

Operator

Good evening ladies and gentlemen, welcome to Dewan Housing Finance Corporation Limited's Earnings Conference Call for the six months period ended 30th September, 2013. To discuss the financial performance of DHFL and to address your queries, we have with us today, Mr. Kapil Wadhawan, Chairman and Managing Director at DHFL; Mr. Anoop Pabby, President, Strategic Initiatives at DHFL; Mr. Deo Shankar Tripathi, President at DHFL; Mr. Rakesh Makkar, President at DHFL; Mr. Prasanth Chaturvedi, EVP Special Projects at DHFL; Mr. Santhosh Sharma, SVP and Head Finance at DHFL and Mr. Salil Bawa, Vice President and Head, Investor Relations at DHFL. As a reminder for duration of this conference, all participants' line will be in the listen only-mode and there will be an opportunity for you to ask questions at the end of today's presentation. Please note that this conference is being recorded.

I would now like to hand over the conference to Mr. Kapil Wadhawan. Thank you and over to you sir.

Kapil Wadhawan, Chairman and Managing Director

Thank you, good afternoon ladies and gentlemen. Welcome to DHFL's earnings conference call for the period ended September, 2013. Thank you very much for joining.

I will give you a quick update on the key business highlights, but before that, let me introduce you to the new Senior Management team after the recent changes in the organizational structure. Company has appointed Mr. Deo Tripathi and Mr. Rakesh Makkar as the two new Presidents to drive and take forward the DHFL growth. Rakesh has taken over the functional responsibilities from Anil Sachidanand, who after spending five years in DHFL has moved on from the company. Rakesh has been designated as President and Chief Distribution Officer. Mr. Deo Tripathi had been as Once again thank you and a quick update on the key business highlights. Total income for the half year is up by 15.4% at 2,294 crores, profit after tax by 23% at 249 crores. Disbursements grew 11% year-on-year to INR6,874 crores and our assets under management stood at 38,574 crores. Gross NPAs stood at 0.75% and provisioning coverage at 103% as on September 2013. Net NPA is nil as the asset quality continues to be impeccable. During the first half, we securitized [ph] and assigned assets worth INR809 crore.

Just a brief update on the overall liquidity position. Reserve Bank of India reversed the liquidity tightening measures taken by the previous -- under the previous Governor's regime at least to some extent. The marginal standing facility rate has come down by another 50 basis points to 9%, citing normalizing liquidity conditions. We read comfort on the INR as the key reason behind this move, even as a protracted U.S. Government shutdown considerably lowers odds of a taper this year. Hopefully, that is out of the way as well.

A consistent improvement in trade figures over the last few months also bodes well for the Indian rupee and will further add to its stability going forward. We at DHFL feel that the RBI measures will give results soon. 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 secondary market -- capital markets. Thus, we feel that the current turmoil in the short-term borrowing market won't have a significant impact on the borrowing cost of the company. We have always ensured that sufficient funds are always available for the company for its day-to-day operations.

On the back drop of this, we're confident that the mortgage finance industry is set to maintain its growth momentum in the coming years, which will have a positive impact on DHFL's growth, though the economy has not been doing as expected, 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.

Just a brief update on the insurance joint venture. We are still awaiting regulatory approvals from IRDA and NHB for the joint venture with Prudential. I must reemphasize that there is no capital commitment from DHFL. Prudential season us as strong branch distribution network across Tier 2 and Tier 3 cities and towns in India that will be extremely valuable to helping the JV meet the growing insurance needs of India's middle class.

The JV will also leverage DHFL's deep consumer insights and reach of the Indian consumers along with the strength of Prudential's International insurance expertise and risk management practices. This combination will result in huge success.

This deal will generate tremendous value for DHFL shareholders. This is a huge value creator for the company and also synergistic

with our existing network as we cross-sell various products. We believe that the second half of the fiscal year, would see some positive measures from RBI to prop up growth, which will result in confidence building amongst the buyers. I would like to hand over the call to our CFO, Head of Finance Mr. Santosh Sharma, who will provide you the detailed financial numbers on DHFL.

Santosh Sharma, Chief Financial Officer

Good evening everyone. I will take you through some final details of the financial performance of DHFL for the six months period ended 30, September 2013. Total income for H1 FY '14 was 2.293.85 crores, which is up by 15% year-on-year basis. And for Q2, F '14 was rupees 1167.21 crores, which are up by 13% as a y-o-y growth.

Net interest income for H1 FY '14 was rupees 454.73 crores, which is up by 16% y-o-y and for Q2 FY '14, net interest income was 228.65 crores, which is up by 7% y-o-y.

Interest expenses for H1 FY '14 was rupees 1716.65 crores, which is up by 15% y-o-y and for Q2 FY '14 was rupees 878.67 crores, which is up by 13% y-o-y.

Profit before tax for H1 FY14 was INR331.54 crores, which is up 16% YoY and for Q2 FY14, the profit before tax was INR172.51 crores, which is up by 14% YoY growth. Profit after tax for H1 FY14 was INR249.44 crores, which is up by 23% year-on-year basis, and profit after tax for Q2 FY14 was INR129.14 crores, which is up by 21% YoY growth.

Loan book for the period ended 30th September 2013 was INR35,806 crores, which is up by 21% YoY. Sanctions for H1 FY14 were INR9,196 crores, which is up 16% YoY and for Q2 FY14, the sanctions were INR4,414 crores which is up by 14%. Disbursements for H1 '14 were INR6,874 crores, which is up by 11% YoY and for Q2 FY14, the disbursements were INR3,259 crores, which is up 11% year-on-year basis.

Total borrowings for period ended 30th September were INR35,615 crores, which is up 23% on YoY basis. Gross and net NPAs as of September 2013, stood 0.75% and nil respectively. Net interest margin was 2.70% for the period ended 30th September 2013. Return on assets and return on equities for the same period, which is 30th September 2013 was at 1.60% and 17.01% respectively. Please note in the investor presentation, H1 FY14 and Q2 FY14 financial end ratios are compared with the financial end ratios of corresponding H1 '13 and Q2 '13, which are simple addition of DHFL First Blue and DHFL Holdings Private Limited numbers.

Now on that note we'll be open for Q&A session. Thank you.

Questions And Answers

Operator

Thank you very much sir. We have the first question from the line of Lokesh Manik from Vallum Capital. Please go ahead.

Lokesh Manik, Analyst

Yes, good evening sir. Congratulations on your numbers. Hello?

Kapil Wadhawan, Chairman and Managing Director

Yes, thank you

Lokesh Manik, Analyst

Sir, on your joint venture deal with Prudential, I just needed to know what was the deal value and what are economics of the deal in terms of what is the insurance book expected and the ROA expected from the deal?

Kapil Wadhawan, Chairman and Managing Director

I think all these, thank your for the question. All these questions will be answered once we have the regulator's approval in place. I think prior to --

Lokesh Manik, Analyst

Okay -- that we are not in -- we are not at liberty to answer any of the questions related to the transaction.

Lokesh Manik, Analyst

Okay. Sir, another thing was regarding the cost to income ratio of the Company, which is around sticky levels of 40%. Going ahead, how do you plan to bring this down?

Kapil Wadhawan, Chairman and Managing Director

Hello?

Lokesh Manik, Analyst

Hello

Kapil Wadhawan, Chairman and Managing Director

Yeah, this is not 40%. Cost to income ratio is about 31.5%. We'll --

Lokesh Manik, Analyst

Okay

Unidentified Speaker

-- send you the formula how it has been calculated.

Lokesh Manik, Analyst

Okay

Kapil Wadhawan, Chairman and Managing Director

Right, which is 31.5%. Our endeavor is to bring it down to a level of about 26% to 27% in next, say 18 months time, right?

Lokesh Manik, Analyst

Okay

Kapil Wadhawan, Chairman and Managing Director

So we are looking into this matter and we are quite confident that cost to income ratio should be brought down to a level of 27% at least in next year's time. But it is not 40% it is 31.5%.

Lokesh Manik, Analyst

Right. Sir another -- my last question was on the cost of funds. How do we plan to bring that down and we are running the highest cost of funds in the industry right now, which is expecting at NIM at 2.7%, so cost of funding has been hovering in the range of 10.25% to 10.50% for last six odd months. Okay

Unidentified Speaker

These odd months, at in this particular quarter it has been slightly on a higher side, so it is 10.56% for this quarter because we have seen lot of liquidity issues in the market for at least a month. In the month of August and September we were just facing -- industry was facing rather some kind of a liquidity issue because of rupee pressure.

Unidentified Speaker

Right.

Unidentified Speaker

So, we have availed money -- most of the money from banks which has come at a rate of 10.25%. Some of the money we have raised from the capital market somewhere in the range of 10.75% to 11%.

Unidentified Speaker

Okay

Unidentified Speaker

So blended cost is a bit higher and not higher as compared to the first quarter but we are quite confident that we will be able to bring down this cost in the near future but in the recent future say one or two months we are expecting at least 25 basis point hike by the governor so, we can't commit that banks are going to reduce the (inaudible) right.

Unidentified Speaker

Right.

Unidentified Speaker

But we think that our overall call should be moving around 10% to 10.25%
Okay. So the main concern was how -- average take it sizes about 9.6 lakhs as per the recent annual report. So why don't we enjoy benefits in terms of dispersing loans at -- benefits in terms of cost of fund for the cost mentioned probably Tier II to Tier III cities. That many schemes that come out from the government and from the NHBs. How active are we on that front, sir?

Unidentified Speaker

Yeah. We are actively engaging with the National Housing Bank.

Unidentified Speaker

Right.

Unidentified Speaker

And whenever possible we have been able to draw on some of those specific design schemes and fund allocation done by the NHB.

Unidentified Speaker

Right

Unidentified Speaker

Now obviously NHB has their own exposure guidelines on how much it can lend to a specific housing finance company.

Unidentified Speaker

Yes.

Unidentified Speaker

So, yes just to answer your question directly, wherever possible we go out, we reach out to the banks with the NHB and bill funding at cost which are fairly competitive.

To an earlier point on liquidity and cost of funding, I think cost of analysis to all listeners on the call; it's not about cost of funding honestly. Especially when you're in a tough economic situation

Unidentified Speaker

Right.

Unidentified Speaker

So to that extent, at 25 basis point increase in cost does not worry us. The margins can be improved from 2.7% going forward to about -- anywhere between 2.75% to 2.9%. But then consciously, we don't want to change the business mix so much that we start getting on to a more risky asset profile build up. So, I hope that clarifies the -- all.

Unidentified Speaker

Yes, definitely. Thank you so much sir for answering the questions.

Operator

Thank you. We have the next question from the line of from Cogenesis. Please go ahead.

Unidentified Speaker

Hello.

Kapil Wadhawan, Chairman and Managing Director

Yes.

Unidentified Speaker

Hi, this is from Cogenesis. Sir, just wanted to have a comment from DHFL. There was some buzz going around a majority take-buy by a domestic investor. So there were some reports going around. So could you just clarify on that?

Kapil Wadhawan, Chairman and Managing Director

I'm sorry, which investor are you talking about?

Unidentified Speaker

Some domestic investors, there have been talks in the market about DHFL selling some 10% stake. So could you just clarify on that

if there is any?

Kapil Wadhawan, Chairman and Managing Director

I have only read of certain news reports that one large domestic investor has gone out and purchased some stock in the secondary market. As far as any issuance of fresh shares is concerned, DHFL is not out there in order to issue fresh shares at the moment.

Unidentified Speaker Kapil Wadhawan, Chairman and Managing Director

Absolutely not. You know, there is no buzz at all. There might be a buzz, but then that buzz may be simply rumors in the market.

Unidentified Speaker

Okay. So, right now there is no fresh issuance of shares at all?

Kapil Wadhawan, Chairman and Managing Director

Absolutely no.

Unidentified Speaker

Okay. Thank you, sir.

Operator

Thank you. We have the next question from the line of from Crystal Limited. Please go ahead.

Unidentified Speaker

Yeah, hi. Thank for the opportunity of -- Sir, can you please throw some light on your disbursement and asset quality, especially in Tier 2 cities. There -- how is the growth there and how is the asset quality there?

Kapil Wadhawan, Chairman and Managing Director

Still in Tier 2 city, whatever disbursement we made all across the country, our major focus is on Tier 2 and Tier 3 cities because you know that we are basically, we are very dominant in LMI segment.

Unidentified Participant

Yes.

Kapil Wadhawan, Chairman and Managing Director

So, that's roughly about as you can say about 25, 30% disbursement going into Tier II, Tier III [ph] cities only. I think, you must have seen the numbers that our gross NPA ratio is only 0.075. Of that from Q1, it has been reduced from 293 crore rupees to 170 crore rupees. our recovery percentage is very good. These are all because (inaudible) rupees, our recovery is very good and we are comfortable in those cities than in what avenue to convert to use [ph].

Unidentified Participant Kapil Wadhawan, Chairman and Managing Director

The average ticket size as I mentioned is eight [ph] rupees, it's easy around, around 6, 7, 8 lakh rupees depending on that.

Unidentified Participant

Okay. Yeah. Thank you.

Operator

Thank you. We have the next question from the line of Nidhesh Jain from Espirito Santo. Please go ahead.

Nidhesh Jain, Analyst

Yeah. Good evening sir. Sir, my question is regarding your non-interest income. Can you share the breakup of non-interest income and processing fees and (inaudible)?

Kapil Wadhawan, Chairman and Managing Director

Yeah. HI, Nidhesh.

Nidhesh Jain, Analyst

Yeah.

Santosh Sharma, Chief Financial Officer

See on the non-interest income side, the total processing fees for the quarter is 33.36 crore rupees and we have earned income from treasury operation of 23.39 crore rupees for the quarter okay. In addition to that, we have received 18.85 crore rupees as the commission income on our insurance all right. So, this is the broad breakup of our non-interest income, which has been clubbed under the overall income from operation, which has been given in the results.

Nidhesh Jain, Analyst

Okay. And how is the trend of third-party fee income vis-a-vis the last quarter, last year?

Santosh Sharma, Chief Financial Officer

No, I think, it is going very well, but I would say that is showing a growth somewhere in the range of 8 to 10%. So, we are quite confident that we should be closing the last year number, last year number was close to 80 crore rupees, it should be inching towards 95 odd crore rupees for the full year because generally, we have seen a trend that in the first half, there is a big timid growth and in the last quarter of the financial year people go for these insurance policies all right. So, we think that we should be closing the overall commission income somewhere in the range of say 95 crore

Nidhesh Jain, Analyst

And sir, on the ECB funding, what is the status on that?

Santosh Sharma, Chief Financial Officer

So, we have been sanctioned \$70 million from IFC, Washington and another \$15 million, we had been given a sanction from Canadian government right. Now, we have got the RBI approval. We have got NHB approval for \$70 million. But the overall hedging cost for that money is quite high. It is being in somewhere in the -- say 7.5%, 7.25% to 7.5%. Such that the all inclusive cost for this money will be somewhere about 11% fixed, which we find pretty costly and we are not availing that money for the time being.

So we are waiting for right time when the hedging cost can come down to a correct level and we can avail that money. Otherwise, all formalities as per as approvals are concerned had been gone away.

Unidentified Speaker

And sir, partly on your securitization, you've securitized around 800 crores of loans, so what are the terms, what are the spread on these loans and?

Kapil Wadhawan, Chairman and Managing Director

See, there are two types of these what we are closing in the market. One is that we are closing assignment transactions which is a true sale, okay? So we are getting loans spread on those transactions, somewhere in the range of 130 basis points to 160 basis points, okay? But if you do securitization deals, right, which we have done to ICICI Bank quite recently, we are having about 200 basis points to 225 basis points on those deals, right?

So you are getting cost advantage if you are doing securitization deals, but you are getting equity advantage, equity relief if you are doing assignment deals, so lot of emphasis from the Company's side has been given to assignment transactions rather than the securitization transactions. So the idea is that whatever we grow beyond our ROE, we intend to sell it down in the market, right? So that it doesn't impact our CER [ph] or debt equity ratio, overall.

Unidentified Speaker

Yeah.

Santosh Sharma, Chief Financial Officer

And some of these buyers and just to add here, some of these buyers are simply examples because you will find buyers who buy portfolios for different reasons, right? So the spreads may vary and will continue to vary for assignments even in the future.

Unidentified Speaker

Okay and then lastly on your borrowing profile, what percentage of your borrowing profile is constituted from deposits?

Kapil Wadhawan, Chairman and Managing Director

It's about 6.5%.

Unidentified Speaker

Okay and how is your experience there? What is the mobilization and?

Kapil Wadhawan, Chairman and Managing Director

So far so good. I mean we've been garnering -- in fact in this quarter alone, we garnered 270 crores odd of fresh deposits and the experience is good. Mind you, it was just three years back that we actively got -- came into the market for the deposit mobilization program. At that time, our deposit outstanding was just 40 crores and today, it has grown to a healthy 2000 crore plus outstanding. Going forward, we wish to make this in part at least a significant proportion of our total funding requirement.

Unidentified Participant

Actually we've been talking about the borrowing profile for the last two, three years that we want to reduce banking year, but we are not able to do that. So, when do you see and what are your...

Kapil Wadhawan, Chairman and Managing Director

Firstly, I would disagree that we've not been able to do that. I think, I have in my previous comment spoke about ensuring that there will be an adequate balance, between borrowings from various sources and the tenures for which the moneys are borrowed. As you already know and you've been writing research reports on us, that we are not out there in the market to access money at the shorter end of the market, even though we go out and access money from the capital markets in general for the -- for medium term and long term money.

So, short-term is not something which we have -- which we are comfortable with and that's the reason why we've been successful in ensuring that we do not carry any liquidity risk in part in our books. I think it's a function of where the market is for the first quarter of the financial year, we started off very well in going out and borrowing money from the capital markets, but then all of a sudden the tap was switched off. So, what you do? But, yes I mean, our endeavor is going to be to have a healthy mix of liabilities from this various sources.

Unidentified Participant

Okay. Thank you sir. That's it from my side.

Operator

. We have the next question from the line of Amit Goela from Rare Enterprises. Please go ahead.

Amit Goela, Analyst

Hello.

Kapil Wadhawan, Chairman and Managing Director

Hi, Amit.

Amit Goela, Analyst

Yeah, hi, sir. Sir, I am trying to find the hard copy of your results, it's not there in BSE, NSE anywhere like so -- I do not like so?

Kapil Wadhawan, Chairman and Managing Director

.

Amit Goela, Analyst

But sir then it's very difficult for us, you know like to, we can't studied and then on the call like it becomes it's very difficult sir?

Unidentified Speaker

I think board meeting Amit has been concluded recently, I mean just now okay. So, there was some delay in faxing the results out to the NSE and BSE. But yes, all these questions that you might ask we can answer it offline.

Amit Goela, Analyst

I agree sir. We can answer it offline, but like I don't have -- I've got nothing what can I ask now like if I don't have the results, sir?

Kapil Wadhawan, Chairman and Managing Director

Yeah may be in 10 minutes, it should reach you the copy.

Amit Goela, Analyst

Fair enough, sir. Like then, I'll call you later.

Kapil Wadhawan, Chairman and Managing Director

Okay.

Operator

Thank you. We'll take the next question from the line of Kashyap Jhaveri from Emkay Global. Please go ahead.
Well, yeah good evening sir, this is Aalok Shah from Emkay Global. Resolutions on this close up number -- hello?

Kapil Wadhawan, Chairman and Managing Director

Yeah.

Aalok Shah, Analyst

Yeah, sir. I had a few questions pertaining to this quarter. If we have to look the disbursement growth, it's still hovering around at 11%, 12%. Now what I thought -- we get it from the earlier commentaries, just giving -- it's fairly well in the Tier 2 and Tier 3 cities. So, how are we looking at disbursement growth for FY14 as a whole? That will be my first question.

Kapil Wadhawan, Chairman and Managing Director

We are taking out those at 20% for this financial year. In terms incremental disbursement and function growth and in this first half, having disbursed 6,800 odd cores --

Aalok Shah, Analyst

Yeah.

Kapil Wadhawan, Chairman and Managing Director

I think we are here on track to achieving that growth rate.

Aalok Shah, Analyst

Okay. So, will be still looking at that 20% growth rate on the disbursement front and the loan growth would be at 20%, 22%?

Kapil Wadhawan, Chairman and Managing Director

Absolutely.

Aalok Shah, Analyst

So the growth or anything in synch with ROE.

Kapil Wadhawan, Chairman and Managing Director

That's right.

Now, could you please help me with the capital position in terms of the overall CAR and Tier 1 CAR, especially post the relaxation that has come out from NHB?

Kapil Wadhawan, Chairman and Managing Director

Yeah, see the capital adequacy ratio is 18% as of now, after you know relaxation which has being given up NHB very recently on risk weightage, right? And the overall debt equity ratio is 9.57 times, right? So we are sub 10% in terms of our gearing and we are quite comfortable as far our equity is concerned. So we believe that for next one year, considering the policy what we have been following to sell down the extra growth beyond our ROE, so we don't need equity for at least 12 months from here.

Santosh Sharma, Chief Financial Officer

The Tier 1 is 12.36.

Aalok Shah, Analyst

Sorry 12.?

Santosh Sharma, Chief Financial Officer

36.

Aalok Shah, Analyst

Okay, okay. Now on, I read that we did securitization of something like 8.1 billion till date right?

Kapil Wadhawan, Chairman and Managing Director

Yeah.

Aalok Shah, Analyst

And was something through assignment and that is through the securitization road?

Kapil Wadhawan, Chairman and Managing Director

Right.

Aalok Shah, Analyst

Now could you please help me with numbers on provisions for NPA for the quarter and as well as Q2 FY'12 well? So Q2 FY'13 and Q2 FY'14?

Yeah, the total NPA number, okay -- for which is turns as on 30, September is INR269.94 crores, okay against which we have made a total provision of INR277.82 crore.

Aalok Shah, Analyst

Okay. No, so what was passed to the P&L for the quarter and for the --

Kapil Wadhawan, Chairman and Managing Director

INR10 crore provision has been made during the quarter.

Aalok Shah, Analyst

10 crore?

Kapil Wadhawan, Chairman and Managing Director

Yeah in the P&L.

Aalok Shah, Analyst

And what is this number for last year same quarter Q2 FY'13?

Kapil Wadhawan, Chairman and Managing Director

Last year, we need to check. Just hold on for a second.

Unidentified Participant

Okay.

Kapil Wadhawan, Chairman and Managing Director

It was 2.7.

Santosh Sharma, Chief Financial Officer

It was 13 crore rupees last year.

Unidentified Speaker

Okay, okay. Now, there was -- someone had raised this question on ECB, I missed out on that point. So, what is the ECB money window like we had available for? So, what is the total ECB approval that we've in place?
ECB total \$85 million has been sanctioned.

Unidentified Participant

Okay.

Santosh Sharma, Chief Financial Officer

As we said from IFC Washington and Canadian government.

Unidentified Participant

Okay.

Santosh Sharma, Chief Financial Officer

And this has been say \$70 million out of that has been sanctioned at 300 basis point over LIBOR and \$15 million has been sanctioned at 100 basis point over LIBOR. So, all inclusive cost, we're indicated by SBI, ICICI, and other banks so it was going to be 9.68%. But because of the volatile rupee, it has gone to something like close to 11%, which we find pretty costly as of now.

Unidentified Participant

Correct, correct.

Santosh Sharma, Chief Financial Officer

As of now.

Unidentified Participant

Yeah.

Santosh Sharma, Chief Financial Officer

So, out of 11% the total hedging cost is about 8% as of now. So, we're delaying the disbursement, documents and everything has already been done. But we're delaying the disbursement in anticipation that overall hedging cost should come down. We've asked and requested IFC Washington also to help us out in showing some options by which it can be reduced to say a 10% kind of a level.

Unidentified Participant

Correct, correct.

We do not avail that money next year [ph].

Unidentified Participant

Okay so that could actually help us reduce the overall cost of funds. Now, I was looking at this borrowing profile slide and we've seen actually three basis points decline in the overall cost of borrowings from banks and financial institutions?

Santosh Sharma, Chief Financial Officer

Yeah.

Unidentified Participant

Now, what I understand is there were some sort of base rate reduction -- base rate increased by private banks in the last quarter. Now, so what -- how do we read into this number?

Santosh Sharma, Chief Financial Officer

Actually in the first quarter, you must have seen the year-to-date number there three basis point decrease has been noted in the overall cost of borrowing right. Now, this is, this could have been about five to six basis point if there was no tightening in the second quarter, right.

Unidentified Participant

Okay.

Santosh Sharma, Chief Financial Officer

Right. So, in second quarter actually the cost of borrowing has moved up rather than it has gone down. But overall if we see, we've taken lot of money from capital market in the first quarter.

Unidentified Participant

Correct.

Santosh Sharma, Chief Financial Officer

Okay which came in the range of 9.5 to 9.90%.

Unidentified Speaker

Yeah. Okay.

Right and because of which we could notice some bit of improvement in the net interest margin, but that has been, I think, set off in the second quarter. So, we're not seeing any improvement in net interest margin rather two or three basis point decline if you see beyond the second quarter.

Unidentified Participant

Correct, correct. Okay, okay. And how is the overall guidance on the NIM front?

Santosh Sharma, Chief Financial Officer

We believe that we should be maintaining on a conservative note, stable margin. I won't -- we don't want to promise you 2.8 or 2.9 kind of a net interest margin, but interest rate scenario has been quite lean for some time and we believe that there is going to be 25 basis point to 50 basis point increase by RBI, on 29th and may be in the next policy.

So we need to be a bit conservative. We wish that whatever increase is being done by most of the banks, we are able to pass it on to our customers to maintain net interest margin. That has been the focus. Increase in the net interest margin is not going to be the focus as of now. Focus is to balance the net interest margin and the NPL situation at this stage.

Unidentified Participant

Okay and just to recap, you said the fee income for this quarter was 33 crores?

Kapil Wadhawan, Chairman and Managing Director

Yes.

Unidentified Participant

Your treasury income was 23 and commission from insurance was 18 crores.

Kapil Wadhawan, Chairman and Managing Director

Correct.

Unidentified Participant

Okay, yeah, that's it from my end.

Kapil Wadhawan, Chairman and Managing Director

Processing 33.36 crore.

Unidentified Participant Kapil Wadhawan, Chairman and Managing Director

Yes.

Unidentified Participant

Yeah, so that's it from my end. Thank you so much, sir.

Kapil Wadhawan, Chairman and Managing Director

Okay.

Operator

Thank you. We have the next follow-up question from the line of Cogeneration. Please go ahead.

Unidentified Participant

Hi, sir. Sir on the margin front you said, your margins -- could you give me the number, what will be your net interest margins for the quarter?

Kapil Wadhawan, Chairman and Managing Director

It's 2.70

Unidentified Participant

2.?

Kapil Wadhawan, Chairman and Managing Director

Unidentified Participant

Okay, sir and the follow of the stake sale question, you said that you won't be having any fresh issuance of shares, am I correct?

Kapil Wadhawan, Chairman and Managing Director

Yeah, it's right.

Yeah, and anything from the existing share holding sir?

Kapil Wadhawan, Chairman and Managing Director

Sorry? No.

Unidentified Participant

Anything -- any stake sale from the existing share holding?

Kapil Wadhawan, Chairman and Managing Director

No, we are not selling.

Unidentified Participant

Nothing of that sort?

Kapil Wadhawan, Chairman and Managing Director

We're not been inform by any existing equity holder, who is looking out to sell our investment. So there is not -- there's not going to be any sale from the existing share holders.

Unidentified Participant

Okay, okay. Thanks a lot sir.

Kapil Wadhawan, Chairman and Managing Director

If at all, are -- cannot sell in the market. They don't intend to sell any single shares.

Unidentified Participant

So, nobody has informed you so far, you meant?

Kapil Wadhawan, Chairman and Managing Director

Rather than we must have bought at least 1.5% to 2% in the -- under decreasing acquisition in last three to four months.

Unidentified Participant

Okay.

Thank you. We have the next question from the line of Elizabeth John from Crystal [ph]. Please go ahead.

Unidentified Participant

Yeah. Hi good evening everyone.

Kapil Wadhawan, Chairman and Managing Director

Good evening.

Unidentified Participant

I've got a question on the balance sheet, referring to the current investment and cash and bank balances, if you could explain me the reason for the increase?

Kapil Wadhawan, Chairman and Managing Director

The increase was -- which is very logical. In the month of August, there was a liquidity crisis.

Unidentified Participant

Okay.

Kapil Wadhawan, Chairman and Managing Director

Banks were not even disbursing after. So it was a prudent policy. It was prudently keep cash rather than waiting for the banks to give the money, before the main investments. So whatever we have taken as a disbursement from banks, we invest it for the time being in FDs and liquid mutual funds. So it was call on count of liquidity situation in that point in time.

Unidentified Participant

Okay, I mean, things would have been again back to normal, right?

Kapil Wadhawan, Chairman and Managing Director

Yeah, everything is normal. We always try to keep liquids as our last moment disbursement comes and we should do it.

Unidentified Participant

Sure, thanks.

Operator Subhankar Ojha, Analyst

Yeh, hi, so couple of questions. What is your exposure to developers, I mean your total loan book as a percentage of -your developer's loan book as a percentage of total loan book?

Kapil Wadhawan, Chairman and Managing Director

It's 6.5%.

Subhankar Ojha, Analyst

6.5% and how much would that be?

Kapil Wadhawan, Chairman and Managing Director

It's about INR2,400 odd crore.

Subhankar Ojha, Analyst

INR2,400 odd crore, okay. Thank you, sir.

Operator

Thank you. We have the next follow-up question from the line of Crystal Limited. Please go ahead.

Unidentified Participant

Yeah, hi sir. It's Jay again. Can you just throw some light on your outstanding portfolio basis, how much is in metros and Tier 2 and Tier 3, that would be helpful.

Unidentified Speaker

What's the question? What is the proportion?

Unidentified Participant

Portfolio, yeah.

Deo Shankar Tripathi, President and Chief Operating Officer

Portfolio you want to know?

Tier 2 to Tier 3 and metro.

Deo Shankar Tripathi, President and Chief Operating Officer

See that in metro -- just a minute. Our portfolio in metro is around 48%. Metro is 48%. In Tier 1 cities it is roughly about 20% and

then rest of it all, 70% we maintain in Tier 2, Tier 3 cities.

Kapil Wadhawan, Chairman and Managing Director

But I would like to add what Mr. Tripathi has said over here that even in the metros, we are disbursing in the outskirts of metros.

Deo Shankar Tripathi, President and Chief Operating Officer

Yeah, like in Mumbai, I will tell you our maximum disbursement in that our disbursement territory.

Unidentified Participant

Okay, sir.

Deo Shankar Tripathi, President and Chief Operating Officer

Mumbai, our ticket size of loan is around 15 lakh rupees.

Unidentified Participant

Okay.

Deo Shankar Tripathi, President and Chief Operating Officer

Very few where the cost of the houses is so high, but we'll maintain our ticket size around (inaudible).

Unidentified Participant

Okay, sir. Thank you.

Operator

Thank you. We have the next question from the line of Ushma Sheth from Rare Enterprises. Please go ahead.

Ushma Sheth, Analyst Kapil Wadhawan, Chairman and Managing Director

Okay. Thank you.

Operator

Thank you. We have the next follow-up question from the line of Nidhesh Jain from Espirito Santo. Please go ahead.

Nidhesh Jain, Analyst

In your balance sheet what is the reason of such a increase in capital work in progress on YOY basis?

Kapil Wadhawan, Chairman and Managing Director

Capital work-in-progress, we have made payments for the office. Here, we have bought two floors in the for about 99 crore rupees.

Unidentified Participant

The increase...

Santosh Sharma, Chief Financial Officer

So, we plan to shift maybe in next four to five months from this place okay to the BKC. Then the backoffice, which is going to be here in this office and CMD's office along with other functional offices will move into BKC.

Nidhesh Jain, Analyst

But if I look at the numbers the increase is around 500 crores?

Kapil Wadhawan, Chairman and Managing Director

That must be a capital that is as per the registered agreement what we have paid.

Nidhesh Jain, Analyst

Okay, okay, okay. Got it. Thank you sir.

Kapil Wadhawan, Chairman and Managing Director

Thank you.

Thank you. We'll take the next question from the line of from ENAM Holdings. Please go ahead.

Unidentified Participant

Thank you. Just wanted to check on the cost of borrowing, there was a previous question as well?

Kapil Wadhawan, Chairman and Managing Director

Yeah CAGR expenses that you will be the first participant in the call.

Unidentified Participant

Some --. As I see this cost of borrowing had the declines from banks I didn't understand the explanation that was given that, the cost gone up. So, I just wanted to clarify what exactly is this disclosure?

Unidentified Speaker

Well, what will happening the -- that we were taking lot of money from the capital market in the first quarter, okay, which was not available in this second quarter. So second quarter we are avail lot of money under P1 plus category. And you can notice that, the money which was available at for 8.5% in the first half on CP, right was available at 12% in this second quarter. So because which we took lot of money from that end because of which over cost that moved up. But if you notice the -- banks, slightly it has gone down, right. It is slightly inches down, in spite this --, but few of the banks have increase their debt rate.

Unidentified Participant

Right.

Unidentified Speaker

But people will, pretty well with couple of banks.

Unidentified Participant

Right.

Unidentified Speaker

On this -- front. For example, we had prepaid support warranty 475 crore rupees to IDBI bank as I said, which was at 12.25%.

So, we replace that money by taking NCDs from the markets, but that 475 crore rupees is completely closed. Likewise two or three other banks which was having 12%, 12.5% kind of a rate has been closed. So you will notice that overall base rate has moved up, so it should have gone-up, but it has come down a bit because of the prepayment and some negotiation on this rate [ph].

Unidentified Participant

That's actually what I wanted to clarify. That the cost is actually come down rather than going up, which is quite positive.

Unidentified Speaker

I am agreed. We said some of the bank has reduced their base rate, that full-blown effect has come in this quarter only. If you see that in July, some of the banks had reduced their base rate.

Unidentified Participant

Sure. Thank you.

Unidentified Speaker

Thank you.

Operator

Thank you. We have the next follow-up question from the line of Subhankar Ojha from SKS Capital & Research. Please go ahead.

Subhankar Ojha, Analyst

Hello? Yeah, so your ROE in your presentation actually -- your ROE and ROA has come down like in FY'12 if your ROA was -- ROE was 19%, that has come down to somewhere 17% and so this ROA which was at close to 2%, now at 1.6%. So why do you see this stabilizing it.

Unidentified Speaker

See what is happening, if you see that everything start from net interest margin. Net interest margin of the company on a standalone basis, if you see it was about 19%, I am sorry 2.9%. Okay. 2.94% rather. So net interest margin has come down from 2.94% to 2.70% which is I think you know ultimate impact on the ROA and ROE, right.

Now there is a additional provisioning requirement on the profit and loss account on the standard assets, so 0.40% of the standard assets you need to provide extra, right. So ROA, ROE has moved lower on account of these things, it is not applicable only to us but it is applicable for the industry. But, in terms of post merger scenario, we've come down by approximately 18 basis point as far -- our net interest margin concern, hence there is an impact on ROA or ROE. We believe that we should be inching a bit higher in terms of ROE from 17% to 18% okay, in sometime because we plan to do lot of securitizing assignment and we release our capital.

So it should -- up rather than it going down, so we believe that something like 18% ROE or 1.65 to 1.70 kind of ROA should be maintain at ten times leverage.

Subhankar Ojha, Analyst Unidentified Participant

Related question be what is your average yield on that, sir?

Unidentified Speaker

it's about 20%.

Unidentified Participant

20% plus?

Unidentified Speaker

Yeah, 20% I can say.

Unidentified Participant

Okay.

Unidentified Speaker

Exact dates are most of the cases are having 21% deal but 20% is on an average you can say that we have been charging.

Unidentified Participant

And can you name few key borrowers?

Unidentified Speaker

I don't have a list of that -- those borrowers. Visit our office sometime and we should be able to show you that about 100 odd borrowers are there. We can show you the list but one thing I can tell you out of that 6.5% nothing has been lend to HDIL. As there are about 200 for that.

Unidentified Participant

Okay, sir. Thank you very much.

Operator

Thank you. We have the next question from the line of Sina Patil [ph] from --. Please go ahead.

Good evening everyone. I have couple of queries like an -- to the first part on the borrowing cost composition, if I don't have the presentation with me. Can you just give the detail?

Unidentified Speaker

Yeah. The total cost of the borrowing as on 30th September is 10.5 which comprises of banks and FIs 10.94 and SB 7.9 and -- 9.41. Multilateral agency 9.9 and other -- PP, FD all book together in 10.82 and overall weight is 10.56.

Unidentified Participant

Okay. So the break-up as per the amount is concern?

Unidentified Speaker

Amount is 24,095 crores with banks and FIs, -- 2.34 crores and -- 4,369 crores. Multilateral agency it is 1 crore. -4,798 crores.

Unidentified Participant

Okay. Sir, as per the dispersal is concerned. Could you just provide the -- across the various ticket sizes?

Unidentified Speaker

You want loan or what you want actually?

Unidentified Participant

The loans which we have provided.

Unidentified Speaker

Loans we have provided -- our average ticket size is 10.19 till September 30.

Unidentified Participant

Okay.

Unidentified Speaker

10.1 lakh till September 30.

Unidentified Participant Unidentified Speaker

That will be possible Madam, we can -- you can mail us the query and we can just hand over the query. Data may not be able at this point in time.

Unidentified Participant

Okay. Thank you sir.

Operator

Thank you. We have the next question from the line of Smith Aggarwal from Milan Asset Management [ph]. Please go ahead.

Unidentified Participant

Hi everybody.

Unidentified Speaker

Hi.

Unidentified Participant

-- I just want one clarification this borrowing cost, I mean Aditya was asking about. This calculation is on a -- that's mean the, let's for example bank's and -- 10.94% so this would be the annualize interest cost for this six month period by the average.

Unidentified Speaker

Based on the 30th September.

Unidentified Participant

Right.

Unidentified Speaker

This cost, I think calculated. So if something has been increased don't say September 1.

Unidentified Participant

Right.

Okay. So the ultimate impact what is the cost spending on 30 September will be given where it is. It is unlike few people giving as what has been -- on the counting terms in profit and loss account, okay. Did you see that cost that will be about 13 wages point lower than this. Okay, so this is -- cost -- P&L cost.

Unidentified Participant

Okay so should mean the fresh cost at which the borrowing would come at right?

Unidentified Speaker

you're right.

Unidentified Participant

So just to clarify one more thing, as you mentioned if you looked at P&L accounting cost that should be about 30 -lower. But what would that trend wise or as we as compare to June quarter that would have been higher or it be lower?

Unidentified Speaker

It depends lower data, how you are dealing with your banks which are 70%, so if bank cost is going down as I -- to Aditya that few of our loans are up close which well as the higher side, right. So oppose than the year-to-date cost will be lower and we are going to see more quality will impact in the time to come our quarters to come. So it depends that how you are dealing with these bank preposition -- basis. So bank preposition cost that totally come down year, so you P&L level if you -- do leveraging there also can be less than the last quarter.

Unidentified Participant

Okay, okay. And --

Unidentified Speaker

There is enough pressure on cost of borrowing.

Unidentified Participant

Right, right. And just one more thing you shared deposit number what is the familiar cost would be on deposits?

Unidentified Speaker

The -- cost is about 10.70%.

Unidentified Participant

10.70%

Unidentified Speaker

Like the -- cost. The negative Carrie -- we are on the -- investments.

Unidentified Participant

Right, right. Okay thanks a lot. Thanks.

Operator

Thank you. We'll take the next follow up question from the line of Kashyap Jhaveri from Emkay Global. Please go ahead.

Unidentified Participant

Yes I had a simple question on slight well of presentation. We are showing the part of 106.5 crores for Q2 FY'13?

Unidentified Speaker

What --

Unidentified Participant

106.5 crore Q2 FY'13 that is not comparable --, because that's a consolidated result and not (inaudible).

Unidentified Participant

Correct. No, why I was trying to understand is because when we look at the BSE press release that shows a profit after tax of 858 crores. Sorry 85.8 crores?

Unidentified Speaker

That's may be the case for the sake of comparison, we have just club those two companies which is -- DHFL for the sake of comparison, so you will find some kind of mismatch, what we have reported to BSE at that in time -- to different entities were there, now we merged on a 909 basis, so it is only DHFL merged balance sheet.

So you may find some mismatch, but if you want to say detailed calculation on that, we are --

Unidentified Participant

Yeah I mean, -- it should be close to 106 which is 1065, but there was some sort of confusion between DSP and --

Unidentified Speaker

You will find some bit of mismatch, which we will clarify through a note, but -- note in the presentation.

Unidentified Participant

Okay and just one thing. We had revisal lending rates during this quarter, a quantum of that was?

Unidentified Speaker

25 basis point.

Unidentified Participant

And that was effective Feb -- sorry August.

Unidentified Speaker

For September 2013.

Unidentified Participant

Okay, yeah that should be. Yeah, thank you.

Operator

Thank you. Participants that was your last question, I'd now like to hand the floor to Mr. Prashant Chaturvedi for closing comments. Thank you and over to you sir.

Unidentified Speaker

I would like to thank all of you to participating in DHFL earnings call and we'll be very happy to answer all queries and question which you can ask separately, by via a mail or visiting to our office. Thank you very much, thank all for joining the call.

Operator

Thank you sir. Ladies and gentlemen, on behalf of DHFL that concludes this conference call. Thank you for joining us you may now disconnect