

Operator

Ladies and gentlemen, good evening and welcome to the Dewan Housing Finance Corporation Limited's Earnings Conference Call for the nine months period ended 31st December, 2013. To discuss the financial performances of DHFL and to address your queries with us, we have with us, Mr. Kapil Wadhawan, CMD; Mr. Anoop Pabby, President, Strategic Initiatives; Mr. Deo Shankar Tripathi, President; Mr. Rakesh Makkar, President; Mr. Prashant Chaturvedi, EVP Special Projects; Mr. Santhosh Sharma, Chief Financial Officer; and Mr. Salil Bawa, Vice President and Head, Investor Relations. 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. . Please note that this conference is being recorded. I now hand the conference over to Mr. Kapil Wadhawan. Thank you and over to you, sir.

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

Thank you. Good afternoon ladies and gentlemen. Welcome to DHFL earnings conference call for the period ended December, 2013. Thank you very much for joining.

I will give you a quick snapshot on the key business highlights. Total income for the nine months ended 31st December is up 17% at 3,553 crores. Profit after tax increased by 23% and stands at 388 crores. Disbursements grew by 11% year-on-year to INR10,904 crores for and our assets under management stands at 41,078 crores. Net interest margin for the nine months is 2.71%. Return on average assets for the nine months is 1.63% and return on equity for the same period is 17.06%. DHFL Board was convened today and has approved -- and has also approved an interim dividend of INR3 per share, as the Company enters 30 years of existence in business. I feel extremely satisfied with our growth and what we have achieved in the last 30 years. I'm sure the next few years will be very exciting for the Group. On the The JV will also leverage DHFL's deep consumer insights and reach of the Indian consumers along with the strength of Prudential's international insurances expertise and risk management practices. This combination will result in huge success going forward.

On our core business of housing finance, the Company has been doing well despite a challenging environment. I must add here and as always the big challenge continues to be picking up money at the right cost. We have been watching the situation very closely and continue to be conservative when it comes to raising resources and are adequately funded for the next few quarters. We also have received approval for raising money from the external commercial borrowing route, which was where IFC, Washington is the lender.

In the mid-term the Company should be growing at over a rate which will be closer our return on equity. We expect to end the financial year with an asset under management of around 45,000 crores, obviously not losing out on the big picture of getting to 75,000 crores by 2017, which is three years from now.

An update on the overall liquidity position. We at DHFL feel that the RBI measures will give results soon. We expect RBI to keep rates steady in January, 2014 review and wait before deciding the next course of policy action because core inflation has remained more or less flat in December '13. Our overall assessment therefore suggest that our rate cut is likely in the next few months. As far as its fund requirements are concerned, DHFL has always been a long-term borrower and have limited exposure to short-term borrowings from the capital markets. We have always ensured the sufficient funds are available at all times for the Company to meet its needs for growth. On the backdrop of this, we are confident that the mortgage finance industry is set to maintain its growth momentum in the coming years despite the challenges being faced in the residential housing market and this will have a positive impact on DHFL which is currently focused on the Tier 2, Tier 3 markets of the country.

Even though we see challenges in the economy, the housing sector has been seeing interest from primary end users, so we are confident that the sector will continue to deliver in the coming quarters. In conclusion, we believe that the fourth quarter of this fiscal year would see some positive measures from RBI to prop up growth, which will result in strong confidence building amongst the buyers and international investors.

Now, I would like to hand over the call to our CFO Mr. Santosh Sharma, who will provide you with the detailed financial numbers on DHFL.

Santosh Sharma, Chief Financial Officer

Hi good evening everyone, I'm Santosh Sharma. Now I'll take you through some finer details of the financial performance of DHFL for the nine months period ended 31st December 2013. The DHFL performance has been the total income for nine months FY '14 was INR3,553 crores which is up by 17% YoY and for Q3 FY '14 was 1,301.37 crore which is up by 23% YoY.

Net interest income for nine months FY '14 was INR713.46 crore which is up by 19% and for Q3 FY '14 was 258.73 crores which is up by 24%. Interest expenses for nine months FY '14 was INR2,704.40 crores which is up by 19% YoY and for Q3 FY '14 was INR987.76 crore which is up by 26%.

Operating expenses for nine months FY '14 were INR262.53 crore, which is reduced by 4% YoY and for Q3 FY '14 were INR89.23 crores which is reduced by 10% YoY. Profit before tax for nine months FY '14 was INR528.45 crore which is up by 19% YoY and for Q3 FY '14 it was INR196.92 crore which is up by 26%. Profit after tax for nine months FY '14 was INR387.83 crore which is up by 23% YoY and for Q3 FY '14 was INR138.39 crore, which is up by 23%. Loan book for the period ended December 31st, 2013 was INR37,848.89 crores, which is up by 22% and the asset under management stands at 41,078.42 crores, which is 41,078.42 crores. The insurance for nine months FY '14 Disbursements for nine-months FY '14 were INR10,904.31 crore which is up by 11% and for Q3 FY '14 were INR430.23 crores which is up by 10%. Total borrowings for period ended December 30 were INR36,731.62 crore, which is up by 22% YoY. Gross and net NPA as of 31st December stood at 0.90% and 0.08% respectively. Net interest margin was 2.71% for the period ended 31st December 2013. Return on assets and equity for the period ended December 30 was at 1.63% and 17.06% respectively.

Please note in the investor presentation nine-months FY '14 and Q3 FY '14 finance sales, and ratios are compared with the finance sales and ratios of nine month FY '13 Q3 FY '13 which are simple addition of DHFL First Blue and DHFL Holdings Private Limited numbers.

Now, we will open the floor for the question-and-answer session. Thank you.

Questions And Answers

Operator

Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. . The first question is from the line of Kashyap Jhaveri from Emkay Global. Please go ahead.

Kashyap Jhaveri, Analyst

Yeah, hi. Congratulations on good set of numbers. My question is on this insurance venture where we have acquired stake of about 50% through DFHL and sorry, DHFL and about 24% through promoter NTP, if you could throw some more light on what are the investments and how this will be treated as in our capital calculations in terms of our tier-1? Hello?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

Could you please repeat that question?

Kashyap Jhaveri, Analyst

Yeah, my question is on our this insurance venture where DHFL has picked up 50% stake and promoters have picked up 24% stake. What are the investments that we have put in and plans of any further investments that we need to put in into this venture and with this effect in anyways our capital calculations of tier-1?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

So, what we have done in this JV is that DHFL has acquired this stake at de minimis value. It does not alter the capital situation in any significant way. Otherwise, it will stand in DHFL's books as an investment, at 50% stake, it is not a subsidiary. We don't have to consolidate this.

Kashyap Jhaveri, Analyst

And it will not have an impact as any deduction from Tier-1 also?

No, no deduction from Tier-1.

Kashyap Jhaveri, Analyst

And what is the investment in this particular business at this point of time for DHFL?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

It's INR1 for 50% --

Santosh Sharma, Chief Financial Officer

Kashyap, it is INR1 is the de minimis value. And we have capitalized related expenses what we have paid to the professionals that INR1. So it will be hardly about INR4.9 odd crore, is shown as the investment value. And the capital is reduced if all investments put together as a group, as a exposure to the group entities is in excess of 10% of Tier-1 capital, right. So Tier-1 capital is about INR3,600 crore, so 10% of that will become INR360 crore, way below that. So there is no reduction to the Tier-1 capital.

Kashyap Jhaveri, Analyst

Okay. And any further investments that we have planned in this Company for let's say next about two years or so?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

So, the maximum capital outlay for DFHL in the next three years would be about 23 crores, 22 crores.

Kashyap Jhaveri, Analyst

Okay, okay. Sure, yeah, thank you.

Operator

Thank you. The next question is from the line of Santanu Chakrabarti from ICICI Securities. Please go ahead.

Santanu Chakrabarti, Analyst

Hello, sir. Congratulations on a good set of numbers. Just a couple of very basic questions. One is that, in my own calculations that I was running, it seemed that yield on loans has gone up quite a bit even if when I do it on AUM that is adding back whatever assignments you might have made. So any particular reason, how much was the price hike you took during the quarter?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

Price hike in September, 25, this is planned. Our (inaudible) level increase.

Santanu Chakrabarti, Analyst

Right.

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

On the portfolio basis that was increased. And what happened that, in this quarter, as per NSB guidelines SSCs are permitted to have composition of loan portfolio as 75% housing and 25% NHL.

Santanu Chakrabarti, Analyst

Right.

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

For DHFL it was far low in NHL and it was more in the housing only. This quarter we have slightly improved the NHL portfolio, our yield is slightly better. That has actually impacted and probably this yield may further go up in this quarter.

Santanu Chakrabarti, Analyst

Right. The other question I wanted to ask is, for the next two quarters, or so how do you see the borrowing situation and do you see any cost pressures, or I heard your comment on the liquidity situation, but do you think that the cycle has picked out for you guys, what is the interest level from banks?

Santosh Sharma, Chief Financial Officer

Yeah, we foresee that going forward two quarters this cost may not increase because this is a peak where we find that it may not further increase.

Santanu Chakrabarti, Analyst

Yeah, okay. And lastly on provisions I wanted to know what is the number for this quarter?

Santosh Sharma, Chief Financial Officer

This quarter we have made a total provision of INR25 crore.

Santanu Chakrabarti, Analyst

Right.

Santosh Sharma, Chief Financial Officer Santanu Chakrabarti, Analyst

Right.

Santosh Sharma, Chief Financial Officer

And INR16.59 crore on the NPL assets. So, INR25 crore has been provided for the quarter.

Santanu Chakrabarti, Analyst

And, are you seeing any issues with the overall NPL situation given that it has increased a little bit, I mean, it's not too much, but what's your overall reading of the situation?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

Actually, you also see the market very special on the economy, but still with the pressure of economy, our (inaudible) was gradually tightened.

Santanu Chakrabarti, Analyst

Right.

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

There was not much increase were on the NPA side. In this quarter I foresee that the NPA reduction will be there for us. Though there will be some few deficiencies [ph] there, but recovery will be far more than what we expect. So, probably guidance what we can give in March ending quarter our gross NPA percentage may come down.

Santanu Chakrabarti, Analyst

Okay, and does this extend to your, like the wholesale loan portfolio as well on the developer side?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

No, it's --

Santosh Sharma, Chief Financial Officer

It's a total loan portfolio.

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

It's a total loan portfolio I'm backing about.

Right, right. Okay, thanks for attending to my questions.

Operator

Thank you. The next question is from the line of Hiren Dasani from Goldman Sachs. Please go ahead.

Hiren Dasani, Analyst

Hey, thank you. Sir, I dint understand the second reason you said for the higher loan yields. One you said is the 25 bps base rate hike. The second is that the proportion of home loan versus what other loans you will think?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

Non-housing loans.

Santosh Sharma, Chief Financial Officer

Non-housing loan, that is loan against property, which this housing finance company gives. Their yield is always 2.53% higher than that what we get on the housing loans. When we say, when the mix of the portfolio is getting tilt towards slightly better yield, the yield has to go up.

Hiren Dasani, Analyst

Yeah, but if you were to look at between September and December, number seem to be having 13.5% and 14% only, so that doesn't seem to be meaningful inch up between September and December.

Santosh Sharma, Chief Financial Officer

In September -- I tell you on the portfolio basis our non-housing portfolio is now 14% to 20%. In this quarter itself, the portfolio was, non-housing portfolio has gone to around 20% -- sorry 20% was there, it is 26% for this quarter.

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

For new business.

Santosh Sharma, Chief Financial Officer

For new business.

Hiren Dasani, Analyst

For new business you mean, okay. Okay, now and what would be your overall loan yields as of now as of December quarter, so that is in the quarter.

It is somewhere close 13% as of now. So we are making a spread of about 2.4% to 2.5% and net interest margin of about 2.72% as of now.

Hiren Dasani, Analyst

And can you split between let's say, home loans and non-home loans yields?

Santosh Sharma, Chief Financial Officer

I can give you the overall --

Hiren Dasani, Analyst

Indicated, yeah.

Santosh Sharma, Chief Financial Officer

On the home loan we are making yield of about 12.5% and then another 45 basis point is being talked up on account of two things is non-home loans, which is loan against property. It has about 16% return. And then another 6.5% on account of the project loans what we do, right? So about 18% to 19% of our portfolio is giving us higher yield somewhere in the range of 18.5% to 19%, okay which is translated into additional 45 basis point increase in the overall yield.

Hiren Dasani, Analyst

Again within that the project loans versus the non-home loans for the LAP would have both 18.5%, 19% or --

Santosh Sharma, Chief Financial Officer

No, no, no, project loans are at 21%. In fact 21% and then 2% processing fees we are charging.

Hiren Dasani, Analyst

Okay.

Santosh Sharma, Chief Financial Officer

So effectively it is about 22%. And non-home loan is somewhere in the range of 16%.

Hiren Dasani, Analyst

Okay. Now the project, I mean, is the NPA increase has come from the project loan or it is on the housing loan side?

It's on the housing loan.

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

Retail portfolio.

Santosh Sharma, Chief Financial Officer

Retail portfolio.

Hiren Dasani, Analyst

Okay. Just one clarification, now the AUM is mentioned as 41,000 crore or something, right?

Unidentified Speaker

(inaudible) is the difference between the AUM and the outstanding loan book is on account of the assignment and securitization transactions what we have done in the market in last nine months.

Hiren Dasani, Analyst

Yes, yes, no, I understand that. Now if you look at the presentation slide number 13, it says loan book as of end of December is 378.5 billion?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

Yeah, that is our own books.

Hiren Dasani, Analyst

This is on book so the difference is about 3,200 cores.

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

Yeah, yeah.

Hiren Dasani, Analyst

Right?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

That's right.

Whereas somewhere it also mentions that the outstanding securitization which is again, I'm looking at page 15 now, it says that as on 31st December securitization syndicated portfolio is 1,300 crores, roughly 13 --.

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

See, this is for this year, this is within this year, this is in the nine months we have securitized so much.

Hiren Dasani, Analyst

Okay. So this is the incremental securitization which you have done for the nine months?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

That's right. That's right.

Hiren Dasani, Analyst

Okay. Okay. One more small clarification, what would be the fee income for this quarter?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

You are talking about the processing fees?

Hiren Dasani, Analyst

Distribution fees and all that?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

Yeah. Processing fees is about INR18.30 crore and distribution fees which is a third-party products income is just a minute, I'll just tell you the number, it is INR26.52 crore.

Hiren Dasani, Analyst

26.52 crore is the third party.

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

Yeah. That is for the quarter, yeah.

Hiren Dasani, Analyst

For the quarter. And for the nine months, this line would be how much, 26.5 crore?
64.41.

Hiren Dasani, Analyst

64.4 crore. And sorry to be kind of little detailed but the provision number you said is 25 crore right, for the quarter?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

Yes. It is INR24.97 crore to be precise.

Hiren Dasani, Analyst

Yeah. So the, if I look at the statutory release then the other expenses which is the non-provision part, that works out to be about 49 core, 74 minus 25.

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

Yes.

Hiren Dasani, Analyst

Right?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

Yes.

Hiren Dasani, Analyst

And what was the Q2 number for the provision and the other expense, September quarter?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

See in the September quarter what we have done, our total number was INR90.26 crore, okay for the September quarter, okay which is translated to INR89.23 crore in the December quarter. So this I'm saying staff expenses and operating expenses both put together excluding provisions, okay.

Now we have done one --.

Hiren Dasani, Analyst

Sorry, sorry, September how much was that number?
INR90.26 crore.

Hiren Dasani, Analyst

90.26, okay.

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

Which is INR89.23 crore now. We have done one change in the accounting practice and not the policy. See what we have been doing that, we were collecting on an average 1% processing fees from the borrowers, right. And we were paying about 0.6, 0.65 or 0.7 on an average to the channel partners and to people who have feet on the street and who are originating loans, but these things are not on the rules. So till now what was happening that business sourcing expenses of about INR26 crore for example this quarter, December quarter was shown as business sourcing expenses and was clubbed under operating expenses, okay.

And independently, processing fees of INR44 crore was shown in the separate ledger and was clubbed under the overall operational income. What we have done, the practice which is followed in the market is a different practice. So we have merged these two separate major accounts into one. So what we are paying that net-net what DHFL is getting, comes out to INR18.30 crore for the quarter and for nine months it is INR44.36 crore, right. So that is the change in the accounting practice what we have done, which is in line with the market otherwise then if you read my cost income ratio, you will read it differently.

Hiren Dasani, Analyst

So essentially now you're netting of the processing fee against the --.

Santosh Sharma, Chief Financial Officer

Because I'm not getting that income of processing fees. If I calculate the cost income ratio, okay, I will take total gross number on business sourcing expenses okay, and then the denominator side, I will not be including processing fees in the NII. That's all the mid-values.

Hiren Dasani, Analyst

And both the processing fee and the commission charges to the channel, both are recognized entirely upfront?

Santosh Sharma, Chief Financial Officer

Yes.

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

Yes.

Yes, yes.

Hiren Dasani, Analyst

Okay, thank you so much for your detailed answers.

Operator

Thank you. The next question is from the line of Nischint C [ph], from Kotak. Please go ahead.

Unidentified Speaker

Yeah, hi. What was the provisioning number for the second quarter?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

Second quarter, it was INR10 crore Nischint.

Unidentified Speaker

Okay, and just for this quarter if we want to look at it on a like to like basis what would the processing fees would have been?

Santosh Sharma, Chief Financial Officer

Processing fees like to like you mean to say on a standalone basis, gross.

Unidentified Speaker

Yeah, on the gross basis, the way we have been reporting in the past.

Santosh Sharma, Chief Financial Officer

INR34.39 crore [ph] for the quarter and for the nine months it is INR113.07 crore.

Unidentified Speaker

Okay and other expenses?

Santosh Sharma, Chief Financial Officer

Business sourcing expenses you are talking about?

Yeah.

Santosh Sharma, Chief Financial Officer

It was, it would have been INR26.09 crore on a gross level, okay and INR68.71 crore for the nine months.

Unidentified Speaker

Okay. So, just as I understand your housing loan book in the overall portfolio now is around 81%?

Santosh Sharma, Chief Financial Officer

Yes.

Unidentified Participant

Down from 86.5% last quarter?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

Yeah.

Nischint Chawathe, Analyst

Okay. Okay. What --

Unidentified Speaker

Housing loans --. Just a minute. Housing loan is 85.55%. It is not 81.87%.

Nischint Chawathe, Analyst

Okay.

Unidentified Speaker

When I say housing loan, I'm taking into account all residential project loans into it, right. So you can say 86% of the book is towards home loan and the remaining about 14% is the NRPL and loan against property put together.

Nischint Chawathe, Analyst

Okay. So I didn't quite follow the explanation when you said that there is a swing this quarter from the housing loan book towards the non-housing loans book, because I think the number last quarter was around 87, it's 86 now? (Technical Difficulty). Yeah.

Santosh Sharma, Chief Financial Officer

You are talking about new business mix.

Nischint Chawathe, Analyst

No but on an outstanding basis it's not, it has seemingly not changed. Because --.

Unidentified Speaker

No, Nischint, last year, last time when we talked about 12% was the ratio on the loan against property, okay. And then remaining 88% was on account of individual home loans and project loans put together. Okay. So what we are saying that non-home loans which is loan against property has grown from 12% to 14% which is a 2% growth, right. And then there is another 6.5%, which we are saying is the project loans. So 12% is --.

Nischint Chawathe, Analyst

Project loans are also part of 86%, is it?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

Yes. Because it is residential in nature and as per NHB norm it has to be clubbed with the home loan and not under the non-home loan.

Nischint Chawathe, Analyst

Okay. And what was the number last quarter?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

Project loan has not changed much really. It was about 6%, it has gone to 6.5%. So we get lot of pre-payment and repayment from them in the escrow account. So it has not grown much.

Nischint Chawathe, Analyst

So project loan has moved from 6 to 6.5 and LAP has moved from 12 to 14, that's the thing?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

Yes right.

Okay. And that is kind of causing almost a 100 basis point swing in your yield?

Santosh Sharma, Chief Financial Officer

And 25 basis points increase of PLR.

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

(Technical Difficulty).

Nischint Chawathe, Analyst

Okay. Okay. Fair enough.

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

There is some improvement but it's not 100 --.

Santosh Sharma, Chief Financial Officer

(inaudible).

Nischint Chawathe, Analyst

Okay. I mean according to your numbers what is the improvement like in terms of these --?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

Close to 13% as I said, which is about 12.96% odd yield.

Nischint Chawathe, Analyst

Okay so that's around 50?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

Yeah.

Nischint Chawathe, Analyst

Okay. Okay. What would be the net worth number for the quarter?
Santosh?

Santosh Sharma, Chief Financial Officer

It is 3,606 crores. 3,606.

Nischint Chawathe, Analyst

Okay, okay. And just also trying to understand there is some regrouping that you've done on the NCD, on the borrowings break-up, I think between NCD and market borrowings.

Santosh Sharma, Chief Financial Officer

In the presentation you are talking about?

Unidentified Participant

Yeah, yeah, that's right.

Santosh Sharma, Chief Financial Officer

What we have done Nischint, that rather than saying only NCDs we have clubbed together all money market instruments. So you issue NCD, you issue commercial paper for six months, for 12 months, for three months, then you will issue subordinate debt. Then if we have issued perpetual debt, which is also in the form of NCD, so we used to showcase all this under -- along with fixed deposit and others. So we have reclassified debt and we have said that, this has been all money market instruments, which is affected from the increase or decrease in the interest rates, right? So we have clubbed this together.

Unidentified Participant

Okay.

Prashant Chaturvedi, Head Finance and CFO

And fixed deposit is kept separately.

Santosh Sharma, Chief Financial Officer

And fixed deposit, which is a public deposit, we have kept it separately.

Unidentified Participant

Okay. And just one question, going back to the insurance venture. If you can share what was the valuation ascribed during the deal?

Prashant Chaturvedi, Head Finance and CFO

The, you see, valuations are a little bit hazy in the insurance world. So what we should probably look at is, that the net worth of the company that will -- the day we close the deal was INR155 crore.

Unidentified Participant

Okay, okay. Thank you very much.

Operator

Thank you. The next question is from the line of Lokesh Manik from Vallum Capital. Please go ahead.

Lokesh Manik, Analyst

Yes, good evening sir. Sir, my question was on the borrowing profile of the Company, basically we calculate lot of leverage and that has been impacting our cost of funds. In your view how do we try to deleverage our business and get a better credit rating and lower cost of funds?

Santosh Sharma, Chief Financial Officer

You would have seen, you would have observed, we are -- we have done around 1,300 crore securitization. And going forward we would ramp up our securitization book, which would, number one, which would keep our leveraging under control and also the cost of securitization, I mean, what we pass on to the -- our buyers, is comparatively less than the cost of borrowing. So this is one of the significant measures we are taking and that would definitely yield, I mean, better of the cost, which you can see from last quarter to this quarter, our cost of funds has come down, like four, five bps, so going forward also it should come down.

Lokesh Manik, Analyst

So sir, like Mr. Wadhawan just suggested that our target is a loan book of 75,000 crore in 2017, out of this what would your securitization book?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

Roughly 15% to 20% would be securitized, that's the aim of the Company.

Lokesh Manik, Analyst

Okay. And what is the margin that we earned on securitization?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

Roughly 1.5%.
1.5%, yeah.

Lokesh Manik, Analyst

Okay, 1.5%. Yeah, all right. That's all, thank you.

Operator

Thank you. The next question is from the line Santanu Chakrabarti from ICICI Securities. Please go ahead.

Santanu Chakrabarti, Analyst

Thank you sir. My follow-up questions have been answered.

Operator

Thank you. The next question is from the line of Kashyap Jhaveri from Emkay Global. Please go ahead.

Kashyap Jhaveri, Analyst

Yeah, just one data keeping question. What was the provisions for M9 of last year full -- all three quarters put together of last year?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

Can you be a bit louder please, Kashyap?

Kashyap Jhaveri, Analyst

Sorry, I wanted to know what was the provision for last year on consolidated basis for the same period which is M9 of FY '13?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

You are asking about 2012 and 2013?

Kashyap Jhaveri, Analyst

Yeah, 2012, '13. So if I go to slide umber 12, total OpEx is about 3,237 million.

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

Just a minute, just a minute. It was -- total provision amount was IN263.97 crore as on 31st March 2013.
No, actually I want 31st March -- sorry 31st of December 2012.

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

(Technical Difficulty) 49.27.

Kashyap Jhaveri, Analyst

49.27?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

That is consolidated --.

Santosh Sharma, Chief Financial Officer

The total provision which stands in our book is INR310.45 crore everything put together as on December.

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

As on December 2012.

Kashyap Jhaveri, Analyst

Actually I'm trying to understand if we go to slide number 12, okay, there is an operating expense which for December '12 period ended is 3,237?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

You will not be able to match that Kashyap, because December 2012 was a standalone quarter as we discussed in the previous calls that was a standalone quarter and it did not includes First Blue per se.

Kashyap Jhaveri, Analyst

Yeah, but here in this table these are all consolidated pro forma numbers, right?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

Is a consolidated one?

Santosh Sharma, Chief Financial Officer

Yeah, this is consolidated.

Okay, I'm sorry.

Kashyap Jhaveri, Analyst

Yes, so I want to know this 3,237 how does it break up into OpEx and provisions?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

Okay, we didn't [ph] including provision and --.

Santosh Sharma, Chief Financial Officer

Yeah, he wants break up, can we give it you by separate mail Kashyap.

Kashyap Jhaveri, Analyst

No issues, absolutely no issues. And I missed those remarks on this NPL which one of the earlier question was about that this quarter we have had slight strike up in the GNPA's and we also mentioned that we will see recovery as we go forward. I just missed out on that comment on GNPA why it sort of went up in this quarter?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

This quarter actually 0.90% [ph] gross NPA ratio is in December quarter.

Kashyap Jhaveri, Analyst

Right.

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

See, we expect our guidance is that that in the March ending quarter we will be improving our recovery and thus VLCA [ph] will be coming down.

Unidentified Participant

And in particularly -- so the (inaudible) coming in this quarter was it some lumpy one account or was it in the retail or a normal individual mortgage?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

Individual mortgage only, we will not have very big size, ticket size of loans.

Unidentified Participant Kapil Wadhawan, Executive Chairman of the Board, Managing Director

No lumpy account is there. It is most of the accounts are below INR1 crore which has (inaudible) because of the market scenario. But since (inaudible) in most of the account in the month of October, November, December.

Unidentified Participant

Right.

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

Recovery is bound to come.

Unidentified Participant

And can we know your net NPA number without standard asset provisions?

Santosh Sharma, Chief Financial Officer

Net? I can tell you, net NPA number with standard assets which comes to 0.08% and then I can give you --

Unidentified Participant

Right.

Santosh Sharma, Chief Financial Officer

The total standard provision which is standing.

Unidentified Participant

Okay.

Santosh Sharma, Chief Financial Officer

Which is INR191.57 crore. So you can gross up --

Unidentified Participant

Right.

Santosh Sharma, Chief Financial Officer Unidentified Participant

And do you have any teaser rate loan provisions also on book?

Santosh Sharma, Chief Financial Officer

No.

Unidentified Participant

So we have some, we have a standard asset provision total on book of 191.57 crores and then there will be specific provisions?

Santosh Sharma, Chief Financial Officer

Specific provision, everything else --

Unidentified Participant

Right.

Santosh Sharma, Chief Financial Officer

...what remains.

Unidentified Participant

Okay.

Santosh Sharma, Chief Financial Officer

Can be non-standard provision --

Unidentified Participant

And you said including standard asset provision, this is 0.08% is your net NPAs?

Santosh Sharma, Chief Financial Officer

That's right.

Unidentified Participant Operator

Thank you. The next question from the line of Sourav Kumar from JPMorgan. Please go ahead.

Sourav Kumar, Analyst

Hi, sir. Most of my questions have been answered. Just on securitization, where do you see this number going to let's say in FY '15 and '16 as a percentage of your AUM?

Santosh Sharma, Chief Financial Officer

We would keep it in the, you know, within the range of 15% to 20% of our AUM. So accordingly in a 15, it would be around 60,000 crore.

Sourav Kumar, Analyst

Okay. You will basically do 9,000 --

Santosh Sharma, Chief Financial Officer

Maybe another 6,000 crore, 5,000 crore we will be adding in these three months and one year henceforth, one-year after that. Yeah.

Sourav Kumar, Analyst

Okay. And what will be your cost of funds there on these -- on this?

Santosh Sharma, Chief Financial Officer

It would be in the range of say, 10% to 10.25%. See there is a difference over here. Sorry to interrupt. There is a difference over here. If we do pure pure securitization, okay, we'll get the funding at 9.5%, two quarter to 10%, okay. Because in securitization, banks can disclose it under the investment schedule rather than their loan portfolio. But if you go and do assignment then the clause of base rate become applicable for all banks. And then they can't lend below base rate. So that money will come somewhere about 10.5% on an average, being the base rate. And both of these can be classified as priority sector loan for the bank because if ticket size is below INR25 lakh, right. So as Santosh rightly said, on an average we should be getting this fund in the range of 10.25%.

Sourav Kumar, Analyst

Okay. So it's a weighted average of base rate and --

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

The great relief over here is that, your capital is released.

Sourav Kumar, Analyst

Correct.

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

That's the prime intension, because we don't want to dilute it in this current environment.

Sourav Kumar, Analyst

Sir, basically you, I mean, the point which you mentioned earlier that you will not grow beyond your ROE (inaudible).

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

Yes.

Sourav Kumar, Analyst

So you have, so basically then we can essentially look at a 17%, 18% growth that's essentially where you are.

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

On book, on book growth you can say that it will be 18%, but on an even basis it can go to 22% to 25%.

Sourav Kumar, Analyst

All right. That's clear. Thank you very much.

Operator

Thank you. . Next question is from the line of Alpesh Gopani from Gopani Securities [ph]. Please go ahead.

Unidentified Participant

Hi, I wanted to ask, what would be the dividend payout policy of the Company for this year and coming years?

Kapil Wadhawan, Executive Chairman of the Board, Managing Director

See we are paying dividend, the dividend payout ratio is somewhere in the range of 14% to 15%. So we were discussing internally the management and the Board and we intend to have a dividend policy where we can make a payout of about 15% of our EPS right, including the dividend distribution tax, that is something which we can, I would say afore [ph] at this moment, because we need capital to grow our balance sheet.

So, something like 15% dividend payout ratio should be sustainable going forward.

Unidentified Participant

Okay, thanks.

Operator

Thank you. As there are no further questions, I now hand the conference over to Mr. Prashant for his closing comments.

Prashant Chaturvedi, Head Finance and CFO

Thank you very much everyone for participating in the call. We really appreciate your questions. If you have any other questions, you can directly write it down to Mr. Santosh Sharma or Mr. Salil Bawa, they will be prompt enough to answer it on a same day. Thank you very much for participating in the call, again thank you.

Operator

Thank you very much. Ladies and gentlemen, on behalf of DHFL that concludes this conference call. Thank you for joining us. And you may now disconnect your lines.