



# “LIC Housing Finance Limited Q3 FY2021 Investors Conference Call”

January 30, 2021



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**Moderator:** Ladies and gentlemen, good day and welcome to the LIC Housing Finance Q3 FY2021 Investors Conference Call hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘\*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Praveen Agarwal from Axis Capital Limited. Thank you and over to you Sir!

**Praveen Agarwal:** Thank you. Good afternoon everyone and we have with us Mr. Siddhartha Mohanty, MD and CEO, Mr. Viswanath Gowd, he is the Chief Operating Officer and Mr. Sudipto Sil, CFO to take us over the results post which we will open the floor for Q&A. Over to you Mr. Mohanty for opening remarks please.

**Siddhartha Mohanty:** Good afternoon friends and welcome to the post earning conference call of LIC Housing Finance Limited. As you are aware, LIC HFL declared its Q3 FY2021 results yesterday. Before beginning I wish you and your near and dear one’s good health and safety in the New Year. Before I begin detailing the operational aspects and numbers for the quarter, I would like to highlight the strong surge in recovery from the effects of the pandemic and ensuing lockdown, which had brought the economy to a grinding halt just a couple of quarters back. Given that backdrop, the significant growth in economic activity that we are witnessing currently, especially in housing and real estate speaks about the resilient of the sector and the inherent demand. The quarter under review that is Q3 FY2021 can probably be recorded as the best Q3 for the company with disbursements improving month after month in continuation of the second quarter, which also was strong. For the quarter, we have recorded a 28% growth in disbursements, the highest in several years, with the individual home loan segment recurring 36% growth year-on-year. The growth in disbursements was almost uniformly spread across the country, which the affordable housing accounts for more than 30% share in disbursements.

Lowest ever interest rates in home loans, stable property prices and incentives like stamp duty reductions have assisted in lifting the sentiments for the sector and also triggering demand. Key markets including centers like Mumbai witnessed record number of registrations in December. On the side of the company, several initiatives taken by the company including an innovative new product Griha Varishtha for pensioners, new mobile app launch and other digital initiatives have made the customer experience positive.

The financial highlights of the quarter are as follows. Total revenue from operations Rs.4907 Crores as against Rs.4996 Crores for the corresponding quarter of the previous



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year, outstanding loan portfolio stood at Rs.220297 Crores against Rs.208270 Crores as on December 31, 2019 reflecting a growth of 6% out of which individual loan portfolio stood at Rs.204434 Crores against Rs.194004 Crores, up by 5%. We are witnessing a steady improvement in asset growth every quarter for the past two quarters. Total disbursements for the quarter was Rs.16867 Crores as against Rs.13277 Crores for the Q3 of FY2020. Out of that, disbursements in the individual home loans were Rs.14511 Crores as against Rs.10655 Crores for Q3 FY2020 showing a growth of 36%.

As mentioned earlier, the growth in disbursement improved every successive month from June onwards and has continued even in January, the recovery which started initially in tier 2 centers in June has by now covered the entire country. For the month of December, disbursements clocked a growth in the mid 30s. Business under the PMAY-CLSS category continued to remain strong with nearly 32% of retail disbursements coming in this category. Our mobile app Omi, which has already crossed half a million downloads has also helped us garner new loan applications of over Rs.1800 Crores. On the net interest income from NII was Rs.1281 Crores for the quarter as against Rs.1254 Crores for Q3 FY2020. Net interest margin for the quarter stood at 2.36% as against 2.34% as on Q2 FY2021. Profit before tax for the quarter stood at Rs.969.64 Crores as against Rs.745.32 Crores with a growth of 30%. Profit after tax for the quarter stood at Rs.727.04 Crores as against Rs.597.53 Crores for the same period previous year reflecting a growth of 22%.

In this kind of an economic situation, perhaps the most important area of concern for any lender is the asset quality. In the past three quarters, we have seen a series of developments in this area. In March and May, the RBI announced moratorium thereafter a one-time restructuring was also announced. The government too announced series of steps to help the situation of the borrowers including ECLGS scheme and so on. This being an unprecedented situation, a fine balancing act to protect the interest of both borrowers and lenders have been attempted by the regulators and government. At the company, we too were extremely alert and vigilant to protect the interest of all the stakeholders. In terms of asset quality, the stage 3 exposure at default stood at 2.68% as against 2.73% as on December 31, 2019. In the past three quarters, we have increased provisions gradually taking the total provisions as on December 31, 2020 to Rs.2948.05 Crores reflecting a provision cover of 30% from 47% earlier. These include Rs.211 Crores for COVID-19 related provisions and Rs.186.53 Crores for impairment in light up possible increase in NPA in light of final outcome of the honourable Supreme Court interim order.

We are evaluating proposals received for one time restructuring under the RBI guidelines, till date no such case has been restructured. We have been very closely focusing on the collection efficiency and for December month, it stood at about 98%. On the funding side,



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we have witnessed a significant reduction in overall cost of funds by 36-basis points during the current quarter and 83-basis points during the current financial year. Incremental cost of funds has also come down significantly and stood at about 5.25% for the quarter. Net interest margin for the quarter stood at 2.36 as against 2.34 over Q2 FY2021. The funding environment and liquidity conditions remained quite favorable for the company. During the quarter, we successfully raised Rs.1000 Crores tier 2 bonds towards improving the capital position.

Project trade that is re-imagining excellence through digital transformation, this project trade in association with Boston Consulting Group, BCG has also been progressing quite rapidly and some projects especially in areas of CRM, video KYC etc., have already been rolled out. As mentioned in our earlier interactions, we believe after the completion of the project in about 1.5 years from now, the company will be digitally amongst the best in class. With this introduction I would like to invite your queries. Thank you.

- Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Pranav Gupta from the line of Aditya Birla Sunlife Insurance. Please go ahead.
- Pranav Gupta:** I have few questions. Firstly, can you give the number for proforma NPA that you have seen this quarter ex of the Supreme Court stay on classification?
- Siddhartha Mohanty:** We have also assessed internally and my sense is whatever can be, if Supreme Court release is not there that will be around 1%.
- Pranav Gupta:** That will be in additional to your current stage 3?
- Siddhartha Mohanty:** Yes, that is my sense and we are also assessing and that may also be reduced too, because there may be some overlapping restructuring also, proposals are also pending, we are also examining whether they are eligible or not, so if you take into account, two things some of them will overlap so that may also be reduced, but upper limit around 1% that is my sense.
- Pranav Gupta:** Is it fair to assume that this 1% that you are saying is largely sitting in stage 2, because stage 2 has dramatically jumped even from historical levels of 3%, 4%, it is up to almost 6.95%, so...
- Siddhartha Mohanty:** Yes, the stage 2 had gone up.



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**Pranav Gupta:** Even if we exclude this 1% that might go to stage 3, the number still has jumped drastically, could you just help understand why is the jump so drastically in this quarter, even from historical levels not just on a Q-o-Q basis?

**Sudipto Sil:** Pranav, this is Sudipto here. If you look at the stage 1, stage 2, I will take both together, if you see December 2019 stage 1, stage 2 put together and December 2020, stage 1, stage 2 put together, it is almost same, may be slightly less, so may be around the same level, so it is not that there has been a drastic increase, what you are probably comparing is sequential comparison from Q2 that is September quarter to December quarter, September quarter, there was capitalization which had happened for which it has come down, but generally our stage 2 has remained in the 5% range for quite some quarters before the pandemic also.

**Pranav Gupta:** Next question on the liability side, could you give out the number for how much of your liabilities would be maturing in the next 12 months?

**Sudipto Sil:** Roughly around Rs.20000 Crores financial year I am telling you, financial year of 2021.

**Pranav Gupta:** FY2021.

**Sudipto Sil:** FY2021 will be may be around Rs.6000 Crores to Rs.7000 Crores.

**Pranav Gupta:** So total of about Rs.27000 Crores, Rs.28000 Crores in the next 15 months.

**Sudipto Sil:** Last question from my end, how are we seeing the overall provisioning on the possible restructuring plus possible stress that might come in, you said about 1% could be added to the overall stress plus some more restructuring as well, how are we seeing the overall cover if we add that to the stress pool and secondly just the clarification, is not the window for retail restructuring closed or I am missing something?

**Siddhartha Mohanty:** It is going on because last date was December, so we have received the applications, we are now processing and so far as the distraction if you see in my statement I have also told COVID and other impairment we have already provided Rs.400 Crores.

**Pranav Gupta:** Obviously we have invoked but you have not implemented yet?

**Siddhartha Mohanty:** That will be considered who are examining, so once we implement all those provisions, things will also come. Many of them may not be eligible also.



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- Sudipto Sil:** Right now the applications have been under review and process examination and what we just mentioned is that we have actually proactively created some provision, COVID provisioning is Rs.212 Crores plus the other impairment that is because of the Supreme Court order, we have already created some Rs.180 Crores odd, so total provisions for this kind of situation is already standing at Rs.400 Crores which is over and above whatever provisioning is required for the normal ECL, so this Rs.400 Crores provision we have created and its stands on book as of date and that we believe will be substantially able to take care of whatever is required going forward.
- Pranav Gupta:** Thank you so much. I will come back in the queue for more questions.
- Moderator:** Thank you. The next question is from the line of Nishant Shah from Macquarie. Please go ahead.
- Nishant Shah:** Few questions from my side. Just continuing on the previous question on restructuring, I think in the last quarter you had indicated that there could be few thousand Crores worth of restructuring that are likely right, a big part of it coming from the developer and have some small part coming also from the retail pool, so could you at least we give us some sense how much of it has been invoked or like we have received requests which are under process, what would be the total amount in between retail and builder?
- Siddhartha Mohanty:** As I told it will be around 1%, Rs.2000 Crores to Rs.3000 Crores within that range total, that were calculating and applications are being processed.
- Nishant Shah:** Last quarter you had mentioned close to about Rs.4000 Crores or Rs.5000 Crores odd that number has come down?
- Sudipto Sil:** This is enquiry. I remember that in that call we had clarified those are enquiries only, many of the enquiries have not transitioned into actual applications.
- Nishant Shah:** Okay perfect, so second question on the provisioning requirement, so just like may be I am not very technically clear on this, the RBI or the NHB requirements are to have certain amount of 25, 40, 75-basis points of provisions against standard assets, now how does that figure into our current ECL based provisions, because in stage one and stage two I see like we do not have any, we have almost 0% provision.
- Sudipto Sil:** I think it is completely different, there is no connectivity, ECL is completely different platform and NHB provision is completely different platform, there is no connectivity.



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**Nishant Shah:** Correct, so basically the bottom line is that whatever provisioning requirement is there as per the current norms that is already there, it is somewhere in stage 3 or somewhere else, but classification does not matter, but it is already done?

**Sudipto Sil:** It is done and as we mentioned over and above that we have created some furthermore provisions.

**Siddhartha Mohanty:** In fact our PCR has also gone up last time 47, now it is 50.06.

**Nishant Shah:** And just last question on I think you had mentioned in some interviews recently that you have about 14 billion worth of assets in the builder fund which have referred to SWAMIH, is that number correct and could you just give some qualitative comments as to the timelines of the resolution that we expect over here, when can we see those NP getting upgraded?

**Siddhartha Mohanty:** NP upgraded is only resolution, we have resolution so that projects are completed and home buyers get their house that is the objective of SWAMIH fund designed by government where LIC and State Bank they are the participants and all banks and LIC etc., who also all our NP assets, they also approach them and depending upon the eligibility SWAMIH fund they sanction further last mile funding side.

**Nishant Shah:** Correct, but around...

**Siddhartha Mohanty:** That figure is correct, but so far one case already done, three cases are in pipeline those will be down, they are waiting for our NOC that is put up to our EC, once EC approves it we will give NOC and another I think 10, 12 cases are there, total number of cases will be around 14 cases.

**Nishant Shah:** And total exposure to these cases is Rs.1400 Crores right?

**Siddhartha Mohanty:** Around.

**Sudipto Sil:** Sorry to interrupt, one small clarification I would like to provide, in SWAMIH fund whatever funding happen, it is the last mile funding provided by the fund that does not resulting in an upgrade, thus results inflow commencement of the project, it does not upgrade the account.



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**Nishant Shah:** That is exactly what my question was once that last mile funding is provided, do you have like estimated as to what is the timeline on which you can see the project will be completed?

**Sudipto Sil:** That is from project to project depends upon the expected completion timeline, it depends upon project to project.

**Nishant Shah:** No estimate on the timelines?

**Sudipto Sil:** As I said it varies from project to project, some projects might get completed in one-and-a-half years to two years, some project might get completed in three years, so it depends upon the stage of construction which is there at present and how much further construction required, so the timelines are not uniform.

**Nishant Shah:** Perfect, I will come back in the queue. Thank you for that.

**Moderator:** Thank you. The next question is from the line of Aditya Jain from Citi Group. Please go ahead.

**Aditya Jain:** Good morning. On the additional provision that you mentioned for the SC standstill Rs.186 Crores, so if I see the SC standstill you said might increase and that can increase the NPA by 1%, so that around Rs.2000 Crores, so on that we carrying Rs.186 Crores roughly less than 10% of provision...

**Siddhartha Mohanty:** Bid also 400, we have also included 212, so that is around Rs.400 Crores we have provided additionally.

**Aditya Jain:** So this entire Rs.400 Crores will cover may be 20% provision?

**Siddhartha Mohanty:** Maybe we do not know, but it will be around, we have taken adequate provision, we have provided that amount for now Rs.400 Crores.

**Aditya Jain:** And stage 2 loans of 7%, so you mentioned the normal level is 5%, so from this you would expect some higher slippage to happen in Q4, is that the right way to think of it or are you seeing that it covers everything?

**Sudipto Sil:** If you look at Aditya, the stage 2 accounts as on December 2019 was 5.72% reaching December 2020 is 6.95%, so there is roughly about 1%-point increase there.





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- Aditya Jain:** This is SC standstill which is roughly in stage 3, it is coming into stage 2?
- Sudipto Sil:** Likely.
- Aditya Jain:** Could you tell the NPA ratio is individual and non-individual segments?
- Sudipto Sil:** In the individual segment, the NPA ratio is 1.62% and on the project it is 2.66% within the individual also home loans which comprise about 77% of the portfolio there the NPA is 1.07.
- Aditya Jain:** Non-individually 2.66?
- Sudipto Sil:** That is the project, project loan is 16.22, total is 2.66.
- Aditya Jain:** Got it. Thank you.
- Moderator:** Thank you. The next question is from the line of Amit Ganatra from HDFC Mutual Fund. Please go ahead.
- Amit Ganatra:** Good morning. Just one clarification, see this exposure and default disclosure that you have given stage 1, stage 2 and stage 3 category available, so this is still a standstill as far as stage 3 is concerned, 2.6 does not, it assume that there was Supreme Court which means there is a standstill?
- Sudipto Sil:** Obviously you can refer to our notes into accounts on the disclosure, it is very clearly mention there also.
- Amit Ganatra:** No, I understand, but I think some of the companies what they have done is that they have reported gross NPAs are standstill but when they have reported stage 1, stage 2, stage 3, they have reported is there is a role power so that is why I was just confirming, in your case 1% is the additional impact on stage 3 that is the way to interpret?
- Sudipto Sil:** Yes, to interpret.
- Amit Ganatra:** Thank you.
- Moderator:** Thank you. The next question is from the line of Umang Shah from Edelweiss Financial Services Ltd. Please go ahead.



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- Umang Shah:** Thanks for taking my question and congratulations on a good quarter. Sir, I just have a couple of clarifications. One is, as Sir mentioned that let us say even if the Supreme Court standstill was not there, there could be a maximum 1% increase in gross NPA and there could be some overlapping restructuring, so it is not 1% restructuring plus 1% rise in NPA right, the maximum increase could be 1% in either of the bucket, it depends wherever it flows, is that a right interpretation?
- Siddhartha Mohanty:** That will be around 1% you were telling, around 1%.
- Umang Shah:** Okay, but 1% restructuring is not over and above the 1% rise in NPA right?
- Sudipto Sil:** There will be some overlapping.
- Umang Shah:** Understood, second clarification which I wanted to have is the COVID and impairment provision, is that sitting in the stage 3 provision number that we have about 29 billion or it would be sitting outside the EPL provision?
- Sudipto Sil:** It is in stage 3.
- Umang Shah:** My last question is that about the digital transformation operation that you spoke about and obviously the project completion will take another one-and-a-half year, what sort of opex does the company intend to incur and will there be some sort of lumpiness or it would get amortized over a period of time?
- Siddhartha Mohanty:** It will be amortized.
- Sudipto Sil:** Most of the project outlays for whatever development happens will be probably over a period of five years, the benefit will be coming to the company over a period of five years.
- Umang Shah:** So the opex will also kind of reflect in a similar fashion and there would be no time or lumpiness?
- Siddhartha Mohanty:** Yes.
- Umang Shah:** Just one last thing, in terms of our loan repayments appear to be fairly high this quarter, is it because of BT out or how should one read it?
- Sudipto Sil:** It is not disproportionately higher, it has remained more or less in the 10.4%, 10.2% raise which was there in earlier part of the year also, sometimes what happens is that the first



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quarter, the procurement rates were drastically low, because offices were closed, business transactions did not happen, so it probably got accelerated in Q2 and Q3, but overall if you see on a year to date basis nine month to nine month comparison, it is fairly stable.

- Umang Shah:** Thank you so much and good luck for your future quarters.
- Moderator:** Thank you. The next question is from the line of Kunal Shah from ICICI Securities. Please go ahead.
- Kunal Shah:** Thanks for taking my question. In stage 2, if you can highlight the 6.95, how much of that would be between the individual and non-individual, so on stage 3, we highlighted, but if you can just give the color in terms of in stage 2 it is largely the developer loans or the individual loans which are there?
- Sudipto Sil:** You want stage 2?
- Kunal Shah:** Yes. Stage 2 assets, 6.95 just need the breakup between the individual and non-individual, the way we give it for stage 3, if you can share it for stage 2 as well?
- Sudipto Sil:** Stage 2, the EAD for the retail it is around number wise or percentage wise it will be around little less than 7%, so by and large it is reflective of the same trend, it is slightly lower as compared to the project.
- Kunal Shah:** Okay and projects would be?
- Sudipto Sil:** Projects will be slightly higher.
- Kunal Shah:** Project will again be like 10% odd or so?
- Sudipto Sil:** This is less than 10%.
- Kunal Shah:** When we look at 16.2% in stage 3 and another 8%, 9% would be there in stage 2, it is slightly higher than retail so that could be say 9% could be there in stage 2?
- Sudipto Sil:** Around 500 to 600 will be there in stage 2 and some 500 more will be there which could be getting into restructuring model.
- Kunal Shah:** Okay, so 500 in stage 2 and 500 can get into that restructuring model, which will be currently sitting in stage 2 only?



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- Sudipto Sil:** That is right.
- Kunal Shah:** Okay and during the quarter, any movement in terms of the developer NPA last time I think that was 16.5%, now 16.2%, so any additions, resolutions which would have happened out there and just the breakup also between the home loan and the lap if you can share on the stage 3 side?
- Sudipto Sil:** There has been some recoveries, I would say those the number wise it may not be very significant, but more importantly is that we have seen some resolutions happening in the builder and high ticket segment, some more might actually come in the next two months before March, but more important is that there has been no fresh additions.
- Kunal Shah:** In developer at least in stage 3, there were no additions?
- Sudipto Sil:** No, some movement is there, some positive movement is there, may be it is not big enough to move the needle significantly, but some encouraging movement is seen right now we would not like to give more details on that, but there is some development there and as we mentioned earlier, SWAMIH fund also there is some positive development, so overall there seems to be some positive outcome, it obviously will take sometime, but at least something is...
- Siddhartha Mohanty:** In fact some resolution have achieved final stage, but that is this NCLT final clearances are awaited, we were thinking to get by December but it is now lingering I am thinking in February or March, so big ticket size, everything is finalized only NCLT, once that is there, so we will get back the money.
- Kunal Shah:** Okay and secondly in terms of this proforma, so last time we highlighted 150 to 170-basis points in proforma, so no doubt, collections would have been better, but still there should have been a good flow through over three months, because last time it was only one month which would have been there, but now it is like almost three odd months, so but still like we are saying that number is lower, in fact that on the proforma it is only 100-basis points odd, so how should we look at this number may be in terms of the assets, because last time it was quite high, so is it purely collections or there is may be that number could still be on a higher side when it gets reported?
- Sudipto Sil:** There are two things to it. One thing is that we said that there could be some overlap also, so that also is likely the proforma and restructuring there will be overlaps, so to that extent that time when we had discussed probably we had separately looked at it and that time it was not very clear what is going to be the color of the restructuring, number of restructure



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and accounts actually flowing through, so to that extent there was a little lack of clarity, some more clarity we have received right now, so to that extent and obviously there has been some improvement in collections as compared to September, the December collections have increased, a small increase, but at least there is a positive direction.

**Kunal Shah:** So the only thing I am trying to get is, it has not moved up actually from last quarter, may be some would have flowed into restructuring and some under proforma, but still it stable at 150 to 170 is what we are indicating?

**Sudipto Sil:** Most likely will be around that.

**Kunal Shah:** Lastly in terms of growth, so it is a quite significant I think and it is largely because of the competition on the rate side, but on the margins again, it still flared, no doubt we have gained the advantage on the funding side, but that seems to have got passed on, is there any risk of further repricing on the loan side, which can get the yields lower or may be even when we look at it in terms of the spreads given the benefit which we are passing on and what would be the guidance on margins because it is not going beyond 2.4 despite such a rate advantage, so growth is coming at the cost of the margins, how should we read into this?

**Siddhartha Mohanty:** Volume wise, we are now increasing volume because we are in competition and in order to sustain, you should have competitive rate, so that has been reflected in all our activities and marginal increase is there 2.34 to 2.36 and look into present interest rate which will continue till March, there may not to be much change, we will make out in volume, margin slight improvement may be there, in March, I believe it will still improve from 2.36 little more.

**Sudipto Sil:** You have to see Kunal, the margin in totality, first of all the focus was to ensure that we get good quality customers and for that the best rate that we have given comes along with the specific CIBIL cut off score, so there probably there is also value will create in terms of better asset quality, for which probably the best of the rates have been offered. Secondly is that we have been able to come back on the growth path and every quarter there has been improvement in the growth more importantly it is in the home loan segment which again is I would say relatively lower risk and distributed risk. In terms of the cost of fund you have seen the kind of benefit that we have received on the cost of fund and I can with the great deal of clarity I can say that cost of funds will continue to go down at least for the next two to three quarters. On the yield side whatever pressures were there that was there initially when there was a big cut in the lending rates by competitors and obviously we also wanted to retain our customers, our good and loyal and well paying customers especially in a



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situation of the pandemic in order to balance out the possible increases from the weaker accounts so that was a very conscious call taken by the management to balance it out.

**Kunal Shah:** Sure and one last thing on LAP, so LAP I think it is still cautious, but do we see that may be demand following LAP as well with the two to three quarters lag and if that also comes up would we be equally participative in the upcoming demand or we will still be cautious in terms of our approach on the LAP side?

**Siddhartha Mohanty:** We are definitely very, very careful while taking up LAP cases, but as you see as the economy opens up and grows, there will be demand for LAP, because that helps businessmen and others they get funding and that helps in business growth also, so in coming quarters I believe there will be some growth. Recently we have opened up in between we stopped them, first quarter, second quarter we stopped, we did not give any loan and LAP, but recently we believe that it is very much essential and there is no risk and property mortgaged, so there is no risk, so coming quarters we will find some growth in LAP also, but very, very carefully we will choose.

**Moderator:** Thank you. The next question is from the line of Adarsh Parasrampuria from CLSA. Please go ahead.

**Adarsh Parasrampuria:** Most of the banks or companies who are reporting, a good part of the stress expected is already flowing through in this quarter right and majority of them are going ahead and providing for it right and in our case seemingly we are not providing enough and the gap between where overdues are there which is broadly a stage 2 and what you call proforma is just 1%, that gap is still very large for us. So if you can just talk a little bit more about collection in mortgages and LAPs specifically in these two segments, where are we and what was the trends in the October, November, December where are you seeing in January.

**Sudipto Sil:** Collection trends have improved, if you remember in September it was around 96% now it is 98% so collection trends have certainly improved. As regards the provisioning your observation that provisioning is not done, it is done, 400 Crores of provisioning for COVID related impairment possibility of impairment in context of the Supreme Court order those have already been made.

**Adarsh Parasrampuria:** And can you talk about collections specifically for the individual nonmortgage business which is basically our LAP portfolio.

**Sudipto Sil:** Sorry.



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- Adarsh Parasrampuria:** For your loan against property can you just indicate what is the collection...
- Sudipto Sil:** Loan against property.
- Adarsh Parasrampuria:** Yes, LAP loan against property.
- Sudipto Sil:** Is it around 96% to 97%.
- Adarsh Parasrampuria:** So as we get into this 1% of portfolio rolling into let us say stage III when the Supreme Court judgment is, or the stay is vacated. Still one expects a lot of provisioning to happen here simply because historically you held a certain 40%, 50% coverage and currently you are sitting on a coverage of maybe 10%, 15% on that 1% is there.
- Sudipto Sil:** No actually if you look at it the restructuring provisioning requirement is not 50% it is 10% that is number one, number two is that we have also expecting that there could be a flow back from stage II to stage I because on-ground whatever is visible is that there is improvement in collections almost every successive months.
- Adarsh Parasrampuria:** No, I was asking for stage I Sudipto that if the pro forma 1% ends up becoming NPA in the fourth quarter.
- Sudipto Sil:** No, as we mentioned there is going to be overlaps also, some of them will be restructured know and generally March collection has always been the best, what we are also seeing is that there has been an improvement in the stage III, stage III has improved actually and we are also expecting as we mentioned few minutes back what our MD had mentioned few minutes back is that some collections and some actual recoveries, physical recoveries are also expected from the stage III accounts as well some of them as I mentioned that in the NCLT there is a possibility that there could be some improvement there as well. So you have to see the overall provisioning in totality not only for stage II but also from stage III.
- Adarsh Parasrampuria:** And can you give, just my second and last question is can you talk about refinancing trends like there is a stock of, what is the yield currently on the stock of home loans that we have and who are the more aggressive refinancing player what are we witnessing how much of BPI unit positive, negative if you can talk about that, please.
- Sudipto Sil:** You are asking for refinancing balance transfers, right.
- Adarsh Parasrampuria:** Yes balance transfers so one is balance transfer and what is the yield of your home loan book on a stock basis.



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- Sudipto Sil:** No sorry I did not hear again your voice is not very clear last question what you said.
- Adarsh Parasrampur:** I was asking Sudipto if the home loan rates let us say in the market is 6.7 on new loans what is the yield of our home loan portfolio excluding LAP, excluding builder what is the yield of our home loan portfolio as...
- Sudipto Sil:** You know that incremental it is slightly more than 7% on an aggregated basis 6.9% is the lowest and depending upon the score it increases a little bit thus on the book your question was regarding on the book right?
- Adarsh Parasrampur:** Yes.
- Sudipto Sil:** On the book it has now come down because we have been also passing on repricing benefits it is more or less around 7.5, .7.5 to 7.6 most of the IHL that is the Individual Home Loan I am not adding the LAP or the other portions of the portfolio that 70 Crores yes that is around 7.6 you can take.
- Adarsh Parasrampur:** So you are saying what is incremental yield are stock is already down to 7.6 is it in this quarter.
- Sudipto Sil:** Yes, and incremental rates you know.
- Adarsh Parasrampur:** Got it perfect thank you, thanks Sir. I will get back to the queue.
- Moderator:** Thank you. The next question is from the line of Roshan Chutkey from ICICI Prudential. Please go ahead.
- Roshan Chutkey:** Firstly the 15000 odd Crores that we have you are saying 2550 Crores approximately and it is residing on the stage III pool so while another 1000 Crores is in the stage II pool this understanding right.
- Sudipto Sil:** No it is not stage II see there is a receptive also it can happen that is what we said that is not stage II.
- Roshan Chutkey:** So what is the amount in stage II.
- Sudipto Sil:** Around 500 to 600 Crores that is the number we had shared.
- Roshan Chutkey:** 500 Crores so where do this restructuring 500 Crores resided stage I is it.





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- Sudipto Sil:** Yes it could be.
- Roshan Chutkey:** And so the SWAMIH fund resolutions of about 2000 Crores is what you mentioned right that is residing only this bucket.
- Siddhartha Mohanty:** It is now to less than 14000
- Roshan Chutkey:** 1400 Crores, I think in the stage III assets. Most of this, they are always stage III.
- Siddhartha Mohanty:** Yes, always stage III.
- Roshan Chutkey:** And this NCLT thing that you mentioned where you are out there to get the approval how much what is the amount of that approximately.
- Siddhartha Mohanty:** Yes, it is a big-ticket size.
- Roshan Chutkey:** Now we have the order of 200, 300 Crores.
- Siddhartha Mohanty:** It depends how much NCLT, how much they approve because the resolution professional all COC they have approved certain amount let us see but big amount.
- Roshan Chutkey:** And if you can just talk about the stage II number as of this month end also if you can whatever if you can give a ballpark?
- Siddhartha Mohanty:** It is almost same.
- Roshan Chutkey:** January so there is no change.
- Siddhartha Mohanty:** It is about the same stage II.
- Roshan Chutkey:** Because you said there is a successive improvement month after month so just wanted to understand the stage II number as of...
- Siddhartha Mohanty:** No, we are expecting a good collection actually all this before March you know normally people pay up, so some improvement will be there because our experience is most of the borrowers the many of them are also holding back cash they want to take advantage of various government schemes RBI schemes so they wait and watch despite having fund they do not want to part with that, so let us see what is the final outcome of the Supreme Court but definitely before much collection efficiency will be there.



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- Roshan Chutkey:** And this proforma thing is a little unclear to me, so is it maximum 1% including the stage III.
- Siddhartha Mohanty:** Around 1% it will go up now.
- Roshan Chutkey:** It is not 1.5% it is 1%.
- Siddhartha Mohanty:** No as I told earlier 1% here and restructuring you will also be there so there maybe some overlapping and you do maximum restructuring 10% provision you have to do so that is also...
- Roshan Chutkey:** Right, I am not talking about provision numbers, Sir I am talking about the pure asset number.
- Siddhartha Mohanty:** The total yes, so that will not affect much, that will not affect much.
- Roshan Chutkey:** Okay thank you so much that is all from my side.
- Moderator:** Thank you. The next question is from the line of Mayank Bukrediwala from Franklin Templeton. Please go ahead.
- Mayank Bukrediwala:** Can you also give the book loans on the corporate book right now on the product loans.
- Sudipto Sil:** Corporate means builder loans.
- Mayank Bukrediwala:** Correct sorry the builder loans yes.
- Siddhartha Mohanty:** Developer loan book size is 15000 Crores 7% of the total.
- Mayank Bukrediwala:** No I am trying to understand the yield the interest rates on the book.
- Sudipto Sil:** Yield is about 13%.
- Mayank Bukrediwala:** And incremental what is it.
- Sudipto Sil:** Incremental is slightly less than that because incremental as we have done very little in our cases around 11% to 12% you can take average.
- Mayank Bukrediwala:** Got it, Sir in the disbursal growth that we have had in this total, of the total disbursal that we have done in this quarter on the individual home loan book what percentage of that



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would be balance transfers that we have done from say smaller NBFCs or maybe some other banks or anything.

**Siddhartha Mohanty:** Actually we normally do not encourage any substitute we do not tell our people or tell person to layout so way to customer on their own they come because now you see price will be most competitive for all the players in the market not only that we are giving 6.9% all others are also giving but there is still some takeovers are there it will be very, very less, very negligible today.

**Sudipto Sil:** Less than 5%.

**Siddhartha Mohanty:** Most of our loan are original loan yes.

**Sudipto Sil:** Organically first-time customers.

**Mayank Bukrediwala:** And sir the borrowing that we are doing and we are incrementally shifting towards banks and you are also talking about really low cost of funds coming from the banks right now I think your weighted average cost of fund on the banks is just about 6% so let me just talk about this or what rate are we borrowing from the banks right now and incrementally is this mix that has been increasing towards the banks will it keep increasing.

**Sudipto Sil:** Two things one thing is that the mix shift that you are saying thus to be seen in not in isolation it is a part of a broader strategy that we need to diversify the resource base two years back almost 80% of our funding is to come from only one source that was the NCDs which was the wholesale debt market from there we have moved to different segments of the market including the deposits which is a retail banks which is a different institutional market and also commercial paper we have been doing earlier also and foreign offshore borrowing that we see here so as far as the mix is concerned I think we generally do not hard-court ourselves to any specific mix but certainly there will be a much, much more wider and more diverse source of funds for the company in the years to come NCD will still continue to be the largest and it will be around 60% and the others will well depending upon our flexibility in raising in terms of ALM and in terms of the rates that we receive, your first question that is regarding the bank funding we have been able to get significant benefit in the bank funding and we have shifted most of our loans from the MCLR regime to repo linked and external benchmark regime where we have been able to cut down cost significantly by almost 100 basis points and that is the reason why we have also focus slightly more in getting new bank lines 31000 Crores of new bank lines we have raised in this financial year today that is in nine months and more are there in the pipeline so that is as far as the bank funding is concerned.



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**Mayank Bukrediwala:** Sudip represent bank loans to Venkat is this coming at rates of close to 5%, 5.5% right now.

**Sudipto Sil:** Yes, significant amount of them are below 5.5%.

**Mayank Bukrediwala:** And out of your 25% of your mix that is from the banks can I assume more than half is now repo linked and external benchmarking.

**Sudipto Sil:** Yes whatever little MCLR is remaining MCLR linking those also will probably get revised in the next two months.

**Mayank Bukrediwala:** And Sir just if I can squeeze in just one last question how much of our business mix especially on the last nine months is come from Maharashtra, Mumbai the western region is there a skew over there.

**Siddhartha Mohanty:** Actually it is across not specific.

**Sudipto Sil:** That to give some specific you want normally we do not share region wise split but out of the total disbursement of say 33000 Crores still a nine months approximately you can say that the western region, you asked for specifically western region that was your query right?

**Mayank Bukrediwala:** Yes, like the Mumbai and Maharashtra region basis.

**Sudipto Sil:** It has improved.

**Siddhartha Mohanty:** Mumbai last quarter Mumbai has contributed in this.

**Sudipto Sil:** It is around 15% plus will be the share from Maharashtra, Gujarat.

**Mayank Bukrediwala:** 15% plus.

**Sudipto Sil:** 15%.

**Mayank Bukrediwala:** Okay thank you so much.

**Moderator:** Thank you. The next question is from the line of Chandrasekhar Sridhar from Fidelity International. Please go ahead.

**Chandrasekhar Sridhar:** Sudip just wanted your thoughts on few things one is that the incremental ticket size seems to be increasing within the quarter that is one second is if I look over a fairly long period of last couple of years your developers book repayment is a percentage of your opening book



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is now down to about 6% so I am just trying to understand what is happening there and can you just help us understanding what is the interest accrued as a percentage of your AUM as of this point in time versus last year Thanks.

**Siddhartha Mohanty:** See the average ticket size has gone up earlier for our company it was around 23 lakhs to 24 lakhs now it is 26 to 27 lakh average ticket size it has gone up and your second question was...

**Chandrasekhar Sridhar:** Yes I am trying to understand what is driving that is it because in this quarter or this year there is...

**Siddhartha Mohanty:** Yes, bigger ticket size people are bigger ticket size loans people are availing and because of the price concession and rate of interest so people are moving to the bigger loan.

**Sudipto Sil:** See lower interest rate and lower property prices allow higher affordability. What was your next question?

**Chandrasekhar Sridhar:** Second is this your developer book repayment as a percentage of opening book has just been moving dropping over the last two, two and a half years is down to about 6%, 7% at this point in time, so just take us to what is happening there and, and can you just tell us what is the interest accrued right now sitting in your AUM.

**Sudipto Sil:** See the developer loan repayments obviously you know that 16% is NPA so where there will be a repayment. They will not come there know. So that obviously has been one of the reasons why our repayment showing up, so repayment and prepayment do not happen on that loans so that answers your query the other one that you wanted to know is how much is the accrued.

**Chandrasekhar Sridhar:** Right yes what is the accrued interest repayment?

**Sudipto Sil:** Accrued interest on.

**Chandrasekhar Sridhar:** How much of it is in your AUM I mean interest accrued how much of your AUM is now the accrued interest rate.

**Sudipto Sil:** See it is not very clear because so if you look at overall maybe I am trying to answer your question in a slightly different manner the difference between your IGAP and your Ind-AS on the project loan I think that will give you an answer of what is going to be the AUM right because as far as the IGAP is concerned there was no concept of an accrual in the



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AUM itself whereas in the Ind-AS you have that so my estimate is that probably it is as far as the IGAP project loan outstanding is concerned it stood at 15602 Crores that is the loan book under the IGAP for the project loans only whereas your outstanding loan on the Ind-AS is 15000 I will just give you the number it is 15763 Crores so that is roughly around you can say 150 Crores you can take.

**Chandrasekhar Sridhar:** Right, it is 1050 Crores.

**Sudipto Sil:** 15600 to and this is 15763 that is as per the Ind-AS AUMs which also takes into consideration the accrued and the IGAP figure is 15602 so roughly you can say 150 odd Crores.

**Chandrasekhar Sridhar:** Thank you.

**Moderator:** Thank you. The next question is from the line of Pranav Tendulkar from Rare Enterprises. Please go ahead.

**Pranav Tendulkar:** Sir I have question about the existing NPA so existing NPAs of about 6000 Crores what is the split between retail and builder?

**Sudipto Sil:** See builder loans NPA is 16.22%.

**Pranav Tendulkar:** So if I subtract that in equity bigger retails.

**Sudipto Sil:** If you want that exact figure it is 2532 Crores, 2530 Crores you can take.

**Pranav Tendulkar:** Okay and the rest in retail. Out of it 2500 Crores the recovery mechanism periods because last quarter also you mentioned that there will two to three accounts which could be resolved in H2.

**Sudipto Sil:** Some small amount recovery has happened so but there has not been any significant large ticket recovery which has happened but some small ticket recovery has happened it is under process some NCLT cases are also there.

**Pranav Tendulkar:** So this NCLT cases our exposure is how much.

**Sudipto Sil:** Triple digit figure.

**Pranav Tendulkar:** Okay so 1000 Crores above.



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- Sudipto Sil:** Triple digit.
- Pranav Tendulkar:** So that is one the second thing is that the way I see your NIM is shaping up if suppose interest rate market rates have say bottomed out and market rates go up in various size then I can see that there you can, you are actually repricing something like 26000, 27000 Crores in next 15 months and incremental lending that you will do could actually move along with the market rates so am I correct in assuming that NIM could actually bottom out here and could it see of say 10%, 15% basis points minimum increase in if the interest rates do not go down further below.
- Sudipto Sil:** Structurally if you see about 60% of our liability is around 6 bps so whenever there is an increase in the interest rate scenario then what actually happens is that our 90% of our assets from the floating side so that gives them actually advantage.
- Pranav Tendulkar:** Correct exactly and your borrowings are maturing less than what you all disbursing of net loan growth so basically if the interest rate environment becomes hard or it goes up then you are going to have a NIM expansion just by the construct of your balance sheet there.
- Sudipto Sil:** We have seen in the previous rate cycle also.
- Pranav Tendulkar:** Correct exactly, so that is second point, Sir third point is that in terms of existing builder NPAs you would know better that figure has improved everywhere so even though other place we did not have stamp duty relaxation like Maharashtra everywhere the demand has gone up in all states so am I correct in assuming that loss given default in those 2500 Crores builder NPAs would be much better than the previous case.
- Sudipto Sil:** That is what we are also witnessing on-ground that many of the projects which were stocked they are also actually coming back to us for resolution.
- Pranav Tendulkar:** Right, Sir last question from my side, the BCG project that you mentioned what are the outcomes that you are visualizing...
- Siddhartha Mohanty:** Basically all process digitalization that we are looking at all processes including our appraisal process all other customer service everything and total we will use analytics and other tools so that customer not only we acquire good customer also customer is retained and a predictive analysis for maintaining asset quality all these things are there so some milestones also 100 plus milestones we have identified and 5, 6 milestones already achieved in some others are in the process so at the end of the project we will find this HFC is a next



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gen HFC and high-tech HFC that is our objective so we want to be number one in technology space amongst all the HFC within a span of one to two years.

**Sudipto Sil:** Broadly you can say that there will be a strong focus on the customer experience and also on control and governance aspects.

**Pranav Tendulkar:** Sir last question from my side this incremental if I see incremental cost of fund as we mentioned was 5.25 and incremental home loan yield is I think 7 point something 7.5 or 7.6 that we mentioned but other loans are subjectively higher than this so am I correctly assuming that incremental spread would be higher than what is the existing spread of the balance sheet which is reported now.

**Sudipto Sil:** That is absolutely correct in fact if you see year-on-year there has been a significant improvement in the spreads some there is a 23 basis points improvement in the spreads on a comparative nine months period in this year as compared to the previous year.

**Pranav Tendulkar:** Perfect Sir, thanks a lot and congratulations on growth path. Thank you. Because after so many years we have already in a situation where you can have a 30% or 20% disbursement growth at least. Thank you so much.

**Moderator:** Thank you. Ladies and gentlemen this were the last question for today. I would now like to hand the conference over to the management for closing comments.

**Siddhartha Mohanty:** So, thank you I would like to thank everyone for your support over last two years since I took over as the MD and CEO of LIC Housing Finance and it has been a very good experience for me. Your contribution and views had added a tremendous value to the growth of the company especially during this pandemic period and I am confident that your support will be there in future as well. Friends let me just share I am taking charge of LIC as the Managing Director on 1st February, that is coming Monday and my successor our Chief Operating Officer Mr. Viswanath Gowd he has already designated he will also take over as MD and CEO of LIC Housing Finance Limited from 1st February onwards and I also expect total cooperation to Mr. Gowd. Thank you all the best.

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