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Conference Call Transcript

LIC Housing Finance

Q2FY11 Results

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Corporate Participants

Mr. R. R. Nair
Director & Chief Executive

Mr. Sudipto Sil
AGM

Questions and Answers

Moderator: Ladies and gentlemen good evening and welcome to the LIC Housing Finance Q2 Earnings Conference Call hosted by Edelweiss Securities. As a reminder, for the duration of the conference, all participant lines are in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need any assistance during the conference, please signal an operator by pressing "*" and 0 on your touchtone telephone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Kunal Shah from Edelweiss Securities. Thank you and over to you sir.

Kunal Shah: Thank you Vivian and Good evening all of you. This is Kunal Shah from Edelweiss Securities. We have with us Mr. R. R. Nair, Director and Chief Executive and Mr. Sudipto Sil, whom most of you would be interacting with from LIC Housing Finance, to discuss the second quarter fiscal 2011 earnings. Congratulations sir for great numbers and you can go ahead with the presentation sir.

R.R Nair: Thank you Mr. Kunal. A few hours ago, the results of Q2 have been declared about top-line and bottom-line on all other parameters, I think the performance has been good on our respected fronts.

Coming to the top line, sanctions were to the tune of INR 7,657 crores as against INR 5,365 crores last year, representing a growth of 43%, and disbursements were 5101 for the quarter as against the 3757, growing by 36%. Interest income was 1043 for the quarter as against 785 for the corresponding periods, and growing by 33%. Total income was 1100 as against 835 for Q2, growing by 32%. Net interest income was INR 305 crores as against INR 187 crores last year, growing by 63.3%. PBT was INR 319 crores as against INR 228 crores , growing by 40%, and PAT was INR 234 crores as against INR 171 crores , growing by 37%.

If we look at the performance for the half year one, sanctions were INR 13015 crores against INR 8898 crores last year, growing by 46.3%. Disbursement also grew by 37.3% at INR 8492 crores. Outstanding portfolio has grown by 36% and we are at 43,400 approximately as against 31,900 during the corresponding period last year. Interest income for the first half was INR 2,015 crores as against INR 1,530 crores, growing by 32% and gross income as grown by 31%. Interest expense we could contain to INR 1,415 crores that is 23% more than last year and total expense was INR 1,514 crores as against INR 1,224 crore last year and the increase was 24%. With this result, net interest income has come to INR 599 crores as against INR 361 crores last year, the growth is 66%. The NPA, there has been good result. It has come down from 1.28% last year to 0.74% on gross basis. In absolute terms also, it has come down from INR 408 crores to INR 319 crores. Net NPA was INR 90 crores as against INR 198 crore last year, in percentage terms; it was 0.21 as against 0.62% Q2 last year.

Net interest margin of course incrementally, if we look at it, it has come down from 3.3 in March to 3.01 in Q1 to 2.93 in Q2, obviously because of the increase in the borrowing cost, but if we look at the last year's NIM for the corresponding period, it was 2.44, so there is a significant increase there. PBT for the half year is INR 608 crores as against INR 396 crores, the growth is 53.4%. PAT is INR 446 crores as against INR 295 crore last year, increases by 51.2%. With this, the ROE has improved from 21.8 at Q2 last year to 24.7 this year. ROA has also improved from 1.98 to 2.19. EPS has grown from 19.96 last year to 24.67 this year. So the overall performance has been quite satisfactory in all key result areas, all parameters we have done fairly well.

The increase in the disbursement and sanction, it is was not only because of the increase in ticket size, but also the cost of the increase in the number of applicants, there has been an increase of 19% in number of applicants and ticket size has grown to INR 15.5 Lakhs from around INR 14 Lakhs last year. So there has been a significant improvement in the performance.

And looking forward, we expect that the same trend will continue for the remaining years, of course there has to be some strain on the margins, but because 65% of our asset portfolio is floating and 58% of our liability portfolio is fixed, I think we may be able to manage it better and definitely, we expect that at least the current level of NIM to continue for the remaining period of the year.

The concern for the company largely, it is maybe some kind of liquidity issues in the market and maybe increase in the borrowing cost. But since our portfolio is so structured, it may not affect this. Liquidity also there should not be much of an issue for the company. We may be able to manage it well. As far as CAR is concerned even though it is not a final figure approximately it is around 14%, 9% is Tier-1 and the rest Tier-2. So we may be able to cross 12% on our regulatory requirement. We may be able to improve upon the CAR by raising the Tier-2 capital deposit **that is just off 7.40** for that INR 1000-1500 crores, we can base through this route so there should not be an issue about that. On the whole, we are very optimistic about the remaining days of the year, of course future also and thank you for the support. Thanks a lot.

Moderator: Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Kashyap Zaveri from Emkay Global. Please go ahead.

Kashyap Zaveri: Two questions, one is on this floating side of the assets that you mentioned is about 65% odd?

RR Nair: That's right.

Kashyap Zaveri: About 65 and liability of this 56?

RR Nair: No, floating is not 56, fixed is 58.

Kashyap Zaveri: Fixed is 58, okay. And on this disbursement side, this quarter I think if I look at disbursement-to-sanction ratio that would have been the lowest at about 67% odd?

RR Nair: Yeah.

Kashyap Zaveri: Any particular reason for that?

RR Nair: Yeah actually, mostly it is construction finance, so as you know construction finance depending upon the progress of the construction only funds are released. So this undisbursed sanction will realize into disbursement in base.

Kashyap Zaveri: My question was particularly for retail, because I think we have done about 5700…

RR Nair: If it was retail or so, it's into construction, depending upon the progress of the construction only, the installments will be released, it's not that in takeover case and all, okay in one bulk it goes out. So this year more business is of construction finance that's why there is a gap between sanction and disbursement.

Kashyap Zaveri: When you say construction finance.

RR Nair: That is actually the individual loanee he has applied for loan for a project under construction.

Kashyap Zaveri: Okay.

Sudipto: So based on the progress and the schedule of payment only the disbursements will be made, so that's the reason.

Kashyap Zaveri: Okay. And on the repayment side also I see this quarter I think you know retail repayments would have been 3000 odd crores. I am doing a backward calculation based on the opening retail portfolio which was about INR 35,850 crores in the last quarter. We did disbursements of about INR 5,700 crores and closing portfolio is about INR 38,500 crores, so I think repayment would have been about 3000 odd crores .

RR Nair: Repayments, actually there were about three types of repayments, one is closure of the account itself, another is part payment redemption payment to reduce the outstanding loan, here you see regular repayment, EMI repayment. So if you look at what is this for the year for INR 867 crores by way of lump sum closure.

Kashyap Zaveri: Okay, sir rest all is regular repayment.

RR Nair: All of these are regular repayment without closing the accounts.

Kashyap Zaveri: Okay. So I mean still these people who would have paid would have still loan account with us?

RR Nair: Yeah and total repayment including the normal repayment of principal and part prepayment of principal everything put together, it's comes to INR 2300 crores.

Kashyap Zaveri: Okay. So those are regular repayments?

RR Nair: Right.

Kashyap Zaveri: Okay. And lastly on this expenditure side, in both the advertisement as well as establishment expenses, let's say commission expenses, we are seeing lot of volatility, so how should one probably try to estimate those expenses?

RR Nair: No, establishment expense there has been kind of control, salary of course, there is no control because that is growing at the rate of around 20%-25%. The other expenses which are controllable, we are having a strict control of that that is why there is no significant growth in that. And in fact in Q2, if we look at there is a negative, (-8%) is there and globally for the year it is only, increase is only 1.89%. So I think of course this is again moving forward some of the expenses which might not have been incurred in the first half, might be incurring in the second, even if globally, you know that some 10% increase we are expecting for the current year.

Kashyap Zaveri: Sir, for the full year, what should the expense-income ratio be?

RR Nair: Around 10% increase to our last year.

Kashyap Zaveri: Okay, total expenses?

RR Nair: Yeah, that's right, total means salary and establishment expanse, other than interest expense.

Kashyap Zaveri: Right, so that's like, I mean obviously that's a breakup. I understand that we have increased our benchmark lending rate by about 50 basis points.

RR Nair: Yes because we have a consistent policy, every quarter we review the borrowing cost and based on that, we modify the PLR, so this due was on 30th September and from 1st October we have increased the PLR by 50 basis for floating of course.

Kashyap Zaveri: Okay. So I mean since about 90% of our outstanding portfolio is individual.

RR Nair: No, it has 3%-5%, because just fixed or floating and that…

Kashyap Zaveri: Oh yes, okay. So ideally I mean let's say about 30 basis points should be incremental.

RR Nair: That's right.

Kashyap Zaveri: Okay.

RR Nair: That will take care of the possible increase in the borrowing cost, it just makes it very, it will be neutral so to say.

Kashyap Zaveri: Right, and the three new schemes which we had launched on 1st of July, as a percentage of total portfolio, how much is that?

RR Nair: Actually Advantage 5 is quite popular and almost 70% business is coming through that.

Kashyap Zaveri: Incremental 70%.

RR Nair: Yeah that's right.

Kashyap Zaveri: Okay. Sure sir, if I have anything else I will probably come back.

RR Nair: Sure.

Kashyap Zaveri: Thank you.

Moderator: Thank you Mr. Zaveri. The next question is from line of Ramanath V from Birla Sun Life Insurance. Please go ahead.

RR Nair: Good evening Mr. Ramanath.

Ramanath V: Yeah sir, I just wanted to understand your movement in terms of spread, the incremental spread that you give out from incremental lending rate and incremental cost of funds, when I calculate that that seems to be coming down, it is now down to 2.1%, 1%-2% from…

RR Nair: 2.41% last year.

Ramanath V: Yeah and it was (+3) in the third and fourth quarter.

RR Nair: That is NIM.

Ramanath V: No, I am talking about incremental.

RR Nair: Okay.

Ramanath V: Because NIMs have the impact of equity, so I am just leaving that open, in the third quarter last year you had, so to make this comparison, why is this happening, because you also increase the proportion of the builder loans in your portfolio, so ideally the spread should have actually been maintained in contrary trends.

RR Nair: Yeah understood disbursement if you look at the proportion it has gone up, but if you look at the portfolio there has not been significant increase. Why because there has been prepayments in project loans. So that is why there is no significant improvement here, but moving forward, I think this position should get improved, why, because this 50 basis point increased and the PLR that will be effective from 1st October and payable from 1st November only. So moving forward that impact will be felt, number one, number two, accumulation in the project portfolio has just started, maybe September only it started some monthly depositary side accumulation. So this will build up during the remaining period of the year, so there also we will have a better spread. So on the whole, I think the position will improve, that's what……

Ramanath V: So you think that this is the bottom in terms of these…

RR Nair: Yeah I think so.

Ramanath V: So it should be, where do you think it will stabilize, it will be around 2.2%-2.25%, is it a fair?

RR Nair: Yeah it could be, even it can be a little more also.

Ramanath V: Sure, okay. Sir, I just wanted two-three points, one is in terms of the pace at which you have grown now fairly fast, has the average ticket size of your loan actually increased in recent times over the last one year?

RR Nair: Yeah actually if you look at the 2008-09, it was (+12), 2009-10, it just 14, now it is 15.51, so that is one function of growth, so that is reflected in the ticket size increase, but in absolute number also there has been a growth. Current year, there is a growth of over 19% in number of loans, so that is also contributing, not only ticket size, but number is also contributing to the overall product.

Ramanath V: Sir when you are seeing this ticket size that could mean that it is average ticket size outstanding as of now?

RR Nair: No, incremental I am talking.

Ramanath V: Incremental okay.

RR Nair: For the year I am talking, year by year.

Ramanath V: Okay, year-to-date now it is this year…

RR Nair: 15.51.

Ramanath V: Sure. Sir is it possible for you to give me split between the top 4 metros or the top 5-6 metros, what is the proportion of business that is coming from there?

RR Nair: Actually major centers we have a global bifurcation majors centers metros, Hyderabad, Bangalore, Pune, these centers put together I think it is around little over 60%. The overall new business disbursement if we take, 60%, more than 60% comes from these major centers.

Ramanath V: Right, around 60%.

RR Nair: Yeah.

Ramanath V: Right, so sir like in terms of from your internal database, is it possible for you to share the ticket size that you are seeing, increase in ticket size?

RR Nair: Yeah.

Ramanath V: Is it because of the, are you seeing a general secular kind of increase across centers or is it because of more…?

RR Nair: It is across the country.

Ramanath V: Sure, the 5 year product that you had, like what is status on that and if you can just brief us?

RR Nair: Till this month it is continuing, so may be that every month end if we take a new depending upon the borrowing cost and back-to-back arrangement, maturities and all. So based on that we take a call, so I think in between I don't propose to take a call, why, because that is October, that is possibly, it will continue and then 30th October we will take a review and then see another we can afford to extend it without compromising on the market, so that is precisely what we will be doing. So at this point in time, it is available only for October.

Ramanath V: Okay, up till October. And the first five years of fixed rate would be how much sir?

RR Nair: 9.25.

Ramanath V: 9.25 okay, fine sir, thanks.

Moderator: Thank you sir. The next question is from the line of Anand Ladha from HDFC Mutual Fund. Please go ahead.

Anand Ladha: Hello sir, Good afternoon. Sir I just wanted some few bookkeeping question, I just wanted to have the breakup of sanction in terms of individuals and developer.

RR Nair: Individuals and developer as sanction, 9348 is the individual and 3657 project.

Anand Ladha: Okay sir, this quarter I mean I were to look at, specifically this quarter the sanctions on the developer loan is quite high, even in terms of the outstanding book and disbursement, is it just loan which has helped in sustaining the margin or the spread?

RR Nair: Yeah to some extent it is there, but as a percentage of the portfolio, it is still at 11% only, because portfolio only you have to see, disbursement or sanction doesn't matter much. So what is the portfolio, what is the percentage of portfolio project loan that is what ultimately decides the revenue. So if we look at it, because better sanction disbursement that we have done because there has been some prepayments in the project loan, so to compensate that we are doing better disbursement.

Anand Ladha: Okay, now sir, that would…

RR Nair: Globally, if we look at out of the total portfolio of 43,400 only 4900 is project portfolio.

Anand Ladha: Yeah sir, would it be fair to say as for the full year, the developer loan wouldn't be more than 11% or 12% of the book or it can go up to 15% of the outstanding book?

RR Nair: Not necessarily, it should be 15% because it will in a way, maybe just 11%-12% that trend, it should be there I believe.

Anand Ladha: Okay sir that's all from my side sir. Thank you.

RR Nair: Yeah thank you.

Moderator: Thank you Mr. Ladha. The next question is from line of Vikesh Gandhi from DSP Merrill Lynch. Please go ahead.

Vikesh Gandhi: Just couple of questions, one is, I just wanted to understand this you know you report some 65 crores of other income, what exactly is that because there is a very sharp jump quarter-on-quarter at least, what is that made up of exactly?

RR Nair: Actually this INR 42 crores is processing fee, INR 22 crores is other income, it includes investment parking in mutual fund and all. And that liquid fund we are keeping money for investment that is number one. Number two is of course dividend from mutual fund because we are having 39% stake in LIC Mutual Fund. So all this put together that is how the 65 is formed that.

Vikesh Gandhi: Okay. And what's the status on that particular AMC, the mutual fund?

RR Nair: Mutual fund, actually yeah, we had according to an agreement to sell some part to Nomura, net of that sale our this thing will come down to 20%, but that transaction has not so far taken that contribution amount also we have not received. So there were some procedural things to be followed and hopefully it will be completed in this quarter. Actually we were expecting in Q2 itself, but there has been some delay in completing the procedure and we will be concluding the transaction maybe in Q3, that is the current expectation.

Vikesh Gandhi: Right okay. And just finally what would be your marginal cost of fund that is there?

RR Nair: Yeah cost of fund, incrementally if you look at it as on date it is 7.88, as on 30th September of course. Average if you look at it, it is 7.91.

Vikesh Gandhi: Right and this would be through even now, I mean it's too early, but…

RR Nair: Too early, but we expected at least some 20-25 basis points may move up towards the end of the year because borrowing cost is going up. So that we have taken care by repricing the floating loans. So PLR has been increased by 50 basis, so that globally 65% of the portfolio is floating portfolio so that will give us an edge of around 30-35 basis points, so whatever increase 20-25 point increase, we are expecting that will take care of the…

Vikesh Gandhi: So spreads will basically be neutral to this price.

RR Nair: Neutral or slightly better.

Vikesh Gandhi: Better, okay. And this small other thing, sir this Tier-1 is rubbed on to like 9%, now assuming that we are growing at the 35%-40% rate.

RR Nair: Yeah that's right, but the minimum requirement is 6% only, so 9% is there so, there is this top 4 increase in the Tier-2. So the appropriate time we may be operating upon that.

Vikesh Gandhi: And simultaneously...

RR Nair: As it is the CAR is around 14%, so 2% margins cushion is there, so there is no immediate concern about that, even if there is a kind of requirement that Tier-2 possibility we will exploit, I mean there are various possibilities, but one of the possibilities is Tier-2 possibility.

Vikesh Gandhi: Right, okay fine sir, thank you.

Moderator: Thank you Mr. Gandhi. The next question is from line of Hiren Dasani from Goldman Sachs. Please go ahead.

Hiren Dasani: Yeah Good evening. Just couple of things, have we changed any commission and brokerage which we pay to our channel partner for originating new loan that we…

RR Nair: No, actually it is, whatever was last year, it continues to be the same. Yeah your question I got, because the percentage increase is not commensurate with the increase in the disbursement or sanction that is what your question is?

Hiren Dasani: Yeah.

RR Nair: Yeah that is possibly because the structure itself is towards end of the year because based on the volume there is an increase in slab, so maybe a bonus component also will come in towards the latter part of the year, so that is why the first half, relatively it is lower.

Hiren Dasani: Because if you look at the last year, the number was striking at around 45-46 basis points.

RR Nair: Yeah that time, growth was 70%.

Hiren Dasani: And this year for the first year, it is about 38 basis points.

RR Nair: 38% and out of that retail is little over 20 only, disbursement there, sanction...

Hiren Dasani: Okay, commissions are paid only on the retail.

RR Nair: The other thing we don't take any commission.

Hiren Dasani: Sure and sir, what would be the yield on the portfolio for an existing floating rate customer, lets say what would interest rate you would be paying after this...

RR Nair: Globally, average yield is 10.04%, but the individual alone if you look at 9.56.

Hiren Dasani: 9.56, but that gets little bit clouded, because now almost 35% of your book is that fixed rate loan.

RR Nair: Yeah that's right.

Hiren Dasani: So if I have a floating rate customer of LIC Housing Finance, we are paying higher than that, right?

RR Nair: Yeah possible, actually after 1st of October, there is a possibility that it may be...

Hiren Dasani: It would be around 10-10.5?

RR Nair: Yeah it is actually, it may vary from 10-10.5.

Hiren Dasani: Okay. The reason I am asking this is because earlier we were saying that we are quite fair to the existing customers and we reduced the rates for existing customers also when the rates are going down. Now here what is happening is that when we are pushing a five year nine quarters' fixed rate product, in a way, but the existing guys in a floating rate basis, so he ends up sharing the extra burden which the company has to pass on because the company has to manage the margins and all.

RR Nair: No necessarily...

Hiren Dasani: The new guy is getting subsidized...

RR Nair: Yeah, but again, one should appreciate that it is a function of market trends, because this current market trend, somebody is getting at 8%, 8.5%, all those things...

Hiren Dasani: That is for one year only sir.

R. R. Nair: No, one year, two year, all those things are there but if you look at possibly you will understand that it is lower than 9.25 in some cases.

Hiren Dasani: Okay sir, means you are looking at the average.

R. R. Nair: So this is a function of market trend, it is not a regular feature or so because it is just for sometime to be in the market one has to have some strategies. But basically whatever incremental increase in the borrowing cost for some current year the increment cost is almost 115 basis points but that we have not passed onto the existing customers. We have passed on only 50 basis points.

Hiren Dasani: Sir lastly what is the, I mean what is the realistic target this year for individual disbursement?

R. R. Nair: In fact globally we are looking for 40% increase and out of that 30-35% increase at least should come from individual segments.

Hiren Dasani: So 30% increase

R. R. Nair: Minimum I am talking.

Hiren Dasani: Would be like about INR 16,000 crore plus individual disbursement.

R. R. Nair: Yeah, yeah, it could be more than that also.

Hiren Dasani: Okay thank you.

Moderator: Thank you Mr. Dasani. The next question is from the line of Sudhanshu Asthana from Axis Mutual Fund, please go ahead.

Sudhanshu Asthana: Sir good evening. Congratulations on the good set of numbers. Just one question, I think this has been asked earlier also, that if this continue growing between 35% to 40%, if you look from a 1.5-2 year view what level of Tier 1 capital will you come to raise capital again? I am not talking from a short term perspective.

R. R. Nair: Yeah, I got you. I think ideally we should have at least 1-1.5% cushion at given point in time. So when it comes, say because now we are around 14 and we have got an option of going 42 and all, so in short time there is no consent. But say in company you know it has to look out for various options and not in the nick of time but may be value net to add also. So right now we have not taken a call but this we will be reviewing regularly and must ascertain various options.

Sudhanshu Asthana: Okay. Sir my second question is on an incremental basis, how much do you see that you know will be fixed loans and how much would be floating on the retail side?

R. R. Nair: In fact I have disbursed in them 35% is fixed on a global basis but incremental basis it goes almost to 70-75% business is fixed. But then it may not be a continuous feature.

Sudhanshu Asthana: So from a target perspective do you have an overall cap which you are targeting?

R. R. Nair: No, right now we cannot have that kind of because market conditions do not permit the trade to have that kind of rigid approach.

Sudhanshu Asthana: So if competitive intensity continues the way it is then this overall 35 can go to 45 or something?

R. R. Nair: Again you know it is a cyclical process because earlier the three-year people they will become floating. Again, you know April-end last year whatever we had, one year is already over so those cases will gradually become floating so it cannot fix their feature. And after three years their entire 8.9 will become floating then five year will become floating subsequently. So all those things it is a kind of you know fluid say this thing. So you cannot take a call that okay this percentage, because this is not really fixed. It is only, okay for the time being it is fixed, then later on it will get floating.

Sudhanshu Asthana: Fine, thank you sir.

Moderator: Thank you. The next question is from the line of Darshana Joshi from Sahara AMC, please go ahead.

R. R. Nair: Good evening

Darshana Joshi: Good evening sir. Just a small clarification sir, how much are the investments right now? It is around 725 crores, is it?

R. R. Nair: Investment is not that much. That is actually liquid funds.

Darshana Joshi: This figure I got it from your

R. R. Nair: Yeah, liquid fund in the sense that we raise money from the market and we park it in liquid mutual funds and you now whenever

Darshana Joshi: No, I was just interested in you know there has been increase in the investments, quite substantial increase is there, so you know what is the reason behind that and have we raised money recently? I do not think we have raised tier-2 capital in this quarter at least.

R. R. Nair: No, we raised it last time in March only. No, because it is actually borrowed from the markets and we are parking it in liquid funds, actually 611 crores is in liquid funds and 114 crores only it is in long term investments.

Darshana Joshi: Okay. And one more data point sir, you said our yield on advantage is on 10.04%. Cost of funds would be how much 7.91?

R. R. Nair: 7.91, the average cost of borrowing 7.91 and the yield is 10.04.

Darshana Joshi: And our percentage portfolio of project finance would be how much?

R. R. Nair: It is around 11%.

Darshana Joshi: Yeah, that is it from my side. Thank you.

R. R. Nair: Thank you.

Moderator: Thank you Ms. Joshi. The next question is from the line of Manish Shukla from Deutsche Bank, please go ahead.

Manish Shukla: Good evening sir. Sir, on an incremental basis what is the mix between this 8.9% product and Advantage 5? On an incremental basis what is the mix between the 8.9% product and Advantage 5 product?

R. R. Nair: Actually Advantage 5 product we have floated in July only this year. 8.3 year we had launched last year and with the launching of Advantage 5 we have modified a 8.9, it is no longer fixed for three years, this fixed up to 31st March, 2012. So around 10,000 crores of loan book is under 'Fix-O-Floaty' scheme and may be around 2000 crores by now we would have disbursed under Advantage 5.

Manish Shukla: Okay. One more question sir I think I, you answered but I missed the mix of sanctions and disbursement between retail and project.

R. R. Nair: Sanction and disbursement of course that is not very material because only we have to look at portfolio that because from project to portfolio some repayments have taken place and there has been a drop in the portfolio so in order to compensate that statutory is to have a project placements in project sector short term loans.

Manish Shukla: So but even in a portfolio basis, quarter on quarter project going side up 17%, so that is the reason I was asking.

R. R. Nair: Yeah, yeah it is 17% and retail is also up by 13-14%. So that is not a much of an issue I believe. But overall what we are thinking is okay, globally at the end of the year the project portfolio will be 11-12% of the global portfolio.

Manish Shukla: Okay sir. Thank you.

Moderator: Thank you Mr. Shukla. The next question is from the line of Alpesh Mehta from Motilal Oswal, please go ahead.

R. R. Nair: Yeah, good evening Mr. Alpesh.

Alpesh Mehta: Good evening sir. Earlier I guess this question was asked about what would be the disbursement on the individual segment during the quarter?

R. R. Nair: During the quarter it is INR 1724 crores, sorry, quarter alone if you are taking INR 5693 crores during the quarter sanction, and INR 3818 crores disbursement.

Alpesh Mehta: 3818 is the disbursement to the individual segment during the quarter.

R. R. Nair: Yeah, that is quarter alone.

Alpesh Mehta: Yeah, and secondly can you just give me the breakup of your borrowing profile, how much it is from bank NCD, from debt deposits?

R. R. Nair: I will give you in one second.

Alpesh Mehta: And the corresponding average cost of borrowing from each segment?

R. R. Nair: Cost, I do not know, I may be able to give but that breakup I can definitely give. I think it is outstanding loan as a percentage. Percentage bank is 26.5, NCD is 59.7 then **subordinate in 40.34** Tier-2 and all 5.1. Then from

NSB 3.9. LIC 2.3, deposit and miscellaneous put together around 2.5.

Alpesh Mehta: Okay, and would you be having the waited average cost on these funds from the yields also?

R. R. Nair: Average is 7.91.

Alpesh Mehta: But that is for the overall portfolio. But from bank how much would be the average cost of fund that you would be having?

R. R. Nair: That analysis is not there.

Alpesh Mehta: Okay, it is not readily available. And sir, our growth, earlier we had guided for a loan book of around INR 50,000 crores by FY11, I guess we will certainly cross that by end of this year. So would you be looking at 35% kind of a loan growth for this year?

R. R. Nair: No, no we look for 40% of loan.

Alpesh Mehta: On the disbursement side, right.

R. R. Nair: Yeah, disbursement side.

Alpesh Mehta: And on the loan side, overall outstanding of loan?

R. R. Nair: Loan side it will be more than 30%. At this point in time we are having 36% year on year, so I think by and large you know, it will be in the range of between 30 and 35.

Alpesh Mehta: Okay 30 and 35 and for the next year as well

R. R. Nair: That is minimum.

Alpesh Mehta: And next year as well you will be maintaining the same kind of a pace.

R. R. Nair: Yeah, because quality as such it is coming, and moreover in a project loan may be able to say possibility of moving out early. Retail loan life is 7-8 year minimum so retail loan we are having more this thing, no. So the portfolio will sustain next year also.

Alpesh Mehta: And you expect your margins to be at around 2.9% for this year.

R. R. Nair: Yeah, around that but it will not be less than 2.8, that has been consistently I have been making that statement.

Alpesh Mehta: Yeah, sure sir. Thanks a lot and all the best.

Moderator: : Thank you Mr. Mehta. The next question is from the line of Alok Kapadia from Antique Stock Broking, please go ahead.

Alok Kapadia: Good evening sir, very good set of numbers sir. So just wanted to check on one or two data points on your Tear-1 ratio, sir what is the Tear-1 ratio at the end of the fourth quarter sir?

R. R. Nair: Tier-1 is a little over 9%. End of the fourth quarter I think it was around 10ish. Exactly I will give you, just one second if you give me. Yeah, it was 10.25.

Alok Kapadia: Okay sir. Thank you sir. All my other questions are done sir. Thank you.

Moderator:: Thank you Mr. Kapadia. The next question is from the line of Jaiprakash from Taurus Mutual Fund, please go ahead.

Jaiprakash: Good evening sir. Most of our questions have been answered. Just wanted to know if being this disbursement growth, what is the guidance for this year?

R. R. Nair: 40%.

Jaiprakash: Okay sir, thank you.

Moderator:: Thank you. The next question is from the line of Deepti Chauhan from Asit C. Mehta, please go ahead.

Deepti Chauhan: Good evening sir. Sir actually just needed one information, you said disbursement of total for September quarter have been at 5100 crores, out of that individual disbursements are they at 3810 crores?

R. R. Nair: Yeah, that is right.

Deepti Chauhan: Sir the project disbursements have grown quite significantly and they are almost 25% of your total disbursements if you look at your -

R. R. Nair: Yeah, and usually disbursements alone if you look at it, it comes to that but why we have done is there has been some prepayments from the existing portfolio. So if you look at the portfolio there is an increase of only 800 crores. So that is not much in relation to the portfolio increase of retail lot. So overall globally it is around 11% really so there is no reason to feel bad about or panic about it.

Deepti Chauhan : Correct and the yield on these loans are round about 14%, right.

R. R. Nair: This project loan?

Deepti Chauhan: Yeah.

R. R. Nair: Yeah, now it is a little lower, 13.8 it comes to.

Deepti Chauhan: Okay sure sir. Thanks a lot.

R. R. Nair: Thank you, thank you.

Moderator: : Thank you Ms. Chauhan. We have a follow-on question from the line of Anand Ladha from HDFC Mutual Fund, please go ahead.

Anand Ladha: Good evening sir. Sir, just wanted to understand what is the yield on a developer portfolio sir?

R. R. Nair: 13.8

Anand Ladha: No, no sir, what is the rate of interest incrementally cashed to new loan sanctions?

R. R. Nair: PLR is 13.5.

Anand Ladha: Okay. And since you have increased the rate by 50 basis points, that is applicable to developer also?

R. R. Nair: No, after factoring everything current PLR only I have told you.

Anand Ladha: So you any loan sanctioned to any developer at this quarter will be at 13.5%.

R. R. Nair: I did not say that. It is linked to PLR said because I could be plus, it could be minus. It all depends upon the profile of the builder, quality of the project all those things you know.

Anand Ladha: Okay sir, thank you.

Moderator:: Thank you Mr. Ladha. The next question is from the line of Neha Agarwal from Goldman Sachs, please go ahead.

Neha Agarwal: Good evening sir. Sir just wanted to understand in terms of provisioning expenses this quarter there is very marginal provisioning that is done. Now I understand there is significant improvement is asset quality but given the fact that the going is good currently, do you not see the need for making some proactive provisions at this point in time?

R. R. Nair: In fact we have already got a policy of providing more than what is the regulatory requirement. Even standard asset we are making a provision of 10 basis points. That is why there was a need for making a provision of even for INR 2 crores, otherwise there would have been a reduction in the provisioning because of the improvement in the HBA. So as on date we have more than INR 100 crores additional provision already given, INR 110 crores to be precise so I think that is sufficient enough when 71% coverage is there and that coverage is likely to improve to say 82-83% by end of the year. Thank you.

Neha Agarwal: Sir one more question, on our developer loans what could the average ticket size be?

R. R. Nair: That is a little difficult to predict but anyway I think roughly around INR 50 crores could be the average ticket size.

Neha Agarwal: Okay sir, thank you.

R. R. Nair: Okay.

Moderator: : Thank you Ms. Agarwal. The next question is from the line of Praful Kumar from Principal Mutual Fund, please go ahead.

Praful Kumar: Good afternoon sir. How are you sir?

R. R. Nair: Fine, excellent. How are you?

Praful Kumar: Thank you sir. Thanks for taking my question. Sir, just want to get some sense on how the competitive landscape in this segment is panning out in terms of you have not seen PSU banks you know getting less aggressive. Now they are incrementally maintaining all schemes. Moreover we are seeing a large private sector bank trying to make a comeback and you know on ground they are doing. Something on the pricing front if you can help us understand the competitive scenario and we are seeing couple of more NBFCs you now. Now positioning themselves that is the only you know housing finance companies now, who were earlier into **48.23 unsecured** now everyone is talking about mortgages.

R. R. Nair: That is right. I think this is not a new thing for of course we have been here in this market for 20-21 years. So we have seen similar cycles into past also. So last couple of years obviously the banks are at, because possibly because there is not sufficient credit of taking segments that is why they are, did you see while we believe that it is not a kind of a lasting feature? For the time being it is there but last year also there was this greasiness in the market and we could grow by 70% last year. So by that background and our unique positioning because you must have noticed that we have a kind of products we have, we are developing with a kind of unique proposition without any competition in the market. So that is precisely our USP and -

Praful Kumar: Any new geographies in terms of any new locations you are explored?

R. R. Nair: Geography, yes every year we have got a systematic way of expansion. This year we have opened 23 new offices right in April itself. So next year also again you know this processes because every year April we will be because we have made a fixed policy identifying the locations previous year and making all arrangements and then opening the offices in April itself so that process is ongoing and it will continue to be there and fresh distribution channel of course possibly you know that we have opened up a subsidiary company. So along with expanding on new geographies, we are also opening new distribution channel so that you know the distribution capacity itself will get doubled. And if we look at last three years a 12% increase was there in the number of offices, new offices which we have opened. Now it has gone up to 205. Couple of years back it was around 150 and business generated by news and this it is not much why because initially it will take sometime for getting established but nevertheless it is 12%.

Praful Kumar: Sure, sir in terms of any new verticals or products client?

R. R. Nair: Yeah, actually we have already filed application with the SEBI for our venture capital fund AMC. So hopefully we will be getting the license in October. So immediately thereafter we will be launching our funds so that the AMC will become operational. That will be basically you know the basis of participating in real estate projects.

Praful Kumar: Now the same time you will get some clearing in the banking license.

R. R. Nair: Yeah, that of course, that may be we have to wait for the RBI final guidelines so based on the eligibility and all those things we will let that fall at that point of time. Subsidiaries and financial services, of course it is a growing stage and this year our five-six more offices that were opened and on an ongoing basis they will be reaching 50 offices by the end of the year. Their home of course, apart from the Bangalore project which is completed and handover then we have started the project in Bhuvneshwar, foundation stone has been laid and this is the tendering process. So that project we will start this year. Jaipur, of course land is there, we are getting it converted into NC and all those things. So that subsequently, subsequent to Bhuvaneshwar will simply we will take up Jaipur. Like that that subsidiary is also getting I know bigger and bigger. So right now these are the things and pension obligator you might be knowing that we have got the license from PFRDA. LAC will be the facilitator and we will be, now that also may be, this immediate feature that may not be much of a commercial in nature but going forward feature is for pension I believe. So it is another opportunity we have this day started.

Praful Kumar: Sure sir. All the best sir and thank you very much.

Moderator:: Thank you Mr. Kumar. We have a few questions from the line of Mr. Kunal Shah from Edelweiss Securities, please go ahead sir.

Kunal Shah: Sir a few questions from my side. Sir, firstly, it is like what is the average run-rate which we are currently seeing with respect to individual disbursement?

R. R. Nair: INR 1200-1300 crores.

Kunal Shah: That is the monthly run-rate which --

R. R. Nair: Yeah, yeah, that is right.

Kunal Shah: Okay, and sir normally, last year also they sanctioned and project financing was round about INR 1700 crores of which we had some disbursements of INR 1200 odd crores of a quarter. Again, further there are like sanctions of INR 1900 crores this quarter, so may be again like we can see is normally over last four or five quarter we are seeing like 65 to 75% of previous year sanction gets converted into disbursement. So this trend we can expect in next quarter as well?

R. R. Nair: Yeah, actually now we are focusing on sanctions because it takes are longer trying for disbursement compared to retail loan. So possibly you know since the intensity of sanction may come down and focus will be on disbursement possibly in coming quarters.

Kunal Shah: Okay, and sir one more thing, if I just look at this interest from project developers over Q1 to Q2 it has remained more or less flat, okay but still on the outstanding books we are seeing almost like 17%-18% kind quarter on quarter growth. So was it more kind of a back-handed in September and we will see the real impact on interest coming in Q3? So would there be I think it is like INR 142 crores is the interest on project developer loan.

R. R. Nair: Yeah, yeah actually this will be growing why because there has been some prepayment in the initial months of the year. So there has been kind of portfolio growth in project loan was marginal. Now September only we have built up some portfolio and that building up will continue to be there for the remaining months. So the income from project finance will be relatively more.

Kunal Shah: Okay sir, yeah. Thank you sir. That is all from my side. And would like to sir just thanks a lot for your time and all the best for all the future quarters and thank you all the participants for participating in the call.

R. R. Nair: Thank you for the support Mr. Kunal. Thank you.

Moderator: Thank you Mr. Shah. Thank you Mr. Nair.

R. R. Nair: Thanks a lot. Thank you all participants.

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