"LIC Housing Finance Limited Q3 FY 2015 Earnings Results Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the LIC Housing Finance Limited Q3 FY 2015 Earning 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 "*" and "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Praveen Agarwal from Axis Capital Limited. Thank you and over to you sir!

Praveen Agarwal: Thank you. Good morning everybody and welcome to this LIC Housing Conference Call to discuss the third quarter results. We have with us today Ms. Sunita Sharma, Managing Director and CEO and Sudipto Sil to discuss the results. May I now request Ms. Sharma to take us through the financial highlights subsequent to which we will open the floor for Q&A. Over to you Madam!

Sunita Sharma: Thank you Praveen. Good morning to all of you. Let me first welcome you to today's Earning Call for CQ3 FY 2015 numbers. You would be aware that LICHFL has announced its third quarter results for the current financial year yesterday. The key highlights of the results are as follows:

Income from the operations up by 15% to 2700 Crores, net interest income at Rs.549 Crores up by 20%. Profit before tax is Rs.521.21 Crores up by 14%, profit after tax before tax DTL is Rs.378.35 Crores up by 16%. Total loan disbursements for the quarter at Rs.7632 Crores up by 25% year-on-year.

Disbursements in development segment, developer segment is Rs.448 Crores up by 51%, total loan portfolio at Rs. 101944 Crores up by 18%, individual loan portfolio now stands at Rs.99362 Crores up 19%, gross NPA down to 0.57% from 0.81% a year ago. During the third quarter the disbursement growth continued its uptrend. The retail disbursements clocked at 23% growth and the developer's disbursement registered a growth of 51%.

Growth in loan against property or LAP continued at over 100% and its share in the portfolio has now crossed 4%. This is going to increase margins in the coming quarters. During Q3 we have approved 635 Crores in the developer's loan, a year-on-year growth of 84% and the disbursements will commence in the current quarter.

On the NPA front, the retail NPA continue to trend down with the reduction both sequentially and year-on-year. Retail gross NPA is now at 0.33% down from 0.38% a quarter back and down from 0.40% a year back. Provision cover including standard assets provisioning is now at 117%.

On the margin front NIM for the quarter stood at 2.20% as against 2.16% in Q3 of the last year. You would recollect that there was a recovery of developer NPA account in Q2 which had an income component of Rs.24 Crores adjusting for that one-off item there has been a sequential increase in NIMs.

Weighted average cost has reduced during the quarter by 9 basis points, mostly during December and is now at 9.59%. During the nine months, we have borrowed more than Rs. 23000 Crores at a cost of 9.43%. During the third quarter our borrowings of approximately to be 9000 Crores has come in at a much reduced rate of about 9.1%. Currently the borrowing rates are in the range of 8.6% to 8.8%, which may further reduce fall in today's REPO rate cut this should help us increase our incremental spread further.

We have also progressively reduced our bank borrowings to 19% from 25% at the beginning of the year, this will reduce further.

With this brief introduction I would invite you to post your queries please. Thank you.

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

Kunal Shah: Madam, firstly with respect to in the developer loan book, which has seen traction in this quarter, and obviously the pipeline as you highlighted in terms of sanctions is also strong. So suppose if I have to look at say in terms of next year as well, what our outlook would be in terms of say the scale up of this developer loan is like anything the things are improving on this side and that is the reason like we have again started focusing on this segment. So if you can give the outlook on this space?

Sunita Sharma: We have started focusing on the developer's loan one aspect is that we have to take care of NIMs and the mostly margins come from the developer's loan that is why we started focusing on this. And we are still very cautious the opportunities can be even more but we are taking those opportunities only which can be profitable where we have very controlled risk where the risk is not too much we are very cautious about that and that is why because of the continues focus we have been able to show a growth 84% sanction and 1% disbursement and I think we would like to continue to work on that.

Kunal Shah: So the proportion would be inching up over next quarters?

Sunita Sharma: Yes it should inch up and probably during Q4 we should be able to do something around 600 to 700 Crores of disbursement.

Kunal Shah: Next year maybe the way we are doing 1400 odd Crores for this year so that traction can continue in the next?

Sunita Sharma: Yes it should continue you like to build up slightly bigger portfolio so which we are able to get some more margin.

Kunal Shah: Any kind of a chunkiness in this portfolio so say this incremental say second half disbursements which are there which would be say 1100, 1200 odd Crores any chunkiness in this or this is again like well distributed?

Sunita Sharma: It is well distributed because as I told you earlier that we are very focused on the firstly the quality of asset, which we are taking and unless the quality is good for that we need not go for big portfolios, we need not go to have only one particular area we are very clear that issue is spread so the risk is spread and we are also clear that we should not be going for very big loans because that also creates a concentration of risk.

Kunal Shah: Secondly when look at the GNPLs obviously there seems to be some write-off in this quarter and maybe normally we had not seen this kind of a write-off so any particular reason for say this write-off of 28%?

Sunita Sharma: It is only a technical entry otherwise that these cases will remain that and we will continue to follow these cases we do not leave these cases and it is technical wise because it has been fully provided for.

Kunal Shah: So how many, so today in terms of your overall book how many would be like say 100% kind of a provided NPA again are we looking to write it off say in the further quarters as well?

Sunita Sharma: It is less than 1% and we look at it how it goes and at that time we look at the number and then take a decision. It is only1% less than 1% actually.

Kunal Shah: Lastly in terms of the yields so obviously I think funding cost is getting to our advantage but when we look at yields in terms of our exercising benefit or if today only like 35%, 37% falls into the floating category. So how do we say it may be in terms of yields suppose it from our yields have to hold on in the current level how much basis points would we see the improvement in the yield because of the pricing?

Sunita Sharma: No, not REPO rate this is increase in the…

Kunal Shah: Yes may be this advantage 5 would also get, I think the net would also get rolled over to the floating rates next year. So maybe that benefit plus the other loans which are there. So when we look at it over sales 12 to 18 months if suppose the rates have to hold on in the current level in terms of our lending what is the yield which we look at today say it's like 10.7 or so, so where do we exactly see that or what is the benefit which could kick in?

Sunita Sharma: The lending yield is at the movement at 10.70 and the way I look at it is that depends basically on the market rate, the interest rate scenario in the market basically at that point of time, because otherwise at the current level, they should get only reprised and that will be around 11% plus so that comes gives us good margin.

Kunal Shah: Yes that is what so something that the rates are to hold at so there supposedly assume next it continues at the current pace?

Sunita Sharma: No, after having seen a cut in repo rate we have seen a REPO rate do you think the rates are going to continue at the current rate.

Kunal Shah: Okay so you may not say that is the major benefit in terms of reprising?

Sunita Sharma: Not that much of benefit some benefit will be there, but not that much.

Kunal Shah: Thank s a lot.

Moderator: Thank you. We have next question from the line of Amit Premchandani UTI Mutual Fund. Please go ahead.

Amit Premchandani: I had a question on the LAP book I just wanted to understand what is the sourcing strategy on the LAP book how do you source loan and the customer profile of the LAP book whether they are existing home loan customers or it is a completely new set of customers and what is the team size that you have set up to look at to grow this business the LAP one?

Sunita Sharma: No, our customers profile is mix of existing and the new. We are going to our existing customers also and then new ones also are being sourced and they are both salaried and non-salaried. If you took at the customers profile and how we source it through our agents. We have a good number of feet-on-street people who in this organization already exists. From the existing organization, which we have that around 11000 to 12000 feet-on-street at the moment. This year we have reduced increase the number of this feet on street and these people only go and source only thing is we convey our focus that this is the focus we have to do we want this much of business from this segment and with this much as big business on this segment and the communication is continuous at various levels and the focus has been conveyed very clearly that this is what you want and as a result of that we have seen more than 100% of growth in our this particular segment.

Amit Premchandani: Madam, on the profile of the customers more than 90% is salaried for you on the mortgage front. So our salaried customer since bank to give the LAP loan again?

Sunita Sharma: Yes, I will tell you why. Most of them do it for house renovation, they do it also for education loan for their children there is various reasons why salaried clause also take this kind of loan. Especially most of them on its education loan category.

Amit Premchandani: So is it a top up loan on the mortgage that you are putting it now?

Sunita Sharma: No it is not a top up it is a self occupied residential property on that people need money instead of going to a bank for a personal loan they will come here for 12.50.

Amit Premchandani: Madam if they are the existing customers?

Sunita Sharma: It should have been unencumbered property so if it is an unencumbered property see there is no loan existing on that property at that moment.

Amit Premchandani: Even on LIC?

Sunita Sharma: Yes even from LIC.

Amit Premchandani: Madam, are you comfortable with this 100% kind of growth is it easily scalable that you are going at 100%.

Sunita Sharma: Yes your point is very well taken it is we are comfortable at the movement because base is very small. We as on March 31, 2014 the total portfolio was around 2700 Crores. Now on that growth now we have come to a portfolio for 4100 odd Crores. So the growth looks more than 100% because we did not have a focus on this portfolio. Now since we have kept the focus we are increasing there which will give, which actually will result in margins for the next quarter or maybe the next quarter, because this it always happen the effect on the net interest income happens with a lag. So definitely it will happen for the next quarter maybe but periodically we will keep on doing the reassessment of how what kind of portfolio we have created and what kind of asset quality we have taken up that we keep on, I have already taken this decision that I will do this quality check when we have buildup some maybe 5% of portfolio we look at it that should be continue the same growth rate or should we slow it down. That decision will take it when we have reached at 5%.

Amit Premchandani: Madam what is the average yield of this 4018 Crores book?

Sunita Sharma: This is 12.50.

Amit Premchandani: Madam, just a request, if you can give this breakup of LAP, individual mortgage and corporate rather than individual and corporate performance next quarter onwards so that we can have time to go through that.

Sunita Sharma: We shall give you that no problem.

Amit Premchandani: On the developer front, Madam as you are planning to move ahead and again grow the book, what are the key lessons and key avoidable that you will look at in the next growth phase on developer's loan from the previous experience?

Sunita Sharma: I have always maintained. Whenever I talked about developer loans I have always maintained that we will take only those opportunities which fit our criteria. We will not go beyond our criteria to simply mindlessly grow the book that we are not going to do. Since we did not want to do that, that is why we started working on LAP because we did not want to take too much of risk. That kind of cautiousness or precaution we will always take and we have been traditionally conventionally very, very conventional already traditional company. So we will continue to do that we are not going to go aggressively simply because we need that portfolio more, no. We will work harder in the sense then we will do more marketing intensive marketing and we will get more proposal so that we are able to get suppose I bring 10 proposal out of that if two or three are also approved and are under our present norms I will take that, but I will not take all the tens simply because I want to increase by book I will definitely keep a very bit quality check on this and the more the book grows the more the quality check will be there.

Amit Premchandani: The criteria is like you will not be go into project finance of malls and lease rental or you would only focus on residential projects or what is the criteria check if you can?

Sunita Sharma: At that moment, we are doing only residential. We are not going for commercial at the movement this is the strategy because let be look at the market how it bails up and how things are happening in the market accordingly we will take a decision about commercial later at the movement we are going only for residential that also construction finance. We have decided that we do better checking with the trafficking opportunity by increasing marketing focus.

Amit Premchandani: Madam, if you could finally last one question give us the sanction number both individual as well as project book.

Sunita Sharma: Yes, sanction for up to…

Amit Premchandani: For this quarter madam.

Sunita Sharma: For this quarter it is 7858 total and for project 635 and for individual it is 7224.

Amit Premchandani: Thanks a lot Madam. That is it from my side.

Moderator: Thank you. We have next question from the line of Anand Laddha from HDFC Mutual Funds. Please go ahead.

Anand Laddha: Madam on a developer side if you can just again indicate like what is the incremental yield which we have been doing and now with the base rate cut or likely we said cut with banks did you see there some pressure coming on a developer loan segment also in terms of lending yield.

Sunita Sharma: Immediately I do not think it will come but let's see how things pan out but at the movement our yields are between actually it will be 14.58 to be precise.

Anand Laddha: This is the yield on the book or this is on the incremental side madam.

Sunita Sharma: It is on the book.

Anand Laddha: And on the incremental side.

Sunita Sharma: It will be around 14% to 14.5%.

Anand Laddha: Madam if I just want to understand on the retail side if someone wanted to come today take a retail loan on a floating basis what could be the incrementally yield will charge him.

Sunita Sharma: It is not a floating it is fixed.

Anand Laddha: So currently we do not have any product on the floating side for the retail customers.

Sunita Sharma: It is actually for the whatever product we have which is for sometime it is fixed and then it will become floating up to two years at the movement it is 10.10 to 10.25 and then it becomes floating when it become floating it is as per LHPR.

Anand Laddha: So this currently we are offering 10.1 as a fixed for two years and 10.25 fixed over two years.

Sunita Sharma: It is only starting actually various kinds of rate cut we also have various buckets so it is at 10.10 for some bucket and 10.25 for some, 10.50 also for some, 10.70 also for some so different rates are there for different bucket.

Anand Laddha: So what is if you can just define the bucket madam if you can for loan up to 50 Lakh will be what could be the rate.

Sunita Sharma: This is 10.25.

Anand Laddha: Okay and less than 30 lakh madam.

Sunita Sharma: It is less than 25 would be 10.10.

Anand Laddha: Madam REITS loans which are getting converted from fixed to floating will be get converted at what rate madam?

Sunita Sharma: It will be 11% plus, but depends on whatever is market rate at that time LHPR.

Anand Laddha: What is our LHPR madam currently?

Sunita Sharma: 14.5.

Anand Laddha: So when we say the loan will get priced at 11% so its discount of almost like 3%?

Sunita Sharma: It will be discounted yes.

Anand Laddha: Madam does the customer have option like there are some HFCs which gives option like you pay some season come get back to you at a lower rate?

Sunita Sharma: Yes there is an option. It is available.

Anand Laddha: Madam, can you give some numbers on what sort of loan which will come for reprising in FY 2016 and what is the average yield of those loan?

Sunita Sharma: It is 25000 Crores nearly and the average yield on this loan at this moment will be around it is at 10.20%, 10.25% and then I think it is get reprised and at depends on that time what is the rate it will be again more than 11% to 12%.

Anand Laddha: Thank you. That is from my side.

Moderator: Thank you. We have next question from the line of Jatinder Aggarwal from Karma Capital. Please go ahead.

Jatinder Aggarwal: Just one very small question Madam. Of the average incremental ticket size which is 19.1 lakhs can you break that into LAP and non-LAP?

Sunita Sharma: LAP is 25 lakhs, the rest of it will be around less than 19 lakhs would be individual.

Jatinder Aggarwal: What is the highest slab in which to do LAP basically in terms of amount so the range is if the average is 25 what would be the range?

Sunita Sharma: There is no limit for that.

Jatinder Aggarwal: But what could be the maximum that you would have done per se.

Sunita Sharma: I would not have the number at the moment but may be it can be 1 Crore also maybe it is the number.

Jatinder Aggarwal: Is there segmentation by amount where you do not want to compete beyond supposed at 2 Crores or whatever or you are just open to doing anything in that?

Sunita Sharma: Open to but we have not got any such big cases in LAP because we have got limits so as a particular limit it comes to corporate office and the one thing which you have to understand is that we do not know LAP like probably other people do. We do LAP on the basis of two things one is the value of the property LTV should be low in that case. The other is his repayment capacity, if the person has good repayment capacity we do not have any issue on giving him because we do the appraisal as it we do for a mortgage loan. It is just not LAP, loan against property. It is not like that that the property will be there then we have given loan we also assess his repayment capacity. If he is able to and he has got the earnings is able to pay and repayment capacity can be through cash flow based also, if it is salary then also we look at that so it is more like, other than this risk mitigation measure has been taken by ensuring that the person is able to pay back.

Jatinder Aggarwal: So anything above 1 Crore comes to head office for approval?

Sunita Sharma: Anything above 3 Crores.

Jatinder Aggarwal: Thank you Madam. That is useful.

Moderator: Thank you. Next question is from the line of Manish Chaudhary from IDFC Securities. Please go ahead.

Manish Chaudhary: Just wanted to check with you increasingly the proportion of pure fixed rate loans in our portfolio are coming down pretty sharply now it is about one third, so is there a risk that as the current incremental loans which are largely fixed rate loans and then converting to floating so in a case that in a declining interest rate environment you could see basically a little bit more benefit in terms of margins over the next two years and then it could drop sharply?

Sunita Sharma: I do not see that thing happening because what we are selling at the moment also is the similar product. So fixed rate component is there in that products, so that we keep on adding to it, continuously they will be adding. It will be always there is a (**indiscernible-23.36**) impact to the positive. There is nothing which can change in the sense that whatever is going to the floating another bucket adds every year to the fixed. After two years something goes to the floating and this year again some bucket will get added. So I do not think there is any impact of that.

Manish Chaudhary: Thank you.

Moderator: Thank you. We have next question is from the line of Abhishek Kothari from Quant Capital. Please go ahead.

Abhishek Kothari: Madam, what has been the approval in Q3 in terms of individual and other loans?

Sunita Sharma: Individual has been 7224 Crores and the developer loan has been 635 Crores.

Abhishek Kothari: 635.

Sunita Sharma: Yes, approval.

Abhishek Kothari: So it is the same as sanction rate?

Sunita Sharma: No, sanction is 635 and approval means you are talking about disbursals?

Abhishek Kothari: No the approval rate, how many would have come for approval?

Sunita Sharma: No I am talking about that.

Sudipto Sil: No that if you look at on the, Abhishek if you look at approval and sanctions technically for as far as we are concerned by and large means the same, there is nothing called approval then sanction then disbursement we do not have three processes it is straightaway sanctions then thereafter disbursals. Any specific thing that you want to know?

Abhishek Kothari: No just wanted from data view points. There were a couple of accounts about 2.36 billion worth of recovery that we were targeting any status update on the same?

Sunita Sharma: Yes, I mean we are working on that and there are some improvement and we have some we have made some very good progress. It will take time but since we are backed up by very good security as such is very good, so I think we should be able to recover it, it may take some time.

Abhishek Kothari: Madam, one question is that how many of customers would be on board products. Let's say home loan and LAP put together and what would be your EMI to income ratio per month for them?

Sudipto Sil: Sorry can you please repeat your query?

Abhishek Kothari: I needed how many customers would be both on home loan?

Sudipto Sil: No there is no both. There cannot be both. How can a person take a home loan and also take a loan against it. I do not know whether any company has that factor.

Abhishek Kothari: Lastly on what is our EMI to income ratio?

Sudipto Sil: EMI to income ratio is around on an average it is around 36%, within 33% and 36%.

Abhishek Kothari: Employee expenses have jumped up sequentially so anything to deal in that?

Sudipto Sil: See Abhishek you are aware that the G-SEC yields have come down significantly in the last month especially in the month of December and we have to make some actuarial valuation on the retirement benefits like leave and encashment and gratuity based upon the ten year G-SEC benchmark so the discounting rate gets impacted because of that some extra 6 Crores had to be made as a provision but there is no actual outflow. This just a provision required for actuarial valuation. It is basically technical in nature. If you remove that then increase is in inline.

Abhishek Kothari: That is it from my side. Thank you.

Moderator: Thank you. We have next question from the line of Amey Sathe from JM Financial. Please go ahead.

Amey Sathe: Thanks a lot Madam. Good set of numbers. Two questions; what is on the steady state borrowing mix currently we have around 20% coming from banks so how do you see the government being?

Sunita Sharma: 19% for the bank.

Amey Sathe: Yes so how do you see your borrowing mix say over next two years you think it will settle down at current or do you see some more changes?

Sunita Sharma: I think we can reduce it further and also I think the banks if they keep on reducing the base rate, I do not expect to be on par with NCDs but still it will be slightly better so we can reduce it to 10% to 12%.

Amey Sathe: That is the intended target for us?

Sunita Sharma: Yes.

Amey Sathe: The second question on this our preparedness if tomorrow banks start cutting base rate if for example is we cut the base rate by the 25 BPS so do we need to cut our lending rates in the same fashion or we can cut it say by 10 basis points that kind of a reaction we can give what is our sense on that?

Sunita Sharma: We will take a considered view of considering the margins and our competitive scenario at that time. At the moment I would not like to comment on that.

Amey Sathe: But we will be reacting to some of the base rate cut if anything happens on that front?

Sunita Sharma: Again, we will be reacting only taking care of our margins and competitive scenario. We cannot just do it because somebody else is doing it we will just look at our own financials and then we will take a decision.

Amey Sathe: Thanks a lot Madam. That is it from my side.

Moderator: Thank you. The next question is from the line of Adesh Mehta from Ambit Capital. Please go ahead.

Adesh Mehta: In our individual loan segment as we have seen some declining yields so what could be reason for that?

Sudipto Sil: Actually there is no decline in yields if you look at sometimes what that is actually based up on a calculation and whenever there is an asset build up towards the end of the quarter you were likely to see some kind of an aberration because of that. There have been no lending rate cuts in the Q3.

Adesh Mehta: No mix changes in terms of the product?

Sudipto Sil: It has been only to the positive. Loan against property has increased between Q2 and Q3. It is just a calculation and that will always happens when there is an asset build up towards the end of quarter.

Adesh Mehta: Thank you Sir.

Moderator: Thank you. Next question is from the line of Mayank Bukrediwala from Goldman Sachs. Please go head.

Mayank B: Good morning madam. Another question on the yields front, we have noticed there has been a decline in the yields from the project loans category. Is it also because of an asset build up towards the end of the quarter?

Sunita Sharma: Yes.

Mayank B: Also can you give us any color on if we expect any reversals and provisions on the standard teaser loans category?

Sudipto Sil: Is it Rahul.

Mayank B: No this is Mayank.

Sudipto Sil: Yes tell me Sir again.

Mayank B: Can we expect any further reversals in provisions on the standard teaser loans category?

Sudipto Sil: Standard and teaser loans are two different things all together.

Mayank B: Sorry on the teaser loans category?

Sudipto Sil: Teaser loans reversal will be around 5 to 6 Crores which is balance.

Mayank B: Going ahead?

Sudipto Sil: Going ahead there has been nothing. Once this is done with there will be no further reversal because there are no such balance provision on account of teaser rate loans.

Mayank B: Thanks a lot. That will be from me.

Moderator: Thank you. Next question is from the line of Sunil Thirumalai from Credit Suisse. Please go ahead.

Sunil Thirumalai: Thank you. I have two questions. I think you have mentioned the cost of borrowing as 9.59%?

Sunita Sharma: Yes average cost of borrowings.

Sunil Thirumalai: That is right. So if I look at the same number two quarters ago it was roughly the same number which is 9.59%. I am wondering why we have not seen any benefit of the rates falling over the last six months?

Sudipto Sil: No, I think Sunil there is some confusion what you are probably referring to is the weighted average cost of fund which has been coming down progressively quarter after quarter after quarter and last quarter it was 9.67% or 9.68% and the quarter prior to that was three, four basis points higher so there has certainly been a decline I think you there is some confusion between the incremental and the weighted average that 9.59% is the weighted average cost of fund.

Sunil Thirumalai: So 9.59% for December compared to 9.67% in the previous quarter is that right?

Sudipto Sil: Weighted average cost of fund on entire 90000 Crores of portfolios as of December 31, 2014 stands at 9.59%.

Sunil Thirumalai: Yes, I just wanted the corresponding one quarter ago if available?

Sudipto Sil: Yes it was 9 basis points higher.

Sunil Thirumalai: The other question is so you mentioned that even now you are giving so the loans are with the two year fixed tenure. I was wondering how sustainable this strategy is in a falling rate environment when not many other lenders are having such products how sustainable would this be? I understand this was a good product for the customer in a rising interest rates at environment but in the current environment how acceptable in the market it could be?

Sudipto Sil: See actually if you look at the reason is not because of a call taken on interest rate, most of the customers who are in the salaried segment they want that their EMIs or the interest rate should be insulated for the next two to three years. They want a fixed outgo that is what the purpose of or the requirement or the expectation of a customer is, so there will always be a set of customers for this product irrespective of the interest rate movement.

Sunil Thirumalai: You believe that it is a large segment of customers because that is the only product we offer?

Sudipto Sil: Yes there is certainly a very large segment of population who is salaried and especially in the government and PSU service areas they get a wage revision every three or five or whatever. So in the interim what they want actually is a period of stable cash outflows.

Sunil Thirumalai: Just last question, just on the numbers again. So the spread is 1.1% is that right?

Sudipto Sil: No that is not right. It is around 1.2% on the entire book.

Sunil Thirumalai: Just that quarter ago number?

Sudipto Sil: Incrementally it was around 1.5% for the third quarter.

Sunil Thirumalai: Just the last quarter number for the spread that is it from me?

Sudipto Sil: It was for the second quarter as on the second quarter?

Sunil Thirumalai: For the second quarter.

Sudipto Sil: For the second quarter it was slightly lower than 1.5%.

Sunil Thirumalai: Sorry I am asking about as on second quarter then.

Sudipto Sil: As on second quarter it was around 1.17%.

Sunil Thirumalai: That is it. Thank you Sir.

Moderator: Thank you. We have next question from the line of Shlok Dave from Seraphic Management. Please go ahead.

Shlok Dave: Thank you for the opportunity Madam. Madam I wanted a slightly bigger picture view from you. Going forward I was wondering if you could comment on how the book will shape up with respect to urban and rural split incrementally do you think more demand will now start coming from the urban side versus the rural side and how does that change that average ticket sizes? What do you expect on that side? Also if you can comment a little bit more on demand and what you see throughout the country and the sensitivity of demand with respect to interest rates this time, because effective interest rates are not that bad, it is not a bad proposition for someone to buy a house in a tire 2 city today even at slightly higher interest rates and what is your sense on the competitive intensity if the shift does happen from rural to more urban demand? Thank you.

Sunita Sharma: There will be a slight increase in demand in rural segment. It will be buoyant because of the policies of the government. Government is talking about housing for all so definitely with next two, three, four years this will start happening and definitely we will also like to go to rural areas wherever possible but wherever our rules permit. We have a kind of system under which we accept loans so if on the growth criteria the loans in rural sectors are coming to us we will definitely like to go for it and if you talk about demand I feel that we are basically operating an end-user segment. So in end-user segment the demand has been there only the demand was lower in the month of April, and May because of probably the uncertainty about the government at the center, but after the government settle in the last week of May the June started picking up demand was there in June. In fact we saw very good growth in June and continuously after that we have been seeing pickup in demand September was one of the best and after that December also was one of the best growths during the year so I feel demand is already started picking up and it will continue to pick up.

Shlok Dave: Madam, so if you were to take up like a five-year view on the entire thing so government papers the twelfth year plan number, thirteenth year plan numbers the shortfall that they talk about is humongous. So it looks like a long-term opportunity and every year should be a bumper year going forward but there are various moving parts to this like volume versus price and for you guys also spreads incremental how much you can actually lever up in the cycle because the NPAs are not really a problem so what is your sense on that how will we see ROEs panning out because of all these factors for your company?

Sunita Sharma: First of all the opportunities which are going to come in the whole scene of the country we would like to definitely make here in use of those opportunities we would like to take up those opportunities but not at the cost of the profitability of the company. This has to be kept in mind that we will have to go in only for those opportunities where we do not fear any cause of NPAs. Today you mean say there is no calls of NPAs because the company has been doing well on NPAs but we have to be continuously careful about it. I think which is our strength we will have to continue to have it this a strength only. So if we go to rural area or to urban are wherever we go we get more opportunities we will definitely be always cautious and careful about what kind of assets do we taken. So we will wait towards that end and I feel there is going to be a lot of growth but growth whatever is available to us we will take care of the aspects and profitability is there. So I do not think you need to worry about ROEs.

Shlok Dave: Just final question Madam in the previous cycles previously easily everyone in the industry crossing 22%, 23% ROEs. Are we going to see a similar trend in this cycle also. Just because of the share volume and the operating leverage and the increase in spreads or will be stop somewhere before that because overall competitive intensity has increased compared to probably ten years back banks are much more active now, what is your sense on that side Madam? That is the last question from me. Thank you.

Sunita Sharma: Since it is not a media meet, I can talk about banks in the sense that you will just see that if the market picks up the economy picks up in the country, the bank' focus on housing will go down. So the mostly the housing finance companies will have to do the housing finance business and yes we also have not only this what all factors we have mentioned for ROEs to go up we also have another factor which is the kind of change in asset mix we have been trying to do and we have achieved so far we would also impact the ROEs positively.

Shlok Dave: Thank you very much Madam and good luck.

Moderator: Thank you. We have next question from the line of Manish Shukla from Deutsche Bank. Please go ahead.

Manish Shukla: Thank you for the opportunity Madam. My first question is on loans which are resetting from fixed rate to floating rate. You said the average yield on those loans will be at 11% plus now are these guys continue to keep pay that 11% plus or are they paying of reentries that getting it reset lower at 10.1% or 10.2% which is the marginal lending rate for you?

Sunita Sharma: No for resetting it is not 10.2%. For the resetting the rate is slightly higher. So the customers do not come to us only because we give finance. Customer also come to us because what we asks. We are LIC Housing Finance. That is why the customer comes to us. Customer also comes to us because they feel that they are very comfortable with this company the kind ethics we have, the kind of corporate governance we have, the kind of the way we behave with the customers the kind of customers service we have, the customer comes to us because of that also. So when that happens if we permit them the reset at 10.9% or 10.7% they are prepared to continue with us. So that is why the customers exit is not that much of our problem definitely some customers will go, I am not saying 100% will get retained, but most of them should remain with us this is what is my assessment, because kind of connectivity we continue to have with the customers.

Manish Shukla: Sure and for this resetting do they need to pay any fee?

Sunita Sharma: Yes there is a fee.

Manish Shukla: Next question Sudipto, if we can go to slide #17 of the presentation which you uploaded there is some confusion with the yield and cost mathematics again and hence I am asking this slide #17 says that the cost of funds is 9.49%.

Sudipto Sil: Yes I got your query. The weighted average cost of fund is 9.59% on 90000 Crores of portfolio as on December 31, 2014 and for the 23000 Crores that our MD just mentioned at the beginning of the call maybe you would have missed it 23000 Crores that we have borrowed in this current financial year for nine months is at 9.43% and about 9000 Crores of funds that we borrowed in Q3 is around 9.1% and currently if we go to the market today money will be borrowing at 8.6% to 8.7%, 8.8%.

Manish Shukla: So the 9.49% which is shown in this slide what is?

Sudipto Sil: 9.43% there is no 9.49% or 9.59%.

Manish Shukla: Then maybe that is a type on this slide because the presentation that I have shows it as 9.49% this is slide #17 you might want to check and correct it?

Sudipto Sil: I will check it but it is 9.43%.

Manish Shukla: Lastly could you give me the exact disbursement number for LAP in 3Q 2015 and 3Q 2014?

Sudipto Sil: 3Q 2015 will be around slightly more than 500 Crores even 3Q 2014 it was not even a 100 Crores.

Manish Shukla: Thank you very much.

Moderator: Thank you. We have next question from the line of Sanchit Tulsyan from Emkay Investment Managers. Please go ahead.

Sanchit Tulsyan: Thanks for taking my question. Madam I am just looking at your other income for the nine month and there seems to be no growth at all YoY so can you please explain the reason for the same madam and your outlook for the same?

Sudipto Sil: Year-on-year in terms of other income, other income component is basically the earnings that we do one of our mutual fund placements on liquid funds. If you see between last year and this year the yields on the short-term instruments have actually fallen. So that is the reason why the other income component is not showing an increase.

Sanchit Tulsyan: Thank you.

Moderator: Thank you. Next question is from the line of Umang Shah from CIMB. Please go ahead.

Umang Shah: I just have two queries, number one in this quarter what is the provision write-back that we have taken so the net number is 7 Crores what would be the write-back component into that?

Sudipto Sil: Write-back will be total of around 11 Crores.

Umang Shah: Second question was in terms of growth in individual loans which would be top three centers for us today would be contributing growth so I just want a ballpark idea?

Sunita Sharma: Top three would be Southeastern that is Andhra and then Bangalore and then central regional Chennai and then central region that is Jharkhand, Madhya Pradesh.

Umang Shah: Just one last question in terms of LAP we had earlier indicated that we should be closing the year at closer to 5% of loans. Do we have any target for LAP end developer loans probably by FY 2015 and for FY 2016?

Sunita Sharma: We would like to take our LAP portfolio to 5% and developer portfolio has not kept any number because I do not want to give this message to my team that you should do this number whatever it may take no because we are very careful in developer loans whatever is a good opportunity that only we will take so we wanted to increase it so as a result we have increase the marketing activity but we have not kept a number.

Umang Shah: But more from a medium term perspective so I get your point the developer would be more opportunity based but as far as LAP is concerned do we have any medium term target that over next two years any particular number that we are targeting?

Sunita Sharma: No, I just said I think somebody else's question I answered that, that the moment we reached a 5% mark of the portfolio we are going to review the LAP portfolio. How is the LAP portfolio performing what kind of assets quality is there in that portfolio and then we will take a call was it to be the next.

Umang Shah: Thank you so much and all the best.

Moderator: Thank you. Next question is from the line of Sameer Bhise from IDFC Securities. Please go ahead.

Sameer Bhise: Thank you for the opportunity Madam. Just wanted to check if we have any medium term targets on margins or spreads or any excretion levels where we intent to achieve?

Sunita Sharma: I think we should be able to 2.25% to 2.30%.

Sameer Bhise: For NIMs?

Sunita Sharma: Yes.

Sameer Bhise: So you mean to say that we will sustain around current levels?

Sunita Sharma: Current is 2.2% this 2.25% to 2.30% I am saying, you cannot expect me to go to 3% suddenly know is not it, it will take time.

Sameer Bhise: Thanks.

Moderator: Thank you. We have next from the line of Sneha Kothari from Subhkam Ventures. Please go ahead.

Sneha Kothari: Madam, any capital raising plan?

Sunita Sharma: We are comfortably place there is a capital adequacy ratio is concerned so at the moment, no.

Sneha Kothari: Thank you.

Moderator: Thank you. Next question is from the line of Kahlil Randeria from New Horizon. Please go ahead.

Kahlil Randeria: Thanks for taking my call. Looking at your loan to value ratios from FY 2012 to now it was at 55% and then went to 59% and now it is back to around 49% instead of 5% in the last from FY 2014. So could you give us some color on why that has happened and if you are seeing some sort of incremental risk in the incremental lending that is why you are reducing LTVs.

Sunita Sharma: No, we are just cautious that is all it is not that one thing is that we are cautious the second is the property prices have gone up as compared to 2014 to listing if you look at that. So the same property by which I am looking at the persons repayment capacity which I will pay if the property is taking more the LTV will go down I do not see only the property price I also see the repayment capacity of the person. He may be over more than ambitiously he may be purchasing a property then he has to pay from his own pocket I can only give to the extent that we gets repay that loan back that effects the LTV it goes down.

Kahlil Randeria: No, I asked because in a particular year it went up and then it went down but prices have been increasing across the board every year?

Sunita Sharma: You are right but then this could be one of the reasons that we are looking at the income per se.

Kahlil Randeria: So are you currently seeing that risk taking that lower or higher in term so LTVs?

Sunita Sharma: We are taking lower risk.

Kahlil Randeria: Just another question how many of your company of your customers would be PSU employees as a percentage or government employee?

Sunita Sharma: As a percentage they will be 40% to 50%, 40% maybe not even 50%.

Kahlil Randeria: Thank you.

Moderator: Thank you. Ladies and gentlemen due to time constraint we take up the last question that is from the line of Jai Mundra from Bank of America. Please go ahead.

Jai Mundra: Thanks for the opportunity. I just wanted to ask what is the average tenure of our NCDs so while we are seeing the benefit in the incremental cost of bonds funding I just wanted to understand if that benefit can accrue on let us say the outstanding book which is the moment you churn it so just wanted to understand what is the kind of average tenure of the bond book?

Sunita Sharma: It is five years. Otherwise there will be some redemptions so we can always actually churn it every year we can churn it.

Jai Mundra: Okay but you do not plan to churn it ahead of its schedule right? Is the understanding correct.

Sunita Sharma: For me there is no need but we will take a call when every year we will keep continue to take a call or may be not only every year we can take that call every ALCO every month.

Jai Mundra: So you can actually also churn before of it is scheduled right?

Sunita Sharma: If the need arises we can do that.

Jai Mundra: Thank you.

Moderator: Thank you. Ladies and gentlemen that was the last question I would like to now handover the floor back to the management for their closing remarks. Over to you madam!

Sunita Sharma: Thank you very much. There was a nice set of questions I really enjoyed that I talking to all of you. Thank you very much we will meet you next quarter. Thank you.

Moderator: Thank you very much madam. Ladies and gentlemen, on behalf of Axis Capital that concludes this conference. Thank you for joining us. You may now disconnect your lines