



“LIC Housing Finance Limited Q2 FY2022 Investors Conference Call”

October 22, 2021



ANALYST: MR. PRAVEEN AGARWAL - AXIS CAPITAL LIMITED

**MANAGEMENT: MR. Y. VISWANATHA GOWD – MD & CEO - LIC HOUSING FINANCE LIMITED
MR. SUDIPTO SIL - CHIEF FINANCIAL OFFICER - LIC HOUSING FINANCE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY2022 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 Limited. Thank you and over to you Sir!

Praveen Agarwal: Thank you Steven. Good morning everyone and we welcome the management of LIC Housing on this call. We have with us Mr. Viswanatha Gowd, MD and CEO and Mr. Sudipto Sil, CFO to take us over through the results. Mr. Gowd we request you to share your key highlights on the quarter gone by and thereafter we will open the floor for Q&A. Over to you Mr. Gowd!

Viswanatha Gowd: Thank you Praveen. A very, very good morning to every one of you and welcome to this post earning conference call of LIC Housing Finance Limited. As you are aware, LICHFL declared Q2 FY2022 results yesterday.

Before beginning I wish you and your near and dear ones very, very good health and safety. With gradual improvement in the pandemic situation and increased pace of vaccinations it is heartening to note that normalcy is returning to lives, which is also reflective of the pickup in business activities and economic growth.

With greater relaxation of restrictions, sentiments have also improved very significantly. It is in this backdrop that our business was conducted in Q2 FY2022. The key highlights of this quarterly result are as follows:

The total revenue from operations 4700 Crores against 4969 Crores for the corresponding quarter of the previous year with a decline of 5.25%.

Outstanding loan portfolio stood at 237,660 Crores against 213,349 Crores as on September 2020, it is reflecting a growth of 11% out of which individual home loans have reported growth of 15% and now it comprises a little more than 79% of the total portfolio. It is up from 76% a year ago.

The total disbursement for the quarter was 16110 Crores out of that the disbursements in the individual home loans were 14330 Crores against 10373 Crores with a growth of 38%. Disbursements in project loans were 353 Crores.

The net interest income for the quarter was at 1173 Crores as against 1238 Crores. Net interest margins for the Q2 FY2022 stood at 2% as against 2.2% for the Q1 of FY2022.

Profit before tax for the quarter stood at 308.95 Crores as against 1009.26 Crores. Profit after tax for the quarter stood at 247.86 Crores as against 790.90 Crores for the same period previous year.

Loan disbursements during the quarter were extremely robust with a total disbursement at 16110 Crores recording a growth of 29%. Individual home loans too continued its strong growth and posted 14330 Crores against 10373 Crores in the Q2 FY2021, a growth of 38%.

Growth was uniformly spread across all geographies and across both large and smaller centers especially tier 2, tier 3. It is extremely encouraging to note that we have achieved 132% of the pre-COVID levels in terms of our Q2 disbursements when we compare it with Q2 of 2019-2020.

On the portfolio growth front, the total portfolio recorded a growth of 11% and now it stands at 237,660 Crores with increased focus on the home loan segment, the growth recorded in the home loan portfolio was at 15% for the quarter.

In terms of asset quality stage 3 exposure at default as on September 30, 2021 stood at 5.14% as against 5.93% as on June 30, 2021. In our earlier interaction with you after Q1 results, we have assured our stakeholders that we strongly believe that a peak has been marked and subsequently asset quality would improve. It is very much heartening to note that stage 3 assets have declined by over 1500 Crores from Q1 of FY2022 levels on account of strong effort put in by all the concerned.

We have now a very strong confidence and conviction that the coming quarters will show great improvements. This quarter despite reduction in stage 3 assets, the provisions have been increased to reflect higher PCR.

Total provisions as on September 30, 2021 stood at 5354.9 Crores reflecting a provisioning covering ratio of 43.72 on stage 3. It is up almost by 9.72% as of June 2021.

OTR during this quarter stood at 2141 Crores lower than Q1 figure of 2350 Crores. We have been very closely focusing on the collection efficiency that has also shown improvement and now stands at 99% for regular accounts. The highest since the pandemic broke out in March 2020.

On the funding side, we have witnessed reduction in the overall cost of funds by 12 basis points during the Q2 FY2022 despite hardening in the bond yields during the small period. Incremental cost of funds have come down by 13-basis points and stood at 4.9% for Q2 of FY2021.

Net interest margins for the quarter stood at 2% as against 2.2% over the last quarter, the decline being attributable due to income reversals and OTR accounts. Then incremental spreads continued to remain at healthy levels and stood over 230 basis points during the six months ended September 30, 2021.

During this quarter company completed a preferential issue of equity through its promoters LIC of India, amounting to 2335 Crores. This will add to the tier 1 capital of the company.

During the quarter the company also tied up with the India Post and Payment Bank for distribution of its home loan products.

With this brief introduction I would like to invite you for your 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 of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

Abhijit Tibrewal:

Thank you for taking my questions. Sir, I have two questions the first one is on your NIMs so you reported at 20 basis points, QoQ decline and Sir also suggested that these were income reversals and OTR accounts so if you can kind of briefly explain why these income reversals on OTR accounts, what were the nature of I would mean restructurings which warrant income reversals and what was the quantum of income reversals that we have taken during the quarter?

Sudipto Sil:

Can you come up with your second query so that we can address both of them together?

Abhijit Tibrewal:

Maybe the next two ways I mean I understand we kind of discussed during the last earnings call as well that employee expenses will go up but what is the nature or what is the run rate of employee expenses that we can kind of expect going ahead and lastly on your provisions during the quarter while we highlight that our stage 3 numbers had actually kind of improved on QoQ basis but what is it that kind of warrants an increase in provision cover? I understand we used to run a high provision cover during the past quarters but why I ask this question is I mean during every earnings call when we kind of ask you I mean we typically get to understand that based on your assessment at that point in time the provisions were adequate, but what has changed I mean during this quarter that there is a need to improve

the PCR while asset quality has actually improved or should we think of it like this that because we were still working on that preferential equity capital raise, we were not able to think kind of take provisions and which we have taken during this quarter?

Viswanatha Gowd:

One thing just I would like to, I think your questions were two three questions were there. As far as the provisioning is concerned, I would like to clarify you that because every quarter of course last quarter if you see the provisions were higher side maybe around more than 800 Crores. This quarter it is slightly less to 600 Crores. Here what happened the OTRs especially where our OTR is nearly 3.5% almost it is more than 3% of our loan book size if you look into that and mostly now in this quarter it has happened in the retail segment, so nearly 2100 Crores were added this year, after this quarter compared to earlier quarter. It has come down but overall the provisioning of even 10% minimum required to be made on the whole OTR thing and moreover the stage 3 OTR were taken care of full. So that what happened we are adequately provided for so no need to have any what you call, future some sort of what you call uncertainty. Now NPA we are very comfortable that compared to last quarter what you call the NPA amounts have come down by more than 1500 Crores if you look at in the retail segment itself and mainly in the developer side our loan book is only 6% and odd, so there what happened more or less not much addition to the NPAs were there, so we are very comfortable now as far as the what you call the asset quality is concerned. Last time also we told very clearly the worst was behind us. The similar way now it has been proved that yes the recovery now we have improved and then our teams are still under what you call improvising all the levels that our collection efficiency also, now if you look at the regular cases where our collection efficiency is more than 99%. I am very sure that the provisions what we are made are adequate enough so that what happens the provision coverage ratio also will be more than 43% now and then as far as the other two items are concerned our CFO will tell you.

Sudipto Sil:

Abhijit, actually two things, of course what our MD Sir mentioned about the provisioning also if you see there has been a secular improvement in the GNPA but of course there has been increase in the provisioning cover, so as a result of that around 600 Crores of provision has happened. The other thing is that your query for regarding the margins, see actually margins if you look at it there has been a reversal of interest. Now what happens I will explain to you, at the end of September the total amount of loans under one time restructuring one and one time restructuring two put together is around 7300 Crores. Now for that 7300 Crores OTR because of the OTR given there is a recalculation of the IRR and the effective interest rates because of which there has to be an interest reversal which happened. This is the notional entry that has happened because of the OTR impact and that is the reason why the impact of it to the tune of around 250 Crores for the quarter ended September, the corresponding figure as of end of June with 5300 Crores of OTR was

around 116 Crores. So around 135 odd Crores of extra reversal of interest has happened in the Q2 itself. Now what is the impact of it on the margins? For every 100 Crores of loss of net interest income the impact of NIM is to the tune of around 16 to 17 basis points so for 135 Crores of such reversals the impact on the net interest margins in terms of basis points will clearly be in the range of around 22, 23 basis points. What is also to be noted very important thing is that sequentially there has been an improvement in spreads. As our MD mentioned in the beginning of the discussion that there has been a reduction in the cost of funds both on the incremental side and both on the cumulative side by around 12 to 13 basis points between the July 1 and of September 30, despite the fact that interest rates have been hardening the system, sequentially there is a drop in the interest cost which has resulted in improvement in spreads but because of this reversal of interest income that is the reason why there is a drop in the reported net interest margins. Your third question was regarding the expenses. I think expenses there has been couple of one time which has happened in Q1 last quarter that we have explained because of the payment of arrears. This time also there is an impact of actuarial valuation on retiral benefits to the tune of around 45 Crores to 46 Crores so if you net it off then the normal increment in the other expenses should be in the range of around 15% to 20% that should be an ideal run rate.

Abhijit Tibrewal: Sir because this interest income reversal on the OTR book is notional in nature would you say that because interest kind of continues to accrue you will maybe see some from interest income write back in the coming quarters?

Sudipto Sil: As and when these accounts come out of OTR and more important to notice that the OTR has ended so when these accounts come out of OTR we can expect some interest income write back from this OTR accounts.

Abhijit Tibrewal: Sir lastly if you could share some colour on the segmental asset quality which you kind of typically shared during the earnings calls?

Sudipto Sil: I will read out the comparatives. Our MD will just give the comparatives. We request everybody to note so that we do not have to repeat that again.

Viswanatha Gowd: As far as the position at the end of September is concerned IHL segment, stage 3 comes to 2.25% and in the non-housing commercial it is 14.83%, then non-housing individual it is 9.76%, so this as far as individual total is concerned. Then in the projects that is developer book size where the stage 3 is at 23.94%. Then overall if you see our total NPA, gross NPA compared to last quarter from 5.93% it has come down to 5.14% now.

Abhijit Tibrewal: Sir this is to suggest there were no resolutions during the quarter in your developer book?

- Viswanatha Gowd:** Developer book resolutions were not there. Maybe small one or two they do not have much impact.
- Abhijit Tibrewal:** Alright Sir. Thank you so much Sir. I will come back in the question queue if time permits.
- Moderator:** Thank you. The next question is from the line of Aditya Jain from Citigroup. Please go ahead.
- Aditya Jain:** Thank you. Could you tell us the current classification of the restructured loan. So the total outstanding restructured loans about 7300 Crores where are they classified now in stage 1, 2 or 3?
- Sudipto Sil:** Most of it is either in stage 1 or stage 2. Because when we are doing OTR, the condition of OTR is that they have to be standard assets?
- Aditya Jain:** Is it okay to assume that is largely in stage 1 as you said in the last quarter or is it sizeable amount in stage 2?
- Sudipto Sil:** Yes stage 2.
- Aditya Jain:** Like you have done in this quarter in stage 3 increasing the coverage, is there a view on the stage 2 assets that the coverage there is it enough or would you take another chance to beef up also to create more security cushion?
- Sudipto Sil:** In the stage 2 the provisioning coverage is adequate, considering the underlying evaluation it is adequate.
- Aditya Jain:** Got it. Thank you.
- Moderator:** Thank you. The next question is from the line of Zhixuan from Point72. Please go ahead.
- Zhixuan:** Thanks so much for the opportunity. Sorry just on the huge assets part it seems like QOQ decline it is almost that the 5 BPS so the increase in interest reversal this quarter is 185 Crores right which accounts to about 20 odd BPS of that decline so is that a right calculation and also you know what accounts for the remaining 15 BPS or so of the client QOQ?
- Sudipto Sil:** No I think Zwan what I understand from your observation this quarter the NIM is 2%, what it was in June was around 2.20% and what I mentioned in my earlier discussion is that for 135 Crores interest income reversal, the impact is around 22-23 basis points, so that actually

takes us notionally heading back to more than last what it was in June quarter. Now what it is to be also noted is that the total impact of reversals in totality is 250 Crores, the increment is 135 Crores. So if you add back 250 Crores notionally then the number actually reaches much higher.

Zhixuan: Understand. Just on the home loan yield side do you not give us some colour on you know what's our current average yield because I think our new rate is at 6.6% or something just want to understand how much repricing is potentially the future or is that mostly done?

Viswanatha Gowd: As far as the rate is concerned now the 6.6% is the entry level what we are offering is really going on well. I think even the volumes are picking up very well in the last quarter you can see good growth rate is there in the disbursements also I think we are shown more than nearly already we have reached the pre-COVID levels as far as the quarter is concerned and that way good traction is there across and then this expands also will give because it is linked to what we call CIBIL scoring so our actually selection will be very, very sound enough to take care of 6.6% whatever offering only to the selected customers that to the best customers based on the credit score.

Zhixuan: Lastly is on this coverage, provisioning coverage are we comfortable with current level of coverage or we are given the capital raise we are more comfortable to continue to increase that coverage going forward and if that is the case do you have like a target or more part number in mind?

Viswanatha Gowd: This coverage I think it very much adequate what at this level going by the valuations it is I think earlier was only 34% like that now it has come to 43% almost a 9% increase is there and mainly it will take care of it fully what were now at this level, I think from our side it is almost fully or provided for because NPAs also you see now they have reduced. Another favorable point is over the last quarter the volume of your nonperforming assets has come down by nearly 1500 Crores that is also added to this. It is a very good positive trend. So further provisioning may not be on the higher side.

Zhixuan: Just to follow up sorry to come back to that question maybe I am missing something I do not really understand this well but if I look at the increasing OTR last quarter is i think one percentage point or so of the book and this quarter we have about 80% of increasing OTR and we have less slippages this quarter. Why would the income universal this quarter be higher than the last quarter though?

Viswanatha Gowd: The reason is that the income reversal is on the total outstanding OTR which has increased by 50%. So earlier the interest was only for three months on 5300 Crores now it is for the 6 months and for the 6 months it is 7300 Crores.

- Zhixuan:** I see got it. So that means that that pressure on the income reversal may not increase a quarter on quarter going forward since we are already kind of our restructuring is peak, but the income results are absolute amount it will still be there going forward is that the right way to understand?
- Viswanatha Gowd:** The OTR scheme has now ended.
- Sudipto Sil:** Now more additions will be there one thing. Secondly the OTR things also may be coming out of that because now what we call, we are after the all the borrowers so that what happens people can avail, who are now actually the income levels are better off, now what you call people are getting salaries in times but actually our portfolio is mostly on the salaried structure we are very sure that many borrowers will come out of the OTR in this quarter certainly because they are in the stage 2 even stage 3 also definitely come to stage 1 that way there will be an improvement. I think we do not see much of what you call requirement of the reversal on the higher side.
- Zhixuan:** Just to understand perfectly so as far as the account is in the OTR it will still have income reversal going forward but once they start to come out of the OTR and started to decline then the income was also during that quarter will start to decline it is a right way to understand it?
- Viswanatha Gowd:** I think what we mentioned is that will be no further addition to the OTR pool it is actually coming down.
- Zhixuan:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Shubhranshu Mishra from Systematix. Please go ahead.
- Shubhranshu Mishra:** I just wanted the interest reversal. I think we can only do interest reversal as per Ind-AS in stage 3. Most of our OTR is in stage 1, and stage 2?
- Sudipto Sil:** That is not correct. Whenever there is a restructuring which happens it changes the term the total tenure, so the moment that happens the EIR/effective interest rate and the IRR also changes and when that happens obviously there is a derecognition of the income which has to happen to reflect that change. That is Ind-AS only. I am talking about Ind-AS only. This has happened not because of a stage 3 impact but it has happened because of the fact that the effective interest rate has changed because of the elongation of the term.
- Shubhranshu Mishra:** Sir what is the split of the book between the top 7 cities and other cities?

Viswanatha Gowd: If you look at our portfolio mostly even in the traction now where we are seeing in the last quarter, nearly 50% more than 50% is coming from the tier 2, tier 3, so if you look at the metro cities and all, all top seven cities it is around 58% of the portfolio.

Shubhranshu Mishra: The number of offices and the split of book is similar.

Sudipto Sil: That you will find in the presentation. If you want I just can repeat the number. You want the number of offices. Your voice is not very clear. Just giving you, there are 85 offices in the top 7 cities and 197 offices in the other cities. Top 7 cities are the Mumbai metropolitan, NCR, Mumbai, Pune, Chennai, Hyderabad, and Kolkata.

Viswanatha Gowd: Add to that our recent tie up with IPBP will make our reach far-far better in tier 2, tier 3 especially.

Shubhranshu Mishra: What I am trying to understand is what is the split of the book not the offices in top 7 cities and the others per se?

Viswanatha Gowd: See our book size if you look at geographically also, top 7 cities account for nearly 58%. If you look at the present year what happened 43% of the business has come from top 7 cities and 53% has come from the others.

Shubhranshu Mishra: Just one clarification from the notes there are 248 accounts which are from OTR 1 which have been put in the OTR 2. If I calculate the average ticket size there, it is roughly around 72 lakhs which means that the average ticket size in OTR 2 would be around 35 lakhs. What is the difference there? Why is the ticket size higher in OTR 1 and why is it lower in OTR 2?

Sudipto Sil: See actually if you look at the way the OTR as happened, majority of the corporate account OTRs have happened in the fourth quarter of last year and the first quarter of this year whereas in the second quarter the large ticket project loans cases were very, very small. Hardly some four, five cases had come whereas good amount of retail loans have come for OTR in Q2 under the OTR 2.

Shubhranshu Mishra: I will come back in the queue.

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

Kunal Mehra: Good afternoon gentlemen. Thank you for the opportunity. One question given the incredible step up in OTR 2 would you be willing to share with us how the OTR 2 and 1 book split the individual housing, commercial or individual non-housing?

- Sudipto Sil:** See we have got the details of the individual and the project. I do not have the highest individual home loans, non-housing corporate and other break down. If you want quarter wise I can give you quarter wise, first quarter about 2070 Crores was under the builder loan category and about 275 Crores was under the retail category which compromise mostly of the non-housing corporate and the non-housing individual and home loans, these are the three categories there. In the second quarter the project loan was only 62 Crores whereas 2078 Crores was in the individual category comprised of all the three sub segments that is NHC, non-housing commercial, NHI non-housing individual and IHL which is individual home loans.
- Kunal Mehra:** That is really helpful. Thank you. If I was to qualitatively ask you about this 2078 Crores split in the individual between the non-housing commercial, non-housing individual and individual housing directionally, which one would be the largest contributor to it and the reason. I will be transparent the reason I am asking is I am trying to handicap that going forward and we have another one of the slip on account of the nature of the underlying asset versus the stress that we are seeing in the real economy?
- Viswanatha Gowd:** This is mainly due to the retail only. All our 2078 Crores what you had mentioned now the OTR 2 in the last quarter is only from the retail segment. The ticket size maybe around 25 to 30 lakhs that is our average size.
- Kunal Mehra:** Therefore given that the dominant current share is retail, is 25 lakhs, it is arguably non-salaried retail?
- Viswanatha Gowd:** Our loan book if you see in the individual housing loan, more than our 75% of our individual house loans are all salaried class only because all are CIBIL based, all things are there. Moreover our teams are working to bring out these people out of OTR, so with the facility with this some concession is given and then going forward actually these numbers will come out of the OTR suddenly will give lot of fillip. If you look into the collection efficiency also now for regular accounts already it is 99%. The best way is I think even pre-COVID level like that.
- Sudipto Sil:** Just to give a little bit color there your query was that probably you would like to know why there have been so much of people going in for OTR 2. Now let us look at the backdrop on which the OTR was announced. It was at the time of the second surge, second wave of the COVID and that point in time which is something which we have shared already also. At certain times, it is from the individual customer or even for the commercial customers what is more important at that point in time is to preserve cash as and when an OTR offer has come from the government through the regulator, they had opted for it. Now what is the probability that they will come out, if you look at the earlier year, last year the moratorium

now 80% plus of people who had opted for monetary at that point in time have come back on full recovery, I mean on full updated mode. So as and when the external situation improves and it had already started improving more and more people generally come out of these kind of OTRs.

Viswanatha Gowd: Even if you look at the Q1, Q2 movement actually those accounts which are there in moratorium in Q1 and they have come out, some of them have come out and upgraded even fully also that is also possible.

Kunal Mehra: Of those accounts that came out between Q1 and Q2 from the OTR was there any accompanying right back of the notional income reversal?

Sudipto Sil: As of now if you look at the statutory disclosures that we have made total amount of exposure that was out of 7398 right now because the OTR 2 was mostly invoked towards the end of quarter there has not been much scope for people to come out of the OTR 2. As of September 30, only the implementation was going on. Now progressively we will see the outstanding as compared to the invocation coming down.

Viswanatha Gowd: Mostly in the individual segment it will happen definitely there is a positive on that.

Kunal Mehra: Thank you again gentlemen. I appreciate your time and patience.

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

Kunal Shah: Sir the question is with respect to the stage 2 breakup? Last time you highlighted in the corporate developer it was Rs.2400 odd Crores out of Rs.10000 Crores? Sir how has been the movement in stage 2 between the corporate and the non corporate and also if you can share the non-individual non-housing break up of Rs.35000 odd Crores how it has moved this quarter?

Viswanatha Gowd: First of all the non-housing individual and non-housing commercial. In June, the non-housing commercial total was Rs.14300 Crores and non-housing individual was Rs.20501 Crores. So it was around Rs.34800 Crores. As of September, the non-housing commercial is Rs.13600 Crores so it has come down by Rs.700 Crores whereas the non-housing individual has remained more or less at that level with slight increase of Rs.200 Crores, Rs.20500 Crores to Rs.20700 Crores and total if you see there has been a decline in the non-housing commercial and non-housing individual between June and September.

Kunal Shah: Stage 2 breakup?

- Viswanatha Gowd:** Stage 2 breakup, I will you comparables. First of all in stage 1 in the non-housing commercial more or less it has remained same. In stage 3, there has been a decline as we mentioned in the beginning and stage 2 also there has been a decline from Rs.1362 Crores, it has come down to Rs.1292 Crores in stage 2. I am talking June to September figure and from Rs.1927 Crores it has come down to Rs.1507 Crores so there is a Rs. Crores, so there is a Rs.400 Crores reduction in the stage 2 also and consequent increase in stage 1.
- Kunal Shah:** Sorry stage 2 there was decrease?
- Viswanatha Gowd:** It has come down. It has decreased by Rs.400 Crores in the non-housing individuals.
- Kunal Shah:** Non-housing individuals?
- Viswanatha Gowd:** Yes.
- Kunal Shah:** Okay and the corporate housing?
- Viswanatha Gowd:** In the non-housing corporate also there has been a reduction by almost Rs.70 Crores to Rs.80 Crores in stage 2 itself.
- Kunal Shah:** Okay that helps.
- Viswanatha Gowd:** So stage 3 and stage 2 both have come down in both these categories.
- Kunal Shah:** Just again to clarify in terms of this restructuring so now the provisioning on this restructuring?
- Viswanatha Gowd:** I missed out on the project. Project also stage 2 has been reduced. Stage 3 as we mentioned as come down marginally, stage 2 has come down from Rs.2490 Crores to Rs.1553 Crores and stage 1 it has come up by Rs.9500 Crores to a little more than Rs.10000 Crores.
- Kunal Shah:** So Rs.2490 Crores is becoming Rs.1500 Crores in stage 1 on the corporate developers?
- Viswanatha Gowd:** Yes.
- Kunal Shah:** Overall provisioning on restructured is routed through impairment allowance even in this quarter?
- Viswanatha Gowd:** Yes that disclosure is as per the policy. It is as we mentioned a couple of times it is an appropriation till now.

- Kunal Shah:** Thanks.
- Moderator:** Thank you. The next question is from the line of Dhaval Gada from DSP Mutual Fund. Please go ahead.
- Dhaval Gada:** Two questions; one Sudipto can you just give the absolute stage 3 for NHC, NHI and IHL just want to reconcile the number?
- Sudipto Sil:** Sir we have given in the beginning of the call itself.
- Dhaval Gada:** The absolute if possible?
- Sudipto Sil:** You want us to repeat the same numbers?
- Dhaval Gada:** No. The absolute numbers, I think you gave the percentage? I am just trying to reconcile the absolute for non-housing individual and non-housing commercial and individual home?
- Sudipto Sil:** Stage 3 from 2.6 it has come down to 2.25.
- Dhaval Gada:** Absolute if possible or I will take it offline that is okay?
- Sudipto Sil:** Because we have already given all these numbers so many times.
- Dhaval Gada:** The second question was regarding margins so just to summarize you are saying that next quarter since most of the accounts are out of OTR, we should on an underlying basis?
- Sudipto Sil:** We did not say it is out of OTR. We said that there is no further OTR scheme available.
- Dhaval Gada:** Okay so on margins from next quarter you will be 2.2 to 2.23 based on the interest income reversal so how should one think about underlying margins next quarter?
- Sudipto Sil:** Underling margins what is more important is to see the trend in the spreads because that is what will be reflective of the overall efficiency in profitability. Spreads have increased sequentially. There could be some notional entries of reversal of interest but if you see the operating spreads have improved sequentially.
- Dhaval Gada:** My question is when we should margins to normalize like 4Q FY2021 levels if you?
- Sudipto Sil:** Sorry.

- Dhaval Gada:** Pre March 2021 levels so when should margins is my underlying question so we have seen the couple of quarters where OTR has impacted?
- Sudipto Sil:** Correct before whatever was the margins say around in the range of around 2.25% to 2.35% that was the ballpark range, which we have been holding before this implementation of the OTR so we should be in a couple of quarters certainly see those levels come back. There will stability in spreads and improvement in spreads to the extent of the interest rate movement but overall there will be stability of spreads.
- Dhaval Gada:** Thanks. All the best.
- Moderator:** Thank you. The next question is from the line of Nischint Chawathe from Kotak Securities. Please go ahead.
- Nischint Chawathe:** Sir just to take it up from the earlier quarter what you are saying is that this Rs.250 Crores is going to be an ongoing impact when these loans come out of OTR?
- Sudipto Sil:** No. It will come down because outstanding loan of the OTR is also going to come down slowly.
- Nischint Chawathe:** That is right Sir. Rs.250 Crores is the base impact that we can see this quarter? This is the highest? Probably next quarter it goes down?
- Sudipto Sil:** It will start reducing.
- Nischint Chawathe:** That is right and when do you think this kind of completely gets over?
- Sudipto Sil:** May be in a couple of quarters. It will significantly recede over a couple of quarters.
- Nischint Chawathe:** Sir on the expenses side of the staff expenses of around Rs.147 Crores is there a one off over there?
- Sudipto Sil:** There is a one off around Rs.47 Crores which has happened because of the actuarial evaluation of the retiral benefits of total of Rs.47 Crores is the amount, which was there.
- Nischint Chawathe:** The Rs.100 odd Crores establishment expenses I think that sort of will remain?
- Sudipto Sil:** Between Rs.90 Crores and Rs.100 Crores will be the ballpark.
- Nischint Chawathe:** Perfect. Thank you very much and all the best.

- Moderator:** Thank you. The next question is from the line of Viral Shah from Credit Suisse. Please go ahead.
- Viral Shah:** Sudipto a followup on the previous question in fact it is more of a clarification. Sir you are saying this reversal impact in the P&L which is impacting the margins is something which will continue every quarter but the quantum will reduce?
- Sudipto Sil:** It will keep on coming down yes.
- Viral Shah:** Okay understood. All my questions are answered.
- Moderator:** Thank you. The next question is from the line of Piran Engineer from CLSA. Please go ahead.
- Piran Engineer:** Thanks for taking my question. I just wanted to understand why would the affective yield change because of the elongation of the term of the loan in restructuring?
- Sudipto Sil:** Because of the change in IRR.
- Piran Engineer:** But Sir if you are extending it by say six months would you charge the same IRR for that?
- Sudipto Sil:** IRR impact will be completely different. Ind-As reporting is based on effective interest rate.
- Piran Engineer:** I get that but in that sense if you are extending let us say for three months for an OTR it would not be an interest free extension of three months, would it?
- Sudipto Sil:** No. It is not an interest free, but there is no cash flow and then an extension of term so the term which was 17 years will become 19 years. The term which was five years will be seven years like that.
- Piran Engineer:** So it is a sort of a loss of interest on interest in a way because there is no cash flow?
- Sudipto Sil:** Correct.
- Piran Engineer:** Just to clarify I know this has been asked many times we reversed Rs.135 Crores this quarter, Rs.115 Crores was the sum of 4Q and 1Q?
- Sudipto Sil:** 1Q there was nothing almost because the OTR started actually towards the end of 1Q.
- Piran Engineer:** But what about the interests write backs from the reduction in NTL that would have actually positively helped our interest income line?

- Sudipto Sil:** In Ind-As it does not matter know Sir. We will not get into so much of technical discussion. If there is any specific you can touch base.
- Piran Engineer:** Okay that is fine. That was all I had. Thank you.
- Moderator:** Thank you. The next question is from the line of Saurabh from JP Morgan. Please go ahead.
- Saurabh:** Sir just one clarification on this corporate restructuring of Rs.5000 Crores that is entirely developmental?
- Sudipto Sil:** It is developer plus the IHL plus NHC.
- Saurabh:** So that developer is about Rs.2078 Crores as you pointed out earlier?
- Sudipto Sil:** Sorry.
- Saurabh:** Of this developer load is Rs.2078 Crores of the Rs.5000 Crores?
- Sudipto Sil:** Rs.2078 Crores was in the Q2 itself only Q2.
- Saurabh:** In Q1 it was very low right so the total is about Rs.21 Crores?
- Sudipto Sil:** Rs.2078 Crores was the retail in Q2. Rs.2074 Crores was the Q1.
- Saurabh:** There is a total developer book restructured will be about Rs.2100 Crores is my question or no?
- Sudipto Sil:** Rs.2100 Crores where you got. That Rs.2100 Crores is the OTR done in the Q2 under OTR 2 around Rs.2141 Crores. You will find that disclosure given in the published numbers. Very clearly it is mentioned the category wise. It is there in notes to the results point number 6C. It is there in notes to the results point number 6C. Full table is given.
- Saurabh:** Thank you.
- Moderator:** Thank you. The next question is from the line of Umang Shah from Kotak Mutual Fund. Please go ahead.
- Umang Shah:** All my questions have been answered. Thank you.
- Moderator:** Thank you. The next question is from the line of Susmit Patodia from Motilal Oswal Asset Management. Please go ahead.

Susmit Patodia: Good afternoon. I wanted to know the competitive scenario and are you seeing balanced transfer out? I just wanted to understand how is it looking? Is there a lot of BT out that is happening vis-à-vis the earlier trend?

Viswanatha Gowd: Now because this quarter our traction is very good especially in the disbursements in individual home loan segment, we have shown tremendous growth nearly Rs.16000 Crores have been the disbursement in this quarter itself and showing a growth rate of almost 132% over what you call the last one. We have already reached the pre COVID levels there also. Then again if you look at the portfolio also there is a 15% addition. That growth rate is very good. It is a very good especially in the individual housing segment and the way forward actually now the rates are in the lowest level 6.66% and even the offers given by some builders here and there in some states, after that the property rates are more or less maintained and then with all these things now the initiatives by the government for vaccination drive really has helped us a lot. So people are now in a position to move out very freely and select the properties after visiting them especially on weekends and all. So we are having lot of what you call positive, the mood also we are highly hopeful that the next quarter will be the best one far, far better than this quarter. Of course, the last quarter has also been the best in the history of our company. That also was there as per the disbursements are concerned.

Susmit Patodia: Sir how much balance transfer have you had in the last six months if I may ask?

Viswanatha Gowd: From our side, I think it must be not more than may be within 1% to 1.5% range may be there not more than that because now the rates have come down very well. We have also given rewriting facility and all so that is kind of mostly done.

Susmit Patodia: Sir any progress on the Swami resolution? It has now been nearly three to four quarters? Where is it and what is the status?

Viswanatha Gowd: They are more or less the same stage only. There is not much of traction we have seen there.

Susmit Patodia: Thank you and all the best.

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

Kushan Parikh: Thanks for taking my question. I had one question. I just wanted to understand what is the outstanding provisions are there currently on the restructuring book of Rs.7000 Crores and

what will be the incremental provisions coming over there as well as how are we looking at overall credit cost going forward?

Sudipto Sil: Overall, credit cost last year was round 60 basis points here. Before that it was around 48 basis points. Current year it is more than 100 basis points but what we believe is that with the further reduction in expected reduction in the NPAs going forward in the next two quarters it should again rationalize and we should reach somewhere where we were towards the end of this year to where it was by and large last year. That is as far as the credit cost outlook is concerned. As far as the provisioning is concerned, this provisioning is on the IGAAP as per the IRAC norms of the Reserve Bank 10% has to be provided on restructured book. So only it has been made.

Kushan Parikh: For other provision on restructuring book we should assume it has not come in unless the assets slip into lower bucket?

Sudipto Sil: As of now since there is no change in the NPA position there will not be any further restructuring required on that book.

Viswanatha Gowd: Overall OTR is now ended. We did not operate it.

Kushan Parikh: Understood and if you could just let us know is there is an increased level of prepayment on the LAP book in this quarter and any particular reason for that?

Sudipto Sil: There is no such pronounced trend only in the LAP book or anything of that sort. That particular line of business disbursement is not happening as it used to happen earlier.

Kushan Parikh: Any further improvement in incremental cost of borrowing from coming in future quarters or this should be the bottom pretty much the current quarter?

Sudipto Sil: Overall, if you look at the interest rates scenario in the country then you will note that the yields have already started bottoming out and bond yield, GSEC yield has actually gone up, but despite that we have been able to show some improvement. Some little bit of elbowroom is still left and of course it depends upon the stance taken by the central bank on the interest rates scenario.

Kushan Parikh: That is all from me.

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

- Hitesh Gulati:** Thank you for taking my question. Sir on the OTR book 3.5% that you mentioned is there any overlap with the stage 3 assets?
- Sudipto Sil:** First of all it is not 3.5%. It is Rs.7300 Crores so it will be around 3.1% number one. Number two is that there could be some overlaps but it is generally on the lower side. Most of it will be in stage 1 or 2.
- Hitesh Gulati:** Sir last quarter the result time you mentioned that there was some resolution of Rs.100 Crores in July in some developer books has that been taken care off when you mentioned there are some small resolutions or what is the state of it? So that was Rs.100 Crores?
- Viswanatha Gowd:** It has come.
- Sudipto Sil:** Rs.100 Crores has come but that is not from the developer book that is in the non-housing commercial.
- Hitesh Gulati:** In developer, there is no major.
- Sudipto Sil:** Very small accounts are there, very insignificant. Very small two digit amount will be resolution.
- Hitesh Gulati:** Thank you. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Kunal Shah from Carnelian. Please go ahead.
- Kunal Shah:** Most questions have been answered. Just one question Sir. With the kind of capital adequacy ratio we have and I understand you are looking at good momentum on the growth aspect how do we see any requirement or capital or how should one look at that?
- Sudipto Sil:** As of now capital is adequate after the promoter infusion. As of now the capital is adequate.
- Kunal Shah:** So we do not believe there is going to be any further need for capital?
- Sudipto Sil:** That we have not said. We have said at this point in time it is adequate.
- Kunal Shah:** Just one additional question on the employee expense part so you said actuarial will come, it will impact of Rs.45 Crores to Rs.46 Crores that is there in this quarter so this will continue for the coming quarters as well or how should one look at this actuarial impact?
- Sudipto Sil:** I said it is one time.

- Kunal Shah:** It is one time. Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Mahrukh Adajania from Elara Capital. Please go ahead.
- Mahrukh Adajania:** Sorry to harp on the same thing but if you look at your interest reversal of Rs.250 Crores on a book of Rs.7300 Crores then roughly it works out to 3.5% and if we annualize, it is 7% so is the disbursal rate high?
- Sudipto Sil:** Sorry your voice is breaking. I am not able to hear.
- Moderator:** As there is no response from the current participant, we move to the next question from the line of Shashank Verma from Axis Mutual Fund. Please go ahead.
- Shashank Verma:** Sir I had one query on the cumulative number of provisioning? This Rs.5354 Crores does it include the provisioning on restructured book of approximately Rs.700 Crores as well as the COVID related Rs.300 Crores provision that we have made?
- Sudipto Sil:** COVID related provisioning is there Rs.314 Crores is included in ECL provisioning. OTR provision is made under I-GAAP under IRAC norms or Reserve Bank of India under I-GAAP.
- Shashank Verma:** It will not be included in the Rs.5300 odd Crores number?
- Sudipto Sil:** It is there. It is reflected there and the balance is transferred to the impairment reserve as an appropriation.
- Shashank Verma:** Got it Sir. Thanks a lot. Thank you.
- Moderator:** Thank you. We take the next question from the line of Chandrasekhar Sridhar from Fidelity International. Please go ahead.
- Chandrasekhar Sridhar:** This is specific to complete somebody asked in from the previous question so if you look at the interest reversals it would work this Rs.250 Crores which on annualized basis works out to almost to 7% interest have you given like an one year waiver?
- Sudipto Sil:** It is a waiver. That is a moratorium. Moratorium and waivers are completely different things.
- Chandrasekhar Sridhar:** Okay then in that case then there should be a write back which should come sometime later right?

Sudipto Sil: That is precisely what we are saying. There is no waiver. Please make it very clear there is a difference between moratorium and waiver.

Chandrasekhar Sridhar: Just secondly can you just remind me on just over the next 12 months how much of your loan book is up for repricing?

Sudipto Sil: Not able to hear. Can you please repeat?

Chandrasekhar Sridhar: Just over the next 12 months the bond book which is up for repricing?

Sudipto Sil: Approximately around Rs.20000 Crores to Rs.23000 Crores, you are saying redemption repayment?

Chandrasekhar Sridhar: Thank you.

Moderator: Thank you. Ladies and gentlemen due to time constraints we take one last question from the line of Mahrukh Adajania from Elara Capital. Please go ahead.

Mahrukh Adajania: Just finally on this restructuring thing what will be the average tenure of restructuring, I mean average moratorium in restructuring one year?

Sudipto Sil: Two years.

Mahrukh Adajania: So that is why the interest reversal looks a bit high is it because it is two years?

Sudipto Sil: It is on a valuation based upon the effective interest rate.

Mahrukh Adajania: Got it. Thanks a lot.

Moderator: Thank you. I now hand the conference over to the management for their closing comments. Over to you Sir!

Viswanatha Gowd: Thank you Praveen. Thank you for having us on the call and our best wishes to all of you. Looking forward for a great innings in the days to come and especially this quarter and I also wish all the members and you all people a very, very Happy Diwali to all of you.

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