



Ref: PNBHFL/SE/EQ/FY24/99  
Date: January 30, 2024

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

The 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 January 24, 2024**

**Ref:** Our letter PNBHFL/SE/EQ/FY24/93 dated January 24, 2024

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 January 24, 2024 on Un-Audited Financial Results (Standalone and Consolidated) of the Company for the quarter and nine months ended December 31, 2023.

A copy of the same is also placed on the website of the Company [www.pnbhousing.com](http://www.pnbhousing.com)

Kindly take the above intimation and documents on record.

Thanking You,

Yours faithfully,  
**For PNB Housing Finance Limited**

**Sanjay Jain**  
**Company Secretary**  
**Membership No. F2642**  
Enclosed: As above

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Internal



# “PNB Housing Finance Limited Q3 and 9M FY 2023-24 Earnings Conference Call”

**January 24, 2024**



## **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 Q3 and 9M FY 2024 Earnings Conference Call of PNB Housing Finance Limited.

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 – Head, Investor Relations and Treasury. Thank you, and over to you.

**Deepika Gupta Padhi:** Thank you, Yashashree. Good evening and welcome everyone.

We are here to discuss PNB Housing Finance Q3 and 9M FY23-24 Results. You must have seen our business and financial numbers and performance in the presentation and the press release, which was shared with the stock exchanges and is also available on our website.

With me, we have our management team led by Mr. Girish Kousgi – our MD 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 uncertainty that may cause actual development 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 31 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 to all the investors. Welcome to Earnings Call.

Considering the transformational journey since Quarter 3 of last year, I must say this is a good quarter. In the last 4 years, that is 16 quarters, the last 3 out of 4 quarters have been the highest in disbursements and also book growth on retail. 3 out of 4 quarters has been about Rs. 4,200 crores to Rs. 4,400 crores of disbursement.

So, we were at about INR 1,000 crores of book growth one year back. So, quarterly book growth was about INR 1,000 crores. Now, we have reached a level of about INR 1,600 crores. Last year, Quarter 4 was an exception where we had grown the book by over INR 2,500 crores.

So, I had guided book growth of about 17% in retail. I think that has to be moderated. In YTD, we are at about, you know, if I have to compare on a Y-o-Y, December end, we are at about

13.2%. So, it looks like this year we will end up with a book growth of around 15%. However, for the coming year, the guidance on book growth is at 17%.

**Disbursements:**

On disbursements, we will be near to 22% in terms of growth over last year. There were certain challenges, now which are all resolved. Of course, in Quarter 3, we had two challenges. One, of course, in terms of Chennai floods. So, both our prime and affordable business has a bit of dependency on business from Tamil Nadu. So, that had a bit of challenge, a bit of an impact.

So, we also had some internal challenge in the West in terms of the portfolio. So, we had to tweak the policies. We had to reach the teams. All of those things are resolved. So, if you also look at West, West incremental shares which used to be about 35% had gone down to 28%. While we were quite bullish on the South, the South, which was about 31% has gone up to 37%. So, now all of those are sorted. So, we expect West to come back. So, we will see growth coming back in Quarter 4 more than what was in the past.

**Corporate:**

On corporate as per plan, we ran down the book from INR 18,000 crores to about INR 2,200 crores.

In terms of the restart, it is not a priority for us as of now. So, we will see in the future. We also had tactically taken a few calls in terms of de-risking portfolio. So, now if you see out of the overall portfolio, retail is 96.5% and the balance being corporate. So, there was a bit of focus on the profile mix. So, there was a slight skewness towards salaried. We moved away from high value to low value and mid-size value ticket size.

So, there was also a bit of a tweak in the product. So, our focus was slightly more on home, vis-a-vis compared to non-home. And even now we are focusing up to 1 Cr. As you are aware, there has been a rating upgrade by India Rating from 'AA' to 'AA+'. So, now our focus is completely on retail, no high value sourcing, a little skewness towards the salaried and a little skewness towards home.

We have been strengthening geographical mix. I have spoken to you that South is a good market which will get us good business and also at a little higher yield. So, we have been focusing on increasing our South contribution overall mix.

We were also trying to be future ready and therefore we had taken a call to increase the branch network both in Roshni as well as Prime. So, as I had indicated earlier in my various interactions, Roshni by March we will be at 160 branches and Prime will be close to 140. So, overall total branch network by March will be around 300 branches.

**Roshni:**

And also on Roshni, since we had started this business about a year back, I think consciously we were operating with certain product suite. Now we will expand that and there will be an upside in yield which is currently about 11.5%-11.6%. So, this yield will go up to 12.5% from April onwards because we are now opening up all the product suite which was by design.

In addition to our initiative of starting Roshni to scale up business and also to get better yield, we are also now planning to come up with emerging market. So, this will be dedicated about 40 to 50 branches which would start from April and these branches would focus on higher yield business. So, this is by design. So, we will have three verticals. We have Prime, Roshni and from April, we will have emerging markets and the number of branches could be about 40 to 50. So, this by design would be sourcing business at a higher yield. The yield could be about 35 to 40 bps higher from our current Prime yield.

**Deposits:**

On deposits, earlier it was a call to manage the concentration risk, which used to be about one third of our entire liability profile. So, now in the last two quarters we are growing. So, there will be a focus on deposit growth in future as well.

Happy to share that PNB Housing, now we are a Great Place to Work. So, this is for November 23 till November 24. This obviously means stability and a motivated team.

**Cost of borrowing:**

On the cost of borrowing, there has been an upgrade in rating as all of you are aware. We have got sanction of INR 3,000 crore from NHB, and we have drawn the first tranche. So, this would help us in bringing down the cost.

Deposit book is growing, and deposit comes at a slightly lower cost. So, that would also aid in terms of bringing down the cost of borrowing. And now we are more active in wholesale debt market both in terms of CP as well as NCD and we are in continuous negotiation and discussion with banks for a possible repricing.

**Collection:**

On collection, the focus has been on cash collections and OTS. So, we have a good pool in auction bucket. So, quarter three, there was lot of focus on auction. So, that will now materialize in quarter four. So, quarter three saw maximum number of auctions. So, this was the highest ever. Effort is now on sale of property and whatever auction we have done in quarter three and

some bit of auction work we have done in Jan, we will try to realize that in quarter four. Efficiency across buckets in collection starting from X bucket, SMA-0, SMA-1, SMA-2 has improved.

**Recovery:**

On recovery especially in corporate, so we have one account which is an NPA, and we had mentioned that you know we will be resolving that. Now, as per the plan, we are expecting a complete resolution in Quarter 4. And we have a few accounts which are in write-off. So, we have a good amount of write-off pool. So, we are in discussion and some of the accounts are in final stage of discussion. So, there could be a possible write-back which will start from Quarter 4 onwards on the corporate side. Even on the retail, we have a good pool from where we can expect write-back. So, this also would start from Q4 onwards and it will continue for next few quarters.

**Credit cost:**

In terms of credit cost, we had guided 60 bps for the year. For H1 it was 31 bps. I think first 9 months it is 32 bps. Quarter 4 will be in line with the existing credit cost. So, I had mentioned 60, I think it will be about 31-32 bps and I think even for next year it will be on similar lines.

I would request Vinay – our CFO to cover the performance highlight and then we can open up for Q&A.

**Vinay Gupta:**

Good evening, ladies and gentlemen.

I am pleased to present an overview of our "Financial Performance" for the Q3 and 9 months ended FY '24.

You must have seen our PAT reported is around INR 338 crores for the quarter. It has grown 26% year-on-year. For the 9 months, the PAT is INR 1,069 crores, which has grown 39% year-on-year. Our total revenue is INR 1,752 crores as against INR 1,795 last year and INR 1,777 in Q2. For the 9 months, it is INR 5,233 crores versus INR 4,885 crores.

Net interest income declined 19% year-on-year and 10% quarter-on-quarter to INR 595 crores. However, during both Q3 FY '23 and Q3 FY '24, there were one-offs in the securitization income line. Excluding one-offs, the net interest income is INR 622 crores, which is flat year-on-year due to a gradual shift in our mix towards retail. Since the corporate mix is coming down, there is a gradual shift in the overall yield mix, which is causing this hit. On the 9-month basis though, our net interest income has grown by 7% at INR 1,884 crores.

The yield and cost of borrowing is at 10.2% and 8.07% respectively for Q3. Excluding one-offs in yield and cost of borrowing, the number stood at 10.3% and 7.98% and the spread is at 2.12%. Excluding one-off, spread is 2.3% and the NIM is 3.49% for the quarter.

We have given a walk also reported and ex-one-off numbers in our investor deck which is there on the Page #21 to clarify the numbers reported as well as ex-one-off.

In Q3, OPEX grew 35% Y-o-Y and remained flat Q-o-Q. We continue to invest in Roshni branch expansion and upgradation of IT infrastructure and royalty expenses, the incremental spend that has come in the current financial year.

Credit cost continues to be in the similar range at 34 bps for Q3 and for 9 months is at 32 basis points. ROA has improved for the 9 months at 2.08% versus 1.61% in the last financial year. ROE is 10.5% for the 9 months of FY '24. Capital adequacy remains strong at 29.53% as on 31st December with Tier 1 at around 27.97%.

Thank you. This is the brief on financial performance.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. We will take our first question from the line of Ashwini Agarwal from Demeter Advisors LLP. Please go ahead.

**Ashwini Agarwal:** So, my first question is with the net interest income drop, right? You have the yield compressing and the cost of borrowing going up. Now, I understand some of the yield compression is because of the change in mix, corporate going to retail and leaning towards salaried.

So, I have multiple questions here. One is that, how do you get the drop back up or do you think that this is the new normal? Number two is linked to that; this is the AA+ rating, what does that do to your cost of borrowing? What should we expect the net interest margin or the spread to look like both for the 4th Quarter as well as for Fiscal Year '25? That's my first question.

**Vinay Gupta:** So, as you rightly mentioned, yes, there are certain impacts of the corporate book running off and moving towards the safer segments. Going forward, there are two reasons, you know, why the spreads can improve.

One is on the cost of borrowing front. As you mentioned, the ratings have improved. Plus, we have also got access to the NHB funding now. So, these two factors should help us in improving the cost of borrowing. Even if you see the incremental cost of borrowing, it has been declining. And we should see some benefit of this coming up in the next one to two quarters.

Even on the rating part, now that we have got an upgrade, we would be working with most of the banks to revise the spreads and get some benefit on the existing borrowing as well as on the new borrowing. That is one.

Second, as the Roshni mix improves, there is going to be a kicker on the yield. And secondly, as Girish mentioned, we would be moving towards an emerging market segment within Prime to get or target higher yield segments. So, that will also give a kicker over the next few quarters. So, this is how we are trying to manage.

**Girish Kousgi:** Just to add to what Vinay said, on Roshni, as I mentioned, we will be operating in a lot of the segments which we have not till now. So, that would start from April. So, we expect to take the yield up from 11.5% in Roshni to about (+12.5%).

**Ashwini Agarwal:** So, if I think about, you know, could you quantify the benefit on cost of borrowing both from the NHB refinancing that has become available to you as well as the rating upgrade? I mean, quarter on quarter, the cost of borrowing declined by one basis point. I mean, what do these two events mean to cost of borrowing?

**Girish Kousgi:** So, one is, see, on the NHB, there is a sanction of INR 3,000 crores and we have taken the first tranche. So, there is the difference, if I have to compare now with my cost of borrowing and the rate at which we get from NHB, which is blended for refinance and affordable housing. So, now there will be a gap of about 60 to 70 bps. So, that is the gap because earlier this gap is to be slightly higher. Now with repricing, so, the gap is going to be around 60 to 70 bps. So, that is number one.

And number two, as we mentioned, now we are engaging with all the bankers, and it is a constant effort to get the rate repriced on the lower side. And on the business side, the mix will keep changing because we just started Roshni about a year back and now, we are going to start emerging market verticals. These two would operate at a very different yield.

On Roshni, as I mentioned, we have a plan to take the yields up minimum by 100 bps and this is from April. And even this emerging market, this vertical also will get started from April. So, one, it will help us to grow. Number two, it will also help us to get a better yield. And on the other side, on the cost of borrowing, there is some scope there for us to bring down the cost.

**Ashwini Agarwal:** Girish, if I recall, what you had said almost a year ago was that over a period of time, the spread will definitely come down from where they were. But you were still confident of keeping them at around 275 basis points, give or take, and net interest margin 375 to 4. bps But you are running much lower than that, especially on the spread part. Where do you think you want to be 1 - 1.5 years from now?

**Girish Kousgi:** It is like this. See, if I have to talk about margins, I think NIM will be around 3.5% and let's say on the fee it will be about let's say around 30 bps. So, it will be about 30 bps on the fee. In terms of yield by changing the mix and getting into new and starting a new vertical, getting into new segments, so, this will keep changing. The mix will keep changing. So, on NIM will be around 3.5% and on the spread, it depends on the movement but on NIM will be around 3.5% and fee



today it's about 25 bps. So, that will be about 30 odd bps and the yield because we are now focused on retail and within retail now, we will be operating in three different segments Prime, emerging markets and Roshni, emerging markets and Roshni will give us a kicker on the yield.

**Ashwini Agarwal:**

On the spread, do you think 2.5% is an unrealistic target?

**Girish Kousgi:**

See, it all depends on how the interest rate market pans out in next couple of quarters. Obviously yes, you know, at that point in time, obviously, we were at a much higher and even today if you look at ex-one-off, we are at about 2.31% and this has, see, today, we should also look at one more thing. See, corporate book is degrowing, right? Even if you have to compare it with last quarter and this quarter, there has been a drop of about 22% on average basis in the Corporate loan book.

So, if we take standalone, I think, see, if you have seen even for Quarter 3 some of the companies which have announced results, so there has been a contraction on the spread and yield, right. Now for us the impact was because of whatever reasons we mentioned earlier. I think the point to take away is that we had guided for 60 bps of credit cost for the year and that now looks like 31-32bps for the whole year. A. B, and this would also continue for the years, at least for next year and next to next year. That's number one.

And number two, we have a large pool where we have a write-back opportunity, both on corporate and also on retail. So, if you look at the ROA profile, I think it will be 2%+.

**Ashwini Agarwal:**

Sir, second thing is on the growth. I mean, at the end of the day for sustainable ROE to emerge of, say, mid-teens or slightly higher than mid-teens are 16-17%. We need to see a much better leverage on the book and therefore growth. And this corporate reducing, even when the retail is going up, has been holding down growth. You mentioned that for Fiscal '25, your desire is to grow the retail loan book by 17%. And my question is, why not more? Because the market leader has vacated the lower end space of 50 lakhs or less. That's what we hear from the street and from your competitors. And from whatever we can observe, there is a lot of real estate activity. So, what's holding down growth or why are you growing only at 17% and not higher given how strong your balance sheet is?

**Girish Kousgi:**

Very good question. So, actually, if you see where we were a year back, you know, obviously, we had to move a lot of pieces. We did a right issue, raised capital. We brought down corporate GNPA. We brought down retail GNPA, you know, as a strategy both by collection, OTS, sale of property and one-off. Right? So, this is a transformational journey and now we are almost about one year since we started this journey.

Now, to answer your question, I think the growth could be more, but we want to balance growth with profitability. So, that is the whole point because end of the day, growth is important, profitability is important. So, we need to manage both of these things. Given the fact that we are

still through the transformational journey, you know, obviously, we need to work on a lot of things and that's the reason 17% growth.

**Moderator:** Thank you. We have our next question from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

**Abhijit Tibrewal:** Sir, first, if you could help understand what are the one-offs on the interest income line in this quarter?

**Vinay Gupta:** Abhijit, one-off in the current quarter is on account of MCLR changes that have happened on the securitized pool. So, that has given a one-off of around INR 16 crores in the interest income line.

**Abhijit Tibrewal:** So, this was, I mean, a negative impact on your interest income.

**Vinay Gupta:** Negative impact. Right. And on the interest cost line also, there was a one-off of INR 12 crores, which we had to pay at the time of maturity of certain ECBs, which was not amortized earlier.

**Abhijit Tibrewal:** So, I mean, that was my second question. I mean, you have already given in your presentation almost INR 12 crores on account of ECB hedging. So, very clearly in your borrowing mix, you can see that there are ECBs which have got retired in this quarter and because of its impact of INR 12 crores, but please correct me if I am wrong from what we have always understood, the ECBs, which are raised by NBFCs and HFCs, they have to be fully hedged. So, at the time of maturity, why was this out go of INR 12 crores?

**Vinay Gupta:** No, it was fully hedged. There was a minor difference of some paisa in the rate at which it was taken versus the rate at which it was hedged. That was more of an operational delay, which we had to bear at the time of maturity. So, this was only specific to deal that got matured in this quarter.

**Abhijit Tibrewal:** And Sir, in terms of guidance and what you have said until now, from what I could make out, for FY '24, you have moderated the retail number guidance to 15%, but you have maintained for FY '25, the retail number guidance at 17%. Likewise, on credit costs, you are suggesting that having seen nine months of this fiscal year, we could potentially be doing 31 to 32 basis points in this fiscal year and then for the next year as well, you are now guiding for a similar level of credit costs of 30 to 35 basis points. Is that correct?

**Girish Kousgi:** Yes, it's correct.

**Abhijit Tibrewal:** Now, just two questions that I have. The other thing I wanted to understand is this quarter, we have added 12 branches and in the 4th Quarter, we are planning to add another 85 to 88 branches to reach that guided number of 300 branches.

- Girish Kousgi:** Correct.
- Abhijit Tibrewal:** So, the last part of the branch additions will come in the 4th Quarter.
- Girish Kousgi:** No, in fact, a lot of work has happened in quarter three in terms of identifying the premises and all of those things are done. We declare branches open only when it is ready and when we, you know, after intimating and once it is ready and when we start the operation. So, we by March will be at 300 branches. So, a lot of work has happened in quarter three.
- Abhijit Tibrewal:** And sir, last question that I had was on the disbursement momentum that we saw during this quarter, sequential decline, something we not usually used to see among HFCs, disbursement decline from the second quarter to third quarter. I think in your opening remarks, you were trying to talk about some disruption that you have seen. So, if you can just recover that again, what kind of led to a sequential decline in disbursements?
- The related question I had was on slide number 21, where you have given your P&L reported as well as excluding one-offs. I mean, very clearly in this quarter, what really changed led to a 20-21 basis points compression in margins or 20 basis points compression in spreads where very clearly we have not really accelerated disbursements. So, was this more in the nature of trying to retain customers so that the book run-off is lower, wherein you had to offer lower interest rates to customers because this is just one quarter that I am talking about, not full year. What really led to this kind of a compression in margins in spreads or yields for that matter?
- Girish Kousgi:** So, I think let me take the first question. So, what I had mentioned was in this quarter, in quarter three, we had certain challenges which were both internal and to a certain extent external. I think it was more internal. As I mentioned that we had, I spoke about West, how the market share is changing. I spoke about the South, how it is changing, that had an impact. Now we have fixed in terms of leadership, in terms of team, in terms of trade policies, all the tweaks, because we had to ensure that the portfolio what we build is of the same quality. That is one reason.
- And second, we also had an impact in quarter three, because for us Chennai floods had a bit of an impact and to a certain extent on pricing, what you said that in terms of retention, in terms of book depleting and also I think to a large extent talking about the yield as I mentioned that corporate book is depleting.
- So, these were the reasons, and which is why I was mentioning that, directionally we want to ensure that A there is growth and see if you look at one year back, we were at about 0 or negative and now on retail we have reached a stage of 13.2%.
- So, it looks like this year we'll end up with around 15% maybe give or take 25 bps, 30 bps now which is why I'm saying that for the coming year the growth is going to be 17% why not more I

answered that why not more because we need to manage both profitability and growth. Second question, I'll request Vinay to address.

**Vinay Gupta:** So, the second question first is with respect to the mix change. So, if you see the last quarter our average corporate book was around INR 3,000 crores which has now come down to around INR 2,200 crores. So, while we resolved this one NPA account last quarter that was also giving some income. So, that has led to a drop or change in mix from corporate to retail.

Second, with respect to as you rightly said due to address competition in certain select geographies we have booked business at a slightly lower yield in this quarter to address the competition. These are the large two reasons for the drop that you see.

**Abhijit Tibrewal:** Vinay sir just trying to understand this the first thing that you said about change in mix from corporate to retail last quarter there was interest income that was booked from the corporate NPA account which got resolved and because it got resolved last quarter, this quarter there was no contribution from that corporate NPA account in interest income?

**Vinay Gupta:** Yes, correct

**Girish Kousgi:** Because the recovery was both (P+I) Principle plus Interest. So, there we had an upside on the interest.

**Moderator:** Thank you. We have our next question from the line of Renish Bua from ICICI Securities. Please go ahead.

**Renish Bua:** Sir, just two questions from my side one on this write-backs which you are expecting over the next two to three quarters. So, can you please quantify I mean what kind of write-off we have, and you know how much of that is on the block or let's say very close to resolution?

**Girish Kousgi:** So, I won't be able to quantify, but yes on the corporate side we have a total pool of about INR 1,700 crores. On the retail we have over INR 500 crores. So, we have an aggressive strategy for write-back. So, you will see that panning out from this quarter onwards. So, why I'm saying this quarter is because in corporate we've been working since last one year and on the retail side we had to move all the accounts to the stage of auction and then of course we will start realizing that and therefore I'm saying it will start from this quarter and it will pan out in next three to four quarters time. So, we have a good pool both on corporate and retail. So, there will be a good opportunity on write-back.

**Renish Bua:** Sir, you also mentioned about one large corporate account getting resolved so this is from the write off pool or this is from let us say...

- Girish Kousgi:** No, it is not large. What I mentioned was there is one NPA account incorporate so that we are expecting resolution in Quarter 4 and from the write off pool we have few accounts which we are working on. So, which will materialize.
- Renish Bua:** When we say this credit cost guidance of 35 basis point this is after considering this write-back or this is x write-back?
- Girish Kousgi:** So, I had mentioned that first 9 months you've seen credit cost of 32 bps. So, Quarter 4 would be similar trend and coming it also would be similar trend and this is not netting off from the write-back.
- Renish Bua:** So, write-back will be the up side risk or let us say downside risk to our credit cost guidance?
- Girish Kousgi:** That is right. So, I think to put another word that write-back opportunity is not budgeted then when we said that coming year credit cost will be on similar lines.
- Renish Bua:** Sir, again just circling back to the yield slide on 21 wherein our asset yield has moderated from 10.48% to 10.29% which is sort of adjusted for the one-offs. So, this entire reduction is purely because of the competition or let us say is there something else is also there let us say we are shifting from a sub-prime to prime or maybe prime to super prime customer segment. I mean how one should break up this?
- Girish Kousgi:** In terms of segment change the yields will improve. So, today if you look at our yield it is comparable or maybe slightly better than some of the other companies. If you look at the yield let's say on retail, it is actually comparable or slightly better. So, when we say that we will get one is in terms of scale up there will be a good traction in Roshni in Quarter 4 and coming year number one. Number two as I mentioned we'll be starting a new vertical called emerging market that is from April. So, these two will there'll be a lift in yield and the third thing is that on Roshni as I mentioned that we will also be focusing on certain segments, certain programs which we are going to open from April. So, will overall yield from Roshni will be 12.5% from the current 11.5% and emerging market will give us a yield upside from the prime of about let's say 35 to 40 bps.
- Renish Bua:** No, I think directionally I got you, but I am just more specific for the quarter-to-quarter movement wherein our asset yield has dropped from 10.48% to 10.29% so what is driving that I mean it is purely because of the competition or is there something else?
- Girish Kousgi:** No, there I mentioned one is corporate is degrowing. So, as Vinay mentioned that last quarter average corporate book was INR 3,000 crore and now it is INR 2,200 crore which is a significant drop and that would have an impact on yield so that is one coupled with we also I told you that it could be one is market second is in terms of book retention. So, all these three as a combination

no there was impact on yield, but if you see largely, it is the corporate degrowth and since the book is now degrowing the impact would keep reducing over a period of time.

**Renish Bua:** And sir last question from my side on the NIM side so adjusted for one off our NIM stands at 3.65% in this quarter wherein non guiding, but maybe we are expecting NIM to settle around 3.5% which is still 15 basis point lower than the current NIM, so where do you see this NIM contraction happening it is because of the cost of borrowing will reprice in coming quarter or do you see the competition will keep on impacting the yields?

**Girish Kousgi:** Actually, it is balance of both yield and cost. So, around 3.5% is what I mentioned. So, yield will definitely because of change of mix yield will better and also cost of borrowing the expense it will come down. So, as a combination of these two initiatives I had mentioned the yield.

**Renish Bua:** So basically, we are expecting NIM to contract, when we say 3.5% because our current NIM is 3.65%, so if we are expecting our cost of borrowing will come down and maybe let us say in the best-case scenario yield will remain where it is not factoring the higher yield, so in that case our NIM should sustain at current level 3.65%?

**Girish Kousgi:** You are right so NIM will be around 3.5%.

**Moderator:** Thank you. We have a next question from the line of Kunal Shah from Citi Group. Please go ahead.

**Kunal Shah:** The question is on the borrowing side so if we look on the deposit now what would be the strategy with respect to deposit raising given even in the harmonization it was highlighted with respect to the public deposit on there so that's particularly the question?

**Girish Kousgi:** So, in fact, as you might be aware there is a draft circular issued by RBI and till 29th of February there is time for all the companies to give their feedback and comments. This is that the circular would be finalized and probably it might get circularized maybe in a month or two. So, as of now if we have to see that 1.5 down from 3 times, I think there is enough headroom for us to grow on deposit. So, however we need to see what the final circular says and then we need to align to that, but as of now considering the current NOF there is enough headroom to grow. Even our SLR is 15.5% as against 13% required.

**Kunal Shah:** So, maybe slight we are marginally higher than the requirement, but still in terms of incremental irrespective of whatever comes out in the final guidelines would there be a change in strategy in terms of bringing the mix of deposits down we have started to raise from the bond market as well this time CP's were also raised. So, how are we looking at the overall borrowing profile?

**Girish Kousgi:** No, I am only saying the cost of deposits for us is now lower. So, the idea would be to grow our book. So, it all depends on the final circular, but I think as of now because the deposits long term sticky instrument where we can leverage, but however it all depends on the final circular. As of

now there is enough headroom as of now the plan is to grow deposits not very aggressively, but definitely to grow the book.

**Kunal Shah:** And secondly in terms of the balance transfer so just coming back to the question on yields in terms of the decline outside of the one-offs. So, was there any balance transfer or maybe in terms of slightly downward repricing of the book which whatever happened, or this is purely the mix-change which is linked to this?

**Girish Kousgi:** It is a combination because balance transfer has been there in the past as well and it is on a continuous basis. The only change is that let's say a year back we were at about 21% run-off now it was down to about 16.5% and out of the 16% there will be a combination of normal EMI payments then for closure, part closure and balance transfer.

**Kunal Shah:** So, 16.5% is the overall repayment which we could see from the AUM and the disbursement?

**Girish Kousgi:** That is the overall run off; BT is about let's say it's around 7%.

**Moderator:** Thank you. We have a next question from the line of Sanket Chheda from DAM Capital. Please go ahead.

**Sanket Chheda:** Most of the questions were answered just I missed this INR 16 crores one-off on yield what was that on account of?

**Deepika Gupta Padhi:** That was on account of securitization MCLR change in securitization that is INR 16 crores.

**Sanket Chheda:** And secondly on the guidance for this year of about 15% on retail growth so far in YTD we have grown the retail book at about 8.5% in Q4 to be 6% we might need about sequential growth of about INR 6,000 crores of disbursement. So, we think we will do that from say the current INR 4,100 or INR 4,200 run rate?

**Girish Kousgi:** Two things one is our retail book growth is now 13.2% because corporate we are not doing corporate business now and corporate book is degrowing. So, always the growth was on retail. So, we had guided 17%. So, we are at 13.2% now so this quarter we will cover up it obviously we have to moderate. So, it will be around 15%.

**Sanket Chheda:** I was talking of YTD, but yes, it's okay.

**Girish Kousgi:** I am saying March-to-March.

**Moderator:** Thank you. We will take our next question from the line of Abhay Modi from Helios Capital. Please go ahead.

**Abhay Modi:** I have couple of questions first is what is your incremental yield in the retail book?

- Vinay Gupta:** 9.6% on the retail book.
- Abhay Modi:** 9.6% this is the incremental or this is the book yield?
- Vinay Gupta:** Incremental.
- Abhay Modi:** And what percentage is salaried loans for you?
- Vinay Gupta:** On a book it is 60% and on incremental it is around 63% to 64%.
- Moderator:** Thank you. We have a next question from the line of Anusha Raheja from Dalal & Broacha. Please go ahead.
- Anusha Raheja:** You said that your prepayments are closer to around 16%-odd and that BT out rate is 7 to 8%. So, how are you seeing this number panning out in FY25?
- Girish Kousgi:** I think BT generally if you look at the trend for the last two years for any company for that matter and given our portfolio composition, I think it should be in the same range about 7% to 7.5%.
- Anusha Raheja:** And the prepayments are also likely to be at around 16%-odd?
- Vinay Gupta:** Yes, as I told you, it used to be higher a year back. So, we had lot of strategy around it. We have a strong retention team, and we have a very strong customer-focused retention policy. So, with all of those things we had brought down that from 21% to about 16.5%. So, it stabilized at about 16%-16.5%.
- Anusha Raheja:** And what's the outlook on the disbursement growth for the next fiscal?
- Vinay Gupta:** Disbursement growth we are talking about 22% and book growth around 17%.
- Anusha Raheja:** Sir, in that scenario if disbursement growth is around 20% to 22% and prepayments are around 16% the loan book growth could be it's hardly 5%-6% the way the current scenario is because I think disbursement growth is happening, but if I look at the outstanding loan book growth that is just hardly 7% purely because of your prepayment rates being on a higher end, so going for the next fiscal if the prepayment rates are likely to be at the same level and disbursement growth will be at around 20%-22% then how come the loan growth will be on a higher end?
- Vinay Gupta:** 22% is disbursements in growth so that is compared to the previous year disbursement, if you calculate on the book, it will work out to be slightly higher 25%-odd.
- Deepika Gupta Padhi:** And the run-off if you are talking about run-off is taken on the loan asset. So, that's the math which is done. So, we can connect offline after this, and we can tell you the math around this?



- Anusha Raheja:** And what is the strategy on the emerging market side like which target set of customers you are targeting and some broad understanding there?
- Girish Kousgi:** On emerging market, the strategy is that we would be in Tier-2, Tier-3 kind of market. So, we have branches already presented there and we would have some bit of branches coming from the scale up in the branch network what we're going to do from now till March.
- So, the customer segment would be little different compared to prime and also compared to affordable, this is a segment which is in between both Roshni and Prime and therefore here the upside in yield could be about 35 bps to 40 bps from the prime.
- Anusha Raheja:** And sir lastly on the write-back which you said that as a corporate pool of around INR 1,700 odd crore and retail of INR 500 odd crore and there can be some write-back opportunities there. So, if you can quantify there how much can we expect next quarter and next fiscal?
- Girish Kousgi:** No, it will be difficult to quantify, but definitely yes from this quarter onwards there will be opportunity on write-back because on retail it is still we can take a number and do it, but on the corporate because these are fewer account, but all I can say that is that we have a plan that starting from this quarter there will be write-back opportunity.
- Moderator:** Thank you. We have a next question from the line of Kishan Rungta from Emkay Global. Please go ahead.
- Kishan Rungta:** So, I had just one question around credit cost I have just said like going ahead like we'll be having like mix of prime, emerging market and affordable and you guided for a credit cost trend similar to current trend. So, is my understanding correct over there?
- Girish Kousgi:** Your understanding is correct.
- Kishan Rungta:** So, despite like targeting high yield customer our credit cost is going to be the same in the similar lines?
- Girish Kousgi:** See if you look at last one year as I mentioned we've been working on a transformational journey, and this was in every single function including collections. If you see all the metrics in collection starting from X bucket, SMA-0, SMA-1, SMA-2 NPA, early bucket, NPA deeper buckets and recovery. I think across there has been an improvement in efficiency and also the book what we are originating is of good quality and also it is important to note that Roshni business is new and emerging also emerging is not new, but yes in terms of little focus on the segment and market is going to be a little different, but still it will be new and therefore what I mentioned the credit cost for coming year will be on similar lines compared to what we have seen this year is the guidance.
- Moderator:** Thank you. We have a next question from the line of Onkar Ghugardare from Shree Investments.

**Onkar Ghugardare:** The guidance which you have cut from 17% to 15% is it because only because of flood situation or is there any particular other reason for that also?

**Girish Kousgi:** No, it is not. Actually, to be honest with you when we had guided this a year back or let's say beginning of this year we thought that because we would really achieve 17% of book growth and 22% of disbursement growth, I think largely because of profitability and the cost we need to moderate this.

So, it is not because of the Chennai floods. Chennai floods is only maybe for Quarter 3 is to some extent otherwise even otherwise let's say Quarter 3 was as usual still I think 17% having seen Quarter 3 would have been a little difficult. There were a lot of moving parts in the last year and especially this year because we need to remember one thing one year back where we were are today and what all has happened in last one year.

So, lot of moving parts on corporate side, on corporate resolution, on the retail side, on the Roshni side, so lot of things have happened. So, we thought we will grow at about 17%, but looks like we will not be able to do that. So, therefore moderate 10% to 15%. However coming year 17% we are pretty confident.

**Onkar Ghugardare:** Can in terms of NPA situation how do you foresee NPA situation in next year or two?

**Girish Kousgi:** So, our idea is to bring down NPA on the retail side to a level which would be comparable with some of the best companies in the industry.

**Onkar Ghugardare:** And that would be achievable within the next one to two years?

**Girish Kousgi:** Yes, the next few quarters maybe 4 to 5 quarters we should be able to achieve that.

**Onkar Ghugardare:** And in terms of ROA and ROE?

**Girish Kousgi:** Given the fact that we have raised capital recently and our leverage is less so then it's a bit of drag on the ROE, but definitely with ambitious growth in mind I think this should improve. On ROA we will be (2%+).

**Onkar Ghugardare:** What kind of leverage we would be talking about around 4-5x?

**Girish Kousgi:** No, we would be comfortable let's say in next few years we should be comfortable around 6 to 6.5x.

**Moderator:** Thank you. We have our next question from the line of Ravi Naredi from Naredi Investments. Please go ahead.

**Ravi Naredi:** Sir you are saying only 15% growth is possible, so it is Financial Year '25 also?

- Girish Kousgi:** No, next year we will be 17%.
- Ravi Naredi:** And sir you have capital adequacy at 29.53% so any plan to raise equity in next few years?
- Vinay Gupta:** No, we have adequate capital to grow for the next three to four years' timeframe we don't foresee any such requirement.
- Ravi Naredi:** Mr. Kousgi you have clean balance sheet of PNB Housing in respect of improved in asset quality from 8.13% to 1.73% and AUM raises INR 60,000 crores from INR 50,000 crore and you have done a remarkable job. So, what is your plan for the next three years can you give some pictures of the company?
- Girish Kousgi:** Sir as I mentioned now it is a journey. So, what is the journey? Journey is that we actually moved away within retail. We moved away from super prime to prime that the idea was to increase the yield A. B) we started Roshni because we wanted a higher yield and a profitable business we wanted to build, and we also had the pressure on corporate book depleting which also A) it impacts growth, B) it impacts the interest income as well revenue.
- And therefore, now we think that there's an opportunity available on the emerging market and therefore we're introducing emerging market. So, if you see we will have three verticals within retail that is prime, emerging and Roshni. Now the idea is that this will help us in growth A. B) we will be able to raise book at a higher yield on Roshni and emerging market.
- So, of course I had mentioned this earlier we would want to keep 17% as per guidance for the next few years because we see good opportunity. One thing I want to mention here is that last year we had a lot of things to work on. If you see this year we will have fewer things to work on. Come next year we would I think our focus will be completely on managing growth and profitability.
- Ravi Naredi:** And sir Carlyle Group have percentage of equity in our company, any plan to induct his representative in Board of Directors?
- Girish Kousgi:** Sir, today in our board there is two board seats from Carlyle, two from PNB. So, it is already in place.
- Moderator:** Thank you. We have a next question from the line of Mohit Mangal from BOB Capital. Please go ahead.
- Mohit Mangal:** So, couple of questions from my side. First, I'm looking at your borrowing profile. So, I think I mean it's currently at around 71% is floating, two, three quarters back it was around 67 odd percent. So, just wanted to know your color on this that we will settle at the 70-30 or this floating will go up again?

- Girish Kousgi:** I think more or less it will be at the same level because we have about INR 17,000 crore deposit base and that is why you see this mix. I think this mix would be maintained more or less it will be same.
- Mohit Mangal:** And secondly on this branch expansion so just wanted to know any impact on the cost I mean as you have aggressively planned to open new branches, so anything on the cost-to-income or something on that front will that increase?
- Vinay Gupta:** Yes, there will be some additional investment that we would be making for this expansion which is for both Roshni and prime vertical. However, with the growth in business I think some of these productivity benefits should flow in and will help us in absorbing some of that cost partly.
- Mohit Mangal:** So, cost-to-income can increase?
- Vinay Gupta:** There could be some impact, but it will be marginal.
- Girish Kousgi:** See for us opening let us say Roshni branches would only mean... it is basically the branch premises and investment in manpower rest all of the cost because we started Roshni while we were doing prime business. So, there is no incremental cost either than manpower and the branch. As far as emerging is concerned I think there will be no increase in cost at all because it is only culling out some of the branches and the team from the existing set of branches the only thing is the focus would be different.
- Moderator:** Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to management 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 feel free to get in touch with investor relations. The transcript as well as the 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 for joining us and you may now disconnect your lines.