"LIC Housing Finance Limited Q4 FY22 Earnings Conference Call hosted by Axis Capital Limited"

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Moderator: Ladies and gentlemen good day and welcome to the LIC Housing Finance Limited Q4 FY22 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 '*' 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: Good morning, everyone and welcome to the Earnings Call of LIC Housing. We have with us Mr. Y Viswanatha Gowd – MD and CEO and Mr. Sudipto Sil – CFO to discuss the results with us. I would request the CEO, to give us a brief on the results post which we will open the floor for Q&A, over to sir.

Y Viswanatha Gowd: Good morning and welcome to the most our post Earnings Conference Call of LIC Housing Finance Limited. As you are aware, LIC HFL declared its results for Q4 FY2022 yesterday. Prior to detailing the operations aspects, I would like to highlight that this year began on a note of uncertainty with the second wave of COVID-19 impacting business activities. However, during the year, the economic environment significantly which is reflected in the turnaround in profitability for the company. Asset quality marked a good improvement during the course of the year. The current year, FY2023 promises to be far better and in spite of the hardening of interstate scenario the economic environment is much positive as compared to both FY2021 and FY2022.

The financial highlights of quarter as, total revenue from operations Rs.5300 crores as against Rs.4968 crores for the corresponding quarter of the previous year, showing a growth of 7%. We are happy to inform that we have crossed Rs.2.5 lakhs crores mark in our AVM this quarter. Outstanding loan portfolio stood at Rs.251120 lakhs crores against Rs.232003 lakhs crores as on March 31st 2021 deflecting a growth of 8%. The individual home loan portfolio stood at Rs.204230 lakhs crores as against Rs.180665 lakh crores as on 31st March, it is also up by 13%. Total disbursement for the quarter were Rs.19315 crores as against Rs.22362 crores for Q4 of FY2021 and Rs.17770 crores in Q3 FY2022. Out of that the disbursement in the individual home loans were Rs.16341 crores as against Rs.19010 crores for Q4 FY2021. For the full year disbursement in individual home loans that is our segment clocked a growth of 14.35% from Rs.46927 crores to Rs.53662 crores.

On the net interest income front NII was Rs.1637 crores for the quarter as against Rs.15505 crores for Q4 FY2021, a growth of 9%. Net interest margins for the quarter stood at 2.65% as against 2.66% per Q4 FY2021. Profit before tax for the quarter stood at Rs.1314.41 crores as against Rs.352 crore growth of 273%. Profit after tax for the quarter stood at Rs.118.64 crores as against Rs.398.92 crores for the same period previous year deflecting a growth of 180%. Dividend declared was 425% i.e., Rs.8.50 paisa per share maintained at FY2021 levels, growth momentum continues to be positive despite rate hikes in the system and is being witnessed across the country in the individual home loan segment.

On project loans side FY2022 has been a cautious one, FY2023 looks to be more promising in view of higher economic activities and share of disbursements is likely to increase from 5% to 10% in this year. in terms of asset quality, the Stage-3 exposure at default stood at 4.64% as against 4.12 as on March 31st, 2021, and 5.04% as 31 December 2021, deflecting a sequential improvement in the same.

Total provisions as on March 31st, 2022, is Rs.5839.10 crores reflecting a provisioning covering of 43%. This includes Rs.299.18 crores for COVID-19 related provisions. ECL provisions for assets recategorized as NPA as per RBI notification dated November 12th, 2021, is Rs.227.29 crores.

In our interaction post the Q1 earnings we had indicated that the worst in terms of asset quality was behind us. It is hardening to note that there are been sequentially improvements from Q2 onwards. This quarter we have also been able to recover some NPAs in the builder and high value loans segment totaling around Rs.350 crores in terms of actual recovery out of which one recovery of approximately Rs.70 crores was written-off account on provisioning cover. There has been an increase from previous quarters.

Overall credit cards for the quarter has also come down since a lot of provisions were front ended during the earlier quarters of the year. Collection efficiency is being maintained and stood at 99% for the March 2022.

On the funding side, we have witnessed a reduction in overall cost of funds by 17 basis points during the Q4 FY2022. Despite hardening in the bond deals during the same period and 41 basis points during the current financial year. Incremental cost of funds stood at 5.14% for the quarter.

Net interest margin for the quarter stood at 2.65% as against 2.66 over the Q4 of FY2021. Towards the close of the financial year, we witnessed hardening of yields which are further hardened in the first two months of FY2023.

On the liabilities front there is about 50% fixed rate liabilities in the book which will provide some caution in rising rates scenario. Also, more than 90% of our assets are on floating rate side. As mentioned earlier, we are now in an increasing rate cycle, we have also increased our lending rates on fresh disbursements last week across all product categories. Project RED, the digital transformation project is also nearing completion with a refreshed digital footprint, the companies pious to emerge very stronger in this year.

With this brief introduction I would like to invite you for queries. Thank you very much.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line Abhijit Tibrewal from Motilal Oswal. Please go ahead.

Abhijit Tibrewal: Sir, firstly on disbursements, I would say, did you think you could have done a slightly better disbursements were there any particular reasons why you think, disbursements were at these levels, anything to kind of reason to or do you think this what you were expecting and this is what you have achieved at the end of quarter.

Y Viswanatha Gowd: One thing as a disbursement in the Q4, you are asking?

Abhijit Tibrewal: Yes Sir.

Y Viswanatha Gowd: Actually, you are also aware, last FY2021 Q4 is almost a clear quarter where all 90 days were available for good working and all activity was full swing. Whereas, what happened in FY2022, the last quarter in the month of middle of January and part of February was lost across all geographies in entire country due to third wave. Some of the office also could not function properly that also resulted some sort of downside as far as things are concern. But actually, if you look at now the promising, this year FY2023, already actually showed a very good positive note and we are very sure that this year that incremental growth of nearly 15% suddenly will be ensured.

Abhijit Tibrewal: Sir when you talk about incremental growth of 15%in disbursements in FY2023.

Y Viswanatha Gowd: Yes.

Abhijit Tibrewal: Okay Sir, the second question that I had was on the pipeline that you have in your developer and project loan, so obviously you suggested in your opening remarks that FY2022 was more a year where you were also cautious but at least kind of when we listen to commentary from some of the other housing finance years that you have, things are looking bright, we talking about an improved pipeline. So, what is your tense here. Would you become slightly more constructive in view of this cap tight kind of improve in the developer and project loan segment in FY2023?

Y Viswanatha Gowd: Yes, certainly actually last year we could not do very well, you are also aware that first half most of the projects were actually activities were not in full swing, only second half, just slightly took shape and even with a third wave here and there some hit was there. Now the sky is very clear, what I feel in the current year, even our existing projects also may draw some more money number one. Number two, what happened all the pipeline whatever we are having, I think more or less, it is more than around Rs.1000-1500 crores figure with us, we targeted the activities across all the regions this year we would like to at least take the share of this project finance across all our regions also put together at least from the current level of 5% to 10% of our incremental business in the current year.

Abhijit Tibrewal: Sir my last question was the asset quality. So, I think your credit cost a guidance for FY2023, I think will be contingent on what kind of a provision cover that we would want to maintain on your standard loans which is Stage-1 and Stage-2 loans. So that was the first part of the question and the second part is if you can share some of data keeping question that we kind of keep asking you in every earnings call, things like what is the total outstanding for the restructured loans and if you can split it between retail and developer and then segmental split across the three, into individual home loan, project developer, non-housing commercial, non-housing individual.

Sudipto Sil: Yes Abhijit, see you can just quickly note down, you wanted the split of NPAs, right?

Abhijit Tibrewal: Yes.

Sudipto Sil: So as far the split of NPAs is concern on the individual home loan IHL, it is 1.74%, in the non-housing commercial which is including the project loans 18.04% and in the non-housing individual it is 8.4% and if you look at project versus retail, then the retail segment which is the IHL plus part of the non-housing individual that comes to around 3.16% balance is project loss. Project loan standalone basis it is above Rs.4124 crores.

Abhijit Tibrewal: What is the quantum of restructured loans outstanding now?

Management: Around 3% that continues to be in the same lanes even last time also total book size, 78 billion i.e., 7800 approximately.

Abhijit Tibrewal: And Sir**,** lastly that question that I asked what is the outlook on the provision cover that you would want to maintain on your Stage-2 and Stage-1 loans?

Sudipto Sil: Stage 1, Stage-2 loans if you note that also this partly the IRAC movements have been also maintained there, right?

Abhijit Tibrewal: Right, what you are trying to suggest is those loan which you have not classified under Stage-3 but are categorized at NPA as per RBI circular.

Sudipto Sil: So overall PCR if you look at on the Stage-3, right now it is on 43%. It has moved up around 40%. So, we will keep on gradually increasing it but I would say that we are nearing the targeted PCR.

Y Viswanatha Gowd: Stage 3 almost have 43% maintained and what happened as now Sudipto was telling correct now because of RBI’s circular we adopted that on fully Stage-1 and 2

Sudipto Sil: Stage 1 and 2 is also been provided for.

AbhijitTibrewal: But sir my question was more around the cover that you want to maintain on Stage 1 and Stage-2 loans. So, Stage-1 we are having a provision cover of 25 basis point and Stage-2 we have provision cover of 3.1%

Sudipto Sil Yes, that is fairly stable. It should remain around those levels

Y Viswanatha Gowd: And moreover, now a days you see the recovery, even our collection efficiency is almost 99% in March and economic activities have improved. I think all our customers nearly 70% salaried sector so we see a very good up side definitely in our collection efficiency and also the Stage-1, will certainly be taken care.

Abhijit Tibrewal: Sir this is very useful and thank you for patiently answering my question.

Moderator: Thank you. I request all the participants to please limit your questions to two per participants. Should you have any further questions we request you to come back in the queue. The next question is from the line of Mahrukh Adajania from Edelweiss. Please go ahead.

Mahrukh Adajania: My first question is on the bad book repricing, when does the bad book reprice you have increase rates on fresh loans.

Sudipto Sil: Yes, actually the bad book repricing happens every quarter, so the next review due on 1st of July.

Mahrukh Adajania: Okay, I have one more question on the cost of funds, so basically what is the outlook on cost of funds from here onwards what proportion of liabilities are repricing next year. How does it look like?

Sudipto Sil: On cost of fund side, it is very clear that we are in a increasing interest rate cycle and yield interest rates have increased across tenures mostly in the short-end but also across in the long-end also. In terms of our overall liabilities maturing in the next financial year i.e., FY2023 around Rs.25,000 crores, is going to get redeemed.

Mahrukh Adajania: Okay, but because we ended with 2.65%margins we exited Q4 with that margin, so we do we see that number settling in the next 2-3 quarters?

Sudipto Sil: See it will be, actually if you look at it, always the exit margins are on the higher side, every year after year. On a full year basis if you see FY2022, the margins was 2.29%. Previously, two years was 2.38%-2.4%. I will place the full year margins and looking into quarters but full year margins will be in the ballpark range of 2.4%-2.5%.

Moderator: Thank you. The next question is from the line of Piran Engineer from CSLA. Please go ahead.

Piran Engineer: Sir, I just wanted to confirm whether I saw it something correctly our project loan NPLs are Rs.4124 crores is that correct?

Sudipto Sil: Yes, it is correct.

Piran Engineer: So that translates into 13% NPL versus 27% last quarter.

Sudipto Sil: Correct.

Piran Engineer: Is that just because the book has shrunk.

Sudipto Sil: You are absolutely right Piran, the book has actually shrunk year-on-year as well as between December and March.

Piran Engineer: So, on an absolute basis the NPL has come down.

Sudipto Sil: As we mentioned in the opening remarks our MD sir mentioned that we have actually been able to recover, cash recovery of Rs.350 crores approximately in high value and project loan out of which of course. One of them was a written-off account.

Piran Engineer: Okay, Sir just on the NIM question, if we were to raise three-years' bonds today after the G-Sec yielders rallied so much what you think it would be at ballpark?

Sudipto Sil: See nobody is right now in the market to be very honest because markets are very volatile and I would believe that there is a little of panic reaction to the surprise rate hike by the RBI. Markets are likely settled down because right now the entire yield curve is in a complete disarray. So, I will not get in to do a three-year money, right now but if I had to go, I think it should be upside of 6% certainly, even may be closer to 7%.

Piran Engineer: For three-year money?

Sudipto Sil: Three-year money, certainly upside of 6.5%.

Piran Engineer: Sir secondly in terms of our home loan book what percentage of that would be towards builder of pension scheme.

Sudipto Sil: No, we do not do builders of pension. Nil.

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

Rikin Shah: Just couple of data keeping questions, could give an outstanding amount of ECLGS disbursement that we have done so far, that is the first one and the second one is the RBI circular impact was around Rs.2500 crores on the NPAs in the last quarter, what would that number be today and third is tax rates seems to be low is there any specific reason why the tax rate was low in this quarter.

Sudipto Sil: Your first question ECLGS outstanding as of March 31st is Rs.926 crores. RBI circular has been implemented, you will see the disclosures in the notes to accounts also and the provisioning i.e., required in terms of IR provisioning for the revised IRAC norms is around Rs. 227 crores.

Rikin Shah: So, provisioning we have included in Stage-1 and Stage-2 but the resultant loans are they included in Stage-1 and Stage-2 or they are classified as Stage-3.

Sudipto Sil: No, actually if you look at it what the revised circular, there was one more circular which was issued on February 15th, 2022. They say that for the revised IRAC norms does not have to be implemented on the index numbers. So, the index numbers are different, the IGAP/NPL numbers are different the IndAS Stage-3 numbers are different. So as matter of prudence, we have increased the provisioning assuming those cases to be impacted. Those are all standard accounts by the way.

Y Viswanatha Gowd: And we have implemented a circular also even though it is not immediately required.

Sudipto Sil: We have implemented fully.

Y Viswanatha Gowd: Still time is there up to September.

Sudipto Sil: But we have fully implemented.

Rikin Shah: Sure, and just on the tax rate any reason why the tax rate was low?

Sudipto Sil: Tax rate I think there was some additional taxes paid in anticipation of greater project loan income which was paid during the earlier part of the year. so that has been adjusted. So net tax rate if you compare on a full year basis, it is by and large the same as compared to previous year.

Rikin Shah: And just one last one, because of the recoveries in the developer loan accounts from a return of account as well, where there any interest income adjustment or no one-off in the NIM this quarter.

Sudipto Shah: No there are one-off NIM this quarter.

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

Subransu Mishra: Couple of questions, the first one is from the NPAs in the builder book, what vintage of these NPAs would be from the refinancing that we did IL&FS, we are at around 31% NPA and the builder book there of this amount how much is from the IL&FS refinancing book that we did after post IL&FS, that the first, second is do you want to comment on the demand scenario to date, do you think that we have already peaked in individual housing loans across the geography Sir, not just metros but across other cities as well, that is the second and third is if you can tell the PD/LGD assumption if they have changed or what they in this quarter versus a year ago.

Y Viswanatha Gowd: Demand scenario, if you are looking at what you know as an individual loan or concerns even our present year disbursement is nearly 90% plus or in the home loan segment even though all geographies we have covered now and all, we see robust demand everywhere because the potential is seen across all segments and in all areas of our operations. Even our channels are very strong that is what we feel, we are very certain that this year, we will be having very good at least minimum 15% growth for the last year, that is what we are expecting in the disbursement side.

Sudipto Sil: PD/LGD assumption actually get thrown up from the Markov model analysis which is basically the study previous 20 quarter. So, whatever has been the movement in accounts in 20 quarters that actually gets billed into the PD and LGD assumptions for current quarter. So, if there had been higher NPL during a period of 20 quarters. Then obviously, the PD and LGD assumptions will be greater.

Subransu Mishra: No Sir. What is the number?

Sudipto Sil: No that is a model. It is a very complex model it goes into various product categories looking into various parameters. It is a very complex model.

Subransu Mishra: And a one line answer to that.

Sudipto Sil: And your first query was regarding IL&FS refinancing, we have not refinanced any of IL&FS loans.

Y Viswanatha Gowd: Nothing is refinanced by us.

Sudipto Sil: We do not refinance any IL&FS loans.

Subransu Mishra: What I meant is post IL&FS crisis refinanced some amount of loans which came up in the market so what is overlap?

Sudipto Sil: No we have not done any of those loans which have been earlier financed by IL&FS or any others

Y Viswanatha Gowd: They are not in our book actually.

Sudipto Sil: Because that is infrastructure. We do not do that.

Subransu Mishra: Sure Sir, I will take this off line, no problem. Thank you.

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

Kunal Shah: I have two questions, one is basically on the competitive scenario. In the last call you did mention that we indent in the industry growth, as far loan book growth owns but we continue to see lot of balance transfers that are happening from our company to banks and also the incremental demand moved intake per bank. So, two full questions right, one is basically what is your sense of the competitive intensity on the ground and how are we seeing our loan book growth as far as the individual segment specifically goes and second question is obviously on the yields right, so you did guided for NIMs to be in the range of 2.4% kind of ballpark number on yearly basis. But specifically, on yields, how do we see that and need to, a question of growth versus yields, so how do we see that?

Y Viswanatha Gowd: You have a got a very good question actually what happen is regarding this what you call the market competition and other things you have mentioned correctly. As I told you, what happened Q4 even though we were very repo, we also earlier indicated that the growth will be better than that all in our last earnings session with you. What happen in the Q4 there was actually a hit because of the January and part of February last because of this COVID. That is why many of the office were closed across. That is why in that quarter only got affected but if you look at the overall for the entire year. There is growth of around 13% that is minimum, that is what happened and apart from that what happened earlier quarter of 2021 also had lot of what you call incentive, day, that and all, that was a clear year also, clear quarter that was there. But now looking at the present scenario we are very confident because the demand we have seen across and moreover what happen we have upgraded our systems also, wherein in our portal, we have given some sort of more publicity and also more visibility for the builders whom we have financed. So, what happens, you know our customers can select across which is a property they can look and buy that sort of what you call facility was provided in the portal for all of our project loan borrowers. So that gives a wide scope where we can have, earlier it was not there. So, we expecting at least some 5%-10% of our share from that itself number 1. Number 2 channel wise also what happened, all channels are also very strong. Our tied-up channel of intermediaries or our own Financial Service Limited Channel or our direct marketing channel. All channels are fully strengthened now with this there will be a very good growth across. With the up side competition I think we will not have much worry, I think going ahead a minimum of 15% growth will be there in our business. Then secondly in the project finance also this year because builders who were there with us earlier and now, we have put a very good system, then actually a special task force is selected for to reach out maximum number of people in all areas. And we also identified some good number of our centers which can process it faster. With that and more adoption of the digital technology across will help to have a very good growth in the project finance also.

Kunal Shah: Sir, what sort of digital will help us have growth, I mean we always understood yields is one the biggest drivers for either the risk part of the growth part and digital only helps improve efficiency in terms of cost. But you saying that digital enhancement help it have growth. Is that understanding, correct?

Y Viswanatha Gowd: No. Digital, what I mean to say, now you see if the individual loan segment if you see, we have got out our HOMY app, that app is now almost 20% business is coming through that. So that is taking care of most of the operations even in any place, that is one thing. Even as of the project loans are concern also in our own portal, we have given a special access to customers, they can see, actually they can also feel through all the projects where we have financed so that what happens, they can select the property and also have a very good idea about that definitely will help him to choose and he will become our customer immediately. That is for the digital transformation number 1. Number 2, the processing also now is more or less it is seamless. So, with it our project RED initiatives were taken across, there will be a substantial improvement in our operations also digitally.

Kunal Shah: And the initial part, we have already the rates on our offerings competitive in the market, so do you see that going forward in the coming year?

Sudipto Sil: Can please kindly repeat? I could not follow the last part of your query.

Kunal Shah: So, what I was saying is how should one look at yield on the loans because we have reduced the interest rates on loans that we offer to our customers, right? So, it will guide about 2.4% on the NIM part but specifically more on the yield part how should one look at that.

Sudipto Sil: No, we have not reduced, we have actually increased.

Y Viswanatha Gowd: Last week, we increased by 20 basis point across all the product categories.

Kunal Shah: Sorry how much is the increase?

Sudipto Sil: 20 basis point, 20-25 basis points.

Kunal Shah: So how should we look at our yields?

Sudipto Sil: Yields will be in line with the interest rate movement if you see for example, what we mentioned in the opening part I do not know whether you were able to hear that, we had mentioned that 90% of our asset cover on the floating rate side. So completely that provides a good avenue for us to transmit the date as when it impacts us in terms of higher input cost.

Moderator: Thank you. The next question is from the line of Vivek Ramakrishnan. Please go ahead.

Vivek Ramakrishnan: This is Vivek Ramakrishnan, I have two questions, one is in terms of competitive intensity with credit growth being more broad-based are you seeing that mortgage, teaser rates, and all that were being offered are being reduced, in the sense that the competitive intensity is being reduced which will allow you to pass on prices, that is the first question. And the second question on the builder book asset quality given that you are saying that the picture looks very good on the existing NPA also do you expect even more recoveries in the coming quarters and can you guide us in terms of how do you think that is going shape up and if there are any chunky ones that are going get repaid. Thank you.

Y Viswanatha Gowd: Second question, I think you are asking about the project the delinquency agree, going forward now there will be good recovery, already some resolutions are in process. So, with that we see some recovery will be there certainly in that segment also. The first one you were asking about competitive intensity, that actually in the market I agree. Now it is a rising scenario there will be definitely feeling will be there. But historically if look at our own performance in the past where the rates are gone up, our performance has been very good and then excellent growths were shown and our teams are across actually fully strengthened in the sense, they are fully equipped with all the input and how the product features. So, with that we are having no doubt the competitive intensity certainly who will manage and who we used to manage also earlier and our people are more competitive. They are also competent to manage that.

Sudipto Sil: Vivek, if I may just add, generally it has been observed that competition intensifies during days of easy liquidity. Now we are withdrawing from the days of easy liquidity to that extent there will be a little bit of easing in the competitive intensity, especially from lower-rated entities who may not be able to fund themselves at attractive rates.

Vivek Ramakrishnan: Okay, that is good to know. Congratulations and all the best.

Moderator: Thank you. The next question is from the line of Ruhi Pabari from Reliance Nippon Life Insurance. Please go ahead.

Ruhi Pabari: My question is pertaining to anything continuing to line of our developer book. So, considering the rising construction cost by the input cost and everything. Do you see any issues with respective to the solvency of any of your borrowers in the developer book with this 30%, what I understand is, the 31% is the NPA and the part of the restructured book roughly around as I can see some 4700 is also stretched, so roughly about more than 50% is kind of stretched book in the developer book. So, do we see those kind of a solvency issues in these developers going ahead considering the current situation?

Y Viswanatha Gowd: No. When we analyzed our own books across where in the project finance the existing portfolio, no further delinquencies are there, because now these things even some may become regular, even across the cities, if you see some cities like wherever you see like even in Bangalore, Chennai, Hyderabad and in some parts in Mumbai actually some resolution is already in process. So, with that we do not see any further downside as far the delinquencies are concerned in the project loan front.

Supidto Sil: And If I may add we are witnessing some signs of a turn in the real estate cycle. Demand has been quite sustained through out the last two years and still continues to sustain sales are improving and price points are also moving up. So, if there is a indication of input cost increasing then price points are also not staying at the same place. They are also moving up, that actually is the beginning of another real estate cycle as we see some early indications of.

Ruhi Pabari: Sir, one more thing with respect to the developer book like last quarter it was 27% Stage-3 as it is in the developer book. So, if I have to just convert this was some Rs.3800 crores and as on March 2022 it was Rs.4100 crores. So there some spillage in the quarter which had happened.

Sudipto Sil: No, there has been no spillage of any major account. In fact, there has been recoveries as we have mentioned,

Y Viswanatha Gowd: And moreover, we are also following, now RBI circulars are applicable that is possible.

Sudipto Sil: That could be the impact.

Ruhi Pabari: Sir, lastly if you just help with write-off amount for the quarter and the year?

Sudipto Sil: No, write-offs in the quarter, none.

Moderator: Thank you. The next question is from the line of Harshvardhan Agarwal from IDFC Asset Management. Please go ahead

Harshvardhan Agarwal: Just had a one query, can please give a break up of the restructured book into individual developer and LRD book?

Y Viswanatha Gowd: OTR is coming to around 3% in the entire loan book. In the break up also we will give you.

Supidto Sil: The project outstanding OTR is around Rs.3900 crores and retail which constitutes of individual home loans and other categories at Rs.3940 crores . Roughly, you can say 50-50 out of Rs.7800 crores which is roughly around 3% and little bit more.

Moderator: Thank you. The next question is from the line of Subramanian Iyer from Morgan Stanley. Please go ahead.

Subramanian Iyer: I had a one bookkeeping question actually, in your exchange filing you report a net worth number where we gap in FY2021 was the impairment reserve of about Rs.205 crores versus the book value you have. This time its seems that the gap has widened to around Rs.1800 crores. So, I am not sure if I am missing something, just wanted to clarify that.

Supidto Sil: No. there is actually certain formula which has been specified by NHB to exclude certain categories of reserves, special reserves etc., so that has been affected.

Subramanian Iyer: Okay, does that impact TR1 as well?

Supidto Sil: No.

Moderator: Thank you. The next question is from the line of Kayur Asher from PNB MetLife. Please go ahead.

Kayur Asher: I just wanted to understand your comment on what is driving the quarterly variation in NIMs and Sudipto sir alluded Q4 took a claim being better performing quarter in the past as well. So, what is driving this? Is this a function of an accounting policy resolving?

Supidto Sil: No Kayur, actually it is not any accounting policy which is there. If you look at there are two things which has happened during the fourth quarter, we were able to get some repricing on our existing liabilities and big chunky accounts of bank loans we have been able to reduce the rates significantly. So that is one reason, second reason is on January 5th we have actually increased our lending rates much before market competition, we had increased our lending rates way back in January itself across all product categories. So that also has resulted in certain increase in the income generation and third thing is that the recoveries always help. Recoveries during the quarter will always add to some interest income.

Kayur Asher: Just one thing on the funding from bank loans so the share of funding from this avenue has increased in recent years from almost a 10% to 30% now. So just wanted to understand what are typically the terms here so these are mostly fixed rate loans or they are floating? And also, if you could talk about division these typically and predominantly longer term loan.

Supidto Sil: Yes, they are generally five-year term loans and they are generally floating rate either with some external benchmark or with some MCLR or with Repo

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 NCD so out of the 50% NCD that we have on the bottom edge. Will it be possible to say how much is maturing in next one year?

Supidto Sil: The next FY2023, the total maturities will be around Rs.25,000 crores.

Sanket Chheda: Okay. In last one year, may be because we were high **(Inaudible) 43:09** the drop in cost of fund was relatively less for us parse compared to other players and now the NCD may be 3 year or 5year NCD which you would have taken pre COVID. The coming up for the maturity now in next 1-1/2 year you think that overall cost of funds will not move much in terms of going up over next 12 months on a relative basis since we had a relatively lower fall in cost of funds the rise will also relatively lower do you see that given our borrowing mix.

Supidto Sil: I will respond this way the FY2021, the reduction in weightage average cost of fund was hundred and 115 basis points. There was also 115 basis point reduction in the repo. FY2022 there was no reduction in repo but we still achieved 41 basis point decline in cost of funds on a Rs. 2 lakh crude liability. So put together its almost R.3000 crore benefit to the saving in the interest expense of course partly aided by movements in the interest rates. Now coming to your specific query regarding the movement now. It is very obvious that when you have a larger share of fixed rate liabilities as compared to assets in any book in a rising rate scenario it always gives a cushion.

Sanket Chheda: So my question was particularly for FY2022, because our incremental cost say 5.4% was the weighted average cost of funds, Second question was the HDFC they move under banking structure limited in next 3-4 quarters and they have about 40% NCD so about 1.2-1.3 better in size, so once they move out banking structure, do you see that much supply would be available wherein the cost for you would remain benign for the competent for long term may be next one or two years also.

Supidto Sil: Yes, there will be some marginal benefit could be there. It is very difficult to specify right now because only when the event happens will actually get to know the outcome of it, how the situation will arise.

Sanket Chheda: The next question was on the AUM growth since we are seeing that project loans are **(Inaudible) 46.45** so do we see about mid-teens kind of growth in FY2023 on interim level.

Y Viswanatha Gowd: In the project finance, you are asking about, because last year we could not do very well out of total disbursement for the current year of FY2023, we would like to have something like the share will be around 10% from that is what we are expecting.

Sanket Chheda: Retail is very strong so now that we are seeing that non-retail will also pick up, so wanted to have was, what would be AUM growth, or how will you derive.

Y Viswanatha Gowd: AUM growth in which segment?

Sanket Chheda: Overall**.**

Y Viswanatha Gowd: Overall will be certainly be in double-digits. Because this year we could so around 8% but next year it will be certainly in double digits.

Moderator: Thank you. The next question is from the line of Vikram Subramanian from Spark Capital. Please go ahead.

Vikram Subramanian: Just one question on the PPT based on steps, you have mentioned about the book value which in 2022 is 414, this does not reconcile with my number. So, I checked both on the standalone and console basis. The book value should be closer to 445-450, 448 actually. So, is this to do with impairment reserve or is there some other impairment we are taking on the net worth.

Y Viswanatha Gowd: No, there is no impairment.

Supidto Sil: There is no impairment we just check offline. But there is no impairment whatever is the total book value divided by the number of shares increased because number of shares have also increased.

Vikram Subramanian: Even accounting to that so all the previous calculations they tally, it is just 2022.

Sudipto Sil: We will just check. Okay

Moderator: Thank you. The next question is from the line of Bhuvnesh Garg from Investec Capital. Please go ahead.

Bhuvnesh Garg: Sir just want to know that what percentage of your restructuring book has started payment and secondly that we see within your restructuring book about 13% of the book has already slipped into NPA Q4. So, in that context how do you see potential as a quality challenges in this book going forward?

Y Viswanatha Gowd: If you look at the restructure book which is around 3% last quarter it was there. More or less, quantum remains the same but within that if you look at some of the high-ticket size cases. Even in the retail segment also we could recover. That is also there and going forward we are very sure that we have put special task people across all the areas identified some numbers which can be regularized at the earliest. So, this quarter we are expecting a good turnaround there also. So there will be suddenly improvement in the OTR categories, in all segments, be with individual or even commercial or even some part of projects also.

Moderator: Thank you. The next question is from the line of Aditya Jain from Citi Group.

Aditya Jain: First, the accounting for the cash recovery Rs.350 crores. What is the benefit to the interest income from cash recovery?

Sudipto Sil: Can you please be clear, what is the cash you are asking about? Which cash?

Aditya Jain: In the interest income what is the benefit from the cash recoveries which we did in this quarter?

Sudipto Sil: No, mostly the cash recoveries in terms of principle.

Aditya Jain: Okay, so it will be.

Sudipto Sil: Small amount of interest but mostly it is principle recovery.

Aditya Jain: On the RBI circular and IRAC norms you mentioned that the assets which would have been NPA are in Stage-1 and Stage-2 and higher provision has been made on them. So, we made 15% provision on them and so nothing more is required to meet direct norm. Is that right?

Sudipto Sil: Right.

Aditya Jain: Last thing on the builder book decline quarter-on-quarter that is because of repayments or is there any other driver there.

Sudipto Sil: Repayments actually repayment.

Aditya Jain: Okay, no sale of accounts exists?

Sudipto Sil: No. There has been no sale of any account.

Y Viswanatha Gowd: No sale, no write-offs

Sudipto: Some recoveries happened and some repayments also happened.

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

Krishnendu Saha: I just want some little bit of understanding, the liquidity covering ratio increased from 238 to 549. So just on that stock increased and how do you take the gearing it reaching 10. So how do we see that in the future?

Sudipto Sil: See, as far as the LCR is concern, you will appreciate that the LCR is maintained or a day-to day for the next 30 days. Now what happens is when April typically is a month when committed disbursements are very low because majority of the pipeline of disbursement is exhausted by March. Secondly, during April, there are no major repayments of liability like NCD or CPs to that extent it might appear as an aberration but on an overall quarterly basis if you see on a daily average of 90 days between January 1st and March 31st it is much lower, it is around 170% and if you take it for example any day in the month of May again it will be in the range of 120%-130%.

Krishnendu Saha: Okay. There is a point estimate that is why it is too high.

Sudipto Sil: It is on a particular day.

Krishnendu Saha: What we look at the gearings?

Sudipto Sil: Gearings we had done a preferential allotment in last year you are aware from the promoters. So to that extent the gearing has been address, gearing matter has been addressed and we within the regulatory norm comfortably in terms of overall limits of gearing which is number of times of the capital which we can lend.

Krishnendu Saha: But where do we seeing it at the end of the year, with a growth in the book, the Mid teen and everything. And recovery coming, where do we aspire to be next FY2023.

Sudipto Sil: Even on an asset versus basis it should improve because last two years there have significant erosion from the TR1 because of the provisions made. That is unlikely to replicate in the next one year or two years to that extent we can say that even on assets versus basis, it should improve.

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

Prashant Kumar: Just one question on liability side you have mentioned that Rs.25,000 crores in FY 2023 is going to mature. So, I just wanted to understand that current ratio on the borrowing mix 30% holding from Banks and NCD is 53%. So, where will be the more incremental borrowing that mix will be going forward, what will be the picture on this? Because the banks and NCD, there is huge difference in weighted average cost. So, I think so the bank will be your preferable area but I want your outlook on this.

Sudipto Sil: Banks all three options will be kept open because the wholesale debt market is also very dynamic market and with positive news flows you can certainly get good deals. So, nothing is ruled out but having said that focus this year will be on retail liabilities about 20% of incremental borrowing is likely to come through retail liabilities incrementally.

Prashant Kumar: Okay and on restructure book 78 billion currently around 3% so on asset classification where is it exactly in Stage-1 or 2?

Sudipto Sil: Which one OTR?

Prashant Kumar: The total restructured book 78 billion.

Sudipto Sil: OTR condition is that account has to be standard at the time of applying the OTR. So, by definition itself, it will sit in the either Stage-1 or 2.

Prashant Kumar: Sir just on back calculation on this one, the total Stage 1 and 2 provisioning is around Rs.800 crores so on the Providence Manor even on the restructure book if I calculate, I take 10% it should be around Rs.780 crores. So on Stage-1 and 2, there is very minimum around Rs.20 crores like you have the total after restructure book of provision. so it is very low.

Sudipto Sil: There is no option, 10% provision has to be made on restructured book. So there is no option of not doing it.

Prashant Kumar: And one of fee income side there is continuously growth on fee, so there any upside you look at this

Sudipto Sil: Yes, you will certainly get to see upside.

Moderator: Thank you. In the interest of time that was the last question for today. I would now like to hand the conference over to management for closing comments.

Y Viswanatha Gowd: Thank you all. I thank every one of you for active participation, then again very good interaction with all of us. Finally, I would like to say a few words. We have gone through two different years very difficult years also due to pandemic. With the improvement economic activity and normalcy now being restore I think FY2023 it is expected to very buoyant and very-very positive on all side and out company is all set and fully geared up to scale greater heights that I think in the recent past we have not seen that height would like to reach when the sky is clear in a sense the ground is very clear on the road also very certain that we would like to reach, the goal also very clear and with all the people in our offices under committed field force everywhere and the company is pious to scale new heights certainly this year, FY2023 will be a very memorable year. Thank and wish you all the best.

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