deepak Poddar:** Sir in your remarks you had mentioned that your NCD borrowing cost is going down, even your cost of fund you expect to come down. So do you expect your NIMS to improve, if yes at around what levels and given your NPA levels are elevated and so any sort of credit cost outlook you want to share?
- Siddhartha Mohanty:** As far as the margin visibility is concerned we had in the previous call also we had said that margins will be stable with a slight positive bias. We would by and large like to maintain the same outlook, of course assuming that the overall interest rate scenario in the economy remains wherever it is today. If there is any major change then obviously to that extent we will stand corrected. As far as the credit cost is concerned, there is some stability first two quarters you have seen more or less in the same trajectory. I think this quarter it was about 0.55% around.
- Deepak Poddar:** Yes. In Q1 also it was by and large similar. So this is what going forward we might be kind of expecting. I understood and my second question is related to your AUM. Now you mentioned that you do expect some business environment to kind of ease out, so in spite of challenging environment we are seeing 15% kind of growth on Y-o-Y basis, so do you expect that to kind of accelerate as you go into second half, as you expect...?



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- Siddhartha Mohanty:** Yes we are much hopeful. There will be a growth. Our effort will be to continue the growth rate, which you are seeing today, our effort will be to continue that growth rate for the year.
- Deepak Poddar:** Okay sure that is it from my side. Thank you.
- Moderator:** Thank you. We will take the last question from the line of Jignesh Shial from Emkay Global. Please go ahead.
- Jignesh Shial:** Just most of the things has already been answered but just reconfirming on one, on this individual interest income you said is Rs.4530 Crores, is it correct for the quarter and what will be the same amount for the last year same quarter Q2 FY2019?
- Siddhartha Mohanty:** For the Q2 of last year, it is Rs.3917 Crores.
- Jignesh Shial:** Rs.3917 Crores right, okay and secondly there is a lot of confusion around with individual gross NPA numbers and all but just total summing up the right now number would be 1.52, the gross NPA individual combined altogether, is it correct?
- Siddhartha Mohanty:** In combined.
- Jignesh Shial:** In combined also right which was 1.25 last quarter?
- Siddhartha Mohanty:** Yes 1.26 I think.
- Jignesh Shial:** 0.81 in Q2 FY2019 am I saying that number correct? By that calculation your corporate or your developer book NPAs goes to 14.28 is that correct against 11.8 last quarter, is my calculations correct here?
- Siddhartha Mohanty:** Yes.
- Jignesh Shial:** Okay and just spread for this quarter would have improved by around 10 bps, so it should be around 2.08 to 2.09, is my calculation roughly correct?
- Siddhartha Mohanty:** Yes sequentially, there has been an improvement.
- Jignesh Shial:** Approximately 10 bps sort of and this will continue as you already mentioned close to Rs.15000 Crores...
- Siddhartha Mohanty:** We will maintain.



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- Jignesh Shial:** Rs.17500 Crores getting bonds, getting matured at a coupon of 8.3, this should improve further?
- Siddhartha Mohanty:** Improvement is there.
- Jignesh Shial:** Okay alright perfect, Sounds okay, thanks a lot Sir.
- Moderator:** Thank you. That was the last question. I will now hand the conference over to the management for their closing comments.
- Siddhartha Mohanty:** I thank all the participants and I am very much hopeful in the coming quarter, company will definitely improve in all parameters and whatever challenges are there, I can assure we are meeting the challenges very, very effectively and there will be improvement on certain fronts which is now visible so with that I assure all my investors to have confidence in the company. Thank you. Happy Diwali to all.
- Moderator:** Thank you. Ladies and Gentlemen on behalf of Axis Capital that concludes this conference call for today. Thank you for joining us. You may now disconnect your lines.