"LIC Housing Finance Limited
Q3 FY '23 Earnings Conference Call"
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Moderator: Ladies and gentlemen, good morning and welcome to the LIC Housing Finance Q3 FY '23 Earnings Conference Call, hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. 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, Lizann. Good morning, everyone, and welcome to this earnings call. We have with us Mr. Y. Viswanatha Gowd, MD and CEO; Mr. Ashwani Ghai, Chief Operating Officer; and Mr. Sudipto Sil, CFO.

I would request Mr. Gowd to share his initial remarks on the results, post which we'll open the floor for Q&A. Over to you, Mr. Gowd.

Y. Viswanatha Gowd: Okay. Thank you, Praveen. Thank you. Very good morning to all of you. I extend hearty welcome to every one of you to the Post-Earnings Conference Call of LIC Housing Finance Limited. As you are aware, LIC HFL declared its Q3 FY '23 results yesterday.

Prior to detailing the operational aspects, I would like to highlight that the current fiscal year, RBI had increased the repo rate by 225 basis points in five consecutive MPC meetings in line with the monetary policy tightening across the world due to inflationary pressure. Consequently, the Company also raised its LHPLR by 210 basis points in the current fiscal year till date. The financial highlights of this quarter are as follows. Total revenue from operations INR 5,871 crores as against INR 5,054 crores for the corresponding quarter of the previous year, showing a growth up 16%.

Outstanding loan portfolio stood at INR 268,444 crores as against INR 243,412 crores as on 31 December 2021, reflecting a growth of 10%. Out of which the individual home loan portfolio reported a growth of 14% and now it is comprising of 83% of total portfolio. It is up from 80% one year ago. Then the total disbursements for the quarter was INR 16,100 crores as against INR 17,770 crores for Q3 of FY '22.

Out of that, disbursements in the individual home loans were INR 13,580 crores as against INR 15,341 crores for Q3 of FY '22, whereas the project loans were INR 427 crores as compared to INR 293 crores for the same quarter in the previous year, it is up by 46%. On the net interest income front, the NII was INR 1,606 crores for the quarter as against INR 1,455 crores for Q3 of FY '22 with a growth of 10%. The net interest margin for this quarter has been stable at 2.42% as against 2.42% for Q3 of FY '22.

Profit before tax for the quarter stood at INR 593.01 crores as against INR 961.85 crores, a decline of 38%. Profit after tax for the quarter stood at INR 480.30 crores as against INR 767.33 crores for the same period previous year with a decline of 37%. In terms of asset quality, Stage

3 exposure at default stood at 4.75% as against 5.04% as on 31 December 2021 and 4.9% as at the end of September 2022. This quarter, our focus was on margin improvement and asset quality.

As you would note, there is an increase quarter-after-quarter in NIMs from 1.8% to 2.42% bringing us back to the Q3 of FY '22 levels. This has come on the back of better liability management and passing on the increase of PLR by 115 basis points in Q2, which has taken effect from Q3. A further 35 basis points hike was effected in December '22, which is effective from January 1 of this quarter. The other focus area was on asset quality, wherein we have seen stable numbers with a small quarter-over-quarter decline.

The asset quality trend is looking positive and improving. So we're very much positive on that. You would note that, this quarter we have made higher provisioning to the tune of over INR 760 crores. This has been made to increase our overall PCR substantially. The Stage 3 PCR now stands at 50.8%, it is up from 43.6% one quarter back and significantly higher than the December '21, where it stood at around 39.7%.

It is in line with the Company's objective of strengthening the balance sheet. Last few months there have been successive repo rate hikes by the RBI, due to which the home loan rates have also increased across the industry. Though, this has a slight impact in slowing incremental business, our individual home loan book continued to show growth of 14%, by and large in line with our expectation.

The disbursement for the nine-month period registered a growth of 13% overall and also 13% in the retail category. On the funding side, we have witnessed an increase in the cost of funds, which stood at 7.4% as compared to 7.1% in Q2 of FY '23 and 6.69% as on Q3 of FY '22. It is attributable mainly to the total cumulative repo rate hike of 225 basis points by RBI in the current fiscal and increase in other benchmark rates like T-bills and G-Sec, etc.

Incremental cost of funds also inched up and stood at -- and it stood at 7.61% for Q3 of FY '23. The further interest rate trajectory will be largely governed by the ensuing RBI credit policy. With this brief introduction, I would like to invite you for your queries. Thank you.

Moderator: The first question is from the line of Mahrukh Adajania from Nuvama. Please go ahead.

Mahrukh Adajania: Sir, my first question is on the provisioning figure. So does that include any write-off or its all provisions only? Hello?

Moderator: Okay, sir. Sir, please proceed.

Y. Viswanatha Gowd: Yes, madam. I think we answered her, no. We told that there is no write-off.

Moderator: I'm sorry sir, we were unable to hear you all.

Sudipto Sil: So, there are no write-offs, now.

Mahrukh Adajania: And just in terms of your gross stage, was there any slippage from restructured loans this quarter?

Sudipto Sil: No, the restructured slippage, as we mentioned earlier also, which is in line with around 15%, which has been there. So that is consistent for the last three or four quarters. But overall there has been a reduction, slight reduction in there overall.

Mahrukh Adajania: In the restructured slippage [inaudible 0:09:21]

Sudipto Sil: Yes.

Moderator: Thank you. We'll move on to the next question that is from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

Abhijit Tibrewal: Sir, I mean, coming back to this credit costs that we took during the quarter. I just wanted to understand, in the opening remarks you had suggested that this was in line with the Company's objective of increasing the strength of the balance sheet. Sir, just trying to understand this a little better. From what we've known all along is that, the provisioning is usually driven by an ECL model.

So, I mean, has there been a significant increase in the risk that we foresee that has led to an increase in PCR by about 7 percentage points on a sequential basis? Or let's say, you are anticipating higher slippages from this restructured pool over the next six months when those moratoriums in your corporate book gets over? That's my first question.

Y. Viswanatha Gowd: One thing here I would like to say that ECL and all, okay, we're having a policy we follow it. And here what happened, as was mentioned also to strengthen the balance sheet one thing. And actually the management overlay what happened was another day also we — actually even last time also we're telling you, what happened the PCR ratio we'd like to actually bring it up compared to earlier years. Now it is around more than 50%, that is the only intention, with that we have increased, what you call, our provisioning. And then, PCR, now it is in line with the industry now.

Abhijit Tibrewal: Sir, at least can we take that comfort, that now that you have increased it to, let's say, 51%, and you're going to maintain at these levels and we will not see the kind of volatility in Q3 provisioning coverage which…

Y. Viswanatha Gowd: Sure, sure. This we will maintain, yes.

Abhijit Tibrewal: Sir, the second question I had was on prepayments. I mean, at least your Slide 11 of the presentation says that the prepayment rate was about 9.3% for the nine months, which, I would say, significantly lower than about 10.5% to 11% that we've seen in the past. So has there what you also said in the last quarter, has there been significant outreach in terms of retaining customers, giving out certain incentives for to them to retain customers, which has kind of led to a lower prepayment number in this nine months?

Sudipto Sil: No. As far as the incentive, etc., there was no incentive or anything of this sort in this quarter. But overall the prepayment rates have come down because of probably a tightening liquidity outside.

Y. Viswanatha Gowd: One more thing, market also what happened, rates are increasing, no, in the sense, increasing scenario switchovers normally, what you call, will not be that much in the market. Naturally they show a downward trend.

Abhijit Tibrewal: Sir, I have one last data keeping question. I mean, if you can just spell out for the benefit of all of us the restructured book which is outstanding as on December '22, the third quarter. And if you could also split that into corporate and retail and also tell us when will the moratoriums get over? And typically what you shared in the earnings call a split of your Stage 3, which is the core product segments?

Y. Viswanatha Gowd: Figures we'll give it to you.

Sudipto Sil: OTR for December outstanding is INR 1,420 crores. Out of which, the project is around INR 250 crores and the retail is INR 1,169 crores.

Abhijit Tibrewal: And sir, when will the moratoriums get over, I mean, this INR 1,420 crores?

Sudipto Sil: I'll share with you the timelines, INR 600 crores will come out in the month of March. And again, another INR 600 crores will come out in the next quarter. And the residual will be in the last September. This is just a few hundred crores.

Abhijit Tibrewal: And sir, the split of Stage 3, which is core product segments?

Sudipto Sil: In the Stage 3, as far as the categories are concerned, the IHL Stage 3, this is all IndAS, right, so it is 1.62. For the non-housing individual, it is 6.74. For the non-housing corporate, it's 22.5. So the total retail is now 2.99 and the project is 45.6.

Abhijit Tibrewal: Okay, sir. This is useful, sir. And then just one last question.

Sudipto Sil: Overall, is 4.75.

Abhijit Tibrewal: 4.75. Got it, sir. And, sir, one last thing here, in your presentation you spell out what is the provisions that we are maintaining on those IRAC NPAs, basically things which are -- our NPAs as per RBI but are classified under Stage 1 and Stage 2. So if you could also give what is the quantum or the pool on which you have maintained these provisions of about INR 110 crores?

Sudipto Sil: I don't have it off-hand, but I'll give it to you.

Moderator: The next question is from the line of Vivek Ramakrishnan from DSP Mutual Fund.

Vivek Ramakrishnan: My question was on the NPA coverage which you just mentioned. In terms of loan-to-value of the NPAs, how much would you have, in the sense, is the disposable value will that 50%

coverage take adequate care of it going forward? Or how do you see it going forward in terms of resolution? That's my only question, sir. Thank you.

Y. Viswanatha Gowd: Yes, that is there.

Sudipto Sil: See, Vivek, can you just repeat the last part of your question?

Vivek Ramakrishnan: Sir, what I wanted to know was, you've increased the provisional coverage to 50%. Now, is that enough to start dissolving this NPA [inaudible 0:15:34]

Sudipto Sil: Yes, as far as the LTV is concerned, I will take you to some of the disclosures made in our presentation, you will find that the LTV at the time of giving the loan itself is around 45% or around 50% within that. So that does not take into account the repayments, which happened on that account and any improvement in the property prices. So after the assumed haircut or the presumed haircut, there is substantial headroom available for full recovery of principal.

Y. Viswanatha Gowd: Correct. That's correct.

Moderator: Thank you. The next question is from the line of Umang Shah from Kotak Mutual Fund. Please go ahead. Umang, your line is unmuted, please go ahead. Mr. Umang Shah, your line is in the talk mode, please go ahead. As there's no response from the current participant, we'll move on to the next that is from the line of Nischint from Kotak. Please go ahead.

Nischint: Just sort of two points. One is, again, on the large provisions that you've made this quarter. Is it something which is on any specific assets or is it something that we would have increased coverage at a similar ratio across all these loans?

Y. Viswanatha Gowd: No, it is not against any one specific, not like that, it is our general, what you call, philosophy of maintaining very good PCR to be in line with the industry we increased across all.

Nischint: Because in the past I think you've guidance for around 50-odd sort of basis points of credit cost and suddenly it went up this quarter. So is this something that you would want to kind of accelerate to a particular level and then take a pause? Why is it — you could have done it. I mean, you could have probably [started 0:17:38] maybe over a three quarter period or something. So just trying to understand what was suddenly the reason to do it in this quarter?

Y. Viswanatha Gowd: As far as the credit cost is concerned, yes, that will be maintained at the same level in the sense, what happened and whatever — even earlier also I indicated to you that it will be around 40 basis points, 45 basis points, that's all, no. Correct, within that range, mostly. 45 basis points to 50 basis points mostly.

Nischint: Yes. But this quarter was the higher number, right?

Sudipto Sil: Yes. This was a higher number, going forward, what has mentioned is that, going forward, once we have achieved that by and large stable level of PCR, by and large after that it will be in that range. This was only the specific, if you see the actual provisioning required for the purpose of just maintaining the earlier ratio at 42, just one quarter back it was around 44%. So if we had to maintain it at around 44%, the provisioning required would have translated to a 45 basis point credit cost, but there is a specific objective to increase the PCR beyond that level.

So from 43% or 44% PCR, which was there earlier, it has now moved to upside of 50%. So the balance 6% or 6.5% which has been created as an additional provisioning cover, that has led to the increase in the overall credit cost. Actually, if you just break down the numbers and see how much of credit cost would have translated if we had maintained the earlier PCR, then it would have translated to that same 45 basis points. Please keep in mind that there has been no increase in NPLs.

Y. Viswanatha Gowd: Yes, NPLs, in fact, slightly reduced over last quarter, small reduction.

Nischint: That's true. On the disbursement side, in the individual segment, we have seen some decline on a year-on-year basis, closer to around 10%-odd and 11%. So how should we kind of think of it? Is it something that the best sales in terms of the real estate growth is behind us? Or is it just a base effect? And what kind of a growth would you really see in individual disbursements going forward?

Y. Viswanatha Gowd: Actually, in the Q3 what happened initial month of this October and November, there are small here and there some sort of reduction was there in some regions, that's why we could not score well in those two months. But December month, we have good fillip with that, it was almost all brought up a good stead.

So what happened, now that reduction also what happened because rate hikes also was there, probably some temporary setbacks was there. Apart from that, because of this now in the Q4 normally and entire, what you call, across all regions, lot of, what you call, momentum will be there and traction will be seen across all the regions at the highest speed.

So with that, what happen, we reassure that this Q4 will be the far, far better. And we are still, what you call, very positive on our Q4 performance and we will show more than, I think 12% to 13% growth will be there in our volumes of disbursement in the quarter.

Nischint: On annual -- on a year-on-year basis what you say?

Y. Viswanatha Gowd: Yes, year-on-year basis also the 13% will be maintained. We're highly positive about that.

Nischint: Because the base itself for fourth quarter is very high, so.

Y. Viswanatha Gowd: Yes, yes. Already what happened -- because things are going on very well and then good demand is there, even the recent budget announcements everything put in place very good, what you call, fillip for all these things.

Moderator: The next question is from the line of Dhaval from DSP.

Dhaval: Just one question relating to the credit cost. So Sudipto you mentioned that large part of the credit costs went into achieving a particular target provision coverage. Have we completed that journey or still there is few percentage points of coverage increase expected, post which it should normalize? If you could just clarify that point? Thanks.

Y. Viswanatha Gowd: By and large, now we are almost nearing to that, correct. It almost or what we do thought actually 51 more than 50%, we wanted to keep that PCR to be, what you call, to have a very good even to be in line with the industry is the main thing. That's why we provide for that. As things stand now, I think we don't see any further increase required maybe in this one.

Dhaval: So, sir, from 4Q '23 onwards, should we go back to the 40 basis point to 50 basis point credit cost zone? Is that fairly clear? Or is there any other one-off or any such element that will come in the fourth quarter?

Sudipto Sil: No. As our MD sir mentioned, it is now normalized.

Moderator: The next question is from the line of Bhavik Dave from Nippon India Mutual Fund.

Bhavik Dave: Sir, most of my question was very similar to the previous participant. Just to to clarify again, the provisioning that we set up on Stage 1 and Stage 2 is also adequate of what we think for the future, right? Like 5 basis points for Stage 1 and 6.4% that we have for Stage 2. The number should be in that range, we don't intend to increase that materially and keep the Stage 3 provisioning at around 51% like above 50%, is that the way to think about it?

Sudipto Sil: By and large it will be like that.

Bhavik Dave: All right. And second question is on your employee front, is there anything that is pending in the sense of risk provision or any cost that can come up in terms of employee expense that can surprise on the higher side?

Y. Viswanatha Gowd: No, no, no. As it is nothing what happened normally last year we probably would have been that, once in four year revision. But now we are making it provision for every quarter, so that it is normalized now, one-off things will there.

Bhavik Dave: And last question is, sir, as a very small observation in the sense that commercial paper borrowing for the quarter has increased on a quarter-on-quarter basis. I understand that it used to be at 4.5%, 5%, even pre-COVID. This time around we've increased it considering the kind of rates that are in the offering in terms of the shorter end. What led for us to increase shorter end borrowing wherein the cost of 150 basis point, 200 basis point higher? Just a thought there.

Sudipto Sil: See, actually, as far as the overall city exposure is concerned, I think this is one of the lowest across all NBFCs and HFCs put together.

Y. Viswanatha Gowd: We time it depending upon the kind of liquidity requirement and also keeping in mind the kind of interest rate view that we hold.

Bhavik Dave: Sure. Understood. And last question is, what is your incremental stage on…

Moderator: Sorry to interrupt Mr. Dave. Sorry, when you're not speaking on the call, we would request you to mute your line. It's causing a lot of disturbance.

Bhavik Dave: Hello?

Moderator: Yes, Mr. Dave [inaudible 0:24:53]

Bhavik Dave: Yes, I'm trying to understand what is your incremental spreads on home loans?

Sudipto Sil: The incremental spreads on home loans will be around 120 basis points, 125 basis points. Sure. Thank you.

Moderator: The next question is from the line of Harshvardhan Agrawal from IDFC AMC. Please go ahead.

Harshvardhan Agrawal: Sir, I just wanted to understand that our restructured book has come out by around INR 6,000 crores or INR 6,200 crores in the last nine months. So how much of that has actually flipped into Stage 3?

Sudipto Sil: Around 15%.

Harshvardhan Agrawal: Okay. So 15% is of that INR 6,200 crores number?

Sudipto Sil: Yes.

Harshvardhan Agrawal: And this remaining book that has been graduated to Stage 1 or it still remains in Stage 2?

Sudipto Sil: No. Most of it is in Stage 1.

Moderator: The next question is from the line of Shweta Daptardar from Elara Capital.

Shweta Daptardar: Sir, I wanted incremental cost of funds and yields for the Q3 quarter?

Y. Viswanatha Gowd: Incremental cost of…

Sudipto Sil: Incremental cost of fund is 7.61% for the third quarter, Q3.

Y. Viswanatha Gowd: Yes. Q3 7.61%.

Shweta Daptardar: Yes. And sir, [inaudible 0:26:36].

Sudipto Sil: Hello?

Y. Viswanatha Gowd: Pardon, ma'am?

Shweta Daptardar: Hello? Sir, how about incremental yield?

Y. Viswanatha Gowd: Incremental yield?

Shweta Daptardar: Yes.

Sudipto Sil: Yes. Incremental yield is approximately slightly more than around 9%.

Shweta Daptardar: Noted, sir. Sir, one last question. Have you seen balance transfer out in this particular quarter? How has been the competitive landscape? Thank you.

Sudipto Sil: Balance transfers have come down significantly. It has come down significantly.

Y. Viswanatha Gowd: Same thing will continue also.

Moderator: The next question is from the line of from Maneesh Jain from Value First Digital Media Private Limited.

Maneesh Jain: Good afternoon, sir. I'm an individual retail investor. Sir, my company name happens to be there [Inaudible 0:27:39]. Sir, my question is that, although there's one good part about this quarter's result is that last quarter, we saw a significant dip in interest income. So that has recovered. So last year, that was a big dip. But as a retail investor, my question is that…

Moderator: Sorry to interrupt Mr. Jain, sir, your voice is sounding very muffled. We're not able to hear you.

Maneesh Jain: Okay. So as a retail investor, my question is that a year back, Q3 returns was very good. We had profit of INR 767 crores PAT and EPS of about INR 15. But after that, every quarter, something or other happens and then we don't get a good result. Like last quarter, interest income was low. This quarter, impairment is high.

So now this particular impairment, I was just doing my calculation that more than half the PBT goes in impairment. While I was checking some other housing finance company is much lower, okay. I'm talking of a public sector housing finance company, I don't want to name. So they have an interest income and their provisioning or impairment is less than 1% of their interest income. While in your case, it is 12% to 13% of your interest income. You have interest income of INR 5,800 crores and of INR 750-odd crores is provision and inflation completely falls to bottom line.

So my question is, when do we see a consistent INR 15 to INR 16 EPS quarter-after-quarter? I think for every quarter, something happens which falls behind. Are we going to see same impairment in the in Q4 also, that INR 700 crores, INR 800 crores is just written off. That gives a very bad name to the Company and that gets reflected in your multiples, in your valuation.

And valuation, I'm not even comparing, let's say, I will now take name. I'm not comparing with HDFC or some private companies, even you see Can Fin Homes, their valuations are much better. So what is inherently wrong with our Company? I'm a long-term investor in this

Company. So I would like to know is there anything wrong that we are not able to manage our assets well and provisioning is always very high?

Sudipto Sil: No, what exactly is the query?

Y. Viswanatha Gowd: One thing actually, what you're telling [inaudible 0:30:17]

Maneesh Jain: My point is very clear that why we have high provisioning compared to other housing finance companies in the same industry?

Y. Viswanatha Gowd: I agree. In the earlier parts of what happened the provisioning ratio, what we want to have on our, what you call, the NPA. So that was not on a higher side in the sense it is not at a level where the industry levels are required. That's why this quarter, we had to make extra provision only to come up to the level, number two.

Number two, last three years, one or two quarters what happened, of course, last quarter, income levels were less because what happened to the transmission also was taking time and the RBI rates also were increasing. And we have got as per our policy what happened, we pass on the rate hikes at the end of the quarter, in the sense, the effect will come on the first day of the quarter, that's the things. That's why there are some sort of inconsistency as to the income levels are concerned.

Now, we have come up to the industry levels of this, what we call, PCR. I think going forward, probably this may not be so acute our case now it is felt. And more or less, we're inching towards our consistency now, hence forth.

Maneesh Jain: So we are now as far as Q4 is concerned, almost half the quarter is over. So can we expect that Q4 results will not mainly hiccup which we will not I mean, we'll have a result which will have INR 15 or INR 16 EPS and interest income and provision interest income will be good and provisioning will be lower. Or again, we'll see something or other going wrong in our P&L account?

Sudipto Sil: No, we cannot give any exact guidance on what will be the profit number for Q4, that guidance we will not be giving. But yes, if you look at it qualitatively, certainly, the one-off provisioning that we had done is actually to strengthen the balance sheet. The money doesn't go out anywhere, it is just to create an additional buffer. So that is, in a way, lending strength to the overall balance sheet and provisioning coverage ratio, which is actually a positive move by the Company.

Maneesh Jain: I mean, how come higher provisioning is a positive move? There is something wrong, that's why you have to provision it.

Y. Viswanatha Gowd: No, no, not like that. What happen, when NPAs have to come up to a level, provisioning coverage ratio [inaudible 0:32:31]

Maneesh Jain: I mean over a longer period of time, it should get taken care of, no?

Y. Viswanatha Gowd: That's why it's been done now.

Moderator: We will move on to the next question that is from the line of Sanket Chheda from DAM Capital. Mr. Sanket Chheda, we are not able to hear you. Mr. Sanket Chheda? As there's no response from the current participant, we'll move on to the next that is from the line of Punit Bahlani from Nomura.

Punit Bahlani: Two questions. Firstly, on the provisioning bit. You have shored up your buffers. And sir, since there is no write-offs and no -- and there is also a decline in NPA, is it safe to assume that as per the ECL model, the PD and LGDs are increased? That is one.

And on the second bit, even while you have guided like going ahead the provisions will be lower. Your Stage 1 and Stage 2 cover is also quite low as compared to peers. So in accordance with your model, will you be needing to shore up that in the future? And accordingly, can we expect some credit costs to cover for that bit? Yes.

Sudipto Sil: No, just to clarify, there has been no write-offs and there has been no change in the PD, LGD expectation.

Punit Bahlani: And on the second bit, sir, on the Stage 1 and Stage 2, do you expect some…

Sudipto Sil: Stage 1 and Stage 2 is also adequate at this point in time.

Punit Bahlani: So in the future also we will be expected to maintain these levels for Stage 1 and Stage 2 cover around these levels?

Sudipto Sil: See, overall PCR will remain, by and large, in the range that we have indicated. There could be realignment depending upon where the which bucket moves to which place.

Moderator: The next question is from the line of Shubhranshu Mishra from PhillipCapital.

Shubhranshu Mishra: I just wanted to clarify, you said that project loans have a gross Stage 3 of 45%, sir, is that correct?

Sudipto Sil: Yes.

Shubhranshu Mishra: So, sir, how many accounts are there now? And what stage of resolution would they be? It will be very helpful if you can either put out a progress in notification or you can at least speak on the top 5 accounts on this call itself, sir, because that seems to be a very big number. We can just start off with the number of accounts which are there and the exposure to each without naming as we can start sir. Thanks.

Sudipto Sil: Actually, we cannot give -- take any specific names, etc. Overall number of accounts in the total project loan portfolio is around 300, roughly around 300.

Y. Viswanatha Gowd: And even for many of them, what happened, which are in NPA, now the resolutions are also, what we call, coming very well. So probably in future, there will be a good resolution, and so we're expecting.

Sudipto Sil: It is in different stages of resolution. It is difficult to put out a specific timeline with dates and months because some of them are in the NCLT and various other legal matters. But one thing is clear that there has not been any further additions, number one. Number two is that we are seeing some small resolutions coming. They may not be meaningful at this point in time in terms of the number. But certainly, the trend is positive.

Shubhranshu Mishra: Right, sir. And 300 is the total number of accounts and…

Sudipto Sil: Total number of accounts.

Shubhranshu Mishra: How many are beyond 90-plus, sir?

Sudipto Sil: Stage 3 will be around 140, total account so 80.

Y. Viswanatha Gowd: Roughly 80.

Shubhranshu Mishra: 80 accounts beyond 90-plus and how many will be 60-plus, sir?

Sudipto Sil: 60-plus maybe another 20, 30.

Moderator: The next question is from the line of Rikin Shah from Credit Suisse.

Rikin Shah: Thank you for the opportunity. Two questions. First one, I observed that the number of employees have been declining for last three, four quarters. So any color if you could share there? And second one was just to confirm the 35 basis point rate hike in December, have they been passed on to the borrowers or they will be effective from 1 January only?

Y. Viswanatha Gowd: The employee spot actually -- what are you asking, employees?

Rikin Shah: Number of employees?

Y. Viswanatha Gowd: Yes. Employees here and there, virtually, some people normally it happens who are joining, some people may leave also. Again, that is…

Sudipto Sil: But the Company also has got a continuous recruitment exercise, which happens at certain periods of time, certain points of time in the year. So maybe in the next couple of quarters, you will see the improvement in numbers. So that is an ongoing process.

Y. Viswanatha Gowd: And it is a normal phenomenon.

Sudipto Sil: So campus-driven recruitment happens at specific times of the year.

Y. Viswanatha Gowd: Already we have recruited people also.

Sudipto Sil: And as far as the -- what was your other query, sorry?

Y. Viswanatha Gowd: 35 basis point.

Rikin Shah: 35 basis point.

Sudipto Sil: 35 basis point has already been passed on and it is effective from 1st of January, it is not factored in the Q3 numbers. It will come in the Q4 numbers.

Moderator: The next question is from the line of Shreepal Doshi from Equirus.

Shreepal Doshi: Thank you for giving me giving me the opportunity. Just wanted to ask, what is the provision that we are carrying on the INR 1,400 crores of moratorium book that we have?

Sudipto Sil: See, as far as the RBI requirement of provisioning is concerned, it is 10% of all accounts which are under OTR.

Shreepal Doshi: So we are carrying INR 140 crores?

Sudipto Sil: Yes.

Shreepal Doshi: And I just wanted to understand how much of the original restructured book is already out of moratorium?

Sudipto Sil: See, the total restructuring of INR 7,000 slightly more than INR 7,000 crores — INR 7,100 crores, which was around 3% of then debt portfolio. Out of that INR 5,264 crores has already come out. Around INR 750 crores of loan accounts have been repaid fully, that is closed and balance, which is yet to come out of moratorium is INR 1,420 crores.

Y. Viswanatha Gowd: Pending is INR 1,420 crores.

Shreepal Doshi: And, sir, like how have we adjusted the additional provisions that we were carrying on those accounts? Because now we are only having INR 140 crores for the existing moratorium account. So how it would be still raise [inaudible 0:39:34] the remaining INR 5,000 crores provision we were carrying, like on that book that we were carrying?

Sudipto Sil: Can you please repeat? Your voice was a bit unclear.

Y. Viswanatha Gowd: Muffled.

Shreepal Doshi: So, sir, as you said, INR 7,200 crores was broadly the original restructured book. So we would be getting INR 720 crores of provisions on that, broadly just going by that assumption. Now that book is down to INR 1,400 crores, so the provision is down to INR 140 crores, how have you utilized this INR 600-odd crores number?

Sudipto Sil: See, actually, whatever provisioning was created, that has to remain on the book for one year. And whatever is loan closed that can be written back, provision on the loan closed that can be written back.

Y. Viswanatha Gowd: Closed loan is INR 700 crores, no.

Sudipto Sil: Yes.

Moderator: The next question is from the line of Bajrang Bafna from Sunidhi Securities.

Bajrang Bafna: Sir, my question pertains to again on the provisioning side. The only issue that we are facing while modelling your business is, we don't have any predictability that what sort of provision that you will do. Do you need to explain us very clearly that what is the guidelines that you are following? Because as per my understanding, last three quarters, if we see the Stage 1, Stage 2, Stage 3 numbers, we are constantly seeing either stable number in Stage 3 or an improving number in the Stage 1 side.

Despite that, we have gone ECL provisioning on Stage 3 from 40% to 44% last quarter and now close to 51% on Stage 3 in Q3. So what is that something that we should be considering for our model building and what sort of ROEs those are sustainable in this business? Because as per my knowledge, you will never lose 50% in the property, which is 100% has been given as collateral. So the expected credit loss even in Stage 3 can't be 50%.

So what is that number based on which you are deriving this 40% is not the right number, 50% is the right number? So some sense on that, which you could guide us clearly, we will be able to predict your Company's performance clearly in terms of provisions also and in terms of building the ROE number right and so forth, the valuation. It is just an extension of the question which was asked by a participant some time back. So we made some predictability of your numbers, which would help us to model the numbers better. That's all. Thank you very much, sir.

Sudipto Sil: So, as you have very rightly identified, I mean, in the real estate business with the underlying real estate asset, there is very little chance of losing more than 50%. But during the period, you have to create some buffer because though the realization will come, it will come with a delay, with a lag.

So in the interim, the provisioning cover is specifically retained or increased or maintained at a particular level to give comfort to the balance sheet for the interim fee till the time it is realized. So one has to keep that in mind. But again coming back to your first observation, it is correct that 50%-plus after even a [desertion 0:42:55] is very rare, that does not generally happen.

Y. Viswanatha Gowd: And moreover as a matter of prudence also we've taken this concept.

Bajrang Bafna: So we would like to hear that this 50% is an ideal, we will not go to, let's say, 60%. So that is what something that I want to get a predictability from you so that we can model it better, sir?

Sudipto Sil: I think in a year's time, the way we have increased from 39%-odd to 50%, that itself says that we are trying to reach a particular level, which gives us adequate comfort and it actually insulates the balance sheet from any of losses, which might happen due to delayed realization of the stressed assets.

Y. Viswanatha Gowd: And beyond this limit, of course, may not be that much need at this moment.

Moderator: The next question is from the line of Mahrukh Adajania from Nuvama.

Mahrukh Adajania: Sir, in the, say, last six months or maybe in the last quarter, you say three to six months this quarter and the previous quarter, did you have any NCLT-related recoveries? And what were the resolution rates? And is there any near-term recovery expected from NCLT?

Y. Viswanatha Gowd: Actually, madam, in the NCLT, I think three cases are there in the resolution, which is going on.

Sudipto Sil: We have received some positive orders. It is in the stage of realization, or implementation you can say.

Mahrukh Adajania: So there was nothing resolved in the last three to six months, it's only ongoing just now?

Sudipto Sil: Three orders for implementation.

Mahrukh Adajania: And what is the resolution rate there, roughly?

Sudipto Sil: Resolution rate means?

Mahrukh Adajania: As in that, of your loan, how much would you have recovered or of your outstanding, how much would you the order says how much will you recover?

Y. Viswanatha Gowd: You mean to say the percentage of terms, no?

Mahrukh Adajania: Yes, yes, sir.

Y. Viswanatha Gowd: How many, it depends on the resolution because what happened…

Sudipto Sil: The exact -- it's difficult to give a number, but there is about INR 150 crores work which is coming -- I mean, which is likely.

Mahrukh Adajania: And on an exposure of how much?

Sudipto Sil: That exposure is right now I'm not able to give you, but it's the realization amount is around INR 120 crores to INR 150 crores.

Y. Viswanatha Gowd: See, in some cases, it may be even more than it is close to the full amount or in some cases it will be less also, the average.

Sudipto Sil: Different account, this is not one account, several accounts.

Moderator: The next question is from the line of Chintan Shah from ICICI Securities.

Chintan Shah: So, sir, sorry to just press on the provisioning part. So considering that we have made now 50% of provisioning and once the restructured portfolio is entirely out of restructuring and post the one-year passage. So can we also expect any provision write-back from the same? Or how would we be getting those provisions?

Y. Viswanatha Gowd: Now I think INR 700 crores got closed, no, as far as…

Sudipto Sil : INR 750 crores has been repaid and fully closed.

Y. Viswanatha Gowd: Closed. [inaudible 0:46:40] write-back, no.

Chintan Shah : Okay. So that has already been written back, right?

Y. Viswanatha Gowd: 10% of it.

Chintan Shah: Okay. And sir, just one more part. So on the provisioning part, sir, now I think we can now assume already you have 50% at PCR, so now probably we want to start with the claim set and now the focus is largely on the growth part. And no bad debts of any older provisioning would come in future, right? This is what we can expect?

Sudipto Sil: Yes.

Y. Viswanatha Gowd: Yes, yes, yes. As things stand now, no problem. It is in line.

Moderator: The next question is from the line of Sohil Rozani from S V Rozani.

Sohil Rozani: I just wanted to know how the retail prospects with regards to this because interest rate being rising since quite a while, and we don't expect any decrease in that. So are we expecting the same demand or are we expecting a better quarter, as in, increased quarter we're expecting good results or as in good demand with regard to loan?

Y. Viswanatha Gowd: Yes, loan actually, disbursements, definitely, we are very highly positive. Even in the past, also in the interest rate cycles we were doing very well. This quarter, actually already with all the things in place and good support, we are very much positive that the 13% growth will be showing in our overall, what you call, disbursements, year-on-year.

Sudipto Sil: See, just to add to what we just shared, just a few months before COVID, we were still selling home loans at around 9%. Today, despite a 225 basis point increase by Reserve Bank on the repo, we are selling at a rate which is less than the rate which was present until 2019 or late 2018. And at that point in time also the book, it's only because the rate of interest has gone up very sharply in a very short period of time between May and December that is around seven months or so. That is probably what is creating some kind of a temporary dampen on us.

Y. Viswanatha Gowd: Yes. But now Q4 we're highly positive. We'll, again, definitely crossing that our already committed 13% growth rate.

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

Y. Viswanatha Gowd: Thank you all. Really, it was a good interaction. At the end, I would like to once again thank you for your continued support. And I also assure that the Company is in a very good consistent growth path. Thank you. Wish you all the best.

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