



“LIC Housing Finance Ltd Q4 FY-15 Results Conference Call”

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MODERATORS: **Mr. PRAVEEN AGARWAL – AXIS CAPITAL LIMITED**

Moderator: Ladies and gentlemen good day and welcome to the LIC Housing Finance Ltd Q4 FY-15 Results Conference Call hosted by Axis Capital Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and 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 Margreth. Good afternoon everybody and welcome to this LIC Housing conference call to discuss the Q4 Results. We have with us today Ms. Sunita Sharma, Managing Director and CEO and Mr. Sudipto Sil to discuss the results. I would request Ms. Sharma to take us through the key financial highlights for this quarter subsequent to which we will take the floor for Q&A, over to you ma'am.

Sunita Sharma: Thank you Praveen. Let me begin by welcoming all of you to this Conference Call post our Quarterly and Annual Results. As you are all aware LIC HFL has declared the 4th Quarter and Annual Results of FY-15 on Saturday.

The key highlights of the results are as follows:

Q4 individual loans disbursements of Rs. 9550 crores, a growth of 24% year-on-year. Income with operations for the quarter was 2832 crores, a growth of 16%, net interest income for the quarter was Rs. 650 crores, a growth of 22%, profit before tax was Rs. 575 crores, a growth of 10%, outstanding loan portfolio now stands at over Rs. 1.08 lakh crores recording a growth of 19%, gross NPAs have reduced from 0.67% to 0.46%, gross NPAs in the individual loan segment now stands at an all-time low of 0.24% as against 0.27% a year back. Net interest margins for the Q4 stands at 2.47% as against 2.20% in Q3 FY-15 and 2.40% as on Q4 of the previous year.

For the full year the profit before tax recorded a 15% growth and stood at 2102 crores. Profit after tax before deferred tax liability was Rs. 1517 crores it was 10%. Board has recommended a dividend of 250% as against 225% the previous year. Financial year 2015 marked a milestone for the company. During the year the company completed 25 years in business. It crossed a portfolio figure of Rs. 1 lakh crore and it also crossed Rs. 10,000 crores in revenue for the first time.

In terms of performance – it continues its growth path on all the major operational metrics'. For the full year the company has crossed Rs. 30,000 crores in loan disbursements at a growth of over 20% driven primarily by the individual loan disbursements.

The Loan Against Property recorded a disbursement of over 2300 crores during the year which should be more than 100% growth.

On the Developers Loan too, the company recorded a disbursement of Rs. 1070 crores, a growth of nearly 10% over the previous year's disbursements. More importantly, the loan sanctions in this segment has shown a growth of 87% for the year which will act as a strong pipeline for the future disbursements.

On the asset quality front, defying the external environment, the company was able to reduce the gross NPA by over 100 crores in volume year-on-year. The gross NPA are now 0.46% as compared to 0.67% a year back. Individual gross NPA are at an all-time low of 0.24%. During the year there has been a major reduction in the cost of funds. The incremental cost of funds for the year is reduced by nearly 50 basis points more towards the latter part of the year. As a result we have been able to improve the margin sequentially by 27 BIPS. All other costs parameters have remained steady in comparison to previous years.

Thank you. You can take the questions now.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Mahrukh Adajania from IDFC. Please go ahead.

Mahrukh Adajania: I have a few questions on operating expenses, so why is it that the advertising expenses jump usually Q-o-Q in the 4th Quarter because last time also in the 4th Quarter there was a big jump in advertising expenses, so that's one. And the other is in employee expenses I thought in the 3rd Quarter you had done some pension revaluation. But even on that high base expenses have not come down in the 4th Quarter, so just your explanation on these two.

Sunita Sharma: First should I reply on the employee expenses?

Mahrukh Adajania: Yes please.

Sunita Sharma: Employee expenses the valuation again was revalued in this 4th Quarter and this time they actually asked us to make provision for sick leave which was never provided

earlier and it was not on pension, basically on sick leave which we had to provide for the first time that is why it looks.....and this company doesn't have pension, its only gratuity which is what we value every time and they get, gratuity revaluation keeps on happening because as per the G-Sec rate and as per actually the assessment about the valuations, they keep on doing it. So this time also some provisioning had to be done for the gratuity a little more and some provisioning for sick leave which was for the first time.

Mahrukh Adajania: So how much was the provision for sick leave?

Sunita Sharma: I think it was somewhere around 4.5 crores.

Mahrukh Adajania: Okay. And gratuity?

Sunita Sharma: Gratuity I think also some increase was there around 2 to 3 crores.

Mahrukh Adajania: Okay perfect. And on advertising ma'am?

Sunita Sharma: Our advertising expenses have actually declined in Q4 from 11.07 crores to 10.34 crores.

Mahrukh Adajania: Right, that's year-on-year. And quarter on quarter usually in the 4th quarter your advertising expenses jump up so...?

Sunita Sharma: Yes they jump up because we do some adjustment in the last quarter but basically this time also....where are we in the expenses in the last quarter? 10.34. And what was in the 3rd Quarter? 2.29. Maybe some bills have been paid in the last quarter. It has been through TV we had done, some advertising during the 3rd Quarter probably the bills have been paid in this 4th Quarter.

Mahrukh Adajania: Yes. Ma'am just one last question, if you do decide to cut your lending rates then how will you handle the pricing on the conversions from fixed to floating, those will also come down by a similar amount or how will you change the rate for those?

Sunita Sharma: Mahrukh, we have to take a call on that. On Saturday we finished our financial closing, now we will be taking a call from tomorrow onwards we will be working on that, we will take a call shortly. We look at everything when we decide about the revision of rates.

- Moderator:** Thank you. The next question is from the line of Amit Premchandani from UTI Mutual Fund. Please go ahead.
- Amit Premchandani:** Ma'am can you give us the break up on the deferred tax liability on the back book which needs to be created, how much has been created this year and what is required to be created for the next two years?
- Sunita Sharma:** I'll ask Sudipto to answer that.
- Amit Premchandani:** Yes.
- Sudipto Sil:** See the deferred tax liability on the back book has been completely created, there is nothing pending.
- Amit Premchandani:** So the option that RBI gave for 25, 25.....the NHB gave 25, 25, 50, you are not using that?
- Sudipto Sil:** We have already fully provided for the entire back book as of this financial year it has been already done, so there is nothing pending on that.
- Amit Premchandani:** What is the amount?
- Sudipto Sil:** Around 700 cores.
- Amit Premchandani:** And on the fixed loan or fixed products what is the breakup in terms of how much is Advantage 5, how much is some other product like Super, I don't recall the name, or Bhagyalakshmi? Can you give us a break up and fixed rates at which they are in the books now?
- Sudipto Sil:** See it's slightly detailed information you have asked for on the back book, but I can just share with you that the products which will get converted will be approximately 60% of the balance sheet.
- Amit Premchandani:** And what will be the average yields?
- Sudipto Sil:** There are various products, there are at least close to 10 products which are at various stages at various rates of interest.
- Amit Premchandani:** But even an average would be difficult to give?

- Sudipto Sil:** Yes it is slightly difficult to provide at this point in time because it will be over next several years.
- Amit Premchandani:** But any sense of how much it would be due for conversion this year FY-16?
- Sudipto Sil:** Yes, that we can share. That will be close to around. Anywhere between 28,000 and 30,000 crores.
- Amit Premchandani:** And is it safe to assume that most of it will happen at a much higher rate than what they are at?
- Sudipto Sil:** Depends upon the prevailing rate of interest at that point in time.
- Amit Premchandani:** If it is the current rate then it is higher or lower that is what....
- Sudipto Sil:** It will be higher if it is at rates at this point in time.
- Amit Premchandani:** Okay thank you sir.
- Sudipto Sil:** Thank you.
- Moderator:** Thank you. The next question is from the line of Kunal Shah from Edelweiss Securities. Please go ahead.
- Kunal Shah:** Ma'am on this corporate developers side, so you highlighted sanctions have gone up 87%, so can we have the quantum as to how much it has been in say FY-15 and particularly in Q4 how the sanctions have been on the project developer side?
- Sunita Sharma:** For Q4 it is 904 crores just for one quarter. And for the whole year it is around 2400 crores.
- Kunal Shah:** Okay.
- Sunita Sharma:** And we have disbursed for during this last financial year 1070 crores, so much more is there in the pipeline than what we disbursed.
- Kunal Shah:** Okay. So overall in terms of say the outstanding sanctions which are there in the corporate developer segment how much would that be?
- Sunita Sharma:** Overall?

- Kunal Shah:** Yes so in terms of...
- Sunita Sharma:** Say around maybe 3000 crores including this.
- Kunal Shah:** Including?
- Sunita Sharma:** Including this 2400 crores.
- Kunal Shah:** Okay. So overall when we look at it considering the way it is and the disbursements are there in the individual side, say 9000, 10,000 crores a quarter, so would say the corporate developer, the scale up would ever be that significant which we had seen previously? So maybe in terms of overall proportions on the loan book also it is much lower today, say 2.5 odd percent, so can this become say a relatively higher proportion?
- Sunita Sharma:** Yes definitely Kunal it can become higher proportion provided two things, one is, that we get good proposals, market should be there right to come up with those proposals, this is one thing. The activity should start more vigorously in the market, provided this. Second thing is that it should be of good quality. The company and the Board of this company is not prepared to compromise on the quality which is why we are able to deliver so well in the NPA section asset quality side. So one day it will happen maybe if not this year maybe but next year it will definitely happen that you will be happily surprised with the kind of Developers Loans we will have because we are working very methodically on that, we have a plan and accordingly we are going ahead but we will not hasten it up, we will not hurry up, we will not take extraordinary and unnecessary risk.
- Kunal Shah:** Okay. Because considering the overall loan book of 1,08,000 crores, maybe like 2000-3000 crores of sanctions may not bring about a significant....
- Sunita Sharma:** Are you talking about portfolio? You said sanctions?
- Kunal Shah:** No, I am saying that kind of sanctions which are there of say 3000 odd crores, that may not add up significantly to my overall loan book?
- Sunita Sharma:** I am sanctioning during this year also, it does not mean that we end up there. We sanction and then we disburse also.
- Kunal Shah:** Yes. So we need a significant scale up on that, so is that expected?

- Sunita Sharma:** It will happen but I don't promise you that this year itself it will happen, there is an improvement over the last year. There was last year also improvement than the previous year and now next year this FY-16 maybe improvement will be slightly more but FY-17 if the experience continues good then improvement will be really very good.
- Kunal Shah:** Okay. And the second thing is this time in the presentation there is a slide in terms of contribution of top 7 odd cities. So just wanted to know this individual growth which particular segments are driving it, maybe like Bombay and Delhi would have slowed down so which are the other top cities which are driving the growth or is this growth coming in from say the balance segment out of this top seven cities?
- Sunita Sharma:** But Bombay and Delhi for LIC HFL it has not come down. It is growing more than 20%. And NCR has grown more than 20%, Mumbai also has grown around 21%. I can't say that, I do not agree here that it has come down no it has not come down. And we have also seen lot of good growth in Vijayawada, Madhya Pradesh, Chhattisgarh, and eastern region.
- Kunal Shah:** Okay. But the only thing is maybe looking at the market, if you can give some insights in terms of say how this is being driven because when we look in terms of the volumes obviously it has been quite slow in Mumbai region.
- Sunita Sharma:** I'll tell you what maybe you are looking at the investor segment. We are going into the end user segment. A person who has to buy a property for residing there, we are at the end user. You know for years our company has been at the end user segment. So for that buyer will always remain. And Mumbai means extended suburbs. Now today the growth is happening in various areas in extended suburbs of Mumbai, similar way in Delhi, it is not Delhi it's really NCR and similar Chennai also is extending, Bangalore also is extending. If you look at various cities now for our south eastern region where earlier it was only Andhra Pradesh, now we have got Telangana and Andhra Pradesh what you call it Seemandhra, for that Vijayawada is really growing very well and if you look at Bhubaneswar, Orissa is growing very well, if you look at Kolkata, suburbs of Kolkata again are growing very well, so I see growth all around Kunal.
- Kunal Shah:** So this would be more balance transfer or these are like the new cases which are happening?

- Sunita Sharma:** Actually for us it is always mostly new cases, more than 90% are new cases. We don't go in for take overs. We normally have the new cases.
- Kunal Shah:** And in terms of value and volume how would this be when we look at the disbursements, is it like similar volumes or it is being more value driven kind of a growth which we are seeing?
- Sunita Sharma:** But 10% increase is there in numbers.
- Kunal Shah:** So maybe 10% would be in volume terms?
- Sunita Sharma:** Volume terms yes.
- Moderator:** Thank you. The next question is from the line of Veekesh Gandhi from Bank of America. Please go ahead.
- Veekesh Gandhi:** Can I have sanctions on the individual side for the Quarter and for the full year?
- Sunita Sharma:** For the quarter is 9317 and for the full year is 29,327.
- Veekesh Gandhi:** And for the quarter what would be that growth?
- Sunita Sharma:** Growth is 19% for quarter and 15% for the full year.
- Veekesh Gandhi:** Okay. And the Tier-1 is not declared so what would be your Tier-1 ratio?
- Sunita Sharma:** It will be around (+12.4).
- Veekesh Gandhi:** This is after profit, dividends and everything?
- Sunita Sharma:** Yes.
- Veekesh Gandhi:** And just one final question was your margins have clearly moved up in this quarter. We have done roughly lot of bond intake versus your bank funding. How do we see this playing out incrementally, besides the fact that whatever happens on the loan side is there anything left that one can do on the funding side?
- Sunita Sharma:** Before I reply about funding thing, the most important thing which has really helped us in improving the margin is not the borrowing cost, more important is the kind of product profile that we have tried to ensure, that is we have tried to focus on LAPS so we had good margins in LAP product. Our LAP has grown more than 100% and

nearly 5% of our portfolio has become LAP not exactly 5% but 4.89% is LAP. That has taken year to happen so it means the maximum impact of that LAP has come in the last quarter, this is one aspect. The second aspect is borrowing cost has decreased, why because we have been consistently, as you said, we have been reducing our bank borrowings and we still have 16 to 17% bank borrowings, there is a margin to reduce to go down further so we can still work on that.

Veekesh Gandhi: So 2.47 is for the quarter but I think the full-year margins are more or less flat on a Y-o-Y basis.

Sunita Sharma: Yes.

Veekesh Gandhi: What is your outlook on the margins for the full year fiscal 16 Y-o-Y basis, any guidance?

Sunita Sharma: First of all let me tell you that you remember that 1st Quarter of this year that is FY-15 we had a problem. You remember that because of the Company Act we could not borrow from the market we had to borrow from the banks only. So because of that the cost of funds had gone up. Despite that one of issue that is during that quarter, we have been able to improve, that's why the margins have remained flat for the year. So if something like that does not happen during the year we expect some margin expansion.

Moderator: Thank you. The next question is from the line of Mayank Bukrediwala from Goldman Sachs. Please go ahead.

Mayank Bukrediwala: I just have a question related to the commission and brokerage cost so we see seasonally on 4Q this number is usually very high that is the commission and brokerage as a percentage of your disbursements and also that secularly this has been declining for the last 2-3 years, so going ahead where do you see it's stabilizing at in the next 2 to 3 years?

Sunita Sharma: You are talking about the business growth is higher than the commission business growth. You are talking about that?

Mayank Bukrediwala: No I am talking about your commission and brokerage cost as a percentage of your disbursements for the quarter so that is at 0.49% in this 4Q and secularly this has been declining over the years.

- Sunita Sharma:** Yes, because it depends on what kind of commission structures we are working on. We have been continuously reviewing our commission structures and that is the brokerage structures and we have been working to ensure that higher activation is there in our distribution channel and because of that the costs come down.
- Mayank Bukrediwala:** Okay, so do you think going ahead say for the next year also we can see this?
- Sunita Sharma:** Yes, this is on the top of our agenda.
- Mayank Bukrediwala:** Okay. And just one more question, could you give me the incremental cost of funds for the 4th Quarter.
- Sunita Sharma:** 4th Quarter incremental cost of fund was less than 9.
- Mayank Bukrediwala:** Less than 9?
- Sunita Sharma:** Yes.
- Moderator:** Thank you. The next question is from the line of Sunil Tirumalai from Credit Suisse. Please go ahead.
- Sunil Tirumalai:** Ma'am I think this was partly dealt within the previous question but I wanted further clarity on this. If I look at Slide #17 of the presentation, clearly the 4th Quarter of every year there is a drop in funding cost. It's not just a one year, one-off phenomena but it's in all the four years that we see on the chart we see a decline in funding cost for the 4th Quarter. I just want to understand is there any reason for the seasonality and by this chart shouldn't the funding cost bounce back again next quarter?
- Sunita Sharma:** Borrowings always tend to increase towards the end of the quarter so while it is at the end of the quarter the cost will come down because the number of days which left are there. Second the denominator becomes higher because of that the borrowing cost becomes lesser towards the end of the quarter. 4th Quarter you are talking about?
- Sunil Tirumalai:** I'm talking about the 4th Quarter.
- Sunita Sharma:** Throughout the year, 3 quarters whatever business we have taken that business also becomes the part of the denominator and business is more in the last quarter. The denominator is more.

- Sunil Tirumalai:** So by this logic we should see an expansion in funding cost next quarter and hence a compression in NIM in the next quarter?
- Sunita Sharma:** I think Sudipto will explain it better.
- Sudipto Sil:** Sunil actually if you look at it what Ma'am just mentioned about the Q4 borrowings and this has always been the case whenever there is a borrowings spike in the 4th Quarter there will be a kind of optical reduction in the cost of funds to some extent because of the base effect. Secondly, if you look at Q1 of this current financial year, this time slightly the situation is different because we are borrowing incrementally at a cost which is much lower than the average cost of funds and even lower than the incremental cost of funds for Q4.
- Sunil Tirumalai:** And the second question actually this is what I was trying to get to is from a 12-month period or from a 24-month period whatever you are comfortable with if you could give an outlook in terms of where the NIM will be?
- Sunita Sharma:** There will be expansion that is all we can say. Why I'm not putting a number, I could have put a number very easily, why I'm not putting it, I don't know how things are going to pan out during the year as far as the interest rates are concerned and the cost of funds and the NCD market is concerned so we will not take a hazardous guess unnecessarily. But we will work towards expansion of margins and I think you were listening to that when I was explaining that we are working on higher LAP and higher projects finance, we are working on that and plus we are working on reducing the bank borrowings. So all these things when we are working on I'm sure it will have an impact. It gives me more confidence because it has happened in the 4th Quarter of this financial year. What we have decided and whatever strategy we did implement, we have seen some good results out of that. So this good results of very good net interest income in the last quarter and good margins has given me more confidence that we should be able to deliver it because the way we are going on with our strategy, the incremental borrowings at much lower level now at 8.4 to 8.6%. I'm sure there will be good impact on the margins.
- Moderator:** Thank you. The next question is from the line of Saurabh Kumar from JP Morgan. Please go ahead.
- Saurabh Kumar:** I had two questions, first is on a developer books so your developer NPLs obviously have come down pretty sharply year-on-year. But this is about 9% of the book so one

is do you see any room for this to come down further. What I recall earlier you had mentioned that these are essentially concentrated in mostly three accounts?

Sunita Sharma: Yes.

Saurabh Kumar: Second is also on the incremental lending so am I correct to understand that all the incremental lending is essentially enforcing escrows so the project money stays in the SPV and then the developer is not allowed to take out, is that understanding correct?

Sunita Sharma: Yes the incremental is always on escrows, that's true.

Saurabh Kumar: And on the first point the remaining 230?

Sunita Sharma: Whatever is remaining, the results have not come now it doesn't mean that we are not working on them. We are continuously working on them. We are looking at all the legal options and I'm sure wherever when one works very diligently on anything the results always come so I'm sure of that.

Saurabh Kumar: So you are hopeful that this number should still come down further?

Sunita Sharma: Yes it will still go down I'm sure about it.

Saurabh Kumar: An the second is essentially on this re-pricing so you obviously have a lot of fixed rate book which will probably get re-priced and probably to another question you had said that this will get re-priced up but my question is can the person like when the loan is re-priced just pay a small fee and then if then interest rate is lower can he just shift down or no?

Sunita Sharma: Yes option is already available about it.

Saurabh Kumar: And how much do you pay to shift?

Sunita Sharma: I think there is some fees up to 1%.

Saurabh Kumar: The 1% of the balance loan amount?

Sunita Sharma: Yes.

Moderator: Thank you. The next question is from the line of Adarsh P from Nomura. Please go ahead.

- Adarsh P:** The question relating to capital level you mentioned that the Tier-1 is 12.4%, just wanted to check if the DTL included there but we have had quite a bit of hit on the DTL of 700 crores that we needed to provide so that should ideally brought down Tier-1 level from where we were last year so if you can just.
- Sunita Sharma:** DTL is included there; it is included there and let me tell you that why it has not been brought down because our major business has been the retail loans so the requirement of capital is not that much. When we will start building our book of project finance then probably the more of the capital will be used up. That is why you are feeling that why adequacy ratio is still at 12.4 more than that.
- Adarsh P:** So just to clarify the DTL is included in the Tier-1?
- Sunita Sharma:** Yes it is included.
- Adarsh P:** And the other relating question here was what's the risk-weighted asset growth in '14 versus '15?
- Sunita Sharma:** It is average has been 65 to 70%.
- Adarsh P:** That's the risk-weight, if you had a certain risk weight, total risk-weighted asset in FY14 and that number would have moved up because there has been a balance sheet expansion so what's been the risk weight asset growth?
- Sunita Sharma:** It should be around 22 to 23%.
- Adarsh P:** And just one more question of the loans which would have got converted into FY15 from A6 to floating rate regime, have you all seen a lot of conversion almost of your customers chose not to convert?
- Sunita Sharma:** No we have not seen. If you mean by conversion exit then I have actually seen in the FY15 reduction in exits, more of our customers have retained with us as compared to the earlier years. We have not seen any major exit into it.
- Adarsh P:** By conversion I meant that they are paying you the 25 or 50 bps converting to loan.
- Sunita Sharma:** That is not required.
- Moderator:** Thank you. The next question is from the line of Pankaj Agarwal from Ambit Capital. Please go ahead.

- Pankaj Agarwal:** If I look at your fee income and other income it has come down on Y-o-Y basis so any particular reason?
- Sunita Sharma:** No, fee income has not come, other income has come down. For that we have a reason that is about mutual fund, I think Sudipto will explain it to you.
- Sudipto Sil:** Actually mutual fund is the income earned on mutual fund investments that's the one which has come down by almost half and the reason why that has happened is that better management of fund and it was like there was hardly any idle float that we kept in Q4.
- Pankaj Agarwal:** So you could say that the benefit of that was visible.
- Sudipto Sil:** Benefit of that was in reduction of the interest expense.
- Pankaj Agarwal:** So it was visible in your NIM space?
- Sudipto Sil:** Yes certainly it was much better management of funds.
- Pankaj Agarwal:** So basically the better way to calculate would be NII plus other income to look at how your margins are moving, right?
- Sunita Sharma:** Yes if we want to reduce the growth rate of the NII.
- Sudipto Sil:** You don't want to give us credit.
- Pankaj Agarwal:** No what I am trying to say that just to comparison basis.
- Sudipto Sil:** That way yes, if you want to arrive at a normalized number than that is the right way to do it.
- Pankaj Agarwal:** And second even if I look at fee income it was around 36 crores a year ago and it is around 32 and given your disbursement on Y-o-Y basis has gone up, it's like is it because your processing fee has come down or something else?
- Sudipto Sil:** No it is actually a combination of two things, one is processing fee has come down and also the prepayment penalty has also started coming down. It has already come down in Q4 of last year and further it would have come down.
- Pankaj Agarwal:** And the last question which was around people paying certain fee and taking new rate. I remember you never had such product earlier, right?

- Sudipto Sil:** That has been there, that has been brought about maybe few months back.
- Pankaj Agarwal:** Just last quarter you would say?
- Sudipto Sil:** Yes maybe slightly towards the end of Q3.
- Pankaj Agarwal:** And finally your incremental growth is coming from same two years fixed and floating product.
- Sudipto Sil:** Yes it is two year fixed also and the five-year fixed there was a product that also has been giving good business, floating also has been there but that two year fixed has contributed the most.
- Pankaj Agarwal:** But Sudipto at this point of time when interest rates are coming down, what would be incentive for somebody to take such product where..
- Sudipto Sil:** There is a market for every kind of product because people who would be opting for that product will be probably not be taking too many calls on the interest rates cycles of the economy or the Reserve Bank policy all global phenomena. They would just like to ensure that they don't have any blips in their cash flows so that is the different market segment altogether. Please appreciate that we are in the end-user market segment and about 80-85% of them are salaried so it's a different market segment where the preference of the people may not necessarily be to take a call on interest rates, they would just like to ensure that their liabilities are capped.
- Pankaj Agarwal:** Like if we have a rough breakup between floating five years fixed and two years fixed new disbursement what would be the rough breakup?
- Sudipto Sil:** I would say 70% between 60 and 70 will be the two years fixed.
- Pankaj Agarwal:** And the rest would be 5?
- Sudipto Sil:** All put together.
- Moderator:** Thank you. The next question is from the line of Nishchint Chawathe from Kotak Securities. Please go ahead.
- Nishchint Chawathe:** Can you share the proportion of business from Mumbai and from NCR?
- Sunita Sharma:** Proportion, yes we can tell you that. It will be 8%.

- Nishchint Chawathe:** 8 would be from Mumbai?
- Sunit Sharma:** Yes.
- Nishchint Chawathe:** And from NCR?
- Sunita Sharma:** NCR also I think it will be 7% from NCR.
- Nishchint Chawathe:** And what would be the yield on LAP?
- Sunit Sharma:** Around 200 basis point. I'm talking about the difference margin otherwise it is actually 12.5%.
- Nishchint Chawathe:** The other thing is in the Developer Loan book what is the scheduled repayment in the next FY16, if you could share the quantum?
- Sunita Sharma:** Around 600 crores.
- Nishchint Chawathe:** And has there been any experience of repayment in this book in the last one year or so?
- Sunita Sharma:** No other than closure of Hiranandani.
- Nishchint Chawathe:** Finally just looking at the trend on loan-to-value ratios and installment-to-income ratios in Slide #13 of your presentation and we were just wondering if you look at the long-term trend, these ratios have been consistently coming down. So is there a particular way in which we should read this is very particular trend that one should read into this?
- Sunita Sharma:** No, I don't think there is a particular trend about it. Incremental LTV is between 50 to 55. Talking about the whole book LTV it will be slightly lower but incremental will be 50 to 55% and I think it is a very healthy LTV. The security is adequate it means so then I feel that is good. Interest-to-income is 33 to 37% something like that, that also is a healthy sign. It means we are taking very calculated risk, whatever risk we are taking and we want to be having a good asset quality that is what has been the purpose all the time.
- Nishchint Chawathe:** The point I'm trying to make is the ratio has been consistently coming down which actually is a good thing from the company's point of view.

- Sunita Sharma:** That's what I mean and even asset quality has been improving.
- Nishchint Chawathe:** That's true but I was just wondering whether is it something people are hesitating from leveraging more or is there anything that way I would want to trying to look at.
- Sunita Sharma:** People are hesitating from?
- Nishchint Chawathe:** Borrowing more from as compared to the potential at which they can borrow.
- Sunita Sharma:** I don't think so. India what happens is that borrowing is only wherever it is necessary and whenever anybody and we are moving in the end-user segment. Whenever a person purchases a house for living and whenever he gets some extra money he would first like to pay back. People have tendency not to borrow actually, if you look across the country it is like this. People will like to save more, will like to borrow less so salaried people. We have most of them are salaried people so they don't want to over leverage their capacities, they don't.
- Moderator:** Thank you. The next question is from the line of Manish Shukla from Deutsche Bank. Please go ahead.
- Manish Shukla:** Good afternoon and thank you for the opportunity. The LAP plus project loans is about 7% of the book as of March '15, what would have been this number for March '14?
- Sunita Sharma:** March 14 would have been 5.5%.
- Manish Shukla:** So the mix has changed in favor of higher-yielding assets but if I look at the overall yield on loans it's actually down 18 basis points Y-o-Y from 10.83 March '14 to 10.65 in March '15 so just trying to understand despite the favorable change in the mix then why is the yield coming off?
- Sudipto Sil:** No actually the yield again I do not know how it has been calculated but certainly the improvement in the yield has been because of the result of the change in the mix in favor of the high yielding portfolio and at the same time you would recollect that in the month of June we had lost that 10.10 product which was not there earlier, a year before that in 2014.
- Manish Shukla:** Yes so but this is on the books so you are saying that the incremental disbursement.
- Sudipto Sil:** There will be some impact of it, yes. The marginal impact will be there.

- Manish Shukla:** And as on date what is the yield on floating rate home loans for you?
- Sudipto Sil:** Floating rate home loans annualized will be almost slightly more than 10.5.
- Manish Shukla:** Lastly a bit qualitative question. What's your assessment of the health of developers in general especially in the bigger cities?
- Sunita Sharma:** You're talking about LIC HFL?
- Manish Shukla:** Not your portfolio because but overall your assessment of the health of the developers especially in the bigger cities and how are they faring?
- Sunita Sharma:** Health of the developers, since it is not press I can talk about. But I would say at the moment not much interest is there, it is just average kind of interest in people. It appears to me that the money available to the developers is not that fluid so there should be some kind of more interest from the other lenders also, capital seems to be scarce for this kind of activity this is what is my impression. So we are getting opportunities but being very aware of the fact that the capital is not so very easily available to these people we are not taking risk, we are still being very careful. Whatever proposals are coming to us we are looking at all the risks involved in each and every proposal with a lot of care, looking at the risk mitigation in each case and then taking decisions.
- Manish Shukla:** Understood. One last question Sudipto, any potential provision write-back from fixed to floating conversion during fiscal '15?
- Sudipto Sil:** No, that is not there anymore.
- Moderator:** Thank you. The next question which is the last is from the line of Pooja Swami from Span Capital. Please go ahead.
- Sudhakar:** Couple of questions, you have been growing at 18 to 20% to a last 2-3 years, how do you see the growth for this year and year after that? Do you think 20% growth is still possible?
- Sunita Sharma:** Next year we are planning to that growth, next year is also likely to be a growth year and it basically will depend on the environment which we expect is going to be a better environment so we should be able to show growth on the same lines.

- Sudhakar:** And you mentioned your capital adequacy Tier-1 ratio around 12%, when do you think you will have to raise money in next one or two years, you think you will have to raise equity money?
- Sunita Sharma:** We will look at how over growth in the loan book goes up. If more of project loans we are able to disclose that definitely it would happen with the next 12 to 18 months.
- Sudhakar:** My last question is on return ratio. If I look at your return ratio it's given in your one of your Slides that 2011 was the peak year when ROEs were (+25%) ROEs were (+2%), do you think in coming future in next 2 to 3 years is it possible for you to against achieved that ratio, 2% ROA and 25% ROE?
- Sunita Sharma:** We are close to 20% at the moment so it was 22%, we are already at 20. We are quite close to that number.
- Sudhakar:** I think it was 25.
- Sunita Sharma:** 25, then as I told you earlier also that we are working on project loans and if we are able to improve our project loan portfolio which goes with the caveat that we have to look at the quality, we will not compromise in quality. If that happens which we are working very seriously on that, it should be possible to do within a year or two.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I would now like to hand the floor over to the management for closing comments.
- Sunita Sharma:** Thank you very much for very good set of questions and we were very happy to interact with you and hope to continue to have the support from all of you. Thank you so much.
- 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.