

17th May, 2017

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

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

Scrip Code: 540173

Symbol: PNBHOUSING

Dear Sirs,

Sub: Earnings Call Transcript

Please find attached herewith the FY 2016-17 Earnings Call Transcript for Earnings Call held on 12th May 2017.

A copy of the same is placed on the website of the Company www.pnbhousing.com

This is for your information and records.

Thanking You.

For PNB Housing Finance Limited


Sanjay Jain
Company Secretary & Head Compliance
Membership No. : F2642



“PNB Housing Finance Limited Financial Results 2016-2017 Conference Call”

May 12, 2017

Participants from PNB Housing Finance:

| | |
|-------------------------|---------------------------------------|
| Mr. Sanjaya Gupta | Managing Director |
| Mr. Shaji Varghese | Business Head |
| Mr. Ajay Gupta | Chief Risk Officer |
| Mr. Nitant Desai | Chief Operations & Technology Officer |
| Mr. Anshul Bhargava | Chief People Officer |
| Mr. Sanjay Jain | Company Secretary and Head Compliance |
| Mr. Jayesh Jain | Chief Financial Officer |
| Ms. Deepika Gupta Padhi | Head - Investor Relations |



Moderator: Ladies and Gentlemen, Good Day. And Welcome to the PNB Housing Financial Limited Financial Results for 2016-2017. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing ‘*’ followed by ‘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, Zaid. Good evening, everyone. And welcome to our Q4 and Financial Year 2016-2017 earnings call. With me we have our senior management team, represented by Mr. Sanjaya Gupta – Managing Director, Mr. Shaji Varghese – Business Head, Mr. Ajay Gupta – Chief Risk Officer, Mr. Nitant Desai – Chief Operation and Technology Officer, Mr. Anshul Bhargava – Chief People Officer, Mr. Sanjay Jain – Company Secretary and Head Compliance and Mr. Jayesh Jain – Chief Financial Officer.

We will begin this call with the opening remarks from the management, followed by an interactive Q&A session. Please note that some of the matters we will discuss today are forward-looking, including and without limitation statements, relating to the implementation and strategic initiative and other information on our business, business development and commercial performance. While these forward-looking statements exemplify our judgment and future expectations concerning the development of our business, a number of risks and uncertainties and other important factors may cause actual development and results to differ materially from our expectations. PNB Housing Finance undertakes no obligation to publicly revise any forward-looking statements to reflect future events or circumstances.

With that, I will now like to hand over the call to Mr. Sanjaya Gupta for his opening remarks. Over to you, sir.

Sanjaya Gupta: Good evening, everybody. I welcome you to Q4 and Financial Year 2016-2017 Earnings Call. The year gone by was an eventful year for PNB Housing Finance. We raised tier-I capital of INR 3,000 crores through the initial public offer. The equity shares of the company got listed on the National Stock Exchange and the Bombay Stock Exchange on 7th November, 2016. We also raised debt funds of US\$150 million from multilateral institution, Asian Development Bank. We

became the first housing finance company to raise funds under the Green Bond from IFC Washington DC worth INR 500 crores. Assets under management crossed INR 40,000 crores as on 31st March, 2017.

Let me start with the financial performance of the company for the quarter and the financial year ended 31st March, 2017. The figures are compared with the corresponding period of the previous financial year. The company registered a double-digit growth during the quarter. The disbursements were up by 43% to INR 6,047 crores. The net interest income is up by 51% to INR 332.7 crores. The profit after tax increased by 49% to INR 152.4 crores. For the quarter, the spread of loans was 2.37% and the net interest margin, NIM, is 3.38%.

For the financial year 2016-2017, we also registered a healthy double-digit growth. Interest income surpassed INR 1,000 crores during the year. The net interest income was up by 46% at INR 1,034.8 crores and the profit after tax was up by 60% at INR 523.7 crores. The cumulative provision for non-performing asset and standard assets is INR 26.78 crores and INR 193.97 crores respectively, as on 31st March, 2017. During the year the Company made additional provisions for contingency of INR 15 crores. The cumulative provisions for contingency is INR 39.48 crores over and above the provisions required to be maintained in terms of NHB's directions. The spread of loan for the year is 2.21% and the net interest margin is 2.97% for the financial year 2016-2017. A little compression in NIM is being observed due to the delay in IPO.

During the year, the cost of borrowing declined by 52 basis points to 8.55% vis-à-vis 9.07% in the previous financial year. In line with our focus on cost, the OPEX to ATA declined by 10 basis points to 0.73% during the financial year 2016-2017 vis-à-vis 0.83% during financial year 2015-2016. This ongoing branch network cost includes the growth expenditure also. If we were to only consider the business as usual expenditure, then our OPEX to ATA will be around 0.69% for the financial year 2016-2017.

Our cost to income ratio, CIR, also declined to 22.43% in the financial year 2016-2017 vis-à-vis 25.15% for the financial year 2015-2016. The return on assets increased by 9 basis points to 1.46% during the financial year 2016-2017. The return on equity is 14.92% for the financial year 2016-2017 vis-à-vis 17.12% during financial year 2015-2016. The decline in the ROE is due to increase in the equity on account of the IPO.

The dividend for the year recommended by the Board of Directors is INR 6 per equity share of INR 10.

Now, let us talk about the business performance. During the year, we registered 50% increase in the loan file login numbers compared to the previous financial year. The disbursement registered a growth of 43% at INR 20,639 crores during financial year 2016-2017 vis-à-vis INR 14,456 crores during the previous financial year. The disbursements towards housing loans accounted for 70.1% and the non-housing at 29.9%. The AUM registered a growth of 51% to INR 41,492 crores as on 31st March, 2017 from INR 27,555 crores as of 31st March, 2016. The Company sold loans worth INR 3,377 crores under loan assignment grounds during the financial year 2016-2017 and the total outstanding loans sold and assigned amounts to INR 2,960 crores as of 31st March, 2017.

Net of this securitized amount, the loan assets in book are INR 38,531 crores as on 31st March, 2017, representing a growth of 42% year-on-year. Housing loan continues to be at 71% of loan asset book outstanding and non-housing loans constitute the remaining 29% of the loan portfolio.

In the housing loan segment, individual home loans constitute 59.4% and construction finance constitutes 11.4% of the loan assessed. In the non-housing segment, loan against property constitutes approximately 17% of the loan assessed. Lease rental discounting, non-residential premises and corporate term loan constitute the balance of the portfolio.

During the year, out of the total individual home loan disbursements, around 20% was in the less than 25 lakhs segment, which can be termed as affordable housing segment. With increase in our branch network in Tier-II and Tier-III cities, we look forward towards increase in contribution of the said affordable segment in our home loan portfolio.

Our gross NPA as a percentage of the loan assessed is one of the lowest in the industry, and is maintained at 0.22% as on 31st March, 2017. The gross NPA on AUMs were at 0.21% as on 31st March, 2017. The net NPA of the loan assets stood at 0.15% as of 31st March, 2017, against 0.14% as of 31st March, 2016.

The total borrowings as on 31st March, 2017, stood at INR 35,657 crores. The Company has diversified borrowings with 41% contributed by non-convertible debentures, 28% by deposits, 12% by commercial paper and 8% as refinanced

from the International Housing Bank, 7% bank term loans and remaining two ECBs.

Our deposit portfolio grew by 40% to INR 9,987 crores as on 31st March, 2017 from INR 7,121 crores as on 31st March, 2016. The capital adequacy as on 31st March, 2017 stood at 21.62%, of which Tier-I capital was 16.48% and Tier-II capital was 5.14%. The increase in the capital adequacy ratio was due to the increase in the equity capital on account of the IPO.

As we mentioned in the last quarter, the infusion of the equity in the company will allow us to spread our branch network further and grow our loan book in a healthy fashion. During the year 16 new branches were made operational, totaling to 63 branches with presence in 39 unique cities as on 31st March, 2017. The Company also services its customers through 27 outreach programs. The Company also added two new underwriting hubs during the year, taking the total count to 18 hubs catering to the branches as outreach centers.

We are now proud 1,000 strong employee organization with people first, customer centric and ethical standard as our core value. We have witnessed continuous enhancement in our employee efficiency in all the key parameters that is disbursement, loan assets, revenue and profit after tax. We are pleased to inform that the Company is certified as a great place to work by building a high trust and high performance culture. We continue to look forward to our growth through focus on our network expansion, improvement in our cost, maintain robust asset quality and an efficient borrowing mix.

The Company believes in contributing to the society through its CSR activities. We have partnered with the consideration of Indian real-estate developer CREDAI to conduct on-the-job skill training program for the construction worker. Our CSR activities are also focused on children education and offering day care services to the children of the construction workers. We have collaborated with mobile crushes across the country.

With this, we would now open the floor for question-and-answers. Thank you.

Moderator: Thank you, sir. Ladies and Gentlemen, we will now begin with the question-and-answer session. We have the next question from the line of Abhijeet S. from Kotak Securities. Please go ahead.

Abhijeet S.: I just needed some clarifications on the data points. Starting with the breakup of the revenue from operations that you have disclosed for the year, which was

close to INR 3,900 crores. So, I just wanted the breakup in terms of what is the interest income on loans, other interest income, any form of processing fees and any other kind of income such as investment income.

Sanjaya Gupta: So, for the year the gross interest income is INR 3,490.57 crores, the investment income is INR 187.90 crores, totaling to an interest income of INR 3,678.47 crores. The interest charges were INR 2,643.65 crores, hence the net interest income is INR 1,034.82 crores. Now, coming to other incomes, the fees and other incomes are INR 166.08 crores, which includes INR 39.5 crores as servicing fee on the securitization. And there are some other operating income of INR 63.15 crores. Hence, the total non-fund based income is INR 229.38 crores. And total income net of cost of fund is INR 1,264.20 crores.

Abhijeet S.: Is there any investment income in terms of sale of securities?

Sanjaya Gupta: No, there is no sale of securities. Yes, there is an investment income which we do for our short-term surplus funds.

Abhijeet S.: Sir, and the second one was, I just wanted to check if the off-book AUM, all of it is from retail home loans?

Sanjaya Gupta: Yes, primarily that is home loans.

Abhijeet S.: And the last one was, if you can provide the segmental gross NPL ratios?

Sanjaya Gupta: Well, for the wholesale book the gross NPAs are zero, so the remaining is on retail book only. And 0.22 is on entire book, so if you are going to wholesale out then this will become a bit higher for remaining retail book.

Abhijeet S.: No, I was sort of hoping to get across segments such as retail loans, LAP.

Sanjaya Gupta: There is no difference in retail between LAP and home loan.

Abhijeet S.: And sir sorry, last one was, number of employees as of yearend and what was the amount of transfer from networth to retail for the year?

Sanjaya Gupta: Well, the number of employees exact is 999 as of 31st March, 2017. And what is your next question?

Abhijeet S.: What was the transfer from net worth to DTL, as per the NHB guidelines?

Sanjaya Gupta: It is INR 26 crores.

- Moderator:** Thank you. We have the next question from the line of Vishal Rampuria from HDFC Securities. Please go ahead.
- Vishal Rampuria:** Sir, basically I want to understand what is the ageing up of the portfolio?
- Sanjaya Gupta:** I will ask my CRO to answer that, he will give the exact figure.
- Ajay Gupta:** Ageing of housing products is 19 months and for non-housing is 15 months. Overall, at a portfolio level, combined everything is 18 MOB.
- Vishal Rampuria:** And how much would be the loan sourced before one year? How much percent of your loan has been sourced in last one year?
- Ajay Gupta:** Last 12 months booking has been around 50% and rest is sourced before and booked before 12 months.
- Vishal Rampuria:** And sir, second question I have is, how much would be our median ticket size in the retail book?
- Sanjaya Gupta:** Average of INR 31.5 Lakhs.
- Vishal Rampuria:** And one last question to ask you, so this entire focus now from the government has been on the affordable housing. So, can you throw some more light, what kind of growth one can expect in this segment?
- Sanjaya Gupta:** One that we are seeing is that there are green shoots and there is improvement in the industry sentiments, at least how they are getting talked about at the center. So, affordable housing, the way we sort of qualify is for loans which are below 25 lakhs and Smart Housing. We call it as Smart Housing and contributing about 20% of our incremental disbursements per month of our individual housing loans. And what we see is that the demand will start coming because the stocks for the concessions done with developers and to the customers. So, already we are registered with the National Housing Bank, the first PMAY subsidy has flowed in to our organization, our customers' accounts have been credited as prepayment. So, we are saying that yes Smart Housing of affordable housing is going to be the flavor of the day, we are very much geared in it. Within pure affordable housing, we did around INR 1200 crores of pure affordable housing, which means less than 60 square meters. But, the entire concept of affordable housing is bordering Smart Housing, because affordable housing can also be 110 square meters of carpet area and family income up to INR 18 lakhs which is getting INR 1.5 lakh per month can get a loan of more than INR 35 lakhs - 40 lakhs, but they

are not going to buy property which is really an affordable or lower segment property, they are going to buy a decent home like you and me will take. So, the new definition of affordable housing has actually increased the canvas of Smart Housing and we are very sure that supply will start coming because the developers will get huge income tax benefits and the customers will also be looking forward, affordability will be better with bullet payment of the subsidy of funds from the government. So, I think income tax sops are already there for them. So, I think it will catch the imagination of the home buyers and the developers that will slowly gather pace and wind and this will be the minimum sort of segment to operate in. But we are not talking of assessed income, please do not confuse with that. Our company does not do assessed income home loans.

Vishal Rampuria: So, can you again repeat the last line?

Sanjaya Gupta: We do not do assessed income home loans, we do documented income home loans. So do not think that if I am talking so much about affordable my target operating model is going to be change. We are not in that space.

Vishal Rampuria: Sir, you mentioned about your 20% of incremental business coming from affordable housing which is under INR 25 lakhs loan. So, is it a pan-India thing or is it specific to few states?

Sanjaya Gupta: It is pan-India thing and more and more obviously is from smaller Tier-II, Tier-III cities, because that is the target audience. 50% of the target audience falls below INR 25 lakhs. So, as a percentage, yes the smaller cities will give more, but as a volume the bigger cities also give.

Moderator: Thank you. We have the next question from the line of G Vivek from GS Investments. Please go ahead.

G Vivek: My query is about this current round of layoffs happening in telecom, banking sector which is bound to increase and what impact can it have on our business prospect?

Sanjaya Gupta: One is that it is too premature to say if it will have any impact on our portfolio, because it is too early. Yes, it is very unfortunate in a growing economy, we should be seeing more employment generation, the Prime Minister is talking about employment generation. And these are some very, I would say, isolated events which have happened. So I think it is too early to sort of worry about the

impact, but yes, wait and watch and we are very careful in segments that you are talking about, telecom, IT.

G Vivek: And sir, what is your guidance for growth in NPA

Sanjaya Gupta: I cannot give any guidance, my Board of Directors do not allow me to give any sort of guidance for the future.

G Vivek: And the rental yield is sort of coming down for the first time in the history at the cost of the loan and something, rental yield is more and the interest cost is coming especially in the affordable housing sector and under PMAL is that a very big figure and opportunity size is too thin?

Sanjaya Gupta: Too early, again, I would say. But rental yields on housing is across the country at about 2%, commercial properties in JVs and the facilities between 7%-9%. So, we have not seen any compression in the rental yields. In fact, in the rental yields, there is a price correction in the resale value of the property should go up because the value gets shaven off and the rents are not coming down, then the yield goes up.

G Vivek: And the last question was about competition, everyone is going into the housing finance segment and how does it impact us and that is one sector growth is coming in India today?

Sanjaya Gupta: Yes, so the more the merrier. It is a crowded market, it is a matured market, it makes us more alert, more tenacious. We keep sharpening our skills, wetting our skills and we have a huge amount of growth story still to go because we are, as I said, only in 39 unique cities. If I was to take my competitors, even in the housing finance space, they are in something like 300, 350, right up to 500 branches. I have only 63 branches in 39 locations. In the market that we are operating, we have a market share of incremental business of 8% to 9%, outstanding portfolio of about 7%. So that is something which is massively right about our company, a target operating model, our technology, our people, our robustness and our eagerness to do business, our prudence, our policy, our customer service standard, they all add up, our brand value, all add up to deliver that sort of a number.

G Vivek: Yes, especially the market with only 63 offices versus say for 200 plus offices of Canfin, our growth has been really good.

Sanjaya Gupta: I will not take any competitor's name, thanks.

Moderator: Thank you. We have the next question from the line of Manish Shah from India Advantage Securities. Please go ahead.

Manish Shah: My first question is that is there any dilution taking place in this company from PNB in the near future?

Sanjaya Gupta: Divestment or, what are you saying?

Manish Shah: Divestment, the current stake is at 39%.

Sanjaya Gupta: As of now we are not informed about our shareholders intention. They love the value proposition; which has started adding value to the parent's value. I mean, our company adds value to the parent's value and we are not informed about their intention to sell.

Manish Shah: My next question is, what is the total size of the housing loan market in India and what is our market share?

Sanjaya Gupta: It is about INR 300,000 crores per annum and we do about... so it was about 2.5 lakhs last year and we did INR 20,000 crores, so you can make out what percentage it is, it is about 8% - 9%.

Moderator: Thank you. We have the next question from the line of Bhavik Dave from Reliance Mutual Fund. Please go ahead.

Bhavik Dave: Sir, I just wanted to understand. After this entire shift of banks reducing rates on the home loans, how has the competition been in this market?

Sanjaya Gupta: Well, the competition is intense in the market, but you should also realize that we also have maturing liabilities which get reprised month on month or week on week. Plus, this is one organization which is a little bit different in pricing the product. So we do our pricing based on risk product and we do not do a standard pricing across the board, and that is why even if you were to see the home loan yields on incremental acquisitions during the financial year was as smart as 9.45%, because we priced self-employed differently, we priced salaried differently, there was a product as same as home loan. We priced our LAP book very differently, our LRDs, CTLs different from construction financé. So it is all about technology, it is all our people, so this company enjoys five reference rates for different segments and different products. And the moment a customer and a product is decided by an underwriting team, the referencing of that product will only get populated. So, even the impact of a falling interest rate is mitigated

because wherever whichever segment or whichever product gets impacted, that is where we intervene otherwise we let it be.

Manish Shah: And sir, like right now what would be our home loan incremental yields as of now, how are we lending at, at what rate?

Sanjaya Gupta: Well, this year's information you will have to wait for quarter one results, we cannot give in between.

Manish Shah: No, in the month of March, how are the rates.

Sanjaya Gupta: Well, the rates are pretty smart and the impact, if you were to see the quarter spreads, they were better than the year spreads. So as I began, the quarter spread were something like 2.37% and the annual spread was about 2.21%. So, we are making that sort of a profit which we maintained over the last few years. So it is not difficult for us to do that going forward.

Moderator: Thank you. Our next question is from the line of Nirmal Bari from Sameeksha Capital. Please go ahead.

Nirmal Bari: My first question is, sir what would be our average ageing of the gross NPAs that we have?

Sanjaya Gupta: What do you mean by ageing, you mean the seasoning of the bucket?

Nirmal Bari: Yes, the seasoning.

Sanjaya Gupta: Well, because this company utilizes SARFAESI very effectively, wing-to-wing about 60% - 62% of our cases get resolved in six months' time. And I think our seasoning, I will come back and give you that number. Our CRO has that number, so Ajay will answer that question to you, the bucket wise seasoning of NPAs.

Ajay Gupta: So, if I look at last 24 months booking and look at the number there, the gross NPA is just 0.15% of the booking. And greater than 36 months book is 1.5% or thereabout.

Nirmal Bari: And second question is, can you give the prepayment rates that we have seen in the fourth quarter post the bank reducing interest rate?

Sanjaya Gupta: So, the entire portfolio faced repayment or run-off rate of about 22% over the year.

- Nirmal Bari:** And this was higher for the fourth quarter or...?
- Sanjaya Gupta:** No, it was slightly higher, typically from January till March, but pretty much settled now.
- Moderator:** Thank you. Our next question is from the line of Manish Oswal from Nirmal Bang Securities. Please go ahead.
- Manish Ostwal:** My question on the prepayment rate in housing retail portfolio, what is the rate in FY17, sir?
- Sanjaya Gupta:** The repayment/run off rate is about 22% at the portfolio level. The pre-payment rate will be about 10%.
- Manish Ostwal:** And is there hedge, this increase during the year compared to last year?
- Sanjaya Gupta:** Well, the last quarter after the rate reduction by the banks saw a little bit of a spurt, but it is cooling off. We have a very proactive retention team which works 24/7 and any customer who swipes his KYC and is a customer with us, we get in touch with them, we retain them. So, there is an entire ecosystem behind retaining the portfolio, it is not about repricing in isolation.
- Manish Ostwal:** One small data point, this total book of retail housing loan, what is the fixed rate and floating rate proportion?
- Sanjaya Gupta:** 15% is fixed rate and 85% is floating rate.
- Manish Ostwal:** And any dividend policy we have, sir?
- Sanjaya Gupta:** Yes, we have given a dividend. The Board has recommended a dividend of INR 6 per share on INR 10 face value today.
- Manish Ostwal:** Yes, that works out 16.67% of earnings, so do I have any 25% kind of...?
- Sanjaya Gupta:** No, so we have a cap of 30% of the PAT, this year including dividend distribution tax we are distributing about 22.8% of the PAT as dividend.
- Moderator:** Thank you. We have the next question from the line of Kaushal Kedia from Blue Water Investments. Please go ahead.
- Kaushal Kedia:** I want to ask you, in the previous question when you said that you differentiate on your competitors on the basis of technology, what is the kind of technology that we are talking about here?

- Sanjaya Gupta:** Yes. One is that our enterprise system simulation is wing to wing, so right from lead generation to ALM and to recoveries and everything is on a single platform. The second thing is that we use the document management system very aggressively. So, right from acquiring a customer to retiring a loan, everything is on a single platform. Plus, our target operating model basically hub and spoke backed by a wing-to-wing single platform system. So it helps us to take out the mundane jobs of a branch and synchronize them in our Cost and CPC which is an ISO certified temple of excellence complex that we have built over the last few years. So, our technology helps us to make sure that the branches are devoted only for acquisition and servicing of client. So, I cannot expand on this sort of a call, but if you feel like ever if you come to our office we can showcase our target operating model to you.
- Kaushal Kedia:** And one more question I have is that what is the percentage of growth that your existing branches give you right now, and when you add a new branch typically what is the kind of growth that the new branch give you in the first few years on an average?
- Sanjaya Gupta:** So, last year if you want to see, I am talking about 2016-2017, around 28% of our new retail business came from our new branches. The new branches refer to the branches that were operationalized over last 3 years. Now, I will also tell you that how do we sort of strategize this entire thing. So, as I said the big six cities will give you a 65% - 70% business. So, there we do carpet bombing of our branches and we have intra-city branches, they give us the volume. And the new branches give us the growth. So, they are actually the engine of growth and also the brand value creation happens through new branches. And our new branches are very lean and efficient, and as I said in your first question, our technology and target operating model make sure that we are only concentrating on acquisition and service.
- Kaushal Kedia:** And what was the growth in the core sector home loan?
- Sanjaya Gupta:** Well, the individual home loan disbursement grew by about 35% YoY.
- Moderator:** Thank you. We have the next question from the line of Kunal Chakraborty, Individual Investor. Please go ahead.
- Kunal Chakraborty:** My question is, how you are using the IPO proceeds, the INR. 3,000 crores money, is it already used for loan disbursement?

- Sanjaya Gupta:** Yes, it is already utilized, 100%.
- Kunal Chakraborty:** My next question is, as you have already mentioned that our capital adequacy ratio is increased to 22% because of the IPO money, so we have some headroom over the RBI guideline, some 12% is the guideline. So, we do see some loan book growth this time?
- Sanjaya Gupta:** No, if we are adequately capitalizing then what it will help us is really growth and not that I can foresee loans. I am not going to buy books and all because that does not help us to build brand value. So, it is going to be used for organic growth and for geographic expansion.
- Moderator:** Thank you. Our next question is from the line of Mohit Agarwal, Individual Investor. Please go ahead.
- Mohit Agarwal:** Sir, I just wanted to know about your inventory of acquired assets that is repossession due to defaults. And what would your NPAs look like once you include this acquired assets into your NPA numbers?
- Sanjaya Gupta:** So one is that this acquired asset cannot, which comes as a current asset, cannot go back into the loan assets,,that is not possible. So that hypothesis that if you add it to the NPA then what is the NPA figure cannot happen. And on an average, the properties which we have in our inventory are acquired about six to nine months back and we knowingly in quarter four did not even after having peaceful physical possession, did not go in for auctioning of these properties because the markets were bad due to demonetization. But having said so, you will be happy to know as an investor that right from the month of April the markets are looking up, we are selling these properties, we have done, we have been pretty successful, I cannot give you numbers, you will have to wait till quarter one end. But let me assure you that current asset cannot go back into NPA and the current assets which we have of repossessed properties are all physically peacefully acquired by PNB Housing and we are in the possession of these.
- Mohit Agarwal:** Sir, can you please throw some light on the numbers, what could be the rough amount of this?
- Sanjaya Gupta:** I can give you exact number, Ajay will give you that number.
- Management:** The amount of acquired properties is around INR 155 crores.

- Moderator:** Thank you. Our next question is from the line of Ritika Dua from Elara Capital. Please go ahead.
- Ritika Dua:** Sir, firstly, can I again ask the fee number for the quarter?
- Sanjaya Gupta:** You want which number?
- Ritika Dua:** The processing fee number for this quarter?
- Sanjaya Gupta:** Okay, I will give you that. The other operating income for the quarter four was INR 65.37 crores.
- Ritika Dua:** Sir, my second question is that, can I understand what are the liabilities which are maturing over the next two years?
- Sanjaya Gupta:** So the high cost liabilities, fortunately are going to retire in the next two to three years, this is the smart number. It is about INR 18,000 crores to INR 19,000 crores.
- Ritika Dua:** So this is spread out how between FY18 and FY19?
- Sanjaya Gupta:** About 60% of this is in FY18 and rest is in FY19 and onwards.
- Ritika Dua:** And sir, if you don't mind me asking, which section of the liability is this, is it more skewed towards deposits or... because I think NCDs have been more recent for us.
- Sanjaya Gupta:** Yes, so it will more of them will be deposits and I think a few old NCDs.
- Moderator:** Thank you. Our next question is follow-up from the line of Manish Shah from India Advantage Securities. Please go ahead.
- Manish Shah:** My question is that recently State Bank of India has reduced the interest rates on the housing loan and almost starting a housing loan war, going forward in the next one or two years how do you see the interest rate trajectory on housing loans comparatively?
- Sanjaya Gupta:** Well, I think rates of interest are going to remain soft and that correction in the interest rate is for new customers only and not for old, it is up to INR 30 lakhs. And as I said, that competition has been always there and will be always there. And we are not at the bottom of the pyramid when it comes to pricing our product. So, we are pretty confident that we can maintain our position in markets that we

operate. We have far more product virtues itself other than interest rate in isolation. And yes, it is a worrisome sort of a situation, if profitability is not looked upon while bringing in lower rates of interest, so be it, our liabilities are also getting repriced every day, every week and we think we will be able to make a spread about 2.2 going forward on the entire portfolio.

Manish Shah: My second question is, with GST coming in from 1st of July, what impact do you see on the housing sector?

Sanjaya Gupta: Well, overall as a sector I do not know what is going to happen in the developers shop, but it is going to be a little disruptive when it comes to us because we believe in economy of large scale and we have centralized lot of our operations. Now, in GST we will have to have that part in every city or in every state, but both our IT teams and our finance and accounts team are working very closely with consultants and I think before it becomes a reality your company will be ready to sort of address that challenge.

Moderator: Thank you. Our next question is from the line of Sweta Daptardar from Dolat Capital. Please go ahead.

Sweta Daptardar: Sir, I just have two questions. Firstly, what percentage of your home loan is towards under construction properties?

Sanjaya Gupta: Well, that is at an industry level and about 70% of our home loans will be under construction properties.

Sweta Daptardar: And secondly, what is the conversion rate for both our home loans and LAP, for instance if you receive x-number of applications then how many of these actually reach the sanction stage?

Sanjaya Gupta: So, we have, as I said, different standards for different segments and different products. So, home loans will see the light of the day at about 85%. But when it comes to LAP it will not be more than 45% - 50% week-on-week.

Sweta Daptardar: So the rejection rate is higher?

Sanjaya Gupta: Yes, because we also have sort of a focus of the self-employed segment and there the rejection rates are higher. Your company is also unique that it has SLAs for self-employed and about 40% of our retail book comprises of self-employed people. And now we have an operating history of five years and we have been

pretty, validating our underwriting operations with such contained gross NPA numbers.

Moderator: Thank you. We have the next question from the line of Miyush Gandhi from SBI Life Insurance. Please go ahead.

Miyush Gandhi: Congratulations on a very good set of numbers. How many employees we intend to add for the next year?

Sanjaya Gupta: About 320 employees and most of these are for the new locations.

Miyush Gandhi: And we expect to retain the per-employee efficiency numbers for next year as well in terms of disbursement and loan outstanding?

Sanjaya Gupta: Yes, the efficiencies are very close to my heart.

Moderator: Thank you. Our next question is from the line of Jhanvi Goradia from Motilal Oswal Securities. Please go ahead.

Jhanvi Goradia: Sir, just wanted to understand one thing. You said that of the total individual home loan disbursements, 20% are for ticket sizes less than 25 lakhs and then you said that we are not in the assessed income segment. So, just wanted to understand because in this particular segment which is affordable, most of the income of the customer is not documented and it is sort of assessed.

Sanjaya Gupta: A guy who is taking a loan of 25 lakhs, his installment will be INR 22,000, that will be not more than 40% of his income. So, his total income is going to be around about INR 55,000. Now that sort of a person you have two categories, you have enough and plenty of people who are filing returns for INR 55,000 per month or INR 6 lakhs or INR 7 lakhs, so we are in that category.

Moderator: Thank you. We have the next question from the line of Vibha Batra from Fair Connect. Please go ahead.

Vibha Batra: I have two quick questions. One is this prepayment that you said 22%, I think its repayment and prepayment, am I right?

Sanjaya Gupta: Yes, it is both repayment and prepayment in a year.

Vibha Batra: I think when analysts are asking prepayments they are possibly talking about pre-closures because otherwise the figure looks way above the industry standards.

- Sanjaya Gupta:** That will be about 10%.
- Vibha Batra:** That is I think more or less in line, in fact lower, because home loans are broadly 10 and LAP is higher typically at industry level.
- Sanjaya Gupta:** Yes.
- Vibha Batra:** Second is that you keep cushions and you like to run fast, but your board lacks diversity, I know it is because of the recent change, but
- Sanjaya Gupta:** Yes, so lady director has just retired three days back, the process is already on to get a lady director..
- Moderator:** Thank you. Our next question is from the line of Kunjal Punamiya from SK Investments. Please go ahead.
- Kunjal Punamiya:** Sir, in the last quarter you had made a provision of INR 12.5 crores over and above the provision required, because you had done a reversal just before the IPO. So, even in this quarter it is, because in the notes to account I could not see that?
- Sanjaya Gupta:** Yes, see what happened was that our IPO got delayed much beyond our expectations and we were critical in our leverage and we were almost about to breach that 16x leverage. So, one surgical intervention that we did was to securitize the book of 3,370 crores. Second thing was to roll back, so we were carrying a INR 24.5 crores contingency reserve, beyond that 50% of that and we were safeguarding our leverage number of times. And then once our capital came through IPO on 7th of November, we reversed that INR 12.5 crores in quarter three and balance in quarter four. Then as a conservative player we are, we created a new reserve or an additional provision of almost INR 15 crores in the last quarter and made it into a INR 39.5 crores of contingency reserves.
- Moderator:** Thank you. We have the next question from the line of Jehan Bhadha from JM Financial. Please go ahead.
- Jehan Bhadha:** Sir, while deciding our pricing for loans, is there any sort of metric that you use which enables you to decide that the customer cannot pay a difference of say more than INR 300 - INR 400 on the EMI vis-à-vis a bank. So, is there such sort of a metric that you use?

- Sanjaya Gupta:** No, we have our own internal mix to arrive at a reference rate. So, as I said, we have five reference rates which are segment and product oriented. So, that is how we price our products. And we are the only HFC also which has a positive spread, we do not do negative spread pricing.
- Jehan Bhadha:** No, I was just wondering because say if I as a customer want to avail when I compare loans across banks...
- Sanjaya Gupta:** It will not be at any given point of time more than about 15 bps higher than the lowest. But you also know that when you go to the lowest what is the standard of customer service. So, we might be a little expensive because of service standard but we are not costly.
- Moderator:** Thank you. Our next question is from the line of Cyrus Dadabhoy from Anand Rathi. Please go ahead.
- Cyrus Dadabhoy:** Sir, just quick question on the LAP portfolio, what is the balance transfer component and also the outstanding LTV on your LAP portfolio stock?
- Sanjaya Gupta:** So, the LTV outstanding is about 46% at the time of origination. So, as the loans amortize this only improves, in India you do not do dynamic valuation other than your NPA accounts. And your other question was that how much is balance transfer, which is not too much. So, if you were to take the LAP book, about 20% - 22% would be a balance transfer with a top-up, rest is all fresh LAP.
- Cyrus Dadabhoy:** And what is your current spread on the plane vanilla mortgage portfolio, or what are you incrementally making on that piece?
- Sanjaya Gupta:** So, if I was to take marginal pricing or incremental pricing, then we were selling home loans even in this market at about 8.90% or almost 9% with Self employed and salaried. Our cost of funds incrementally are about 7.90%. So, we are making a good about 100 bps - 110 bps.
- Moderator:** Ladies and Gentlemen, that was our last question. I now hand the conference over to Ms. Deepika Gupta Padhi for closing comments. Over to you.
- Deepika Gupta Padhi:** Thank you, everyone, for joining us on the call. If you have any questions unanswered, please free to get in touch with investor relations. The transcript of this call will be uploaded on our website, i.e. www.pnbbhousing.com. Thank you.



Moderator:

Thank you very much, members of management. Ladies and Gentlemen, on behalf of PNB Housing Finance Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.