Ref: PNBHFL/SE/EQ/FY24/74
Date: October 30, 2023

The BSE Limited,
Listing Department,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400001
Scrip Code: 540173

National Stock Exchange of India Limited,
Listing Department
"Exchange Plaza"
Bandra Kurla Complex,
Bandra (E), Mumbai – 400051
Symbol: PNBHOUSING

Dear Sir(s),

Sub: Transcript of Earnings Conference Call held on October 23, 2023

In continuation of our letter dated October 23, 2023 and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, please find attached the transcript in respect to the earnings call held on October 23, 2023 on Un-Audited Financial Results (Standalone and Consolidated) of the Company for the Quarter and Half Year ended September 30, 2023.

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

Kindly take the above intimation and documents on record.

Thanking You,

Yours faithfully,
For PNB Housing Finance Limited

Sanja
y Jain

Sanjay Jain
Company Secretary & Chief Compliance Officer
Membership No. F2642
Enclosed: As above

“PNB Housing Finance Limited

Q2 and H1 FY 2023-24 Earnings Conference Call”

October 23, 2023

MANAGEMENT SPEAKERS:

MR. GIRISH KOUSGI	MD & CEO
MR. VINAY GUPTA	CFO
MS. DEEPIKA GUPTA PADHI	HEAD INVESTOR RELATIONS & TREASURY

Moderator: Ladies and gentlemen, good day and welcome to the Q2 and H1 FY 2023-24 Earnings Conference Call of PNB Housing Finance Limited. 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 this conference, please signal an operator by pressing star then zero on your touchtone phone Please note that this conference is being recorded.

I now hand the conference over to Ms. Deepika Gupta Padhi, Head, Investor Relations and Treasury. Thank you, and over to you, ma'am.

Deepika Gupta Padhi: Thank you, Dorwin. Good evening and welcome everyone. We are here to discuss PNB Housing Finance Q2 and H1 FY23-24 results. You must have seen our business and financial numbers in the presentation and the press release shared with the Indian Stock Exchanges and is also available on our website. With me we have our management team over here led by Mr. Girish Kousgi, our Managing Director and CEO. We will begin this call with the performance update by the Managing Director and CEO 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 risk and uncertainties that may cause actual developments and results to differ materially from our expectations. PNB Housing Finance undertakes no obligation to publicly revise any forward-looking statement to reflect future events or circumstances. A detailed disclaimer is on slide 27# of the investor presentation. With that, I will now hand over the call to Mr. Girish Kousgi. Over to you sir.

Girish Kousgi: Good evening and welcome to all the investors to Quarter 2 FY24 Earnings Call. The second quarter was very eventful. We have done well on all the parameters, disbursement, growth, then margins, asset quality and profitability. If I have to talk about disbursement, quarter 2 we disbursed INR4,165 crores in retail. This compared to last year, quarter 2 was INR 3,528 registering a growth of 18% Y-o-Y and sequentially we have grown by 13.6% on retail disbursement. In affordable we are seeing very good traction. We just started this business about eight months back and quarter 1 we had done INR228 crores and quarter 2 we have done INR 374 crores. Disbursement in affordable segment has contributed 9% of total retail disbursement in Q2 FY24. In last 8 months, our AUM for affordable segment has reached INR 745 crores and we are very confident of crossing INR 1,000 crores in the short term. On login and sanctions the growth is about 31% Y-o-Y. So, we have seen overall growth not just in disbursement, but also on login and sanction. Market is quite robust; we have seen very good traction. Our loan book guidance of 17% stands. So, H2 would normally be better compared to H1 and quarter 3 and quarter 4 will be very good for the company and we will be able to maintain 17% to 18% of the book growth.

On the loan book, overall loan book Quarter 2, the book was INR 60,852 crores. This compared to last year Quarter 2 was INR 57,832. On a Y-o-Y, the growth is 5.2% and sequentially it is 0.8%. So, we had resolved one large NPA account in the corporate and therefore, the corporate book has de-grown. So, corporate book has been de-growing. Talking about the corporate book, the book as of September is 2022-23 which was INR 5,700 crores last year quarter 2, which is a degrowth of 58% YoY and this is as per plan because we have taken a call to degrow the book, work on resolution, bring down the NPA and then you know at the right time restart corporate business.

That restart of corporate business is well within our plan. So, very shortly we are going to restart in a different form altogether, focusing on select projects, select locations, a ticket size of INR 150 crore to INR 200 crore. Okay. I'm not very sure whether I was heard, no, I spoke about retail disbursement, sanctions, logins. Okay, now let me continue. On the corporate, we have a plan to restart business that we will start in a few quarters. We will be doing it in a totally different format, focusing only on construction finance. We will pick and choose on developers, locations, projects. The ticket size is going to be about INR 150 crores. And this is the plan, and we will restart. The plan was to degrow the book. At one point in time, the book was INR 18,000 crores. We have degrown. As of September, the book is INR 2,381 crores. Same number last year, Q2 was INR 5,700 crores. So, there is a book degrowth of 58% in the last one year and sequentially the degrowth is about 30%.

Retail loan asset grew by 12% Y-o-Y to INR 58,471 crores on September 2023. With H2 FY24 expected to perform better than H1, we are on track for as mentioned earlier, we are on track for 17% to 18% growth on book. Core retail book run-off reduced to 17.1% in Q2 FY24 from almost about 20% in Q2 of last year. So, we had taken certain decisions that we need to get the mix changed on the profile side. So, we have been increasing salaried segment. We are going a little slow on self-employed and in terms of product we are focusing more on home and slightly less on the non-home piece and we have completely moved to retail granular business. So, if we look at our retail disbursements to less than 1 crore it is now close to 88% incrementally compared to 85% in quarter 1. So, this is due to our increased focus on lower ticket loans.

I am not very sure because there was some disturbance. Let me repeat on sanction and logins. I mentioned about the disbursement in quarter 1 and quarter 2. We have seen a very good traction on logins and sanctions. On a Y-o-Y basis, we have shown a growth of 31%. So, we see very good traction. Market is very good. It's quite robust. Demand is robust. And our disbursement guidance and book guidance are on track. We also thought we should do some bit of tweak in terms of geographical concentration.

So, we have been increasing our share in South. South is a very good market. If you have to look at H1 FY23, the South contributed to almost about 29.5%, and if you see that now, quarter 2 FY24, it has gone up to 36.7%. So significant increase in contribution from South. If you look at West, West was around 36%. And this is by design, we have come down to about 29.2%. North, for us, North includes a couple of locations from East as well, which was 34.64% has now come down to 34.13%. So, I think broadly North is same, West is slowly coming down and South is going up.

On asset quality, on a Y-o-Y, last year, quarter 2, we were at 6.06% and now we are at 1.78%, that is 427 bps lower. And compared to quarter 1, we were at 3.76%, now we are at 1.78%, which is 197 bps lower. In terms of retail GNPA, compared to last quarter, which was 2.49%, now it is 1.74%. On a Y-o-Y which was 3.39% last year, quarter 2, now we are at 1.74%, which is 165 bps lower.

On the corporate side, last quarter GNPA was 25% and now it has come down to 2.86%. So, net NPA is now at 1.19% compared to 2.59% last quarter and a year back quarter 2 FY23 it was 3.59%. So, there has been a very good traction on corporate with resolution of one large account and on the retail side also I think it has been a combination of aggressive cash collection and also a bit of, we took a one-off call on the retail side, and we also increased the PCR.

On the borrowing mix, there has been a very little change compared to last quarter. However, in the next two or three quarters there will be a slight change. Our bank borrowings, which was 42% last quarter, now it has come down to about 40%. And this might further come down by 1% or 2%. Deposits, it was about 32% and now it is 31.4%. I think it would remain where it is. Maybe it might go up by 1% or 2%.

NCDs, we are slowly increasing. We are now trying to raise from market in terms of both NCDs and CPs. CPs, which was 0.7%, now it is 3.3%. So slowly, we are increasing. NHB refinance, as of now, it is 4.8%, but this will go up since we very shortly will be availing the finance from NHB. So, on the liability mix, not much of changes, but there is a slight tweak in terms of bank borrowings, NHB, NCDs and CPs.

On margins, I think we had guided spread of 2.5% and NIM of 3.5%, and this would be maintained. On credit cost, we had guided 0.6% for this year. And from next year onwards, it will be 0.4%. I think we are very much on track. If you look at H1 credit cost, it is 31 bps. Last quarter was 36 bps, and this quarter is 26 bps. CRISIL and ICRA has updated the outlook of PNBHFL to positive from stable in quarter 2 of FY '24. Care updated the outlook to Positive in quarter 1.

I would request Vinay to cover on financials.

Vinay Gupta: Good evening, everybody. I will take you through some of the key financial highlights. So, as you have seen, PAT, we have reported around INR 383 crores of PAT in Q2, which has grown 46% year-on-year. For H1, our PAT grew by 47% to INR 730 crores. Revenue grew by 6% year-on-year to INR 1,779 crores in Q2. However, there was a one-off of INR 160 crores in Q2 FY '23 on assigned loan due to benchmark rate reset, excluding the one-off of last year, revenue grew by 17% year-on-year. Similarly, for H1, revenue has grown 13% to INR 3,487 crores.

Yield and cost of borrowing is at 10.58% and 7.99%, respectively, during Q2 FY '24, which are maintained at similar levels on a sequential basis. Spread is also maintained at 2.59%.

NIM for the quarter is 3.95%, up 9 bps quarter-on-quarter. On a year-on-year basis, again, NIM shows a decline by 19 bps due to the one-off that we spoke about in the interest income line last year. Excluding one-off, NIM has actually improved by 83 bps on a year-on-year basis during Q2 FY '24.

Credit cost for the quarter is 26 bps for Q2 and 31 bps for H1 FY '24, which is within our guidance of 0.6% for FY '24. We maintain our guidance on the credit cost for full year at 0.6%.

ROA, which was at 1.6% for FY '23 is 2.14% for H1 FY '24; we have also registered an increase in ROA on a sequential basis. ROE for H1 is 11.1%.

In Q2, opex has grown 24% year-on-year, and in H1, opex has grown 25% year-on-year. This is primarily driven by royalty expenses and investment for affordable business, which was not there in the last year. Capital adequacy is at 30.38% as of 30th September, which includes Tier 1 capital at 28.5%.

Handing it over to Deepika.

Deepika Gupta Padhi: We can now open the floor for Q&A, please.

Moderator: The first question is from the line of Varun from Kotak Securities.

Varun: I had a question regarding the cost of borrowing. Your cost of borrowing looks to have flattened out. But still, there must be some impact left of NCDs re-pricing, right? Do you expect this to settle?

Vinay Gupta: NCDs are all fixed rate. So, there is no impact left. And again, for MCLR also, most of the repricing has already happened. And hence our cost of funds are flat right now.

Varun: I mean to say that as they mature, you need to refinance it. If you be raising NCDs or getting them replaced the other kind of borrowing. So, your incremental must be higher than what you have borrowed something like 2 years or 3 years ago?

Vinay Gupta: No, no, no, not really. The cost is actually almost same or, in fact, slightly lower than what it was like 2-3 years back.

Varun: Okay. So, this is what you would expect for this full year and going forward, maybe slightly benefit?

Vinay Gupta: Yes, yes. It should be -- it's a regular course of business, we will keep replacing. This should not have any much impact.

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

Shubhranshu Mishra: I was just looking on the slide, it was 14,000 channel partners. This is for all retail loans. Is that a fair understanding?

Girish Kousgi: Yes, this is for all the retail loans, largely on the prime side and deposit agents, both put together, we have 14,000 partners.

Shubhranshu Mishra: Understood, sir. So that was like entire 100% of your sourcing, if you can follow what would be a concentration in the channel partners. So, we say top 100 channel partners contribute to what percentage of disbursements versus, say top 500 partners contributing to what percentage of distribution, dispersion?

Girish Kousgi: No, there is no concentration. We have multiple channels. One is DST. Second is DSA. Third, we have Digital. And of course, to a small extent, we have branch walk-in, which we call as direct. So, there is no concentration because our -- if we have to look at the sourcing mix between DST and DSA. DSA is about 40% and DST 60%. So, there is no concentration with respect to sourcing from DSA.

Shubhranshu Mishra: Understood. And in terms of branch concentration, top 10 branches contributing to any particular number of disbursement, if you can speak on that, concentration of branches?

Girish Kousgi: No, there is no concentration in terms of branches. But of course, there are -- the top 5 states for us is Maharashtra -- this is on a book level: Maharashtra, Delhi, Tamil Nadu, Telangana and Karnataka. And typically, if you look at these 5 states would always be the top 7 or 8 states for us. So, it is -- we had changed our strategy. And we wanted to get better share from South and therefore, we were a little bit more focused on South and that is why we saw that there is a shift in business, and there's an increase almost by about 7%-9% in the mix from South.

Shubhranshu Mishra: Understood. And if I can just even one last question on the South strategy. If I say South, credit would be slightly super float because of the number of organized players that could be slightly more salaried versus North India. So then are they necessarily taking the yield compression building into the business from the South?

Girish Kousgi: I couldn't hear you properly. I think your question was that we are now focusing more on South because we want to increase our salaried. I think it is not just South, it is across the country, all geographies we want to change our profile mix. We wanted to increase our sourcing from salaried. And typically, South happens to contribute on the higher side on the salaried side. Otherwise, we are present across the country, and our focus remains -- focus on 20-odd states where we are present.

Shubhranshu Mishra: That a fair understating would we be NIM compression as we focus more on salaried?

Girish Kousgi: Not really because within salaried, see, one is in terms of profile, we have changed our mix incrementally slightly skewed towards salaried, but what we are doing on salaried also, we are now focusing more on the affordable side, affordable income salaried, so that the yields could be higher.

So, there is no yield compression because of the change in profile mix. Within salaried, we have identified opportunity where we can build the book at a higher yield.

Shubhranshu Mishra: Understood. Thanks. I will come again in the queue.

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

Renish: Yes. Hi, sir. Sir, two questions from my side. One is on this excess provision right back. Obviously, we had due to the large corporate account, getting resolved. So, in P&L, where does it reflect? And the stage III provision is also sort of flat. There is no subsequent increase in the PAT as well. So, does it, try to assume that we have done a write-off in the retail side?

Girish Kousgi: So, on the retail side, we -- of course, obviously, we got a write-back of provision on the corporate account. And that we have utilized for three purposes. One is ECL true up on retail & corporate, and also we took some one-off on the retail apart from cash collection.

Renish: So, you mean retail write-off, one-off retail write-off?

Girish Kousgi: Yes. That's right.

Renish: Okay. I am got it. And secondly, sir, this slightly from a medium-term strategy point of view, so let's say, pre-COVID our leverage used to be 7x - 8x, and we used to generate in 14%-15% ROE on a 1.5% kind of ROA.

Given our ROA has improved significantly and considering our guidance, be it on NIM, be it on credit costs, be it on the growth side. It seems to suggest that current trajectory more or less will sustain. So where does our ROE should settle maybe in the medium term considering the post leverage?

Girish Kousgi: See if we now look at our affordable business, I think incrementally, it is contributing to about 9%. So, I had earlier mentioned that this year, it will be close to 10%. It looks like, we might exceed what I had indicated earlier. So, we are pretty aggressive on the affordable side, and we are able to build traction on the affordable side.

So maybe this year, we'll end up with slightly more than what I had indicated earlier. So, with every quarter, the mix between Prime and Roshni is getting changed. Roshni is affordable. So -- and I also mentioned that we'll be able to maintain margins at the current level.

So going forward, it has to only improve. It will take time because affordable, it is small ticket loans and therefore, it takes time. But we probably would be one of the housing finance company to build a book of, let's say, INR 1,000 crores fastest. And so, with every passing quarter, the mix keeps changing. So eventually, the ROE profile also should improve.

Renish: So, the steady state ROE should be 17%-18%?

Girish Kousgi: So, our gearing now is 3.77x, okay? So, we plan to take that up to 6-6.5x, since we are now focused on growth also along with profitability. So, we have a vision of building book to INR 1 lakh crores. And therefore, a leverage, which is now less than 4x might go up to 6- 6.5x. So, this might happen in the next 2.5 years to 3 years. Now ROE is low because, obviously, we raised rights --we did rights issue recently, and there will be a drag for some time, but that will catch up with growth and volumes.

Renish: Got it. And sir, just last question on the growth side. Considering our first half growth is slightly muted. I mean on a YTD basis; it is close to 1.5%. Now even if we have to go with the lower end of the guidance, which is at 17%, which implies a very tall task in the second half, implying maybe 7% odd sequential growth rate in Q3-Q4. So just wanted to reconfirm that, we are confident of maintaining this run rate in Q3-Q4, right, sir?

Girish Kousgi: If you look at last four quarters, we have done a lot of tactical changes in our strategy. And just to mention a few, we wanted to reduce the ticket size, focus on retail. Today, as I mentioned, we are close to 90% upto INR 1 crores. LAP ticket size has come down drastically. The focus is now more on home. Focus is more on salaried. So, we've done all of these things and also the book, what we're going to build in the future has to be pristine. And therefore, we've taken -- I know last time I was mentioning, we have taken some calls in terms of certain geographies, certain products, we have peaked some of the processes. So basically, if you see last three quarters to four quarters, we spent a lot of time to get all of these things right, so that a few quarters from now, we will be one of the best housing finance companies and would be comparable, right?

And I had guided book growth of 17% to 18%. That is the intact. So, we will be able to grow at 17% this year over last year. And we had guided disbursement growth of 22% plus. We'll be there very comfortably.

Renish: Got it, sir. Thank you so much and best of luck, sir.

Girish Kousgi: Thank you.

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

Abhijit Tibrewal: Yes. Good evening everyone. Just following up from the last participant. Your guidance of 17%-18% loan growth is on retail, right, not on…

Girish Kousgi: It is on retail. But however, if you look at the corporate book, it is de-growing. So now the book is less than INR2,400 crores. So, the guidance, what we had given was on retail. Yes, you're right.

Abhijit Tibrewal: Yes, right, sir. Sir, the other thing is, again, coming back to that write-off that we have done. So, it seems like -- I mean, excluding this one corporate account that we have resolved, the gross stage III has come down by about INR 400 crores, excluding that corporate account. And out of that, we've taken around INR 320 crores of write-offs in retail.

So, if you could just explain this part a little better that whatever releases we had from the corporate NPA account, almost INR 200 crores of releases is what I see. How did we kind of -- because this -- I mean one would have thought, we will want to increase the provisioning cover on your maybe retail loans. But contrary to that, we've chosen to kind of write-off. So, if you could just explain the thought process behind that?

Girish Kousgi: So, if you look at our overall GNPA March'22, it was 8.13%. Now last quarter, it was 3.76%. And this quarter, it is 1.78%, right? Now even if you look at retail, March'22 was 3.89% and last quarter was 2.49%. So, what I'm trying to say is that there has been a consistent decline in the retail GNPA as well, not just the corporate.

Now whatever provision write-back would it be, we have utilized that for three things. One is as ECL true up, that is PCR on retail and ECL on corporate. And we utilize the amount for a bit of write-off. So, it is a combination of all these three.

Abhijit Tibrewal: Perfect, sir. And sir, just one clarification here. I'm just referring to Note number 4 of the SEBI results release. There, it says that from this corporate NPA account, which has been resolved, we have recovered INR 828 crores. Am I reading it, right?

Girish Kousgi: Yes, you're right.

Abhijit Tibrewal: Got it. And this, all of this INR 828 crores, we have received it in cash?

Girish Kousgi: Correct.

Abhijit Tibrewal: There are no tranches which are involved?

Girish Kousgi: Yes, it's 100% cash deal.

Abhijit Tibrewal: Got it. There is just one last question. Again, you kind of talk to, senior leaders like you in the industry. Somewhere there is an acknowledgment that maybe in mortgages, particularly smaller ticket mortgages against INR15 lakh to INR25 lakh, INR30 lakh kind of ticket size, there is some slowdown that people are talking about.

Are you also seeing that because, obviously, it doesn't reflect in the disbursement numbers that you've reported. But are you structurally seeing some slowdown in maybe urban affordable or lower ticket affordable housing?

Girish Kousgi: So, if we talk about affordable income base, the competition has increased. But if you talk about overall affordable which typically all the NBFCs and HFCs focus, there is no slowdown.

As I had mentioned, there are four segments, super prime, prime, affordable income, affordable assessment. So, if you're talking about, a bit of prime on the lower side and affordable income, there for some time, there was a bit of slowdown, but we have not seen any slowdown. For us, we had to correct a lot of things internally.

And therefore, we had guided a disbursement growth of 22%, and we have already shown 18% growth. So, in next two quarters, we will catch up and we will be more than 20%-23% growth on disbursement. On the book, we had guided 17% to 18%. And in the next two quarters, we will catch up and we will be able to show growth of 17%-18%.

So, we have not seen -- even if you look at our affordable, even though the size is very small because we started about eight months back. If you see whatever be the size, we are seeing significant traction given the number of branches and team size.

We have seen significant traction. We've been growing at about 60% quarter-on-quarter on the affordable. So, we have not seen that slowdown. However, even I have read many reports which spoke about a bit of slowdown in the segment.

Abhijit Tibrewal: Got it, sir. And sir, just one last question. My line also is too bad when you were explaining the ROA improvement and consequently, ROE also improving as leverage picks up. Is the understanding right that, obviously, we have reverse on the borrowing cost side.

Going forward, there could be potential credit rating upgrades, which could feed into an improvement in what the decline in borrowing costs at the same time. As you keep doing affordable, maybe yields can improve marginally from here, which suggests that margins could remain stable to a minor improvement.

But, in terms of your guidance of credit costs of 40 basis points for next year, opex, I don't know, how much of a room is there to further optimize opex. So just trying to understand, what is it that you were telling about ROE expansion from next year onwards, '25 onwards?

Girish Kousgi: See in terms of opex, we will be more or less stable in terms of percentage will be somewhere between 80 bps to 90 bps. In terms of credit cost, I had guided 40 bps from coming year onward. This is blended. I'm not talking about short term. I think long term. 40 bps will be the credit cost given the blend of prime and affordable.

And the mix, as I mentioned, is changing. So incrementally, this year, we will probably, looks like, we will be at about 12% and add on Roshni out of the overall disbursements what we are going to do this year, and this will keep improving.

So, I think directionally, I think our effort is to ensure that we identify pockets where we can build book at a much higher yield on the prime side, increase Roshni penetration so that the yields would be higher and which will help us in better profitability.

On the opex side, we'll be able to maintain at the current levels between 0.8% to 0.9%. I think on the credit cost, it will be 40 bps coming around onward. I think this is the overall direction what we want to give.

Moderator: The next question is from the line of Onkar Ghugardare from Shree Investments. Please go ahead.

Onkar Ghugardare: Yes, as the overall NPA has come down drastically, what would be the guidance or trajectory of NPA coming to the 2- 3 quarter as well as the next 2 years?

Girish Kousgi: See, I think in next 3 to 4 quarters' time, we would want to be one of the best in the housing finance industry on asset quality.

Onkar Ghugardare: Yes, I was asking about the net NPA trajectory for, say, next 2-3 quarters as well as for next 1-2 years on a gross level?

Vinay Gupta: Yes. So, I think MD has responded. So right now retail GNPA is at 1.74%. We are trying to bring it down in line with any other comparable with housing finance company. And we shall be comparable on this parameter in the next 2-3 quarters inline with any other well-managed housing finance company. Even on the credit cost, we have guided around 0.6% for this year and 0.4% from next year onwards.

Onkar Ghugardare: This in line with the other NBFCs or best in the class you are talking about?

Vinay Gupta: Yes

Onkar Ghugardare: For individual as well as for the corporate loan, right?

Vinay Gupta: Yes. Overall, yes, because largely, we are now retail, 96% is our retail loans. So, it's overall.

Onkar Ghugardare: Okay. Just wanted to know what are the cost of funds for this quarter and incremental cost of funds right now?

Vinay Gupta: It's almost same as previous quarter. We have closed this quarter at 7.99%, and incremental also is somewhere in the same range, 7.9%.

Onkar Ghugardare: Okay. And there were a couple of one-offs in this quarter, say, like for pre-provisioning profit and for NIMs and all that. So that would continue for the next quarter as well? Or that will normalize in the coming quarters?

Vinay Gupta: No, no, there are no one-offs in this quarter. One-offs were in the last year same quarter. So, for a comparable purposes, we have excluded and given a comparison. But this quarter, there are no one-offs. Even on the credit cost side, – I mean those one-offs are utilized for financing provision on corporate side and taking certain one-off on the retail side. But other than that, there are no one-offs in the financials in this quarter.

Onkar Ghugardare: Okay. Can you just highlight your guidance on ROA front?

Vinay Gupta: ROA right now is around 2.24% this quarter. It has been improving sequentially. Previous quarter was 2.1%, and now we are at 2.24%. Our endeavour is to keep improving and keep working on it. I mean, we are not giving guidance on this. We have given guidance on the spread and NIM, which we have maintained.

Onkar Ghugardare: As far as the gearing is concerned, you have already mentioned in the next 2, 3 years, you will be at 6.5-7x, right?

Vinay Gupta: 6 to 6.5x is what we are trying.

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

Kunal Shah: So, the question is with respect to yields, given that now the focus is also going to be on the individual as well as the home loan portfolio. And given the ticket size of almost like INR29 lakhs and INR32.5 lakhs in NHL, how do we see the risk in terms of the balance transfer given where we are in terms of the cost of borrowing?

And over last 3-odd quarters, how much has been pricing at par with, when we were growing the retail portfolio, how much have we been able to pass on in terms of the lending rates? So, if you can just kind of let us know in terms of the incremental lending rate particularly in this category of ticket size?

Vinay Gupta: Runoffs perhaps have been very stable and consistent. We have been in the range of 16% to 17%. This is total runoff, including the regular EMI payoffs and BTs and foreclosures. The total there has been in the range of 16% to 18%. It used to be in the range of 22%-23%. So, it has been now in this particular range for the last few quarters, and we intend to maintain it. I didn't get your second part of the question; can you just repeat?

Kunal Shah: I just wanted to check what it's somewhere around 4.5% run rate for the quarter, which leads to like almost 18% in runoff. But just in terms of the risk on the yield side, because this is going to be extremely competitive. And have you seen the pricing path for us, maybe for the industry, if the rates have gone up, to what extent have you also have been able to pass it on over the last quarter in terms of particularly based on loan portfolio, how much is the lending rate increase that we have taken?

Vinay Gupta: So, we have completely passed on the entire increase that we have seen on the repo rate. So that has been completely passed on, roughly 240 to 250 basis points has been passed on. And this is the rate now on a steady-state basis after all pass on are done.

Kunal Shah: Okay. So incremental would be how much now on home loan and LAP?

Vinay Gupta: Incremental yield is between 9.6% to 9.7%.

Kunal Shah: 9.6% to 9.7% compared to our book yield of 10%?

Vinay Gupta: Correct.

Kunal Shah: Okay. And lastly, in terms of break up, so this INR45 crores, if you kind of help in terms of much will be write-back, how much was the write-off, and there is some recovery especially that you may highlight, was not able to give in terms of how much will write-off in the recovery. So INR45 crores is the net amount? Yes.

Vinay Gupta: Yes. So INR 199 crores was the write-back that we have got on resolution of one corporate account. And the net P&L impact is INR 45 crore. So, you can work out the math for the result.

Kunal Shah: Okay. And this entire amount would be write-off then largely, or it would be provisioning as well?

Vinay Gupta: It is used for both for strengthening Stage 1 ECL on the corporate and for strengthening ECL on the retail and for certain one-offs that we have taken on the retail side.

Moderator: The next question is from the line of Jigar Jani from B&K Securities. Please go ahead.

Jigar Jani: Sorry to just continue with the previous participant question. If I look at your presentation in terms of the ECL provisioning, Q-o-Q, your total ECL provision has dropped from INR 1,485 crore to INR 1,196 crore. This is despite you taking the INR 245 crores kind of provisioning, which is the INR 199 crores write- back and the INR 45 crores to the P&L. So, is it fair to understand that the overall write-offs would be somewhere around INR 400 crores to INR 450 crores?

Vinay Gupta: No, no, no. It's not.

Jigar Jani: So, can you just explain me the bridge as to why our ECL provision is kind of going down despite having write-backs and provisioning to the P&L?

Vinay Gupta: No, I think that we can take up offline. I mean that is like a lot of numbers, so we can take it up offline.

Jigar Jani: Sure, sir. No worries. And just wanted to know what is the incremental yields that we are doing on the affordable housing portfolio on the HL and the LAP side or we are just doing HL right now?

Vinay Gupta: Overall, as I said, it is between 9.6% to 9.7%. On the affordable side, our overall yield is around 11.5%.

Jigar Jani: And we'll be doing both HL and LAP here right?

Vinay Gupta: Yes. Both HL and LAP put together.

Moderator: The next question is from the line of Anusha Raheja from Dalal & Broacha. Please go ahead.

Anusha Raheja: Sir you said that on construction finance, you would want to grow this book back again. So, if you can throw some light in terms of strategy, like how you're planning to grow this book? How much of the average ticket size? And what share we can expect from this book in an overall loan book?

Girish Kousgi: So, I think as a mix going forward, when we start doing corporate business, in the overall mix, this will be less than 10% at its peak. So, we will restart this business in a few quarters from now. And when we restart, we'll be focusing only on construction finance, will be picking choosy on builders and projects and locations.

Moderator: The next question is from the line of Harshvardhan Agrawal from Bandhan Asset Management. Please go ahead.

Harshvardhan Agrawal: So just wanted to get some more colour on the write-off that you've taken on the retail part. One is, could share the quantum of the write-off? And secondly, you gave some more colour as to what kind of ticket sizes those loans were -- were there specific in geography with the independent houses or apartments, if you can give some more colour on that, please?

Vinay Gupta: The write-offs, as I stated, it was on the P&L side, around INR 200 crores we had, which was available to us. The net P&L is INR 45 crores. So around INR 245 crores we have used between write-offs and for strengthening the PCR on Stage 1 assets of corporate. So, it is basically a combination of these two that's where funds have been utilized. It was largely doubtful 2, doubtful 3 categories of assets.

Harshvardhan Agrawal: And so, this like what ticket size of loans that we had written off?

Girish Kousgi: These are normal retail cases. So, there is no any -- no specific pool as such, but these are normal retail cases, which were in NPA in doubtful 1 and 2 category.

Harshvardhan Agrawal: Sure. And then just one last thing as to because the guidance that we have given on the asset quality, it tends to increase from further year on. Any such one-off write-offs that we planning in future quarters?

Girish Kousgi: As of now, there is no plan. There is no plan for any one-off in future. We'll not be able to comment on that. But definitely, as our endeavour is to try and bring down the NPA on retail side as well. I think largely it will be driven by collections and legal.

Moderator: Thank you. We have the next question from the line of Bhuvnesh Garg from Investec Capital. Please go ahead.

Bhuvnesh Garg: A couple of questions. Firstly, sir, what was our BT out rate for this quarter and for the last couple of quarters?

Vinay Gupta: See, overall, we have given a runoff rate of 16% to 18%. This includes normal runoff as well as BT and foreclosure. It will be somewhere between 7% to 8% only for BT.

Bhuvnesh Garg: And what was it for Q1 and Q4?

Vinay Gupta: Q1 was also -- it is in the same range for the last few quarters. It used to be in the range of 9% to 10%. It has come down to the level of 6% to 7% now for the last few quarters.

Bhuvnesh Garg: Got it, sir. Okay. And in terms of growth, if I look at on our slide six, that we have growth path for retail loan book. So, in Q2, I mean, our retail loan book has gone by INR 1,493 crores, similar slightly lower than what the growth was in Q1. But generally, what we have seen that Q2 is a better quarter than Q1. So, what explains this lower growth in retail loan book?

Girish Kousgi: No, retail has grown better in Q2 than Q1. And if you look at disbursement sequentially also there has been a good 13.5%-13.6% growth over quarter one.

Bhuvnesh Garg: Right, sir. But in your slide six, top left here, I see from April to June, INR1,507 crores and then from June to July to September, INR1,493 crores. That is the increase in retail loan asset. Just want to understand?

Vinay Gupta: Yes. There is some impact of write-off in that, so hence it is looking lower. But if you see gross disbursement, that has grown 14% quarter-on-quarter.

Bhuvnesh Garg: Got it. And sir, considering that our total disbursement for H1 has grown at about 13% Y-o-Y and we are guiding for 22% Y-o-Y growth for full year, so what gives you confidence that it will accelerate in next two? So, what are the key trend driver that you are witnessing?

Girish Kousgi: So, I think last three, four quarters, as I mentioned earlier, we were really working on -- trying to change some of this mix, profile mix, product mix, geography mix, moving away from super prime completely and moving to prime and affordable. So, we were focusing on all these things and therefore it was by design consciously we had to grow at this level.

And H2 is always better than H1 and within H2 you will see that quarter 4 would be really very good compared to quarter 3 and quarter 3 will be far better than quarter 2. And we will cover up in quarter 3 and quarter 4. So, which is what I mentioned earlier as well, 17% to 18% of a book growth and 22% to 23% of disbursement growth is well in sight.

Bhuvnesh Garg: Got it sir. That's it from my side. Thank you. Good answer. Have a good day. Thank you.

Moderator: Thank you. The next question is from the line of Ravi Naredi from Naredi Investment. Please go ahead.

Ravi Naredi: Thank you. Sir, my question is regarding your comment – in your comment in press release, the INR 160 crores one-off in Q2 financial year '23. And so, it excludes NII grow 35% year-on-year. So please elaborate this INR 160 crores one-off income. It's comment was not in last year Q2 results also. So...

Vinay Gupta: See, as I said, whenever there is a benchmark rate reset, even on the securitized book, you have to change the rate for that book. And you have to take an upfront gain. So that upfront gain came as a one-off in Q2 last year when we changed our rate reset by around 100 basis points. So, it was one time gain that came last year, which is not there in the current quarter. So hence, it has been called out separately.

Ravi Naredi: And the next question is regarding the COVID-19 related stress assets, INR1,600 crores approx. So, what is the average tenure of this exposure? And what is your assessment related to this exposure?

Girish Kousgi: So, I think you're referring to restructured pool. So, the tenor is on par with the entire portfolio tenor. So, there is no difference. But for only changed that during the restructuring period, some of these customers would have opted for morat -- interest morat, which could be for maybe ranging from three months to 12 months or maybe 15 months. So otherwise, the tenor is broadly in line with the entire portfolio, retail portfolio.

Ravi Naredi: Okay. thank you, sir.

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

Abhijit Tibrewal: Thank you for allowing me a follow up. Just one question. Girish, your opening remarks talking about restarting construction finance in a couple of quarters. You'd also mentioned the ticket size that you're looking for. Can you just elaborate on that? What ticket size you're looking for?

Girish Kousgi: So yes, we are still working on that, but there is a plan to start corporate business. very shortly, could be two, three quarters from now. So, when we restart, we'll be really pick and choosy. We will do corporate business more from a strategic point of view, which could enable our retail growth. Ticket size would be about INR150 crores to INR200 crores. That is what we would be looking at. And we'll be very pick and choosy on the developer projects and we will do in select locations.

Abhijit Tibrewal: Got it, sir. And sir, typically, this projects that you're planning to do, I mean I understand, I mean, maybe two, three quarters away too early to comment given that maybe you've not started working on this piece yet? But broadly will the yields in the corporate book that you will be building be lower than the yields that we have in retail today?

Girish Kousgi: Not at all. I think the yield on corporate will be much higher than the retail book. But yes, I know since we are going to focus on select developers, good developers, the yield may not be significantly higher than the prime yield. But definitely, if you compare to, let's say, a affordable business, Roshni, it will be on par or maybe slightly less than that. Because today, Roshni our yield is about 11.5%. I think this would increase over a period of time and this could grow beyond 12%. So even the corporate book yield would be on similar lines.

Abhijit Tibrewal: Got it, sir and that's all from me. Thank you so much.

Moderator: Thank you. We have the next question from the line of Varun from Kotak Securities. Please go ahead.

Varun: Hi, sir. Thanks for giving me the opportunity. So, if I look at the restructured book, that was about INR 1,700 crores. And there is some movement of that into NPAs and some of it has been on paid off. There's still some INR 1,500 crores in the standard book. So, is this coming out of resolution or have some all of it moved out of moratorium where are they right now in stages and what's the provision?

Girish Kousgi: So as of now, there is nothing in the restructured window. So, all those cases, which were restructured, EMI have fallen due, and they are servicing. So, whatever we see today in various stages, Stage I, Stage II, Stage III is post the completion of a restructured period.

Varun: And are there any additional provision on this restructure or as per ECL model, that's what you've provided?

Girish Kousgi: There is nothing additional.

Vinay Gupta: As per retail ECL model, the provisioning is done.

Moderator: Varun does that answer your question?

Varun: Yes.

Moderator: Thank you. We have the next question from the line of Onkar Ghugardare from Shree Investments. Please go ahead.

Onkar Ghugardare: Yes, you were talking about overall loan book growth of 17%-18%. That was only for retail category or overall loan book you're talking?

Girish Kousgi: The retail category, because corporate we are degrowing and by the time we start, it will take another two to three quarters. So, the growth what we were talking was only on retail.

Onkar Ghugardare: And what about the overall growth there?

Girish Kousgi: I think more or less, it will be in line because today, if you see out the overall portfolio, retail is about 96%. And even if you see -- and even if you see what the book was last year, I think the gap is going to be about maybe 3%-3.5%, otherwise -- largely the growth is going to come from retail till we start corporate.

Onkar Ghugardare: So overall growth would be similar to the retail?

Girish Kousgi: 17% to 18%, what I mentioned was on retail.

Onkar Ghugardare: Yes, correct. But once you start growing the construction finance?

Girish Kousgi: construction finance, it will be a very small business for us. At its peak, it will be less than 10% of the entire portfolio.

Onkar Ghugardare: Okay. And right now, the retail is consisting around 96% of the overall loan book?

Girish Kousgi: Yes.

Onkar Ghugardare: Okay. All right.

Moderator: We have no further questions on the queue. I would now like to hand over to the management for closing comments. Over to you, sir.

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 and audio of this call will be uploaded on our website. Thank you.

Moderator: Thank you. On behalf of PNB Housing Finance Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.