Ghar Ki Baat

26th October, 2019

The BSE Limited,
Listing Department,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001

Scrip Code: 540173

National Stock Exchange of India Limited,
Listing Department
"Exchange Plaza"
Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051

Symbol: PNBHOUSING

Dear Sirs,

Sub: Earnings Call Transcript

Please find attached herewith the transcript for Q2 and H1 FY 2019-20 Earnings Call held on 24th October, 2019. A copy of the same is also available on the website of the Company i.e. https://www.pnbhousing.com/investor-relations/financials/

This is for your information and records.

Thanking You.

For PNB Housing Finance Limited

Sanjay Jain
Company Secretary & Head Compliance

Encl: a/a

"PNB Housing Finance Limited Q2 and H1 FY19-20 Earnings Conference Call"

October 24, 2019

Participants from PNB Housing Finance:

Mr. Sanjaya Gupta	Managing Director
Mr. Shaji Varghese	Executive Director-Business Development
Mr. Ajay Gupta	Executive Director-Risk Management
Mr. Kapish Jain	Chief Financial Officer
Mr. Anshul Bhargava	Chief People Officer
Mr. Sanjay Jain	Company Secretary and Head Compliance
Ms. Deepika Gupta Padhi	Head - Investor Relations

Moderator: Ladies and gentlemen, good day and welcome to the PNB Housing Finance Limited Q2 and H1 FY19-20 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Deepika Gupta Padhi. Thank you and over to you.

Deepika Gupta Padhi: Thank you, Steven. Good evening and welcome everyone. We are here to discuss PNB Housing Finance Q2 and H1 financial year 19-20 results adopted as the Indian Accounting Standards. With me, we have our leadership team represented by Mr. Sanjaya Gupta - Managing Director; Mr. Shaji Varghese - Executive Director, Business Development; Mr. Ajay Gupta - Executive Director, Risk Management; Mr. Anshul Bhargava - Chief People Officer; Mr. Sanjay Jain - Company Secretary and Head of Compliance and Mr. Kapish Jain - Chief Financial Officer. We will begin this call with the overview and performance update by the Managing Director followed by an interactive Q&A session.

Please note this call may contain forward-looking statements which exemplify our judgment and future expectations concerning the development of our business. These forward-looking statements involve risks and uncertainties that may cause actual development and results to differ materially from our expectations. PNB Housing Finance undertakes no obligations to publicly revise any forward-looking statement to reflect future events or circumstances. A detailed disclaimer is on slide 2 of the investor presentation available on our website.

With that, I will now hand over the call to Mr. Sanjay Gupta. Over to you sir.

Sanjaya Gupta: Thank you, Deepika. Good evening, everyone! “Welcome all to our Quarter 2 and H1 Financial year 19-20 earnings call.”

You must have seen our business and financial numbers in the presentation and the press release as shared on the Indian stock exchanges and is also made available on our website www.pnbhousing.com. In this call, I would like to spend more time talking about both qualitative and quantitative aspects of our business, asset under management, liquidity position and capital raise.

Despite the challenging environment, the Company continues to mobilize resources from various sources viz Bank term loans, ECB, Deposits, Securitization via direct assignment route etc. Numerous measures announced by the government and the RBI have adequately helped in infusion of liquidity in the sector and reposing confidence. The Company, incrementally, mobilized over INR 45,000 crore post the liquidity crisis from September 2018 i.e. over the last 4 quarters.

The Company enjoys a very strong deposit franchise supported by highest rating of FAAA from CRISIL Ltd and is the second highest deposit mobilizer in the HFC sector. We mobilized over INR 1,000 crore and acquired over 17,000 deposit accounts in the month of Sept 2019; growth of over two and a half times from September 2018. These deposits are sticky in nature with tenure ranging between 30-36 months and renewal rate of over 40% by value. Deposits as on 30th Sept 2019, stands at INR 17,179 crore i.e. 20 % of our total financial resources.

RBI's announcement of raising the limit for on-lending of housing loans upto INR 20 lakh to be qualified under PSL is another beneficial move for the Company as around 20% of our individual home loan falls below the INR 20 lakh bracket.

With INR 15,118 crore of securitized book as on 30th Sept 2019, the Company has developed expertise in securitization through the direct assignment route. As on 30th Sept 2019, our Securitized book is of 36 months vintage with GNPA of 0.19%. With an objective to contain gearing, the Company securitized INR 3,580 crore during Q2 FY19-20.

With our continued focus on the long-term borrowings, securitization and sell down of corporate finance assets, the ALM gaps across buckets have, further, contracted. The negative balance of INR 1,959 crore in less than 12 months window as on 31st March 2019 compressed by 30% to INR 1,371 crore as on 30th Sept 2019.

On our resource profile, 22% is contributed by Non-Convertible Debenture, 22% by Banks, 20% by Deposits, 17% by Direct Assignment, 8% re-finance from the National Housing Bank, 6% through External Commercial Borrowings (ECBs) and 5% by Commercial Paper.

The Company has raised ECB of USD 175 million from multilateral institute like IFC and multinational Bank like SMBC, reposing their faith on the operational robustness of the Company. The Company has maintained adequate cash and liquid investments of INR 4,557 crore as on 30th Sept 2019. Additionally, Company has healthy pipeline of sanctions from banks and financial institutions.

On capitalization front, our CRAR as on 30th Sept 2019 is at 15.67% with Tier I at 12.69%. This has improved from CRAR of 13.98% with Tier I of 11.00% as on 31st March 2019. The improvement is primarily due to the reduction in Corporate loan book and securitization of our retail assets. Please note the CRAR numbers are as per IGAAP Net Owned Funds and does not consider the positive impact on networth arising out of IndAS adjustment. The average gearing of the Company is at 9.20x during H1 FY19-20 which has improved from 9.30x during FY18-19.

As on 30th Sept 2019, we have Assets under Management of INR 89,471 crore, Retail asset of INR 72,595 crore constituting 81% of the AUM. We continue to focus on building our retail book during the year. Geographically, West is our largest market with 40% of Asset under Management followed by North and South at 30% each. We have limited presence in East with 3 branches - 2 in Kolkata and 1 in Bhubaneshwar, which forms part of the North Zone.

In our retail segment, which comprises 81% of the AUM, Individual Housing Loans constitute 59% of the AUM, Retail LAP i.e. retail loan against property constitute 18% and Retail non-residential premises loan is 4% of the Asset under Management.

In the Individual Housing Loan segment funding towards completed properties is around 79%. Even on incremental disbursement basis, the individual housing loans disbursed in H1 FY19-20 under the APF category is lower at 21% compared to H1 FY18-19. We do perceive that on retail home loans, there may be some delivery risks, due to constrained credit flow to the real estate developers, hence conservatively staying away, ever since November of 2017.

Our retail LAP segment consists of loans primarily disbursed for working capital to the SME customers. Our LAP book has an average ticket size of INR 47 lakh with Loan to Value of 50%. Majority of our customers are credit tested with average monthly income of INR 2.1 lakh. LAP portfolio includes 82% of self-employed customers in the age bracket of 40-55 years.

There are queries raised around the average ticket size of the retail book. The Company is into mass housing and over 74% of its retail loans are less than of INR 1 crore. In our retail loan portfolio only 20 accounts are with the ATS of over 15 crore, which is limited to 0.6% of the retail asset with nil NPA. You may also refer to a detailed slide, shared in the investor presentation.

The Corporate Loan Book as on 30th Sept, 2019 is 19% of the Asset under Management, down by one percent on a sequential basis. This comprises 12% Construction Finance, 4% Corporate Term Loan and 3% Lease Rental Discounting. Our lending in this space is primarily to marquee real estate developers and repeat customers. During H1 FY19-20, the corporate book witnessed natural run off of 6.33% excluding the sell down of INR 842 crore of LRD. As on 30th Sept 2019, our corporate book is spread across 156 unique developers down from 163 as on 30th June 2019. Construction Finance is spread over 118 developers and 158 residential projects. Our funding in the Corporate loan book is primarily to the projects that cater to mass housing segment. As on 30th Sept 2019, the Company has funded over 73,000 units with 94% of the units having ticket size of upto INR 1 to 3 crore. During H1 FY19-20, principal repayment started in 38 accounts having total loan outstanding of INR 1,492 crore. The amount collected in these facilities during the principal moratorium period is INR 230 crore. The Top 20 developers with 62 loan accounts constitute 62% of the corporate book. In our Construction Finance book as on 30th Sept 2019, the under-construction percentage has reduced to 57% as compared to 62% as on 30th June 2019. We have strengthened our existing teams and created specialized groups of skilled professionals from various faculties to monitor, measure and proactively mitigate risk arising due to the current environment. As informed earlier too, as a part of continuous monitoring, we had identified 5 accounts which were stretched. Initially when we had identified these accounts, the loan outstanding as on, 31st March 2019, was INR 908 crore which has reduced by 8%, as on 30th Sept 2019, to INR 833 crore. On lines of conservatism and as a prudent measure, we have created over 33% ECL provision in these 5 accounts up from 21% as of 30th June 2019. In addition to this, we have also increased the quantum of steady state provision by INR 12 crore to INR 169 crore.

Out of these 5 accounts, one account i.e. IREO private limited, with security coverage of ~2.5x, had moved into NPA in Q1 FY20. As mentioned in our last earnings call, the developer had approached with a structured re-payment plan. As a result, the developer paid INR 39, crore resulting in principal outstanding reduced to INR 111 crore. We continue to work with the developer on the structured payment plan and expect to resolve this account by the end of the current financial year. The largest corporate exposure of the Company is to Lodha developers. The Company has given them loans amounting to INR 1,250 crore, for two projects i.e. Lodha World One and Trump Towers. The Company is the sole lender in both these projects. We have long term relationship with Lodha and these are our 4th and 5th facility extended to them. The earlier 3 facilities were either prepaid or timely re-paid. Our security coverage in these projects is over 1.5x along, with additional security of personal guarantee of the promoter. There is no pending regulatory approvals and construction risk on these projects, to boost sales the developer has undertaken an intense marketing drive.

With the challenging environment, the Company has not only, significantly, reduced corporate loan disbursements but also tightened its lending norms, restructured the entire team and heavily invested in IT enablement of the workflow to further make operations robust and world class. We would continue to remain cautious while lending to this segment till we see positive developments and improvements in the sector as a whole.

Gross NPAs on 30th September, 2019 is 0.84% as a per cent of Loan Assets. The GNPA on Retail loans is 0.84% and on Corporate loans is 0.83%. The GNPA on AUM is 0.73% as on 30th September, 2019. As a result of effective use of SARFAESI, the GNPA on sequential basis in absolute terms has reduced by INR 21 crore from INR 645 crore as on 30th June 2019. In this regard would also like to mention that the life to date write offs by the Company is 6 bps of the cumulative disbursements. As on 30th September, 2019, our total provision to assets stands comfortably at 1.2% and provision coverage at 143%.

The Board of Directors of the Company approved the capital raise plan of upto INR 2,000 crore. The Stakeholders' Relationship Committee (SRC) is overseeing the capital raise plan.

Today, the Board was appraised on the current status of the capital raise. The same is currently under process and we will come back to the market in next few weeks' time to update. The Board is in synchronization with the management, plan and approach towards the capital raise.

The financial results further strengthen the company's position:
The Profit after Tax for H1 of 2019-20 stood at INR 651.3 crore as compared to INR 508.8 crore for H1 of 2018-19; an increase of 28%. The Spread on loans for H1 of 2019-20 is 256 basis points. Excluding the assignment income and other Ind AS adjustment i.e. as per IGAAP the Spread on loans for H1 of 2019-20 is 206 basis points. Net Interest Margin for H1 of 2019-20 is 316 basis points. The Gross Margin, net of acquisition cost and including fees, for H1 of 2019-20 stood at 344 basis points against 319 basis points during H1 FY 18-19.

The Opex to average total assets (ATA) for the financial year excluding ESOP cost of INR 16.8 crore, being more of an accounting provision, stood at 56 basis points. This includes employee cost of PHFL, our 100% owned subsidiary, which largely houses the in-house sales force.

The cumulative ECL provision as on 30th September, 2019 is INR 725 crore. As a conservative management, catalysed by positive impact of corporate tax cut, the Company added an additional amount of INR 12 crore in the steady state provision for contingencies amounting to INR 169 crore.

The Return on Assets for H1 FY 19-20 is 1.58% compared to 1.47% in H1 FY 18-19. On an average gearing of 9.2x against 8.9x during H1 FY18-19, the Return on Equity (ROE) for H1 FY19-20 is 16.74% compared to 15.45% for H1 FY 18-19.

The closing net worth (as per IndAS) as on 30th September, 2019 is INR 8,035.3 crore.

Now, let me talk about the Business Performance:
During the H1 FY19-20, we registered degrowth of 4% in loan file logins compared to the corresponding period of the previous financial year. The disbursements degrew by 31% to INR 12,604 crore vis-à-vis INR 18,172 crore during H1 FY 18-19.

The Company during Q2 FY19-20 securitized INR 3,580 crore of its retail loan portfolio (both Home loan and LAP) through the direct assignment route totaling to INR 5,898 crore in H1 FY19-20. With consistently superior asset quality and good proportion of Priority Sector Lending (PSL) assets, the Company's portfolio continues to enjoy a good demand from banks/HFCs for pool buyout. Net of the assigned loans, the Loan Assets is INR 74,353 crore as on 30th September, 2019, representing a healthy growth of 11% YoY.

During H1 FY 19-20, out of the total individual housing loan disbursement, around 28% by value was in, less than INR 25 lakh category, which can be termed as affordable housing. With stabilization of our branch network in tier-II and tier-III cities, we look forward to growing the contribution of affordable segment in our individual housing loan portfolio.

CSR – Our continuous endeavor: In line with our philosophy to enable the marginalized community in becoming capable and self-reliant, we actively engage in construction labour skill enhancement trainings, day care centers, education and healthcare under our Corporate Social Responsibility (CSR) program known as 'Shaksham'.

We are a strong 1,684 full-time employee team as on 30th September 2019. The Company continues to maintain a balanced approach to business and growth with focus on asset quality and profitability.

With the primary focus of raising equity, maintaining adequate liquidity with matching ALM, robust asset quality and reduced gearing the Company expects to maintain the current run rate of disbursement the for rest of FY19-20.

With this, we would now open the floor for the questions and answers. Thank you very much.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Amit Premchandani from UTI Mutual Fund. Please go ahead.

Amit Premchandani: I just had a question on the capital raise. That part of the outlook was still not clear in the sense there is no timeline mentioned in when will you raise capital and we expected that by calendar year 2019 you will be able to raise capital. So, does the timeline hold and what is the amount that you are likely to raise?

Sanjaya Gupta: The amount is INR 2,000 crores which is already approved by the board. The volatile external situation has been forcing the BRLMs, the management and the Board to keep on changing the format and I think in the timeframe of 2 to 3 weeks from now, because we really deliberated the entire day with our Board and our Stakeholder Relationship Committee we are going to come out with a firm sort of a format and not the sort of in the grey and certainly we will reach out to all of you and update you, so I would say just bear with us a little bit more. It is actually this entire, I would say the deferment has happened because of the external environment especially for HFCs and believe you me it is our endeavor to maintain liquidity, reduce gearing, be solvent. We are able to raise liabilities and within 15 to 20 days, I am sure that we should be hitting the street and our roadshows will commence. We are very clear on that. It looks that probably the inflow of capital will not happen in this calendar year but should certainly happen by February of 2020. We had very detailed discussion with all the Board members, the two large stakeholders present on the board and it was a very empowered and I would say very focused meeting that we had today.

Amit Premchandani: What is the primary reason of the timeline changing from December 2019 to February 2020?

Sanjaya Gupta: Basically, it is that because of the external volatility, we could not go to the market or reach out to the market being an HFC and I think once, you know after Diwali we again gather and we along with our BRLMs, we should have a very firm capital raise plan and we will hit the market in another 2 to 3 weeks' time and we are sure that we get commitments before we start doing our roadshows.

Amit Premchandani: And our earlier expectation was that it will be Preference capital, now we should expect QIP or it is still a Preference?

Sanjaya Gupta: I would still say that the format is not yet closed out but to a guy like me because we have a large FDI also which owns a large stake in the Company and FDIs cannot participate in a QIP. I think it is going to be Rights or a combo of two things like that.

Amit Premchandani: So it may be a Rights issue also?

Sanjaya Gupta: Yes, it can be.

Amit Premchandani: And sir, on the margin front, even in this environment without growing the corporate book, which is the higher margin book, your margins are going up, how much of the core margins excluding assignment have gone up?

Sanjaya Gupta: Basically, the core spread without assignment has gone up from 198 bps for FY19 to 206 bps for H1 FY20 and I think that in quarter 3 it should climb up. It is my estimation, don't hold me, it is not a forward looking statement, it is just a guess of a product manager that spread should go up between 11 to 12 bps more because the full impact of the reference rates which we did change in June will take about 45-105 days to come at a portfolio level and I think we should be bang on at about 213-214 basis points without the assignment income.

Amit Premchandani: 206 bps is the spread right and not margins?

Sanjaya Gupta: It is the spread, it is the yield on portfolio minus the cost of funds.

Amit Premchandani: So margin would be North of 3%?

Sanjaya Gupta: Yes, it is 316 bps.

Amit Premchandani: That would be including assignment or without assignment?

Sanjaya Gupta: Including.

Amit Premchandani: And what is the status of the 4 accounts out of the 5 one is NPA?

Sanjaya Gupta: I will give you details. So 19% of the AUM is of Corporate book out of which CF is 12%, Corporate term loan is 4% and LRD is 3%. The top 20 developers contribute to 62% of the book, right.

Now coming to 4 accounts; now, one is IPL Gurgaon which is an NPA of INR 111 crores and the developer deposited INR 39 crores in this quarter and that is how it came down from INR 150 crores to INR 111 crores. The ECL provision is 37% and we continue to work with the developer and expect to resolve this account by the end of the financial year.

The second one is Supertech Gurgaon which is stage 2 and the outstanding loan amount is INR 244 crores. The ECL provision is at 36% and we are working towards ensuring remoteness to bankruptcy in this account. Once that is in place, the option is to get additional funds for the project and we have also taken additional collateral on an exclusive charged basis to further secure our loan. Out of 16 towers in phase I, 8 towers are in advanced stage of construction and the civil work is 85% completed and 80% is also sold.

The third one is Ornate Mumbai. This is stage 1. The outstanding loan is INR 181 crores. The ECL provision is 32%. All approvals are now in place for additional FSI. Due diligence is being done by Shapoorji Pallonji to be a joint venture partner.

The fourth one is Radius Group Mumbai which is in stage 2, the outstanding loan amount is INR 259 crores, ECL provisioning is of 35%. Fresh evaluation of the project is completed, requirement of additional funds has been identified. Work on project sites has started with focus on completing the retail commercial area which is majorly sold and has committed receivables. He is in talks with the private equity firm and a few financial institutions to fund incremental debt requirement.

The fifth one is IREO Waterfront, which is the Ludhiana project, this is in stage 2. Outstanding loan is INR 38 crores, the ECL provision here is small because our security cover is almost 6-7x, the developer has offered structured payment plan and paid around INR 7 crores. We continue to work with the developer and expect to resolve this account by the end of the financial year.

We have created specialized teams of skilled professionals of various streams and faculties to monitor, measure and mitigate the increase in risk due to ongoing systemic environment.

Moderator: Thank you. The next question is from the line of Piran Engineer from Motilal Oswal Securities Limited. Please go ahead.

Piran Engineer: I had a couple of questions, firstly what percentage of our deposits come from retail sources?

Sanjaya Gupta: 86% by value.

Piran Engineer: Which means that our average ticket size is 6.5 to 7 lakhs per deposit?

Sanjaya Gupta: It is 6 to 7 lakhs.

Piran Engineer: But how are we able to get such high value deposits because our mix base? Like Bajaj Finance's average ticket size is probably half of that and it is similar sized book with 2 lakh depositors, INR 15,000 to 16,000 crores book?

Sanjaya Gupta: The thing is that is the customer profile and the way the brand has been positioned in the target audience and our broker and our franchise network, our relationship managers, our service standards. You test us, on the 36th minute of your SMS coming from your bank that your account has been debited, your deposit will be there through a unichannel; whether you want it on an e-mail, you want a physical, you want at home, you want in office, you want at broker, you want in our branch. That is the type of automation, accuracy, dedication and service orientation backs our products or our services. We have very predictable service standards.

Piran Engineer: Secondly, why is our Opex so low this quarter? Are there any one-offs or for example our other Opex is down from INR 54 crores the last quarter to INR 44 crores, even on a Y-o-Y basis our overall Opex is down while the book has grown, so just wanted to get a sense?

Sanjaya Gupta: One is that as we have been saying over the years that this organization has been investing a lot on infrastructure, on technology, on skilling, on people development, on expanding the team, branch network, hub creation. Now, this is a year of consolidation, so you have started seeing the colors of our past investments and you have started seeing optimization of capacity utilization and I think we are in a state where the expense on running the Company has stabilized because frankly speaking, there is no branch which has been added. On the technology side only, we are working on the wholesale or the corporate finance part because most of our digitization got completed. Most of our information security initiatives got completed. Our COPS & CPC is totally digitalized, so primarily is that whenever high growth Company takes a little pause, the incremental cost don't add up and if you have been following these earning calls of ours, I have been again and again saying that 30% of capital expense hits you in the same financial year as a revenue expense because of rent, rates and taxes, salaries, depreciations, AMC, etc., and that is why even in the previous earnings call we used to bifurcate our Opex into steady state and for capacity building and that capacity building has actually stabilized and we are optimizing the past capacities and hence the Opex is showing its colors.

Piran Engineer: That is true, but I mean to be honest you all have been not opening branches for the last 3 to 4 quarters, but it is only in this quarter that there is a sudden dip, so I was just trying to get a sense?

Sanjaya Gupta: Just a second and that is what I keep saying, this is annuity business. Your cost will hit you first, your incomes will come with a lag. Even when our business, incremental disbursements have degrown by 35%, our profits are very smart because whatever buildup we did in financial year 19 has a full year impact this year and the lucky part is that we did smart business in quarter one and half of quarter 2. and in quarter 3 and quarter 4, the flow will start coming in. Also, during the quarter, we have seen reduction in our admin and marketing cost compared to last quarter.

Piran Engineer: Let me put it this way, for every incentive that you all pay a sales employee for disbursement, do you all upfront that expense in the quarter, is it amortized?

Sanjaya Gupta: No, the incentives will always be amortized. Upfronting will only be for the fixed salary. The variable component of salaries will be amortized over the life cycle of the product through EIR method.

Piran Engineer: And sir, last question when you mention that the run rate of disbursements for the rest of the year will be similar to 2Q, this is assuming that you all do not raise capital? The trajectory would pick up once you raise capital.

Sanjaya Gupta: So, let me very candid. Today, yes we have a capital constraint, but the fact of the matter is that there has been so much of, I would say apprehension in this sector, for example, you did not pick up on that line that we have only 21% under construction properties and this is not overnight that you can bring about this change. This change we had been bringing about ever since November 17. When we say we were the first people to forecast that there is going to be tightening of liquidity. Now, we could harbinger that because of the supply side, the credit flow will get constraint, so we started sort of be on the back foot even when we are doing retail under construction.

Moderator: Thank you. The next question is from the line of Nidhesh Jain from Investec. Please go ahead.

Nidhesh Jain: Sir, firstly with the cost of funding going up and banks becoming very competitive, the spread between what the rates being offered by let us say PNB Housing or other HFCs, we have seen very sharp difference between the rates offered by SBI and some of the other players, so do we think that the competitive positioning for the Company like PNB Housing has been weakened because of this and only if market sentiments improve, we can be able to get funding at a competitive rates? And secondly what we have also observed in the bond market that HDFC and LICHF have been able to get funding, especially recently at a quite competitive rates, so what is the conversation that you are having with bond holders and what is scaring them to give you money at a same rate or comparable rate to the likes of HDFC and LIC Housing finance?

Sanjaya Gupta: The first thing is, we have never been competing with the large public sector banks on price. You would see that over the last 10 years, we have buy advertised any of a Loan asset product with the coupon rate. We right price our credit and we have been doing it from day 1. Yes, the arbitrage between our rates and the lowest rate has widened. we are not going to walk that path at all, even if my cost of funds is that low because it does not make any business sense. The second thing is as we said, basically we have created a differentiator now demonstrated over the last 8 to 9 years that we can acquire, underwrite, deliver with dignity and manage self-employed individuals very well and there, the opportunity to price credit at our price points is still very smart. The opportunity to earn non-fund based income is very smart. The opportunity to cross sell, fee based products, third party products is very smart and even after the portfolio getting tested by demonetization, by GST, by the current liquidity tightening, the portfolio is best in class and if you were to see our securitized portfolio of almost INR 15,000 crores which is 36 MOB, the gross NPAs are only 19 basis points. So that is the type of quality differentiator we bring at the right price. So we are not the discount masters of this sector at all and we have never been and we will never be and that is the firm conviction with which this management works. We right price our products. So that is why when it comes to resale properties and completed properties, we have an edge with our other players. Yes, the process of acquiring is very widely dispersed, it is rigorous, the process of delivery has to be very robust because the sale deed has to be done along with the transaction and the perfection of mortgage happens on the day the disbursement cheque is given. It gets honored later on but the mortgage creation happens much before. So that is about the competition, about our segment specialization, our veracity, our tenacity, our robustness, assistance, our digitalization etc., and we are very sure that with the advanced technology that we have across this Company, we are going to further optimize, utilize, I will never use the word exploit, we never exploit any resource. So that is about it we are very confident. And the real estate developers also like us for that because we bring in a new segment of customers to their table that you start selling properties not only to salaried people but also to self-employed people and in India, 73% of new housing gets created by self-employed people and there are only 23% penetrated, so it is a huge opportunity, there is a huge headroom to grow, so we are very confident. We never competed even in days where our costs of funds were as low as anybody else. We never competed with the brand names that you took, right and that is why we were able to grow because we actually resized the market for formal sector lending. That is what we have brought to the table as a nation builder.

Now coming back to the bond market, yes there have been lot of I would say secondary market, dumping a little bit of our bonds at phenomenally high spreads. That is market dynamics, I am not going to fall into that trap and snowball that effect and I really wish that large bond to come away today or yesterday but I am very hopeful that very marquee NCD is going to come our way for a very extended term from a large marquee brand and we are going to rub our shoulders with anybody and everybody.

Nidhesh Jain: And secondly sir, on the corporate book, there have been lot of concerns across the board, but as of now, the watchlist is that you have closed, also shrunk, there has not been any accretion to NPA, so how is the quality, do you expect this watchlist to change over a period of time, any accounts which you think may get added to that?

Sanjaya Gupta: When we manage a portfolio whether it is retail or it is corporate, there are forward flows, there are backward flows, there are stabilizations, there are normalizations, so that is the job of a annuity lender. So yes, I would really wish that these 4 to 5 names get out and if 1 or 2 comes, so be it and in the past also when this entire fury of corporate finance was not there, it was not that there were no forward flows and there were no resolutions and there were no curing of accounts., So it is a continuous process and unfortunately this entire thing has blown out of proportion and we welcome anybody who really wants to come and talk to Deepika, our Head of Investor Relations. We have an exhaustive list. If it was not for the fair practice code, we were wanting to put it up the entire portfolio on our website. Our capital market lawyers did not agree to it last evening and I was disappointed by my lawyers and my team worked very hard on those all 168 accounts.

Nidhesh Jain: And just lastly that just to add on one more question on corporate book there is a perception in the market that some of the loans have been advanced at a much lower yield and this is the perception which I have heard from some of the peers or some of the investors as well, so any comment on that?

Sanjaya Gupta: So, a lot of people say we are not right-pricing our credit. If you go on our website, we very diligently, transparently in a truthful manner disclosed that all our construction finance loans are for Residential projects where the land has been aggregated, consolidated, converted, plans approved, RERA registered and formally launched. So Stage-4 as we decide and if you see and if you compare the pie of under construction of Quarter 1 to Quarter 2 you will also see the pie moving and they are getting completed and these are very marquee brands. This is a formal construction finance and that is why we can talk about the portfolio so openly, we can share everything. 94% is mass housing with marquee brands, those brands if they were to raise a bond or an NCD on their own balance sheet can probably do it at a much lower rate. So, it would not be very kind to say that we have not right-priced our risk or our credit. So, it can be the same developer my dear friend, but what is that construction finance loans for? Is it for purchase of land, is it for consolidation, is it for aggregation, is it for regulatory arbitrage i.e. approvals, So it all depends that where are you entering with what brands, what is the ratings, what is your security cover, what is your debt service cover, what sort of covenants what quarterly monitoring are you doing or you are just writing a single cheque and telling the developer okay you pay after five years. Here utilization, sales velocity, collection efficiency, operational compliances, escrow compliances, litigations everything, these are 5-6 virtues and they have 7-8 attributes, a team of 45 people work quarterly to monitor what we agreed at a time of loan sanction and what is the reality and we do this sort of analysis with our Board every six months. So if our terms of reference are so stringent obviously we will have to shave-off a few basis points on the yields.

Nidhesh Jain: And just two more questions on the data points one is that fee income has not dropped that much versus the disbursement drop that we have seen in this quarter, so what is the reason for that and secondly the assignment income as percentage of loan assigned during the quarter has come down substantially over Q1 in this quarter?

Sanjaya Gupta: So, one is the fee income has not come down as much as the disbursements have come down A) Majority of I would say degrowth in disbursement has happened on the corporate side. So, on the retail side the degrowth is only 11%. So that is one reason and the second reason is that the fee income ie processing fee also gets amortized. So, there is a forward flow from the old loans also. So, it would not be very I would say precise to make that comment that if your loan disbursements have fallen by 32% why your fee income has not fallen.

Nidhesh Jain: Sir, assignment income as percentage of loan assigned during the quarter?

Sanjaya Gupta: That spread is not as much as Quarter 1 spread because this quarter we did more of Home loan PSL and not LAP. Last quarter we did relatively more of LAP.

Moderator: Thank you. The next question is from the line of Abhijeet Tibrewal from ICICI Securities. Please go ahead.

Abhijeet Tibrewal: Sir, I wanted to understand within the corporate loan book out of all the projects that you have lend to, how much of the exposure would be under moratorium now?

Sanjaya Gupta: About half the book is under moratorium, but it has moved from 67% to the current one.

Abhijeet Tibrewal: So from 67% it is down to about 50% now?

Sanjaya Gupta: Yes and even during principle moratorium period if there is a healthy cash flow than anticipated, the excess cash flow comes for principal repayment and in this first half of the year INR 233 crore got repaid during principal repayment from these accounts which were actually under principal moratorium. There is no interest moratorium in any of our facility.

Abhijeet Tibrewal: And what is the typical tenure of this moratorium, about 12 to 15 months?

Sanjaya Gupta: Now what happens is when you acquire a construction finance account it also depends at what stage of construction you are acquiring the project. So if the project is acquired towards let us say 50%-60% completion, the moratorium period will be shorter but if a project is acquired at a nascent stage and construction is taking let us say 30-35 months then the moratorium period will be around 30 months. So it all depends at what stage of lifecycle of a project an account is acquired. So, there is no fixed thumb rule that 60% of door-to-door term will be moratorium and 40% will be principal repayment it is not like that.

Abhijeet Tibrewal: And sir out of the four corporate exposure which are under your watch list I mean are they currently all under moratorium now?

Sanjaya Gupta: No, they are not. IPL as I said they have repaid INR 39 crore, Supertech has moved to repayment, Ornate is in moratorium, Radius is in moratorium, IREO Waterfront is in principal repayment.

Abhijeet Tibrewal: Sir, during your opening comments I missed what is the retail GNPA and corporate GNPA now?

Sanjaya Gupta: So, at portfolio on balance sheet level, Retail is 0.84% and Corporate is 0.83%. There is one basis point difference. At a portfolio level since Corporate book is only 18%-19%, overall GNPA is 0.84%.

Abhijeet Tibrewal: And sir just one last one bit, out of total retail disbursements how much were disbursed to salaried and self-employed if you could just broadly give me that split?

Sanjaya Gupta: It would be 60% for Salaried and 40% for Self-employed.

Moderator: Thank you. The next question is from the line of Ayushi Mohta from CD Equisearch. Please go ahead.

Ayushi Mohta: Sir, what sort of disbursements amounting to around INR 850 crores have you made to corporate in H1?

Sanjaya Gupta: These are basically construction finance loans where the projects are performing as per our stipulated guidelines and these are partly disbursed loans where the demands have come.

Ayushi Mohta: But sir why are we increasing our exposure to corporates?

Sanjaya Gupta: It is not increasing, it is my commitment to disburse these loans are already partly disbursed. If I stop credit on the supply side these projects will never get delivered and there are so many people who are waiting for the homes. So I would not be a good I would say creditor for the project. So if I have 168 projects we are committed along with the developer fraternity to deliver about 73,000 units. I cannot strangulate the ongoing projects.

Moderator: Thank you. The next question is from the line of Nischint Chawathe from Kotak Securities. Please go ahead.

Nischint Chawathe: I just wanted to get one or two numbers, what would be a Stage-2 loans? So, you have given Stage-1 and Stage-2 loans put together are around INR 73,700 crores I just wanted a breakup.

Sanjaya Gupta: Annually we will give this breakup, it is there in our Annual report.

Nischint Chawathe: The other thing was if I look at the incremental resource mobilization of around INR 12,000 odd crores, if you would give a broad qualitative color in terms of how much we have raised from banks, mutual funds or whatever some breakup of that?

Sanjaya Gupta: Most of it is from banks and mutual funds is basically CPs. Banks has very smartly gone up in the beginning of the year from I think 18% to 22% plus Deposits. NCDs have been lukewarm.

Nischint Chawathe: And the NCD issuance number on an outstanding basis if I look at the NCDs that you have, this would be largely with mutual funds or with some insurance as well?

Sanjaya Gupta: Well, they are all mixed over with provident fund, insurance companies, mutual funds, multilaterals, IFC, ADB.

Moderator: Thank you. The next question is from the line of Ronak Bohra from AUM Advisors. Please go ahead.

Ronak Bohra: If you can provide the geographical distribution of your retail book?

Sanjaya Gupta: 40 is West, 30 is South, 30 is North, North also has east

Moderator: Thank you. The next question is from the line of Mohit Mangal from CRISIL. Please go ahead.

Mohit Mangal: So the credit cost have gone up substantially in H1 2020, so do you have any guidance for the full year 2020?

Sanjaya Gupta: I think see what happened we had one was obviously the tax reduction and our portfolio behaved very well, our spreads improved. So, we had little bit of I would say luxury, we have provided more and it has moved to 80 basis points and I think on an annualized basis it should stabilize at about 60 basis points.

Moderator: Thank you. The next question is from the line of Subramanian Iyer from Morgan Stanley. Please go ahead.

Subramanian Iyer: I just had a data question if you could split the income on assigned loan into gross income and expenses attributed to the pool?

Sanjaya Gupta: So unamortized expense and unamortized fee on a particular loan amount which is sold out, will get normalized and the effective interest spread will get upfronted and about 20 to 25 bps we assign as servicing cost annually..

Subramanian Iyer: So it is possible to split that INR 110 crores?

Sanjaya Gupta: Every pool will have a different dynamics because some will be self-employed let us say housing, some will be salaried housing, some will be LAP. So there is no thumb rule that I can tell you. Every pool has got different spreads, has got different unamortized COA, has got different unamortized upfront fee.

Subramanian Iyer: And the other question I had was also other data question if you can provide the yields by product both on a book basis and incremental basis?

Sanjaya Gupta: On book it is basically home loans are at 9.74%, LAP loans are 10.88%, construction finance is at 12.77%, LRD are at 10.36%.

Subramanian Iyer: And these are annualized yields?

Sanjaya Gupta: These are annualized yields.

Subramanian Iyer**:** And any sense of incremental?

Sanjaya Gupta: Incremental for Q2, I will tell you home loan is 9.54%, LAP is 10.39%, incremental CF is at 12.36% and LRD is 10.20%.

Moderator: Thank you. We take the last question which is from the line of Omkar Kulkarni an Individual Investor. Please go ahead.

Omkar Kulkarni: When can we expect the appointment of the new chairman?

Sanjaya Gupta: Sir, that has to be approved by the Ministry of Finance. It has been sent for their approval once that comes, he will get appointed, the NRC has already approved this appointment. It is just a matter of I would say formality.

Omkar Kulkarni: There is a delay in capital raising because of external environment, is it like everyone knows about the significant deterioration in the Company's market capitalization, is it more to do with that you are pushing the issue or any other external factors you are talking about here?

Sanjaya Gupta: It is more of external rather than anything to do internally. Internally your Company is very robust as you are seeing quarter-on-quarter. So I think that we will have to be brave, we will find a sort of a solution in another two to three weeks and we will hit the market.

Omkar Kulkarni: So that means it is nothing to do with the deterioration of the share of the Company, market capitalization?

Sanjaya Gupta: No.

Omkar Kulkarni: Because ultimately you have to shell out the higher, you will get less and it will be a higher the expense to be borne?

Sanjaya Gupta: if the market cap is muted the dilution of the existing shareholders will be more**.**

Omkar Kulkarni: Yeah so that is what I am asking so is it more to do with that or you are pushing to do?

Sanjaya Gupta: It is nothing to do with that, the hesitation of the Board is not because of the market cap.

Moderator: Thank you. I now hand the conference over to Ms. Deepika Gupta Padhi for closing comments.

Deepika Gupta Padhi: Thank you everyone for joining us on the call. If you have any questions unanswered, please feel free to get in touch with investor relations. The transcript of this call will be uploaded on our website that is www.pnbhousing.com. Thank you.

Moderator: Thank you. Ladies and Gentlemen on behalf of PNB Housing Finance Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.