"LIC Housing Finance Limited Q1 FY '21 Earnings Conference Call hosted by Axis Capital Limited"

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MODERATOR:	**MR. PRAVEEN AGARWAL – AXIS CAPITAL LIMITED**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the LIC Housing Finance Limited Q1 FY '21 Earnings Conference Call hosted by Axis Capital Limited. As a reminder, all participants' 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 then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Praveen Agarwal from Axis Capital Limited. Thank you and over to you, Sir.

Praveen Agarwal: Thanks, Faizan. Good Afternoon everyone and Welcome to this earnings call. From LIC Housing Finance, we have Mr. Siddhartha Mohanty – MD and CEO, and Mr. Sudipto Sil – CFO. I would request the Management team to share the key highlights for the quarter post which we will open the floor for Q&A. Over to you, Mr. Mohanty.

Siddhartha Mohanty: Thank you, Praveen. Good Afternoon friends and Welcome to the post result conference call of LIC Housing Finance Limited. As you are aware, LIC HFL declared its Q1 FY '21 results yesterday. Before beginning, I wish you and your near and dear ones good health and safety. Before I begin dwelling on the operations for the quarter, I would like to share with you the background and perspective most of which I am sure you are well acquainted with. During the quarter under review, we have witnessed one of the biggest black swan event of our lifetime. The COVID-19 pandemic forced the country into a complete lockdown for most of the part of the first quarter. It was only in June 2020 pursuant to unlock 1.0 that some business activity could come in. It was an unprecedented situation which unfolded rapidly to which the company also responded in equal measure to ensure that all normal functions would be done seamlessly. Despite a disruption of this magnitude, the company could present a fairly stable set of numbers which deals as a backdrop I would now present the key highlights of the Q1 performance which are as follows. Total revenue from operations 5004 crore as against 4807 crore for the corresponding quarter of the previous year reflecting a growth of 4%. Outstanding loan portfolio stood at 2,98,017 crore against 1,97,768 crore as on June 30, 2019, reflecting a growth of 6% out of which individual loan portfolio stood at 1,95,176 crore as against 1,84,155 crore off by 6%. Total disbursement for the quarter were 3560 crores, out of that disbursements in the individual home loans were 3034 crore, disbursements in project loans were 159 crore.

Net interest income for Q1 was at 1221 crore as against 1182 crore. Net interest margins for the quarter stood at 2.32% as against 2.41% for Q1 FY '20. Profit before tax for the quarter stood at 1017.67 crore as against 840.89 crore, a growth of 21%. Profit after tax for the quarter stood at 817.48 crores as against 610.68 crores for the same period previous year reflecting growth of 34%. As mentioned in the earlier part of the discussion, normal business activities were severely impacted during the quarter, however, disbursement started picking up during the month of June and was almost 62% of the figures of June 2019 despite several locations still being under intermittent lockdown. During this period, our performance in PMAY continued to be buoyant with disbursement exceeding 1000 crore for the quarter that is almost 30% of the retail disbursement. On the portfolio growth front, total portfolio recorded a growth of little more than

6% and now stands at 2,09,817 crore. As mentioned, the overall portfolio growth also got impacted as disbursements during the quarter were affected.

As per RBI circular on grant of moratorium one and two, company offered EMI moratorium to its customers. Individual home loans under moratorium accounted for 16% of home loan portfolio as on June 30, 2020. Approximately 25% of company's total loans under management is in moratorium as of June 30, 2020, which at the peak reached about 29% during the quarter, so there has been a reduction during the quarter itself. In terms of number of customers which is also an important monitor, less than 12% of customers are under moratorium. As far as overall moratorium trend is concerned, we are seeing many customers coming forth to pay every month, month after month despite being under moratorium. As a proactive measure since April itself, we have set up a taskforce at each unit to engage with the customers to ensure that the process of transition from moratorium to regular payment happens smoothly since we have to understand that this is a new situation for customers. Our engagement reveals that though many customers were not impacted by the COVID situation, they had applied for moratorium to preserve cash to tide over the uncertain situation. Further, if one analyzes the LTV of the portfolio, it gives us confidence that there will not be any untoward movement in the delinquency when moratorium is lifted.

In terms of asset quality, Stage-3 exposed at default remained at 2.83% at the same level of March 31, 2020. Total provisions as on June 30, 2020, stood at 2669 crore reflecting a provision cover of 45%. While making the provision, special emphasis is laid on the COVID situation and three-four different scenarios have been considered while arriving at the overall ECL provisions, which now stands at 45%. On the funding side, we have witnessed a reduction in overall cost of funds by 21 basis points during the current quarter. Incremental cost of funds has come down significantly. Net interest income registered a nominal growth largely due to sluggish growth of portfolio. Net interest margin for the quarter stood at 2.32% as against 2.41% over the same period previous year and improved from 2.18% from Q4 FY '20. The funding environment and liquidity conditions remained quite favorable for the company. The second quarter has begun on a positive note with disbursements picking up significantly in July and August. At present, the business environment is measurably better as compared to the initial phases of lockdown and despite the continued uncertainty in the external environment, we are witnessing a gradual but consistent recovery. We have also launched several initiatives and products recently including new product for pensioners and a very competitive pricing across all our product offerings. In the new normal, a significant emphasis has been laid on business process reengineering based on digital platform to transform the organization which will be unveiled in due course. This year will post challenges of the like we have never witnessed in the past, however, we are very confident that we will overcome all obstacles and will emerge stronger. With this brief introduction, I would like to invite you for your queries. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Kunal Shah from ICICI Securities. Please go ahead.

Kunal Shah: Thanks for taking my question, so firstly in terms of moratorium, last time also on the call we highlighted 25% of AUM as of May end and on the individual side it was 12% to 13% in terms of number of customers, so now that is almost like 16 odd percent, how would that be as far as LAP and the developer portfolio is concerned and post June if I have to look at July and August till date, how would have this 25% number move?

Siddhartha Mohanty: Actually, if you see this construction finance that is constituting around 77%, they are under moratorium, builder book 77% of the portfolio is under moratorium. Overall, we are having 25% as I mentioned and LAP and other they are 21%, commercial LAP and others, overall it comes to 25% and individual retail housing loan as we mentioned 16% of the book size is under moratorium, but number wise it is less than 12% because many people have started paying, those who have initially taken moratorium they have also started paying.

Kunal Shah: LAP would be 35-40 or it is just 24% because if I just back calculate on the basis of the proportion of the book then to arrive at 25% less seems to be much on the higher side?

Siddhartha Mohanty: Average is 25%.

Kunal Shah: In that average, we are looking at 77% developer and 16% individual, LAP seems to be somewhere around 35%-40%?

Siddhartha Mohanty: Yes, LAP means non-housing that is around 36%.

Kunal Shah: Now, getting into post once the moratorium is lifted, how do we see the restructuring particularly this 77% developer and even 37% non-salaried LAP so out of this 25% moratorium what is the quantum we see wherein restructuring would be needed and I think overall provisioning is still like 10 odd basis points, like we have to make another 10% then would it mean like a relatively higher provisioning in the coming quarters?

Siddhartha Mohanty: My sense is if you see moratorium people who have availed, they were standard as March 1, 2020, those who have availed moratorium be it the builder or LAP or even individual, they were standard as of March 1, 2020, and they have availed the moratorium because many of them I believe they are sitting on cash, they have sufficient cash reserve and all are not under stress because RBI provided this benefit, they have availed and we are in constant touch with the builders particularly big accounts, so some comfort we are getting once moratorium ends, they will definitely start paying, so far as the restructuring and other things are concerned, we are also awaiting detailed guidelines because detailed guidelines will come from the committee and once people avail that, definitely we will also act upon that, there will be no issue and September my sense is this whatever asset quality is there, there may not be further deterioration at least we should be able to maintain.

Kunal Shah: How this 25% has moved in July and August moratorium?

Siddhartha Mohanty: I think further reduction will be there because July and August we are experiencing excellent collection in July and August.

Kunal Shah: Okay, so any quantification it would be less than 20% or?

Siddhartha Mohanty: It will be within that range, 20 to 25 that is my sense.

Moderator: Thank you. The next question is from the line of Subrat Dwibedy from SBI Life Insurance. Please go ahead.

Subrat Dwibedy: Sir, thanks for taking my question, first question is related to the developer portfolio where the moratorium level is very high, but you are still expecting that there will not be a slippage there because they have adequate cash, so if you can quantify like, the much cash which would be there in the escrow accounts of the developers is sufficient to take care of the repayments for how many months?

Siddhartha Mohanty: You see as I told earlier, these accounts they were standard as of March 1st, so they were paying, they did not have any cash issue, so they were standard, because moratorium was granted, they have taken moratorium, so my sense is that they will again start paying, some of they may be affected adversely because of COVID and other things, but most of them will be because we are constantly in touch with them and sales have also gone up particularly builders who were having housing in mid-segment or affordable segment, during this COVID period also, their sales is also picking up and that is also reflected in our disbursement growth, June disbursement, July-August we see tremendous growth is there in our retail book, so that complements their payment commitment in the month of September.

Subrat Dwibedy: Okay, so you will be disbursing to this segment LAP and developer segment going forward or almost all your disbursements?

Siddhartha Mohanty: Yes, depending upon the situation once because developer what we see account should be standard and we see the sale velocity. If we see good sale is happening in the project, definitely we will fund those projects, sale is of utmost concern apart from all other financials and other things, sale velocity is prime concern now so that he can repay in time, so builders which are into affordable segment where sale is happening, definitely we are there to fund those projects.

Subrat Dwibedy: Sir, my last question, this is a question that comes very often, is related to the capitalization and given that there could be some issue going ahead, some restructuring, higher provisioning requirement etc. and now capitalization is just on the brink of the regulatory requirement, so how do you plan to strengthen it, organically of course there is one way but equity infusion etc. support from?

Siddhartha Mohanty: We are very much aware and very much careful about that. At present, there is no such issue, we are just complying, but coming forward definitely at appropriate time, our board and we will take a call for any capital infusion, we will take a call at appropriate time.

Moderator: Thank you. The next question is from the line of Sanket Chheda from B&K Securities. Please go ahead.

Sanket Chheda: Sir, my question was on again the provisioning on standard asset which is at mere 2.7 million on a standard book of about 2040 billion, so this is not even coming to BPS, so just wanted to understand the thought process we are seeing an improvement which is at a larger stage also, despite that all the peers have been providing something for COVID-related provisioning, despite they having much more provision on Stage-1 and Stage-2 assets than we have, so what is stopping us to provide more instead of assuring the profitability?

Siddhartha Mohanty: Stage-1 has improved, earlier it was 92.51 that has improved to 93.20. Stage-2 also there has been some reduction 4.64, it is now 3.97 and Stage-3 which is real NPA that remains same and if you see provisioning, we have provided 45.32%, and we have taken into account all the scenarios, COVID four-five scenarios our consultant they have given and adequately we have provided for that, so I do not find any issue so far as provisioning is concerned.

Sanket Chheda: Stage-3 we have adequately provided, so that means that on standard asset we do not see any delinquency going ahead?

Sudipto Sil: I would just like to give you some details, the way the ECL model pans out it depends upon the accounts which are likely to go into delinquency and have been identified at that particular stage itself that is the reason why and that also takes into consideration the value of the property, adequateness of the value of the property. Now, if you look at the loan-to-value ratio that the company has and this is probably something completely different as compared to many other companies in the peer group, our LTV at the time of inception itself is in the late 40s, thereafter after some repayments, the LTV on the assets come down significantly, when we have to look at the ECL provisioning, it is a combination of two things, it is PD and LGD, the probability of default and the loss given default, the ECL is made on the loss given default and when you take into consideration the loss given default what comes into play is the property value and what is the coverage of the outstanding loan, which is likely to be delinquent vis-a-vis the property value which is taken as a security, so that is how the model is built.

Sanket Chheda: Sir, on retail housing per se what would be the maximum LTV we would be giving out, would you be giving out anything above 90%?

Sudipto Sil: No, it is 80%-85%.

Sanket Chheda: Sir, last question on moratorium, we report 16% on individual book and we were saying that whatever moratorium we have given those all was on standalone, I guess there was no moratorium extended to NPAs anyway for **22:16 (Inaudible)** , so if we back calculate 17% of our developer book is already on NPA, so we calculate non-NPA developers who can 80% under moratorium, then also the LAP-LRD book which constitutes 16% about 65%-60% days under moratorium, is that calculation right?

Sudipto Sil: No, I am not able to understand the calculation in any which ways I will give out the numbers which we have already given out some few minutes back about little less than 16% of the home loans are under moratorium, at present 77% of the builder loans and on the LAP side, it is around 36%-37%.

Sanket Chheda: And the MAT is not added?

Sudipto Sil: It will add.

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

Udit Kariwala: Thank you so much, Sir the question I had was that the Stage-2 has fallen this quarter, what is the reason that could be attributed, is it because of the roll back into Stage-1 or have you transferred some assets to the SBI CAPs managed fund, and if yes, how much of it would be transferred?

Sudipto Sil: Stage-2 there is an upgrade in terms of actual collection, collection improvement has been there despite the lockdown and it has nothing to do with that SBI fund though there are some accounts where we are in discussion with the fund and a good number of them, but that rollback is not attributable to this.

Udit Kariwala: Okay, so that has not happened up till now, it may happen in future, as of now it has not that is not related to it. The other thing, Sudipto, I wanted to understand is you just made a point that the LTV is low and hence the eventual ECL which we need to provide is very low on Stage-2 and Stage-1 and that is why the provision is so low, but then what justifies 45% cover on Stage-3 assets, ideally that your provision cover from a model perspective should have been much lower on Stage-3?

Sudipto Sil: If you actually look at it, the actual loss rate and I can give you some details about that, in the last 30 years we have actually written off about 350 to 400 crores not more than that so that way if you look at it, the actual credit cost is in single digits maximum 8 to 9 basis points even out of accounts which have been written off, there have been recoveries, but when we are actually doing our Math, we are actually always trying to be a little bit more conservative and especially if you look at it from the builder loan side, the provisioning has been much higher.

Udit Kariwala: Just one last question, part of it was answered in terms of a large part of developer book you are saying which is under morat was standard prior to March 1st, but is there any sense that what percentage of this book would be under stress given the pandemic and the lockdown, any sense?

Sudipto Sil: As MD just mentioned in the opening remarks just few minutes back is that all these accounts were standard as on March 1st, number one. Number two is that many people had actually applied for the moratorium to preserve cash, it was a situation at that point in time whether it was the moratorium 1.0 or 2.0, people had actually preserved cash because obviously in the first couple of months of lockdown, there were no business activities, slowly situations have improved, whatever feedback we are getting, we are seeing that the sales position especially for people in the affordable and mid-housing segments have started making sales, so that is an encouraging position, so as we stand right now, it will probably not be exactly accurate to put a number out, but we can say that the situation probably is not as bad as it was seen some four months back, that can be certainly said with conviction, that whatever the situation was in the month of April, it is measurably better.

Udit Kariwala: And some part of the developer book by design or by structure would always be under moratorium, right and probably in those case what happens in case of this kind of a moratorium, does it extend or does it affect or how does it work?

Sudipto Sil: Two moratoriums cannot work together, I mean it is structurally in the moratorium because of the terms and condition of the loan itself then it cannot be under another moratorium.

Udit Kariwala: But that would be only principal moratorium right, there would not be interest holidays on those loans?

Sudipto Sil: Interest holidays would be there, yes.

Moderator: Thank you. The next question is from the line of Susmit Patodia from Motilal Oswal AMC. Please go ahead.

Susmit Patodia: Good Afternoon Sir, thank you, Sir could you give us a little more details on you said the disbursements have been very strong in July and August and you said June was 62% of the last year's June level, so are we already hitting the 100% level or are we still below that?

Siddhartha Mohanty: Actually my experience in the month of July and August, we are positive as compared to last year's July and August, already we are showing positive signal, already growth is there double digit growth is there, so my sense is in September, we will definitely show growth for Q2 to Q2 of previous year so far as the disbursement is concerned because the trend has already begun and last week of June, we had massive disbursement and July-August same trend continues.

Susmit Patodia: This is mostly towards individual loan?

Siddhartha Mohanty: Yes, individual retail housing loan because this builder book we could disburse only 158 crore in the first quarter as against 950 crore last year of this period, so builder book it is less, but retail we are doing well, but overall if you take builder and retail together then also we are making positive growth, so only retail takes care of our both the segments in the current year.

Susmit Patodia: Sir, one small data point I wanted to check, employee cost has increased by 30% YOY is there interest rate related actuary adjustment?

Siddhartha Mohanty: At the end of the year, our incentive was given, PLI was given to employees so that has added up to that cost, marginal increase is there.

Susmit Patodia: Sir, third question is have you seen any region specific trends either in terms of morat, are there any areas that are worrying you?

Siddhartha Mohanty: Only our challenge as everybody knows real challenge is how to bring those accounts which are under moratorium back on track in September that is the biggest challenge which I foresee now and we are already geared up. Our special taskforce is there, they are in touch with every customer who are under moratorium, so let us see September I have made positive hopeful that all those accounts will be back on track, they will start paying, that is the biggest challenge for the time being and for entire sector also.

Moderator: Thank you. The next question is from the line of Devesh Kayal from Carnelian Capital. Please go ahead.

Devesh Kayal: Sir, what is the recovery we are expecting this year from the GNPA, you told last time that you would be focusing more on recovery this year?

Siddhartha Mohanty: Actually you see recovery very difficult to predict, but if I see first quarter some 25-26 crores recovery has been done and this builder book has been reduced, NPA has been reduced in the builder book, so that is our experience in first quarter, but coming quarters because moratorium is there, economy is slow down all those things are there, but still then we are now trying for recovery, but people are waiting for all the restructuring and other things will come in due course, they are also expecting so that is there.

Devesh Kayal: How is the pre-payment penalty which is not there under the RBI, but it is there under the NHB, so how does it affect us?

Sudipto Sil: Pre-payment penalty is not there for NHB since 2014, since 2014 pre-payment penalty has been abolished by NHB also.

Devesh Kayal: Okay, and what percentage of our developer book would be like composed of in affordable housing, the developer book into affordable housing, builders which were into affordable housing?

Siddhartha Mohanty: Actually, 60% to 70%, within builder book those who are doing affordable housing projects, mid-segment and affordable put together.

Devesh Kayal: How do we define mid-segment like up to what range?

Sudipto Sil: That actually depends from city to city, the price points in each of the cities and micro markets are completely different.

Moderator: Thank you. We will take the next question from the line of Aswin Kumar Balasubramanian from HSBC AMC. Please go ahead.

A. K. Balasubramanian: I just want to understand in terms of the individual moratorium book which is about 15%-16% like what will be the kind of nature of that in the sense will it be more from Tier-1, Tier-2 kind of nature of that in the sense it will be from Tier-2 kind of cities and what will be the, is it higher ticket size that will be higher moratorium or in terms of income levels with the lower income or the higher income kind of segment which is experiencing higher level of moratorium?

Siddhartha Mohanty: It is across the country, we are experiencing from all the cities, Tier-1, Tier-2 cities, Tier-3 city also but one good thing is that since these accounts they were standard as of March 1, 2020, and from our regular income group that constitutes the biggest segment of our individual loan portfolio, so that gives some comfort, so we are hopeful all these accounts will be starting paying in the month of September once moratorium ends because people they can afford but because the benefit was given, so many of those they have taken advantage of that.

A. K. Balasubramanian: In terms of your yield on your current about more than 10%, like how much of the loans will get reset because large percentage now is floating-rate loans?

Sudipto Sil: Sorry, I could not get your query can you please repeat?

A. K. Balasubramanian: Yes, I wanted to know like since a large percentage of the loan is now floating-rate loans to you like when do these loans reset for you because I am assuming that it will be reset at a much lower level?

Sudipto Sil: Actually if you look at it the 10% yield that you are seeing is a combination of builder loans that is the project loans where the average yield is around 13% and also the LAP and the LRD portfolio which is higher than 10%-10.5% and the balance about 75 odd percent is home loan products of different types, so if you look at it there has been a steady rewriting offer which we have given to the customers, so as and when the customers, whenever there is a change in the interest rate they have applied for it and we have given the benefit of the lower rates, so that is an ongoing you can say and much of it has already happened.

Moderator: Thank you. The next question is from the line of Anuj Singla from Bank of America. Please go ahead.

Anuj Singla: Thank you very much for the opportunity, Sir, first question on yields, we have seen a Q2 recovery in yields, could you just point to the drivers what has driven that?

Sudipto Sil: You are talking of the first quarter?

Anuj Singla: First quarter over 4Q of last year.

Sudipto Sil: There has been slight improvement because at the beginning of the year, towards the end of the year there was some kind of I would say competitive intensity which was not there, so initially the business that we had done was at the higher yield, number one. Number two is that the interest accrual also because the NPLs have not changed, the NPLs have not increased that also gives you a better gross yield.

Anuj Singla: Okay, this is also because of the interest accrual on the morat book handling, that will also…?

Sudipto Sil: Yes, that is also there.

Anuj Singla: Okay, understood. Secondly, we have come out with these products 6.9% onwards may be among the lowest on the street in terms of the individual home loan rates and we get the feedback there is rising competition from the banks in the individual home loan market, so how should we look at the yield or the loan spreads going in towards the end of this year especially with the loan growth disbursement growth coming up for us, should we expect a moderation in the yield levels as we go towards 3Q and 4Q of this year?

Sudipto Sil: The new product pricing that has happened has happened in the context of the new interest rate scenario in the country. Now, as compared to March, the incremental yields across various tenures have come down significantly. Just to give an example, say a three-year paper which is a mid-tenure paper would have been placed at about 7.25% in March, today we have a bidding where we are expecting it to get priced at 5.45%, so that is a big drop so whatever pricing model was there in place in the month of March and last quarter, the new pricing based upon the incremental cost of fund is completely different. In fact our deposit rates, we have reduced by 150 basis points in the last two-and-a-half months, so we are very confident that we will be able to hold on to spreads, as you have mentioned about the competitive intensity, I would say that it is plus and minus as well because some of the people have become more competitive and there are large number of players especially the HFCs who are not in the space at all, so it is counterbalanced.

Anuj Singla: Sir, lastly some color on the account upgradation, Stage-2 to Stage-1 which you have seen in this quarter, some color on whether this is all individual retail loans or some amount of LAP and builder loans if any, if you can just throw some color there?

Siddhartha Mohanty: It is both, if you see individual loan it has improved, 4.79 Stage-2 to 4.06, under Stage-1 also 93.44 it has improved to 94.20, it is about the individual retail housing loan and similarly project loan almost slight improvement is there 79.65 to 79.69 in Stage-1 and Stage-2 of course it has little deteriorated at 2.55 to 2.68, Stage-3 again there is also slight improvement 17.80 to 17.64 for projects builder book.

Anuj Singla: So finally looks like primarily individual, but some contribution from project loans?

Siddhartha Mohanty: Yes.

Moderator: Thank you. The next question is from the line of Umang Shah from HSBC Securities. Please go ahead.

Umang Shah: Thanks for the opportunity, Sir I just wanted to know the moratorium **40:36 (Inaudible)** next week and do we have any initial assessment at the overall company level, what proportion of loans can potentially get restructured?

Sudipto Sil: The restructuring as far as the loans are concerned, you are aware that there is a committee which has been constituted by Reserve Bank and the guidelines will be probably coming out in the month of September, so irrespective of that our effort is not to ensure that we depend upon the restructuring, but to actually almost like person-to-person contact with the customers to ensure that payment will come and we are sure that in the month of September itself a large number of these people will come back into the regular payment mode and obviously maybe there will be a few which will not come immediately, but as far as our understanding, engagement with the customers are concerned, we have got a fair level of confidence that this number is not going to be very large, it is within acceptable and tolerable limit.

Umang Shah: Sure, so as a result one should not expect any large regulatory provisioning also which otherwise would have come along with restructuring?

Sudipto Sil: As of now, the number it is very difficult to give a number, you are asking for a specific number, it is very difficult to give right now, but we are not anticipating such a huge kind of an increase because all these accounts were standard as of March and even if they do not make payment for one month, they will not slip…

Umang Shah: I think what you mentioned was that given post restructuring, you do not expect a major…

Sudipto Sil: I told you the reason that the moratorium is getting lifted if at all as on August 31st and the accounts which have been granted moratorium they were all standard accounts, so by September they will not become NPL because that 90 DPD will not kick in, they will still be standard account as on September 30th and that gives the customer as well as the lenders time to engage into discussion in case this people do not come, September I think there is no concern of such an increase in this provisioning requirement.

Moderator: Thank you. The next question is from the line of Amit Ganatra from HDFC AMC. Please go ahead.

Amit Ganatra: In terms of your moratorium book, can you highlight what would be the percentage of book of people who would not have paid any installment for last four months because you also mentioned that there was lot of part payment and some payments that has been happening for book under moratorium, but then what would be the book for which there has been no payment for last four months?

Sudipto Sil: Around 25% will be customers who have not made payments, they would have made payments with a delay.

Amit Ganatra: No, you are saying 12% of the customers are under moratorium?

Sudipto Sil: Number is 12%, yes you are right.

Amit Ganatra: And 25% of the AUM is under moratorium?

Sudipto Sil: Correct.

Amit Ganatra: So what I want to know is that what would be the percentage of AUM today for which interest is being accrued for last four months, but there is no interest payment that has come for last four months at all?

Sudipto Sil: It is mostly the builder loans.

Amit Ganatra: Okay, and individual?

Sudipto Sil: Individual, intermittent payment is coming, I am not having a number immediately, but intermittent payment is coming, out of that 16% or whatever AUM is there, intermittent payment is coming.

Amit Ganatra: For LAP?

Sudipto Sil: For LAP also good amount of payment is coming, it is only the builder where most of the payment is not there.

Amit Ganatra: So in that case when it comes to regularizing the most challenging segment would be the builder loan, right otherwise?

Sudipto Sil: I would say that on the contrary it may not be the builder loans because the builder loans if you look at it what we have to understand is that we have engaged with them also and they are all preserving cash, you have to understand that it is an business entity every cash that is saved is positive in terms of the immediate cash flow and they have been I would say as we have said in the opening commentary, they have been preserving cash to tide over an uncertain situation and when the moratorium was offered, they had taken even from those entities who had actually continued to do sales during the lockdown also, there have been number of builders who have continued to do sales in the lockdown period, but as a business entity everybody, all these people had actually lined up cash, they had preserved cash. If you look at outside of this builder community also, builder sector also every entity including lenders like us, we had also lined up extra cash on our books, we did not require any additional but to tide over an unforeseen and unprecedented situation, we had also had idle cash on our balance sheet for the last three, four-five months, so that is actually a strength I would say, so last six months these people have actually been able to repair their cash flows to some extent.

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

Nishant Shah: The question is around understanding comments earlier about provisioning requirements, so some of the larger peers in the housing finance have given us like something a clarity as regard what we see outstanding LTV of the moratorium pool, let us say around 14% or so, so could you specifically for the accounts which are in the moratorium say separately for the home loan book, the LAP book, and the developer book, also just give us some idea about what is the outstanding LTV today, so there is enough like if the LTV is low enough it can probably?

Sudipto Sil: I can just share with you that as far as the LTV on the retail home loan book is concerned, the average LTV on the entire portfolio, I know you are asking specifically about moratorium but I will come to that later, it is at the inception itself is in the late 40s which is the lowest across the sector, across all types of lenders whether bank or HFCs. Now, after few years of repayment on the outstanding loan, the LTV increases further, I would say the coverage increases further because the LTV falls further, that is number one. As far as the LAP is concerned, it is cast in stone that at the time of inception it cannot exceed even 60% of the value. As far as the builder loan is concerned, we generally take 1.75 average to 2% among the primary value of the security that is the cover on the primary value of security apart from taking additional collateral, so if you look at on the account to account in the builder loans probably the security cover will run as high as 2 to 2.5 times which means that the LTV is in the 40s, so average if you take any slice of the portfolio across any of these verticals, you will find that the average LTV will be in the 40s which means that by and large there is around at least two times the cover on the value of the outstanding loan and that is the reason why we make the projections or the scenario building for the COVID, one of the important considerations taken at that point in time is the probability of reduction in property value or resale value of those properties because of the COVID situation, so all these things are baked into the primary scenarios which were built for taking the ECL provisions.

Nishant Shah: The only reason I asked specifically for the morat is that may be like law of averages can sometimes exclude the extremities?

Sudipto Sil: It will be similar, we have applied some kind of a dipstick study, but it is more or less similar.

Nishant Shah: Okay, fair enough. Second question was on the funding corporate books, in this cost of fund for all the different instruments, we have seen like a very sharp kind of reduction in NCD cost, people cost and all that, but during the quarter we see that there has been like significant reduction in the NCD's outstanding and a proportionate increase in the moneys borrowed from say NHB, it is roughly the equal amount, I am just trying to understand why does that happen like if the cost of fund is falling?

Sudipto Sil: It is as a part of the product strategy which we have adopted about couple of years back in order to diversify the cost of funds and diversify the sources of funding. Earlier, if you remember two years back, we were almost 80% dependent on wholesale borrowing that is the NCD market and that came along with various concentration risk, so we have diversified it and that has given us good results because if you see two things that we have been able to achieve even during the lockdown is that, we have increased the NHB funding and it has come at around 5%-5.5%, which is much, much lower than any of the other sources of funds. Secondly, we have been able to significantly increase our share of retail deposits which is now more than 8.5% of the total liability which was about 2% to 3% three years back, so there has been a significant increase in the retail deposit base despite the fact we have reduced rates by almost 150 basis points in the quarter, so this is a part of a funding strategy, so there will be a diversification of the sources of fund which will obviously keep all the options and all the avenues opened to the company at any given point in time.

Moderator: Thank you. The next question is from the line of Dhaval Gada from DSP Investment Managers. Please go ahead.

Dhaval Gada: I just had couple of questions, first was related to you mentioned that July-August you are seeing positive year-on-year growth, could you just give some color between the growth from refinancing and growth from fresh sale and resale properties, where is the growth exactly coming from some color on that, and the second question is related to the repayment rate has come down substantially so what is the interest accrued number for the quarter, if you could give that?

Siddhartha Mohanty: Actually if you see the growth is coming from fresh disbursals, not refinance fresh disbursals, new loans we are giving, so we are experiencing good growth in July and August and hopefully September also will be better.

Sudipto Sil: Prepayment is actually a voluntary payment which happens, prepayment obviously was less because for most part of the year and most part of the quarter the offices were closed and that is why business activity itself did not happen, so prepayment rate had come down that may not be the correct benchmark going forward, maybe it will go up to whatever, but generally it is trending lower, generally the trend is it is going down.

Dhaval Gada: What was the interest accrual number for the quarter if you could give that especially for customers who had taken moratorium and where it would have accrued in the outstanding?

Sudipto Sil: Simple, it is around 25% of the book is in moratorium and you have seen the average yield on that particular book, so that will give a clear indication, that is what is actually added back as the capital, that is added back to the book.

Moderator: Thank you. The next question is from the line of Preeti Hegde from Canara Robeco Mutual Fund. Please go ahead.

Preeti Hegde: Thanks for the opportunity, my question is more generic in nature, Sir as you mentioned before that there has been increase in the NHB borrowing, so just wanted to understand has there been any change in the lending terms of NHB where it is asking for the first charge of receivables and some of the receivables which you might have given as the security to the outstanding secure lenders?

Sudipto Sil: No, it is always at pari passu, there is no change.

Preeti Hegde: There has been no change?

Sudipto Sil: Absolutely no change.

Moderator: Thank you. The next question is from the line of Gaurav Kocher from Mirae Asset. Please go ahead.

Gaurav Kocher: Thanks Sir for the opportunity, just one question from my side, while you mentioned 25% is the moratorium book, on the remaining 75 what is the collection do you see or is there a portion of that 75% also not paying?

Sudipto Sil: It is more than 90%.

Gaurav Kocher: Okay, so roughly 10% of the non-morat book is also… Sir, in the morat book any color around salaried and self-employed, have you seen a trend on self-employed availing moratorium higher than salaried?

Sudipto Sil: Actually if you look at the home loans obviously with the LAP book the constitution will be different, but for the home loans it is not anything different, it is by and large similar slightly skewed for the self-employed category.

Moderator: Thank you. Ladies and Gentlemen, due to time constraint we will take that as the last question. I would now like to hand the conference over to the Management for closing comments.

Siddhartha Mohanty: Friends, as you see we are confident whatever we did in first quarter of this current financial year despite all uncertainties and as things stand today, July and August we are experiencing good growth in our disbursal and good collection also, so I am very much hopeful in the second quarter also, the company will be able to show positive growth and let me assure you company is fully committed to take care of all the stakeholders interest and in coming days you will see lot of things happening in the company so far as business process and all other things are concerned, very soon all these things will be gradually unveiled and let me assure you full confidently I am just telling and giving full confidence to all my stakeholders that company will live up to your expectation. Thank you.

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