“LIC Housing Finance Limited

Q2 FY27 Earnings Conference Call”

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MANAGEMENT: **MR. SANDEEP KUMAR – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – LIC HOUSING FINANCE LIMITED**
MR. LOKESH MUNDHRA – CHIEF FINANCIAL OFFICER – LIC HOUSING FINANCE LIMITED

MODERATOR: **MR. PRAVEEN AGARWAL – AXIS CAPITAL LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the LIC Housing Finance Q2 FY27 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.

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

Praveen Agarwal: Thank you, Avirat. Good day, everyone, and welcome to this earnings call of LIC Housing Finance. Today with us from the management team, we have Mr. Sandeep Kumar, MD and CEO; and Mr. Lokesh Mundhra, CFO.

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

Sandeep Kumar: Yes. Good morning. Good morning, everybody. Welcome to post earnings conference call for the LIC Housing Finance Limited. As you are aware, the company has announced its Q2 FY27 financial results on 30th of October 2026.

Before we begin discussing the quarterly performance, let me briefly introduce myself. I joined the company as COO in May 2026 and taken over charge as MD and CEO on 29th of August 2026. Before joining LIC HFL, I was associated with LIC HFL Financial Services Limited, a subsidiary of LIC Housing Finance as its MD and CEO. Having been associated with LIC HFL Group for the last 2 years, I have an opportunity to lead this business operation and strategic initiatives.

Before I start with the highlights of Q2 results, I would like to outline a few economic developments over the last quarter. In October 2026, during the monetary policy review, the RBI increased the repo rate by 25 basis points to 5.5% and shifted its policy stance from neutral to calibrated tightening, reflecting rising inflationary pressure.

Persistent geopolitical tensions, elevated crude oil prices, upside risk inflation, uncertainty around the globe interest rate trajectory have strengthened market expectations that RBI may maintain a higher monetary policy stance with the interest rates likely to remain elevated for longer.

As a result, the company also increased its benchmark lending rate, LHPLR on the existing portfolio as well as on the new business by 25 basis points with effect from 31st of October 2026. Housing demand in the September quarter remained broadly resilient. The underlying demand for the homeownership continues to be supported by urbanization.

Looking ahead, the festive season and the sustained domestic economic activity around should further support housing credit demand. With that in an overview, I would like to share the key financial highlights of the quarter. The total revenue from the operations were INR7,175 crores against INR7,074 crores for the corresponding quarter of the previous year. Outstanding loan

portfolio stood at around INR3,26,173 crores as on 30th September 2026 as against INR3,11,816 crores as on 30th September 2025, reflecting a growth of 5%.

Now out of which retail portfolio stood at around INR3,16,433 crores as against INR3,03,084 crores, up by 4%, whereas the project loan portfolio stood at INR9,740 crores against INR8,732 crores, up by around 12%. Total disbursement for the quarter were INR18,127 crores against INR16,313 crores for the corresponding period in Q2 FY 26 by 11%.

Out of that disbursement in the retail portfolio were INR17,563 crores as against INR15,935 crores, up by 10% year-to-year. Sequentially, quarter-to-quarter, the total disbursement were up by 21% as against the Q1 disbursement of INR15,014 crores. Disbursement in project loans were INR564 crores as against INR378 crores for the same period during the previous year, up by 49%.

The net interest income stood at around INR2,088 crores as against INR2,038 crores for the same period in the previous year. Net interest margin for Q2 FY27 stood at 2.58% as against 2.62% for Q2 FY26 and 2.58% for Q1 FY27. Profit before tax for the quarter was at INR1,918.55 crores as against INR1,704.71 crores in Q2 FY26 at a growth of around 13%.

Profit after tax for the quarter stood at INR1,508.78 crores as against INR1,353.87 crores for the same period showing a growth of around 11%. In terms of asset quality, Stage 3 exposure at default as on 30th September 2026 stood at 2.05% as against 2.51% as on September 30, 2025.

The total provisions stood at INR4,292 crores, reflecting a provisioning coverage ratio of 49% on Stage 3 as on 30th September 2026. Around INR553 crores of recovery has been done in this quarter. Apart from this, there were recovery from written-off accounts to the tune of INR84 crores.

On the borrowing side, our cumulative cost of funds stood at 7.29% as on 30th September 2026 compared to 7.42% as on 30th September '25 and 7.28% as on 31st of March 2026, reflecting an improvement of 13 basis points on a year-to-year basis, whereas the incremental cost of funds for Q2 FY27 stood at 6.91% as against 7.06% in Q1 FY27. Despite the elevated interest rate environment during the quarter, we have been able to maintain stability in our overall cost of funds while and moderated our incremental borrowing cost sequentially.

With this brief introduction, I would like to invite your questions. 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.

Avinash Singh: First question is on growth. I mean the growth continues to lag the industry growth. Now the competitive dynamics of this housing finance is going to stay the way it is in your core segment of retail salaried customer, the public sector banks remains aggressive. And if at all, you move down, I mean, the affordable segment also in terms of the players focused players remain competitive.

Now in this context, how do you see your growth panning out over the coming quarters? And if this competitive pricing continues, will you be willing to, again, take a hit on margins to accelerate growth? I mean, to put it very simple, I mean, do you see double-digit growth coming back over coming quarters or not? That's one.

Second, on this credit cost, I mean, yes, it continues to remain negative. The PCRs have been coming off slightly. But the question is that, okay, how do you see the outlook for credit cost? I mean -- and once you have this kind of recovery from past back book going away, what kind of estimated credit cost do you see?

Sandeep Kumar: Yes, you're absolutely correct. There is a lot of volatility around the corner. Moreover, the interest rates are moving up. And I think that is the case in India itself. All companies, all mortgage company, housing loan finance company, including banks, we are facing headwinds.

I'm very certain that we have achieved growth so far for the last 2 quarters. We have locked in a growth of more than 11%, which includes growth from the retail as well as project. And I am -- we have given a guidance for the year for a double-digit growth around 12% to 14%. What I see that as the rate has been increased across the industry, so there is no competitive margin pressure on us for that matter.

But yes, what steps we have taken internally to increase the sales at our end is that we have -- are increasing number of people on the street in our company. We have around more than 8,000 DSAs, agents, those who are giving us business, those who are active.

We are also strengthening our marketing subsidiary also to get more business in terms of sales, and that is happening that the figures are with us. They are also increasing, say, around 25% to 30% on a quarterly basis. Secondly, on the margin front, if I see, we have -- I think 2 months back, if I see, in certain products, we have initiated increase in rates 2 months back.

And in fact, that has not impacted us. That is, in fact, has given us a margin boost, if you have seen our results. So I'm very confident. And then another thing is we are focusing on product mix, a better product mix, whereas we are dominated 100% by the salaried class. Our now focus is moving towards self-employed category get more margins. At the same time, we are focusing on project side also.

We are also focusing on LAP business also. I think for the current year, we have set our target for achievement of 20% of sales through LAP. This is margin-accretive business to us, and we are moving in the same direction. I'm confident the projections given by us for the current year, we will hold them. We may be surpassing them.

As far as the credit question is concerned, yes, we are able to show, I think, a minus 3 bps point in the credit cost for the quarter, despite our aggressive recovery, I think we have done more than INR500 crores, INR560 crores of recovery. And I tell you, none of the case out of this INR560 crores is a big one. We have all relied on the retail loan recovery. And I'm very confident that whatever guidance that we have given, that is around 7 to 10 basis points up from the present that will -- we will be able to maintain it. We will be able to achieve it by the year-end.

Lokesh Mundhra: Yes, Avinash, this is Lokesh Mundhra, CFO. So what MD has narrated, I want to add some more facts for this quarter only. So last quarter, my growth was 14.5% disbursement growth. But if you compare the sequential growth for this quarter, it is more than 20%. It is around 21%.

So the company is doing good on the disbursement part, but AUM growth is definitely muted because of the size of our portfolio, it is more than INR3.26 lakh crores. So definitely, same similar growth cannot be reflected in AUM. But definitely, it will take and company is on the right path. And the second is credit cost. Definitely, the last quarter also, we have done good job on recovery front. Again, for this quarter, Q2, my credit cost is negative.

That is by 3 bps only, negative. And we are looking for a better recovery during next quarter, Q3 and Q4. As far as investors are concerned, definitely, as you compare my financials, my profitability, most important parameter is return on equity. My return on equity is 14%. I think that is one of the best in the industry. Yes, Avinash.

Avinash Singh: No. So yes, you rightly alluded that the divergence between disbursement growth and AUM. So one element there is of prepayments. It is stable around 12%, but this 12%, closer to 12% level is reasonably higher than what you used to have earlier more closer to 10% -- 9%, 10%.

Now till the time this prepayment rates come down, the divergence between disbursement and AUM might continue. So in that context, what are the steps you're taking? And how do you see this prepayment to come down, particularly if the aggression from the large public sector bank continues? So what will kind of -- what are the steps you are taking? And how do you hope your disbursement growth and AUM growth to converge versus that divergence that you have currently?

Lokesh Mundhra: So Avinash, prepayment is prepayment by way of basically by 3 things. That is one is our EMI, whatever principal repayment we are getting every month through EMI. And the second is my BT out or you can see the lump sum payment or prepayments. So it's a 37 years old company. So definitely, my prepayment or EMIs in terms of principal, it is definitely is around INR2,500 crores every month.

But as far as BT out is concerned, as our rates are very competitive, if you compare with even rates offered by banks. So my rate is up to last month, it was 7.15% onwards. So rates were very competitive. So I think on BT out front, it is nothing abnormal. So almost every month, net BT out is hardly INR500 crores only.

So secondly, for retention of customers, we have formed at one retention vertical at corporate level only by retention cell. And whenever we receive a request from the customer for return of document -- request for documents, so definitely, we try to convince the customer that our rates are very competitive. And wherever required, we reprice the loan.

So we are hopeful that the company is growing at double-digit growth. Last quarter, it was 14.5%. This quarter, it is around 11%. Sequentially it is growing at 21% Q-on-Q -- Q1Q. So definitely, it will reflect better growth in my AUM by end of the year.

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

Shubhranshu Mishra: Just two data point questions. First, if you can split the disbursement and AUM into -- especially the retail part of it into LAP and home loans for disbursement and AUM. Second is if you can give the Stage 3 of each of the segments, which is home loans, non-home loans and project loans.

Lokesh Mundhra: So yes, Shubhranshu, I'll take my portfolio breakup in terms of my different segments. So my portfolio under IHL as on 30th September '26, it was INR2,67,344 crores then non-housing individual, like LAP and LRD for individual segment, it was INR45,513 crores. And non-housing corporates, it was INR3,576 crores. And project is, again, it is INR9,740 crores as on 30th September '26.

So my total portfolio is as on 30th September, it is INR3,26,173 crores, as already we have given in my -- in our investor presentation. So as far as growth is concerned, so but showing almost 5% growth year-on-year in terms of my portfolio. And I think what was your second question?

Shubhranshu Mishra: The same split for disbursements. Actually, this was all given earlier in the PPT. This time around, what we have done is that we have only shown the split for project finance and individual. We are not splitting the individual into other asset classes, hence the question. So again, if you can split the disbursement into the same categories and gross Stage 3 for the same categories.

Lokesh Mundhra: If you want to note it down, I'll give you the breakup of INR18,127 crores what we have disbursed in this quarter. So a breakup of that INR18,000 crores, IHL is individual housing loan is INR12,197 crores. Non-housing individuals means LAP and LRD loans given to individual, it was INR5,216 crores. And non-housing corporate is INR150 crores and project is INR564 crores. That is the breakup for this quarter in terms of disbursement.

Shubhranshu Mishra: And gross Stage 3 for each of these categories?

Lokesh Mundhra: Pardon?

Shubhranshu Mishra: Gross Stage 3 for each of these categories, please?

Lokesh Mundhra: Growth. Okay. Stage 3, you want Stage 3, breakup Stage 3?

Shubhranshu Mishra: Correct, sir, correct.

Lokesh Mundhra: Gross NPA Stage 3.

Shubhranshu Mishra: Yes, sir. Yes, sir.

Lokesh Mundhra: So gross NPA, Stage 3 under IHL category, it is 1.09%. NHI -Non housing individual is 2.36%. Then NHC is because of some legacy cases is on a higher side. But my total gross NPA is 2.05% Stage 3.

Shubhranshu Mishra: This 2.05% is the project loans, what is the project loan gross NPA, sir?

Lokesh Mundhra: Project loan it is 20% almost. My gross NPA at the end of this quarter is 2.05%. So if you compare...

Shubhranshu Mishra: Is that 20%, sir, for project finance.

Lokesh Mundhra: 20% non-housing corporates, it is 20%.

Shubhranshu Mishra: 20%, sir, 20?

Lokesh Mundhra: 20%. Yes, 20%.

Shubhranshu Mishra: Yes, yes. Okay. Okay. Sir, if I can just squeeze in one last question, sir. This project finance, how many projects are there, which are still in gross Stage 3? And what would be the largest ticket size there? And what -- if you can split like what stages of resolutions are they stuck at?

Lokesh Mundhra: Okay. So just wait for a minute only. Actually you want figures. So let me just give the exact figures. So Stage 3 under this project and non-housing corporate is INR2,720 crores, okay?

Shubhranshu Mishra: Yes, sir. The number of projects, sir, the total number of projects.

Lokesh Mundhra: The number, exact, I'm sharing the amount only.

Shubhranshu Mishra: Would you be able to share the number of projects?

Lokesh Mundhra: Yes, yes, we can share with you. But right now, I'm not having the figure in terms of numbers. So amount I've already shared with you. So if you want numbers, we'll share you separately.

Moderator: The next question is from XXXX

Unknown Analyst: Sir, my query is regarding the NCLT order in case of personal insolvency proceedings of Dr. Subhash Chandra and LIC's exposure to it. Sir, my query is -- the first part is that what is the residual amount? So firstly, has the entire INR1,330-odd crores been provided in the books? If not, what is the residual amount that remains to be provided and the extent of impact on the P&L?

My second query is regarding the secured assets. What are the company's avenues for recovery of the outstanding amount and the steps that the company has taken or intends to take for monetization of these assets? What is the current assessed value of these assets relative to the outstanding exposure? And are there any material legal or other impediments to realize the security to monetize the security?

Sandeep Kumar: Yes, madam -- as far as your question regarding this Zee matter is concerned, Subhash Chandra matter is concerned, I think we have already gone public. We have already shared the requisite information that the 2 loans which we have granted payback, they are in NPA since 2022, '23. And thereafter, the recovery process is on.

Now we have filed a criminal suit against Mr. Subhash Chandra, a complaint has been filed in CBI against Mr. Subhash Chandra, who is a guarantor under those 2 loans.

Now as far as the conditions of the loan, they are NPA, and we are under process of recovering through NCLT, through SARFAESI, whatever mean available to us, we will pursue those cases.

The standard assets are with us only. In fact, if you see, we have an auction lined up for, I think, second or third against one of the properties.

I can -- I won't be able to share much detail because already this is under sub judice with the CBI. Whenever there will be something new or some news will be there, we will share it in the press release.

Unknown Analyst: So there is -- I mean, there's only going to be recovery on it going forward, no negative impact on the P&L as far as provision is concerned. So has it been 100% provided?

Lokesh Mundhra: Mahrukh, I don't think it is 100% provided, but we have sufficient security coverage. So we have two big properties located prominently in the South Bombay only and the value of those two properties are sufficient to cover the outstanding loan that I can say.

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

Abhijit Tibrewal: Just one question. Sir, I think during your opening remarks, you had shared that you have increased your PLR by 25 basis points effective October 21 on both the back book and the newer loans, the new loans that you're giving out. So I was just trying to understand a couple of quarters back, we had shared that whenever loans -- wherever the interest rate environment goes up for at least some time till the time we start seeing an increase in our interest rates, we might maybe want to hold off those PLR increases on incremental loans so that we can maybe gain some market share because banks, given that they give out repo rate loans, repo rate linked loans, they will be obligated to increase and in that period, right, maybe you would have gained some market share.

So any thought process around maybe gaining some market share? You have earlier alluded to the fact that you're still shooting for a double-digit disbursement growth. So just that thing, if I wanted -- I wanted some clarity on. And the other thing is, the margins, I joined the call a little late. Have you put out some thoughts on how margins are going to shape up over the next few quarters given that we are in a rising rate environment?

Sandeep Kumar: Yes. I tell you, in fact, your first question was regarding PLR. So we have already effected our increase in PLR from 31st of October. We have increased 0.25% base on our book and as well as on the new disbursement. In fact, we are competing.

80% of our earlier business is in salaried sector. We are competing with banks. Since banks have already increased that passed on to the customer, I think it is not going to much impact on our sales, first thing. Second thing is on portfolio side, at least 1/3 of our portfolio, I think the rates will increase from 1st of November.

Whereas for 2/3 of our portfolio, it will be effective from 1st of January 2027. So there is enough leeway into that. As far as the competition part is concerned, I don't think that in that space, in the salaried space, it will remain to be competitive as far as the banks are concerned.

But we have taken a switch in our policy, our product mix. Now we are focusing on salaried employed. Against salaried employees, we are going for self-employed category also. We are also trying to increase our business from LAP vertical, LRD vertical and project finance.

So this is how we want to pursue the competition as well as we have a focus on our margins. And the guidance which we have given, I think, for the year, it is 2.5% to 2.6%. I think we'll be able to continue that. At present, last quarter, it is 2.58%. As against quarter-to-quarter, if you see last year, it was 2.62%, I think. So we'll be able to maintain that margin.

Abhijit Tibrewal: Got it. And sir, lastly, are there any big ticket resolutions on the project loan side, which are there in the pipeline because earlier in the calls, we used to hear that we are toying with the idea of some ARC sales as well. Some of them were in advanced stages. Some of them we said it will take time. But do you think in the second half, any big ticket project loan, which is in advanced stages of resolution and you are expecting to get resolved?

Sandeep Kumar: If you see our recovery part in the Q2, I think there is no big sale through ARC or something like that. But in spite of that, we have done more than INR563 crores recovery through retail recovery only. I think we are expanding our recovery team. We are making it stronger and taking all those steps to see. But yes, you are correct.

What we could not do in Q2, definitely, we have few projects lined up with resolution through ARC in Q2 and Q3 and Q4. I'm hopeful that those big recovery will also be effected in Q3 and Q4.

Moderator: The next question is from the line of Harshit Dewani from Annso Capital.

Harshit Dewani: I had a question on dividend policy. Our payout -- the dividend payout has been around 10% for several years. And I understand RBI norms allow us to go to maybe up to 50% payout. And stepping it up, would lift our ROE and also reward shareholders. So what's the thought process behind the same? And is there a case to raise it?

Lokesh Mundhra: So Harshad, yes, so this company is giving -- if you compare with the previous year, so this time, we have given 500% dividend, that is INR10 per share, having face value of INR2. So definitely rewarding shareholders, one way is dividend payout and other way may be bonus or rights issue at discounted price.

But other options are not in place right now. But we can say that just taking industry average in terms of return on equity, so we are giving almost 14% ROE on return on equity. So that is quite good if you compare with the other peer companies.

Harshit Dewani: Understood, sir. My second question would be, what is the progress in terms of DA and co-lending initiatives in this quarter?

Lokesh Mundhra: Yes. So Harshad, policy for this direct assignment or you can say securitization we already placed before the Board. It was discussed at length. Board has suggested minor modification. So I think we'll get it approved in the next Board meeting. And probably in Q3 and Q4, we'll definitely in the market for a pool purchase or direct assignments.

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

Gaurav Khandelwal: First question is on the yields and margin side. So sir, if I can understand better, our incremental cost of fund is almost down 40 basis points, the exit cost of fund of 6.91%. It's almost 40 basis points below 7.29%. In that context, if our cost of funds is not increasing because even if I look at your liability mix, so almost 45%, 50% is NCD, how are we able to increase the PLR by 25 basis points? Can you explain that, please?

Lokesh Mundhra: Yes, Gaurav, so figures are in the public domain only. So my incremental borrowing cost is 6.91%. It is -- if you compare with the industry. So definitely, it is quite lower or somehow we could manage our incremental borrowing cost. If you compare year-on-year, so definitely, there is a handsome reduction in my incremental borrowing cost.

As far as my margins are concerned, definitely, if you compare sequentially, the last quarter, it was 2.58%. And again, we could manage at 2.58% only. If you compare year-on-year, the last time it was 2.62%. So there is a reduction of 4 bps. But if you compare with the other peer competitors, their margins have come down by almost 10 to 20 bps. So that's why we are performing in a better way.

Gaurav Khandelwal: Right. No, sir, but my question is, my understanding was to increase PLR, we have to justify a cost of fund increase. Is that not the case?

Lokesh Mundhra: Cost of fund, okay. Cost of fund is definitely one parameter. But all other players, especially banks, those who are having almost 75% market share, they have already increased the lending rate by 25 bps because of this policy repo rate increase.

So definitely, cost is one parameter for increasing PLR, but other parameters is my margin only. So that is why whenever we are getting better margins. So -- and if market is absorbing that lending rate, so definitely, we are increasing our prime lending rate, and it will be reflecting in our margin in Q3 and Q4 onwards.

Gaurav Khandelwal: Got it, sir. And now after these changes, what would be the gap between my incremental lending rate and my back book lending rate?

Lokesh Mundhra: Incremental lending rate. So incremental lending rate, we have already increased. So earlier, we were starting at 7.15%. So now we are starting at 7.40% onwards. So for every segment, whether it is IHL, non-housing individuals or project or NHC, all PLR rates were increased by 25 bps.

Gaurav Khandelwal: Got it. And at the same time, like you said, by 1st January, we'll get almost 25 basis points increase on back book. So we were at 8.96% right now, which basically means we'll go to 9.2% by 1st Jan. Is that a fair assumption?

Lokesh Mundhra: My reset clause as per my loan agreements, almost 1/3 book is repriced on a quarterly basis, and 2/3 book is repriced immediately from 1st of the next month.

Gaurav Khandelwal: Right, right. So exactly, sir, in that case, we are at 8.96% loan yield today. Once everything is repriced in, let's say, 2, 3 months, we get to 9.2%, but our incremental lending rate would be

7.4%, which means the gap between new lending and back book is 180 basis points, which means that my spreads will continue to compress going forward. Is that a right assumption?

Lokesh Mundhra: So 7.40% is my starting rate. It's not my average or average yield on the portfolio. So on an incremental basis, my incremental basis, my average yield on the entire disbursement, it is 8.29%. And my cost is 6.91% for this quarter. So my spread is around 1.75%.

Gaurav Khandelwal: Okay. So 8.29% is the average disbursement rate, right? And on cost of funds, sir, can you give us some visibility on, let's say, over the next 3, 4 quarters, how much would your cost of fund change by given the 25 basis points rate hike that we've already seen?

Lokesh Mundhra: Yes, yes. So Harshad, so looking to my borrowing structure, almost 32% to 35% borrowing is from banks. Those were repriced or based on EBLR specially we repo link. So probably impact of repricing of my borrowing -- bank borrowings, it would be around 10 bps by end of the year.

Gaurav Khandelwal: Okay. Got it. That's clear. And just one more question, and you already alluded to it in part. So when I look at the disbursement data to self-employed, that number was about 12% in first quarter. Second quarter, we've gone up to 17%. Is that a conscious strategy that you are adapting to increase your shift towards more self-employed, number one? Number two, how much is the yield differential for a self-employed loan versus a salaried loan?

Lokesh Mundhra: So Gaurav, actually, self-employed, even MD sir was also saying that, we have shifted our focus from IHL that is a prime salaried class segment to non-housing individuals. That is LAP and LRD to individuals. Actually that segment is giving better yield and the difference would be around 150 to 200 bps if you compare with the yield loan IHL portfolio.

Sandeep Kumar: In fact, this is a conscious shift we have taken. We are taking to diversify our portfolio mix. At the same time, actually, since most of the competition is from the salaried class, and that is we are getting it from banks. So we are trying to keep ourselves aloof from that, trying to avoid that, and that is why we are focusing on the self-employed where the yield comes to around 9.15% as against 7.40% we normally pass on to the salaried class. So I think there is a differential of around 1.8%, 1.7%, something like this.

Gaurav Khandelwal: Got it, sir. And maybe if I can squeeze in one more or the final question on competition with -- and this is almost a month that we've seen 1 month has passed after the rate hikes. Are you seeing on the prime, prime mortgage any increase in competition levels by PSUs or private banks? So competition was already elevated to begin with. But do you think has that worsened in the last 2 weeks, 3 weeks post the rate hike or not really?

Sandeep Kumar: So I will only say that banks have increased the rates immediately, but we are increasing rates from 31st of October. So probably, we are, to that extent, not affected during the last quarter.

Moderator: The next question is from the line of Sanket Chheda from DAM Capital.

Sanket Chheda: Just circling back on the margin trend. So in the rising interest rate cycle, since we have a higher share of NCD on the cost of fund side and almost the entire book on floating on the asset side, isn't it fair to assume that our cost of fund inch up would be slower than the yield inch up from

here on. And hence, from here on, margin should likely be steady, if not inch up. That's my first question. I'll ask the next one after you answer this.

Lokesh Mundhra: Yes, Sanket. So definitely, because of parentage advantage LIC we are getting raising funds at a lower rate. Definitely, if you compare with other AAA-rated companies, our borrowing cost is comparatively less. So my total borrowing -- my cumulative borrowing cost is 7.29%. And last year, as a strategy, we have borrowed almost 82% money from banks only.

So that bank borrowing is giving comfort. My cumulative borrowing cost on banks borrowing is 6.93% as on date. So still it is below 7%. If you compare with the market conditions, the policy rate, even 10-year G-Sec yield it has gone up to 7.49%.

Today, only it is around 7.36%. So that way, our cost of borrowing is very good. And definitely, margins would be intact or we'll be able to maintain our NIM margins, what we have committed in the previous quarter. And again, we are committing the same conservative view that our margin would be between somewhere 2.5% to 2.6%. That is a conservative outlook.

Sanket Chheda: Sure, sir. And on growth, we alluded that the disbursement growth would be 12%, 14%, but we have not given a number on the AUM growth that we would foresee. Now of course, for I think a couple of years due to rising interest rate cycle, the disbursements have been really a range-bound number.

So do we expect this 12%, 14%, 15% disbursement growth to continue for 2, 3 years and thereby, would you like to give us some sense that when do we see 10% to 12% AUM growth possible maybe next year or say, in FY29, where do you see that as do you aspire to say, take this growth higher now in the past few years, the growth has remained. So would you be happy with this 5% growth or you intend to aspire to deliver a higher growth from here on?

Lokesh Mundhra: Yes, Sanket. So the first case is disbursement growth. On disbursement side, the company started growing at a decent rate. The last quarter, it was around 15%, this quarter, again, it was around 12%. So definitely, when your disbursement growth would be better, so it will be reflected in AUM growth only.

My AUM size is very big. So doing similar growth, definitely, we have taken a very ambitious target of double-digit growth around 8% to 10%. So we are moving in that direction only. But predominantly, this company is basically the individual housing in the prime segment that is salaried class.

If you compare my market share as per the data released by National Housing Bank, still we are holding market share of almost 27% in terms of disbursement and almost 40% market share in terms of my portfolio size. So definitely, we are moving in the right direction, and we are hopeful that the company will reflect a decent growth of AUM by end of the year.

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

Chintan Shah: So sir, firstly, on the cost of funds towards the banks, which you alluded that it might increase by 10 bps by the end of the year. So if I look at the PPT numbers, so bank or NHB weighted

average cost was 6.85% in Q1, which has increased to 6.92% already in Q2. So the 10 bps will be over and above this Q2 number. So that's the first question. And secondly, on the CP cost, actually, we have almost seen a decline of 51 bps on a sequential basis from 7.2% to 6.9%. So anything to read here? That's the first question.

Lokesh Mundhra: Yes, Mr. Shah. So NHB, if you compare the figure of my outstanding borrowing from NHB, it was around INR10,000 crores last year. So it has gone up to almost INR25,000 crores. So my average borrowing cost from NHB is 6.91%.

So that is almost -- if you compare with the market rates at 6.91% is a very good rate. But this year in affordable segment, almost we are getting a refinance of almost 25% to 30% from NHB. And the remaining, we are getting at 7.75%. So my blended rate is around 6.91%.

CP, again, CP, my CP as on 30th September, it is around INR12,000 crores and average cost is 6.69%. So during this quarter, in initial days of this quarter, we could borrow money from the market at a very decent rate. It was around 6% or around 6% or 6.10%. So that is why my borrowing cost through CP is 6.69% as on 30th September.

Chintan Shah: Okay, sure. And sir, so on the recovery front, now coming to the recovery, so we have seen kind of negative credit cost for the first 2 quarters. And so now anything specifically, we already highlighted that 2 more corporate projects are also in pipeline. So should we assume a negative credit cost for the overall FY27 as well?

Lokesh Mundhra: So Shah, every quarter, it should be negative. It's difficult to say, but we are expecting that my credit cost would be around 8 to 10 bps by end of the year. And my PCR is around 48%. So for this quarter, it was negative by 3 bps. By end of the year, we are expecting somewhere around 8 to 10 bps.

Chintan Shah: Okay. And sir, sir, lastly, on the AUM growth. So basically, disbursements, as you already mentioned, they were quite strong at 20% sequential growth, but -- so it is not translating into AUM growth despite the stable repayment rates at all.

So what actually kind of needs to -- what kind of disbursement growth should come up or what kind of repayment growth should we be looking at to get to the desired 10% to 12% AUM growth, yes?

Lokesh Mundhra: So first strategy is we have to focus on disbursement growth. So now company started doing -- showing a good growth of 10% to 20%. We are targeting around double-digit growth, even around 15% growth we are targeting for this year. Definitely, it will reflect in my AUM growth.

But looking to the size of company, size of portfolio, its impact is not reflecting equal impact in AUM growth. So we are hopeful that by end of the year, company will show a decent growth in AUM also.

Sandeep Kumar: Apart from that, I would like to say that this year, we are trying to implement our institutional rewriting framework. We expect that some of the customers will be trying to BT out -- they will

try to BT out. We have developed an institutional framework for rewriting. And I think that the results of that may be forthcoming in this quarter as well as in Q4.

Chintan Shah: Sure. And lastly, sir, one question, if I could squeeze in.

Lokesh Mundhra: Yes, yes.

Chintan Shah: Yes. So just one last question. So on the affordable housing piece, I think we had mentioned a few quarters ago that we would be looking to ramp up on this segment. So any update -- anything you want to update here in terms of like you, I think, highlighted that we'll be reaching a goalpost of INR1,000 crores of AUM. And so any time lines or anything to update you on the affordable housing piece, yes?

Lokesh Mundhra: So Mr. Shah, that segment is definitely lucrative in terms of yield, but that segment is risky. We have affordable housing segment. And -- but portfolio is, if you compare with the total AUM, it is negligible. So as such, we have not created a separate team for affordable housing loan segment.

But definitely, we are moving in the same direction. And though it's a lucrative in terms of yield, but on the other side, it's a very risky segment. Some of the companies are definitely -- they are more in affordable segment. But my core strength is that is prime segment because that segment is comparatively lesser risky and giving better returns and steady returns.

So our focus is on what company is traditionally doing for last so many years. But this year, we have changed our strategy in terms of better yield. So this year, we are focusing on non-housing segment, that is the LAP and LRD especially to individual segment. And again, we started focusing on project finance. So that project finance is again showing a good growth of 49% quarter-on-quarter. So that is a good sign for the company's growth.

Moderator: The next question is from the line of Vipulkumar Shah from Sumangal Investments.

Vipulkumar Shah: I am an individual investor. So my question relates to our renewed focus on project finance, where our past experience is not very good. We have very high NPAs and the cases are still continuing. So what we are going to do different this time so that we don't have the same type of result?

Sandeep Kumar: Yes. Actually, you see, we have taken a different strategy this time. Earlier, we used to focus only on the big ticket size project financing. Maybe INR500 crores, INR400 crores, INR600 crores. This time, our strategy from the beginning of the year, we have taken a stance that apart from the big, we should also start looking at small ticket size project financing.

And where I find the maximum growth in the housing today is coming from the traction in the Tier 2, Tier 3 and Tier 4 cities. So we have set up mechanisms in our regional offices to see that we start getting proposal for the project finance with the range of INR50 crores to INR100 crores. And we are getting a lot of inquiries from Tier 2, Tier 3 cities.

We have become very selective, very choosy. It is not like that, that whatever is coming, we are accepting it. And we are mindful of the NPAs, which have been generated during the last few years. We are trying to resolve that also at the same time. But our strategy is to move this project cycle in a big way, but by learning, I mean, from the past mistakes we have done, at the same time, exploring new markets where we were earlier not present.

Vipulkumar Shah: So what is the yield we are offering to the small ticket size builders? And what is the security cover in terms of percentage?

Lokesh Mundhra: Yes, Mr. Shah. So definitely what MD has said that we have -- we are very selective whenever we are financing any project. So for bigger loans, we have taken a minimum benchmark of external credit rating that is BBB. And security coverage is 1.75x.

So you are initially saying that our experience was not so good in this segment. So you are very right. We already burned our fingers. But this time, we have tightened our underwriting parameters, and we are taking a very calculated call for financing project finance cases.

And we are hopeful that in this segment, this segment is good, and it is yielding almost 10% plus. If you compare with the IHL segment, this project finance segment is giving you better returns, and it is more than 10%.

Vipulkumar Shah: So for a BBB developer, you are giving rates at -- loans at just 10%?

Lokesh Mundhra: It's not so. It depends on the many underwriting parameters. BBB is a minimum benchmark. That is a minimum benchmark. It depends. If suppose rating is AA+ or AA. So definitely, my lending rate would be -- normally, we are following the market rates, what other financial institutions like banks are offering. So we are matching our rates with the other lending institutions. But on an average, the segment is giving you 10% plus yield on the entire project portfolio. Or more precisely, it is around 10.62% as on 30th September '26.

Moderator: The next question is from the line of Aayush, an Individual Investor.

Aayush: My question is a follow-up regarding the dividend policy. We are at around 14%, 15% ROE, upwards of 25% capital adequacy and single-digit AUM growth rate. Over the next couple of years at the current rate, our capital adequacy will cross around 27%.

Now when RBI is allowing us to give up to 50% of annual profits as dividends, why don't we tweak our policy? Because despite having 15% ROE and LIC parentage, we are trading at 0.6x book that is the lowest amongst all HFCs.

Everyone trades at least at double our valuation. So even if we give the maximum permissible dividend over the next 2 years, our capital adequacy ratio remains around the current levels and even the gearing ratio only increases marginally. So why don't the senior management and the Board have a serious discussion about this because trading at a 40% discount to book value is extremely punitive to all the shareholders.

Lokesh Mundhra: Yes, Aayush. So my capital adequacy ratio is far above the required of 15%. That is 25.48%. So we can consider. So again, this year, again, we have declared a dividend of 500%. That is in terms of about INR10 per share. So definitely, whenever time comes, definitely, we'll find out the other options to rewarding my shareholders.

So as of now, there is no matter to be discussed regarding other ways of payout to shareholders. But definitely, in the Board meeting, last time also, it was discussed in the Board meeting. So I will take a call at the appropriate time.

Aayush: So it's been more than 5 years since we've been trading at these steep discounts. And despite the 500% that you're seeing on a INR2 face value that barely moves the needle on a stock that has INR850 book value.

So I think looking at it in terms of a percentage of the face value is the wrong metric. Now even if you get to 7%, 8% asset growth and with the way your risk weight is on the asset, you will still not need more than 40%, 45% of the profits as retained earnings even to maintain these levels.

So you should commit to the shareholders that you will take steps to at least bring the book value up to par because 0.6 is unheard of, like PNB housing is trading at 1.4x. So you have a pseudo-sovereign rating. And despite that, we are trading at such steep discounts. I don't know why other shareholders are not speaking up on this matter.

Lokesh Mundhra: So Aayush, you are very right that stock is highly undervalued. It's trading around 0.65. That is a price to book value multiple. So prices are definitely the market driven only. Company's role is to perform only. So company's performing, started performing, they are showing a good disbursement growth.

Other things, what you are saying, how to reward my shareholders, definitely, we'll discuss all other options available in the next Board meeting. If Board approves, definitely we will come out with a nice, you can say, dividend, either dividend should be better or we'll offer some other options.

Moderator: The last question is from the line of Karan Singh, an Individual Investor.

Karan Singh: Yes. So my question is along the lines of what the previous participant alluded to. And I think a lot of people have spoken about this. And what I'd just like to pass on is looking at dividend on face value and then saying that bonus is a capital allocation, I think is -- I don't think the Board and the management is giving it due consideration in terms of minority shareholders.

And this message should be passed on fairly seriously because you have to look at capital requirements as a basis of -- as a percent of what is required. And I don't think that is being handled. And I just want to highlight that. So I think the previous participant covered it fairly well.

And I hope this gets covered in the next Board meeting. And at least there's a clear policy because earlier you used to pay out 18% to 20% of profit as dividend. Looking at it as a percentage of face value, whether it's 50, 100 really doesn't make any difference. So one is that.

Second is there was a question on the exposure to the Zee Group promoter. What is the outstanding gross and net on the books because that number was not mentioned.

Lokesh Mundhra: Yes. What was your last question, outstanding cost?

Karan Singh: For the -- not the cost, the exposure to the -- to Dr. Subhash Chandra's Group, the gross and net on the books because it was mentioned that there is something. So what is the gross and the net? I understand you have covered for it, but what is the gross and net on your books today?

Lokesh Mundhra: So I can say one thing on the -- there are two loan accounts in that group. One loan account is 100% provided and second one is, I think, 75% we already provided. And the total outstanding amount, it is around INR1,365 crores, including interest and other things. But my principal outstanding is quite below, and we are sufficiently covered. We have two good properties in the South Mumbai and the value of those two properties is quite sufficient to recover my outstanding dues, right now.

Karan Singh: No, I got that. I thought that one of them is 100% covered. So I'm guessing that's not -- is it technically written off? So does it come as gross NPA or...

Lokesh Mundhra: No, no, no, it's not technically written off. It is in the books appearing as my non-performing assets, the NPAs.

Karan Singh: So both the total INR1,300 crores is appearing as non-performing and the provision against that is also reflected?

Lokesh Mundhra: It is in one case, it is 100%, other case, it is 75%.

Karan Singh: So what is the net NPA towards this group? That's basically the unprovided part?

Lokesh Mundhra: That figure I don't have right now, but that is sufficiently we have already provided.

Karan Singh: Okay. And on the dividend, just I would appreciate if you start looking beyond the percentage on face value. And I would just say bonus is good, but bonus, if it becomes a proxy for paying a higher dividend, is good. But otherwise, it really shifts from reserves to equity. So it really doesn't matter.

Lokesh Mundhra: We have taken your suggestion positively.

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

Sandeep Kumar: Yes. I thank all my investors on the call and all my analysts for having trusted us in past and at present and future also. I wish them a very Happy Deepavali. I think this is around the festival,

we should celebrate. And definitely, this quarter and the next quarter will also be very celebrating to all our investors. Thank you. Thank you very much.

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

Lokesh Mundhra: Thank you. Thank you, everybody, and wish you happy Diwali.