



“LIC Housing Finance Limited Q3 FY’26 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the LIC Housing Finance Q3 FY26 Investors Earnings 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 this conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I now handover the conference to Mr. Praveen Agarwal from Axis Capital. Thank you and over to you, sir.

Praveen Agarwal: Thank you. Good morning, everyone and welcome to this Earnings Call of LIC Housing Finance.

Today with us we have Mr. Tribhuwan Adhikari – MD & CEO, Mr. Lokesh Mundra – CFO. I would request Mr. Adhikari to share his initial remarks, post which will open the floor for Q&A. Over to you, sir.

Tribhuwan Adhikari: Thank you, Praveen. A very good morning, friends, and welcome to the Post-Earnings Analyst Call of LIC Housing Finance Limited. As you are aware, LIC HFL declared this Q3 Financial Year ‘26 Results on 30th of January.

Before I start with the highlights of Q3 Results, I would like to outline a few developments in the economy over the last quarter and recently:

In line with market expectations, the RBI in its December MPC reduced the repo rate by 25 basis points supported by a benign inflation outlook. Following this, the company also reduced its lending rates on new home loans with effect from 22nd of December 2025. We are now offering home loans at 7.15% onwards on individual home loans, which is one of the lowest in the industry.

Liquidity conditions which were comfortable at the beginning of Q3 due to RBI's liquidity infusion through a 75-basis point CRR reduction is over October and November, tightened from mid-December. This reversal was driven by factors such as sustained currency market intervention, seasonal tax outflows, and high credit offtake in an environment of relatively subdued deposit growth. In response, the RBI announced multiple liquidity management measures including enhanced VRR operations, U.S. dollars and INR buy-sell swap, open market interventions with the objectives of ensuring adequate liquidity transmission and supporting orderly market conditions.

The 10-year benchmark G-Sec yield remained under pressure over the last of the past few weeks, and amid fading expectations of a near-term rate cut by the RBI, yields have further hardened

today following the union budget announcement which happened yesterday, which projected a 16% increase in government borrowings for FY26-27, compared to the budget estimate for the current year.

Overall, the interest rate environment remains dynamic during the quarter, influenced by evolving macroeconomic indicators and policy actions.

With this, we present the financial highlights of the company for the quarter as follows:

Total revenue from operations was Rs. 7,187 crores, as against Rs. 7,057 crores for the corresponding quarter of the previous year, a growth of 2%. Outstanding loan portfolio stood at Rs. 3,14,268 crores as on 31st of December 2025, as against Rs. 2,99,144 crores as of 31st December of last year, reflecting a growth of 5%. Of this, the individual home loan portfolio reported a growth of 4% and comprises 85% of the total portfolio.

Total disbursements for Q3 of FY26 was Rs. 16,096 crores, as against Rs. 15,175 crores for Q3 of FY25, an increase of 4%. Of this, the individual home loans disbursement was Rs. 13,094 crores, as against 12,248 crores in the corresponding quarter of last year, up by 7%.

And non-housing individual loan segments were at Rs. 2,304 crores against Rs. 2,094 crores, showing a growth of 10%.

On the net interest income front, NII was Rs. 2102 crores for the quarter, as against Rs. 2,000 crores for Q3 of last year, by 5%, and as compared to Rs. 2,038 crores for Q2 of the current fiscal. Net interest margins for Q3, FY26, stood at 2.69%, against 2.62% for Q2 of FY26, and 2.70% for Q3 of FY previous year.

Profit before tax for the quarter stood at Rs. 1,742.51 crores, as against Rs. 1,793.44 crores. Profit after tax for the quarter stood at Rs. 1,383.95, as against Rs. 1,431.96 crores for the same period in the previous year.

In terms of asset quality, the Stage-3 exposure at default stood at 2.45%, as on 31st December 2025, as against 2.75%, as on 31st December 2024, and as against 2.51%, as on 30th of September 2025. Total provisions as on 31st December of 2025 is Rs. 5,105 crores, which translates to a provision coverage ratio of about 54% on Stage-3.

On the funding side, we witnessed a continuous improvement in our borrowing costs during the quarter. The overall cost of funds declined to 7.28%, as compared to 7.42%, as on 30th of September, reflecting a sequential reduction of 14 basis points. On a year-to-date basis, the cost of funds has reduced by 45 basis points, from 7.73% as on 31st March 2025.

The outlook for the coming quarter remains positive, as Q4, that is, Jan-Feb-March, is always the best in terms of business for the company, and roughly 30% of our business for the disbursed

during the entire year comes during the quarter. This gives us conviction of a good financial year in the coming quarter.

With this brief introduction, I would like to invite you for your queries. Thank you.

Moderator:

Thank you. We will now begin the question-and-answer session. The first question is from the line of Nischint Chawathe from Kotak. Please go ahead.

Nischint Chawathe:

Thanks for taking my question. The first one was actually on growth. It has almost been like 3 years since our disbursement growth is in single digits. We have seen some of the peers, some of the banks kind of growing faster. So, what is your view out there? Is it something that we are losing out? Is it something that you will probably make a step up in investments, in disbursements to kind of go ahead and gain market share? I understand a part of it is to do with the industry. But still, even on a market share basis, you could probably step up a bit. In that sense, what is your strategy or what would be outlook for growth out there? And in the backdrop of this plus the capital position that we are sitting, do we really see dividend payout ratios going up?

Tribhuwan Adhikari:

Yes, Nischint, I will take your disbursement growth question first. Well, first of all, as far as the industry or the overall market is concerned, well, a lot of competition in the market is what we are witnessing right now. Now, LIC Housing Finance, as you all know, as I said in my opening remarks also, we are 85% in the individual home loan business. My total disbursement is 85% comprises individual home loans. Amongst the individual home loans also, we are mostly into the salary segment, not too much into the self-employed segment. There is a tremendous competition, especially from banks. The dichotomy is that we are borrowing from banks and competing against them also. So, this quarter particularly, I would say with the RBI cutting rates, there is an intense rate war in the market. And that probably led to a little bit lesser disbursement than we anticipated.

Beginning of the year, I was very clear that this is going to be a challenging year and given a fight between growth and protecting margins, we would be protecting our margins. So, we have been cautious in reducing our rates. The Indian market as such, the housing finance market, people are very, I would say conscious of rates. So, that was one of the constraints in this quarter. Well, yes, we have taken a call slightly late, albeit a little bit late. We have cut our new loan home rates to 7.15%. It is among the best in the market right now. And towards the end of December, we did see some traction. This change took place on the 22nd of December. So, some amount of traction in December. In January, again, the traction is showing. Going forward, traditionally, as I said, January, Jan-Feb and March are the best, is the best quarter for us. 30% of our business comes during this quarter. This year, we expect the share to go up higher, probably 35%-37%. So, going forward, yes, we expect the disbursement to pick up. And right now, our book growth is at, coming to the book growth, yes, it is now at 5%, expecting this to improve in Quarter 4.

Now, coming to the dividend payout ratio, well, that is a call which the board will have to take, right? Right now, the profit figures are reasonably okay, not anything substantial, but we expect to end the year with at least a 7% increase in profits, about 7,200 crores is what I expect. Now, going forward, let us see how the board takes a call. We have been declaring about 500% dividend. So, let us see how it goes. So, it is difficult to give a call on the dividends because that is a call to be taken by the board.

Nischint Chawathe:

Got it. So, let me put this a little differently. See, what I was really looking at is a growth on a 2-3-4 year basis. I mean, if you are growing at 5% to 6%, probably you step up, maybe you can grow at around 8% or 9% or maybe 10%. The point is that is there a plan to kind of say as to what gives trajectory to grow at a mid-teen level or not at a significantly higher level to step up over there over maybe more from a 2-3-year period. And if the visibility even from a 2-3 years period is at low levels, then probably there can be some thought process in terms of capitalization levels as well. I think that's where I was really coming from.

Tribhuwan Adhikari:

I do agree. Right now, to be very honest, we are caught off in a sort of a trap. We are mostly into the individual home loan segment, that to the salary segment. And there, honestly, with so many players, especially the banks being so aggressive in the market right now, that is not where the growth is going to come from. I think the growth is going to come from the self-employed and the affordable segment. And that is where most of our, the HFC peer group is growing. We have made a foray into the affordable housing segment. We are growing it slowly. We are growing it slowly because again, this is something which we have not done in our 36-year history. So, very cautious about it. But going forward, this is surely going to improve. The other thing is we are also looking internally at the structure of the organization and the way our marketing vertical is structured. For this, we are in the process of onboarding, special institutions like the Big Four, the IIMs, etc. We are going into a complete relook at our structure and see what we are doing differently from our competitors, which is giving them better growth and not giving us the kind of double-digit growth we desire. So, the onboarding will happen in this month, month of February, and the work will start in the month of March. So, probably by the end of April or May, we have a concrete plan in place which we intend to implement to restructure ourselves for better growth in the coming years.

Nischint Chawathe:

Perfect. And just one last question is, how much juice is there in terms of funding cost to come down further?

Tribhuwan Adhikari:

The funding cost?

Nischint Chawathe:

Yes, to come down further.

Tribhuwan Adhikari:

Cost of borrowing. As I said that sequentially there has been a 45-basis point decrease in our cost of borrowing compared to December of last year. Quarter-on-quarter also we see.

- Nischint Chawathe:** No, how much is the juice going forward? Do you see any visibility for borrowing cost to come down further based on repricing or any of those things?
- Tribhuwan Adhikari:** Well, difficult. We have to see. This year, we have made a conscious change in our strategy. And if you remember, we talked about it in the con-call earlier, my ratio between fixed cost borrowing and repo rate borrowing or the flexible rate borrowing was, last year was 55 fixed and 45 floating. This year, we have consciously brought it down or rather focused on floating rate borrowing. To be clear, we are mostly focused on borrowing from banks which are repo rate linked. So, whenever there is a repo rate cut, we get the benefit passed on to us. We have been successful now today as on 31st of December, my fixed and floating, the ratio stands at 50-50. So, we have been able to bring down my fixed rate borrowing by 5 basis points and increase my floating rate borrowing by 5 basis points. Now, borrowing from banks presents its own problems, as I said. Yes, they are our competitors. Right now, banks, NIMs also are under pressure. So, banks are not very keen on lending at very lower rates or aggressive rates. But yes, I feel going forward, there is not going to be much, not going to be much. 14 basis points cut what was what we got from Q2 to Q3. Probably 5 to 7 basis points is what we can look forward in Q4, further reduction in our borrowing cost by five basis points.
- Nischint Chawathe:** Perfect. Thank you very much. Those were my questions. All the best.
- Tribhuwan Adhikari:** Thank you.
- Moderator:** Thank you. The next question is from the line of Nishit Shah from ViSolitech Investment Advisor. Please go ahead.
- Nishit Shah:** My question was that if we look at the loan mix, 99% of your loan is floating. And when we see at the funding mix, it is 50-50. Why is this discrepancy? Because ideally, you should match ALM as well as your fixed to floating lending or is there any strategic advantage that we get by keeping 50-50?
- Tribhuwan Adhikari:** No, Nishit, there is no strategic advantage in having 50% of your borrowing at fixed when 99% of your book is floating rate. Now, the problem is, where is the money in the market? I ideally would want the banks to give me 100% of my loans. But I do not think RBI would allow that because RBI wants the banks to be deleverage as far as the funding, certain sectors, all sectors is concerned. So, slowly, consciously, we are trying to bring it down. As far as the ALM is concerned, our ALMs are perfectly matched. There is no mismatch in our ALM. As far as the regulatory guidelines, we are perfectly matched in each and every bucket. So, there is no issues. Yes, going forward, we are trying to move to more of floating rate borrowing than fixed rate borrowing. Then again, the availability of liquidity, availability of funds, it all depends on that because I need to borrow money to fund my disbursements.
- Nishit Shah:** So, we are constrained because of availability. Is that the right way to look at it?

- Tribhuwan Adhikari:** Yes. The constraint is because of availability. Because of 2,70,000 crores book, 50% would be 1,35,000 crores. And first of all, whatever is my fixed, it is a fixed duration, fixed tenure borrowing. And they only got of my books when the tenure or the tenure gets over. So, slowly, slowly, they will move out. And as they move out, we will be looking to move towards the floating rate borrowing. But at the same time, again, you need to be diversified also. And I think a good strategy would be to not put all your eggs in one basket and rather diversify them. So, good to have a mix of fix and floating. Again, the mix, you can question the mix, whether 50-50 is a good mix or say 35-65 in favor of floating is a good mix. That can always be a point of conjecture, but it is always good to be diversified.
- Nishit Shah:** Because what is happening is, because of our change in rates are much slower, the difference between banks to an existing borrower, not the new borrower, the existing borrower, what happens is that he is looking actively to switch rather than stay and wait for the rates to come down. I think that is what is happening with us right now. There are more switching, which is happening because it is a slower transition, I guess.
- Tribhuwan Adhikari:** To answer your question, yes, that is what has happened. And in Q3, we have witnessed that because as soon as the repo rates are cut, the banks are directly linked to the repo rate and automatically their loan for new as well as existing borrowers undergoes a change, which does not happen in the case of HFCs like us. Yes, as I said, trying to protect the margins, we were a bit slow. We did not lower our prime lending rate, but what we did was we have a feature called rewriting, in which customers can come to us and ask us to appraise their lending rates and rewrite it at a lower rate. We have reduced our rewriting rates in the month of October. Of course, going down the line, it took some time. So, now I think the rewriting, which was about 3,300 crores in Q3, now it has come down to sustainable and manageable levels in the month of January, as I see it. So, that is the option we are offering to our borrowers. So, what we are basically offering in the form of rewriting is the lending rate or the rate we offer to a new borrower plus 50 basis points. So, that is the rate we are giving, which I believe is logical, reasonable and competitive. So, we have this option of rewriting their loans by approaching us.
- Nishit Shah:** And the last question would be, because LIC being our parent, we have a huge distribution advantage, which I think not many would have. So, diversifying our books to say affordable or emerging market, because as it is, you have almost, in all PIN codes, LIC has some presence or the other. So, wouldn't that be a much better option? Because the differential in rates in affordable and in prime lending are very-very significant.
- Tribhuwan Adhikari:** Yes, Nishit, you are perfectly right. Differential rates are available and affordable as compared to prime lending, which is very-very competitive. The other part which you talked about, yes, it is presumed or the general mindset is that being children of LIC or our parents or promoters being LIC, we have the advantage of the huge 14,50,000 or almost 15,00,000 crores of agents which LIC has is disposable. Unfortunately, that is not true. That hasn't happened over the past year. And even now we are engaged with LIC on how do we synergize the marketing resources

which we have between LIC HFL and LIC. There are some traditional mindsets working in the sense that the LIC branch managers feel that if my agent takes up LIC housing finance, he will stop doing insurance and so on and so forth. We try to talk to; we are consciously engaged with the senior management of LIC and trying to churn out a sort of synergized strategy. In fact, the management of LIC has on boarded a special consultant to work on all the synergies between all the various subsidiaries of LIC and LIC of India. So, going forward, yes, I think in the coming fiscal, I think we will see a lot more of LIC agents marketing our home loan products, which should give us a very good boost as far as growing our disbursement book and loan book is concerned.

Nishit Shah: Just one small suggestion, since the next presentation, whatever new initiatives that you are taking, for example, having consultants and that, so you just put it in the presentation so that the wider audience is aware what is happening, because more of it is sentiment rather than the performance, which is dragging our stock prices.

Tribhuwan Adhikari: Point taken, fully agree with you. Next presentation, you will see this.

Nishit Shah: Thank you very much.

Moderator: Thank you. The next question is from the line of Kunal Shah from Citigroup. Please go ahead.

Kunal Shah: So, firstly on balance transfer, after having reduced the rewriting rates, how has been the trend on the balance transfer side? If I heard you correctly, you mentioned like Rs. 3,300 crores, which was last time 4,000 odd crores in Q2. Is that the right number?

Tribhuwan Adhikari: So, as I said, Q2, our BT-out was Rs. 4,014 crores. In October, mid-October, we took this call to reduce our rewriting rates that resulted in the entire of Q3, it has come down to Rs. 3,300 crores. And traditionally, the average is about Rs. 800 crores to Rs. 900 crores. I think January, I don't have the exact figures right now, but January probably would be I think Rs. 800 crores of BT-out. So, BT-out is decreasing, BT-out is decreasing. And because of our lower interest rates in new home loans, we are seeing a bump up in the BT-in. So, net-to-net, the business loss has been marginalized, minimized. And I think in Q4, of course, traditionally, it has always been BT-out more and BT-in less. So, net is out. I personally believe, with the attractive rewriting rates that we have offered and the very competitive lending rates which we are giving, I think net-net, we should be able to dramatically decrease the net BT-out, which we have been witnessing in the past two quarters.

Kunal Shah: So, given that the overall run rate is still Rs. 800 crores – Rs. 900 crores, so we should still see Rs. 2,500 to Rs. 3,000 crores continuing even in the next quarter.

Tribhuwan Adhikari: No, I think next quarter it will not be 2500-3000 crs because if I take 3,000, 3,000 would be what, roughly Rs. 1,000 crores per month. You are talking about the net or you are talking about the gross BT-out?

- Kunal Shah:** No, gross, you mentioned like in January, it was still Rs. 800 crores - Rs. 900 crores.
- Tribhuwan Adhikari:** So, it will be, I believe it will be in the region of 22 to 25 and 25, I believe, would be on the higher side. I think we should be able to restrict it by up to 22, probably.
- Kunal Shah:** So, but still after the reduction, also not much of benefit which is coming in, maybe it's come down, but definitely not to the levels which we had seen earlier because of the competition that is on.
- Tribhuwan Adhikari:** No, if you compare Q2 and Q3, Q2 was when we took the full hit of Rs. 4,000 odd crores and Q3, Rs. 3,300 crores. So, Rs. 700 crores reduction in one month and that too, we announced this rewriting mid-October. Yes, and any change, any change in directions, does take time in reaching the customers. So, I think November and December, November, I believe it would have percolated down. So, probably December, the effect would have come. So, it's not the full effect which you have seen. Despite the partial effect of this rewriting, which we have offered, we have seen a reduction of 700 crores approximately in the quarter. So, now that the messages are all through, we have advertised it, publicized it very extensively. We have sent mails to all our existing customers. So, definitely there is going to be a more, further, better reduction in Q4 as compared to Q3.
- Lokesh Mundra:** So, actually, we have reduced our lending rate to 7.15 onwards in December only. And now, what we are offering, we are just giving 50 bps plus on our fresh lending rate. So, effect of this BT-out will definitely come down in the next quarter, Q4, because the rates were reduced in December only.
- Kunal Shah:** Yes, got it. And any plans to reduce the PLR? Last time, you clearly indicated no plans to reduce the PLR. But now, given no doubt you have reduced it on the new home loan rate. But we have not put the PLR on the entire outstanding portfolio assets. So, with this BT-out coming down, there is still no plan to cut the PLR?
- Tribhuwan Adhikari:** No, we have not, Kunal. We have consciously not cut the PLR, but we have cut the existing rate, entire portfolio of our, or the entire book by 25 basis points. So, it has not been a PLR reduction, but we have given a benefit of a reduction of 25 basis points on the existing lending rate to all existing customers.
- Kunal Shah:** So, this was with effect from?
- Tribhuwan Adhikari:** I think it was effective from April of this year.
- Kunal Shah:** So, maybe this 25, which was done in April, post that there is no change.
- Tribhuwan Adhikari:** Yes, in April, we made this cut of 25 basis points for all, for the entire loan book. So, some of it went through in April for those with monthly resets and those with quarterly resets. It went

through in, from the 1st of June. So, a 25 basis point cut has already happened without reducing the PLR. Going forward, let us see if we get a distinct advantage in the lower lending rates. We can think of a PLR cut.

Kunal Shah: So, we can evaluate that. And the last question was on corporate resolution. Anything, maybe you indicated Q4, you had a strong visibility. So, has it improved further with respect to corporate resolutions in the fourth quarter?

Tribhuwan Adhikari: Oh, nothing sad, but nothing great to report on that front. These corporate resolutions, most of these are big loans, upwards of Rs. 200 crores, Rs. 250 crores, Rs. 400 crores, Rs. 500 crores. Yes, lots of progress made, lots of progress made. And these big corporates, big loans, big builders, they use every opportunity at their disposal, all courts, DRT, etc., to stall our expectations. But yes, there is a lot of forward movement in many of these corporate loans. A few of them could crack at any point of time. So, again, keeping our fingers crossed, keeping our fingers crossed, expecting many of them to crack, but could happen, anything could happen. Suddenly, you could see 2-3 big loans probably resolved during Q4, but you cannot give a guarantee, because these big loans, big money involved, big corporates involved, big builders involved. Last minute, we have seen in Q3 rather, at least two cases where almost resolution was totally in sight, last minute they backtracked.

Kunal Shah: Got it. Thanks. That's it from my side.

Tribhuwan Adhikari: Thank you, Kunal.

Moderator: Thank you. The next question is from the line of Sanket Chheda from Dam Capital. Please go ahead.

Sanket Chheda: Hi, sir. So, just wanted to get a sense on disbursement. You said that Q4 disbursement could improve. Last couple of quarters, we have been talking around 16,000. So, how the January has gone by, if you can give us any quantitative sense on that?

Tribhuwan Adhikari: Jan is about 6,000, exact figures I do not have. Jan is about 6,000, better than your December. And going forward in Q3, I expect disbursements minimum to touch Rs. 20,000 crores. Q4 should minimum be Rs. 20,000 crores in retail. I am not adding project to it. So, Rs. 20,000 crores in retail and about Rs. 1,500 crores to Rs. 2,000 crores in project should get us to Rs. 20,000 crores, Rs. 22,000 crores in Q4.

Sanket Chheda: And how do we see a margin from here on, have we seen any uptick on the NCD cost, whatever NCDs are coming for replacement of late?

Tribhuwan Adhikari: No, not much. I think we have about Rs. 7,000 crores - Rs. 8,000 crores. Yes, it is Rs. 7,799 crores to be exact NCDs which are approximately priced at about 8%. Yes, these are going to go out of my books in the next up to March. And as far as new borrowings are concerned,

liquidity in the market. And now with the government having announced huge borrowings in Q3, I do not know what the rates are going to work at. Since yesterday, we hear that the rates have really blown up. So, keeping our fingers crossed and hoping that because-because the borrowing cost is very-very important to us. In fact, entire margins depend on that with a lot of pressure on new home loans being offered at very competitive rates. The competition with banks is very intense. But yes, I am happy to tell you that we have been able to protect our margins, NIMs at 2.69 I guess 2.62 at the end of previous quarter. So, there has been an uptick of 7 basis points. Going forward, I do not expect this going up to, we are given a guidance of 2.6 to 2.8 at the beginning of the year. Definitely, we will be within the guidance. But I expect it to be somewhere around about 2.70, 2.72, 2-3 basis points improvement is what I expect in Q4.

Sanket Chheda: And lastly, how much time more in your term and is it likely to get re-term for you?

Tribhuwan Adhikari: Well, I superannuate on the 31st of August 2026.

Sanket Chheda: Sure, sir.

Moderator: Thank you. The next question is from the line of Gaurav from JP Morgan. Please go ahead.

Gaurav: Thank you. I just wanted to understand a bit better about both the demand dynamics in the market as well as your ability to deliver the 10% growth that you had initially guided for. In terms of subprime mortgage housing volumes, we are seeing that volumes are coming up consistently for the last few months. Sales value are declining. How do you think about this entire demand outlook over the next few months? And what do we need to see to get to a higher growth level? Thank you.

Tribhuwan Adhikari: Yes, Gaurav, honestly, yes. I would not say the market has been very compressed or anything of that sort. I think the demand is normal. What we witnessed in Q1, Q2, Q3 was there. To some extent, I personally feel – of course, there has been no study on that – but Indian customer, as I said, very rate conscious and with RBI cutting rates, almost 125 basis points since Feb of last year. A huge clamor in the market that probably February MPC will see another rate cut, etc. So, somewhere I get the feeling and there is feedback I get that people are willing to wait for probably another one month, 2 months, 3 months, wait for the rates to come down further and take the benefits of new rates. So, that is probably one reason why there has not been too much growth in demand. Number two, I would feel that yes, the intense competition also is creating a very savory situation in the market because all companies after the same borrower – borrowers are limited, especially prime borrowers, if I talk of prime borrowers, the segment in which to – mostly into which we are in, the prime segment. So, many companies chasing the same borrower, huge rate war going on. So, that, again, probably not leading to a free flow of the borrowers unable to decide in a quantity what to do, wait, watch, or go for the rates which are being offered at present. Probably that is another thing. So, going forward, of course, in the budget yesterday there was nothing much as far as the real estate or the housing finance sector was there. But yes,

big boost to the infrastructure sector. Infrastructure means basically constructions and this and that. That in some ways probably would rub off on the real estate and the housing sector and we can get the benefit of that. PMAY 2 is another area where we see an uptick happening in Q4 and next year. It has just taken off. It's off the ground and we are getting requests and applications. There is an open portal now. A customer can apply and any number of companies can approach him and get the business from him. Expecting an uptick in the PMAY 2, urban especially. So, these are some factors which probably will impact or influence the housing market in the days forward. I do not see too much of a compression in demand. Probably if RBI does not cut the rates in February, which is what I expect, believe that people will start taking the calls to go – taking the positive call to go ahead for the housing rather than waiting for a rate cut. Does that answer your question, Gaurav?

Gaurav: Yes, that's very clear. Thank you. And if I can just ask one more question. In terms of your credit underwriting process, how has that changed in let's say last 2 to 3 years and if you could help us with some details on what were your rejection rates a couple of years ago versus how do those look now currently. That will be helpful.

Tribhuwan Adhikari: Credit appraisal SOPs – well, we have a robust credit appraisal SOPs in place. But again, these are all very dynamic depending on the market conditions, depending on what our competitors are doing. We cannot be taking rigid stands and saying, no, we will not do this and we will not do that. Of course, uppermost, the entire end point of credit appraisal is to minimize risk. But at the same time, we are conscious that we are in the business of lending, which itself is basically intrinsically risky proposition. So, we are trying to match the market expectations, what is happening in the market as far as other competitors are concerned and adjust our credit appraisal SOPs so that we are competitive because at the end of the day, we have to be competitive in the market.

Gaurav: If I can just rephrase that question a bit, in the last 6 months, have we tightened underwriting standards or have we loosened underwriting standards?

Tribhuwan Adhikari: In the last 6 months, honestly, if you ask me, we have made our underwriting standards slightly more conducive to the market environment. As I said, there is a huge competition going on in the market for companies like LICHF because our competitors are banks. So, apart from the rate war which is going on, yes, this SOP war is also going on in the market. So, banks are willing to take calls, aggressive calls to boost their credit growth, etc. And we have had to match up with them. So, overall, in the last six months, I would say our credit appraisal SOPs have got down, I will not use the word become lax or anything of that sort. But yes, we have adjusted them and tried to match what the banks are doing in the market.

Gaurav: Those were all my questions. Thank you very much.

Moderator: Thank you. The next question is from the line of Nishit Shah from ViSolitech Investment Advisors. Please go ahead.

Nishit Shah: Thanks for taking my question for the second time. More than question, it is guidance kind of a thing. You said that you are going to appoint some consultants to see what are the changes that could be done to improve the business. I just wanted to know what is the kind of flexibility which the company is ready to change? Like, for example, change in management, change in business mix or change in corporate structure? What is or say have a strategic investor like PNB had a few years back? What is the kind of flexibility that we are willing to go?

Tribhuwan Adhikari: Well, very early to answer that question, because when we are onboarding the management consultant, we have given him a very wide scope, which involves looking at the entire structure of the company, the way the company is structured, looking at the various verticals within the company, the various components that we have marketing, recovery, credit appraisal, taxation, finance, etc., match it with the best practices in the market, study the competitors and the peers, and see what are the best practices in the market. We are also looking, asking them to look at the compensation structure, which we have employed in the company, as right now is more of a fixed compensation structure, a little bit of variable. But we are asking the consultant to look at it, how can the compensation structure or the compensation system be repackaged, so that the onus is more on performance rather than payment of fixed wages. That is another. The third thing we are also looking, asking them to look at technology, the existing technology, which the company has employed, deployed, what is there in the market, what are our competitors doing, what we need to do. So, as the digitization or the move towards digitization, which is already on in the company, we further accelerated, further, I would say, hard-coded into the DNA of the company. So, these are all the actors as far as management change is concerned. Well, that is not one of the scope of the company, because the management structure is derived from articles of association, wherein, basically, top management comes in from LIC. So, that is something which we will need to engage with the promoters. There have been some talks going on, which I cannot divulge at this stage. Yes, looking to more professional management in the future. Let us see how it goes about it. It is difficult to divulge anything more at this stage. And, as far as onboarding a new stakeholder or shareholder is concerned, probability, our CAR is 24, which is, I think, good enough right now. So, capital infusion not needed for the next 2 to 3 years. Going forward, rather than getting in a new investor or something, we have LIC as our promoter and LIC is flush with funds. So, if need be, if capital is required, we can always go. Of course, there can always be an offer to the shareholders in the forms of a rights issue or something of that sort or we can also go back to LIC and ask for a further infusion, if needed.

Nishit Shah: My question was not because of capital, like strategic investor who wishes to play India's turn. That was the question.

Tribhuwan Adhikari: Right now, not in the discussion horizon.

- Nishit Shah:** And, this transformation, how much time would it take 1 year, 2 years, after these consultants are being appointed?
- Tribhuwan Adhikari:** The report to come in 3 to 4 months' time, the full after the entire study process is done, the report to come. And, of course, the entire, it would involve the engagement of the board also. The board is also keenly, in fact, this is the direction given by the board. The board is also keenly involved in this. Thereafter, there would be ways and discussions going forward on what the suggestions of the consultant are and immediately, what we take forward in a phased manner, how much do we take forward at all, if we take forward. Of course, there is going to be change. There is going to be change. But, how much, when, that is something which the board will have to take a call. So, let the report come. We are also waiting with crossed fingers, waiting for the report to come. We feel that this is necessary. We have the existing situation the company is in, sort of a stalemate which we are witnessing. We are looking forward to that because we are totally aware of the fact that we need to grow. We need to grow. That is the only area where, which is probably holding us back. So, we need to grow and we are very open and very keen to adopt practices or suggestions and practices which will help us grow, get out of this, let me call it Hindu rate of growth.
- Nishit Shah:** No problem. Thank you very much and hope it happens sooner rather than later.
- Moderator:** Thank you. The next question is from the line of Vipul Kumar from Sumangal Investments. Please go ahead.
- Vipul Kumar:** Hi, sir. Thanks for the opportunity. Since you have reduced your rates to rock bottom at 7.15%, so will there be a margin pressure and corresponding reduction in NIMs in this quarter, sir?
- Tribhuwan Adhikari:** No, Vipul, we have reduced our rates to rock bottom. 7.15% is what we are offering, which is among the best in the industry and we have been forced to do it. Let me honestly admit, we have been forced to do it because we are in a competitive environment. I have been in time and again harping that we are competing with banks. So, when banks are offering 7.15, I cannot say I will not offer 7.15, given the fact that my customer segment or the prime segment I operate in and the segments in which banks operate in is the same. So, given the same customer base, I cannot be fighting a war where banks are offering 7.15 and I am offering probably 7.25 or 7.35. So, given that, keeping that in mind, we have consciously reduced our rates to the lowest possible. But at the same time, we have also, right from the beginning of the year, we have adopted a strategy of diversifying our business from IHL, Individual Home Loans, to what we call OHL, Other Than Individual Home Loans, which basically in the market parlance is LAP and LRD. And we have been able to get some traction, of course, it is not as much I would have liked, but the share of other home loans in my business book is almost close to 15% right now. It used to be about 11% to 12% earlier. So, there is a 3% uptick. And I believe the goal was to take it to 20% by the end of this financial year, probably will not happen, 20% will not happen. But from 15 to 17, if we can get to 18, I think that would be a great progress. OHL gives me the benefit

of number one diversification in my portfolio. And number two gives me the benefit of at least 150 to 200 basis points; additional margin as compared to IHL. So, that is what we are doing. As far as compression of NIMs is concerned, I do not think there is going to be any compression, I am pretty sure of that. 2.69 is where we are at the end of December quarter. And I answered a question earlier, I expect this to be probably 2.72, between 2.70 and 2.72 in Q4. So, there is not going to be a compression in NIMs.

Vipul Kumar:

Thank you, sir.

Moderator:

Thank you. The next question is from the line of Sonal from Prescient Cap Investment Advisors. Please go ahead.

Sonal Minhas:

Thanks for taking my question. So, I just from a disclosure perspective, just wanted to understand your gross NPA by the category of loan or slippage, any of that. I presume that is not part of the deck, but if you could help us with those numbers, that will help us understand what the previous participant was also asking that have you tightened or have you eased off a little bit of lending going forward.

Tribhuwan Adhikari:

Well, Sonal, the ready figures I have, my total Stage-3 is, of course, this is group-wide. Overall, if I look at it, the total Stage-3 is 7,705 crores as at the end of this quarter and as at the end of September quarter, it was 7,830. So, there has been a reduction of almost about 124 to 125 crores in the total Stage-3. If I talk of the various components in IHL, the individual home loan, it is approximately 3,000 crores, 2,978 to be exact. In NHI, basically your LAP and LRD, it is 1,311 crores. And in the non-housing corporate plus my builder loans and project loans, it is 3,415 to 3,416, total making up to 7,705 crores. There has been improvement in the asset quality quarter-on-quarter. Right now, if you look at it, my overall GNPA is 2.45, which was 2.51 as at the end of last quarter. So, there has been a 6-basis points compression. And compared to last year, December, we were at 2.75, the 30-basis points compression that way. So, the asset quality is moving in the right direction. It could be much better, but again, a majority of my Stage-3 is in the project loan segment. These are all legacy loans, old loans. So, again, as I said, answering to one question, they are in much progress stages of resolution. Any of them could crack at any point of time and give me a huge advantage. But again, as I said, these are all big builders, big corporate houses. So, they use every trick of the trade to trying to stall, especially if decisions are not what they want. So, that is one. And the other part of it, yes, I would admit that we have been a little bit slow in going to the ARC route. That is one route which many of my peers and competitors aggressively deploy and employ. So, far, total, I think, if I talk of big corporate loans, one case last year, that was in fact in the December quarter. And that was almost about 500 odd crores of outstanding book, which was resolved at, we had, of course, we took a big haircut of 50% on that. So, 250 crores came in. And that is one of the reasons why you see my PAT slightly reduced as compared to December of last year, because that big one-off was received in the month of December last year. So, again, these big project loans, any of them could crack, something could happen at any point of time. But what I would say is that we have

been very consciously focused on these legacy loans and we are pursuing each and everything at every stage, in various stage codes, in the DRTs, in the NCLTs, and etc. And I believe at any point of time, hopefully it happens in Q4 of this year, but we expect resolutions. As far as my retail loans are concerned, they are well in control and our delinquencies are in line with what we expect, almost at industry standards in retail loans, not much of a worry there.

Sonal Minhas:

Got it. Thanks for the detailed answers. So, my second question was related to individual loans and the LAP portfolio that you are building up. I wanted to understand from a systems perspective, given that you mentioned that you are recruiting a consultant, maybe revamping the systems as well. Is there like a systemic kind of fear that my systems are not up to date because of which if I grow too fast, build up stress in my books or the systems are at par commensurate to take in 15% to 20% growth? Just trying to understand the stress test of the system in terms of good lending at speed.

Tribhuwan Adhikari:

Yes, honestly, Sonal, if I ask you, I think the systems are in place. We have the systems in place. There is nothing wrong with the technologies we have adopted or the deliverance of the technologies. It is more to do with the mindset. And let me be very clear on this. Let me talk of two segments. One is affordable and the other is your LAP and LRD. So, traditionally for almost about a 36-year history, almost for 34 years, we were totally focused on IHL, individual home loans, lending to the segment, the salaried class, probably something to do with being a little bit risk averse because this is a segment where the solid documented income or where default chances of default are low. So, maybe because of that, as a company, we said that we would focus on individual. We paid very little attention to the OHL segment, the LAPs and the LRDs and affordable, of course, and the self-employed segment was totally not in our radar. And that is what we have been doing for the past 2 years. Attractions have been made. See, in any organization, very easy to change technology, very easy to change products, very easy to change lending practices, but very difficult to change mindsets. And I keep on telling my people, it's telling a person who has been a vegetarian all his life to start eating non-veg. So, that is precisely the issue which I am facing right now. But yes, now slowly-slowly people are realizing, people are changing. It is taking time and I understand it will take time, but we are in the right direction. Going forward, I think you will see this change in mindset. Technology is perfectly fine, nothing wrong with technology. Yes, we can tighten up a few nuts and bolts here and there, no doubts about that. AI coming in, again, I am skeptical about AI. Lots of talks in the market, AI this, AI that, and this and that. Honestly, I personally feel that the man behind the machine is more important. And so, we have to take a balanced view and not go gung-ho on AI and forget the human resources that we have. So, I think we need to work on all these fronts, both the fronts, the human resource front as well as the AI front, and more importantly, on the mindset front which needs to change.

Sonal Minhas:

Sure, sir. Thanks for explaining, sir. I will fall back in the queue.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, that was the last question for today. I now hand over the conference to management for closing comments.

Tribhuwan Adhikari: Thank you, friends. Thank you for these various incisive calls or the questions which you asked. Yes, the company is doing okay, but yes, I understand market expectations are much, much higher, and rightly so. Rightly so for a company which is the biggest housing finance company in the market, the expectations need to be higher. We need a push in the back or a kick in the back, if I may say so, to push us forward. We are consciously engaged towards that. Let me assure each and every one of you, we are not at all satisfied with the rate of growth and the delivery of performance. We realize we are capable of doing much-much better. The company, the stakeholders, the management, and the board is consciously aware of this, and the board is really pushing us hard to bring about whatever structural and mindset changes are required. And as far as the position in the industry is concerned, I think we are the oldest housing finance company, a single product company. So, you can say we are the experts in the business. We do not sell any other product. Our domain is only in the housing finance. So, we have the experience and the expertise to do this business. As far as competition is concerned, I am repeatedly saying we are very competitive in the market as far as interest rates are concerned, 7.15, the lowest in the industry. And I feel going forward, Quarter 4 is going to be a very good quarter for all of us, whether it is the asset quality front, whether it is the margins front, whether it is the business front and loan book front, I think it is going to be good. Thanking all of you for engaging with us and looking forward to delivering a very satisfactory and a good performance in Quarter 4. Thank you all.

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