"LIC Housing Finance Limited Q4 FY '25 Earnings Conference Call"

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MANAGEMENT:	**MR. TRIBHUWAN ADHIKARI – 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 Limited Q4 and FY '25 Earnings 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 conclude. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. Please note that this conference is being recorded.

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

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

Tribhuwan Adhikari: Yes. Thank you, Praveen. Very good morning to all of you, and welcome to the post earnings conference call of LIC Housing Finance Limited for Q4. As you are aware, LIC Housing Finance Limited declared its Q4 results yesterday. Now before I start the highlights of the Q4 results, I would like to outline a few developments in the economy over the last quarter. The Reserve Bank of India's MPC enacted two successive 25 basis point reductions in the repo rate during 2025, lowering it from 6.5% to 6.25% in Feb and further 25 basis point cut from 6.25% to 6.0% in April.

Despite these cuts, liquidity conditions remain constrained in Q4 of financial year '24-'25, Jan to March, contributing to higher market yields. To address this, the RBI introduced multiple liquidity boosting measures in March '25, including a US$10 billion INR buy and sell swaps, then there were OMOs worth INR1.8 lakh crores and variable repo rate options. The cumulative 50 basis point rate cut, combined with the improved liquidity from these interventions led to a decline in market yields during Q1 of the current fiscal, that is '25-'26.

And due to an increase in the borrowing costs, the company, LICHFL increased its benchmark lending rate or LHPLR as we call it, by 10 basis points with effect from 1st January 2025. And subsequently, after the repo rate cut, the PLR was reduced by 25 basis points with effect from April 28, 2025, which affected the entire portfolio. With this, we present the financial highlights of the company for the quarter as follows: the total revenue from operations at INR7,283 crores as against INR6,936 crores for the corresponding quarter of the previous year, registering a growth of 5%.

The total loan portfolio stood at INR3,07,732 crores as against INR2,86,844 crores as on 31st March 2024, reflecting a growth of 7.38%. The individual home loan portfolio stood at INR2,61,562 crores as against INR2,44,205 crores, up by 7% and this individual home loan portfolio comprises 85% of the total portfolio. Total disbursements for the quarter were INR19,156 crores as against INR18,232 crores for Q4 of FY '24, up by 5%.

Out of that disbursements in the individual home loans, INR15,383 crores were individual out of this total disbursement of INR19,156 crores, INR15, 383 crores was against -- as against

INR14,300 crores for Q4 of FY '24 were individual home loans, which was up by 8%. Project loans were at INR875 crores compared with INR1,501 crores in Q4 of FY '24. On the net interest income, the NII was INR2,166 crores for the quarter as against INR2,000 crores for Q3 of FY '24. So sequentially, there was a growth, but it was INR2,238 crores for Q4FY '25, so there was a decrease.

Net interest margins for the quarter stood at 2.86% as against 2.70% of Q3 of FY '25 and 3.15% of Q4 of FY '24. PBT stood at INR1,769.58 crores as against INR1,476.18 crores, registering a growth of 20%. PAT registered a growth of 25% approximately. It stood at INR1,367.96 crores as against INR1,090.82 crores. And for the year, the PAT stood at INR5,429.02 crores as against INR4,765.41 crores, showing a growth of 14%. Dividend declared by the company was 500%. Again, that is INR10 per share, face value being INR2.

In terms of asset quality, the Stage 3 exposure at default stood at 2.47% as against 3.31% as at the end of 31st March 2024 and 2.75% as on 31/12/2024. So the asset quality has been continuously improving. Total provisions as on 31/3/2025 were INR4,899 crores with Stage 3 PCR, the provision coverage ratio coming to 51%. On the recovery front, with the continuous and focused efforts, we have witnessed a significant and consistent reduction in delinquency levels during the last year.

Also, during the year, we have made a technical write-off of INR171 crores during Q4 and INR1,368 crores during the entire financial year. On the funding side, the cumulative cost of funds stood at 7.73% as on 31/3/25 as against 7.78% as on 31/12/24. So sequentially, there was a decline of 5 basis points. And as compared to last year, which was at 7.76%, there was a decline of 3 basis points. Incremental cost of funds stood at 7.73% for the full year and 7.66% for the quarter.

Net interest margins for the year stood at 2.73% as against 3.08%. During the last quarter, the interest rates were elevated due to tight liquidity conditions. However, we managed to keep our interest rate expense flat in compared to Q3. We also renegotiated on some of our outstanding borrowings. These were the earnings highlights. And with this brief introduction, I would like to invite you for your queries. Thank you.

Moderator: We have our first question from the line of Mahrukh Adajania from Nuvama Wealth. Please go ahead.

Mahrukh Adajania: Sir, I had a couple of questions. You did say that you have changed your PLR as of 1st April by 25 basis points. So now the entire individual loan book has repriced and -- is that correct?

Tribhuwan Adhikari: Yes, it is correct, Mahrukh.

Mahrukh Adajania: Okay. And sir, in terms of cost of funds, which was 7.66 incremental in the fourth quarter, what is it as we speak today? Because the yields have already...

Tribhuwan Adhikari: Cost of funds have come down after the repo rate thing around about 7.3.

Mahrukh Adajania: So the increase was 7.3. So basically, 7.66 has gone down to 7.3 and the yield has gone down on the individual home loans by 25 basis points. And sir, I just wanted to understand, I know you had explained even on the last call that how soon do you pass on the repo rate cuts? So what's the pricing mechanism? Do you pass on the previous 25 basis points, but there was one more 25 basis points, when will that be passed on to existing customers?

Tribhuwan Adhikari: No, Mahrukh, like banks -- many of the banks, the housing loan rates are linked to the repo rate. And so automatically, wherever there is a repo rate cut, the benefits are automatically passed on to the borrowers. But in our case, we don't have that. We have something called the LHPLR or something -- a PLR, we can call it. We do assess because ultimately, the -- how much we are able to pass on relies primarily on our borrowing costs, right?

So if we see that the borrowing costs are transmitted, the reduction in repo rates are also transmitted to us in the form of lower borrowing costs, we do take a call and pass on the reduced borrowing costs to the borrowers. So that is a call we take from time to time. So it is not automatically linked to the repo rate that as soon as the repo rate comes down, we have to bring down our PLR.

Lokesh Mundhra: Good morning, Mahrukh, I am Lokesh Mundhra, CFO. I understood your question that this reduction in lending rate or -- so that will be effective on a quarterly basis. So this quarter, it will not be effective and next quarter is from 1st of July, the effect will come.

Mahrukh Adajania: Okay. So the next repo rate -- so there were 2, one has been passed on and one will be passed on in July, that way.

Lokesh Mundhra: No, no, no.

Tribhuwan Adhikari: No, no. We are not confirming that. We'll take a call in July as to the -- what -- how our borrowing rates have kind of leveraged as compared to the rate cut because in June -- again, in June, there's an MPC in June, we are -- I'm personally expecting a rate cut of another 25 basis points. So we'll take a call in June -- we'll take a call in the month of June. This rate cut, which we have effected in April, this will automatically be passed on from the 1st of July.

Lokesh Mundhra: Correct.

Tribhuwan Adhikari: Because many of the loans get reset every quarter. There are some loans which get reset every month. So that is a slightly lesser smaller percentage. So that -- those loans would have already been reset. A majority of the loans get reset quarterly. So those would be reset on the 1st of July.

Lokesh Mundhra: Correct.

Mahrukh Adajania: Got it, sir. Very clear. But just historically, if you see in the earlier rate cut cycles, of course, we did not have repo linkage then even for banks. How long does it take to transmit cuts? So if, say, RBI is cutting rates today by 25 basis points, historically, how long has it taken before that reflects in your cost of -- fully reflects in your cost of funds? And is then fully passed on to borrowers? Any such data you could share?

Tribhuwan Adhikari: I don't have any specific data as to when we have passed on the rate cuts in the earlier cycles, etcetera. But usually, I would say it would be -- I would think, a 3-month cycle because as it is, the reset is quarterly in most of the loans, almost majority of the loans the reset is quarterly. So normally, it takes about 3 months to pass on the rate cuts to the borrower and the rate to get affected for the borrower to feel the effect of the rate cut.

Moderator: We have our next question from the line of Sameer Bhise from Dymon Asia.

Sameer Bhise: Congrats on a good set of numbers. Sir, just kind of probing on the whole interest rate things again. Given that we have partly passed on the rate cut on the asset side right now, do you think there is a case that as we go down the rate cycle, there will be a period when in the at least in first half of FY '26, we could have a bit of a compression on spreads, which is probably more pronounced than before and then hopefully, we recover towards the end of the year. Is this the right way to think about it?

Tribhuwan Adhikari: Well, Sameer, yes, the interest rate scenario right now is very, very volatile with rate cuts happening and transmission of the rate cuts to the borrowers and again, transmission of the rate cuts in the form of borrowing costs. It's all very, very, I would say, murky right now. But yes, the trend has clearly seen from the actions of RBI and from the market expectations that the trends are for a lower revision in the repo rates. But we are looking at how it gets transmitted to the borrowing costs.

As I said, the borrowing costs right now at 7.3% down from around about 7.66%. So almost 30 basis points out of that 50 basis point rate cut has been passed on to us. We'll have to take a call. Yes, margins are going to be under pressure. I'm very aware of this, and it will require very thrift handling on our part managing -- in managing the, I would say, the interest rate scenario so that we do not lose out on the spreads and the margins. I feel we should be able to handle that. We have ended the year with a NIM of 2.72%. I think we should be in that region. So my guidance for the year...

Sameer Bhise: On a full year basis -- so this is on a full year basis, we ended at 2.72%, 2.73%. How should we look at probably -- if you could give some sense on how the transition could be through the year?

Tribhuwan Adhikari: Yes, through the year, my sense would be -- worst-case scenario would be probably at 2.6%; best case scenario, probably at 2.9%. So my guidance would be between 2.6 -- sorry, 2.6% and 2.8%, not 2.9%.

Moderator: We have our next question from the line of Gaurav Kochar from Mirae Asset.

Gaurav Kochar: Sir, again, probably a little bit more on margins. So you called out that there has been a PLR reset of 25 basis points. And you also mentioned that the incremental cost of fund, which was 7.66% in Q4 has come down to 7.3%. So is it fair to believe or is it correct way to look at it that whatever benefit you get on your cost of funds, only that will be transmitted on the PLR. So let's say, if you take a call on the further PLR rate cuts that you'll be doing, that will be solely dependent on how much funding cost benefit you're getting.

So in that scenario, if that is the case: one, in that scenario, what is the spread that you're looking at that you would like to maintain on a going-forward basis? Maybe -- if not quarterly, maybe from 1H and 2H, taking these 2 separately, where do you think your spreads would likely bottom out?

Tribhuwan Adhikari: Yes, Gaurav, quite naturally. I think I would -- I hate taking money out of my pocket. So asking me to take money out of my pocket and giving it to my borrowers and thereby increasing my margins and spreads, so that's not the right way sort of to do it. Yes, we would be looking at on whatever sort of rate concessions we get in our borrowings on to the borrowers. We've done 25 basis points.

Yes, as I said, 7.66% to 7.3%. That means almost 36 basis points is what the borrowing cost has reduced by. We'll look in the coming days. Let's see what happens in the June MPC. In the coming days, we'll see if we can pass on this to the borrowers as well. So definitely, whatever benefit we get in lower borrowing cost as a result of the repo rate reduction will be passed on to the borrowers. And what was the second part of the question, Gaurav, if you can just...

Gaurav Kochar: Yes. Any spread that you would like to maintain? Today, let's say, you're doing 2% spread, the difference between your yield and cost of funds. Would you like to say that probably maybe 1.90 or any number that you'd like to call out? You would like to maintain that kind of spread...

Lokesh Mundhra: Right now, we are at 2.06%.

Tribhuwan Adhikari: We are at 2.06%. We'd like to maintain that. For that, 2 things need to be done. Yes, we got to be aggressive as far as borrowing is concerned. But of course, borrowing depends on market conditions and T-bill rates and a lot many other things which are not in my control. So that would be market-driven. Till there -- since we are the biggest HFC, we have a AAA-rated status, we would try to negotiate with our borrowers for better rates, number one.

And on the other part, as far as the lending cost is concerned, yes, I do agree that we are a company which is mostly focused on individual home loans. Our competition is mostly with the banks. The banks have an advantage of lower cost of funds because of the CASA deposits they hold, which are very low-cost funds. So competition in the individual home loan sector is very, very intense. The rates, they're already down to 8% for new loans, right?

Being a big player in the market, we cannot afford to set our rates higher than what is there in the competition because then we lose business, we lose growth. So it is going to be a very tight balancing act. But what we need to do, I believe, as a company, we need to sort of enlarge the sales of whatever we are selling into more margin-accretive segments, like IHL, as I said, is very, very competitive. Yield, the margins are very low in IHL. But there are other segments like if I talk about the LRD and the LAP part of it, where yields are much, much better.

Project finance is one sector where the yields are much, much better. Affordable housing is another segment where the yield is much, much better. We have done it last year, and we have seen some traction. For example, if I talk of project finance, last year, my loan growth was almost 47.5%. If I talk of the LAP and the LRD book, my growth was almost 20%. So we have been focusing there. But again, this book is small in size, comprising about 15% of my total book because 85% is housing loans.

So we have to diversify into that segment. And at the same time, we aim for lower borrowing costs so that my spreads, which are at 2.06% remain at that level. So I would say spreads -- we would keep the spreads in the region of about 2%.

Gaurav Kochar: Okay. Sure. And sir, just last on the funding cost, the incremental cost, as you mentioned, has come down to 7.3%. But by when do you think the stock cost will also start sliding down towards that 7.3% mark? Or how much -- how long will it take for your stock cost of funds also to kind of get in line with the incremental cost of funds?

Tribhuwan Adhikari: Yes. I think that will take time. See, my entire borrowing book, if you see, my borrowing book is over, what, INR3 lakh crores, approximately?

Lokesh Mundhra: INR2,70,000 crores.

Tribhuwan Adhikari: My borrowing book is INR2,70,000 crores. Quite a lot of it is on term loans, which are linked to repo rates, but quite a lot of it is NCD -- NCDs, which are more or less fixed in nature. So the repo rate cuts or the -- would be impacting my borrowings of term loans from banks immediately. But in the NCD, I would have to wait.

And then, of course, there are some borrowings which we have done in the past at higher rates. We need to retire those borrowings and churn the portfolio so that we get fresh borrowing at lower rates. So all these things need to be done so that we are able to maintain our spreads and our NIMs.

Lokesh Mundhra: Yes, I want to add something more. So we have -- 45% of our borrowing is on floating rate, and that cost is gradually coming down. So ultimately, impact would be -- if you consider yield rate and the borrowing cost, so the impact would be in our favor on this.

Moderator: We have our next question from the line of Rajiv Mehta from Yes Securities.

Rajiv Mehta: Congratulations on a good performance. Sir, firstly, need some color on growth because in this quarter, our disbursement growth rate was healthy. So which markets drove home loan disbursement growth in fourth quarter?

And how was the performance of Hyderabad and Bangalore versus previous quarter wherein we had an issue? And if you can also comment about whether the traction in growth is kind of sustaining in April and May? And what kind of disbursement and loan growth are we targeting for the current year?

Tribhuwan Adhikari: Okay. Yes, Rajiv, yes, Q4 was good as far as the disbursement was concerned, a 24% growth in disbursements overall. Coming to Hyderabad and Bangalore, yes, these were two territories -- geographical territories which were impacted in Q3 for two different reasons altogether. Hyderabad has come back on track -- 100% back on track and has delivered excellent results for us in Q4. Bangalore is now, I would say -- if I were to put it on a scale, I would say 95% back on track. 5% pain, we are still experiencing because of piling up of a large number of registrations, which has gone online or electronic in Q3 and Q4.

So I say, as of now, I think both these regions are back on track. As far as what contributed to this 24% growth. I think overall, everyone has done well, except my East. East is slightly behind expectations, I would say. By East, I mean West Bengal, Assam and those 7 sister states. But of course, they are a very small part of my overall book and the overall share of disbursements. But otherwise, by and large, all regions have done well. This year, I'm pretty optimistic.

All regions would fire -- there's nothing to hold us back. The trend of Q4 gives us a lot of hope that things would continue. April has been satisfactory, I would say. Of course, not too much of growth, but that is expected after a big month in the month of March, it is traditionally -- April month is usually slow. May is picking up.

So this year, I'm very optimistic that we would not face any problems in registering growth quarter after quarter. And I am aiming for a business growth, that means a disbursement growth of at least 10% to 12% and an AUM growth also of double digits.

Rajiv Mehta: Okay. Great. Sir, PSU banks have been very swift in cutting new home loan pricing. They've cut it by 50, 60 basis points in the last 3 months. So now is this starting to impact our BT request and BT out rates in April, May? And hence, can that also drive more upfronting of a decision with regards to cutting rates?

I know that a large bulk of the decision-making rest with how the funding cost should move. But because of this competition down their rates pretty fast, is the BT pressure increasing and hence, would we need to move slightly in an accelerated fashion in cutting our PLR and new home loan pricing?

Tribhuwan Adhikari: Yes, Rajiv, you're right. Yes, there is some BT pressure witnessed in Q4, especially for our existing loans because banks have been very aggressive in cutting their rates and the rates they offer to existing customers moving out of other institutions is almost equivalent to the new home loan rates, which is closer to 8%. So that is one issue which needs to be tackled and our BT out or rather, if I may call it, in general, retention of portfolio is a major concern.

Yes, we are trying to address that by being sort of -- by offering -- on a selective basis by offering rates to our customers who want to move out. So we've been doing that. But yes, it's a very tight rope walk for HFCs as compared to banks, banks do have the advantage of CASA deposits and slightly lower cost of borrowings.

And of course, the banks have an advantage of having other products to sell like MSME or personal loans and other loans where they charge high rates and overall, their NIMs don't get impacted. For companies like LICHFL, which is a single product company as we deal only in housing loans and home loans, for us it becomes very difficult competing with these banks.

So this is a conscious call we need to take. Yes, we want our book to grow. We want our disbursements to grow. But at the same time, we cannot throw margin to the winds, right? We also need margins -- we also need margins. So this is going to be a right rope, we have to walk all through.

And I believe we would be successful in doing that. At the end of the year, I think we would have a disbursement growth of double digits, loan book growth of double digits, and I think we would be able to maintain our margins -- NIMs at 2.6% to 2.8%.

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

Abhijit Tibrewal: Just two questions while you have articulated a lot around how you're looking to grow, what margins you're wanting to maintain this year. First thing first, just trying to understand -- I mean, first of all, I mean, congratulations to Mr. Mundhra for resuming this role of CFO. And that's where my question was, what has prompted this change in the CFO. I mean the CFO that we had earlier, right, that he has resigned or moved on, he still with us in the company. So a, what is the thought process around this change at the CFO level? That's the first question I had.

And the other thing that I wanted to understand is, I think, I mean, last year, if I look at FY '25, I personally take a lot of heart from the improvement in asset quality that we have demonstrated, which led to benign credit costs. We also know that you've been working a lot on resolutions on some of the exposures.

And I think I remember somewhere media maybe -- appeared earlier -- media earlier where you guided for some recoveries in project loans this year. So just trying to understand, I mean, a, how should we look at asset quality going ahead? And what is your assessment of credit costs for this year?

Tribhuwan Adhikari: Yes. So let me answer why CFO change. Yes, Abhijit, coming to your first question regarding change in CFO. This was a routine affair, not driven by anything special or anything of that sort. Sudipto Sil, our previous CFO, he had been with us for a long, long, long time, I think 9, 10 years, right? The management felt that Sudipto still has some time to go in the company. The management felt that Sudipto needed some exposure in other verticals or other lines of business also.

So just to give you an exposure, there was this change. Sudipto was moved into marketing. And Mr. Mundhra, who is an old experienced and a chartered accountant at LIC, having worked in the investment department, all the three sections, the front office, the back office and the mid-office, has good experience of finance and investment and borrowings. So we decided to bring him in. So that was all.

There was no specific -- any other reason other than that. As regards asset quality, yes, we've been working on asset quality for the past 2 years, and there has been an improvement in quarter-to-quarter consistently. If I remember correctly, 2 years back, our GNPA was 4.41%. Last year, we brought it down to 3.31%. This year, we have ended at 2.46%. I'm pretty sure the asset quality will continue to improve.

The provisioning requirements would continue to come down. There will be release of provisions. Yes, legacy-wise, we still have a lot of about INR8,000 crores, INR9,000 crores of outstanding portfolio in default, about -- the project takes up almost about what 21% of -- 21% to 24% of that. There are some big sticky lumpy loans with us at various stages of resolution.

Last -- in Q3, we were able to resolve one big loan through ARC sale, INR250 crores, etcetera, approximately. There are others which are, I would say, at various stages of settlements -- negotiations going on, some big loans being restructured. Very recently, the Executive Committee of the Board has agreed to restructure one big loan of an outstanding portfolio of INR450 crores.

Restructuring comes into effect in May. Of course, as per RBI guidelines, it would continue to be in NPA for 1 more year and after 1 year, it would get out of NPA. So May '26 is when this big loan would probably get out of NPA. And we are also -- ARC sales, we have just done one. We have just done one. But we are approaching ARCs, talking in discussion with them, talking to them to offload some other loans as well.

We had offloaded a basket of loans, probably made a mistake there because not -- we did not get any expression of interest as far as that basket was concerned. So probably, I personally feel that rather than offloading baskets of loans to ARCs, we need to be -- need to offer, I would say, break up the basket into smaller, smaller, smaller chunks, which should be NBFCs are able to assess and appraise quickly and probably come back with a positive reply.

That is that, plus many cases in DRT, NCLT and CLAT, etcetera, etcetera, at the various stages of, I would say, the legal decision-making process, which, as you all know, takes time. But overall, I'm very optimistic about the asset quality. Aiming for GNPA right now at 2.46%, aiming to bring it down to less than 2.2%. Credit cost is as low as we can get 9 basis points of the credit cost as on 31st of March. Looking to keep it the worst-case scenario, restricting it to 9 to 15, whatever it is. So the asset scenario -- the asset quality scenario looks good.

Abhijit Tibrewal: Got it, sir. And just one last data keeping question. In every earnings call, we share the segment-wise Stage 3 numbers. So if you could just share that.

Tribhuwan Adhikari: Okay. Abhijit, yes, you usually ask for this every time. So I have it ready with me. Normally Sudipto used to answer this. Yes. So in the individual home loan, what do you want, you want the EAD and the EAD percentage?

Abhijit Tibrewal: Yes, sir. I mean both the things work, if you can just share that segment-wise.

Tribhuwan Adhikari: Okay. In the individual IHL, the individual home loan piece, the EAD is INR2,852 crores and the EAD percentage is 1.09%, right? In the NHC and projects, this is EAD is INR3,523 crores and the EAD percentage is 24.52%. In the NHI, the non-housing individual, it is the EAD is INR1,225 crores and the EAD percentage is 3.85%. And overall, the EAD is INR7,600 crores and EAD percentage is 2.47%.

Moderator: We have our next question from the line of Himanshu Taluja from Aditya Birla Sun Life AMC.

Himanshu Taluja: Most of the questions have been answered. Just a few at my end. Sir, can you just throw out in the year-end interest income of the margins of 2.72%, how much of the NII get support of the resolutions of the bad assets? How much is there? And potentially, is there still a good pipeline which is there for this year? Can we expect some bit of interest income recovery from those stressed assets as well? So that's my first question.

Tribhuwan Adhikari: Yes. Himanshu, coming to your -- the asset part of it or the recovery part of it. Yes, we still have a total EAD of, what, INR7,600-odd crores, right? And in project, it is INR3,523 crores and the others is almost near that -- almost near that or a little bit more than that. So we are working on both the fronts. The retail piece loans, again, we have divided into two parts, the small loans and the big loans.

Project, of course, most of it is these big ticket projects, loans we have given, which are lying in default upwards of INR50 crores and all. So the project part is slightly tricky because these are big loans. Many of these are in litigation, in various courts, such as DRT and NCLT and CLAT, etcetera, etcetera, etcetera, there it takes its own course, its own time.

But at the same time, though we are in the courts, we are extending offers to these delinquent borrowers to come up and settle. And settlement also, the basic thing, what we are saying, we are not going to settle before -- below principal for the outstanding principal, okay? We are willing to take a hit on the accrued interest and the interest and other recoveries, etcetera, etcetera.

So there also some progress is being made in some cases. In some cases, it is only on the courts. On the retail front, the collection efficiency has been holding up. It is good. Not too much of change in the DPD delinquency is being noticed. All in all looks -- all in all, looks good from the recovery percentage of the, I would say, asset piece is concerned. And what was the first part of the question?

Himanshu Taluja: Sir, just a first question which I have, how much of the interest income recovery or you can say the margin support that you accrued during the year because of the -- some of the resolutions which has happened during FY '25?

Lokesh Mundhra: Yes, Himanshu, yes. So recovery from NPA that is credited to my interest income. For the financial, it was around INR400 crores.

Himanshu Taluja: Okay, which has been passed to the NII?

Lokesh Mundhra: Yes, yes, it's a part of NII only.

Himanshu Taluja: Okay. Got it. Fair. And sir, secondly, just wanted to understand because if we look at your project financing book has been on a continuous pace of -- on a declining trend. And this quarter, we have seen some. How do you expect over the course of this project financing book to grow from here? And also, if you can prove from the non-HL -- also, currently, your non-HL book is growing at 11.5%. How do you expect this growth run rate to be during the course of the coming fiscal year?

Tribhuwan Adhikari: Yes, the project finance book has seen a shrinkage, and that is basically because -- not because of any lack of focus or anything. Most of it is some of these big project finance loans, which we had given in the past 3 years, 4 years back at higher rates of interest, 11%, 11.5%, etcetera, they have gone out of our books.

Therein, of course, we had to take a call whether they were -- these -- most of these builders were expecting rates between 8.5% and 9.5%, which we felt was not tenable for us, right, because you have to take a call between the margins and the lending that you do. So we did try to hold on to them. But again, the rates they were asking were, in our opinion, not tenable. So we had to let them go, of course, with a very heavy heart. But as far as the book is concerned, the disbursements have been good.

Project finance last year has shown a disbursement growth of almost 47.5%. But again, while saying that this is a very small part of my book, right? Project finance is only 3% of my portfolio. Last year, we have disbursed about INR4,200 crores in project finance. There, again, there are two things which are driving us. Number one is, of course, the rate at which these builders are demanding.

Let me tell you, this is one space where builders, at least the top-rated builders, the Sobha, the Prestige, the Lodhas, they are asking for rates which are almost equivalent to IHL rates, 8.5%, 8.25%. And surprisingly, some of the banks are willing to offer them that. So we are not going into that. So we are trying to make sure that we get some decent rates, which are beneficial for us.

But we are focused on project in, I would say, not in a very aggressive way. But we want to grow this book. This year, we have taken a target of doing INR10,000 crores through project finance as against INR4,200 crores of last year. So we would be looking to grow this book selectively by looking at builders with reputation, with pedigree, with ability to deliver projects in time. And at the same time, willing to give us some margins which are sustainable.

Moderator: We have our next question from the line of Shreya Shivani from CLSA.

Shreya Shivani: I have just 2 questions. First, just wanted this clarity on the project resolution that you spoke about. Last quarter, you said there are 4 to 5 more assets getting resolved in NCLT. So the negative net slippage that we have this quarter, how many projects got resolved over there? I mean, just some color on that. And second is on affordable housing.

Now that you are closer -- like you must have -- you've already launched some products, etcetera. How many branches would affordable housing product be available in FY '26 and '27? Some guidance over there would be useful?

Tribhuwan Adhikari: Coming to project loan resolutions, in Q4, there were no big project loans which were resolved. Q3, there was one big case, which went to ARC, as I said, INR250 crores. In Q4, we could not get a resolution on any of the big project -- so that was slightly disappointing. But again, that was expected because all these big project loans are in all legal dispute, lots of disputes going on NCLT and CLAT, DRT, we get some order from somewhere and the borrower runs to DRT and gets our things stayed, we try to auction something and there are cases filed in court.

So these are difficult loans -- I think what is left now are the difficult loans. But still, we are optimistic of resolution, as I said to an earlier question, that we are exploring both ways. It is not that we want to take them to court and hang them. We are open and amenable to settlement if they are coming to us and offering some reasonable settlement. And when I say settlement, I think we have a policy here that we don't go in principle. So the project loan, there was no big resolution last quarter. But again, these are all big cases.

You never know what may turn, what may happen, what not -- what thing -- who might come up for settlement. So we are optimistic that this year also, we would see a few resolutions. We expect at least 2, 3 resolutions this year also. Let's see how it goes. But of course, you cannot give a guarantee that these are going to be resolved, right?

You can only be hopeful and move in the right direction, both carrot and stick, stick is the legal part of it and the carrot is the settlement part of it. So we are exploring all options and ultimately we want this portfolio to go out of our books, so that provisioning requirements do come down. And as regards to affordable, yes, this was one segment which was missing from our portfolio. We were not into the affordable segment as such. We have primarily been focused on individual housing loans to the prime segment.

Last year, towards the end of August, we came up with this affordable segment product. We have been slow and it is deliberate. We have been slow in expanding into this area because we do realize an area where we do not have any past experience or expertise. So -- and plus, this is an area where there is every possibility of higher delinquencies, if not handled correctly, if the credit appraisal and the marketing teams are not properly trained. So we are going at it slowly.

Last year, in the affordable segment, we could disburse INR432 crores. Yes, slightly lower than expected. We were expecting at least INR1,000 crores of disbursement to come through because we had launched in August, so we had almost 1 half year. This year also, we would be focusing more on the infrastructure and the kind of support and training experience we are able to give to people, the comfort level in handling such cases so that delinquencies don't rise.

So we have set ourselves a target of INR2,000 crores this year. We are very clear that this is going to take 2 to 3 years for this segment to build up. And we are also convinced that this is a segment where we have to be, and this is a segment where everybody in the NBFC and the HFC space is entering.

There is going to be competition, yes. But of course, this is one segment which is going to give me margins. So if I'm going to hold on to my margins or increase my margins, I have to be in this segment. So INR2,000 crores is what we are looking at this year.

Shreya Shivani: Got it, sir. Sir, just a follow-up on the first question, then what is the recovery that has come in this quarter in the Stage 3? I know you've said write-off is there of INR171 crores. There are some recoveries also, right?

Tribhuwan Adhikari: There are recoveries. For the year, the total net recoveries is around about INR1,800 crores. In Q4, it is INR650 crores -- INR615 crores, I'm told. So for the year, INR1,800 crores of net recovery. Net recovery means recovery plus creations. So INR1,800 crores for the year and INR615 crores net recovery for the quarter.

Lokesh Mundhra: If you want to ask recovery, it is more than INR1,000 crores -- gross recovery is more than INR1,000 crores for this quarter.

Tribhuwan Adhikari: I mean, net is INR1,800 crores and gross will be much less than that.

Lokesh Mundhra: Yes.

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

Kunal Shah: So firstly, if you can highlight out of 32% bank loans, how much is repo linked and out of 55% NCD, how much would be coming up for maturity or refinancing this year? Just to gauge how much of a benefit we can see in the funding cost over the next 12 months?

Tribhuwan Adhikari: Overall, if I say my borrowing book, it's 55% fixed, 45% floating linked to the repo rate, right? So that is the thing. And Lokesh, you want to take over what is the...

Lokesh Mundhra: What was the second question?

Kunal Shah: I was saying out of -- sorry, the first question itself is out of 32% bank borrowing, how much is repo linked? And out of NCDs, how much would be coming up for refinancing or maturity in this year?

Lokesh Mundhra: So for repo-linked -- out of 32% of our total bank borrowing. So it is all repo linked -- mostly is repo-linked and T-bill linked borrowings. Very few cases is MCLR linked.

Kunal Shah: Okay. So MCLR is not much. It's largely EBLR and repo and T-Bill linked yes.

Lokesh Mundhra: Mostly it belongs to EBLR only.

Kunal Shah: Okay. And just to get the sense to get the benefit on the NCD side on the refinancing, how much of this 55% would be coming up for maturity in FY '25?

Lokesh Mundhra: Yes almost INR30,000 crores of NCDs are going to mature. So in that INR30,000 crores will be repriced. And so rates are now coming down. So definitely we will borrow money on lower rates.

Kunal Shah: That's what, yes. So almost 30,000 NCDs will get repriced over the year and no chunkiness in the first half or something of that sort, it should be evenly spread across the year?

Lokesh Mundhra: Across the year. Across the year -- INR30,000 crores is from across the year, '25-'26.

Kunal Shah: Okay. Got it. Perfect. And just a clarification, this PLR, you said the entire effect will play through by 1st of July. It's not like the pass on or maybe the effectiveness will start from 1st of July. 99% of home loan portfolio will be at the 25 basis points lower rate by 1st of July, takes generally 3 months for the entire reset. Is that correct in terms of the understanding?

Lokesh Mundhra: Entire portfolio, we are not saying that entire portfolio will be repriced at lower PLR from 1st of July. But in most of the cases, the major part of our portfolio will be repriced from 1st of July. In some cases, it will have monthly reset.

Kunal Shah: Okay. Okay. But majorly it will happen from 1st of July. So it will be effective from 1st of July, even though we have reduced the rates from April. But in terms of the transitioning to the customer, it would take effect from 1st of July?

Lokesh Mundhra: Yes. Correct.

Kunal Shah: Okay. So if you were to look at next quarter, maybe only a part which you mentioned might get repriced, it would not be a substantial one, but maybe for 1Q, it will be a relatively lower proportion?

Tribhuwan Adhikari: No, Kunal, we couldn't get you clearly. Can you...

Kunal Shah: No, no. So we have cut PLR by 25 basis points with effect from April. I'm saying in terms of passing it on to the borrower, okay? It happens -- so the entire 99% of our floating rate book on the individual side will entirely be repriced 25 basis points lower over the next 3 months by July or maybe this pass on actually will take effect on a quarterly basis?

Tribhuwan Adhikari: No, Kunal, it's like this. My entire loan book is divided into two parts. There are a small portion of loans which are having a monthly reset. So those loans where the reset is monthly, the reduction in the PLR has already been passed from 1st of -- but a major chunk of the book, the reset is quarterly, right? So all those with quarterly reset would experience the lower rates are from 1st of July.

Kunal Shah: Perfect. Got it. So this quarterly reset major portion it starts from 1st of July.

Tribhuwan Adhikari: Correct.

Moderator: We have our next question from the line of Shweta from Elara Capital.

Shweta: A couple of questions. The first one, so with your increased vigilance now on the affordable portfolio, wherein we have seen regional sort of delinquencies flaring up and also given the rate war now coming to 4 even on the project loan side, so where do you see the levers to this 12% growth target? That's the first question.

Second question, just taking views from the previous participant. So given the fact that the rate transmission will be largely effective July 1 onwards. So do we see net interest margins at least in the interim quarters to sort of exceed 2.6%, 2.7% target which we are sort of highlighting?

Tribhuwan Adhikari: Shweta, coming to levers for 12% growth. Yes, I do agree that the home loan market is getting very, very competitive with banks also in the fray banks having the advantage of slightly lower cost of funds as compared to NBFCs and HFCs. Yes, it's a very, very murky world there and a very, I would say, a cutthroat world there. But yes -- but there is -- the potential -- if you talk about the potential, if you talk of demand, the demand is there. And it is not that everybody wants it at 8%. There are segments of society who are willing to pay slightly higher also.

So I believe the challenge for us is how do we approach those people who are willing to pay us at slightly higher rates. And just to sort of clarify, there are lenders in this segment having NIMs of almost 5%, 6%, 7% also. So there is a market. Yes, of course, they are small in size as compared to ours. They are there. But there is a market there. So we'll have to find our way into the market. Yes, it's going to be a tight trope, as I said earlier, right?

We have to be selective at what sort of cost we want to lend the loans. That would largely depend on our cost of borrowing, how much we are able to leverage our size or leverage our rating to get lower cost of funds. So I don't see any reason why we should not -- because we are not abandoning the path of growth. Because there were -- there are two routes we can take. We can say that, okay, we will not look at growth, we will look at margins only or the other, we can say that we will not look at margins, we'll look at growth only.

We are not doing that. We are trying to balance both of them together so that we get growth on the loan book and the disbursement book. And at the same time, we are able to maintain our margins. So margins at 2.72% -- NIM at 2.72% as at the end of 31st March 2025. I don't see any major shrinkage in the NIMs. Worst-case scenario, I feel that we should be able to maintain it at somewhere around about 2.6% to 2.8%. Shweta, does that answer your query?

Shweta: Yes, sir, fairly answers.

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

Rajiv Pathak: Sir, out of this INR9,000 crores of the defaulted loan portfolio that you said you are carrying, what is the recovery target that you would have for this year and the next year?

Tribhuwan Adhikari: This year and then next year?

Rajiv Pathak: Yes.

Tribhuwan Adhikari: Well, I'm not going to next year, rather I focus on this year. Rajiv, last year, as I said, for the full year, my net recoveries were about INR1,800 crores, right? So this year also, we'll be targeting a similar amount, upwards of INR1,500 crores.

Rajiv Pathak: Okay. So this INR1,800 crores would be like fully written-off accounts? Or how would this be?

Tribhuwan Adhikari: No, no, no. This would be a mix of both. There would be some accounts which we would write up because we have a write-off -- technical write-off policy. But for the technical write-off policy, any loans where the provisioning has reached 100%, they need to be written off. So don't do any pick and choose that I'm going to write on X loan and not Y loan. That is guided by the -- it is a mathematical formula.

So I have no leverage or leeway in saying that I will write off this and not write off that. So there will be some write-offs coming up. And other than that, there would be recoveries also. So net to net, I'm targeting anything upwards of INR1,500 crores this year.

Rajiv Pathak: So then -- basically, then anywhere between INR800 crores to INR1,000 crores of recoveries can flow through the P&L in terms of the recoveries or the write-back off provisions. Would that be a fair thing to say?

Tribhuwan Adhikari: Yes, fair. That would be a fair assessment. That would be a fair assessment.

Rajiv Pathak: Okay. And sir, the next question is on the yield. So how much will be the yields on our affordable housing and the retail LAP portfolio?

Tribhuwan Adhikari: Affordable housing, our yields are upwards of 11%, right? We have been conscious in not pricing it too high to 13% to 14%. Well, we do not want to swindle the borrowers also. So our yields in affordable housing would be 11% to 12%. And on our LAP, they would be upwards of 10.5% to 11%.

Moderator: We have our next question from the line of Siraj Khan from Ascendant Capital. Siraj, we can't hear you. Can you please rejoin the queue? We'll move on to the next participant. We have a next question from the line of Rakesh Kumar from Valentis Advisors.

Rakesh Kumar: Yes. Just slightly taking this query of margin a bit structurally. So I was just -- because banks loan, housing loan -- basically individual housing loans are completely EBLR linked. And until the time we have a trajectory of repo rate cut maybe happening for maybe another 50 or 75 bps, they will keep on passing on, right? Banks will keep on passing. And we are directly competing with them in terms of ticket size -- individual housing loan ticket size that we have.

So considering that, so either we take a hit on the disbursement pace or we take a hit on the credit yield. So just I was thinking that -- so like the option that we have that we do the repricing as and when our funding cost is coming down, would that logic remain valid considering the way competition will pan out?

Tribhuwan Adhikari: Well, Rakesh, to be very honest, yes, we are competing. Yes, I did make a statement that we would link our rate cuts to our cost of borrowing. Yes, that is true, very much true. But then we will also be reviewing the competition in terms of what the competition is doing and what we need to stay competitive because I cannot say I will run away from the market and not be competitive and expect to grow as to what we are trying to grow -- trying to grow at double digit.

So we have to be, I would say, willing to be flexible in the sense that, yes, if it comes to that -- if it push comes to a shop, we should be able to take a call. But my guidance is that, yes, we would be careful while passing on the repo rate cuts on to the borrowers. So as to say that we have the best of both worlds. We do not compromise on growth. And at the same time, we do not lose out on margins also.

As I said, it's going to be tough. It's going to be very, very tough. It's going to be a tight rope walk for us, I realize that. As a company, we have to be on our toes, keep eyes, ears, everything open, and noses to the ground, our feet on the street. But we'll have to take a call. We'll have to be flexible and not say that "No, I'm going to do or I'm going to pass on rates only when my borrowing costs come down."

Rakesh Kumar: Got it. And sir, just second question with respect to NHB borrowings. So the number like as a composition remains at around 4% of the total borrowing that we have. So what is the scope of raising that composition further from here?

Tribhuwan Adhikari: NHB borrowings, Rakesh, let me be very honest. Yes, NHB offers us two types of borrowings. One is for the marginal segment, the tribals, for the Northeast, for women, for affordable. That is very competitive. We get it at around about 5.5% to 6%, right? But the rest of the borrowing is at rates which are higher than what we can get from the open market. So it's really, I would say, a catch-22 situation for us.

And NHB being the -- what you call our supervisor, it does not offer us the benefit of "You take only the low-cost ones and don't take the high-cost ones." It is usually offered in a basket where they mix up the low cost along with the high cost and we try to see that the average works out to at least my average borrowing cost from the market. So right now, there is not too much of scope.

We have been in discussion with Chairman of NHB and the refinancing team of NHB that they need to be competitive if we can -- NHB is a government entity. If we can get it at 7.7%, why should they get it at 8%? They should be able to get it -- with government backing and government guarantees, they should be able to get it at lower rates. So let's see how it pans out. But this year, I'm hopeful that from what I hear, what I've talked to the Chairman or what we discussed -- this year, I'm hopeful that NHB will be able to give us -- of course, now NHB has come out with a formula.

They are not sort of picking and choosing that, "No, I like LIC Housing Finance, I give it more. I don't like Punjab housing, I give it less." They have come out with a specified formula. So I believe the transmission of whatever lending, which LIC does will be fair and equitable. And now that we are asking them that we need the rates also to be fair and equitable for all. So let's see how it goes.

Moderator: The next question is from the line of Bhaskar Basu from Jefferies.

Bhaskar Basu: I just had a clarification. So of the INR450 crores of income NPA recovery, which is in -- which is part of the NII, how much of it came in this quarter? And secondly, the increase in other income this quarter seems to be quite sharp. So what is driving that?

Lokesh Mundhra: Yes. So for this quarter, NPA recovery is around INR16 crores from project finance, which we are crediting through interest income.

Bhaskar Basu: And for the full year, this number is?

Tribhuwan Adhikari: Quarter NPA recovery is INR615 crores.

Bhaskar Basu: INR615 crores.

Tribhuwan Adhikari: Impact on interest income would have been INR16 crores…

Bhaskar Basu: And for the full year, the credit on the interest income?

Lokesh Mundhra: INR16 crores is credit, okay or interest income from project finance? Full year it is around INR400 crores total.

Bhaskar Basu: INR400 crores. And the increase in other income this quarter is due to?

Lokesh Mundhra: Other income, in the sense?

Bhaskar Basu: INR96 crores going to...

Lokesh Mundhra: Recovery from write-off cases. For this quarter, it is INR100 crores -- INR100-odd crores. And for the full year, it is more than INR200 crores.

Bhaskar Basu: So just to be clear, the recoveries from write-off -- I mean, is part of the other income. And in addition, there's about INR16 crores of recoveries...

Lokesh Mundhra: And other income from written off cases, it is more than INR100 crores for this quarter.

Bhaskar Basu: Understood. And secondly, just on the opex side, there is a bump up in the opex. We see this seasonally in the fourth quarter. So what -- is it mostly commissions? Or what's driving that?

Tribhuwan Adhikari: Anyway, every fourth quarter, you normally see a bump up in your opex. Mostly, it is due to advertisement, publicity, whatever is unspent or committed is booked, then you have CSR. CSR also contributes to a big chunk of this opex. Competition contest for -- because Q4 normally is a business quarter, so to boost sales, we do give contests and competitions -- not only our people in the -- on the field side. Then you have fees and commissions because business increases, so naturally fees and commission also goes up.

Apart from that, this year, there are two others. One is in the month of February, we just concluded our wage revision for all the 2,500-odd employees of the company. This happens once in 5 years. So of course, we provide for these wage revisions on a quarterly basis, but the provision is normally at 15%. And this year, we have concluded the revisions at 17%. So that 2% gap would also have come into the opex.

And one more thing, one change we have made this year is our hardware -- computer hardware, etcetera, whatever we buy, until last year, it was under the capex model, that we were purchasing them and capitalizing it, which would be -- which would form a part of balance sheet. This year, we have decided not to spend too much of money on the hardware. But since we need it, we are going -- we have gone into an opex model -- in the sense that we are leasing.

So if I need a server costing somewhere around INR30 crores, INR40 crores, earlier I would have paid the full INR40 crores to the vendor and owned the server. This year, we are taking it on lease for the normal SLA, the service level agreement is for 3 years, extendable by 2 more years. So I'm taking it on lease. So I don't have to capitalize it. So it is coming into expenses. So these are the major reasons for this increase in expenses...

Moderator: Ladies and gentlemen, this would be the last question for today. And I now hand the conference over to the management for closing comments.

Tribhuwan Adhikari: Well, thank you, friends, for all the queries. I think very pertinent and to the point. And yes, thank you for giving us an opportunity to explain our views, our guidance, what we are thinking of for the company in the financial year '25- '26. Let me assure you that the company is poised to deliver an excellent performance, both in terms of our disbursement that is sales, both in terms of the loan book growth and also in terms of margin.

So basically, the focus of the company will be on growth, margins and the third part would be the asset quality, which has been improving and which we expect to improve further. Thank you. Thank you so much for your support.

Lokesh Mundhra: Thank you, Praveen.

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