LIC Housing Finance

Operator: Ladies and gentlemen, good day and welcome to the LIC Housing Finance Ltd. Q1 FY27 investor conference call hosted by Axis Capital. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal the operator by pressing star and 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, sir.

Operator: Thank you, {? Abhinav ?}. Good day, everyone, and welcome to the earnings call of LIC Housing Finance Ltd. From the management team, we have Mr. Tribhuwan Adhikari, MD and CEO; Mr. Sandeep Kumar, COO; and Mr. Lokesh Mundra, CFO. I would request Mr. Adhikari to share his opening remarks, after which we will open the floor for the Q&A. Over to you, sir.

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

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

Inflation remains broadly within the RBI's comfort zone, despite potential upside risks from higher crude oil prices, and India's GDP is expected to remain among the strongest globally. Against this backdrop, market expectations currently indicate that the RBI is likely to maintain the repo rate at its present level over the near term. While recent geopolitical developments have introduced upside risks to inflation through higher crude oil prices, the RBI is expected to carefully balance inflation management with the need to support economic growth. A stable domestic interest rate environment should continue to support credit demand, particularly in the housing sector, while also benefiting funding costs and asset quality across the industry.

With that backdrop, let me now take you through our financial performance and key business highlights for the quarter. Total revenue from operations was 7,062 crores as against 7,169 crores for the corresponding quarter of the previous year. The outstanding loan portfolio stood at 3,22,098 crores as of June 30, 2026, against 3,09,587 crores as of June 30, 2025, reflecting growth of 4%. Out of this, the individual home loan portfolio stood at 2,71,979 crores as against 2,62,411 crores, up by 4%, and comprises 84% of the total portfolio.

Total disbursements for the quarter were 15,014 crores as against 13,116 crores, up by 14.5%. Out of this, disbursements in individual home loans were 12,119 crores as against 11,247 crores, up by 8%, and disbursements in the non-housing individual loan segment were 1,975 crores as against 1,647 crores, up by 20%, whereas project loans, or wholesale finance, were at 872 crores compared with 156 crores in Q1 FY26, up by 459%.

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Net interest income stood at 2,075.52 crores for Q1 FY27 as against 2,064.71 crores for Q1 FY26. Net interest margin for Q1 FY27 stood at 2.58% as against 2.68% in Q1 FY26. Profit before tax for the quarter was 1,888.43 crores as against 1,699.16 crores in Q1 FY26, up by 11%. Profit after tax for the quarter stood at 1,488.32 crores as against 1,359.92 crores for the same period in the previous year, up by 9.4%.

In terms of asset quality, Stage 3 exposure of default stood at 2.14% as of June 30, 2026, as against 2.62% as of June 30, 2025. Total provisions as of June 30 of the current year stood at 4,398 crores, reflecting provision coverage of approximately 48%. The company also conducted a sale of stressed assets through {? ACC ?} or an ARC for a cash consideration of 140 crores during Q1 FY27.

On the funding side, our cost of funds stood at 7.28% as of June 30, 2026, as against 7.50% as of June 30, 2025, and 7.27% as of March 31, 2026, reflecting a reduction of 22 basis points year-on-year. Our incremental cost of funds stood at 7.06% for Q1 FY27 as compared to 6.86% for Q4 FY26 and 6.97% for Q1 FY26.

Despite the elevated interest rate environment during the quarter, our cost of funds remains largely stable, reflecting the strength of our diversified borrowing profile, prudent liability management, and timely access to multiple funding sources. With this brief introduction, I would like to invite your queries. Thank you.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on the touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Avinash Singh from MK Global Financial Services Limited. Please go ahead.

Avinash Singh – MK Global Financial Services Limited: Good morning, sir. Thank you for the opportunity. I have a couple of questions. First, on overall growth and the margin trajectory. If we look back at the five-year data presented, both growth and margins have not progressed in the way you would have expected. But if we look at this in the context of the industry, particularly your peers who are reasonably active in prime housing as well, they have performed reasonably well.

Going forward, what are you going to do differently that gives you the belief that the growth and margin trajectory from here onward could actually change or be materially better than what has not worked for the last nearly 5 years?

The second question is on developer finance. Of course, your exposure is very limited, but if we look back nearly 4-5 years, there was an opportunity for many lenders, housing finance companies, and NBFCs, owing to HDFC getting merged into HDFC Bank, and a lot of your peers leveraged that opportunity. But in this round, at least, you seem to have missed that opportunity.

From here onward, what kind of opportunity do you see in developer finance, particularly from the risk-adjusted returns perspective, because your past track record in this segment is not very strong? Thank you.

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Management: Avinash, very good morning. I will take your growth question first. You may be looking at book growth of 4%, and that is why you say that growth has not been satisfactory. But if you look at our disbursement growth for Q1, as I said, the disbursement growth is, by our standards, quite satisfactory: 14.5% year-on-year growth. At the beginning of the Q4 earnings call, I had given an indication or guidance that the first quarter would grow at 15%. So, more or less, our growth is in line with the guidance.

Traditionally, our growth has been below 10%, so by growing at 15%, we do see some traction as far as business growth is concerned during the quarter.

Looking into Q2, this is the first month, July, and we are still on track. In Q2 also, I feel that we are targeting 15% growth. As far as the disbursement front is concerned, I think we should do well this year. We will be able to achieve the guidance we have given of about 10–12% growth.

Yes, book growth is going to be gradual; it is not going to happen overnight because, apart from the growth added through disbursements, there are a lot of exits by way of maturities, prepayments, partial prepayments, full prepayments, and, of course, BT-out. In Q1, our BT-out was approximately 3,000 crores, while BT-in was about 1,500 crores, so net BT-out was about 1,500 crores. I think this is acceptable and is in line with what we expect. You will witness good disbursement growth this year. The book will grow gradually as disbursements grow.

Now, coming to your margin question, the margin indication at the beginning of the year was 2.6–2.7. Provided everything remains stable—geopolitical conditions, economic conditions, and so on—we ended the quarter at 2.58%, which is 2 basis points below the lower end of the guidance of 2.6%. However, this was expected because last year there were a lot of rate cuts in the overall book as well as in the new borrowing book that we had to introduce because of the RBI rate cuts and in line with the reduction in repo rates by banks following the rate cuts.

Since we compete largely with banks on the IHL, or individual home loan, front, we had to remain competitive, and that has impacted margins to some extent. However, this year, like last year, is going to be a tug-of-war between high growth and maintaining our margins.

We will, of course, try to do both at the same time: grow our book through higher disbursements and greater retention while also increasing, or rather maintaining, our NIMs at the guided level of 2.6% by focusing on a better borrowing cost.

We are also pursuing a product diversification strategy, which has been ongoing for the past 2 years. It is gaining ground. We are gradually trying to reduce our share of individual home loans and enter what we call the non-individual home loan segments, basically LAP and LRD. There has been traction in those segments, and that book is growing.

On the other front, this year we will also be looking at inorganic growth through direct assignment and co-lending. The policy is in the final stages, and we should, I think, start this direct assignment and co-lending business in Q2. That would also give us some book growth, and we will also look at increasing our margins. That is the margin-related position.

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The developer finance book is a small part of our overall book and is not very significant. Last year was a disappointing year from the developer finance perspective. Throughout the year, we achieved about 1,950 crores of disbursements in developer finance. This year, the start has been good.

Management: In the first quarter, I think we achieved about 872 crores of disbursements in the developer finance book. Growth is very high at 450%, largely because of the low base of last year.

We are interested in the developer finance book, but we remain cautious and steady. The other aspect is that we are also looking at margins from the developer finance book, which are currently under extreme pressure. The big and very strong builders are demanding rates below 8%, which we feel, as a company, is not in our interest. It is not in our interest to undertake developer finance at 8% or below 8%. We need margins from that business.

Therefore, we are looking at good-quality Grade B builders. Until last year, we had the overhang that developers' companies or builders had to be rated at least BBB or above. This year, that requirement is going to go. It has not gone completely yet, but it will go this year.

We have a revised policy for developer finance that is almost ready, and it will be taken to the EC and the Board in the coming months. I think that overhang will go, which will help us enter into relationships with slightly lower-rated builders. We need to be careful to choose good builders with a strong track record so that we do not get into the same kind of problems we had in the past.

The developer finance book should perform well. We have set a modest target of about 4,000 crores for the current financial year. Our expectation is that we would probably achieve 7,000-8,000 crores in the developer finance book. I hope that answers all 3 parts of your question.

Management: Avinash, Lokesh Mundra, CFO, here. I would like to supplement what our MD said. Although portfolio growth is 4%, in absolute terms you will find that it is more than 12,500 crores. Since we are the largest housing finance company, if you compare us in percentage terms, the growth will definitely appear lower. But in absolute terms, it is very good growth.

Secondly, our disbursement growth was 13% year-on-year. That is in line with our expectations.

Avinash Singh - MK Global Financial Services Limited: In developer finance, what are you targeting? Do you have a range in mind for project or builder exposure, or a typical ticket size beyond which you would not go?

Management: No, I do not think we have any specific ticket size in mind. We are willing to consider all types of ticket sizes, from small developers seeking small loans of 25-30 crores at the lower end, right up to large developers asking us for 300-400 crores. We are looking at that as well.

However, what we will focus on in developer finance is the rate that these borrowers are willing to offer us. Entering into relationships with a Lodha, Godrej, Puravankara, or Sobha that is demanding a rate below 8% is not what we are looking at. We are taking a call not to pursue such loans merely to build the book, because we want margins. We want some margins in the developer finance book.

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At present, our margins are probably close to— we are lending at approximately 10.5% in the developer finance book. Therefore, we would want rates closer to that level.

Avinash Singh – MK Global Financial Services Limited: Understood. Very clear. Thank you.

Operator: Thank you. The next question is from the line of Gaurav Khandelwal from JP Morgan. Please go ahead.

Gaurav Khandelwal – JP Morgan: Good morning. Thank you for the opportunity. I have a few questions. My first question is this: previously, your philosophy was more focused on protecting margins at the cost of growth. Given your comments just now, is it fair to assume that the philosophy is now evolving toward pursuing growth rather than margins? How should one think about that?

Management: Gaurav, no. Last year, I had indicated that, given a choice, I would like to protect margins rather than growth. This year, I would say that we will try to balance growth with margins.

It is not that we are going to avoid growth and focus only on margins. We are trying to grow the book because that is important from a long-term perspective. At the same time, margins are important to me because there is no use growing the book at lending rates that do not help my spread or my margins, and so on.

We have to look for the best of both worlds—protecting margins while trying to grow the book through higher disbursements and better retention.

Gaurav Khandelwal – JP Morgan: Understood. My other question is on costs. If I look at year-on-year cost growth, it is actually quite high in the first quarter. Could you help me understand what is driving this year-on-year cost increase? Is it also related to the initial investments in hiring more people that you mentioned last quarter and setting up your technology architecture to enable digital co-lending and direct assignment models? I just want to understand what is driving the high year-on-year increase in costs.

Management: We have been hiring. However, it is not significant enough to materially increase or disturb our costs. The main reason for the increase in costs is a gratuity provision of 22 crores, which we had to make due to the increase in the G-sec yield. This is a one-off that occurred in this quarter—an increase in the gratuity provision for employees due to the increase in the G-sec yield.

Otherwise, costs are well within range. IT spending has not yet taken place. There is significant IT spending to come during the year. It has not happened yet, but it will probably come between Q2, Q3, and Q4.

Gaurav Khandelwal – JP Morgan: Understood. Thank you. My final question is on the significant drop in non-interest income. Is there an adjustment in the recovery item, where you have excluded it from non-interest income and adjusted it against provisions? We were not expecting a provision write-back. Could you also give us more colour on the NPA account recovery that has occurred and how much of the provision release is attributable to that?

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Management: Regarding the drop in other income, there has been a slight accounting change in the current quarter, which our auditors asked us to make. Until last year, recoveries from written-off NPA accounts were being added to other income. The current quarter amount is about 31.87 crores. This year, the amount has been included under the impairment head.

Basically, the 77 crores of recoveries that went into, or would have gone into, other income last year have now been included under the impairment head. That is why you see this slight anomaly.

Gaurav Khandelwal – JP Morgan: Understood. In that context, what is your guidance for the full year on these new credit costs? How should we think about this for the full year and for FY27 as a whole? Should we assume a 15% disbursement growth rate?

Management: Coming to credit costs, it is currently negative 5 basis points. The credit cost guidance we gave at the beginning of the year was 10-15 basis points. We are definitely on track to achieve that.

Asset quality has been improving quarter-on-quarter. This quarter, there was one significant one-off: an NPA of 180 crores, which we sold to an ARC for 140 crores. That was a major one-off.

There will be similar recoveries in Q2, Q3, and Q4. A number of our large legacy NPA loans are in very advanced stages of resolution. Therefore, you could expect a significant reduction in NPAs as a result of these resolutions.

For the quarter, recovery from NPA accounts was 540 crores. Last year, it was about 307 crores, so there has been an increase. Asset quality is going to improve. GNPA is currently at 2.14%. Our guidance for the year is 2%, or below 2%. We will definitely achieve that. In fact, it will be much better than 2%.

Gaurav Khandelwal – JP Morgan: The 10-15 basis points of credit cost guidance was after taking recoveries into account?

Management: That was the guidance at the beginning of the year, yes. It took into account the various recoveries we expected during the year.

Gaurav Khandelwal – JP Morgan: Understood. What is the disbursement target for the full year?

Management: The current disbursement growth is 14.5%. For Q2, we have given you an indication of about 15% growth. For the full year, we remain committed to our guidance of 10-12%, which we gave at the beginning of the year.

Gaurav Khandelwal – JP Morgan: Understood. Thank you very much. Those were all my questions. Very helpful.

Operator: Thank you. The next question is from the line of Kunal Shah from Citi Group. Please go ahead.

Kunal Shah – Citi Group: Thank you for taking the question. First, again touching upon the provisioning aspect, the upgrade of the restructured account was expected to happen, along with a possible provisioning release. Is that also included in this provisioning line item? Could you

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highlight the entire breakup of approximately 165 crores and explain how we arrive at this number? You mentioned that recovery from written-off accounts is also included there. The breakup would be very helpful.

Management: Coming to the first question, yes, that large restructured account of about 500 crores is not included in this. Although, as per the decision of the Executive Committee, the account was restructured from May 1, 2025, technically speaking, the one-year period should have expired on May 1 or April 31, 2026.

However, our auditors were of the view that because the payments came in—the first payment came in a little late—although it was as per the restructuring schedule, the payment did not happen exactly on May 1. The first payment happened later, and they have not allowed us to consider the account as upgraded. That will happen in Q2 or Q3.

Therefore, that large restructured account is not included in the Q1 reporting. The second part of your question was—Kunal, could you repeat it? What was the second part of your question?

Kunal Shah – Citi Group: This entire write-back is primarily on account of recovery from written-off accounts. It is not due to a provisioning release on this restructured account?

Management: No. The restructured account is not appearing in the Q1 reporting.

Kunal Shah – Citi Group: Understood. Regarding the payment that you have received, what portion of the 500 crores has been received so far? In terms of the provisioning release, would it be based on the actual payment? Given that one year has now passed, last time you were confident that the one-year period would be completed and the account would be upgraded. Should we expect the provisioning release based on the payment? You are now saying Q2 or Q3, so it appears to depend on the actual payment before you make the provisioning release.

Management: There is a difference of opinion between management and the statutory auditors. Personally, if you ask me, technically speaking, 1 year is the cooling-off period. The Executive Committee had restructured this account on May 1. We believe it should have been treated as upgraded in the current quarter, but the auditors have a different point of view.

We are still discussing this with them and trying to resolve the issue. It has not happened in this quarter, so it could happen in Q2. That is what I am saying.

Kunal Shah – Citi Group: What is the quantum of payment received?

Management: For the restructured account?

Kunal Shah – Citi Group: Yes.

Management: I am referring to 2 accounts. One is the large account that was sold to an ARC in the current quarter.

Kunal Shah – Citi Group: Yes, I understood that. There were 140 crores. I am referring to the restructured account, where you said the payment happened later. How much money have we already received from that account?

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Management: This is as per the restructuring schedule. Let me see if I can give you the amount. I do not have the exact schedule right now.

This account was restructured over a 1.5-year period. As is usual in such restructuring, the entire amount does not come upfront. It is restructured to come in bits and pieces over a clearly defined time frame, and all those recoveries are coming in.

However, the first payment under the restructuring schedule came in—I do not have the exact date. I think it was in December. I think it was in December.

Our contention is that since the Executive Committee of the Board restructured it on May 1, 2025, with a repayment schedule starting in December and continuing thereafter, we should treat it as restructured from May 1. However, the auditors have a different point of view. Discussions are ongoing. If the issue is resolved, it will come into Q2. That is what I am saying.

Management: Kunal, sorry. We have received the amount as per the restructuring schedule. However, nothing is overdue.

Kunal Shah – Citi Group: Understood. Perfect. My other question is on yields. In particular, regarding the pressure on margins of approximately 22 basis points, with the cost of funds remaining stable, what is actually driving—

Kunal Shah – Citi Group: Is it leading to 8.8%? We have shown that yield on advances has declined. Was there pressure from BT-out? Since we have increased the BT-out rates as well, has the decline been impacted by that? I think you mentioned net BT-out of 1,500 crores, and what I recall from last quarter was 1,150 crores. Was BT-out also slightly higher during this quarter compared with last quarter, thereby creating some pressure on yields?

Management: Yes, BT-out definitely had an impact, but BT-out is a part and parcel of this business. Last year, it was particularly severe because banks are linked to repo rates. The moment the RBI reduces repo rates, the entire book gets repriced at lower rates, whereas in HFCs we reset rates depending on the cost of funds, credit cost, and various other factors. Therefore, we take some time to reduce rates across the board.

There was definitely BT-out pressure last year. If you look at Q2, Q3, and Q4 of last year, almost 33,000-34,000 crores of BT-out took place. In the current year, our net BT-out, as I said, is 1,500 crores, slightly higher than the approximately 1,200-1,300 crores that was recorded earlier. However, that is expected.

There is nothing specific to be done on that, although we have outlined a strategy to try to retain customers. We have certain repricing rates in place, and there is a defined policy on repricing. This year, we intend to be flexible with the policy in the case of prime customers, very good customers, and large-ticket customers. We are willing to adjust our policy to accommodate a lower interest rate.

In a BT-out, what happens is that a high-rate loan goes out, and the competing organisation offers a lending rate that is much lower than our repricing rate. Therefore, we are being flexible on this. We have formulated a policy under which we track every large BT-out, negotiate with the

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customer, and speak with the customer.

Wherever we feel that the customer is a prime customer, a strong customer, or a large-ticket customer, we offer rates that are comparable to what the customer is receiving elsewhere. That is one thing we are doing.

The other reason for the decline in margins is that last year, sometime around April, we implemented a full 25-basis-point cut across the overall book. That was not factored into Q1 of last year because, as per our rules, one-third of the book gets repriced immediately and two-thirds get repriced after the first month of the next quarter, which means that last year it happened on July 1.

Out of our 3 lakh crore book, probably 1 lakh crore got repriced immediately in April, while the remaining 2 lakh crore got repriced from July 1. That would also have an impact on the year-on-year decline in spreads and NIMs in Q1.

Operator: Thank you. The next question is from the line of Shishank Gao from Shonfeld. Please go ahead.

Shishank Gao – Shonfeld: Thank you for the opportunity. I have a bookkeeping question. What was the overall incremental disbursement yield in the first quarter of this year?

Management: In the first quarter of this year, our disbursements were 15,014 crores as against 13,160 crores in the first quarter of last year.

Shishank Gao – Shonfeld: I mean the yield—the yield on these disbursements.

Management: I beg your pardon?

Shishank Gao – Shonfeld: The yield on the disbursements in this quarter.

Management: The NIM?

Shishank Gao – Shonfeld: No, the incremental disbursement yield.

Management: Yield. The figure I gave you was 15,014 crores, up by 14.5%. This is in line with our expectation of 15%, which we had guided during the Q4 results conference call. We are on track, with 15% growth in Q1, in line with what we expected. Going forward, in Q2, we expect this momentum to continue, and we expect the company to register 15% growth in Q2 as well.

Shishank Gao – Shonfeld: I am sorry, I mean the disbursement yield, as in the interest yield on these 15,000 crores of disbursements. What is the yield on that?

Management: Do you mean the incremental yield on whatever we have disbursed in this quarter?

Shishank Gao – Shonfeld: On average, yes.

Management: The incremental yield for this quarter is 8.25%.

Shishank Gao – Shonfeld: 8.25%. The overall portfolio yield, according to your slide, is 9.12%.

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Management: We could not hear you.

Shishank Gao – Shonfeld: I am sorry. The incremental yield is 8.25%, and if your overall portfolio book yield, or net book yield, is 9.2%, as of Q1 FY27, should the margin not continue to compress? There is a 100-basis-point gap between your new incremental yield and your book yield.

Management: The cumulative yield is 9.125% as of June 30, 2026.

Shishank Gao – Shonfeld: There is a 100-basis-point gap between the incremental yield and the cumulative book yield. How are we keeping and maintaining the margin going forward? As you disburse more and repayments come in, the book yield will move toward the incremental yield, correct?

Management: There was no doubt some pressure on our cost of borrowing, but our strategy is definitely to focus on the other housing loan portfolio, which gives us an additional 150 basis points compared with the IHL portfolio. That portfolio is growing at around 20% this quarter.

We are hopeful that the IHL portfolio, which grew by 15% this quarter, and portfolio diversification from IHL to OHL, meaning LAP and LRD, which are the high-yielding segments, will compensate for our overall yield for the year.

Operator: Sorry to interrupt, Mr. Gao. May we request you to return to the question queue for a follow-up question?

Shishank Gao – Shonfeld: Okay, thank you.

Operator: Thank you. The next question is from the line of Abhishek from HSBC. Please go ahead.

Abhishek – HSBC: Good morning, or good afternoon now. Last year, and I am referring only to disbursements, we had project finance disbursements of roughly 2,000 crores. This year, is there a target or sanction pipeline that you follow, or is it more transactional, where the opportunity comes to your team and you then decide whether to underwrite it? How do you approach this?

Management: Last year, there were 2,000 crores of disbursements, which was a very muted year as far as the developer book was concerned. In Q1 this year, we disbursed about 872 crores. There is growth of more than 450%.

The target for the year in the developer book is 4,000 crores—we are aiming at 4,000 crores—but we are expecting somewhere around 7,000-8,000 crores. The process is transactional. As and when a borrower approaches us for a loan, we conduct the credit appraisal, see what rates they are asking for, and then decide whether it is doable from a credit and risk perspective and whether it is in our interest to offer them the loan at the rate they are asking.

Abhishek – HSBC: Is there a sanction pipeline, or is there no sanction pipeline?

Management: There would be some cases that were sanctioned last year. Developer finance is essentially construction finance, and it is dependent on the stage of construction. For any building that is coming up, once the initial stage or plinth-level construction is complete, we probably disburse 25-30% of the entire sanction, and as and when the construction—

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Abhishek – HSBC: How much was the sanction? Was the sanction 7,000 crores?

Management: Last year, the sanction was closer to 5,000 crores. However, sanction does not translate into disbursement. Suppose we sanctioned a loan at 9.5% to, say, Sobha in Bangalore. From our point of view, it is sanctioned, but Sobha may be asking us for 8%, and we may not be comfortable with that. In that case, the sanction automatically, I would say—

Abhishek – HSBC: I understand that things change competitively, but if you have a sanction today, there should be some predictability regarding its conversion into a disbursement. Or does that depend on when the disbursement comes up?

Management: If a loan is sanctioned, there are, of course, some pre-disbursement conditions. If something is required, then only when the conditions are—

Abhishek – HSBC: The reason I am asking is that you have a 4,000 crore target for the year. I want to understand the predictability. Will you achieve 4,000 crores, or is that dependent on when the disbursement comes up and whether the commercial terms are acceptable? Therefore, it may not be 4,000 crores; it may be 2,000 crores. You cannot say that right now.

Management: The 4,000 crores would include probably 700-800 crores of sanctioned amounts where disbursement would be made in the current year—amounts that we had already sanctioned in the previous financial year. The rest would come from new sanctions and new files received during the year.

We expect to achieve 100% of this disbursement target of 4,000 crores. In fact, as I said, what we are aiming for is disbursements of around 7,000-8,000 crores.

Abhishek – HSBC: Understood. You will maintain a lending rate of 10.5% there. Is that broadly your cutoff?

Management: That is a benchmark. It is not exactly a benchmark, but it is approximately where we would like to be. There is no use growing the book at 8%. That is our—

Abhishek – HSBC: Exactly. Internally, you want to remain around 10.5%, plus or minus something, so that profitability is maintained. Understood.

In LAP and LRD, I have similar questions. Last year, you did about 10,000 crores, and this year you have done 2,000 crores. Is there again a target for LAP and LRD combined for the year?

Management: This year's target is 15,000 crores.

Abhishek – HSBC: Understood. What is the incremental lending rate in LAP and LRD?

Management: In LAP and LRD, it is about 9.4%.

Management: In LAP and LRD, we call it the {? NHI and the NHI-R ?} segment. Both of them are similar, at 9.4%.

Management: Overall, the LAP and LRD book yield is 9.4%.

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Abhishek – HSBC: That is your incremental rate, correct? That is your fresh disbursement rate?

Management: Incremental rate.

Abhishek – HSBC: Understood. And—

Management: Sorry to intervene regarding the segment. For this {? NHI, NHI ?} segment, comprising LAP and LRD, my cumulative yield is above 10%, but my incremental yield is 9.43% for this quarter.

Abhishek – HSBC: What is the current cumulative yield on the LAP and LRD book?

Management: LAP and LRD?

Management: No, LAP and LRD.

Management: Yes, it is more than 10%.

Abhishek – HSBC: More than 10%, understood. Finally, on recovery and credit cost, I did not get the exact breakup. How much is the actual credit cost and how much is recovery for the quarter? Could you provide that breakup?

Management: Recovery from NPAs for the quarter was 540 crores.

Abhishek – HSBC: I mean the amount coming into your P&L. The 165 crore provision—how much of that is provision? I think there is a net write-back of around 164 crores. How much is the recovery or write-back component, and how much have we actually provided?

Management: Are you asking about recovery from the write-back?

Abhishek – HSBC: No. There is a P&L entry of 164 crores, correct? That is the total write-back, if I remember correctly.

Management: Hello?

Management: 132 crores is from ECL.

Abhishek – HSBC: Okay.

Management: The 164 crores of recovery in the P&L comprises 132 crores from ECL and 32 crores from recovery.

Abhishek – HSBC: Okay. I will take that offline, no problem. I got my answer. Thank you very much, and all the best.

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

Abhijit Tibrewal – Motilal Oswal: Hello, am I audible?

Management: Yes, Abhijit, you are audible.

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Abhijit Tibrewal – Motilal Oswal: Good afternoon. I have 2 questions. First, earlier in the call, you said that although we reported a margin of 2.58% this quarter, for the full year we are now guiding toward the lower end of the margin range, adjusted to 2.6%, if my memory serves me correctly.

What I am trying to understand is whether you think margin pressure will continue, given that our overall portfolio yields are approximately 9.2%, or 9.12% to be precise, while the incremental yields on the business we are doing are about 8.25%. Therefore, there will be pressure on yields.

On the cost of borrowing side, could you also enlighten us regarding the maturities coming up this year, both on the NCD and bank borrowing sides? At what rates are they coming up, and at what rates do you expect them to be refinanced? I am trying to understand the interplay between the pressure on yields and the cost of borrowings.

I heard that we are trying to make changes in the product mix and trying to increase {? NSH, NSC ?}, but that is a much smaller proportion of your book and will take time to make any meaningful improvement in portfolio yields. Could you help us understand this aspect?

Management: Your first question was about my incremental cost of borrowing, which was 7.06% for this quarter. Your second question was how much is going to mature during the year. It is around 17,000 crores, and the average cost of that is around 7.38%.

Abhijit Tibrewal – Motilal Oswal: Do you expect it to be refinanced at perhaps 7.1%? Is that a fair assessment?

Management: Could you repeat that? What was your—

Abhijit Tibrewal – Motilal Oswal: I am referring to the 17,000 crores that you mentioned, at 7.3% or 7.4%.

Management: Yes.

Abhijit Tibrewal – Motilal Oswal: Do you expect it to be refinanced at a lower rate?

Management: Although the rate scenario is currently slightly on the higher side, my incremental borrowing cost during this quarter was 7.06%. I am hopeful that I will obtain it at a lower cost than the rate at which it is maturing.

Abhijit Tibrewal – Motilal Oswal: Understood. Is it safe to conclude that the cost of borrowings will not increase from here, as the weighted average cost of borrowings on your liabilities comes down in the coming quarters?

Management: It is broadly in line, but it may increase by 3–4 basis points on a cumulative basis. If you compare it with my cumulative borrowing cost, it was 7.27% last year, and it has increased by hardly 1 basis point from there.

Abhijit Tibrewal – Motilal Oswal: You expect it to remain there, or increase by 3–4 basis points?

Management: 3–4 basis points maximum.

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Abhijit Tibrewal – Motilal Oswal: Understood. The only other question was a data-keeping question. In the earnings call, you share the Stage 3 numbers segment-wise. Could you provide them for us?

Management: Abhijit, you can note them down. You want them group-wise—individual loans and so on, correct?

Abhijit Tibrewal – Motilal Oswal: Yes.

Management: Individual loans, Stage 3 EAD, is 2,967 crores. What else do you want? Do you also want the provisioning?

Abhijit Tibrewal – Motilal Oswal: Either that, or the percentage numbers that you provide for IHL, NSH, NSC, and project loans.

Management: The percentages are as follows. For IHL, do you want GNPA or EAD? Abhijit, please tell me clearly what you want.

Abhijit Tibrewal – Motilal Oswal: I want the GNPA, the Stage 3 numbers that we provide segment-wise.

Management: For individual loans, Stage 3 total EAD is 2,967 crores, and the percentage is 1.09%. For HC and Project, it is 2,819 crores, and the percentage is 20.53%. NSH is 1,113 crores, and the percentage is 3.06%. Overall, it is 6,899 crores and 2.14%.

Abhijit Tibrewal – Motilal Oswal: Understood. One follow-up: IHL has moved from 1.03% to 1.09% this quarter.

Management: There are only 3 basis points.

Abhijit Tibrewal – Motilal Oswal: Understood. That answers my question. Thank you very much, and I wish your team the very best.

Operator: Thank you. The next question is from the line of Rishi Modi from Modi Advisory. Please go ahead.

Rishi Modi – Modi Advisory: Hi, sir. Can you hear me?

Management: Yes, I can hear you, Rishi.

Rishi Modi – Modi Advisory: I am new to the company, so I had some questions about the business rather than just this quarter. My first question is regarding the Q3 FY26 call. You had mentioned that you were exploring the possibility of bringing in an external CEO, a non-LIC individual, probably someone from the industry, and that discussions were ongoing with LIC. I wanted to ask for an update on this, if there is anything you can share with the wider audience.

Management: Are you sure I said this? I do not think I ever said this.

Rishi Modi – Modi Advisory: In your Q3 call, I think it was mentioned for the first time that you were discussing with LIC the possibility of bringing in external leadership.

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Management: No. This was never discussed.

Rishi Modi – Modi Advisory: Understood, so that is not happening. My second question is regarding the affordable housing finance business. You mentioned that an entirely external team, comprising non-LIC Housing Finance professionals, would run it. Over the next 2-3 years, you want to build it up, and this year you are assembling the team. Are we on track, and what budgets have you set aside?

Management: It is still a work in progress. It has not been rolled out yet. However, with the concurrence of the Board and the NRC, which will provide the sanction for additional staff, we expect to take it up in the current year.

Rishi Modi – Modi Advisory: How much budget are you setting aside for this over the next 2-3 years? How much operating expenditure are you willing to fund, and how large a loan book are you willing to take exposure to? Are there any guardrails around that?

Management: There will be guardrails because this is part of the affordable business segment. There will definitely be credit-related guardrails. We have not set any business target or anything of that sort.

As I said in my last call, let the child be born and then we will see how to groom and develop it. We have not set any target for the affordable business at present. We are conducting affordable business, but not through the structure that we had put in place or discussed in the Q4 conference call.

It is a work in progress, but we expect it to take off sometime this year with the concurrence of the NRC and the Board.

Rishi Modi – Modi Advisory: Understood. My third question is regarding the approximately 7,000 crores of loans that you had written off or placed under recovery until last year or the year before. How much of that amount has been recovered, and how much do you realistically expect to recover over the next 2-3 years?

Management: Out of 7,000 crores, I believe approximately 3,000 crores would be the amount under technical write-off, as we call it. It is not written off; we still consider it to be part of our book, and we aggressively pursue all legal and other methods of recovery.

In the current quarter, I think we recovered about 37 from this pool. Most of these are legacy loans, and most are from the developer finance book.

These accounts are at various stages of resolution, ranging from SARFAESI and other legal recourse to cases in the DRT, where we are expecting decisions, as well as cases before the NCLAT and NCLT. Some of these cases are also under negotiation with the borrowers themselves for a one-time settlement, or OTS, as we call it.

This year, we expect some good recoveries from this pool, at least to the tune of 500-600 crores. 180—180 was recovered this—no, this was not from written-off accounts; this was from NPAs.

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Rishi Modi – Modi Advisory: Understood. So, 500-600 crores this year. Do you think another 2,000 crores can be recovered from this pool over the next 2 years?

Management: Yes, definitely. We will target more, but definitely 2,000 crores.

Rishi Modi – Modi Advisory: Understood. My fourth question is regarding the technology initiatives. Over the last few years, you implemented Project Red, and now you are moving toward a new straight-through process, if I am not mistaken.

Regarding Project Red, what benefits are you seeing today? How should one think about it? Will we see acceleration in loan growth, reduced BT-outs, a lower cost-to-income ratio, or lower GNPAs as a result of Project Red?

Regarding the straight-through process, I understand it involves more automated underwriting. Should we expect faster processing and faster turnaround times? I am trying to understand how an investor should measure the success of this level of spending. Are you setting any targets that would demonstrate that this technology investment is helping the company?

Also, how much do you expect to spend on IT this year? Finally, if you were to assess yourself against Bajaj Housing or Aadhar, where would you say you stand in terms of technology capabilities, as a percentage of their capabilities?

Management: Project Red was basically a complete overhaul of our LMS and LOS. The earlier system we had was castable and was implemented in 2012. It was adequate at that time, but as we entered the new digital world, we found that it was not suited to, or in tune with, the current requirements of the digital world. We had various applications and APIs that needed to be linked.

Therefore, we undertook a complete overhaul of both the LOS and the LMS, which was completed in 2023-24. We are now integrating the various applications, tools, and other systems we have to improve the customer experience, improve service delivery, improve turnaround time, and improve our methods of working.

One of the initiatives you mentioned is the STP process, which involves complete digital onboarding and digital credit appraisal. It was implemented around January or February of last year. We have 4 months of experience with it.

We had very tight guardrails around the process, which resulted in a smaller number of cases being eligible to go through the STP process. We are currently reviewing those guardrails. Based on our experience, we are quite sure, or I would say assured, that the guardrails and risk mitigation measures we put in place are working. We can now afford to relax them to some extent.

In the first quarter, approximately 960 crores were disbursed through the Homie app, which is also an online onboarding platform. All these new digital initiatives will help us reduce or, rather, redeploy our manpower. There will not be any retrenchment or anything of that sort. Any excess manpower resulting from the introduction of these digital initiatives will be redeployed in other productivity areas so that productivity increases.

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That is a work in progress. Another initiative we are looking at this year is a complete data lakehouse project, whereby the company's entire data will be consolidated and used effectively for data mining and data drilling. AI will be integrated into it so that it helps us generate leads, and it helps us with what we call EWS, or early warning signals, for collections, NPAs, and a whole range of other systems.

That project is going to start this year. The RFP and tendering process are already complete, and very shortly we are going to issue the contract to the successful vendor, whose name I will not disclose at this moment.

These are the initiatives in progress. If you compare us with Bajaj and Aadhar, I agree that they are probably slightly ahead of us at present. However, we will catch up with them, without a doubt.

Management: We will catch up with them. Our systems have to be equally robust, and even more robust than the systems that at least Can Fin has. Bajaj is, of course, the benchmark in the housing finance industry.

Development is progressing on all fronts, and we expect to do well. This will result in a reduction in costs and generate additional manpower that can be used for capacity-building purposes.

Rishi Modi – Modi Advisory: Understood. Could you quantify how many disbursed loans—

Operator: May we request you to return to the question queue for a follow-up question? Thank you. Ladies and gentlemen, to ensure that management is able to address questions from all participants in the conference, please limit your questions to 1 per participant. The next question is from the line of Sonal Minhas from Prescient Capital. Please go ahead.

Sonal Minhas – Prescient Capital: This is Sonal Minhas. I would like to continue from the question that someone in the queue was just asking. When will these software products start adding meaningfully to the top line and the growth of the company?

Secondly, from a preparedness perspective, if we want to lend to individual borrowers at higher yields, what preparedness is required in terms of people, systems, and mindset? This is a different category of customer to whom we need to lend at those yields. I want to understand, subjectively, what our preparedness is for that.

Management: Digital preparedness is not a one-time or one-day job. It is a continuously evolving process. Digital systems are being put in place for various activities, such as customer onboarding and credit appraisal. We have implemented the STP process for generating EWS and helping us reduce delinquencies and NPAs.

This is a complete work in progress. With AI and many more new tools coming in, we are exploring those as well. Therefore, there cannot be an end date to this. It is a continuous process that will keep happening.

The ultimate aim and objective is to make the customer experience much better. Secondly, we want to make it much more cost-effective for the company to conduct its business and reduce the overall costs that contribute to the company's margins. This is an ongoing process.

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What was the second part of your question, Sonal?

Sonal Minhas – Prescient Capital: I was asking whether a timeline would help us understand when AUM growth would be at par with the names you were just discussing, such as Bajaj and Can Fin, along with a couple of other names. Is there broader guidance regarding when we can expect double-digit or higher AUM growth once this preparedness is in place and we are ready internally?

Management: If you look at our peers, for example, I do not know Bajaj's numbers, but their book growth would probably be around 20-25%. If you look at us, 4% growth appears very low.

However, as the CFO was saying, we added almost {? 12,000, 13,000 crores ?} to our book in the first quarter. Since my base is large, at 3 lakh crores, and Bajaj is probably half our size, Bajaj would naturally show double the growth rate for the same absolute growth.

Matching our peers until they reach our size is probably going to be difficult. I agree with that. However, we cannot be satisfied with the 4-7% growth we have demonstrated over the past 3, 4, or 5 years. We definitely need to start with double-digit growth and gradually move toward consistent growth of 12-13%.

This year, we are determined to deliver book growth close to 8-10% and at least 15% growth in disbursements. This will allow us to begin our growth journey in both disbursements and the book, which we have not demonstrated over the past 3-4 years.

Sonal Minhas – Prescient Capital: Understood. Thank you, and good luck.

Operator: Thank you. The last question for the day is from the line of Arun Antony from JM Financial. Please go ahead.

Arun Antony – JM Financial: Good afternoon, sir. I have a couple of questions regarding the guidance. Earlier, the guidance for disbursements was around 15%, and growth was around 10-12%. Is that being revised to approximately 8-10% growth and disbursement growth of around 15%?

I also have one question on disbursements. Last quarter, you mentioned that in April you were seeing disbursement growth of around 21%. What happened in May and June such that disbursement growth for the overall quarter declined to 14.5%?

Finally, on credit costs, the guidance was around 10-15 basis points for FY27. Considering the accounting change made this quarter, is the credit cost guidance still in that range, or will it be lower? Those are my questions.

Management: Coming to disbursements, 1 month is not an indicator of what is going to happen over the long term. In April, when we spoke, we were showing growth of approximately 21%. However, the guidance we had given for the quarter was 15%, and we were almost there, achieving 14.5%.

As I said, the guidance for Q2 also stands at 15%. Some months could be good. July could be good, August could be slightly lower than July, and September could be good. Let us consider the quarter as a whole. We had guided for 15% and achieved 14.5%.

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For the year, our guidance for book growth was double-digit, and our guidance for disbursement growth was between 10% and 12%. We continue to maintain that.

Credit cost is currently negative 5 basis points. For the year, we had given guidance of 10-15 basis points, and we continue to maintain that guidance.

Arun Antony – JM Financial: Just to reconfirm, is the full-year AUM growth guidance approximately 8-10%, and is the full-year disbursement growth guidance 10-12%?

Management: Yes.

Arun Antony – JM Financial: All right. Thank you.

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

Management: Thank you, friends. There were many insightful questions. I know the concerns are regarding margins and growth. We are very well aware of both these aspects.

As far as growth is concerned, disbursements have picked up in Q1, and we are optimistic that the trend will continue in Q2.

As far as margins are concerned, it is going to be challenging, considering that our segment is essentially one in which banks operate, so we are competing with banks. We need to continue competing while keeping an eye on the margins or spreads we earn on our business.

The other aspect is our diversification strategy, which we are pursuing aggressively. It is showing traction and growing green shoots. I believe these factors will help us achieve the 2.6% NIM guidance we gave.

Q2 is expected to be a good quarter for the company based on what I see at present. It should be a quarter that helps us accelerate our journey toward achieving the guidance we have given to all of you. Thank you for your participation.

Management: I would like to add something. Our disbursements have started growing at double-digit rates, and this quarter was particularly strong in terms of PBT and PAT. Asset quality is also gradually improving, and return on assets for the quarter improved by 9 basis points.

We are definitely hopeful that this year will be something extraordinary by the end of the year. Thank you very much.

Operator: Thank you. On behalf of LIC Housing Finance Ltd., that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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