"LIC Housing Finance Limited

Q1 FY '26 Investor Conference Call"

August 04, 2025

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Moderator: Ladies and gentlemen, good day, and welcome to the LIC Housing Finance Q1 FY '26 Investor Conference Call hosted by Axis Capital. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Praveen Agarwal from Axis Capital. Thank you, and over to you, sir.

Praveen Agarwal: Thank you, Manav. Good day, everyone, and welcome to this earnings call of LIC Housing Finance. From the management team, we have Mr. Tribhuwan Adhikari, MD and CEO; and Mr. Lokesh Mundhra, CFO, to take us through the key highlights of the results, post which we'll open the floor for Q&A. Over to you, Adhikari, sir, for your initial remarks.

Tribhuwan Adhikari: Yes. Thank you, Praveen. Good morning, friends, and welcome to all of you to the post-earnings conference call of LIC Housing Finance Limited. As you are aware, LIC Housing Finance declared its Q1 FY '26 results last Friday.

Before I start the highlights of the Q1 results, I would like to outline a few developments in the economy over the quarter. In its June 2025 MPC meeting, the RBI surprised the market with a 50-basis-point repo rate cut, bringing the policy rate down from 6% to 5.50%, and also shifted its stance from accommodative to neutral. Also, 100 basis points CRR reduction was announced, which was expected to inject approximately INR2.5 lakh crores of liquidity into the system.

Company, keeping line, also reduces rates of interest on new home loans by 50 basis points with effect from 19th of June 2025, coinciding with the company's 36th foundation date. New home loan rates now start at 7.50%, which is very, very competitive. The banking system continues to enjoy a surplus liquidity position, amplified by the CRR cut. And this made availability of funds to HFCs like us, I would say, in abundance.

With this, we present the financial highlights of the company for the quarter, which is as follows: Total revenue from operations was INR7,233.13 crores as against INR6,783.67 crores for the corresponding quarter of the previous year, up by 7%. Outstanding loan portfolio stood at INR3,09,587 crores as on 30th of June 2025 against INR2,88,665 crores as during the same period of last year, reflecting a growth of 7%.

Individual Home Loan portfolio state -- stood at INR2,62,411 crores, as against INR2,46,275 crores, again up by 7% and comprising 85% of the total loan book. Total disbursements for the quarter were INR13,116 crores as against INR12,915 crores. Out of that, disbursements in the Individual Home Loans were INR11,247 crores as against INR10,932 crores. Disbursements in Project loans were INR156 crores as against INR521 crores for the same period of last year. We have seen disbursements pick up gradually during the latter part of the first quarter and in the month of July.

Interest -- net interest income stood at INR2,065.78 crores for Q1 of FY '26 as against INR1,989.08 crores of Q1 FY '25, up by 4%. Net interest margins for Q1 stood at 2.68% at against 2.76% of Q1 of FY '25 and 2.86% of Q4 FY '25.

Our PBT for the quarter was INR1,699.16 crores as against INR1,628.43 crores in Q1 of FY '25 and INR1,769.58 crores for Q4 of FY '25. PAT for the quarter stood at INR1,359.92 crores as against INR1,300.21 crores for the same period of the previous year.

In terms of asset quality, Stage 3 exposure at default as on June 30, 2025, stood at 2.62% as against 3.30% as of June 30, 2024. Total provisions as on 30th of June 2025 stood at INR5,051 crores, reflecting a provision coverage of approximately 51% as against 50% during the same period of last year and 51% of Q4. Technical write-off of INR30 crores has been made in the quarter.

On the funding side, our cost of funds stood at 7.50% as on 30th June 2025, as against 7.76% as on 30th of June of last year and 7.73% as of 30th of March 2025, reflecting a reduction of 26 basis points Y-o-Y. Our incremental cost of funds stood at 6.97% for Q1 of FY '26 as compared to 7.66% for Q4 of FY '25 and 7.82% for Q1 of FY '25.

All-in-all, the first quarter of the financial year has been quite flattish, if I may say so, but we are seeing traction moving forward. And as is usually the case, Q1 is a bit slow. We are a bit slow to take off, but we are very confident of movement of -- accelerated movement happening in Q2, Q3 and Q4.

With this brief introduction, I'd like to invite you for the queries -- for your queries. Thank you.

Moderator: We have a first question from the line of Mahrukh Adajania from Nuvama Wealth Management.

Mahrukh Adajania: So I first had a question on credit costs. So our guidance was 9 to 15, right? And our credit costs are much higher than that range this quarter. So what -- how does it pan out going ahead because recoveries don't seem to be coming through in the way we had envisaged? And anyway, a lot of people are reporting, however small, some incremental stress in asset quality. So where do we stand on that front? That's my first question, and then I have others.

Tribhuwan Adhikari: Okay, Mahrukh. As regards the credit cost, the credit cost for Q1 of FY '25 is at 5 basis points, right? And if you compare this for the last -- whole of last year, it was about 9 basis points. Yes, I do agree. Like others, we are also witnessing some pressure on the collection efficiencies. There is a slowdown in the month of June.

But we are not worried because by and large, our June quarter is slow, largely because we, here in LICHFL, during the months of May and half of June, I would say, first half of June, this is the promotion and transfer season for all of us. So there is a lot of movement of personnel from place to place and from vertical to vertical. So that does dampen the kind of effort and the focus that there is.

So we're not worried that the guidance, which we had given for the credit cost, I believe we'll be able to maintain it going forward. There has been a slight increase in provisioning as well as a slight increase in NPAs. NPAs have gone up by about INR500-odd crores during the quarter. But we are not worried. I think we can recover that. We are seeing signs of recovery already in the month of July now that all my personnel or my resources are settled down and in place, have taken over their new positions, new postings.

So we are, I believe, in Q2 and the later quarters, we will continue to do well, like we've done last year. Of course, there have been no big resolutions this quarter. Many sort of big cases are in various stages of legal recourse and discussions and negotiations. So hopefully, looking forward, I think we could look forward to resolution of one or two big cases, which would considerably impact our credit cost and our NPAs and provisioning, of course.

Lokesh Mundhra: Yes. So you just see this last year, Q3 and Q4, so that time, the credit cost was negative in Q3. That was negative by 0.07%. And in Q4, it was just 4 bps only. So in totality, last year, it was 9 bps. So definitely what our MD and CEO is saying, so we'll maintain our credit cost within the limits.

Mahrukh Adajania: Sure. No, what I meant was that if you annualize that INR192 crores of provisions, then it works out to 25 basis points. But anyway, sir, what was the -- sorry?

Lokesh Mundhra: Yes. It cannot be like that. It's not like your interest cost, you are just multiplying credit cost of 1 quarter by 4. That is not the correct way. So if you just compare with the last year's figures, so in Q3, it was negative, and Q4, it was just 4 bps. So I'm sure that in the coming quarters, it will come down.

Mahrukh Adajania: Because of recoveries?

Lokesh Mundhra: Yes, recoveries. Yes, recoveries.

Mahrukh Adajania: Okay. And sir, what was the softness? You said there was some softness in June. In which pockets in general?

Tribhuwan Adhikari: It was basically in the retail segment, Mahrukh. It was basically in the retail segment. So whatever NPA increase we have seen, the INR500 crores, as I said, it was mostly in the retail segment only, and that is where we are seeing some pressure on the collections. But I believe it's nothing worrying. And I think going forward, this can be made up.

We have intensified our recovery operations. Yes, a part of this loosening or weakening, if I may call it, was due to movement of personnel and posting up new people into these verticals -- recovery verticals, especially, but that is the taking up place right now.

Mahrukh Adajania: Sure. And July has recovered?

Tribhuwan Adhikari: Yes, to some extent. Of course, it's not huge. But yes, to some extent, it is much better than what it was in June.

Mahrukh Adajania: Okay. And sir, just on growth then, the disbursal growth is soft this time. I'm talking about Y-o-Y, not Q-o-Q. So how do we scale it up from current levels? Because competition is also intensifying, and I'm told that PSU banks are now trying to compete across segments and the rates are also very favourable. So in that context, how do we build up?

Tribhuwan Adhikari: Yes, true. As far as the competition is concerned, competition is intense. And unfortunately, LICHFL, we are competing with banks because we are mostly into the prime segment, into which banks are.

So yes, there is a lot of competition. There is a rate war going on. And literally, of course, as far as the rates are concerned, we have also come down to the bank level. So we are offering loans at 7.50%, which most of the bigger banks are offering. There are some smaller banks which are giving loans at even lesser than that. So yes, well, competition, of course, is there and is expected to be there in this segment also.

The other part of it, why I would say, growth in disbursement was slightly low in Q1, partially the rate cuts of February to April, 100 basis points. And if you must be knowing, banks are directly linked to the repo rate. The lending rates of banks are directly linked to the repo rate. So as soon as there is a repo rate cut, the rates automatically get reflected the lending rates by the banks. Unfortunately, we have -- fortunately or unfortunately, both ways, I would say, we are linked to our PLR, not to the repo. So we have to take a call on what to do with the rates as and when the rate cut is there.

To some extent, I do agree. I think we were slightly delayed in lowering the rates. The banks cut it immediately. Of course, they had to cut it immediately since it was linked to repo. We took our time, slightly probably a little bit more time than what should happen. So that was one of the reasons.

And the other reason, I personally feel people in India are smart. I believe they are all aware that there is a cycle of reduction in rates going on and maybe waiting for the cycle to finally conclude or come to some finality before they take a call of entering the thing. So yes, there was a slight, I would say, a lesser demand than what was expected. When the rates were cut, we were expecting a huge boost to the demand.

That did not happen, and that was witnessed across the industry. But hopefully, going forward, I believe they should pick up. And of course, our movement of personnel and people that also has an impact in the disbursements in Q1. And as I said, that is over. So Q2 in July, there has been better growth. We have done better in June than in July. So going forward, we do expect these investments to go up.

Moderator: We have our next question from the line of Avinash Singh from Emkay Global.

Avinash Singh: So a couple of questions. The first one is now, I mean, as RBI has cut 100 basis point repo rate and the housing loan interest have gone down. So my question is that, I mean, on your existing book, that is largely, I mean, floating rate, the individual loan, how much of that book has been repriced? And how much is yet to be repriced?

So basically, assuming that, I mean, the rate is still where it is in repo rate, what kind of yield side compression you see over, I mean, the next 2 quarters? And given that your borrowings are also repricing quite fast this time, what kind of overall NIM compression do you see over the next, say, 2, 3 quarters?

Tribhuwan Adhikari: Yes. Avinash, as far as 100% repo rate has been cut, and you have said that the cost of home loans have gone up -- gone down everywhere. Well, that's not true. Public sector banks have done it because they are linked to the repo rate. They have no choice. They have no alternative. But if you look at the NBFCs and HFCs, as far as I know, from my personal knowledge, apart from LIC Housing Finance and Can Fin Homes, nobody else has cut rates. HDFC, maybe to some extent, but others are where they were.

Yes, the cost of borrowing, I think, has gone down to some extent, but for the existing borrowers, they continue to remain where they are. As far as we are concerned, we have cut our rates by 25 basis points for existing borrowers also. This came into effect from 1st of June. And now since our loan book is comprised of loans with monthly reset and quarterly reset, approximately one third of our book has already been repriced. The remaining two third gets into repricing from 1st of July. So that will have some impact on our -- I would say, the yield on advances.

If I talk of yield on advances, the increment yield has -- incremental yield on advances has come down by about 50 basis points from 9.4 at the end of Q4 of last year to 8.9. And cumulatively, it has come down by about 19 basis points from 9.79 to 9.60. Comparatively, if you look at the incremental cost of borrowing, the incremental cost of borrowing has come down by 69 basis points from 7.66 to 6.97, and the cumulative cost of borrowing has come down by 23 basis points from 7.73 to 7.50.

So whereas there is a compression in the yield on advances, there is also a compression on the cost of borrowings. Net-net, I do not believe my NIMs, which are at 2.68% as at the end of Q1, I don't think there'll be too much of a deviation in the NIMs. Whatever compression is there in the yield on advances will be offset by the compression in the cost of borrowing.

Lokesh Mundhra: Yes, I also want to say something. So if you compare our spread now, so you'll realize that our spread has increased by 4 bps. So now it has 2.10%. If you compare it with the previous quarter sequentially, it's at 2.06%. So we are getting more benefit in the cost of borrowing. So incrementally, it has come down by almost 69 bps, okay?

Avinash Singh: Yes, sir. Yes, sir. Yes. So in fact -- and that's why sort of -- I mean I saw that spread increasing. And that's why my question was that your peers are largely the public sector bank. I mean your competition is largely private sector bank -- public sector bank. And in that context, my question was more that the 25-basis-point cut you have kind of done on your existing portfolio where what the MD said that one third portfolio has been repriced and the rest will be priced over time.

My question was more that, okay, is this 25 -basis-point cut, I mean, next year kind of an offering attractive enough to kind of control balance transfer? Or will you be required to kind of bring in more cuts? So I mean is this 25-basis-point cut sufficient? Or will you be required to kind of respond with the higher cuts because your competition is public sector banks?

Tribhuwan Adhikari: Yes, true, Avinash. Competition is public sector banks. And as of now, we have taken the call of 25-basis-point cut across the board. As of now, right now, we are not contemplating another

-- any further cuts. Let's wait and watch. There is not too much of an impact on our, let me say, BT. The BT -- yes, they have gone up slightly, but it is not -- the increase is not significant for us to get into panic mode and start cutting immediately.

So right now, it's wait and watch. We are waiting and watching. BT is at manageable levels. And I think we need to watch what happens over a period of time. And if required -- I'm not saying no. If required, yes, we may be required to cut again. But I think we would try to manage our portfolio within the existing levels of rate -- of cuts, whatever we have done.

Lokesh Mundhra: And Avinash, we are also hopeful that in the coming quarters, our cost of borrowing will further come down by 5 to 10 bps. And our fresh loan rates, it starts from 7.50% onwards. So it is in line with the other PSU banks.

Moderator: We have our next question from the line of Rushabh Sheth from Karma Capital Advisors.

Rushabh Sheth: Sorry. No, no, my questions were answered. Thank you so much.

Moderator: We have a next question from the line of Vansh Solanki from RSPN Ventures.

Vansh Solanki: Actually, I have questions on project finance growth. So if we see in this quarter, it is quite muted. So is the LIC Housing Finance want to grow the project finance or both? And how we -- how the management is seeing the growth in that sector? And also, if you see the overall growth, it is almost as stable -- same as Q1 of '24. There is no growth, you can say. So what are the -- in market -- and what do you say about this?

Tribhuwan Adhikari: Yes. Vansh, yes. It is not that we are withdrawing from the project finance market or the construction finance market. We are there. We are there. Yes, we are slow because we want to finance only reputed and builders with pedigree. Our past history, as you all know, in the project finance space has not been great. There was a point where 54% of the construction finance book was NPA.

So we have recovered from that. We have recovered from that, learned our lesson, and we are going slow. But we are definitely there in the project finance market, and we want to grow our books. As to why the project finance disbursements were low in the quarter, if you understand project finance, the disbursements are lot like retail loans, where you sanction a loan and immediately, the loan gets taken off.

The project finance are there. We have sanctioned about INR800 crores of project finance in Q1 of this current year. But the disbursements are linked to 2 stages of construction, right? So over a period of time, as the project starts getting constructed, the disbursements will happen. So I'm not worried.

Yes, INR156 crores of disbursement as against, what, INR521 crores does appear to be some kind of a shocking kind of downfall, but it's not worrying. It's not worrying at all. We are into the project finance book. We are assessing, appraising loans to credible and at least BBB-rated builders, and we are hopeful for recovery.

In this, already INR800 crores, as I told you, these would be disbursed as and when the construction happens. And there are various other loans -- which we are assessing at the moment and would be disbursed in the current quarter, and offtake would happen in the -- some of it in the current quarter and some in the quarter 3.

Vansh Solanki: Okay. And the second question is on my liquidity. Is there any excess liquidity at the end of Q1 with us?

Tribhuwan Adhikari: Our liquidity -- no, I think we don't have any such liquidity because our borrowings are exactly linked to what we need or what our requirements are. So maintaining liquidity would be a cost. We are very calculative as far as how much we need to borrow, and that is linked to our internal approvals as the kind of disbursements we expect to make over a period.

Overall, the liquidity in the system, we see there is -- as I said in my opening remarks, the liquidity in the system is there. The RBI -- the steps taken by the RBI has improved liquidity in the system. And there is no constraint or any, I would say, difficulty in raising loans and advances from the market. Funds are available as I call it.

The only question is at what rates they are available because we are negotiating whatever benefits we can get as has been witnessed by our -- we want it to come down further. As far -- and we are seeing a good traction. Just for example, very recently, we borrowed INR2,000 crores at 6.75%, which -- whereas our overall borrowing cost is at 7.50%, the incremental borrowing cost for the quarter is at 7.50%. So hopefully, going forward, with liquidity in the system, our borrowing costs will reduce.

Lokesh Mundhra: Yes. So just I want to add something. So as you said that liquidity is there in the market, ample liquidity is there. So we are getting benefited. And as you know, our cost of borrowing, especially incremental cost of borrowing, has come down below 7%. That is as of now. As on 30th June, it has come down to 6.97% only. And we are hopeful that in the next 3 quarters, it will further go up by 5 to 10 bps.

Vansh Solanki: Okay. And the last question is in my GNPA and NNPA. Like if I go by the numbers, exit numbers, it is approx INR400 crores to INR500 crores increase in the GNPA if I'm right. And our NNPA, I mean, the provision is increased by INR150 crores or INR200-odd crores only. So is there another increase in GNPA just for a technical write-off or just because the -- like because of 1, 2 days or 1 week, there is a customer ,just for bookkeeping, it came into GNPA numbers because of that. And how much recovery management is expecting for throughout the year if you have odd number in your mind?

Lokesh Mundhra: Vansh, our asset quality is improving gradually. If you compare the Q1 last year, Q1 last time, our gross NPA was INR9,512. So if you compare with that figure, so it has now INR8,115 only. And our asset quality is 2.62%. If you compare it with the previous year corresponding quarter, it was 3.30%. So we are operating in the correct way, and our asset quality is improving gradually.

Vansh Solanki: Yes. So my question was, is the GNPA is increased more than NNPA? So the difference between the both also are just because of a bookkeeping because customers didn't pay for 7, 8 days and then it repays? But just for bookkeeping for the 90-day period, it came on to GNPA number as on the quarter 1 end. That was my question, actually.

Tribhuwan Adhikari: NPA ratio, yes, it has gone up slightly. If you look quarter-to-quarter, it was 2.47% as at the end of Q4. Right now, it is 2.62%. Year-on-year, of course, there is an improvement, partially because, yes, in Q1, I would say the NPAs, the Stage 3 has gone up by INR514 crores. Yes, there was -- we have witnessed some pressure on collections. Delinquencies in the retail, I would say, have been simply more.

But this has also been contributed by, I would say, a movement of personnel or resources because the month of May for LICHFL is a month of promotion and transfers. So a lot of movement of personnel from place to place and from vertical to vertical. So probably because of that.

But I'm not worried. I am not worried. Usually Q1, this is a trend year after year, and Q1 is just slightly slow. We do tend to recover in Q2, Q3, Q4. So I am sure that the asset quality will improve further going forward, and there should not be any such problems. Our PCR continues to be in that 50%, 51% bracket. So adequate provisions are in place.

So there's nothing to worry as far as the NPA front or the Stage 3 front is concerned. Current quarter write-off was only -- INR30 crores of write-off was done. So it is not that we have significantly written off a big amount. We have INR30 crores in the current quarter.

Moderator: We have our next question from the line of Kunal Shah from Citigroup.

Kunal Shah: So firstly, maybe you indicated not too much of pressure on balance transfer at this moment. But generally, in the past, we have seen that LIC Housing has the history wherein -- it comes in 1 quarter wherein there is a lot of repricing pressure, and we reset the rate lower and then yields come off and decline in one single quarter. So how we are protecting ourselves against that kind of risk? Because I think any which way competition is huge, and we will see the pressure, and we have just cut the PLR by 25 basis points, yes.

Tribhuwan Adhikari: Yes, Kunal, yes, answering your question. As I said, right now, we are not witnessing too much of a pressure. And I would say, we are not witnessing any abnormal pressure. Yes, historically, you are right that BTs have been sort of higher for LICHFL. That means there is no business moving out than moving in, in the form of BTs. So the current trends, they continue to be at those same levels and are not alarming at all.

So what we've done, yes, we have made a provision called rewriting of interest rates available to our customers. Any customer currently, say, probably at 9%, 9.5% can rewrite his loan at 8.75% if he wants. So we have made that facility available to the borrowers. Many of the borrowers are opting for that rather than transferring their loans. They are opting for rewriting.

And the other part of it is, yes, there will be because of the intense competition and the bank's lending being linked to the repo rate, there will be pressure on us. We are aware of that. We have our teams in place. Our teams are monitoring every BT and trying to convince the customer to stay with us for various reasons. We are offering them additional loans, etcetera, etcetera.

But again, since the market is so competitive, it is all -- at the end of it, it is going to be a book -- a big game of margins versus growth, right? So we, as a company, we need to take a call as to whether we really need to grow the book at almost minimal or no spreads, or we need to protect our margins. And what I personally see, given a push and a shove and with our -- if our backs are to the wall, I would prefer to protect the margins rather than look at growth. So that is what the strategy is at the moment.

Kunal Shah: So maybe fair to assume that the growth will also maybe continue to be very modest. In fact, a few quarters back, we have been indicating we would want to get towards double-digit. But given maybe the focus on margins and this kind of a competition with banks being very aggressive, should one settle with maybe 7%, 8% growth for you?

Tribhuwan Adhikari: Well, at the moment, Kunal, honestly, I'm not indicating that. I'm not guiding towards that. We would like to wait and watch in the second quarter what happens, what is happening and then probably take a call and maybe in the analyst call of Q2, I would be able to give you a better idea of what we are looking at, what numbers we are looking at growth. But I'm very clear in my mind that if at all it comes to choosing between growth and margins, I would choose margins.

Kunal Shah: Okay. Got it. And last one on the overall yield breakup. You mentioned incremental yields are 8.9. If you can just highlight in terms of how the incremental yields have been in home loan and LAP, yes?

Tribhuwan Adhikari: Well, I don't have the -- Kunal, I'm sorry. I don't have the breakup on home loans and projects, etcetera. Overall, I have this what I gave you, 8.9 against 9.4 in Q4 of last year.

Moderator: We have our next question from the line of Abhijit Tibrewal from Motilal Oswal Financial Services.

Abhijit Tibrewal: So for the benefit of everyone, just trying to understand, you took your first PLR cut of 25 basis points effective 1st April. And then did you share that you've taken your second 25 basis points rate cut effective 1st of July? Is that understanding correct?

Tribhuwan Adhikari: Abhishek, we took only -- we have taken only one rate cut across the board. 25 basis points was on 20th of -- 28th of April. Now since our book, one third of the loans are on monthly reset, so immediately on 28th of April when we took it, they went on -- the rates got -- for these one third loans, the rate got cut on the 1st of June, right? 1st of June, yes.

And -- May, sorry, 1st of May. 28th April was the date when the cut was taken. So from 1st of May, one third of my book got reset. The other two third of my book is on quarterly reset. So that get -- that got reset on the 1st of July. But there has been only one rate cut of 25 basis points across the board.

Abhijit Tibrewal: Got it, sir. So essentially speaking, in terms of PLR, we've just taken one 25 basis points rate cut until now?

Tribhuwan Adhikari: Yes. Yes, that's correct.

Abhijit Tibrewal: Got it. Got it. And like you, I mean, spelled out earlier, sir, during the course of the quarter, if need be, we might look at further PLR cuts?

Tribhuwan Adhikari: Well, yes, Abhijit, I'm praying every day that we don't need to cut further. But yes, as I said, we'll take a call as the scenario unfolds in Q2.

Abhijit Tibrewal: Got it. Got it. So the other question I had was around the asset quality. I'm just trying to understand right now, I mean by this quarter, we might want to call out the slippages that we saw as seasonal. You also alluded to the fact that, I mean, there are changes that happened at LIC Housing in terms of people movement, promotions in the month of May, which typically leads to some disruptions. But sir, what I'm trying to understand here is within the different product segments that you have, are you seeing more stress building up today in the LAP segment?

And sir, why I ask is, of late, we've been hearing that there is stress that is coming in the MSME segment, predominantly unsecured. But is there a reason to believe that somewhere going forward, when people don't have enough money coming in from unsecured loans, they might gravitate towards this LAP product?

And sir, to that extent, I mean, last 1 year, you will also acknowledge the industry has seen very strong growth in LAP. So are you also seeing now early signs of higher delinquencies in the LAP product? And sir, a related question, if you could also share your segment-wise gross Stage 3 that you share every quarter in the earnings call.

Tribhuwan Adhikari: Yes. Abhijit, well, if you look at LICHFL, unfortunately, we don't have a big LAP book. We are mostly into IHL, 85% of our loans in the IHL segment. The LAP segment hardly would contribute to about 12% to 13% of my book.

Lokesh Mundhra: 11%.

Tribhuwan Adhikari: 11% of my book. So there is not too much of a LAP book. Whatever delinquencies we've noticed in Q1, my Stage 3 EAD has gone up by INR514 crores. Most of it has been in the retail and IHL segment, which has not significantly increased in the LAP or the LRD segment. So most of it is in the retail segment.

Yes, I do agree. There has been some pressure on collections in the retail segment. This has happened across the industry. Yes, the other -- my competitors mostly go into the LAP and the LRD business. Maybe they are witnessing -- like banks are witnessing in the MSME segment, they are witnessing some pressures in the LAP book. But no, our LAP book continues to perform as it is. Our worry or concern is in the IHL book, where the -- most of the delinquencies have taken place in Q1.

As regard the number, you're asking for the Stage 3 numbers for Individual Home Loans. Our Stage 3 in IHL is about 1.22% -- the EAD percentage, 1.22%. And the EAD is INR3,211 crores. What exactly -- Abhijit, what are you looking for here? Do I give you the EAD and...

Abhijit Tibrewal: So sir, you can give the EAD. And so basically, every quarter in the earnings call, we share the segment-wise for IHL, NHI, NHC, non-housing individual, non-housing commercial and project loans. The split, we typically give the EAD in every earnings call.

Tribhuwan Adhikari: Okay. You can note it down. In IHL, the EAD is INR3,211.32 crores, and the EAD percentage is 1.22%. In NHC, non-housing commercial and projects, it is INR3,497.77 crores. The EAD percentage is 24.82%. In the NHI, it is INR1,406.18 crores, and the EAD percentage is 4.25%. And in the -- and the overall ECL, it stands at INR8,115.27 crores, with a percentage of 2.62%.

Moderator: We have our next question from the line of Rajiv Pathak from GeeCee Holdings.

Rajiv Pathak: Sir, just two questions. One on the disbursement. So Q1 generally tends to be soft. But for the full year, what is the kind of disbursement growth that you are looking at?

Tribhuwan Adhikari: Well, Rajiv, if you -- in our con call for Q4, for the guidance for the year, we had given a double-digit growth as the guidance, right? Q1, yes, it has been very, very muted. Growth has been on about, what, year-on-year, it is 7%. Q-on-Q, it is about 4.5%. So yes, it is slightly muted. And as I said in the beginning, that's muted.

Sort of it being slightly low, largely to do with the rate cuts and we being slightly slow in passing on the rate cut probably. That is my assessment now in retrospect -- in hindsight. So that was one. And the other is, of course, the disturbance due to the movement of people from here and there. That is also -- that does also contribute to a muted Q1 in LIC Housing Finance.

Right now, I'm not in a position to give you any guidance as I'm sticking to that double-digit growth guidance, right? We'll wait and watch in Q2 how things unfold and how our growth picks up. I'm expecting growth to pick up in Q2.

After the Q2 ends then maybe probably I'll have a relook at the guidance call of double-digit growth and come back to all of you and the markets with what I feel would be the growth guidance of LICHFL for the entire financial year. Coming festival season coming up, this usually is a good season for all of us. And like in the past, we are hopeful of doing pretty well in the festival season.

Rajiv Pathak: Sure. Sir, can you tell us the monthly disbursement that you have done in April, May and June?

Tribhuwan Adhikari: April, May and June, okay. April, it was INR3,265 crores. May, it was INR4,580 crores. And June, it was INR5,125 crores.

Rajiv Pathak: Okay. So basically, if you were to derive, so last year, I think we were at a monthly average of, say, INR5,500 crores. Now that we have hit INR5,000 crores plus in June itself, maybe this Q2 being better, should we take it to something like a INR6,000 crores of monthly disbursement average run rate? That would not be too far figure, right?

Tribhuwan Adhikari: Should go up there. It should go up there. July has been about INR5,500 crores, right? So we should be -- August onwards, we should be hitting INR6,000 crores, INR6,500 crores every month. And this will -- actually, festival season, it will be higher. Festive season, it will be higher than that.

Lokesh Mundhra: Rajiv, the figures conveyed to you by MD & CEO. That is only retail.

Tribhuwan Adhikari: Yes, Project -INR156 crores only in the entire quarter.

Rajiv Pathak: Sure. Sure. Got your point, sir. And sir, on the spread, so I think since we had this benefit of cost of funding being upfronted this quarter, while the repricing of the yield was slightly backdated because of the 1/3, 2/3 thing. So we had the spread improvement. But going into the next quarter, when you have 2/3 of your loan book getting repriced, do you think that the benefit of the cost of fund will be sufficient enough to cushion you?

Lokesh Mundhra: Yes. Right now, as of June, our spread is 2.10%. And I earlier told that our incremental cost of borrowing has come down by 69 bps. And in the coming quarters, we are expecting that it will further come down by 5 to 10 bps. So in a nutshell, what guidance we have already given, that is between 2.6% to 2.80%, then definitely we'll maintain that.

Rajiv Pathak: Okay. So I mean there's a possibility of 2.10% being maintained or even go up if you have this benefit on the cost of funds?

Lokesh Mundhra: Yes, maybe. Yes, maybe.

Moderator: We have our next question from the line of Zhixuan Gao from Schonfeld Strategic Advisors.

Zhixuan Gao: Just want to follow up on your earlier comment that for borrowers who want to BT out, we have available facilities allowing them to reprice at a lower rate. I just want to double check. Did I hear you correctly that they can reprice 75 bps lower if they chose to ask for it?

Tribhuwan Adhikari: Yes, Mr. Gao. It's something like this. Yes, not all our borrowers are at very high levels of rates of interest. But the borrowers trying to go out our books, we do -- we are offering them this facility. This is available for everyone. It is not that this is a special facility available to only those who want to go.

This is available to across the board to our borrowers. Any borrower who, right now, has a, I would say, a rate of interest -- effective rate of interest of more than 8.75%, we are offering them a rewriting at 8.75%. So that is one of the tools we are employing to retain the existing borrowers who want to move out.

The other thing is that since they are -- they've been with us for some time and we are aware of the property collateral, the kind of -- the value of collaterals they hold, we are -- if required, if they're interested, we are offering them top-ups and loans on their property to hold them back. So these are some of the methods we are employing to retain customers rather than letting them go through competitors because of lower rates of interest being offered by the competitors.

Zhixuan Gao: And I'm only asking...

Lokesh Mundhra: Yes, yes. So our business transfer -- as you are asking, our business transfer is hardly 0.10% per month. Just looking to size of our book, that is more than INR3 lakh crores -- INR3,09,000 crores. So INR1,000 crores -- in INR1,000 crores in a quarter, so it is hardly 0.1%, 0.1% per month. That's all.

Zhixuan Gao: That's helpful, sorry. This new offering, when did we start that anyone above 8.75% can opt for 8.75% rate? When did we start this program? When did we start it?

Tribhuwan Adhikari: It is already in go. It is already in go. We call it rewriting. So anybody as on date having a rate of interest higher than 8.75% can approach us, pay a small amount of fees and get his loan rewritten at 8.75%.

Moderator: We have our next question from the line of Chandrasekhar from Fidelity.

Chandrasekhar: I just want to know how much of the bank borrowings are repo linked? And how much of them have a T+1 pass-through? Just trying to get a sense of how much of our entire 31% of our liability book has been repriced with the second 50 bps cut.

Lokesh Mundhra: Yes. So our 25% of total borrowing is EBLR. And in the current year, the remaining 9 months, almost INR22,000 crores of NCDs will be repriced. So if you take it bank borrowing plus repricing of NCDs, the total book of around 42.96% would be floating. And the remaining 57% would be fixed.

Chandrasekhar: So have you had a T+1 pass-through on the entire 100 bps for -- on the bank borrowing?

Lokesh Mundhra: Yes, yes, yes.

Chandrasekhar: Right. Okay. So that's -- we're not going to get much of an additional benefit on the bank borrowing side. Essentially, the delta is coming from the NCD side on a prospective basis?

Lokesh Mundhra: So bank borrowings, it's already -- we already got benefit, and the incremental, it has come down by almost 69 bps. And what we are saying that it will further come down by 5 to 10 bps. So we are getting benefited on our existing borrowing from banks and the scenario of more liquidity in the market, and we are getting benefited gradually.

Chandrasekhar: Got it. Second, just how large is the TWO pool? And just any sense on how much recovery you expect during this year?

Tribhuwan Adhikari: Can you come again? I didn't get what you were asking.

Chandrasekhar: Just how large is your TWO pool today?

Lokesh Mundhra: Can you elaborate?

Chandrasekhar: Yes, yes, written-off of pool, sir, written-off pool. And just any sense on any recoveries of what's broadly...

Lokesh Mundhra: So we've already hardly written off INR30 crores only in this quarter. And total is about...

Chandrasekhar: Sir I'm talking about the -- yes, total amount.

Lokesh Mundhra: It's about INR4,000.

Chandrasekhar: INR4,000 crores.

Lokesh Mundhra: Yes.

Chandrasekhar: Any sense on what we could recover sometime this year?

Lokesh Mundhra: So many proposed by -- many cases are in pipeline, and we are expecting a good recovery in the coming quarters. And this quarter, we already recovered INR60 crores.

Chandrasekhar: Right. Just last question, I think last year, about 8, 9 months back, started about an affordable housing, which is at 250 bps higher. Maybe some color on where we are in that process, how large a book that is today? And just -- I mean, it's small, but in the overall context, but maybe over a year or a couple of years, how large do you think that can become?

Tribhuwan Adhikari: Chandra, well -- Chandra, right, we just started it last year in September onwards -- end of September onwards. So we're still in the process of sort of -- we're in the process of building up the infrastructure and the capabilities right now. We are not very aggressive on that, taking it slow and steady because this is a risky segment.

We do not want to sort of entangle ourselves in something which we would not like in future. So planning to -- we are very much into this segment. We realize this is a segment which has the growth potential and also the margin potential. So we are going to get into it, but slowly and steadily as we sort of build up our infrastructure and efficiencies.

Right now, it's pretty slow. But yes, there is some traction going on month-on-month. Last year, for example, about INR458 crores of business came in from the affordable. This year, not having a huge target as such. We would be happy with somewhere about INR1,000 crores and a lot more buildup in the infrastructure and the capability.

Moderator: We have our next question from the line of Raman from Sequent Investment.

Raman: I just wanted to -- it's more like a clarification. Can you -- you said you are expecting double-digit growth during the year. Is it AUM growth or the NIM growth?

Tribhuwan Adhikari: No, no. We're talking about the disbursement, the book growth as well as the disbursement growth.

Moderator: We have our next question from the line of Koteshwar Rao, an Individual Investor.

Koteshwar Rao: Sir, you are discussing the new home loans at 7.5% interest rate right? But how you are trying to reduce the home loan interest rate for the existing customers? Since in this year, RBI already reduced by 1 percentage, right? But your customers haven't get that benefit. How can the existing home loan customers get the benefit from LICHFL?

Tribhuwan Adhikari: Yes. So Mr. Rao, it's something like this. HFC, housing finance companies, our business is very simple. We borrow money from the market and give it to you, individual home buyers, right? Right now, my cost of borrowing is 7.50%. And you want to give it to you at 7.25%. How is that possible? That is not going to be possible, right?

So we do a monthly analysis of what my cost of borrowing is, what my cost of lending is, how much spread is needed because it's not simple that I borrow at 7.5%, I lend it 7.5%, earn zero, and who then -- how do I manage my expenses and my overheads and various other things, right?

So ours is linked to the PLR, the prime lending rate is what we call. We have cut it by 25 basis points for all customers. I do not know if you've not got it. You kindly see your statement for the month of July. You may be the quarterly reset customer. For you, it is applicable from the 1st of July.

But we have cut it by 25 basis points across the board. And going forward, depending on our cost of borrowing, we will take a call. So if there is a significant reduction in our cost of borrowings, we will definitely like to pass on to our -- pass it on to our customers.

Koteshwar Rao: Okay, sir. In this case, just a small suggestion. And I tried to reach out to your branch manager and regional manager, and they don't have any enough info to clarify with the customers. And also, I see some of your agents referring RBI rates instead of our own PLR rates, okay? So it would be better if you discuss properly before discussing the home loans with the customers.

And one more thing, if this same thing continue, okay, definitely, banks will get the summary rate. Bank is offering with a better ROA. So why I need to invest in housing finance companies like LIC? In my case, I am the investor for LICHFL. And as -- so I'm a customer for LIC company. I took home loan, but I didn't get any benefit in the ROA change?

Tribhuwan Adhikari: You must have got a 25-basis-point cut, Mr. Rao?

Koteshwar Rao: No, sir. Actually, I took home loan on May, and I didn't get anything. And bank manager also don't know when you guys are revising the ROA. So I am in dilemma?

Tribhuwan Adhikari: No, no, May -- if you got it in May '25, you would have got it at 7.5%.

Koteshwar Rao: No, sir. No. I got at 8.1 according to my -- no, no, no. At the time, 8% is the starting one. I got at 8.1%, but then they didn't reverse it to -- as per your changes. I hope you understand?

Tribhuwan Adhikari: Never had an 8.1% in rate. The rate of interest for Individual Home Loan borrowers is dependent on the CIBIL score and other risk factors, right? So probably the rate was -- maybe the rate was 8%. You got it at 8.1% because of your CIBIL and other related factors.

But then yes, and the cut was in the -- on the 28th of April. So you would have got the benefit of that. I don't understand. Everyone, every customer wants that you should get it at 0% interest. I understand that, but we have a company to run.

Koteshwar Rao: It's not like that, sir. What I'm...

Moderator: Sorry to interrupt you, sir. May we please request you to rejoin the queue? We have our next question from the line of Abhijit Tibrewal from Motilal Oswal Financial Services.

Abhijit Tibrewal: Sir, just trying to understand one small thing. If you look at your reported yields, it was 9.79%, yes, as of March, which you have reported at 9.6% as of June. So my understanding is this is based on a period end, right? So these numbers are as of March and as of June. So first, is this understanding right?

And the other thing I was just trying to understand, sir, is that if you look at your PLR cuts, you shared that you've taken a 25 basis points cut, where 1/3 of the customers are on monthly reset. So this 19 basis points Q-o-Q decline that we have seen in the yields, right, is it partly because of this 25 basis points rate cut and the remaining delta coming from the newer origination, which are happening at lower rates? Is that understanding correct? Or how should we understand this 19 basis points Q-o-Q decline in yields?

Tribhuwan Adhikari: Perfect. Yes, this is the cumulative, 9.60% and 9.79% as at the end of last quarter. This 19 basis points is on the cumulative yield on advances. Yes, definitely, the one third cut, which we -- 25-basis-point cut on one third of our book, which came into effect from 1st of May would have contributed to some of this, and the other would have been at the incremental lending, which we have done in the current financial year at near about 7.5%.

Abhijit Tibrewal: Got it. And sir, then because effective 1st July, the remaining 2/3 of the customers will see a 25 basis points repricing. So that impact, we will see in the second quarter business -- on business?

Tribhuwan Adhikari: Yes, you're right, Abhijit.

Moderator: As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Tribhuwan Adhikari: Yes. Thank you, friends. I believe we've been able to clarify most of your queries and your questions. As I said, Q1 has been quite flattish for us. Of course, traditionally, it is a slow quarter for that LICHFL. As in the past, we have shown traction and growth going into quarters 2, 3 and 4. This is what we are expecting in the current year.

A slightly different market in the current financial year because of the rate cuts. Yes, the companies are under pressure. As Mr. Koteshwar Rao, an individual investor alluded, customers want the benefits of the entire rate cuts to be passed on. In some cases, not possible, like companies like HFL because we have to do business. We are a company. We have to borrow and lend. So it depends on borrowing rate.

But looking forward, we expect everything to pick up, the growth momentum to pick up, the activities in the markets to pick up. Of course, I do understand, competition also will pick up because banks are very, very, very aggressive. But 36-year-old company, I think we are poised to take on the market, poised to take on the competition and do ourselves to do well for us.

Q2 is going to be a defining quarter for all of us. That will set the course for the financial year. So looking forward to meeting you all at the Q2 conference call and sort of explaining our performance as well as our way forward. Thank you all for your support.

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