"LIC Housing Finance Limited
Q1 FY2023 Earnings Conference Call"

August 05, 2022

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Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY2023 Earnings Conference Call of LIC Housing Finance, hosted by Axis Capital Limited. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" 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. Thank you and over to you Mr. Agarwal!

Praveen Agarwal: Thank you Margaret. Good morning everyone, and from the management team we have Mr. Y Viswanatha Gowd – MD & CEO; and Mr. Sudipto Sil – CFO to take us through the key highlights of the call, post which we will open the floor for Q&A. Over to you Sir for the opening remarks, please.

Y Viswanatha Gowd: Thank you Praveen. Friends, very good morning and a hearty welcome to everyone of you to the post earnings conference call of LIC Housing Finance Limited. As you are aware we have declared our results for Q1 FY2023 yesterday. Prior to detailing the operational aspects I would like to highlight that a strong momentum in the economy was witnessed throughout the quarter as compared to the previous quarters over the last two years, which is reflected in the robust growth in the disbursements. The quarter under review also witnessed a 90 bps policy repo rate hikes in aggregate the two consecutive MPC meeting held in May and June and also another 50 basis points hike today. As a result the company also raised its benchmark lending rate by 60 bps in June 2022 in repose to the earlier 90 bps policy repo rate hike. As reflected in the strong disbursements numbers in Q1 the current year promises to be better than the last two previous years.

The financial highlights of the quarter as follows: Key highlights of the quarter results number one the total revenue from operations were 5285 Crores as against 4857 Crores for the corresponding quarter of the previous year, it is up by 9%. Outstanding loan portfolio stood at 255712 Crores against 232548 Crores as on June 30, 2021 reflecting a growth of 10%. Out of which the individual home loan portfolio stood at 209599 Crores as against 182055 Crores it is up by 15% and now it comprises 82% of our total portfolio. It is also up from 78% one year ago. The total disbursement for the quarter was 15201 Crores as against 8652 Crores it is also up by 76%. Out of the disbursements in the individual home loans were 13131 Crores as against 7650 Crores it is a growth of 72%. Disbursements in project loans were 309 Crores as against 237 Crores for the same period previous year. Net interest income rose by 26% to 1660 Crores as against 1275 Crores for the same period in the previous year. Net interest margins for the Q1 FY2023 stood at 2.54% as against 2.2 for the

Q1 of FY2022. Profit before tax for the quarter was 1140.36 Crores as against 192.93 Crores in Q1 of FY2022 it is a growth of 491%. Profit after tax for the quarter stood at 925.48 Crores as against 153.44 Crores for the same period previous year with a growth of 503%.

Loan disbursements during the quarter were very strong with 76% growth in total disbursements over Q1 of last year. Geographically the growth remained evenly distributed across our various regions if southeast and western and southern in the leading. Our mobile platform HOMY app, it continues to add value and it accounted for over 6500 Crores in the sanction during this quarter. In terms of asset quality space three exposure at default as on June 30, 2022 stood at 4.96% as against 5.93% as on June 30, 2021. The total provisions as on June 30, 2022 stood at 6141.03 Crores as against 4727.02 Crores as on June 30, 2021 and 5839.11 Crores as on March 31, 2022. This includes 619.10 Crores for COVID-19 related provisions. As of June end 2022 we have seen 4500 Crores approximately exiting out of OTR. On the funding side our cost of funds was at 6.7% as compared to 6.88% as on June 20, 2021. Despite the rising in this scenario in a market we have been able to bring down our cost of funds on year-on-year basis. Incremental cost of funding stood at 5.44 for Q1 of FY2023.

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 Sanket Chheda from B&K Securities. Please go ahead.

Sanket Chheda: Hi! Sir, my questions was on asset quality. Last quarter we had a restructuring of 7800 and which was hitting in stage one. This quarter seems to be there is some flow to stage two and stage three. So what was that flow and how much restructuring is outstanding.

Sudipto Sil: See out of the 7800 was the total OTR that has happened and every quarter as you know some of it is exiting as of today including last few quarters put together about 4500 exists have been there in terms of movement in the various stage buckets you would have seen an increase in the stage three by roughly around 1000 Crores. That is partly due to the movement in the OCR and partly due to the non-OTR accounts.

Sanket Chheda: So how much is the OTR outstanding now in stage one.

Sudipto Sil: See in stage one the total OTR outstanding right now is about 2100 Crores you can say which is both having interest and principle moratorium and the 1000 Crores which you can say it is partly in OTR because they are servicing the interest but they were having a principle moratorium.

Sanket Chheda: So 3000 Crores is what hits in stage one against 7800 Crores in the last quarter is that right.

Sudipto Sil: No, not in entirely stage one as you would note that this quarter what we have also done is that we have actually marked this specific accounts in the bucket where they were belonging to pre-OTR. So some of these accounts which were in stage one earlier we have actually put them in stage two as was their specific DPD prior to the invocation of the OTR.

Sanket Chheda: Sir can you give a simple math like 7800 was last quarter in stage one from that how much…

Sudipto Sil: Not in stage one it is was in stage one and stage two put together it was not in stage one the OTR was not in only stage one it was in stage one and stage two put together. My account is BOT our outstanding numbers which I have told you is about 2000 Crores which are both in interest and principle moratorium and about 1000 Crores which hare servicing the interest where they are in principle moratorium.

Sanket Chheda: So last quarter you gave 78 billion against that what is the number this quarter.

Sudipto Sil: Yes that is about a little less than 3000.

Sanket Chheda: And second question is this quarter now we have increased our ECR on stage two but that has entire come because we shifted 392 Crores from stage one as a provision as a result of which now the provisioning on stage one is just 7 bps I think regulatory requirement on standard asset is also 25 bps right it is much lower than that now.

Sudipto Sil: No it is not that way actually if you look at it the regulatory provisioning which is there that is as per the RBI IRAC norms and it is actually fully and adequately providing this what you are talking about stage one, stage two, stage three this is basically on an ECL provisioning account and this also if you see on a year-on-year basis there has been an increase of course there has been a movement from stage one to stage two as we have rightly identified and that has happened because some of these OTR accounts which were earlier being marked as stage one and now in stage two not because of any change in the DPD but because we have actually migrated them to a position which was there prior to the invocation of the OTR.

Sanket Chheda: So 7 bps is adequate you mean and anyways next quarter we need to move to IRAC.

Sudipto Sil: No, next quarter we do not have to move to IRAC I am not able to understand your query.

Sanket Chheda: No so IRAC reporting…

Sudipto Sil: IRAC reporting is parallelly happening there is no change in that, that we have been following since December if we are talking about the November 12 circular.

Sanket Chheda: No, so in stage three we have 4.96% but there are certain assets as per that RBI circular which we are still having in stage two this 4.96 number is not the IRAC number is that right.

Sudipto Sil: No the IRAC number is separate it is in stage three.

Sanket Chheda: So that is what I am saying we are not reporting IRAC as of now.

Sudipto Sil: No that is fully adequately providing if you look at the provisioning overall provision about…

Sanket Chheda: Yes, but I am saying there will be some increase in next quarter right.

Sudipto Sil: No if you look as the specialty few data points that will help you understand the total coverage ratio sequentially on 2.5 lakh Crores of assets has moved up on 2.32 to 2.40.

Sanket Chheda: Yes, that is correct because our asset deterioration…

Sudipto Sil: The total coverage ratio on the project loans that has also increased from 11.6% as of March to 13.45% as of June.

Sanket Chheda: But as stress has also increased know stage two, state three has increased but anyways we are this I wanted to confirm that both these numbers would be dependent like 4.96 is not the IRAC number that is the replying number you are saying.

Sudipto Sil: Yes, RBI IRAC is independent and different and there also if you look at as per the IRAC provisioning norm whatever the IRAC NPA, GNPA number which is at 5.35 which is also separately disclosed there also it is fully provided as per the extent IRAC norms because you have to understand that this is a regulatory requirement so there cannot be any leniency or any relaxation on a regulatory requirement.

Sanket Chheda: And keeping 7 bps on stage one is also fine as per you right.

Sudipto Sil: Yes, if you look at on a year-on-year basis it has improved.

Sanket Chheda: Sure sir those were my questions. Thanks.

Moderator: Thank you. The next question is from the line of Mahrukh Adajania from Edelweiss. Please go ahead.

Mahrukh Adajania: I have two questions. Just following up on Sanket's question you said that the total exit from OTR over the last few quarters have been 4500 Crores and this has been over the last few quarters. So what has been the exit in the first quarter as in 7800 has gone down to 3000 or…

Sudipto Sil: No, actually the 7800 was the total amount the OTR has granted it was 3% of our entire loan so that was the figure that in fact in the public disclosers also we would have seen but that is the total amount of OTRs which has been given by the company ever since the OTR program has been announced by the government by the Reserve Bank so that is the total 3% which was translating around 78 billion or 77 billion that was the total figure. As of now the outstanding figure I have just shared in the previous meeting.

Mahrukh Adajania: Yes, 3000 Crores but what I am saying is the 4Q may not have been 7800 right it would have been lower.

Sudipto Sil: Yes, it would have been lesser.

Mahrukh Adajania: And any quantification on how much has slipped from restructured in Q1.

Sudipto Sil: Sorry.

Mahrukh Adajania: What is the slippage from restructured loans into stage three in Q1.

Sudipto Sil: See roughly around you can say about 400 to 450 Crores.

Mahrukh Adajania: And just one question on spread so you given the portfolio yield and the portfolio cost of borrowing and if you deduct the cost from yield you get a spread of 1.3% whereas if you actually see a net interest income and then try to calculate the spread on the balance sheet it comes to a figure higher than 1.3% so how do you carry the thing.

Sudipto Sil: I will explain it this way. The spread that is reported in our communication that is basically be taking in to consideration the yield on the entire advances and the weighted average coupon on the you can use our coupon the weighted average coupon on the total liability side so that is on a quarter end or end of quarter reporting date. Now if you look at the way the interest rates have moved April was fairly stable it was only from May that the cost of fund that actually started increasing so that I think will answer your query.

Mahrukh Adajania: Okay make sense thank you so much.

Moderator: Thank you. The next question is from the line of Shubhranshu Mishra from UBS. Please go ahead.

Shubhranshu Mishra: Hi! Sir, good morning thank you for the opportunity. A couple of questions on the demand and second on the liability in exports so what sort of demand are we seeing in the individual housing and can you please split it into top 7 cities cautiously rest of the countries that is first on individual housing loans and what is our own estimate going forward for the next 15 to 18 months. Second is on the construction finance have we been seeing incremental competition there from banks because a very high quality developers have been aiming at now one more debt so is that even that our disbursements are low or is it because that we consciously want to keep it low as a proportion of our AUM so if you can squeeze on that as well that will be very helpful and the second question is on the cost of funds what the question of our bank borrowings are on EBLR versus NCLR and what sort of pass through these banks are going to give us going forward.

Y Viswanatha Gowd: As far as demand what you are asking there is a robust demand even in Q1 we could see and even going forward also there is a very good demand for individual housing loans across all the regions. One good thing actually after COVID vaccination then full momentum now is almost actually now we have regained across all regions there is a very good demand for housing especially which is the basic need the demand is mainly driven on two three factors and that main one is not the property rates are almost stable for a long so probably people would like to now clock in at this rates that one thing driving and here I will get small spikes in interest rates may not be a major deterrent for the people to going for housing loans. That is one thing as far as the individual housing loans are concerned and for the whole year we are also positive that there will be a steady growth and we are also expecting that the demand at least our growth rate will be more than 12% to 15% in the range as far as the individual housing loan disbursements are concerned for the whole year current year then the second question you are asking about the constriction finance and that of course we are also very cautiously we are also what you call present in a market we are also giving loans not that we are actually would like to reduce that that only thing is what happened here and there we have the slippages was there into the NPA that is why there is a shrinkage in that what you call the entire portfolio otherwise of the project finance now it is sitting around 5% but in the base account we are very sure that this definitely will increase and we are also focusing on more smart cities where we can give the very good project loans even to the range of 100 Crores or so, so that what happened there we can have a very good presence and also expand our loan book in a project finance this is one thing as far as the project finance matters are concerned and I think regarding cost of funds we are inquiring what is that regarding second question.

Shubhranshu Mishra: If we look at the bank funds and what proportion presently is on EBLR versus MC and what sort of pass through would we likely to see going forward in the next foreseeable 12 to 15 months.

Sudipto Sil: Yes, as far as the bank funding is concerned about 32% of our total fund is drawn from banks and most of them are linked either with an external bench mark or with a repo. So now as you would know that today also there has been a increase in the repo to that extent a portion of that will get reprised higher as far as the external benchmark is concerned there is a little bit of remission in terms of the t-bill cutoff rates because already it has run up quite sharply in the past couple of months. So I would say that there will be some impact but obviously you would note that in the last month we had increased our PLR by about 60 basis points today post RBI's decision also we will take a decision at our alco in the next few days.

Shubhranshu Mishra: Just a clarification on the construction plan Sir could you give a number on the growth what sort of forecast or estimate we have for the business for construction plan.

Y Viswanatha Gowd: Construction finance actually what happened now we are very much focus on that also this is also a radar and then now we have strengthened our systems and also well equipped and trained and we have kept a very good monitoring system and our digital operations also in full swing so we expect at least we will have to at least out of total disbursements the market should, our share in the project finance will be at least close to 7% to 8% that is what we are looking at.

Shubhranshu Mishra: 7% to 8% growth is that correct Sir.

Y Viswanatha Gowd: No, 7% to 8% share in our account it is around 5% probably by end of the year we would like to have nearly to the level of at least 7% to 8% that is what we are looking at and more over nowadays we are focusing on the line of credit that was a one good business opportunity we are looking into that.

Shubhranshu Mishra: Right Sir sure I will take this offline thank you.

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

Kunal Shah: Hi! The first question again just if you can give the exact numbers in terms of what has gone into stage two from the restructure so overall there was 2400 Crores increase in stage two and 1000 Crores increase in stage three so how much of that is coming from restructured you said 400, 450 Crores in stage three but how much would be in stage two.

Sudipto Sil: You are talking about the transition from the March numbers right.

Kunal Shah: Yes, just this quarter.

Sudipto Sil: Yes, total about 2000 Crores have moved.

Kunal Shah: To stage two.

Sudipto Sil: Yes.

Kunal Shah: And 450 Crores to stage three.

Sudipto Sil: Yes that is actually NPA yes you listen kindly note this movement that this movement is not because of any movement in the DPD that remain be very clear on the call regarding that.

Kunal Shah: Yes, pre-COVID delinquency bucket is what we have considered and…

Sudipto Sil: It was reflected in H1 now we have put them in H2 again to repeat there is no movement in the DPD per se it is exactly whatever it is because obviously the clock has frozen then we will carry then operation.

Kunal Shah: And stage three would be focus your growth.

Sudipto Sil: Yes, that is stage three basically I mean it is a NPA only.

Kunal Shah: And secondly when we look at this entire hike which has been there from 1st of July which we did it on 22nd of July we announced so given the profile of the book would it be fair to say that everything will get reset maybe it is 96% our pure floating rate loans on our outstanding portfolio then how should we seen maybe in terms of the reset of this is it like one month or it will be everything will get reflected in Q2.

Sudipto Sil: everything gets reset as on July 1, 2022 that particular date all counts whatever is linked with the PLR gets increased by 60 basis points from July 1, 2022.

Kunal Shah: So try to assume that yields which are there which are reported as of now maybe 97%.

Sudipto Sil: I will tell you, here if you actually look at how what is going to translate obviously the loans which are in NPA there will not be any benefit because any which ways they are linked. Apart from that the loans which have been disbursed in the last one or two months that also there is a minimum lock in of three months so there is two months of disbursement will also not qualified for this hike. Apart from that everything which is link to the PLR whether it is retail loan whether it is non-housing corporate whether it is non-housing individual whether it is project loan as will get moved up by 60 basis points.

Kunal Shah: Perfect this is very useful and lastly so there would be no discounting which will be provided to this I think there was some discounting and this quarter yields have actually come off on a sequential basis so would we offer that as well with the increase in the rates or no.

Sudipto Sil: No, let us very clearly mention there is no discount yet there was a special expertise which was conducted in the month of April to retain some customers which are basically retail customers on the bulk side. Retail customers working with some corporates etc. where we wanted to retain those customers because obviously have been the good credit scores and that has also yielded very good results considering the fact that as of March the year-on-year portfolio growth was roughly around 8% it has increased to about 10% in the June end quarter. So there was a specific exercise being conducted to retain the portfolio to increase the growth and that also knows in the backdrop that we are looking at an interest rate hike almost eminently.

Kunal Shah: No, so the only thing about maybe that 30 bps sequential decline that is quite huge so maybe that came all of us sudden because of this discounting on a larger part and I would say that proportion was also quite high which is resulting on 30 bps decline just wanted to be sure that there will be no such exercise going forward which will create pressure on this. Thanks a lot.

Moderator: Thank you. The next question is from the line of Krishnendu Saha from Quantum AMC. Please go ahead.

Krishnendu Saha: Thanks for taking my questions. Just a couple of understanding on the same most of my questions have been answered just a couple of things. Cost to income ratio is low the last three four quarters if you could throw some light at 12.8% so what is the fund out there and just coming back to the yield and the post discount is 8.1% do we, the increase in the home loan yield on assets that will be on top of 8.1% or you have of course the discount not being there so it should be higher and if you could just talk about the increment cost of fund that has also gone up so how do we see that net I think in fact you see that the NIMs and the spreads for the next two three quarters since on cost to income so just it has been low 12.8% that was supposed to be record. What is going to happen over there?

Sudipto Sil: See cost to income ratio if you look at in the entire housing finance space I think LIC housing ahs got one of the lowest cost to income ratio and historically so cost to income you would take you compare it with cost assets whatever and last year if there was an elevation because there was a one off payment regarding wage arrears now that it is not there this quarter it has actually come to normalized level further if you look at the actual the expenses on account of employee cost etc. that has actually remain very stable with a slight decline sequentially as compared to March as we have slight decline only there has been no increase so that way if you look at it I think cost to income ratio which will be very stable and it is reflecting the kind of cost discipline that the company has always maintained and going forward also by and large this ratio will be maintained.

Krishnendu Saha: Thank you and but on the NIMs and the spread so our incremental cost of fund has gone up by say about 30 bps so how do we see that the yield cost of fund for the coming quarters and this 8.1 the 30 bps also change in yields so the increase in which we have rephrase the assets so is it on top of 8.4 or 8.1 for the quarter so I just want to get the clarity.

Sudipto Sil: The first question that is regarding the margins last year when we have the annual call I there is very emphatic that we will maintain margins stability very clearly we had indicated it is irrespective of the fact that we were looking at an increasing rate scenario the management had very clearly indicated that margin stability will certainly get that and that has been delivered by and large there has been an increase in interest cost as you know across the board two repo hike still the first quarter one more today morning despite that we can share with you that in terms of margins it will be stable last year full year margin has to compare there is volatility in the quarter but on a full year basis there will be margin stability to improve that regarding cost of fund yes cost of fund has increased overall the 140 basis points including today's repo rate hike that the Reserve Bank has increased but despite that if you look at the 90 basis points rate hike which happened in first quarter has translated to about 20, 25 basis points increase in cost.

Krishnendu Saha: So net, net more this was the NIMs you expect at this levels to be maintain or maybe a little bit slightly better for the coming quarters because we will be rechecking assets.

Sudipto Sil: Full year basis we will certainly see improvement.

Krishnendu Saha: And could you give us the breakup of the GNPA for 4.96 what was the breakup which individual LAP LRD where it came from that will be helpful.

Y Viswanatha Gowd: As per the individual housing loan is concerned it comes to 1.9% and then non-housing commercial and non-housing if you put together it comes to around at 7% then project the concession of finance is 35%.

Krishnendu Saha: Thank you for your time Sir.

Moderator: Thank you. The next question is from the line of Rikin Shah from Credit Suisse. Please go ahead.

Rikin Shah: Sir, just had a question limiting to the effective tax rate it has been low for us in the last few quarters any specific reason for that and how does it trend from here.

Sudipto Sil: Effective tax rate the full tax rate is 25.168 but we are aware that under section 36(1)8 we receive a benefit on the amount of transfer that we make to special reserves about 20% of our the income from long-term lending activities that benefit we get under section 36(1)8 so effective tax rate is about 18% to 19% around 18% you can say 18% to 18.5% effectively.

Rikin Shah: And this 18% to 19% should sustain going ahead as well.

Sudipto Sil: Yes, obviously because as of now here is no indication in the change in tax rates by the government.

Rikin Shah: I have couple of clarificatory questions and maybe I can come back in the queue.

Moderator: Thank you. The next question is from the line of Hitesh Gulati from Haitong. Please go ahead.

Hitesh Gulati: Thank you for taking my questions. My question is on the breakup between the restructured book 3000 odd Crores restructured book that you mentioned what is the breakup between wholesale and retail.

Sudipto Sil: The retail piece is about 2000 Crores the wholesale piece is about 1000.

Hitesh Gulati: And how much of upgrade recovery as you seen in stage three.

Sudipto Sil: Sorry I did not.

Hitesh Gulati: What is the recovery that we have seen in stage three the average recoveries in stage three assets.

Y Viswanatha Gowd: Stage three OTR you are seeking for OTR recovery out of stage three.

Hitesh Gulati: No, so normal recovery also like in stage three.

Sudipto Sil: Yes, normal recovery there has been some recovery on the stage three accounts both on the OTR as well as on the non-OTR out of about 4000 Crores total.

Hitesh Gulati: So total it is OTR recovery and just asking about stage three recovery.

Sudipto Sil: Sorry can you be a bit more clear.

Hitesh Gulati: In the stage three assets as of last quarter has there been any recovery basis.

Sudipto Sil: Yes there is a recovery certainly there has been some recovery see actually it is offset by I will just share with you some numbers say for example on the project side we have slippage of about 500 odd Crores but there has been recovery of 140 Crores so net, net on the net, net there is an increase of about of 395 Crores on the project side similarly there will be a similar kind of experience on the retail side also. So recovery side 500 Crores of slippages around 200 Crores of recovery on the retail side.

Hitesh Gulati: Thank you Sir that is it from my side.

Moderator: Thank you. The next question is from the line of Nischint Chawathe from Kotak Securities. Please go ahead.

Nischint Chawathe: This is again just trying to understand the coverage on stage two loans your total EPL on stage two loans has gone up by around 590 odd Crores and what you mentioned is that the ECL transfer on account of the OTR transfer is around 400 odd Crores so the balance would be on account of what.

Sudipto Sil: No, it is not 400 I thought that the number I shared was around 2000.

Nischint Chawathe: No that is a principal amount right so about 3000 Crores of notes on stage one to stage two whatever the OTR transfer along with it we moved around 400 Crores of provision.

Sudipto Sil: Provision is 400 Crores.

Nischint Chawathe: Yes, now the thing is if I look at quarter-on-quarter increase in stage two provisions as w have reported this is up by around 590 Crores so I was trying to understand what could b the difference for the balance.

Sudipto Sil: The balance is that gaining an increase in the coverage.

Nischint Chawathe: because for a 300 Crores of balance increase in stage two you have almost a 200 Crores of balance increase in EPL.

Sudipto Sil: Correct there are two parts there one is that what I had mentioned is that because of the movement all I would say migration from the stage one to stage two to the pre OTR DPD so there for that base and attendant movement of the provision from stage one which was earlier residing in stage one to stage two apart from that on the stage two itself the coverage have increased.

Nischint Chawathe: So HF OTR whatever is the stage two coverage that we can assume to be steady state coverage?

Sudipto Sil: Yes, correct.

Nischint Chawathe: Sure that is it perfect thank you very much.

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

Param Subramanian: Hi! Thank you for the opportunity. I wanted to ask on the OTR thing the remaining 3000 Crores which when will it move out of OTR that is my first question.

Sudipto Sil: Yes, it will come out almost every quarter now it has started moving out from the last two quarters this was the third quarter it was moving out and it will probably gone for another three more quarters that is you can expect bulk of it happening in September and December and a bit of it in March there is much are happening in March.

Param Subramanian: And I wanted to understand of the book that has booked out from OTR that 4500 Crores what is the sort of collection efficiency or some sort of color you can give on how it is performing that 4500 Crores book you said 250 Crores is that but apart from that how is that going to perform.

Sudipto Sil: So regular means that the collection efficiency will be close to 100 only.

Y Viswanatha Gowd: Yes, more than 99% across.

Param Subramanian: On interest and principal overall right.

Y Viswanatha Gowd: Yes.

Param Subramanian: And my last question is what is the interest accrued on the OTR pool currently the outstanding OTR pool.

Sudipto Sil: Outstanding OTR means.

Param Subramanian: The 3000 Crores or whatever this 7800 Crores if there is any interest accrued and not paid what is that.

Sudipto Sil:: See actually if you look at it what I have mentioned out of the 3000 Crores about 1000 Crores is the interest earnings so there is no accrual there is actual receipt.

Param Subramanian: Okay and even on the overall 7800 Crores there is no interest accrued and not paid that is not a significant number is that right.

Sudipto Sil:: That 7800 number does not exist today now the number is not 7800 it is actually I do not know whether you will be in the beginning of the call but the number is not 7800 it has come.

Param Subramanian: Sir just wanted to understand the amount that has moved out they have repaid the accrued interest as well or that will still be approved right.

Sudipto Sil:: No see there are two let me again clarify people who have actually come out of the OTR it means that for them it is I mean the repayment is as regular and as per the earlier…

Y Viswanatha Gowd: So they have come to stage one full.

Sudipto Sil:: Yes.

Param Subramanian: Got it thank you and all the best.

Moderator: Thank you. The next question is from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

Abhijit Tibrewal: Good afternoon and thank you for taking my questions. The first one is while we have already shared the stage three number was 7% on the non-housing if you could just split it into commercial non-housing commercial and non-housing individual and then maybe I can take the next question.

Sudipto Sil: I will give you the number you can just, it is about 200 Crores in the non-housing commercial and about 1879 Crores in the non-housing individual.

Abhijit Tibrewal: So now on the individuals you said 1879 Crores and non-housing commercial you said 200 Crores.

Sudipto Sil: Correct.

Abhijit Tibrewal: Alright Sir this is useful. So now kind of coming to my question I wanted to understand I mean how are our contract structured basically what is the reprising if you can see kind of trying to understand that you suggested that you took a PLR hike of 60 basis points in June which becomes effective from 1st July and now that there is another repo rate hike of 50 basis points you suggested you all have the committee might again meet and kind of decide on the next course of action so just wanted to understand at what frequency does the reprising of that would happen.

Sudipto Sil See there are two points of course we have asked only specific to the bank book but as far as the new business is concerned that can happen anytime. So for example just to give an example if it is decided to increase rates today it can increase today if it is decide to increase from tomorrow it will increase from tomorrow like that now as far as the bank book is concerned at the time of signing the loan offer letter there are four dates on which it will be book that is 1st July, 1st October, and like that 1st January, 1st April that subsequent to the completion of the quarter so those are the pre contracted bps that is for the old loans new loans we are free to decide depending upon whatever contractual obligation or contractual arrangement we enter with the new customers.

Abhijit Tibrewal: So Sir if I understood this right so more customers incremental lending like we said I mean whenever the new PLR kicks in it is affected and on the bank book after the completion of the quarter. The first of the month again basically the next one could potentially the 1st October then so that could be a lag in the transmission is what we are suggesting so cost go up but the bank book can get repaid now only on the 1st of October.

Sudipto Sil::: I will put it this way it was brokerage today we are looking at a scenario where the rates are increasing and probably in the next few quarters the same query will be when the rate will start coming down so it is I think in a declining interest scenario it worsen I mean the mechanics give a different result.

Abhijit Tibrewal: Fair point taken and just squeeze in one last question so while we have a provision cover of about 40% on our gross paid see it would just kind of give the split of this provision cover be it on project loans non-housing commercial individual and individual project gains what is the provision cover that we are carrying on.

Y Viswanatha Gowd: Yes, in Individual housing loan if you look at the Asia it is 44% and non-housing commercial it comes to 37% and the non-housing individual also it is almost about 38%.

Abhijit Tibrewal: And on project loan Sir.

Y Viswanatha Gowd: Project loan it is 38%.

Abhijit Tibrewal: Thank you so much Sir and wish you the very best. Thank you.

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

Pankaj Agarwal: Sir this 30 billion of restructuring is part of stage two.

Sudipto Sil: Sorry.

Pankaj Agarwal: This 30 billion outstanding restructuring where there is a principal and interest moratorium is it already part of stage two.

Sudipto Sil: No, see it is not 30 billion principal and interest moratorium is 20 billion not 30.

Pankaj Agarwal: Yes 20 plus 1000 separately right so total 30 billion.

Sudipto Sil: 1000 is principal only and 20 billion is principal plus interest it is parked in both one and two depending upon the DPD at the time of invoking the OTR.

Pankaj Agarwal: But would it be fair to say that majority of this 30 billion will be in stage II I mean based on the amount.

Sudipto Sil: Yes, correct.

Pankaj Agarwal: And second thing so this is leading aside the provisioning coverage given the quality of collateral we have right and even your stage three assets and restructured loans what could be the ultimate LGD on all these ones based on quality of collateral LTV everything.

Sudipto Sil: You are talking about the book in imparity or separate buckets.

Pankaj Agarwal: Especially like your restructured plus stage three I mean though I know regulatory requirement is different?

Sudipto Sil::: I can share with you the loss rates of the company of the right operates which is actually be LGD the ultimate LGD is basically the write offs which has happened cumulatively in the company since inception is 411 Crores less than 500 Crores over 33 years and out of that we have collected about 140 Crores 240 Crores we have recovered out of those 400 or 500 Crores. So actually if you look at the actual loss rate I would say it is in single digit basis points considering the fact that over the last 33 years we have disbursed almost 5 lakh Crores of assets.

Pankaj Agarwal: And you believe that future would not be materially different from the past when it comes right.

Sudipto Sil: See adequate this the provisioning coverage that you have seen on the stage three or you leave aside stage three you look at on a total coverage ratio basis TCR basis TCR basis is also about 2.5% now well if you actually look at the loss rate that is in single digit basis points.

Pankaj Agarwal: Fair enough thank you very much. Thank you.

Moderator: Thank you. The next question is from the line of Prashant Kumar from Sunidhi Securities. Please go ahead.

Prashant Kumar: Thanks for the opportunity Sir. My question on credit side although the disbursement dip sequentially but the total advances inched up a bit it must be due to lower prepayment so is it fair to assume the dip competition from banks due to lower pricing or easing in rising this scenario and if you could give some color on growth side of the individual housing loan as well as the whole book for FY2023.

Y Viswanatha Gowd: As far as the disbursements now what you are inquiring is around as well as the current quarter Q1 was very good and going ahead Q2 also of course this is a very big actually market that there will be certainly competition from all when banks will be there HFCs are there all are there and one good thing is our strength lies with our MI's and our reach across especially the MI' s nearly our market intermediates more than 10000 people and they are providing good support reach as well as even our volumes. So with that I think the we will have fair enough our share will be there in the market then recently we are also what you call equipped or the other line of offices we called at the browsing centers at some important centers also what happened now the tats are maintained very well and your difficult operations what we are now engaged into they are also giving good results so going forward I think we will have very good inch I the market as far as the new disbursements are concerned and growth for the current year we are almost aiming at 12% to 15% in our disbursements it is one thing that as far as even our existing book the total portfolio also it is more or less moving in the same range of 12% to 15% in the end of the year.

Prashant Kumar: Okay thank you so much.

Moderator: Thank you. The next question is from the line of Arjun Bagga from Baroda BNP Paribas Mutual Fund. Please go ahead.

Arjun Bagga: Thanks for the opportunity. Just regarding the yields so the decline that we had Q-o-Q during the quarter can we attribute that entirely to this reprising that we did.

Sudipto Sil: Yes and also some high ticket some high yielding loans getting prepaid.

Arjun Bagga: And as you disclosed that this 60 basis points increase in the PLR that would be apply to I think all the loans going forward and that is going to help our yields going forward is that understanding correct Sir.

Y Viswanatha Gowd: Yes correct this quarter onwards it will be there definitely it will be there.

Arjun Bagga: This quarter onwards entirely sure sir. That is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Vipulkumar Anopchand Shah from Sumangal Investments. Please go ahead.

Vipulkumar A Shah: Sir I have a small suggestion if you put all this individual project non-individual and all these provision and all this figures in your presentation it will be really helpful and if you put in domain and phone number of the person in your investor relation team to be contacted in case of any further queries it will really be helpful.

Sudipto Sil: Yes we will consider that thank you.

Vipulkumar A Shah: Thank you.

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

Sanket Chheda: Sir just a follow up question on what maybe last quarter that the restructured number will be lower than so can you give me about what was that number last quarter OTR number.

Sudipto Sil: No your voice is breaking it is not all clear.

Y Viswanatha Gowd : OTR number which quarter you wanted March.

Sanket Chheda: March quarter yes sir.

Y Viswanatha Gowd: Total OTR given till March is 7800 Crores that is almost 3% of the book size.

Sanket Chheda: So in previous guesses you just alluded that debt number would have been lower and the 148 Crores debt we have provided on the back of RBI notification of reclassifying and which sits in stage two, stage one what would be that quantum in absolute terms against which you have created 148 Crores of provision.

Sudipto Sil:: Can you come again please.

Sanket Chheda: As per RBI notification of November you have mentioned at bottom that you have provided 148 Crores or create 148 Crores of provision I am saying what would be the absolute quantum against which you have created this provision.

Sudipto Sil:: See it is about 1400 Crores.

Sanket Chheda: Okay, sure.

Moderator: Thank you. The next question is from the line of Rikin Shah from Credit Suisse. Please go ahead.

Rikin Shah: Sir the first one is on funding cost last quarter your incremental funding cost was 5.1% this quarter it is 5.4% and despite of that the overall funding cost has moved up from 6.5% to 6.7% so any color on why the overall book has moved up even if your incremental funding cost is still at least 130 bps lower than your overall book. That is the first one and second just wanted to clarify out of 3000 Crores of remaining outstanding restructured 2000 Crores will be in the stage two and 1000 Crores will be in the stage one and the last one is the non-housing commercial NPA was it 200 Crores or 2000 Crores that is it.

Sudipto Sil:: Yes, first question regarding the cost of funds, the incremental cost of fund has increased but there is also reprising on the back book just like there is a reprising on the back book on the asset side there is also reprising on the bank book on the liability side because of the linkage with the external benchmarks of the repo.

Rikin Shah: What is the incremental reprising is I think at 5.4% that is the incremental cost of fund and why would the overall book move up.

Sudipto Sil: because the bank book also the bank book 30% of the bank you have to see the number the amount of the bank book and the amount of incremental borrowing incremental borrowings in the first quarter will be around 10000 Crores the 30% of the bank book is around say 60000 Crores so obviously a 5 basis point increase in the 60000 Crores and a 5 basis points increase in the 10000 Crores will have a different kind of an impact. It is not comparable.

Rikin Shah: Fair enough and the remaining two questions Sir.

Sudipto Sil: Remaining two questions can you please refresh.

Rikin Shah: The restructured 3000 Crores split 2000 in stage two and 1000 Crores in stage one is that correct.

Sudipto Sil:: Yes, correct.

Rikin Shah: And last one the non-housing commercial NPA is this 200 Crores or 2000 Crores.

Sudipto Sil: Yes, sorry 2000 might that it is 2000 sorry, 2000 plus non-housing individual 1879 Crores total around 3888 Crores and the total outstanding is 33500 Crores so it is around 10% if you add the two. Sorry it was my slip thank you correcting it earlier also the coverage ratio also around 10%.

Rikin Shah: Thank you very much Sir this is helpful.

Moderator: Thank you. The next question is from the line of Gaurav Jani from Prabhudas Lilladher. Please go ahead.

Gaurav Jani: Thank you so much for taking my question. Two questions, one is you mentioned that about 60 basis points is the yield hike that we have taken proportionately by what amount or by what percentage would the cost go up.

Sudipto Sil:: On an estimated basis.

Gaurav Jani: Yes.

Sudipto Sil:: See the cost of fund which has increased in Q1 and the book is 18 basis points obviously there will be further increases because of further repo hikes etc. Today we had a repo hike of around 50 basis points and we will see what is the translation or transmission of that to the various markets in terms of whether wholesale market and then the bank loans etc. But it is expected that after this rate hike there will be some indication of stability that is number one if you look at the ten year bond yields there is already a reduction from the 7.50 levels to about 7.20, 7.30 levels so that is one thing there will be increase in the cost of funds but that will be more than made up by the increase in PLR that will be affected by us including the one that is effective 1st July.

Gaurav Jani: So you mean so that the increase in cost of fund would be lower by 60 basis points on the yields.

Sudipto Sil: I will give you just one data point that will help drive the point. Almost 60% of our liability book is on the fixed rate side and 90% plus of the assets are on the floating side I think the question is answered.

Gaurav Jani: Sir just last question from my end we are at a stage three at about 5% taking forward one of the previous question on recoveries so do you see that recoveries will exceed the slippages in the coming year so that our overall GNPAs would come up or how would you look at it.

Y Viswanatha Gowd: Yes I think what happened now the recovery teams are well in place and more over the effort even efforts also on a full swing so in all fronts maybe OTR or maybe even in our the other what we call defaults even in regular case also excellent products have been made now so that what happened our overall collection efficiency will improve in all the segments maybe regular or even defaults and all and even what happened even in the non-housing sector also like non-housing commercial loans also the teams have put in place to what we call that make them regularize as well as power in this quarter. So mostly there will be an improvement that what we are very positive.

Gaurav Jani: Sir just what I was coming from in the coming quarter we will also see the OTR will coming up for payments so likes of that or after that could we see next that our recoveries that is what I would presume?

Y Viswanatha Gowd: No, correct in OTR case also what happened our teams are even in association with the gross hold where we were working for the past even two, three months already so what happened majority of them will be brought out of this OTR and adequate information is being shared is that come out what is the benefit and all so teams are working for that for a better improvement in the OTR also is that we are very sure that I think probably slippage will be less and then the recovery will be better.

Gaurav Jani: Got it thanks.

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

Y Viswanatha Gowd: Thank you for arranging this and also all the queries you are putting very nicely and we are now in an improving economic cycle the impact of COVID almost reduced very, very significantly despite increase in interest rates the housing demand continues to be very, very healthy and robust and we are highly confident of improved performance on the back of a very good first quarter. Thank you and wish you all the best.

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