"LIC Housing Finance Limited
Q1 FY27 Investor Conference Call"
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Moderator: Ladies and gentlemen, good day, and welcome to the LIC Housing Finance Q1 FY27 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 this conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

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

Praveen Agarwal: Thank you, Avirat. Good day, everyone, and welcome to the earnings call of LIC Housing Finance. From the management team, we have Mr. Tribhuwan Adhikari, MD and CEO; Mr. Sandeep Kumar, COO; and Mr. Lokesh Mundhra, CFO.

I would request Mr. Adhikari to share his opening remarks, post which we'll open the floor for Q&A. Over to you, sir.

Tribhuwan Adhikari: Yes. Thank you, Praveen. Very good morning, and welcome to all of you to the post earnings conference call of LIC Housing Finance Limited. As you are aware, LIC HFL declared its Q1 FY27 results yesterday. Before discussing our financial and operating performance, let me briefly touch upon the evolving macroeconomic environment.

The global macroeconomic environment continues to remain uncertain due to heightened geopolitical tensions, particularly the renewed escalation of the U.S.-Iran conflict, which has led to volatility in crude prices and global financial markets. While major central banks continue to adopt a cautious policy stance, the Indian economy remains resilient, supported by strong domestic demand, healthy government capital expenditure and a robust financial sector.

Inflation remains broadly within the RBI's comfort zone despite potential upside risks from higher crude oil prices. And India's GDP is expected to remain among the strongest globally. Against this backdrop, the market expectations currently indicate that the RBI is likely to maintain the repo rate at its present level over the near term. While the recent geopolitical developments have introduced upside risk to inflation through higher crude oil prices, the RBI is expected to carefully balance inflation management with the need to support economic growth.

A stable domestic interest rate environment should continue to support credit demand, particularly in the housing sector, while also benefiting funding costs and asset quality across the industry. With that backdrop, let me now take you through our financial performance and key business highlights for the quarter.

Total revenue from operations was INR7,062 crores, as against INR7,169 crores for the corresponding quarter of the previous year. Outstanding loan portfolio stood at INR3,22,098 crores as on 30th June 2026, against INR3,09,587 crores as on 30th June 2025, reflecting a growth of 4%. Out of this, the individual home loan portfolio stood at INR2,71,979 crores as against INR2,62,411 crores, up by 4%, and comprises 84% of the total portfolio.

Total disbursements for the quarter were INR15,014 crores, as against INR13,116 crores, up by 14.5%. Out of this, disbursements in the individual home loans were INR12,119 crores as against INR11,247 crores, up by 8%. And non-housing individual loan segment were INR1,975 crores, as against INR1,647 crores, up by 20%. Whereas project loans or the wholesale loan finance were at INR872 crores compared with INR156 crores in Q1 of FY26, up by 459%.

Net interest income stood at INR2,075.52 crores for Q1 of FY27 as against INR2,064.71 crores for Q1 of FY26. Net interest margins for Q1 FY27 stood at 2.58%, as against 2.68% in Q1 of FY26. Profit before tax for the quarter was INR1,888.43 crores as against INR1,699.16 crores in Q1 of FY26, up by 11%. Profit after tax for the quarter stood at INR1,488.32 crores as against INR1,359.92 crores for the same period in the previous year, up by 9.4%.

In terms of asset quality, stage 3 exposure or defaults stood at 2.14% as on 30th June 2026, as against 2.62% as on 30th June 2025. Total provisions as on 30th June of current year stood at INR4,398 crores, reflecting a provision covering of approximately 48%. The company also conducted a sale of a stressed asset through ARC for a cash consideration of INR140 crores during Q1 of FY27. On the funding side, our cost of funds stood at 7.28% as on 30th June '26, as against 7.50% as on 30th June '25, and 7.27% as on 31st March '26, reflecting a reduction of 22 basis points Y-o-Y.

Our incremental cost of funds stood at 7.06% for Q1 FY27 as compared to 6.86% for Q4 of FY26 and 6.97% for Q1 of FY26. Despite the elevated interest rate environment during the quarter, our cost of funds remains largely stable, reflecting the strength of our diversified borrowing profile, prudent liability management, and timely access to multiple funding sources.

With this brief introduction, I would like to invite you for your queries. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Avinash Singh from Emkay Global Financial Services Limited.

Avinash Singh: A couple of questions. First, on overall growth and margin trajectory. So if we look back, I mean, the kind of a 5-year data you have presented. The growth and margin both have not been coming the way you would have thought. But if we look in the context of industry, and particularly from your peers who are reasonably active into prime housing as well, they have done reasonably well.

So what sort of -- going forward what are you going to do different that gives you kind of that -- belief that the growth and margin trajectory from here onward could at least alter or could be materially better than here? What has not worked for last nearly 5-odd years.

The second is on, if I were to look at developer finance, of course, your exposure is very limited. But again, there also, if you look back nearly 4, 5 years, there was a reasonable, I would say, opportunity for many of the lenders, housing finance and NBFCs owing to HDFC getting merged into HDFC Bank. And a lot of your peers have kind of leveraged upon that opportunity.

In this round, at least you seem to have missed that burst. Now, from here onwards, what kind of opportunity you see in the developer finance, particularly from the risk-adjusted return perspective because the past track record for you in this segment is not so great. Thank you.

Tribhuwan Adhikari: I'll take your growth question first, the part related to growth. Well, yes, you may be looking at the AUM growth of 4%, and that is why you say that growth has not been satisfactory. But if you look at the disbursement growth for quarter 1, as I said, the disbursement growth is, as per our standards, pretty okay, 14.5% growth as compared to year-on-year, which we had in the beginning in this Q4 earnings call, I had given an indication or guidance that first quarter will be growing at 15%.

So more or less, our growth is in line with the guidance. And I think by growing at 15%, traditionally our growth has been sub 10%, right? So we do see some traction as far as growth in business is concerned in the quarter. And looking into Q2, of course, this is the first month, July. We are still back on track.

Q2 also, I feel, in fact, we are targeting a 15% growth in Q2. So I think as far as the disbursement front is concerned, I think we should do well this year and the guidance we have given of a 10% to 12% growth, we will be able to achieve that.

Yes, the book growth is going to be gradual. It is not going to happen overnight because apart from the growth, which -- the loans, which get added up due to disbursements, there are a lot of exits also by way of maturities, by prepayments, part prepayments, full prepayments and of course, BT out. In quarter 1, our BT out is at INR3,000 crores approximately. BT in is about INR1,500 crores, so net BT out is about INR1,500 crores and I think this is okay. This is in line with what we expect.

So you will be witnessing a good disbursement growth this year. The book will grow gradually as disbursements grow. Now coming to your margin call. Margins indications in the beginning of the year was 2.6% to 2.7%, provided everything remains okay, geopolitical, economic, etcetera, etcetera. We have ended the quarter at 2.58%, 2 basis points below the guided -- lower end of the guidance at 2.6%.

But anyway, this was expected because last year there were a lot of rate cuts in the overall book as well as the new borrowing book, which we had to introduce because of the rate cuts by RBI and in keeping in line with the reduction in repo rates of banks due to the rate cut. So since we are competing largely with banks on the IHL individual home loan front, we had to be competitive and that has to some extent impacted the margin.

But again, this year also like last year is going to be, let me say, a war -- or tug of war between high growth and maintaining our margins. And we would be, of course, looking to try and do both at the same time, grow our books through higher disbursements and more of retentions and at the same time increase -- or rather maintain our NIMs at the guided level of 2.6%, while ensuring by probably focusing on better borrowing cost. We are also looking at a product diversification strategy, which has been on for the past 2 years.

It is gaining ground. We are slowly trying to reduce our share of individual home loans and probably get into the what we call the non-individual home loans. Basically, I'm meaning the LAP and the LRD segment. There has been traction on that. That book is growing, right?

And, yes, also on the other front, we also look at -- this year we will be looking at, as I said in the beginning of the year, inorganic growth through direct assignment and co-lending. The policy is on the final stages. And we should be -- I think in Q2 we should be starting the direct assignment and co-lending business. That would also give us some book growth, and we will be also looking at increasing our margins. So that is about the margin part of it.

Yes, developer finance book. Yes, it is a small part of our book. Not too much of a thing. Yes, last year was a disappointing year from the development of finance perspective. Throughout this year, we could do about INR1,950 crores of disbursement in developer finance. This year the start has been good. First quarter, I think we have done about INR850-odd crores -- INR872 crores of disbursement in the wholesale book of the developer finance book.

Growth is very high at 450%, largely to do with the low base of last year. Yes, we are interested in the development finance book, but again, cautious, steady. The other part of it is we are also looking at margins from the developer finance book, which is right now under extreme pressure. The big builders, the very good builders, they are demanding prices sub 8%, which we feel as a company that it is not in our interest to do developer finance at 8% or sub 8%, right.

We need margins from there. So we are looking at good quality grade B builders. Till last year, we had this overhang of the developer companies or the builders being minimum rated triple B or above. So this year this is going to go, not yet gone completely, but this year this is going to go. We have a credit risk policy for developer finance, which is almost ready.

This will be going to the EC and the Board in the coming months. So I think that overhang will go. That will help us get into slightly lower rated builders. We need to be careful that, yes, we choose the good ones with a good track record so that again, we do not get into the sort of kind of problems we had in the past. So developer finance book should do well.

We have set a modest target of about INR4,000 crores for the current financial year. The expectations are, of course, that we would probably be doing INR7,000 crores to INR8,000 crores in developer finance. I hope that answers all 3 parts of your question.

Lokesh Mundhra: Avinash, again I, Lokesh Mundhra, CFO is supplementing what our MD has said. Though portfolio growth is 4%, but in absolute term, you will find it is more than INR12,500 crores plus. So being largest housing finance company, definitely if you compare in the percentage term, then definitely it will be less. But in absolute term, it's a very good growth. And secondly, in terms of my disbursement growth, 15% growth year-on-year. So that is in line with our expectations.

Avinash Singh: In developer finance that you are targeting, any sort of kind of range of per project or per builder exposure, what kind of a typical ticket size that you want to say that, okay, we will not go beyond that ticket size or something of that sort in mind?

Tribhuwan Adhikari: No, I don't think we have any ticket size in mind. We are willing to consider all sorts of ticket sizes, right? Right from probably at the low end, small developers wanting small loans of INR25 crores, INR30 crores right up to big developers asking us for INR300 crores, INR400 crores. That also we are into. But I think what we'll be looking at in developer finance is the kind of rates, which these borrowers are willing to give us, right.

So going into probably a Lodha or a Wadhwa or a Puravankara or a Sobha who is demanding sub 8%. I don't think that is what we are looking at. And we are taking calls on probably not going for that just for the sake of building the book because we want margins. We want some margins in the developer finance book. Right now our margins are probably close -- we are lending at probably 10.5% in the developer finance book. So we would be wanting rates closer to that.

Moderator: The next question is from the line of Gaurav Khandelwal from JPMorgan.

Gaurav Khandelwal: I have got a few questions. My first question is, sir, previously your philosophy was more on protecting margins at the cost of growth. And given your comments just now, is it fair to assume that the philosophy is now evolving to chase growth rather than margins? How should one think about that?

Tribhuwan Adhikari: Okay. Gaurav, no. Yes, last year I had given an indication that given a choice, I would like to protect margins as compared to growth. This year, I would say we would try to balance growth along with margins, right? So it is not going to be that we are going to shun growth and look only for margins.

We are trying to grow the book because that is important from the long-term perspective. And at the same time, margins are important to me because it is no use growing the book at lending rates, which probably do not help my spreads, help my margins, so on and so forth. So we have to look at the best of both worlds, trying to protect the margins as well as trying to grow the book through higher disbursements and a better retention.

Gaurav Khandelwal: Got it. And the other question I have is on cost. So if I look at the Y-o-Y cost growth, that is actually quite high in first quarter. Can I understand what is driving this year-on-year cost increase? And is it also to do something with initial investments in hiring more people that you had mentioned last quarter and setting up your tech architecture for enabling digital co-lending and DA models? So just want to understand what is driving the high year-on-year increase in cost.

Tribhuwan Adhikari: Yes. We have been hiring. Yes, we have been hiring, but it is not significant that should increase -- that should really sort of disturb my cost. The main reason for the increase in cost, which you see is a gratuity provision of INR22 crores, which we had to make due to increase in the G-Sec yield. So this is a one-off.

This is a one-off which has happened in this quarter, an increase in the gratuity provision of the employees due to an increase in G-SEC yield. Otherwise, the costs are all well within range. Yes, the IT spend has not yet taken place. It will happen. There is a significant IT spend, which is to come in the year -- during the course of the year. It has not yet happened yet, but it will probably come between Q2, Q3, and Q4.

Gaurav Khandelwal: Got it. Thanks for that. And just a final question. There is a significant drop in non-interest income. So what I want to understand, is there some adjustment in recovery item where you have excluded that from non-interest income and adjusted that with provisions?

Because we were not expecting a provisions write back. And could you also give us more color on the NPA account recovery, which has happened and how much is the provision release on back of that?

Tribhuwan Adhikari: Okay. Yes, regarding the other income which you see a drop, there has been a slight accounting change, right, in the current quarter, which our auditors wanted us to do. Until last year, recoveries from written-off NPA accounts were being -- which was for the current quarter, it is about INR31.87 crores was being added to other income.

This year, this has come -- this has been submerged under the impairment, I would say, head. So basically, this INR37 crores of recoveries, which last year went into -- would have gone into other income, has now come under the impairment head. So that is why you see this slight anomaly.

Gaurav Khandelwal: Got it. And in that context, just what's your view guidance for full year on this new credit cost? How should we think about this for the full year? And also, for FY27 entire year, should we think of 15% as the disbursement growth rate?

Tribhuwan Adhikari: Yes. Coming to credit cost, right now it is negative 5 basis points, right? The credit cost guidance, which we have given at the beginning of the year was about 10 to 15 basis points. Yes, we are definitely in line to achieve that. The asset quality has been improving quarter-on-quarter.

This quarter, of course, there was one big one-off of INR180 crores of NPA, which we sold to NARCL for INR140 crores. That was a big one-off. There will be similar recoveries coming in Q2, Q3, and Q4. A lot of our big legacy loans are in very advanced stages of resolution.

So you could expect some big reduction in NPA because of resolution of this. For the quarter, the recovery from NPA accounts was INR540 crores. Last year it was about INR307 crores. So there has been an increase. So the asset quality is going to improve. Right now, GNPA is at 2.14%. Guidance for the year is less than 2%. We are definitely going to achieve that. In fact, we'll do much better than -- less than 2%.

Gaurav Khandelwal: But the 10-15 basis points credit cost guidance is before the recoveries number.

Tribhuwan Adhikari: That was the beginning of the year, yes. That took into account the various kind of recoveries we expected during the year.

Gaurav Khandelwal: Okay, got it. And on disbursement target for the full year?

Tribhuwan Adhikari: Disbursement target right now, 14.5% growth. Quarter 2, we have given you an indication about 15% growth. For the full year, we stick by our guidance of 10% to 12%, which we had given in the beginning of the year.

Moderator: The next question is from the line of Kunal Shah from Citigroup.

Kunal Shah: Firstly, again touching upon the provisioning aspect. So that upgrade of restructured account, which was going to happen and there was expected to be maybe the provisioning release from there, is that also included in this provisioning line item? If you can just highlight this entire breakup of INR165-odd crores, how we are getting to this number, because you mentioned like recovery from written-off account is also considered out there. So that would be very helpful in terms of the breakup, yes.

Tribhuwan Adhikari: Yes. Coming to the first question, yes, that big restructured account of about INR500 crores is not included in this. Though as per the decision of the executive committee, the account was restructured from the 1st of May 2025. So technically speaking, that 1-year period should have expired on the 1st of May or the 31st of April 2026.

But somehow, our auditors were of the view that since the payments came in -- the first payment came in a little bit late, of course, it was as per the restructuring schedule, but the payment did not happen exactly on 1st of May.

The first payment happened later. They have not allowed us to consider that as upgraded, but that will happen in Q2 or Q3. So that big restructured account is not in the reporting of Q1. And the second part of your question was -- Kunal, can you come again? What was the second part of your question?

Kunal Shah: Yes. So this entire write-back is primarily on account of the recovery from written-off. It's not only provisioning release of this restructured account.

Tribhuwan Adhikari: No. The restructured account is not appearing in the reporting of Q1.

Kunal Shah: Got it. And this payment, which you have received, is that the -- so what portion of this INR500 crores has been received till now? And in terms of the release of the provisioning, would it be in terms of the actual payment or maybe now given that 1 year, because last time you were confidently saying that 1 year will be done and we will upgrade it. So should we see it on the payment? Because now you are saying Q2 and Q3 as well. So it appears like it depends on the actual payment that we will do the provisioning release?

Tribhuwan Adhikari: No, there is some difference in the point of view of the management and the auditors -- statutory auditors. Otherwise, personally, if you ask me, technically speaking, 1 year is the cooling off period. The executive committee had restructured this account on the 1st of May. We feel that it should have been taken as updated in the current quarter, but somehow auditors have a different point of view. We are still discussing with them, trying to iron out the issue, but this quarter it has not happened. So it could happen in quarter 2. That is what I'm saying.

Kunal Shah: And payment received quantum?

Tribhuwan Adhikari: For the restructured account?

Kunal Shah: Yes.

Tribhuwan Adhikari: No. There are 2 accounts I'm talking of. One is the big account, which was sold to NARCL in the current quarter.

Kunal Shah: Yes, that I got it. Yes, that is INR140 crores. I'm talking about this restructure, you said like payment happened later. So how much of money have we already received from that? Yes.

Tribhuwan Adhikari: This is as per the restructuring schedule. I think, let me see if I can give you. I do not have the exact schedule right now. This is restructured over a 1.5-year period. Restructured usually like that. The entire money doesn't come upfront. It is restructured to come in bits and pieces over a definitely defined time frame. So all those recoveries are coming in. But the first -- as per the restructuring, the first payment which came in, which I think I don't have the exact date, I think it was in December, right? It was in December.

Right now, the statutory auditors feel our contention is that since the executive committee of the board restructured it on the 1st of May 2025, with a repayment schedule starting from December till up ahead, we should take it as restructured from the 1st of May. But somehow they have a different point of view. There's a discussion going on. Let's see. If it gets resolved, it'll come into Q2.

Kunal Shah: Got it.

Lokesh Mundhra: Avinash -- sorry, Kunal. So we have received the amount as per the restructuring schedule, nothing is overdue.

Kunal Shah: Got it. Yes. Got it. Perfect. And the other question was on yields. So particularly the pressure on margins of 22-odd basis points with cost of funds remaining stable, what is actually leading to it? We have shown that yield on advances have declined, but was there a BT out pressure and since we have increased maybe the BT out rates as well, so has that impacted? Because I think you mentioned INR1,500 crores of net BT out and what I recollect last quarter was INR1,150 crores. So was the BT out also slightly higher during this quarter compared to that of the last quarter and creating some pressure on yields?

Tribhuwan Adhikari: Yes, BT out definitely. But BT out is a part and parcel of this business. Last year it was particularly severe because banks, they are linked to repo rates. The moment RBI reduces repo rates, the entire book gets restructured to lower rates, whereas in HFCs we have a relook depending on cost of funds, credit cost and all other things. So we do take our time in reducing the rates across the board.

So definitely there was a BT out pressure last year. If you see Q2, Q3 and Q4 of last year, almost INR34,000 crores of BT out took place. Current year, our net BT out, as I said, is INR1,500 crores and slightly up from about INR1,300 -- INR1,200 crores, INR1,300 crores, which is there. But that is expected, right? So nothing to do on that, though of course we have outlined a strategy to probably not let customers go.

We have certain rewriting rates in place. There is a defined policy on rewriting. We are flexible now. This year we intend to be flexible with the policy in the case of prime customers, very good customers, big-ticket customers. And we are willing to bend our policy to accommodate lower rates of interest.

Because in a BT out what happens? A high-rate loan goes out and what the competitor organization offers is the lending rate which is much, much lower than the sort of rewriting rate. So again, we are flexible on that. We have formulated a policy where we are going to -- we are tracking each and every big BT out, negotiating with the customer, talking to the customer. And wherever we feel that the customer is a prime customer, a strong customer, a big-ticket customer, we are offering him rates which are, I would say, comparable to what he is getting elsewhere. So that is one thing which we are doing.

And the other reason for decrease in margins, I think we had last year somewhere around about in April, we had a complete 25 basis point cut on the overall book. So that was not factored in, in Q1 of last year because as per our rules, 1/3 of the book gets repriced immediately, 2/3 gets repriced after the first month of the next quarter, which -- that means last year happened on 1st of July. Out of INR3 lakh crores book, probably INR1 lakh crores got repriced immediately in April. The remaining INR2 lakh crores got repriced from the 1st of July. That would also have an impact on the, I think, Q1 year-on-year because decrease in the spreads and the NIMs.

Moderator: The next question is from the line of Zhixuan Gao from Schonfeld.

Zhixuan Gao: Just some bookkeeping questions. What's the overall incremental disbursement yield in the first quarter of this year?

Tribhuwan Adhikari: In the first quarter of this year, our disbursements was INR15,014 crores as against INR13,116 crores in the first quarter of last year.

Zhixuan Gao: I mean, excuse me, the yield on these disbursements.

Tribhuwan Adhikari: Beg your pardon?

Zhixuan Gao: The yield on the disbursement this quarter.

Tribhuwan Adhikari: The NIM?

Zhixuan Gao: Yield -- incremental disbursement yield.

Tribhuwan Adhikari: Yield. Okay. The figures I've given you, INR15,014 crores, up by 14.5%. This is in line with our expectation of 15%, which we had guided during the Q4 results conference call. So we are on track, 15% growth in Q1. We are on track with -- of what we expected. And going forward in Q2, we expect this momentum to continue and we expect the company to register 15% growth in Q2.

Zhixuan Gao: Got it, sorry, I meant disbursement yield, as in interest yield on these INR15,000 crores of disbursement. What's the yield on that?

Tribhuwan Adhikari: You're talking about...

Zhixuan Gao: The interest yield on the incremental yield on the disbursement this quarter.

Moderator: Sorry to interrupt. Mr. Gao, may we request you use a microphone while asking your question? You're not that audible.

Zhixuan Gao: Am I audible now?

Moderator: Yes.

Zhixuan Gao: What is the incremental disbursements yield this quarter? As in the INR15,000 crores disbursement, what yield on average is that?

Lokesh Mundhra: So you mean, you want incremental yield on whatever we have disbursed in this quarter, is it?

Zhixuan Gao: Yes. On average. Yes.

Lokesh Mundhra: So incremental yield for this quarter is 8.25%.

Zhixuan Gao: 8.25%. Your overall portfolio yield, I'm looking at the slide, is 9.12%, right?

Tribhuwan Adhikari: No, we could not get you. Mr. Gao, we could not get you.

Zhixuan Gao: Sorry. The incremental yield is 8.2%. And if your overall portfolio book yield or net book yield is 9.2% as of 1Q, then shouldn't the margin continue to compress because there's 100 basis points gap between your new yield -- incremental yield and your book yield?

Lokesh Mundhra: Yes. Cumulative yield is 9.12% as on 30th June '26.

Zhixuan Gao: Yes. So there's 100 basis points gap between your incremental yield and your book yield -- cumulative yield. So how are we keeping the margin -- maintain the margin going forward? Because as you disburse more and the repayments come, the book yield will trend down towards our incremental yield, right?

Lokesh Mundhra: No doubt about it, there was some pressure on our cost of borrowing. But our strategy is definitely we are now focusing on the other housing loan portfolio, which is giving all of the 150 basis points extra, if you compare with the IHL portfolio. And that portfolio is growing at around 20% in this quarter. So we are hopeful that IHL, which was grown by 15% in this quarter and portfolio diversification from IHL to OHL other than housing loan, means your LAP and LRD, that is the high-yielding segment. So I think that segment will compensate our overall yield for the year.

Moderator: Sorry to interrupt. Mr. Gao, may we request you return to the question queue for a follow-up question? The next question is from the line of Abhishek from HSBC.

Abhishek: Can you tell me last year, and I'm talking about disbursements only, last year in project finance, we had a disbursement of roughly INR2,000 crores. This year, is there a target or a sanctions pipeline, which you follow or is it more transactional and when it comes to you through your team, that's when you decide whether to underwrite or not? How do you approach this?

Tribhuwan Adhikari: Well, yes. Last year, INR2,000 crores of disbursement, a very muted year as far as developer book was concerned. This year in Q1, we have disbursed about INR872 crores. There is a growth of more than 450%. Target for the year in the developer book is INR4,000 crores.

We are aiming at INR4,000 crores, but we are expecting somewhere around about INR7,000 crores to INR8,000 crores. And the process is transactional. Yes, as and when the borrowers approach us for loan, we do the credit appraisal, see what rates they are asking, and then take a call whether from the credit perspective, risk perspective, it is doable. And also whether from the rates' perspective, is it in our interest to offer them that loan at whatever rate they are asking.

Abhishek: Sir, is there a sanction pipeline or is there no sanction pipeline?

Tribhuwan Adhikari: There would be some cases which were sanctioned last year. See, developer finance is basically construction finance, right? And this is dependent on the stage of construction. So any building coming up in the initial stage, plinth level construction complete probably with disburse, what, 25% to 30% of the entire sanction. And as and when the construction progresses...

Abhishek: How much is the sanction, sir? Is it INR7,000 crores was the sanction, is it?

Tribhuwan Adhikari: No, no, last year the sanction was closer to INR5,000 crores. But then sanction does not translate into disbursement, right? Supposing we sanction a loan at 9.5% to, say, Sobha in Bengaluru. From our point of view, it is sanctioned. But Sobha, supposing is asking me 8%, and probably I'm not okay with it, so that sanction automatically, I would say...

Abhishek: But there would be some -- I understand that comparatively things change. But if you have a sanction today, there would be some predictability of it converting into a disbursement or that depends on when the disbursement comes up.

Tribhuwan Adhikari: No. If a loan is sanctioned, of course, there are some pre-disbursement conditions, if something is required and this and that only when the conditions are met...

Abhishek: The reason I'm asking -- sir, just to explain, the reason I'm asking is that you have an INR4,000 crores target for the year. I just want to know what is the predictability? Like, you will achieve INR4,000 crores or that is dependent on when that disbursement comes up and whatever commercial terms are acceptable or not. So it may not be INR4,000 crores, it may be INR2,000 crores. You can't say right now.

Tribhuwan Adhikari: This INR4,000 crores would include probably about INR700 crores, INR800 crores of sanctioned amount where the disbursement would be made in the current year, right, what we have already sanctioned in the previous financial year. The rest of it would be new sanctions, new files which was during the year. We are expecting 100% achievement of this disbursement target of INR4,000 crores. In fact, what we are aiming for is a disbursement around about INR7,000 crores to INR8,000 crores.

Abhishek: Understood. Got it, sir. And you will maintain 10.5% over there, lending rate? That would be your cutoff broadly.

Tribhuwan Adhikari: That is not a benchmark. That is not a benchmark, but that is somewhere where we would like to be, right? It is no use growing your book at 8%.

Abhishek: Exactly, exactly. So internally, you want to stick to roughly 10.5% plus/minus something.

Tribhuwan Adhikari: Yes.

Abhishek: Just so that profitability is maintained. Understood. In LAP and LRD, sir, again, similar question. Last year you did about INR10,000 crores. This year you've done INR2,000 crores. Is there again a target for LAP and LRD put together for the year?

Tribhuwan Adhikari: This year the target is INR15,000 crores.

Abhishek: INR15,000 crores. Got it, sir. What is the incremental lending rate over there in LAP and LRD?

Tribhuwan Adhikari: LAP is about 9.4%.

Abhishek: In LAP?

Tribhuwan Adhikari: In LAP and LRD. We call it the NHI and the NHC segment.

Abhishek: Both of them are similar, 9.4%?

Tribhuwan Adhikari: Yes. Overall, the LAP and LRD book is 9.4%.

Abhishek: That is your incremental rate, right? That is your fresh disbursement rate.

Tribhuwan Adhikari: Incremental.

Lokesh Mundhra: Abhishek, sorry. I'm intervening, this end. For this NHI segment, LAP and LRD, my cumulative yield is 10% plus, but my incremental yield is 9.43% for this quarter.

Abhishek: Okay. And what is the cumulative yield currently on the book? LAP and LRD.

Lokesh Mundhra: It is more than 10%.

Abhishek: More than 10%. Got it. Sir, finally on your credit cost, I didn't get the exact breakup. But how much is actual credit cost and how much is recovery for the quarter? Can you give that breakup?

Tribhuwan Adhikari: Recovery from NPAs for the quarter is INR540 crores.

Abhishek: No. This stuff that is coming into your P&L. Sorry. The INR165 crores provision, how much of that is provision? And I think there's a net write-back, right, INR164 crores something. So how much is the recovery part or write-back part and how much have you actually provided?

Tribhuwan Adhikari: You are asking recovery from write-back?

Abhishek: No, no. There is a P&L entry of INR164 crores, right? That is a write-back, total, if I remember correctly. Hello?

Tribhuwan Adhikari: Okay. This is INR132 crores is from ECL. This INR164 crores of recovery in the P&L is INR132 crores from ECL and INR32 crores from recovery.

Moderator: The next question is from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

Abhijit Tibrewal: Just two things. One is, I think earlier in the call you had said that while this quarter you reported margins of 2.58%, for the full year, we are now guiding for the lower end of the margin range, which you had given earlier, which is 2.6%, if my memory serves me right. So what at I'm trying to understand is, don't you think that what we have discussed in this call earlier as well that margin pressure will likely continue, given that the overall portfolio yields for us are about 9.2%, 9.12% thereabouts -- 9.12% to be precise. What we acknowledged is the incremental yields on the business that we are doing is about 8.25%. So pressure will be there on yields.

On the cost of borrowing side also, if you could just enlighten all of us that, what is the maturity that is coming up this year, both on the NCDs and the bank borrowing side? At what rate are they coming up? And what is it that you expected to get refinanced at? So I am just trying to understand that interplay between pressure on yields, which will be there, while I heard you that we are trying to make some changes in the product mix, trying to increase NHI, NHC. But that is a much smaller proportion of your book and will take time for it to make any meaningful improvement in the portfolio yields. Just that bit, if you can help us understand.

Lokesh Mundhra: Yes, Abhijit, so your first question was my incremental cost of borrowing. It is 7.06% for this quarter. And second question was, how much amount is going to mature in this year. So it is around INR17,000 crores. The average cost of that is around 7.38%.

Abhijit Tibrewal: Got it. Which you expect to get refinanced at maybe 7.1%. Is that a fair assessment?

Lokesh Mundhra: Can you come back please? What was your question?

Abhijit Tibrewal: What I'm trying to say is the INR78,000 crores that you just said, at 7.3 or seven point, so you expect it to get refinanced at a lower rate?

Lokesh Mundhra: Almost. Now rate scenario is, definitely, it is slightly on higher side. But what I said, my incremental borrowing cost is 7.06% during this quarter. So probably, I'm hopeful that I will get it at a lower cost at what rate it's maturing.

Abhijit Tibrewal: Got it. So sir, then safe to conclude that at least cost of borrowings do not inch up from here. At the margin, your portfolio weighted average cost of borrowings for your liabilities comes down in the coming quarters.

Lokesh Mundhra: It's almost in line, but it may increase by three, four basis points on cumulative basis. If you compare with my cumulative cost of borrowing, it was 7.27% last year. That's increased hardly 1 basis point only.

Abhijit Tibrewal: And you expect it to stay there or increase by 3-4 basis points, is what you say.

Lokesh Mundhra: 3-4 basis points maximum.

Abhijit Tibrewal: Got it, sir. Then the only other question was a data keeping question. In the earnings call, you share your stage 3 segment-wise. Can you do it for all of us?

Tribhuwan Adhikari: Abhijit, you can note it down. You want it group-wise, right? Individual loans, NHC projects, etcetera.

Abhijit Tibrewal: Yes.

Tribhuwan Adhikari: Individual loans, stage 3, the EAD is INR2,967 crores. And what else do you want? You want the provisioning also?

Abhijit Tibrewal: Yes, sir. Either this or the percentage numbers that you put out for IHL, NHI, NHC project groups.

Tribhuwan Adhikari: Okay. Percentages is like this. IHL -- you want the GNP or you want the EAD? Abhijit, you tell me clearly what you want.

Abhijit Tibrewal: Sir, I want the GNP. The stage 3 numbers that we give segment-wise.

Tribhuwan Adhikari: Stage 3 in individual, the total EAD is INR2,967 crores, and the percentage is 1.09%. In HC and project, it is INR2,819 crores, and it is 20.53%. NHI is INR1,113 crores, and it is 3.06%. Overall, INR6,899 crores and 2.14%.

Abhijit Tibrewal: Got it, sir. So Just one follow-up on that. So IHL, you have actually seen it move from 1.03% to 1.09% this quarter.

Tribhuwan Adhikari: An increase of 3 basis points is there.

Moderator: The next question is from the line of Rishi Mody from Mody Advisory.

Rishi Mody: I'm new to the company, so I just had some more questions on the business front rather than just this quarter. The first question I had, sir, you had mentioned in the Q3 FY26 call that you all are exploring the possibility of bringing in an external CEO, non-LIC individual, probably someone from the industry and discussions are ongoing with LIC. So just wanted some further updates here if you all have anything which you can share with the wider audience.

Tribhuwan Adhikari: Are you sure I said this? Because I don't think I ever said that.

Rishi Mody: Sir, in your Q3 call, I think it was mentioned for the first time that you all are discussing with LIC on bringing in external...

Tribhuwan Adhikari: No.

Rishi Mody: Like you all are exploring the possibility of an external leadership.

Tribhuwan Adhikari: No, no. This I have never said, okay.

Rishi Mody: Okay. That's not happening. All right. Second, I wanted to understand, sir, on the affordable housing finance business, you mentioned an external team, completely external team, non-LIC Housing Finance people to run it over the next 2, 3 years, you all want to build it up, and this year you all are assembling the team. Just wanted to know, are we on track and what budget have you all set aside?

Tribhuwan Adhikari: It's still a work in progress. It which has not been rolled out as yet. Yes, but expected that the concurrence of the Board and the NRC, which is going to give me, the sanction for additional staff, we will be taking it up in the current year.

Rishi Mody: And sir, how much budget are you all keeping aside for this? Over the next 2, 3 years, like how much opex you all are willing to fund? How much loan book are you all willing to take exposure to? Any guardrails around that?

Tribhuwan Adhikari: Yes, there will be guardrails because affordable business is a risky segment, so there will be definitely credit-related guardrails will be there. We have not set any target for business or anything of that sort. And as I said in my last call, let the child be born and then we see how to groom him and develop him, right?

We have not taken any targets for affordable business right now. Yes, we are doing affordable business, but not with this structure, which we had in place or which we discussed in the con call of Q4. It is a work in progress, but expected to take off somewhere in this year with the concurrence of the NRC and the Board.

Rishi Mody: Got it, sir. Third question, sir, I wanted to understand. Until last year or the year before that, you all had some INR7,000 crores worth of loans which were written off and under process of recovery. Just wanted to understand how much of that amount has been recovered and how much do you expect to recover over the next 2, 3 years realistically?

Tribhuwan Adhikari: So out of INR7,000 crores, I believe approximately INR3,000 crores would be the amount in write-off, technical write-off what we call. It is not written -- simply it is not written. We still consider it to be a part of our book, and we aggressively pursue all legal and other methods of recovery. In the current quarter, I think we have recovered about INR37 crores from this pool. Most of these are your legacy loans.

Most of it's from the developer finance book. These loans are in various stages of resolution, I would say. Right from your SARFAESI, I would say, legal recourses to cases in DRT where we are expecting decisions, NCLAT, NCLT. And also some of these cases are in negotiations with the borrower themselves for a one-time settlement, OTS what we call. So this year we would expect some good recoveries from here from at least to the tune of INR500 crores to INR600 crores. INR180 crores, no, this was not from a written off account. This was from a...

Rishi Mody: Okay. So INR500 crores, INR600 crores this year. And then do you think like another INR2,000 crores over the next 2 years can be recovered out of this?

Tribhuwan Adhikari: Yes, definitely. We'll be targeting more, but definitely INR2,000 crores.

Rishi Mody: Got it. Sir, my fourth question. Over the last few years, you all had implemented Project RED, and now you all are venturing onto this new IT straight-through process, if I'm not wrong. Just to understand like Project RED, what benefits are you all seeing today? How should one think about, will we see a loan growth acceleration?

Will we see reduced BT-outs? Would we see reduced cost to income or lower GNPAs on back of Project RED? And again with the straight-through process, I think it's more automated underwriting. So do we expect faster processing, faster tag? Like I'm just trying to understand, we're spending this much, how does an investor measure your success?

Is there some targets that you all are setting where we see that this tech investment is actually helping us? And then the latest this year, how much do you expect to spend on IT? And finally, if you would have to measure yourself against, say, a Bajaj Housing or a Can Fin Homes, where would you say you would be on the tech capabilities as, say, a percentage of their capabilities if you've done some assessment?

Tribhuwan Adhikari: I think Project RED was basically our change of our complete overhaul of our LMS and LOS, right? In the earlier system, which we had was Castle. This was implemented in 2012. This was, I would say okay. For its time it was okay, but then coming into the new digital world, we found that it was not adept or not in tune with the current requirements of the digital world, the various apps we have, the various APIs we needed to link. So we went in for a complete overhaul of our both the LOS and the LMS. So that is complete. That has happened in 2023-'24.

And now we are integrating our various, I would say, apps and applications and the other tools, which we have to improve the customer experience, improve our service delivery, improve our turnaround times, improve the way and the methods of working. One of them you talked about was this STP progress -- process, where we are talking of complete digital onboarding, digital credit appraisal. That has been implemented in late, somewhere around about January or February of last year. So 4 months of experience we have.

Yes, we had very tight guardrails around that, which resulted in a smaller number of cases being eligible to go through the STP process. We are currently reviewing that, and we are -- based on our experience, we are quite sure -- we are, I would say, assured that, okay, whatever guardrails were put in place, whatever risk mitigation measures were in place are working, now we can afford to relax it a bit.

So in the first quarter, almost about INR960-odd crores have been disbursed through the HOMY app, which is also an onboarding platform. So all these new digital things, which help us reduce or cut back on our manpower or rather redeploy our manpower, if I may use the word. There's not going to be any retrenchment or anything of that sort.

But whatever excess manpower we get by way of introducing these digital initiatives, they are going to be redeployed in other productivity areas so that the productivity goes up. So that is a work in progress. Another thing, this year, what we are looking at, we are looking at a complete data lake-house project, whereby the entire data of the company is going to be, I would say, consolidated and used effectively for data mining, data drilling. AI is going to be integrated into that so that it helps us in generation of leads. It helps us in our, what you call EWS, early warning systems for collections, for NPAs and for a whole lot of other systems.

So that is going to start this year. The RFP, I would say, tendering is already over and very shortly we are going to issue the contract to the successful vendor, which I will not name at this moment. These are the things in progress. If you say compared to Bajaj and Can Fin, yes, I do agree, they are probably slightly ahead of us at this moment -- at the current moment, but we will catch up with them, no doubt about that, we will catch up with them.

Our systems have to be equally robust and even more robust than systems, which at least Can Fin has. Bajaj is, of course, the benchmark in the industry -- in the housing finance industry, if I may say. So this is a work in progress, is going on in all fronts and we are expected to do well. This result in reduction of costs, will result in, I would say, generation of additional manpower for us, which can be used for productive purposes.

Rishi Mody: Got it, sir. If you could just quantify how many...

Moderator: Sorry to interrupt you, Mr. Mody. May we request you return to the question queue for a follow-up question. The next question is from the line of Sonal Minhas from Prescient Capital.

Sonal Minhas: This is Sonal Minhas. And I will just like to continue from the question that somebody in the queue was just asking. Sir, when will these software products start adding meaningfully to the top line and the growth of the company? That's one.

And secondly, also that from a preparedness perspective that if you want to lend, let's say, individual loans at higher yields, what is the preparedness required from a people systems and from a mindset perspective? Because it's a different TG of customers that we need to lend at. So just want to understand subjectively what is the preparedness for that.

Tribhuwan Adhikari: Yes, regarding the digital preparedness, it's not a one-time job or a one-day job. This is a continuously evolving process. Digital systems are put in place, various things like onboarding of customers for credit appraisal, like the STP process we have done for generating EWS, for helping us reduce our delinquencies, reduce our NPAs. So this is a complete work in progress. Now with AI coming in and lot more new tools coming in, we are exploring those also.

So there cannot be an end date to that. It is a continuous process. It will keep on happening. The ultimate aim and objective is that make the experience for the customer much, much, much better. Number 2, make it very cost-effective for the company to do its business and probably generate -- reduce the overall costs, which contribute to the margins of the company. So this is an ongoing process, right? The second part of your question, what was it, Sonal?

Sonal Minhas: Sir, I was asking that maybe a time line would help in terms of understanding when would the growth of AUM would be at par with the names that you were just talking about, Bajaj, Can Fin, maybe couple of other names. Is there a broader guidance of when can we expect, let's say, a double-digit growth number or a higher growth number in terms of AUM growth once this preparedness is there and we're ready internally?

Tribhuwan Adhikari: Yes. See if you look at our peers, for example, I do not know the Bajaj numbers. Probably their book growth would be somewhere around about 20% to 25%, yes. If you look at us, yes, 4% growth seems very, very, very low. But as CFO was saying, we've added almost INR12,000 crores, INR13,000 crores to our book in the first quarter, right? Since because my base is huge, INR3 lakh crores, as probably Bajaj being half of mine. So naturally, on the same growth, Bajaj would be showing a double growth than mine, right?

So matching the peers until they reach our size is probably going to be difficult. Yes, I agree to that. But definitely, yes, we cannot be satisfied with this 4%, 7% growth, which we have been demonstrating over the past 3, 4, 5 years. Definitely, we need to start off with a double-digit growth and probably inch towards 12%, 13% consistent growth over a period. This year, we are hell-bent on trying to give a growth of close to 8% to 10% in the book, and at least a 15% growth in the disbursement so that we can start our journey of growth, both in the disbursement as well as on the book, which we have not been showing for the past 3 to 4 years.

Moderator: The last question for the day is from the line of Arun Antony from JM Financial.

Arun Antony: Just a couple of questions. I just wanted to check regarding the guidance -- I think earlier the guidance for disbursement was around 16% and growth was around 10% to 12%. So is that being revised to around 8% to 10% growth and disbursement of around 15% currently? And also just one more question on the disbursement side. I think last quarter you had mentioned that in April you were seeing around disbursement growth of around 21%, right?

And then what happened in May and June so that the disbursement growth for the overall quarter dropped to 14%? The last question on credit costs is that I think the guidance was around 10 to 15 bps points for FY27. But considering the accounting change that was carried out in this quarter, is the guidance for credit cost still in that range or it would be lower than that? So these are my questions.

Tribhuwan Adhikari: Okay. Coming to disbursement, yes, one month is not an indicator of what's going to happen in the long term. Yes, April, I think when we talked, we were showing probably a 21% growth. But the guidance we had given for the quarter was 15%, and we have almost been there, 14.5% is what we have achieved. Again, as I said, guidance for quarter 2 also stands at 15%.

Yes, some months could be good. July could be good, August could be slightly lower than July. September could be good. So let us take it for the quarter. 15% is what we had guided and 14.5% is what we have achieved. For the year, our guidance for the book growth was double digit, and for the disbursement growth, it was between 10% and 12%.

We continue to maintain that. Credit cost right now is negative 5 basis points. For the year, we had given guidance of 10 to 15 basis points. Yes, we stick to that -- we stick to that guidance of 10 to 15 basis points for the year.

Arun Antony: So just to -- as in actually AUM growth guidance is around 8% to 10% and disbursements for the full year is 10% to 12%?

Tribhuwan Adhikari: Yes.

Moderator: Thank you. Ladies and gentlemen, that was the last question of the day. And I would now like to hand the conference over to the management for closing comments.

Tribhuwan Adhikari: Yes. Thank you. So thank you, friends. A lot of insightful questions. Yes, I know the concern is on margins and on growth, these 2 aspects. We are very well aware of that. As far as the growth, I said, the disbursement has picked up in Q1 and we are optimistic that the trend will continue in Q2.

As far as the margins is concerned, it's going to be challenging considering the fact that our segment is basically what the banks peddle in. So we are basically competing with banks. So we need to continue to compete, keeping an eye on the sort of margins we get or the spreads we get on our business.

And the other thing is the diversification strategy, which we are pushing hard, showing traction, showing -- growing green shoots. So these things, I believe, will help us in achieving our guidance of 2.6% on the NIM parameter, which we have given.

Q2 is going to be a good quarter as of now -- from what I see as of now, Q2 should be a good quarter for the company and should be a quarter, which will help us accelerate our journey to achieving the guidance we have given to all of you. Thank you. Thank you for your participation.

Lokesh Mundhra: Yes. Just I want to supplement something more. So our disbursement started growing in double digits. And definitely this quarter is really great in terms of my PBT and PAT. And my asset quality is also improving gradually.

And the return on assets for this quarter again improved by 9 bps points. And we are definitely hopeful that this year would be definitely do something extraordinary by end of the year. Thank you very much.

Moderator: Thank you. On behalf of LIC Housing Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.