



Ref: PNBHFL/SE/EQ/FY25/32
Date: May 28, 2024

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 Investor & Analyst Day - May 22, 2024

Ref: (i) Our letter PNBHFL/SE/EQ/FY25/24 dated May 22, 2024
(ii) Our letter PNBHFL/SE/EQ/FY25/25 dated May 23, 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 ‘Investor & Analyst Day’ held on May 22, 2024.

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

Kindly take the above intimation and document on record.

Thanking You,

Yours faithfully,
For PNB Housing Finance Limited

Veena G Kamath
Company Secretary

Encl: As above.



“PNB Housing Finance Investor & Analyst Day”

May 22, 2024



MANAGEMENT: **MR. GIRISH KOUSGI - MD & CEO**
MR. VINAY GUPTA - CFO
MR. DILIP VAITHEESWARAN - CHIEF SALES OFFICER
(PRIME & EMERGING BUSINESS)
MR. ANUJAI SAXENA -BUSINESS HEAD FOR AFFORDABLE
BUSINESS
MR. JATUL ANAND - CHIEF CREDIT & COLLECTIONS HEAD
(PRIME & EMERGING BUSINESS)
MR. ANUBHAV RAJPUT - CHIEF TECHNOLOGY OFFICER,
MR. BHAVYA TANEJA – NATIONAL HEAD (MARKETING),
MS. DEEPIKA GUPTA PADHI - NATIONAL HEAD (IR AND
TREASURY)
MS. VALLI SEKAR - CHIEF SALES & COLLECTIONS
OFFICER (AFFORDABLE BUSINESS)

Deepika Gupta Padhi: Good afternoon and welcome everyone to PNB Housing Investor and Analyst Day. It is really a pleasure to have you here and thank you very much for taking out time from your busy schedules, coming all over here and listening to our story, what we are going to talk about. Before we actually start the event in a formal way or we start with the management presentation, let me put it like that, we would like to show you something, something which we have created and we are really proud of it.

By the way, I am Deepika Gupta Padhi. I am a National Head IR and Treasury for the Company. And I would now like to call upon Bhavya Taneja, who is our National Head Marketing. And he'll talk about what we want to show you.

Bhavya Taneja: Good afternoon, ladies and gentlemen. It's my pleasure to invite you all and start this event with something very special to us. This is our first ever anthem which we will be presenting to you. This anthem represent true values as well as our purpose of business. What's special about this is that it has been produced, it has been sung, it has been written and it has been acted by the PNB Housing employees. Without further ado, I would like to show you our first ever anthem.

[Video being played]

Deepika Gupta Padhi: So, as Bhavya said, this is all coming from PNB Housing Team.

Before we start, let me just introduce the team present over here. We have Mr. Girish Kousgi, I don't think he needs an introduction, you all know him very well. We have Vinay Gupta, he is our CFO with over 22 years of experience across various financial domains like FP&A, treasury, financial controllership. We have Dilip Vaitheeswaran, he is our Chief Sales Officer for Prime and Emerging Business, and has over 15 years of experience across sales, product, , risk and various other facets of business. Then we have Anujai. Anujai has over 20 years of experience, he is a Business Head for Affordable Business with an experience across various verticals like sales, transformation, policies, processes. Then we have Jatul Anand. Jatul Anand is our Chief Credit & Collections Head for Prime & Emerging, over 22 years of experience primarily into the mortgage domain across sales, risk, collections, and credit. Then we have Anubhav Rajput. He's our Chief Technology Officer with more than 25 years of experience in the IT domain, have handled various complex transformation projects across the functions. We have Valli Sekar. Valli Shekhar is our Chief Sales & Collections Officer for Affordable Business, with over 28 years of experience, primarily into Mortgage, including 13 plus years into the Affordable Business. We have Bhavya Taneja. I introduced you all, that he is our National Head, Marketing, with over 15 years of experience across Brand Management & Digital Marketing. And we, of course, have various other teams present over here with us. We have Sakshi, who is a part of our admin team. We have Rajguru, he is a part of our marketing team. We have Hina, who is a part of our Investor Relations team, and Payal, part of Investor Relations team, whom you met outside at the registration desk.

So, as I have been interacting with a lot of you over last many years, the Company has actually gone through many phases. We started with the high growth phase and then we moved on to a consolidation phase and now we are back to balanced and a profitable growth as you can see from our numbers as well. So, in today's agenda what we would like to cover, we will talk about our Company and industry performance. We would like to talk about the strategy going forward. The execution of that strategy, which the teams will talk about, will talk about how our technology is transforming various things for us, what we have done in our underwriting & collections, and how is the financial performance of the Company, which is looking as of now, as well as going forward.

I just have one request. Please write down your questions, whichever you have during the tenor of the presentation which will start with the MD & CEO on the strategy and then by the functional heads on the execution of that strategy. Before I hand over, I would like to show you an AV which actually talks about our FY24 performance and exciting performance which we have done. So, I would like to play that AV please.

Let me call upon stage the person behind the recent performance of the Company, our MD & CEO, Mr. Girish Kousgi.

Girish Kousgi:

Thank you Deepika. Good afternoon, ladies and gentlemen. I must thank all the investors and all the stakeholders for being with the Company through its ups and downs. Last year was very eventful. I am sure all of you are aware of how the Company has transformed over the last few quarters especially in last year.

Thanks for taking time out to be here today with us to discuss. We will be sharing a strategy in terms of how we are going to take this Company forward for the next 3 years.

So, if you look at PNB housing, there are 3 phases. The first phase was between FY16 and FY19, where we saw very high growth. Growth on all aspects, be it retail, be it corporate. I think it was a really strong growth phase. After that, we had to course correct, because we saw stress on the corporate book. We saw stress on the retail book. There was an event which happened and therefore we had to really manage our portfolio better and therefore we thought let's sit back, think through and consolidate and be ready for future growth. So, this phase between FY2020 to FY2022 we focused on running down a corporate book, increasing retail business, trying to work on asset quality both on corporate and retail and now we have entered a new phase which is very exciting. I always say that housing finance companies are in sweet spot given the demand for this product, which is not for next 3 years, not for next 5 years, I think it is for next few decades to come. The growth story is going to be very good for this industry and we as a Company we want to participate in this. So, we took a lot of initiatives. We got the growth back, especially on retail. If you see, a couple of years back, the growth on retail was flattish or maybe negative. In last one year, last six quarters, we ensured that the focus was more on growth and getting back growth in retail. We showed a growth of 14% in last year over the previous year and FY23 the growth was 10% on retail.

Now this story is going to continue and for this story to continue it was not enough that we only focus on retail. We had to strategize and get into few other segments considering the fact that we have a large prime book and we had tweaked, we had made lot of changes. We had made changes on origination, on the retail side, on the collections. We did a lot of changes, multiple changes. We tweaked the policy. We took certain hard calls. PNB Housing earlier was known for doing high value cases. We moved away from it. PNB Housing was known for focusing more on Super Prime & Prime, to a large extent on Super Prime and to a certain extent on Prime, we completely moved away from Super Prime to Prime and obviously growth had to come in with profitability considering that our focus was not there in terms of doing high value, our focus is not been in terms of scaling up the Super Prime & Prime segment. So, we started Affordable Business called Roshni and we were one of the fastest to reach book of INR 1,000 crores. And in 15-months' time, that is March 2024, Roshni book was close to INR 1,800 crores. We closed March 24 with a book of INR 1,790 crores. I am very happy to share, as I stand here in front of you, we have crossed a book of INR 2000 crores in Roshni. And this journey is going to continue in future as well.

So, we are talking about moving to newer segments. We launched Roshni end of last to last year. Last year we saw how it has taken shape. Still that was not enough because we had so many challenges if we see two years back and when we see now, I think broadly given that the asset quality is going to improve from where it is today, given the fact that all the risk metrics would be in place and further improve, we had to think of something unique, something different and therefore we started a new vertical called emerging market vertical. Now this is going to give us a higher yield, lesser than the Roshni yield, affordable segment yield, but much higher than the Prime and therefore we are guiding a CAGR growth of 17% from now till FY27.

FY23 and FY24, if we broadly look at how the shareholding pattern has changed, we can see PNB our promoter for a regulatory reason the stake has slightly come down from 32.5% to 28.1%. I think that apart, we can see a lot of interest from FII's, mutual funds and bodies corporate, way the shareholding has gone up. Last year, as we are all aware, we raised capital. Market cap is approximately about INR 19,234. And the book value is INR 577.

PNB Housing Finance at a glance, we are the third largest HFC by loan book. PNB, Punjab National Bank is our promoter. We get very good support from the promoter. As I mentioned, stake went down because of regulatory reason. We also thought that if we have to grow, if we have to move towards newer segments, we need to identify segments and strengthen our branch infrastructure. So, we open branches and as of March 2024 we have 300 branches. Out of this 300 branches, 160 branches are affordable, 50 branches in emerging markets that's the new vertical which we started this year. We opened all the branches between December to March and the balanced 90 branches would still focus on Prime business. We have total employees of over 5,500. This includes both PNB housing and PHFL. PHFL is our subsidiary Company which houses the frontline executives on sales, credit, collection. We have crossed book of INR 65,000 crores. Out of this, retail is about INR 63,350 crores, and the rest INR 2,000 is corporate, and

AUM of 71,000 odd crores. We also ensured that we, within the portfolio, will reduce corporate share and increase retail. So, today, overall portfolio, retail is 97%.

Both loan and deposits put together, we have customers of over 5 lakh. Our GNPA which used to be about 8.13% 2 years back is now down to 1.5%. A corporate which used to be about 33% is now down to little over 3%. We just have one account, a small account, which is about INR 68 crores-70 crores, which again will get resolved in few months from now. On the retail side, our GNPA used to be 5.06% 2 years back, now it is down to 1.45%. Our Net NPA is less than 1%. It's at 0.95%. Capital adequacy is at 29.26%, of course, post rights and Tier-1 is 27.9%. ROA, I think there has been significant improvement over the last few quarters. And for FY24 it is 2.2% and the book value is INR 577 and we also got, as I had mentioned, we got upgrade in rating from AA to AA+ from three rating agencies.

Key performance update:

There is a comparison between FY22 and FY24. If you look at disbursements, there has been a significant increase. Loan book has increased from around INR 58,000 crore to about INR 65,500. AUM has increased from around INR 67,000 crores to about INR 71,000 crores. As I mentioned, earlier the retail as a percentage of overall portfolio was 87%, now it's gone up to 97%. Retail loan growth, which used to be negative a couple of years back and even last to last year till about first half, it was flattish of 1% or 2%. From there we took it up to 14.1%. We had guided slightly higher number but yes we had lot of challenges. We did our best to try and better our growth rate. We were able to reach at 14.1%. Deposits it was a conscious call. If you look at our liability mix, deposit constitutes almost 31%-32%. So, it was a conscious call. The call was to try and maintain the book, not grow too much, but bring down the cost.

On gross NPA as I mentioned it was 8.13% 2-years back, now we are down to 1.5%. Net NPA was over 5%, now it is less than 1%. ROA from 1.24% to 2.2%. ROE 8.92% and now it is 10.9% again after rights. Capital adequacy 23.4% to 29.26% and gearing ratio which was 5.37x is down to 3.68x. Bit on the industry, I think we have been talking about this industry, in India mortgage penetration is very less. I think it moves by 0.2-0.3 bps every year. Even today it is quite low, which means huge potential. The first quadrant talks about IHL that is individual home loans. If you see the growth, the growth is about 14%. Huge potential. Penetration is less, the industry is growing at 14%, there is huge scope and this industry will generate lot of demand for next few decades to come.

HFCs, if you look at the portfolio mix, home loan as a product is about 75% :15% is LAP and the balance is construction finance and other products. So, industry is quite good, growing at a very good rate. Lot of potential with lot of favorable government policies, not in the past, even in future to come I think this industry will do well for next few decades to come.

This is Affordable focused housing finance companies, the growth has been 19%. If you see from 19 to 23, it's at 19%. Overall mortgage industry growth rate is about 13.5% to 14%. But

affordable is at 19%. The growth is much higher. And if you look at market share by ticket size between HFCs, NBFCs and banks, both private and public, we can see the first three blocks, that is up to INR 25 lakhs, the share of housing finance companies is quite high, which also says the potential is very high for housing finance companies for ticket size up to INR 25 lakhs, which would in a sense mean that there's a lot of potential for affordable and emerging markets. That's our focus going forward.

So far, our focus was on retail. The book grew by 14% y-o-y. And we have changed the mix of the overall portfolio. Now it is largely skewed towards retail. We are trying to diversify the risk. And therefore, we thought we should focus more on retail. Now it is 97% of the entire portfolio.

We launched affordable, we were one of the first ones to reach a book of INR 1,000 crores, scaled up pretty fast, opened up more branches so that we are ready for the coming years as well. Whatever business we have done now, that was from set of 100 branches. Now this year we will have 60 more branches contributing to affordable business.

Total branch footprint is now at 300 and better collection efficiency. We did lot of work on collections because we knew that mortgage is a very safe industry. It is secured. Broadly in mortgage we look at two things. One is the collateral and the second is the cash flow of the customer. The importance given to both of these two parameters are almost equal being a very simple product. There was COVID, one of its kind in the century that actually impacted many housing finance companies. It also impacted us. If you look at the reason as to why our retail book was under stress, leaving aside corporate, it was largely due to COVID and therefore collection efficiency dropped. We took a lot of action on the collection. We made a lot of tweaks. We changed the structure. We got in new teams to focus on new businesses. We improved efficiency drastically, that led to drop in GNPA to a level of 1.45% on retail and overall, 1.5%. On the focus, our focus would continue to be on retail within retail in the pecking order Affordable, Emerging and Prime. We would restart corporate during the year, but that will be less than 10% at its peak. Today, the book is about INR 2,000 crores out of total book of 65,358 crores. So, today it is 3%. So, at its peak, corporate will always be less than 10%. So, our focus is going to be on retail. We have shifted to high yielding markets like Emerging. We started Affordable. When we started Affordable, the plan was, even though the entire team was from the industry, be it sales, be it credit, or SME, legal, technical, operations, the entire team was from the affordable industry; however, they were new for PNB Housing and therefore we thought year one we will try to scale up, try to get deeper into markets, understand this market even though average experience of the entire team is more than 4 years to 5 years in this market, we decided that we will focus on some of the segments and not all the segments and therefore our yield was 11.5%-11.6%.

Now this is the second year, now this year all the old 100 branches are going to focus on all the segments. In fact that we started end of last year we started doing business from all the segments and that is why we are upping the yield from 11.6% to 12.6%. There might be a question, why not 13%? Why only 12.6%? I think the idea is very clear. Our focus is growth and margin. As a

mix we need to balance these two and therefore we will be pretty aggressive on growing affordable book, now that we have experience within PNB even though the team is experienced since they are from this market that was the phase one. Phase one we focused largely on income to a certain extent on informal income base. Now, these 100 branches this year is going to focus on all the segments. Our focus would continue by also through our initiative of emerging markets because that also would give us a higher yield. We will come to the segmentation as to Prime, Emerging and Affordable but our focus is to move to high yielding segments within Prime, within Emerging and within Affordable, our plan is to expand branches because now we have opened too many branches in last two years. I think approximately we have opened close to about 190 branches-195 branches in last two years. Out of that close to 100 branches was opened last year between December to March. Now this year we will open 50 more branches. And out of this 50 largely this would be in Affordable and Emerging. 40 branches we will add to affordable which will make it 200 by March 2025 and emerging we are going to add 10 more and not just this I think during the course of the year depending on the opportunity and potential we will also try and convert some of the branches which can give us a higher margin with volumes which can be moved from Prime to Emerging and Emerging to Affordable. We keep doing this quite regularly, but the focus is going to be largely on expanding our branch network while we grow.

On collections we will continue with our effort. We are now at 1.5% Gross NPA. Our endeavor is to bring it down to 1.1%, around 1% to 1.1% by end of this year. And we have built capability in collections so much so that we can turn around in different buckets and ensure that the asset quality will be of pristine quality from the incremental business what we do.

Journey so far, I think, last year we were able to resolve one of the large corporate account. On digital, we have moved far ahead. We've worked on end-to-end customer journey. We will be dealing with this in the subsequent slides as to what we have done on the automation and digitalization. We raised capital. I think these are some of the points which are getting repeated. Return on equity is 10.9% in FY24. Our focus is going to continue. We had to take certain one offs. We have a large pool of written-off book. The focus is to recover from that pool, and this will play out. It started playing out from quarter four of last year and this will play out for the next five to six quarters.

Some of the automation initiative and digital initiative will bring in higher efficiency which will enable us to grow much faster with better TATs to the customer and better customer experience. On capital we are very well placed on capital. Our CAR is around 29%.

Our endeavor is to increase return on equity to 15% on a steady state. We raised capital and therefore, there is a little bit drag on that, but we will try to cover up that because now all the efforts are in the direction of improving margins and improving the growth rate.

Retail growth strategy and objectives, we have a very experienced team. Deepika just introduced the team. I think only half the team is here. Team, which is relevant, you know, directly in terms

of engagement with the investors. We have a very solid management team, well experienced from the industry, work for different organizations within the financial space, be it HFC, be it NBFC.

Our strategy will be focused on building a leading retail franchise. So, while on one side we identify new segments, come out with new programs, new ways of underwriting to ensure that the risk is minimized, we have also strengthened our distribution network. When I say distribution network, not just the branches, even on the origination side in terms of channels, whether it is DSA, whether it is DST every market every segment has a different strategy. Emerging is different, Prime is different, Affordable is different.

The strategy what we need to have in terms of the product, process, programs, distribution strategy, I think all of these things differ, may not be largely between Prime and Emerging but definitely when it comes to Emerging and Affordable or Prime and Affordable, these are very different markets, very different sort of customers. And that is why we have dedicated branches for these three verticals. The entire we have set up a vertical for each of these businesses. For example, in Roshni, we have a dedicated sales team, we have a dedicated underwriting team, dedicated branches because the customers are different, customer segments are different, pockets are different, the branch locations are different. The pocket of the branch within a given city, wherever there are two branches catering to two different segments, I think are very different.

As I mentioned, our focus would be to try and scale up businesses which can give us better margins, higher yield and therefore our focus is going to be more on emerging and affordable. We will also try and grow the Prime business. We will identify pockets within Prime segments within Prime which can give us better yield and once Emerging and Affordable can catch up at a portfolio level, then slowly we will try to moderate that so that the growth rate is maintained. For next 3 years it is 17%, maybe after that we will tweak it depending on the need. I think that's the balancing game what we have thought of. We have seen that most of the companies in certain segments, there is a bit of skewness towards the geography. But for us, we have a long pedigree. We've been in this space for over 35 years. We have a national presence. We are very deeply and widely present in the South, West and North, to a certain extent in East. So, we have this experience, amongst all the segments. And therefore, we feel that we have a unique USP to try and capitalize on this potential from each of these geographies, each of these segments, because we have a dedicated team, dedicated vertical, to run these 3 businesses. Emerging, we have a separate credit team, separate sales team, everything is separate. Prime is separate; Emerging is separate; within retail it's like 3 mini companies trying to do these businesses. I think that's our focus.

In terms of branch network as I mentioned we will keep adding branches to strengthen our retail presence.

Talking about segmentation, if you look at the market broadly there are 4 segments starting with Super Prime. Super Prime is a very good segment, broadly higher ticket size, safe business, asset

quality will be pristine, growth is easy to come by. The challenge there is margin. We are HFC and given a cost structure I think this is not the space that we should be in. And therefore, last year, we completely moved away from Super Prime to Prime. While we moved from Super Prime to Prime, we also started Affordable, which was new to us. Between Prime and Affordable, there is one more segment, and that is Emerging markets because there is an opportunity. We can see the yield. There is a difference. Super Prime gives us a yield of 8% to 9%. Prime gives us yield of 9% to 10%. Emerging gives us a yield of 10% to 11%. With a mature book, I think this 9% to 10% can slightly go up as well. And on the affordable, it's going to be between 12% to 15%. I think this is our plan, this is our segmentation. There can be slight difference between Company to Company or how probably a certain set of institutions would bifurcate the market. I think this is our definition. Our focus is going to be on Prime, Emerging and Affordable. Super Prime we have completely vacated. Today we have a large Prime book and also we have customers who will attrite every month, every quarter, every year. We would also have some of the customers who would come for repricing, which means at a portfolio level the yields would drop. To offset that we are increasing our presence in Emerging and Affordable and which is why we have given a guidance of NIM of 3.5%. This will play out for few quarters. Once the mix changes every passing quarter, this mix will change. The entire color of PNB housing will change in the next 5 to 6 quarters. FY25 we are talking about incremental business from Affordable and Emerging to be around 40% to 42%. And if you look the same mix at a portfolio level in FY27, it will look very different. It will start with disbursements, incrementally it will start, and the book will catch up. Now this is our segmentation. We have a very strong brand recall. As I mentioned, we are present nationwide. It's going to largely help us on the emerging and affordable because we have a nationwide presence. We are present in more than collectively all the 3 businesses put together. We are present in more than 20 odd states, and we have been in this business for quite long. PNB Housing is a very old Company, vintage Company, even though the focus was on Prime, Super Prime, there was some bit in some way, in some form, now where we were catering to Emerging and Affordable by whatever name. So, we are exposed to all these segments across all the geographies. I think that is going to help us because we have nationwide presence, we have a strong brand, we have a strong parentage, we have the experience. So, this should help us to reach a goal much faster.

And as I mentioned, we have invested in branches, invested in people, product, process, technology and on the digital front. So, today if you look at as of FY24 that is the split between Prime, Emerging and Affordable, when we see emerging market book of INR 11,700 crores, it means that the business what we have done over a period of time from these markets. If you look at the book, this book may have a slightly higher yield compared to Prime, but not very different from Prime. But starting this year from these markets, because 50 branches are not old, out of 50, there is a split between some of the existing branches are called out depending on the geography and the potential and customer segmentation, which can work for us from an emerging markets point of view, and we have opened new branches. The split is we have added 21 branches and 29 we have called out and therefore we have 50 branches. Now these 50 branches will do business at a higher yield and that is going to be at least 75 bps to 80 bps

blended higher than the Prime. And as I mentioned Affordable now we have crossed INR 2,000 crores, I think the aim is to try to catch up incrementally and try to be one of the largest in terms of affordable. Slowly the book will catch up.

Some flavor on some of these segments. These are some of the metrics which we very closely track. These are very important from a scale point of view, from underwriting perspective, from asset quality perspective, sourcing mix profile, average ticket size, yield, key focus markets, branches, and number of employees. Our focus on Prime is going to be INR 35 lakhs. Emerging will be INR 25 lakhs and Affordable INR 14 lakhs. The sourcing mix would change between in-house, is our own channel DST and the DSA. So, the mix also would change. If you see Affordable, we have more in-house. What we are trying to do is that Affordable, if you look at the risk between Prime, Emerging and Affordable, the risk is less in Prime. The risk is slightly more in Emerging, and the risk is slightly more than Emerging in Affordable. And therefore, when we talk about Affordable, we have to be very clear on some of the processes and underwriting standards. As I mentioned, we have tweaked in Prime, in Emerging, and in Affordable business, we have tweaked the process. We have strengthened the process in Prime and therefore these things are very important. Since the risk is higher, obviously, the risk would get offset because of higher margin. But there is a differential risk between these three segments. Affordable is the highest, followed by Emerging, and then Prime. If you look at the profile mix, if you look at affordable, it is 50:50. 50% is salaried, 50% is self-employed. Because that is Affordable business because there will be catering more to informal, more to business class and less on the salary and within salary it will be slightly skewed towards informal. So, everything changes whether it is profile, whether it is sourcing mix, of course there is a difference in yield. I think this is the landscape for the 3 businesses within retail where we would be focusing for next few years

Emerging markets, now this for us we have coined this as Emerging markets. This market is there just for better understanding. When we talk about emerging markets this can be broadly defined by geography, by customer profile, by certain segments and to a certain extent the type of collateral. And that is why there is an opportunity of getting higher yield. So, the focus in emerging is going to be on Tier-2 and Tier-3. How we have done is, top 10 cities will cater to Prime in Tier-1. And the next 40 is going to cater to Emerging and the next 40 or 50 as we get deeper, this number could increase and that is going to cater to Affordable. We have dedicated branches, separate vertical to focus on Emerging business. The mix is going to be different within profile, within channel. The program mix is going to be different. Everything is going to be different. And this is one opportunity we thought that we should get into this business. We have a book, but maybe there we would have lost some opportunity. We want to encash on that and take it forward and try to make this bigger. We have 50 branches now, so this year we have planned to take it to 60

Affordable, I think it's a great story for us. The first month, which was Jan'23, we started with a disbursement of INR 5 crores. In July, we reached a run rate of INR 100 crore per month. In November 23, we crossed book of INR 1,000 crores. In December 23, we reached the branch

count to 100 in affordable. And by March 24, we had opened 160 branches, and the book was close to INR 1,800 crores. As we speak, the book is INR 2,000 crores.

Quickly giving you a flavor as to what are the broad categories under Affordable and how it will look like in the medium term. Within salaried there are 2 segments; formal and informal, within self-employed there are two segments; formal and informal. If you look at FY24 within salaried, salaried formal, it was 59%. It was very clear. This was by design. We wanted to get into Affordable, start off with safe segments to a large extent and some exposure to informal segment which is why we can see that Salaried informal was only 4%. Self-employed formal was 16% and self-employed informal was 21%. So, the total informal was 25%. Now this 25% if you see how it will look like, salaried for example, formal informal the split is going to be 40% and 60%. So, within salary informal would be 60%. That means there will be a natural progression towards informal because that is where the yields would come in. And similarly, between salaried and self-employed it is going to be 50-50 and the yield what we are targeting by FY27 will be around 13%.

Some of these points are quite common to all the businesses, so I will not repeat. Collection was a great strategy what we had put in place. We had a lot of challenges on corporate, on retail we had a stressed pool, GNPA was very high and therefore we had to ensure 2 things, 1. we collect or recover on the NPA pool, number two, ensure that the slippages are the least. So, it starts from bounce or X bucket. That's the starting. When the customer starts bouncing, gets into X bucket, and then gets into pre-NPA. So, what we did was, we internally we ensured that we have different verticals to cater to different buckets of the entire customer journey once the case moves to 1DPD. In X bucket the focus was very clear, the strategy was there are broadly 3 strategies, I will not spend too much of time because Jatul is going to cover in detail. Self-cure, tele calling and field. We strengthened all of this. So, we said we need to be one of the best in the industry. And what we have covered now in the last 6 to 8 quarters is significant. We are still not the best. I think the endeavor is to ensure that we are one of the best in the industry. The idea is to try and cure cases through self-cure by using analytics. Whatever doesn't come through by self-cure, there is somebody calling the customer saying that hey look, you know, this is the EMI which got bounced. So, please pay up and whatever is the resultant number of cases, only those few cases will have to be met by the field executive. So, the idea was to use analytics, study customer behavior and ensure that while we resolve, the cost is low. While we resolve, the efficiency improves especially on self-cure and tele calling, vis-a-vis compared to field. Now similarly on pre-NPA, we had to ensure the bucket movement is the least and always we used to say that SMA-2 zero flow. It is very difficult to have zero flow, but definitely yes. I think if you look at March, we had reached 99.6% on SMA-2, which means only 0.4% slipped into NPA. And whatever is in NPA pool, through our efforts through collection, the first step in NPA while we initiate legal is cash collection. If cash collection is not coming by, then we encourage settlement to help the customer because nobody wants to default, nobody wants to lose the property. Because of certain situation, it could be situational, some could be intentional, but nobody would want to lose the property and therefore the idea is always to help the customer. It is not collection, we don't call collection, we call debt service. The idea is to collect cash. If cash is not coming

by, we encourage customers to come forward and settle. If settlement is not coming by then we would help the customer by disposing the property. We have done record auctions between December to March of last year. We have done 2,000 auctions. The number of properties which got sold in FY24 is 3.5x approximately compared to FY23. So, we have really strengthened our collection capability. Now we have 5 verticals within the collections. Every phase, there is an attempt made to ensure that the flow is low. And from NPA bucket, we try to collect as much as possible. Therefore, at any given point in time, the collection is going to be more than the slippages and therefore the GNPA would trend down over a period of time. I think that is the entire architecture was changed. It has yielded very good results for us and all this is in-house. The entire collection strategy was built around in-house including sale of property. We have a separate team property services group even that was in house the entire collection architecture was built based on in-house team. I could say 99.5% is in-house that 0.5% is where you know we might need some help only there we look at a model which is other than in-house otherwise largely it is in house.

Before moving to corporate as I mentioned, FY24 from the written-off pool as I mentioned we have a large pool both in corporate and retail. In corporate we have about INR 1,700 crores. In retail we have little over INR 500 crores. So, the idea is to ensure that we recover that either through settlements or through sale of property. FY24, we have recovered INR 100 crores and if you look at the recovery in the last quarter as I mentioned recovery for us started playing out from quarter 4 of last year that was the highest and this would play out in next 5 quarters to 6 quarters. So, every quarter we will have good amount of recovery coming by, this is from the written-off pool. While we will keep the credit cost low, we have guided about 30 bps, 30-32 bps and this is outside of the recovery. Now that's our plan. We know that we have a large Prime book and therefore the yield drop on the portfolio would be compensated by the incremental yield we will get by doing two things. One is moving into newer segments at a higher yield and growing there and therefore the margin is going to be around 3.5%, but there are two more factors which will come into play. One is the credit cost because we have taken corrective actions on the credit policy, on the process, on the team, on certain geographies, on certain programs. And therefore, the credit cost going forward is going to be muted. It's going to be very low. And there is an opportunity from recovery pool, from the write-off pool.

On corporate, we put in lot of efforts to run down corporate book to resolve stress assets. We were successful in bringing down the book at one point in time, it used to be over INR 18,000 crores to as low as around INR 2,000 crores.

GNPA which was 1/3rd of the book is now just one account. We are very conscious. We know what went wrong. We know what will work and therefore it will be a calibrated initiative effort in terms of restarting and doing corporate business. We plan to do this year. We will not do much, a couple of thousand crores. At any given point in time within the overall portfolio, corporate is going to be less than 10% which means a focus is going to be on retail and within retail high yielding segments. Now when we restart, we will be very, very selective, very careful. We will be focusing on a few cities, a few category of developers, a few projects. We would ideally want

to be the sole financier, not be part of consortium. I mean that is our wish and that is what we are going to do. We are going to focus on funding only for construction purpose and nothing else. We would not focus on LRD for example, or loan against property, or balance sheet funding. We would be focused on construction finance, a select set of builders, select geography. The ticket size would be between INR 100 crores to INR 200 crores. This is our plan and this year we have plan to restart.

Given the profile of the Company, size of the book, our presence in various markets would also help us to grow better, grow safely with some exposure to corporate and we are conscious about that and therefore we want to have a calibrated growth within corporate.

While we have been talking about coming out of consolidation phase, trying to work on various challenges, quick recap. We raised capital. We ran down corporate book, resolved corporate stress book, worked on growth on the retail side, started new segments like Roshni and Emerging.

We also worked on technology and automation to be future ready. The entire loan life cycle, starting from origination, right up to collections and customer service, we have worked on the entire infrastructure. We have revamped, whether it is LOS or a mobile app, this is the frontend app for origination. We have a new website now. On the loan management, LMS, we have revamped. So, all of these things on the collection side, now we have a collection app which will help our collection executive, which will help the customer so that the payment becomes easier and customer gets to know the status immediately. So, we have worked on all of these things. We have invested in technology, in digitization, in automation because we have an ambition of growing this book to a level of INR 1 lakh crores, largely skewed towards retail, keeping the corporate under 10%.

Anubhav will take you through this in detail during his presentation on IT transformation. After the rights issue, we are comfortably placed on capital. Now the outstanding equity shares are ~26 crores. Multiple rating agencies upgraded our rating from AA to AA+. Our liability mix is well diversified. We have a large deposit base of around INR18,000 crores. Bank funding contributes to 40%.

Last year we were very active in the market in terms of CP and NCDs. So, CP is over INR 10,000 crores and we were pretty active on NCD. Also, last year because of the improving financial metrics over a period of time. We were able to get funding of INR 3,000 crores from NHB. When I say NHB, it comes at a lower cost. So, We will diversify borrowing mix. We will continue to strengthen this in the quarters and years to come.

Now I would request the management team to discuss each of our strategy in detail. I would request Dilip to come over and give some insights on Prime and Emerging as to what is our plan in terms of taking this business ahead for next few years.

Thank you.

Dilip Vaitheeswaran:

Thank you, sir. Good afternoon friends, very warm welcome first of all. Like Deepika said, my name is Dilip Vaitheeswaran. I manage the Prime and the Emerging markets business on the lending side of the organization. I also manage the deposits business here. Over the next few minutes what we are trying to do is, I will try and paint a picture on the Prime and the Emerging markets business on the lending side as to where we are, where we stand today and what are our plans for the next few years. I'm pretty excited to be here. It's an absolute privilege to be sharing this story with all of you.

Okay, a little bit of context first. Over the last six quarters or so, what we have done is we have tried to get growth back on the table. Like Mr. Kousgi has explained, two years back our retail book wasn't exactly growing. So, when we got back to growth, we decided on 2-3 things as priorities for the firm. The first was to get more granular. What we learned from our portfolio especially after Covid was that some of the higher value cases were giving us a lot of grief on the collection side. So, as you can see on the charts, cases above INR 5 crores which used to be more than 5% of incremental disbursements 5 years ago now amounted to less than 0.5% for FY24. Second, for margin reasons we said let's do more business in non-metro cities. So, in FY19 if the non-metro business used to be 1/3rd of our business, in FY24 it actually contributed to almost one half of the business at 49% of our business. This was an incremental disbursement. Third, another problem that we actively managed was runoffs. Two years back, our runoffs increased almost 24% on an annualized basis. Now, whether it was proactively reaching to customers, offering the right pricing to the right set of customers, trying to work top-up requirements for these customers, all of them put together, we managed to bring the runoff rates down. So, as a result of these, we are now, you can see the numbers on the slide. Compared to the journey between 19 to 22 over the last two years our disbursements have grown at a CAGR of 20% The loan book for this side of the business the Prime and Emerging market side of the business has grown about at a little over 10%. Now like our MD explained, you add to this the fact that we raised capital last year and the fact that our NPA is now down to less than 1.5% on the retail side. Now this gives us comfort that now we are very well placed to grow over the coming years. Now for this business the imperatives are twofold. First is we need to get growth, we need to grow more, we need to grow at a better pace. Second is we need to improve margins on this business. I will speak on both of them. First is the aspect on growth. How are we going to get growth to improve for this business? The first element is our geographical footprint. Between FY19 and FY24, our branch count came down from 135 branches to about 107 branches last year. So, last year actually was the first year after 5 years we managed to invest like Mr. Kousgi explained and increase our branch footprint in the country for this business. We waited for the capital to come in, we waited for the growth to come back on the table, we waited for the NPS to come down. In H2 is when we sought board approvals to increase our branch footprint. In Q4 is when we opened 33 branches for this business. These branches have not contributed to any disbursements last year. These branches will now start contributing to disbursements from FY25 onwards. So, with this we are very confident that growth is now going to be back on the table at better rates. This is the first element.

Second is our people factor. Now with the existing and the new branches put together we are now a team of 1,000 people in this business in Prime and Emerging markets on the roles of PNB HFL. We have 2,000 people on the roles of our subsidiary PHFL. This is largely our front end customer acquiring team. And we have a network of 4,000+ active distributors. Now for a Company like ours which has such a strong parent, which has been in the business for 30+ years with such a large team size, we really believe that among HFCs we are very well placed to grow here with this team present here.

Thirdly, for the existing team, to make them contribute more, we are also investing in productivity improvement in the form of technological interventions. So, be it the sourcing team, the acquiring team, be it the underwriting team, be it the operations and servicing team, there is enough technological investments that are going into making the existing resources do more and contribute more for the organization. I will actually be covering this in more details in a couple of slides from now. So, with these three elements kicking in, we really believe that growth is something that we should be able to better over the coming years. So, for this business, the Prime and Emerging markets business, the disbursements should grow at 20 plus percent CAGR for the next three years. And post runoffs, the book growth for this business should be at 12 plus percent of CAGR for the next three years. Now because of the shift in mix that we mentioned, 60% of incremental disbursement in 3 years from now will be from the Prime markets, 40% of the disbursements will be from emerging markets. On the loan book side, 70% of the book will be from the Prime side, 30% of it will be from the Emerging market side. So, these are the three elements bases which we are guiding that growth is something that we are much more comfortable of. We have made some progress on it over the last six quarters or so. But with these elements kicking in, we are pretty comfortable that we should be able to grow at a better pace for the next three years.

Coming to the next point, margins. For improving acquisition yields, for improving margins on incremental disbursements, there are three elements which are going to be at play here. First is our customer segment. Like our MD explained, we are very clearly making the shift from the top of the pyramid from the HNI's and the ultra HNI's to the middle of the pyramid in this business which is the middle income group and the lower income group. Now let me explain that with an example for this market of this city that we are sitting in. Three years ago we used to have a branch in Prabhadevi. Prabhadevi's branch used to cater to customers in lower Parel, in Worli, all of South Bombay. We used to have a branch in Western line in Vile Parle. It used to cater to customers of Andheri, Dadar, etc. Both of these branches stand wound up as on date. So, on the Western line on Bombay our business is from Borivali and beyond up till Virar. On the central line our business is from Thane and beyond up till maybe Kalyan, Badlapur, Ambarnath, Panvel and Vashi. So, clearly the shift down the pyramid is one lever that we are going to work on. Second is a product mix change. So, on incremental disbursements in FY 24, non-home loan which is LAP and commercial purchase etc. contributed to about 1/4th of our disbursements, 25%. Now post-COVID, we have done a bunch of changes to our policy. We have become stricter on income assessment. We changed the norms on what kind of collaterals are admissible. We came up with our programs on doing away with much more tighter norms on checking the

bank statements, income norms of customers, etc. We've been checking our NHL book for the last 4 years, be it bounces, be it early warning risk, be it the quick mortality, we have actually compared it to how it was for the pre-COVID book. We are very comfortable with our non-home loan book and this comes at a good 100 bps to 120 bps of yield premium as compared to housing loans. So, we want to do more of non-housing loan as compared to today. What is 25% today over the next three years will become 35% of incremental disbursements on the non-housing loan side. So, that was element number two.

Element number three is the geography mix which MD spoke of. The new and existing branches put together; this business now has 140 branches as of March 24. What we said is let's carve out 50 of these branches. We are calling them emerging markets. These are going to be Kerala's, Coimbatore's, Madurai's, Trichy's, let's say Tamil Nadu minus Chennai, Rajasthan minus Jaipur, UP minus Lucknow, Uttarakhand, parts of Haryana. We took 29 branches in the South, 21 branches in North. These are branches where we believe that in these markets we should be able to fetch better yields, we should be able to fetch a better rate of interest from customers. Why? The customer segment should be more amenable to our target here. We will find more customers in the middle-income group; we will find more customers in the lower-income group. We will find lesser customers who are employed with the Super Category kind of employers, lesser TCS, Cognizant, Infosys kind of employees. We will find more self-employed customers here. That was point number one. Even properties, so if you compare with Bombay's, Bangalore's, Chennai's, Hyderabad's, we are catering to probably developers like Prestige, Brigade, Shapoorji, Godrej, Tata, etc. Compared to that in the Tier-2 and Tier-3 cities, we find more plot loans, construction loans, loans for renovations, etc being done. So, between the customer profile and the property profile that we are lending for or against, we believe that we will be able to fetch a significantly higher yield, a significantly higher rate of interest in these markets which we are now going to call as Emerging markets.

Now these emerging markets over the next three years we are guiding that will contribute to 40% of disbursements. Incrementally, they will contribute 40% of disbursements for this business, so on a loan book that will come to about 30%. 30% of the loan book for prime will be comprised by the emerging markets geographies. And when you add Roshni and corporate at an enterprise level, emerging markets will then become 22% to 25% of our loan book. Like we earlier discussed, this is going to be at higher yields.

So, thanks to the shift down the pyramid, more of NHL and the geography mix for this business put together, we believe that we will be able to increase our disbursal yields by 50 bps to 75 bps over the next three years as compared to where we are today. So, compared to today with these three elements we believe that on a steady state basis the incremental yields will be 50 bps to 75 bps more than where we are and this is just the yields. So, if you take into consideration the improvement in cost of funds, the spreads will actually go up on the incremental business.

So, the first was growth, the second was margins. So, moving on, we also wanted to give you a color of how we are getting ready for this phase of growth. I want to speak to you about our

operating model for this business. Now as we get into this growth phase for the organization for the next three years, we felt it is important that we empower our people well, we have the right kind of structures to enable growth at a geography level, at a market level, but at the same time also have controls to ensure risk, governance and quality of the highest order and that is what I want to present to you here in the form of highlights. All line functions of this business be it sales, credit, operations, collections, legal assessment, technical assessment, fraud units, fraud containment units, all of them are parallelly run verticals which go on parallelly right up till one level below the MD and CEO. We are very clear we wanted to do this to avoid conflict of interest at branch level, at region level etc. So, all line functions across both businesses Prime and Emerging markets have parallel verticals right up till my level or my counterparts level. That is number one. Second and this is a shift that we have made over the last two years. We used to follow a hub and spoke model for underwriting. We had our underwriters present in 20 to 22 hubs who were catering to 100 branches across the country. We said as we step into more geographies, as we get ready for more growth, it would be better if our underwriters are closer to market, they are closer to the customer. So, today as we speak, our underwriting team is present in this business in 100 plus branches across the country. The intention is that we want to keep our risk functions closer to the customer, closer to the market, so that we are able to enable good quality growth. Third, the geography mix that I spoke of. We have carved out 50 of our branches by calling them as emerging markets. We have segregated the sales and the underwriting functions for both these markets right up till my level and my counterpart's level to ensure the adequate focus is given on these markets. I will actually explain that to you with an example here. What you are seeing on screen is the state of AP and Telangana. Now three years back, actually one year back, we used to have eight branches in AP and Telangana. We had four branches in Hyderabad, one in Warangal, we had three branches in the rest of Andhra Pradesh. What we said is let's divide them into what is a Prime market which will be sort of the growth engine which is more metro focused, obviously the branches of Hyderabad and Warangal came there. We said let the other non-metro branches be the Emerging markets. We opened four more branches. So, we opened one branch on the Prime market side. We opened three branches on the Emerging market side. In fact, even in the prime side where we opened the branch was a place called Shadnagar. It is 50 kilometers away from Hyderabad. Again, keeping in mind our target segment, we didn't want to be in the middle of the city where acquisition needs are difficult. So, we opened one branch in the Prime side of the market. We opened three branches in the emerging market side. Then in terms of supervision, earlier at the geography level, there was one geography head for business, one geography head for underwriting for AP in Telangana. We carved teams out between my level and Jatul's level. We carved teams out to ensure that the sales teams as well as the underwriting teams for both these become separate. So, there is a separate business team and an underwriting team which looks at the Prime side which is Telangana and which are these six branches and there is a separate business team and a separate underwriting team which looks at the balance six branches which are Emerging markets and these are parallel business teams which come up till my level or my counterpart's level. Again, like I said, we wanted to ensure that we are better prepared, better ready to sort of embrace this growth as we step into this next phase of the organization.

We spoke of the outcomes that we wish to achieve in this business. We spoke of the operating model that we're going to be following. Now while we do that we are also making significant improvements to strengthen the core of the Company. Technology and analytics is going to play a significantly large role in this business and while Anubhav will speak to you about what technology is going to do for the enterprise. In this business alone as a consumer of technology, there are significant investments which I wish to update you of. So, if you look at customer origination, we now have a platform to engage with our entire third-party sourcing network. So, all our DSAs, all our connectors engage with us with a platform called Vconnect. So, whenever we want to send communication to them, we use the platform. 100% of the payment invoices are raised through the payment platform. In fact, that gives us a good name and reputation that we are one of the best lenders in the market who makes payments to vendors on time. Second, 100% of our underwriting vendors use a platform. So, be it the legal assessment, the technical assessment of the property, the field investigation, the FCU reports, all of them are uploaded on a platform called uConnect. This helps ensure that the formats are standardized. It creates the correct audit trails. It helps ensure that the business governance goes on correctly.

100 days back we introduced a platform called the mobile app. Now a 2000-member sales team of mine across the country is now empowered with a mobile app to update their leads on time, they will be able to see their case status on time, they will be able to see their incentives etc. So, a very strong mobile app to help make our sales teams more productive. Social marketing and website is now becoming an integral part of our acquisition channel. Leads generated through them come to us through our contact center. It is now becoming an increasingly large focus for the business. For customer applications, we also use a platform called ACE. 50%+ of our applications which are brought in or originated by us today are logged in through this platform. They are paperless, customer can submit documents to us in the soft copy. We have API tie-ups for KYC, for eKYC, we have vendor tie-ups for bank statements scraping, we have tie-ups on APIs for ITR assessment. So, digitally to be able to peruse information of the customer, underwrite them, and make our stakeholder, which is the sourcing team happy is something that we have been working on very actively.

Now let's come to the next phase which is underwriting. We are now in the process of transitioning our core loan origination system to Salesforce. In fact, in the Affordable business, we have just done a pilot of it over the last three months. And basis the early results that we are seeing, we are very confident that the underwriting team productivity will go up on account of this transition that we intend to making. That's going to be a very big investment for us. Second, over the last two years we have come out with our straight through processing journeys for salaried customers in housing loans. This helps improve underwriting productivity. We have a fully automated business rule engine that determines whether every application has been tested as per the policy or not, if there are any deviations or not. It throws out the deviations in an automated manner. On top of this, we are also building analytics-driven scorecards for all customer segments. So, those are some of the interventions that the underwriting side of the business is going through. On service, again we implemented Salesforce's CRM in this side of the business last year. It's been about four months since we went live, and we are very happy

with the early results that we have seen. The contact center executives productivity has gone up. The quality of the conversations that they have had with customers has gone up because of the information being available together in one place. Our customers feedback on us has gone up a few notches over the last three months. For retaining our customers, we are developing analytics driven scorecards to ensure that we are able to reach out to them correctly. The correct customers are given the right offers in terms of pricing or top ups. Last year we also came out with a WhatsApp based chatbot. This was to help customers for their service requests, and we are also using it for acquisition. So, as I said these tech investments are being made with the intention of making our business more future ready, more sustainable. So, with these kind of investments that we are making and the plans that I explained over the last few minutes, we are very confident that this side of the business, the Prime and the emerging markets will be able to grow and will be able to grow profitability along with the asset quality of the highest order in the years to come.

Thank you. Thanks a lot.

Dilip Vaitheeswaran:

I'd like to call Anujai Saxena, our Head of the Affordable business to share his thoughts.

Anujai Saxena:

Thank you, Dilip. Ladies and gentlemen, my name is Anujai Saxena, and I head the Affordable business in PNB Housing. It's indeed a very great pleasure for me to take you through the exciting journey that we have initiated on the Affordable Housing business side and also share some of the early success that we have achieved in the last 12 months to 16 months that this business has been operational. And more importantly, I would also want to share my perspective on the roadmap that we have developed for this business to achieve greater heights in future and how we are confident that this business is going to become one of the leading and the most successful Affordable Housing franchise in the country.

What I will do is I will start with a bit of context setting. In Financial Year '22, we started a bit of a strategy and transformation program with the objective of improving the overall profitability profile of the organization. And one of the important deliverables that came out of that exercise was to set up and get into the Affordable Housing segment which is poised to grow higher than the overall housing finance industry and which will also help PNB housing in terms of improving the margins and therefore the overall profitability profile of the organization. The whole of FY23, in fact first half of FY23 went into designing the entire go-to-market strategy to cater to this particular target segment. We made a lot of effort to understand the target customer segment, who's the customer segment, what is the profile of that customer, what is the profile of the property that this particular customer segment is planning to buy and for that they require the home loan, which all geographies are important to run this business successfully, what are the risk parameters, how do we underwrite these set of customers, how do we underwrite these set of properties, how do we operationally manage this business, what is the optimum branch operating model, what is the distribution strategy, what is the overall operational backbone that is required to create a successful business model for this particular segment of the housing finance industry? And as MD also covered in one of the initial pages, from January 23 we started offering these loans to the set of customers. A quick recap of what we did at the start of designing

this program. We took data from the bureau and we looked at the target customer segment in terms of the average ticket size being less than 20 lakhs, so somewhere around 5 lakh to 20 lakh of average ticket size and that was the immediate timeframe after the COVID scenario. This was like FY22, I am talking about, '21-22 I am talking about. So, we also looked at the delinquency levels which you seen in those various markets. In a nutshell we scanned through 550+ districts which are there especially in the bureau data it was visible in the entire length and breadth of the country. Out of that we took broadly two parameters, what is the potential of that particular district and we defined that any district where annual disbursement for this ticket size which is up to 20 lakh of home loan is more than 75 crore per annum, that is like a medium or a high potential district for us. And another cut that we put was delinquency should not be more than 3%. 3% is high. But this was the post-COVID scenario. So, we took that 2.5 to 3% delinquency, if the market is higher than that delinquency level and by delinquency I mean 90+ delinquency then we don't really want to focus on those markets. You know as a result a bit of a Pareto came out of this exercise, you know about 80% of business of good business which is like low in delinquency, high on potential is happening in about 150 odd districts in the country. About 75% of business was concentrated in about 25% of the districts. When we looked further, we also looked at, okay, where all some of the other successful Affordable Housing companies are operating, which all districts, the branches are opened and accordingly we were trying to develop our own distribution strategy for this business. We realized that out of these 156 districts, which were like high potential, low delinquency, good business districts for this segment, close to 140 odd districts were concentrated in about 14 states in the country. And when we looked at our competitive scenario, the competition landscape, we realized that most of these Affordable Housing companies, many of these regional Affordable Housing companies were also operating in these 14 states. There were very few who were operating in all of these 14 states, but largely many of these companies were operating in a bunch of these states. So, that gave us a lot of confidence in terms of this is the way forward to design our distribution strategy for this business. What we also did was we divided all these 14 states into broadly two categories. The dark, the deep red color that you see are like about the top 50% of districts are there in these geographies. And the light red shade is the next 20%-25% of potential lies in these geographies. And accordingly, we have framed our distribution strategy. I will just try to highlight some of the other nuances of this business before I start talking about numbers. So, typically the target segment is you know the EWS, the economically weaker section of the strata, the lowest part of the pyramid that was shown in one of the pages that Dilip was presenting. The lower income group, the LIG segment, so EWS and LIG, they are like the core target segment for our Roshni business. Some part of MIG, especially MIG-1 also forms an overlapping segment for us to cater to because many of the geographies where we are opening our branches, our prime branches are not necessarily open in all those branches. So, we also cater to MIG-1 profile in some of the districts.

Now let me talk about some of the early success that we have achieved in this business. As MD also highlighted, we have recently crossed a loan book of INR 2,000 crore and we are the fastest Affordable Housing franchisee in the country to reach this mark within two years of operation.

In fact, we have achieved it in about 16 months of being operational. Many a times I get this question that how PNB Housing is able to scale up this business faster than some of the really successful affordable housing companies because we achieved INR 1,000 crore of loan book in about 11 months flat, INR 2,000 crore we are crossing in about 17 months. What I generally answer is, using the example of the bamboo shoot, when the bamboo plant grows for the first few months, in fact for the first whole of the year, you don't see any visible growth of that plant because the plant is trying to lay down the foundation. It is strengthening its leads and also its roots and then once the roots are strengthened, then the plant really starts growing fast. So, that's the approach we have also followed here, we looked at the various operating models and very carefully we have chosen the branch operating model for this business, and we took a lot of time to develop a very detailed strategic blueprint and after that the large part of FY23, the first two three quarters in that year went into execution. So, we finalized the product value proposition, we finalized our distribution strategy, we finalized our policy framework, we finalized our branch operating model, we developed a completely separate org chart for this business, completely different org structure and you know we then started executing in terms of opening the branches, hiring the right set of talent on the sales side, credit side and it is all completely independent from the Prime business that was already running in the organization. And from January 23, slowly and steadily, we have started growing this business. Quick numbers, as you see on the top chart, quarter-on-quarter, we are growing by leaps and bounds. We started in a small way, first quarter, around INR 200 crore plus of business was booked. In the final quarter of FY24, we have booked a business of about INR 650 crore. Of that business around 68% of my customers are salaried, 32% are self-employed. As we move forward, we intend to make this mix to 50% self-employed and 50% salaried. About 75% of the customer profile currently is formal income, 25% is informal income. We are moving towards a scenario where very soon (50%+) customers will be informal income, the remaining 45% to 50% would be formal income. Right now, because we started conservatively, as MD also talked about, that when we open the new branches, initially we focus more on the formal income segment which is a safer segment, which is booked at a relatively lower yield and then that explains our 11.6% yield that we are getting on this book right now and slowly and gradually as the vintage of the team, vintage of the branch increases after six months we start focusing more on the informal income segment and accordingly our yields also start improving for those branches. So, right now out of 160 branches we divide this into two buckets. 100 branches which are the older set of branches, these are the branches that got opened by December 23. So, a large number of these branches are more than 6 months old now. Those are the branches that are going to contribute more in this financial year and as compared to the recently opened 60 branches that we opened in March, they will become disbursement active in this quarter by June. So, those 100 branches which are old will start focusing more on informal segment. The new branches will follow the roadmap that was followed by the earlier set of branches, more formal income customers initially and then gradually we shift towards the informal segment. And that's how we are going to manage the yield. Right now, 11.6%, this year onwards, 12.5% to 13% is the targeted yield and we are confident that as we get into from Tier-2, Tier-3 locations to Tier-3, Tier-4, Tier-5 locations and

as we start catering to more informal income profiles, as we go deeper into geographies, we will start getting higher yields.

Just a quick glance into some of the important numbers. Many of these things I've already talked about. One of the important points to note is the last metric on the page, which is 30+ delinquency. So, this 1,800 crore of books that was booked till the end of March 23, my 30+ delinquency is almost zero. There were only two cases out of close to 14,000 cases that we have booked in the business so far, that also shows that the quality of book is really good and there are absolutely no early warning signals that we see. Having said that, we have to continuously work on maintaining the portfolio quality and collections efficiencies typically play an important role. Any branch that we open right in the first month of opening of the branch while we deploy resources on the sales, credit and operations side, we also ensure that there is a collection executive available in the branch to initially educate the customer because you know about 25% of my customers are new to credit. They are taking a loan from a formal institution for the first time and you know the collection team really works with them to ensure that they maintain the requisite balance to pay EMIs on time. Some of the customer segments that we are catering to, as I mentioned, formal salaried, we start with this segment here. This is like customers who are teachers, working in government jobs, working in private jobs, and drawing a salary every month. Safe business and ample amount of business that we get in these locations. Followed by informal salary, these are the customers who are working in smaller organizations or smaller stores, in some of these industries where they get paid in cash. So, cash salary, which is the informal segment. Again, we have a program to cater to their needs. And then self-employed. Self-employed again divided into formal income self-employed and informal income. I will be throwing a lot of light in the subsequent pages on these segments.

Quick glance on the portfolio. The salaried portfolio, as I mentioned right now, this portfolio is 62-63% of the book. And if I further break down this 62-63%, 14% is government salary, 45% is private salary, and around 4% is cash salary. Government salaries, typically state government, central government jobs, army, various people working in army, and central agencies like CISF, CRPF, etc. And then a lot of customers who are working in government schools and colleges, hospitals, etc. So, around 14% of total sourcing is government salary, 45% is private salary which are typically the starting level jobs that these customers are doing in some of the IT/ITeS companies, some of the other Category-D companies, banks and NBFCs, etc. Average salary of around INR 35,000 to INR 40,000 and my loan ticket size is around 14 lakh, I get a yield of around 10% to 11% both on the government salaried as well as on the private salaried side. Cash salary is the higher yielding segment and that's where the assessed income or the cash salary component typically is around INR 25,000. INR 9 lakh is the average ticket size that I see in my portfolio, 35% new to credit I get there and therefore my yields are also higher.

On the self-employed side, right now it is around 37-38% of my book and I intend to take it to 50% of my incremental sourcing as we move forward. Again this 37-38% if I have to break down, 21% is self-employed informal. So, these are the customers, they either they don't really have any documented income or the income that they are showing in their ITR is not sufficient

for the loan amount that they are trying to apply for and therefore my credit team, when they meet the customer, they assess their business model, they develop a deep understanding of the business, the profitability, the monthly and the annual income that this customer is operating at. Accordingly the income is assessed, eligibility is calculated and the loan is sanctioned. On the formal side, it is only around 16% of sourcing right now. There the documented income is used to derive the eligibility and accordingly the loan is sanctioned. Formal income self-employed is giving me around 12% to 13% of yield. Already the 21% sourcing that we have done on the informal self-employed side, this business is giving me a yield of upwards of 14% and around 26% new to credit customers we get in the informal segment. The point that I am trying to highlight here is we are very confident. We have all the tools and skills in place to now start scaling up the informal income segment both on the self-employed side and the salary side and accordingly the yields will also start going up.

Now I will take a pause and I want to spend some time describing my informal income customer, a typical informal income customer, especially on the self-employed side as well as on the salaried side and I would like to share the operational framework, the underwriting framework that we have already developed to appraise the income of such customer segments, such customer profiles and how we are underwriting these cases currently, what is the sort of property appraisal that happens in these cases and accordingly how we are managing this business. Let's take this example. This is an actual customer. We got this lead through a connector. So, by the way, we have empaneled more than 1,000 connectors for this business in the last one year. And about 70% of my business is DST, which is proprietary sales originated business. 30% comes from DSA. This DST channel typically works with the network of connectors and these connectors they supply the leads, and they help us solicit this business. So, this customer was sourced through a connector, by my Ambarnath branch, we have a Roshni branch in Ambarnath here. The customer wanted, so he runs a paan shop. He has been running a paan shop, a paan shop cum beverage shop for more than five years. And he was looking to get a loan of about INR 9 lakh. He was intending to buy a one room kitchen kind of a property in the vicinity of your Ambarnath, in the Thane district there is a place called Bhiwandi. So, in Bhiwandi he was planning to buy a property worth around INR 12 lakh looking for a loan of around INR 9 lakh and he was a new to credit customer so no documented income, so my BCM, he met the customer at his shop. He spent half a day there, looked at the way the business is being done. What is the business volume? Looked at some of the register entry in terms of how much supplies is he getting in a month in the last month, how much sales is he making every day, what are the various items and what are the margins available for his for his retail business for those items and accordingly he, the BCM gained a lot of confidence in terms of what is the overall profit income for this applicant for a month. Accordingly, INR 39,000 per month of income was derived and we also looked at various other supporting documents which were available to validate that income. Accordingly, we sanctioned the loan. We also looked at the property that he was planning to buy. A thorough legal and technical check was done. And finally, we disbursed the loan of about INR 9.3 lakh including the insurance which is also attached, at 14.25%. Overall, LTV was around 78%. So, one important point to note was, this is the kind of business where

our credit team there on the ground, you know they have to go there and they should have all the skill set to go meet the customer, assess the income and take the right call for the business. Another example I will not spend a lot of time here, this was a tailor, there is a place in Madhya Pradesh called Ratlam, we have a branch there, the customer already had a plot, he wanted to construct a house and we did similar approach. We looked at how he is managing his business, the BCM went to his residence cum shop, looked at what all does he do, shirt, pant, we have various other clothing items that the tailoring was being done, what are the margins, accordingly the income was arrived at and because it was a plot, plot was already there with the customer, we just financed the construction and 40% LTV, 14% ROI was there for us to book this loan. Another last profile here, this is more of a cash salaried profile. I will just spend a couple of minutes just to give you a flavor of how these customers typically work. So, again, a lady in Tamil Nadu, this application was hosted by Chennai branch. She works in a lab product manufacturing unit, a local lab product manufacturing unit. This business supplies laboratory items to various schools. So, she has been working there from 2019 onwards, so good 4-5 years and her husband was also working in a similar kind of a Company as a delivery boy. So, both were earning around INR 20-25 thousand per month as cash salary. We appraised the income and as per our norms we typically don't go beyond INR 15 lakh of loan for such profile. Ultimately around 12.3 lakh rupees was sanctioned at around 13.8% of ROI and 60% LTV. So, we have already booked, out of INR 2000 crore of loan book that we have about INR 500 crore belongs to this particular customer segment which is informal income segment, and the idea is to take it forward, start sourcing from this segment more and therefore accordingly our yields will also start going up.

Some quick revision on some of the important metrics. One of the important points to note is out of all the sourcing that we are doing, 70% is Home loan, 30% is non-home loan (loan against property.) This 70% when we break the right-hand side bar chart gives a further breakup of what is the end use of the loan or end purpose of the loan. So, 70% home loan can further be broken down into 54% is resale. The customer is buying the house either from the builder or in a resale transaction. Around 25% is self-construction. The customer already has a plot of land and he's planning to construct a house and needs finance for that. 17% is plot plus construction. He's buying the plot and is intending to build a house there. Around 4% is home extension or improvement loans. The more we get into Tier-3, Tier-4 locations deeper into the clusters where we are operating, we are likely to get more of the self-construction and plot plus construction cases and these products operate at a yield which is higher by about 50 bps from a normal purchase kind of a home loan. The idea is to organically keep building this portfolio as we get into, as we expand to smaller locations, organically this product segment will grow and contributing towards the overall higher yield for the business.

So, that's it from my side and now I invite my colleague Mr. Jatul Anand to take us through the underwriting and collections.

Jatul Anand:

Thank you, Anujai. Good evening everyone. This is Jatul Anand. I take care of credit and collections for the Company. In the next few slides, I will take you through the progress made in both the functions and our readiness for the next leap.

Well, underwriting the major change when it came in the Company was the implementation of the rule engine, which brought in the standardization and uniformity in the processing. The credit guidelines have been coded in the system and the system ensures across the geographies the processes, adherence and the hygiene checks are maintained and it allows a microscopic view on a real-time basis how the locations are performing. So, enabling the underwriting team, that is up to my level, we can tweak as we speak.

So, that is the kind of the power we have got with the implementation of this and this in turn became in the stepping stone or the foundation to move towards this STP journey for the straight through processing as we call for the salaried class.

So, there was a set of eligible salaried customers, if you meet the criteria, all boxes tick, the machine is enabled to give you a sanction and this is a pakka sanction, this is not an in-principle approval within 24 hours. So, these kind of interventions have really helped over a period of time.

Last couple of quarters, there have been lot of interventions and changes in the approach as we do the incremental business. In terms of underwriting, 90% and above of our approvals are less than INR 1 crore ticket size. Overall average ticket size of the Company is less than INR 35 lakhs, modified credit guidelines, that is location specific considering the nuances and use of as I said earlier the BRME.

So, we are able to tweak the policies. We have exited or vacated space to an extent in terms of large ticket exposures more particularly in cash out loans, that is the non-housing loan, the LAP loans as we call, so restricted high-ticket LAPs. They avoided certain profiles in certain geographies. So, those kind of interventions were done by the Company which has yielded the right results. 85% of our sourcing is above 700 CIBIL score in prime and emerging business. So, that is the set of credit tested customers being on-boarded.

So, this gives us a confidence and as a proof, it comes out in the appraisals as well. Now INR 30,000 crore of portfolio, which is close to 47% of the book, which is originated in last two years merely has any NPA. It is 0.08%, few of the cases flowing beyond control.

So, this is, you know, and from the underwriting side, with this the team feels strong and confident as we approach to cater to the business ahead on the incremental basis as well as on the portfolio management side, maintaining the early mortalities, process hygiene and the use of the scorecards being built in, I think we will be able to provide better turnaround times.

We consistently have been delivering in less than four working days, be it salaried or self-employed combined. This is further being shortened to around three-and-a-half to three working days.

So, moving on to collections, the collections you have been seeing us from quarter-to-quarter, NPA is moving down from 5% to less than 1.5%, bringing it down to 1.45% this year, but then there is lot. This was the outcome. The manifold efforts were done by the Company. Strategically, the task was not easy in the beginning of the year.

The strategic move was to divide the Company as MD also mentioned in brief into various, divide the collections function into various buckets. That is the initial bucket, the early resolutions, the bucket X, then pre-NPA, NPA, a dedicated vertical for sale of properties, a dedicated sub teams for engaging the customers and pressurizing to get into compromise settlements, which generally nobody does that, but that yielded good results for us and the recovery team, which is pure recovery from the written-off pool.

So, these all efforts have helped us in a) bringing the NPA down to 1.45%, but honestly from my side, more than that gives us confidence on various parameters. One is that we have complete grip on the portfolio. We don't allow the customers to flow. The testimony is 99.6% resolution in SMA-2, right? That speaks aloud. While MD has been continuously encouraging us to reach to zero flow, so I think rounded off it becomes zero. So, we reached there in March, NPA is 1.45%. The endeavor is to reach 1% very soon.

Managing pre-NPA, the buckets if you see the improvements in buckets quarter-on-quarter. So, a) we don't allow to flow. b) if it flows through cash collection or with use of SARFAESI. c) the customer only has two options left, either to enter into compromise settlements or hand over the properties.

Again, the testimony to what I am saying is, auctioning more than 2,000 properties in 90 days was not easy for us and the result is we could sell 296 properties 3x over what we did in the previous year and let me tell you that in these cases, the recovery was more than the principal outstanding.

So, that gives us confidence alongside the collections in the property sale group that we will be able to sell it off if we get the property. The margins are there. And the written-off pool. We have been asked about our written-off pool and that is all technically return of INR 500 odd crores I have in retail. When we see the recovery, INR 68 crore coming in cash as against INR 19 crore previous year, that is over 3.5x. And if a similar recovery is what we are eyeing this year as well, you know, quarterly around for INR 50 odd crores coming in will be a sizeable number from the write off pool.

So, I think this is all you all know that this is the overall dashboard for the Company including corporate, how the journey has been in terms of NPA movement and the credit cost. So, as I said

earlier, the endeavor remains to reach 1% as soon as possible, maintaining the credit cost of close to 25 to 30 bps.

That is all from my side. Thank you. Let me call upon Anubhav to take us through the IT interventions.

Anubhav Rajput:

Hi, good evening everyone. I am Anubhav Rajput. I am responsible for technology and information security. I would like to spend the next few minutes taking you through our technology architecture, landscape and how we are trying to innovate.

Let me start with the vision. So, we really recognize that the mortgage business, the way it is evolving in the market today, there are going to be significant changes in the distribution models, significant changes in the way products are architected and the customer service and customer experience expands. Hence, we are trying to set up a technology backbone, which is meant for three fundamental things.

The first one is it is meant for scale and performance. As the branch operations expand, as the customer becomes and starts demanding multiple touch points, as more and more integration has to happen, the technology has to scale up. That is what our primary objective is.

Second is we are trying to get into a platform centric play. Especially if we look at the business model that PNB Housing is following, we now are working on three different verticals, prime, emerging markets and affordable. While there is lot of synergy, there are specific nuances in each of these verticals that need to be underplayed and configured on to a technology layer. By having a platform centric approach, we are able to manage significant amount of scalability, at the same time reduce significantly the risks of technology complexity and technology obsolescence. It also helps us to keep the IT costs under control.

And the third and the most important aspect is we want to create a technology landscape that is significantly easier and intuitive for the end users to adopt, whether it is by the sales team, distribution channels, customers, collection teams so on and so forth.

From a technology perspective, there are five key strategic pillars that we are focusing on. It starts with the customer experience. We want to create a landscape that is easy for our customers to reach to us.

In fact, very happy to share that with the new transformation on the CRM and the customer experience side, we now have almost 16% of customer service request which are serviced in a self-service manner. These are requests that are not even assigned to an agent and the customer is able to self-service and complete his or her ask directly on to the customer touch point.

We have launched a customer mobile app. We have given touch points on WhatsApp and a bot for the customer to reach out to us and get self-service capabilities. So, CX continues to remain a strategic priority.

The next one is we want to ensure that all our distribution channels, both our organic in-house DST channel as well as a third party intermediaries, whether it is DSAs, they are enabled on to a sales platform so that the revenue generation can be made simplified and we are able to consistently scale up across different business segments.

We also recognize that as we get into different business segments, there is going to be a significantly larger volume of work that will come for the credit and operations team to work on. And hence, building capabilities for underwriting at a scale is rather a key priority.

My colleague Jatul also talked about the business rules engine. So, what we have done is we have digitized and codified the credit underwriting guidelines into form of a rule engine, which is exposed as a service across different touch points and platforms, so that the people dependency reduces and the consistency of decision making significantly improves. Of course, we want to leverage analytics as much as possible across the entire lifecycle.

And lastly, we want to ensure that we are creating a technology backbone that is scalable, secure and meant for long term. On the right-hand side, what you see is the technology backbone that I would like to very quickly touch upon.

So, the three or four key things that are taken with at least from a technology side here is, we are trying to leverage cloud to a significant extent. That gives us these phenomenal advantage of scalability and performance. We are moving towards a services-based architecture so that integration is significantly easier. And we are also spending significant time and effort on keeping our entire landscape and ecosystem safe, because cybersecurity is definitely a key challenge and a significant challenge for all of us who deal with.

Very quickly, while my colleagues have talked about it, broadly if you see, the way our entire digital transformation is working is, we are trying to automate the end-to-end loan processing cycle. In our line of business, there are certain elements of the business process which cannot be automated at the moment, for example, the home visit or the technical verification so on and so forth. But the rest of the process, we are trying to digitize and automate to the extent possible.

So, as part of the transformation, the entire form filling is digitized to a significant extent. We have integrated more than 150 plus services to ease the process of form filling for our agents and the end customer. Also, the validations happen so that the data entry validations and the data quality are significantly higher for us to leverage on analytics in the future state.

We are also trying to do the KYC and the onboarding in a digital manner and also trying to leverage different services for the customer to get to a sanctioned stage in a matter of minutes and post that the rest of the process can follow. Disbursement of course is customer dependent.

For our distribution team, we are trying to create a holistic platform which is what Dilip was also talking about, Anujai was also talking about. So, right from identifying an agency, identifying an agent, onboarding that individual, lead management, the entire hierarchy to follow up, day planner, incentive structure, MIS, leader board, sales pitch books, play guides, product information sheets, customer details, queries from the underwriting or credit team for additional documents or insight from the customer, the entire thing is being made available on to a simple app-based platform so that our feet on street, our agents are productive significantly from day one and they can start directly contributing to the business targets and the business volumes.

At the same time, it significantly reduces the turnaround time to resolve customer queries and do the sanction and disbursement at a much faster pace. So, this entire platform is coming alive and the entire set of sales agents are going to leverage this platform.

Another key differentiator here is we have again leveraged a platform centric approach here. So, if we are trying to partner with the DSA who does not have a technology capability, we will be able to extend this platform to that DSA agency also so that the synergy remains significantly higher for PNB Housing Finance.

Lastly, so what is this transformation really delivering for us? So, if you see, we have been able to reduce the manual data entry by almost 36%- 37%. We have been able to completely reduce the ability to collect physical documents.

In fact, we have a very strong OCR engine which is bundled and built into our LOS as well as the field sales app so that the entire process gets digitized.

By the entire set of transformation projects that we are delivering, we are able to target higher levels of efficiency and productivity across functions, whether it is credit, sales, underwriting, operations, all these functions.

And for the first time in the last 1-1.5 years, we have built an in-house engineering team capability for PNB Housing Finance, so that we have got better control to make faster releases, make changes to technology quickly and also maintain the intellectual capital within the organization itself. It also helps us give the ability to go and partner with different players and have a better go-to-market or a targeted offering for our end customers also.

So, that is all what I had to talk about technology. If there is anything in question, I will be happy to answer in the Q&A session. Thank you.

I would also like to invite my colleague Vinay to take through the finance portion.

Vinay Gupta:

A very good evening to all of you. Thanks a lot for joining us today and be part of our journey so far and driving the future roadmap as well for the Company.

I will cover briefly the second part of the ingredient. So, far you have heard about the yield and how are we going to grow profitably. One part of that obviously is the yield, you know, how are we going to drive higher yield. The second part of this journey would be and the key ingredient would be the borrowing cost, right? So, what are we going to do on the borrowing cost and how are we going to drive the efficiencies and improvement there.

So, MD spoke about the mix and the diversified borrowing profile. So, as you can see for the last three years our borrowing profile remains well diversified. We have maintained the diversification and our endeavor would be to maintain this consistently over the coming years.

In the last year, some part of our term loans has given way to NHB Borrowings as well as the part of NCD borrowings. As our access towards debt capital market improves, now we are also looking at borrowing through these instruments more and more as we move forward. So, diversification from these instruments would be maintained.

The second part is in terms of liquidity:

As our access towards the debt capital market and towards the other instruments improved, now we have actually brought down the excess liquidity from the levels of 8% to the levels of 3.5%-4% which is in line with other well-managed housing finance companies and our endeavor would be to maintain this liquidity that you see on the books.

In terms of the cost of borrowing:

As you can see, last financial year we were able to maintain the similar cost of borrowing, right. So, while most of the housing finance companies saw the increase, we were able to maintain the similar trend of cost of borrowings. This has been made possible with two, three things.

One, obviously our access towards NHB borrowing improved this year. So, we have borrowed around 3,000 crores this year. We have also improved our borrowings or replaced some of the high-cost borrowings of ECBs etc. in the form of domestic borrowings. So, this has helped us this year in terms of maintaining the cost of borrowings.

Now, as you all know at the end of Q4, we have got a rating upgrade. So, going forward, this gives an opportunity now to again renegotiate and go back to the market and ask for the better cost of borrowing on the incremental basis.

So, on the incremental borrowing, we expect somewhere around 15 to 20 bps of improvement in the cost of borrowings, maybe in the form of our access towards debt capital market, our access towards NHB funding and through renegotiation of spreads renegotiation of benchmarks.

Similarly, on the portfolio basis also, we would be reaching out to our lending partners and trying to renegotiate on the spreads and benchmarks. So, definitely this is one area which we would be working on very aggressively, and the opportunity lies ahead, and we are well placed to capitalize on this opportunity.

Moving on in terms of the asset liability profile:

This remains very well balanced. All our buckets remain within the Board approved limits, and we ensure through the Risk Management Committee tracking that there is no breach in any of our Board approved limits from time to time. In terms of SLRs and LCRs also we maintain very healthy ratios and we ensure that we remain far ahead in terms of the requirement so that there is no breach at any point in time.

Moving on to the key ratios:

As you know, over a period of time, our ROA profile has improved. This is driven by improvement in margins, improvement in fee income and improvement in credit cost. Some part of the margins are obviously being taken away because of the mix change as we are moving towards retail versus corporate. So, the mix is also moving towards retail and hence you see a flat margin versus '23 and '24.

Going forward, as you know with a higher mix of emerging and affordable coming in, obviously there is going to be an opportunity to improve these margins. But yes, over the three years, there is definitely an improvement, and we will definitely continue to further improve the journey.

This is more now that you have heard all the management team and what all we are going to do in terms of improving the growth and improving the margins. So, over a period of time, now as you see, as we increase the share of emerging and affordable, incrementally it will start contributing maybe around 50% in terms of the disbursements.

In terms of book, these two verticals will contribute maybe in a 3 years' time to around 40% of our book. This change and shift will help in improving our gross margins maybe in the range of 50 to 70 bps. The operating cost also will remain stable. Actually, you know, we see an opportunity to bring it down maybe by 10-15 basis points, reason being that since we would be investing on the affordable segment.

However, at the same time, with the scale kicking in, the economies of scale will help in absorbing those incremental costs that is going to come in. So, overall we see an opportunity to further bring down the operating cost. The credit cost is going to remain constant.

So, with this mix, we expect an improvement in our ROA profile from the levels of 2.1% to 2.2% right now to go to between 2.5% to 2.6%. And then if you use a steady state leverage of let us say 5x, then that get us to somewhere around 15%+ ROE.

Further, there is an opportunity of recovery from the written-off pool, which we spoke about. Obviously, since it is difficult to time it and predict it very accurately, this is obviously an over and above opportunity, which will continue to come in in the next six to eight quarters. So, this is a brief about how our ROA profile is going to improve in the next 3 years. Thank you.

I will also cover a bit on the human capital. So, as you know, behind the success of any organization lies its human capital and the experience of the human capital. Human capital remains one of the key and the most valuable asset for any organization.

So, as you can see, in terms of the mix at a senior and mid-level, we have a very good experience team having at least two decades of experience. In terms of professional mix, it is around 80% plus have the professional expertise.

In terms of the attrition rates, they have significantly come down and maybe are one of the best now in the industry at around 17%-18%. We have been continuously investing across the employee life cycle, be it through the learning hours, be it through ensuring and nurturing them across their life cycle or the journey in the organization.

And if you see, the approach that we are adopting is more of an employee-first approach. Strong people initiatives have been taken across onboarding as well as employee recognition and engagement. There is a comprehensive wellness packages that are being offered to the employees to ensure that they are being taken care of in the organization. And in terms of capacity building, there is continuous investment in terms of upskilling them through providing the right learning opportunities through the online modules as well as through the classroom-led trainings.

So, all this is basically proof of the pudding in terms of we have been certified as great place to work last financial year and our journey will continue and will ensure that we further strengthen and leverage this employee talent pool to reach further heights in the organization.

With this, now I hand over to Girish sir to summarize the key takeaways based on the presentation so far.

Girish Kousgi:

Good evening once again. I think the key takeaways are very clear. Growth with profitability in mind, keeping the asset quality pristine and compliance as threshold. I think these are the key takeaways. Within growth, we will try to grow our Roshni book and emerging markets vertical. So, these two will be our focus on growth. Grow the book by 17% for next three years. Disbursement growth will be in the range of 23% to 25%.

As I mentioned, we are now moving into high yield segments in all the three segments, whether it is prime or emerging or affordable. So, margins will definitely improve. That is our focus area. Today we are at 1.5% GNPA. We want to bring that down to 1% to 1.1% by the end of this year and further improve and maintain in the next few years.

As I mentioned, of course, we will keep investing in IT, digitization and automation. I think these are the key takeaways. Broadly growth, improve margins, keep the book quality good with compliance as a threshold. I think these are the top four takeaways as an organization that we would like to focus on. Thank you.

Deepika Gupta Padhi:

Thank you, everyone. Thank you, everyone, for the presentation. We will now open the floor for the Q&A. We will just take a minute. We will have just a few chairs over here so that people can sit and answer your queries. The presentation is already there on the Stock Exchanges website. You might have taken a look and downloaded as well. Please do read Page #2 of the presentation, which is on the disclaimer, or as you call it Safe Harbor.

Pratik Chheda:

Pratik Chheda from Guardian Capital Partners. Thank you for a detailed presentation. I have a few questions on the affordable housing segment. In your initial slides, you mentioned that you want to look at increasing the share of affordable to around 14% to 16% on a INR 1 lakh crore loan book. So, that roughly turns out to be around INR 14,000 crores of AUM size. Right now we are at around INR 1,800 crores. So, that is roughly around 7.5x in 3 years. Don't you think this is a bit too aggressive in a 3-year timeframe?

And secondly, currently the yields that I see of affordable housing are at around 11.5% and the band that you mentioned for the slide is around 12% to 14% for the affordable loans. So, the connected question is that do you think that it will be easy to scale up the loan book given that the yields are right now lower? Will it be easy to scale up the loan book with higher yields and aggressive growth plan?

Girish Kousgi:

Yes, so on affordable, today we are at about INR 2,000 crores. When we talk about scaling up affordable, we will be investing in branches. Now last year, if you see, with 100 branches, we have done INR 1,650 crores. We have added 60 branches last quarter. This year we are going to add another 40 branches.

So, by end of this year, we will be at 200 branches. So, every year, we will keep adding branches. So, one way to grow affordable, because it is generally said, you know, when we talk about affordable business, beyond a particular scale, it is difficult to scale up. Right?

Now we feel that up to about, let's say INR 14,000 to 15,000 crores. It is not difficult to scale up, provided we expand the branch network, we invest in people, we invest in process, and we take care of all the risk metrics. So, by FY '27, we will be at a book of INR 15,000 crores in affordable. That's number one.

Number two, we have taken a graded approach on the affordable business. The first year of operations, we were at 11.6%. And the reason for that was, largely, we focused on income based. 75% was income, and 25% was informal. Right?

Now that mix is going to change this year onwards, which means we are talking about yield of 12.6% this year. And this 12.6% we are talking about 100 branches. The old branches will focus on all the segments. The new set of 60 branches will focus on what this 100 branches focused last year. Right now, this will be on a continuous basis.

So, today if we talk about the affordable market, a blended yield of around 13% is very much achievable. And that is why we feel that by FY '27, we will be able to reach a book of INR 15,000 crore and touch yield of 13%.

Pratik Chheda: So, a connected question to that is, right now, in isolation, if you look at the affordable housing segment, the number of employees are around 300 something, 330 and the branches are around 160. So, around 2 employees per branch, which compared to your peers is relatively low. So, just wanted to understand, also if you are planning to do 70% in-house sourcing, do you have aggressive hiring plan also in place over the next three years?

Girish Kousgi: So, if you typically look at affordable branch, we are going to have one person managing sales, we will have a credit manager and we have a blended approach for the disbursement. So, we have in affordable for the first year, we are going to have a localized concentrated disbursement hubs. So, one branch would typically need about three on-role and five off-role. So, totally it will be eight. What was shown there was on-role employee. That is PNB Housing. So, we will have another five to eight executives per branch depending on the category and potential for sourcing and processing.

Anujai Saxena: And just to add, about 333 people there as MD also highlighted, they are PNB Housing employees plus we also have around 1,000 PHFL employees who are already working in these branches and they are our frontline sales credit and mainly sales and collections and operations executives.

Pratik Chheda: Just one last question. On the ALM slide also, the asset and liability in the one-year bucket seem very tight. So, do you see that the share of short-term borrowings or short-tenure borrowings is restricted? Do you see it going up? I mean, it is running a pretty tight ship there. So, what is your view on increasing the share of commercial papers from here?

Vinay Gupta: No, so it is not, we are not going to increase short-term. As you saw on the page, the one-year profile is almost in line. There is a small gap, but there are board approved limits that we have set and these are being monitored by the RMC, our Risk Management Committee as well. And we ensure that we remain within the Board approved limits. So, it will remain in the similar range. It will not see any big change in terms of the shift.

Nikhil Agrawal: Hi, this is Nikhil Agrawal from VT Capital. Thank you for a very detailed and a very informative presentation. So, there is some bit of confusion with the growth rates. So, let's say if you assume INR 1 lakh crore AUM by FY '27 and as Mr. Dilip mentioned that Prime and Emerging, which is INR 61,500 as of FY '24 end, would grow at a 12% CAGR. That would translate into an

around INR 85,000 crore portfolio, which is 85% and leaves room for 15% affordable housing. So, either Prime has to show some kind of slowdown or the total book has to be way above INR 1 lakh crore to reach the segmentation. So, some confusion here.

Girish Kousgi: So, I had mentioned this earlier. So, our focus is going to be in all the three segments. Affordable, Emerging and Prime. The growth rate is going to be higher in Affordable, followed by Emerging and then Prime. So, Prime, you know, to a certain extent would act as a balancing segment to ensure that the growth of 17% is maintained.

Nikhil Agrawal: So, the focus is growth in the other two segments and Prime would be the balancing figure in the target.

Girish Kousgi: That's right.

Nikhil Agrawal: And one more question on affordable housing. Just some clarity on how the repayment schedule works in this segment? Because in the 15-month period we have disbursed, we have sanctioned 18,000 crores, disbursed 13,000 and the loan book stands at 2,000 crores. So, some clarity on how the repayment schedule works.

Girish Kousgi: No, I think those were the number of loan accounts.

Nikhil Agrawal: Those were the number of loan accounts.

Anujai Saxena: Yes. The throughput funnel had a number of customer accounts. So, overall, the 2,000 crore loan book that we have, we have around 15,000 unique customer accounts.

Nikhil Agrawal: And one more question. From a strategic perspective, the salaried and self-employed and the formal and informal bifurcation that was given by the management, the highest focus has to be the transition from salaried formal to salaried informal segment, the highest shift mix. So, in the salaried informal segment, which is like the example was given of a Medicare worker, why is this the best customer for us right now in this market?

Girish Kousgi: No, as I mentioned, it was a strategy because it is the first year for us, we focused more on formal. When we say formal, obviously we are going to have a higher share from salaried. Now this is year two. The focus is going to shift. So, it's going to be 50% salaried, 50% self-employed and within salaried, within self-employed, the focus is going to be more on informal.

Participant: So, my question was that, as we are increasing the share of lower ticket size loans in our loan book, that is obviously going to help us on margins. But don't you think that it will also increase the OPEX as well as credit cost for us?

Girish Kousgi: First on the OPEX, see we have a very unique model. We have three different lines of business. We have three different verticals. When we talk about three different verticals, the line function,

basically the sales team, credit team, collection, and operations, only these would be specific to a particular vertical. And rest all the entire infrastructure is going to be common for all of these things. For example, IT or HR. So, there are lot of shared resource. And therefore, in this model, if you see OPEX, it's going to be much lower collectively when you compare with a similar model of any other Company.

For example, if you take let's say affordable Company, OPEX will be in the range of, let's say, 250 bps, or maybe at least 200 plus bps. For us also, it is going to be much higher compared to emerging, but it will be far lower compared to any other affordable Company, because we have one shared resource team trying to manage all these three verticals. And therefore, our OPEX is going to be lower. At an enterprise level, our OPEX will be in the range of 95 to 100 bps.

And on credit cost, if you look at the risk between Prime, Emerging, and Affordable, today if you talk about prime, a well-managed prime Company will have a credit cost ranging anywhere between, let's say, 18 to 22 bps. And for emerging, it will be anywhere between 25 to 30 bps. And for affordable companies, for a matured book, it's going to be between 40 to 50 bps.

So, for us, when we talk about 30 to 32 bps credit cost, it is at an enterprise level, which is a blended credit cost. And that also, why we are saying it will be around 30 to 32 is only because we have tweaked a lot of things, and we have put a lot of process controls.

For example, in affordable, every single customer, irrespective of the amount, is met by the employee, every single customer on the affordable side. If the customer happens to be a self-employed or a business man, credit manager meets the customer and does personal discussion and then assess the income. Every single property other than the valuer is being visited by the employee. So, we have put in lot of controls and we have seen this portfolio and therefore we are confident that we will be able to manage credit cost in the range of 30 to 32 bps.

Participant:

Sir, the model will be more centralized, or it will be the branches will have more authority to sanction the loan?

Girish Kousgi:

So, it depends. For example, on the prime side, we have decentralized to a large extent. It is like this. Any new branch which we open, for certain months we will keep it centralized. When I say centralized, it is not at the national level, at a zonal level. And then after 6 months we decentralize. This is for prime and emerging.

When it comes to affordable, right from day one we would have credit manager based out of the branch but will not have power. After few months, once the credit manager gets experience, then we give power. So, it depends on model to model, but the idea is to decentralize, but there is constant monitoring happen on a daily basis at central.

Nitin Gandhi:

I have few questions. Can you share what is a cumulative write off number of properties and amount which is outstanding as on 31st March?

- Girish Kousgi:** So, I mentioned on the corporate it is about INR 1,700 crores and retail is about INR 500 plus crores. Totally about 2,200 crores.
- Nitin Gandhi:** You shared that cost to income is somewhere around 23%. How is it likely to move? Because you are going to hiring spree and stabilizing the model. So, because it has moved almost 300 bps in some time in the last 4 or 6 quarters. So, can you share where it is going to be sustainable?
- Girish Kousgi:** See, now the spend on the IT is largely, it is done in the last year. So, we have taken spend on IT, branch expansion, investment in people for the new branches, all of these things are baked in and that is why an OPEX-to-ATA we said it will be in the range of 95 to 100 bps. So, there won't be a significant increase in cost because of all these things because these things are already baked.
- Nitin Gandhi:** Regarding borrowing cost, you are expecting 15 to 20 bps reduction. That is the correct understanding.
- Vinay Gupta:** On incremental.
- Nitin Gandhi:** Yes, incremental, but post rating upgrade, which can come in 4 or 6 quarters, they should be little higher, isn't it?
- Girish Kousgi:** Yes, so what we are trying to do is on two fronts, one is incrementally we will be able to get better rates from banks, from the market, both on NCDs and CPs. A. B, Vinay also mentioned that we have been engaging with all the bankers on the outstanding loans to change the spread so that the rate would come down. So, the effort is on both. Overall, all put together, I think we are expecting about 10 to 15 bps at the overall level. Incrementally, we are talking about next few quarters, it should be in the range of around 15 to 20 bps.
- Nitin Gandhi:** Any thoughts on typical Bombay market where self-development societies are there which need between INR 10 to 35 cores for self-development which segment is totally untouched as on date if you see and there is a lot of potential over there because FSI availability is significantly higher? So, are you focusing any of this or have you evaluated this segment?
- Girish Kousgi:** On the retail front, if this happens to be in any of the segments where we operate and if the project is viable on the retail front, if legal and technical is clear, then we would fund.
- Dilip Vaitheeswaran:** I think you are talking of redevelopment, right?
- Nitin Gandhi:** Yes.
- Dilip Vaitheeswaran:** Redevelopment is a tricky area to get into. Normally, from our experience, what we see is it takes time for consensus to get built up. Within societies, the existing residents take time to

finalize whether they want to redevelop or not. Then who is the right developer to get into the project? Then what are the kind of deals that they will have with the developer?

The right time for a lender to come in is when all of that consensus stands received, construction is commenced and then we start funding the retail borrowers who are being sold the property, not the existing customers. So, there as long as the customers fall within our appetite of pricing and risk, there we will come in. The timing and redevelopment is right. That is the most important.

Nitin Gandhi: So, I am referring the self-redevelopment. I am not referring the developer-sold-redeveloped societies. The self-redevelopment where existing people move out, arrange their home, but they need to put up a building and where most of the peoples are senior citizens and they will not have the wherewithal to work. So, that is why your mortgage is whatever the lot is.

Dilip Vaitheeswaran: That is appraised on a case-by-case level. If it falls within our appetite of construction risk, customer risk, we will look at it.

Girish Kousgi: But on the corporate side, we will not get into SRA kind of structure. So, which is what I mentioned. On the corporate side, very clearly we have told what kind of projects we will look at, what kind of developers and what kind of markets. On the retail side, that's what I mentioned. Wherever legally and technically it is clear, so the stage of legal and technical clearance comes into picture once all of these things are sorted out. And if it falls into our segments, then we would do.

Participant: Hi, I have two questions. First one is on affordable housing. What is the cost of disbursement per lakh rupee of loan in the last one year in affordable housing sector for us?

Anujai Saxena: Cost of acquisition, we call it cost of acquisition is around 1% to 1.2%.

Participant: 1 to 1.2%, of the loan value?

Anujai Saxena: Yes.

Participant: Average size of the loan is how much, sir?

Anujai Saxena: Is around INR 14 lakh.

Participant: And just a second question on the affordable housing. Since there are a lot of HFCS, how do you differentiate in front of your customers and considering you are a newer player in the market, it would be great to understand how your sales manager go there, because I am sure those customers must be getting approached from these other sales managers as well. So, we can explain.

Anujai Saxena: That's a good question. And you are right. It's a crowded space. You know, the affordable housing space and for that matter the housing finance space is a crowded space. What is really a good USP for PNB Housing, while we are the late entrant into this business, but what has been really working well for the Roshni product are a combination of two or three things.

One, our brand name really resonates well with these customers. It brings a lot of trust and respect. Second, our distribution is the way we have expanded the branch operating model, the way it is working is more efficient as compared to our competitors.

Third, the service levels, from login to sanction, turnaround times that we are able to commit to the customer and we are able to deliver to the customer are far superior in comparison to many of the other players in the market.

Girish Kousgi: Apart from whatever Anujai told, I think on the affordable space, if you go to the next 50, next 50, next 25 locations, you rarely find any competition. So, affordable business is all about perfect execution. Invest in branches, invest in team, invest in process, and if you get deeper into the markets, deeper into the geography, I think it is very, maybe the top 100 is crowded. You go beyond 100 towns. I am saying prime, emerging, within affordable, 100 towns will be crowded because you will have 5-6 players in each of these towns. You go to the next 1,500 which means you need to expand your branch footprint. Once you do that, I think then it is more a question of making credit available to the needy. So, I think that space is still very large and that is where lot of potential is there.

Participant: Just a quick follow up on this. In terms of pricing, how do we stand? Where are we in that ladder for this segment?

Girish Kousgi: Today, if you look at the differentiation, there is no difference in pricing. Maybe 10 or 20 bps lower in each of the segments or the profiles. It is just that we had chosen to be present in certain segments, focusing on certain profiles as stage 1. Now we are in the second stage where we have opened up to all the profiles, all the segments. So, we should not see any difference in pricing beyond 10-20 bps going forward. Still there would be a difference if we compare affordable blended yield for FY '25 for PNB Housing and others. That is purely because of the old set of 100 branches and new 60 branches, the focus is getting different. And that is where this difference will come into picture. Otherwise, there is no difference.

Abhijit Tibrewal: Girish, the first question that I had is, I mean, very clearly we are looking to move, like you said, between salaried and employed 50-50, formal informal 50-50. We are looking to improve the proportion of non-housing, right, which is going to aid better yields, and improve margins. But very clearly we are looking to move towards a riskier customer segment, purely from a risk perspective.

The other thing that you talked about is more decentralization when it comes to underwriting, right. So, while decentralization has its own benefits of maybe better customer experience, faster

sanctions, faster TAT, right? One of the things that a decentralization opens you up to is also case for frauds that can happen, right?

So, I mean, what I understand, one of the ways to mitigate frauds, right, is to build that maker-checker kind of a concept in your underwriting, right? So, I mean, what are we thinking about it? What safeguards are we building in our underwriting as we move towards more decentralization?

Girish Kousgi: The first question was on affordable or overall?

Abhijit Tibrewal: Overall, I think we are looking to.

Girish Kousgi: So, talking about retail business. So, when we talk about retail business, you know, when we say self-employed, self-employed is riskier compared to salaried. So, this is a known fact and this is true for the industry. Non-home is riskier than home, right? We have a risk-based pricing. A, we price it based on the risk, number one.

Number two, we also reduce the risk. For example, we have completely moved away from high value. We have completely moved away high value non-home.

And number three, within non-home, across programs and the products, we have put in lot of filters. What I am trying to say is that even, let's say, we do a small ticket. When I say small ticket, 30-40 lakhs LAP, the risk is not significant.

But suppose, vis-a-vis compared to someone doing a 3 Cr- 4 Cr LAP, coupled, what happens is that there are multiple levels of risk. The minute we say LAP, it comes with the profile of self-employed. Self-employed is the first level of risk.

And second is the product that is loan against property.

The third layer could be the program. If the program, if it is not formal, let us say informal, on the affordable side, we are saying that in informal, there is lot of opportunity, lot of potential. There is a risk, but the margins are such that it can easily cover the risk.

On the prime side, when I say prime and emerging, there are layers of risk. If you try to deal with couple of risk and pull down the risk, then non-home per se, or let us say even if it is a LAP, LAP, small ticket, income-based is not very risky. LAP-informal, when I say program-based lending, that would be risky. Add one more layer of risk. That is high value. So, self-employed, LAP, the program and high value. So, there are four levels of risk sitting vis-a-vis compared to a salaried profile.

So, we have worked on all of these things. We have reduced the risk at a program level, A. B, at a ticket size level. And number three, we have tweaked depending on the geography, depending

on the program, depending on the policy. We have tightened some of the processes, some of the parameters. And therefore, a mix of 65-35 for a HFC on the prime or emerging business is well balanced.

Whereas when you come to affordable, so definitely the informal would be higher because they don't have access to credit and we will get into such small towns where the awareness level of the customer should not be that that we can compare with customers in an emerging market or maybe in a prime market and therefore that differentiation is there.

Whereas talking about some of the risk mitigants and controls, we have already put this in place, and our experience in the origination of last two years, we don't see any risk which comes out of early warning signal.

Jatul Anand:

I will just add to this. The mid ticket size LAP what he spoke about, this is you know, and that to a business purpose loan, not a consumption loan, like LAP to salaried, we don't do. A mid ticket size to a smalltime businessman, and that to LAP goes with lesser LTVs. So, that last not even two years if we see after COVID times, after April '20 onwards book, we don't see any incremental risk coming in from that stratum.

So, as he rightly said, the above two layers we are avoiding. The high-ticket LAPs we are avoiding. The LAPs along with coupled with the surrogate income assessments and all that space we have located. So, the bottom left is not a very risky proposition and with conservative LTVs, that makes a good business deal at a higher yield.

And one point more as you said on the decentralization in the maker and checker, the Company still follows the 4-Eyes principle, maker and checker for every case. While we have said that we have moved to decentralized, we still follow the hub and spoke model. See, earlier we say that the hubs are 22 hubs which are catering to our all our branches. We came across two things. One for better business catchment, we need underwriter locally. And B, in some of the branches from risk prospective, we need an underwriter there so that he can go in touch base specially with the self-employed customers.

So, giving you an example. For example, in Bombay, our hub still remains in Borivali and where 10 underwriters were together sitting under the nose of a regional head. Today, one of them is sitting in Andheri branch. So, that kind of a decentralization done, his threat is still attached to the same hub with the maker and checker concept.

Girish Kousgi:

And given the model which we operate today, it is a vertical model. Sales team is independent. Credit is independent. The operations team is independent. Legal is independent. Technical is independent, and fraud continuity is independent. So, if a file has to be sanctioned and disbursed, seven teams will have to look at that file.

So, I am still not saying that it is not possible to collude, but collusion becomes that much more difficult because of this model vis-a-vis compared to a model, you know, where one person in a branch does origination, underwriting, disbursement, collection, and customer service. You know, where one person does all, vis-a-vis compared to both the models are good. Both the models has pros and cons, and there are ways to mitigate.

So, we are following vertical model where the maker-checker is inbuilt in the system. A, within the team, within one team. Number two, cross-functional team because of the nature of the role required by each of these teams to take the file through the entire journey right from origination till disbursement. So, we have a vertical model. So, that conflict of interest is not there.

Abhijit Tibrewal: Thank you for the detailed answer. Just one more thing. In this presentation, I think we touched upon all the aspects, NIM, OPEX credit costs. I think one thing which we did not maybe touch upon is the fee income side, right? While I acknowledge, we are a monoline lender, right? So, avenues to cross-sell are not as much, right? But how are we thinking about this fee income?

Girish Kousgi: See, fee income, this is a monoline business. We may talk about various segments within retail. It is a monoline business. So, I think fee will be in line with the volumes, and that is the reason separately we did not talk to that.

Nidhesh Jain: This is Nidhesh from Investec. Firstly, on the margins, you are guiding for 3.5% margins versus 3.7% last year. So, why is that? Do we expect margin compression? And what will be the margin expectation for FY '27 when we are saying ROA of 2.5%?

Girish Kousgi: See, when we say 3.5%, this is long-term steady-state. You know, we are talking about steady-state margin. So, there can be slight ups and downs, and therefore we are guiding 3.5%.

Nidhesh Jain: But sir, at 3.5% margin, 2.5% ROA looks very difficult.

Girish Kousgi: That is in the near term. 3.5% is near term. I think once the mix keeps changing, because now we are getting into affordable and emerging, so, obviously the yields are going to be better, margins will improve, and this entire thing will change. In the short term, we are saying that the margin is going to be around 3.5%. Give three or four quarters time, the entire thing will change, because we are moving more towards segments which are giving us higher yields, A.

B, the corporate book, which saw huge runoff in last couple of years, which had an impact on the revenue, now the book has come down to about INR 2,000 crores. I think that would now get arrested.

And number three, today, the prime book is quite large. And let us say next year, and two years from now, the book will deplete, and therefore the impact in terms of contraction of margin is not there. However, if you have to talk about, let us say, margin for FY '26 and FY '25, '26, '27, obviously, there will be an improvement.

Nidhesh Jain: Secondly, the affordable housing segment, does all the files goes to hub or file this entire decision happening at the branch level itself?

Girish Kousgi: On the affordable side, every single branch, right from day one, we have credit manager in the branch. We have a policy where for the initial few months, the credit manager would uprise the case, do the due diligence, do everything and then sends it to the next level for approval for few months. And once the credit manager gets authority, decisioning would happen at the branch. The model is different for each of these businesses.

Nidhesh Jain: So, over a time, we realized that decentralization of such high level has created problems for other companies in the past. And most of the companies are now moving towards centralization of the credit decisioning. Specifically, at a particular scale, that becomes a very important factor from a scalability point of view also. So, how do you mitigate the risk? Because one guy is just doing all the reasoning and how do you mitigate the risk of frauds or let us say less relaxed underwriting by that particular person?

Girish Kousgi: There are two models. One is a branch model, and one is vertical model. Now, there are risks in branch model. There are risks in vertical model. I think the idea of either centralizing or decentralizing is more to do with the cost and not from a risk perspective, because there are risks in both the models. I will come to the risk.

So, for example, today in our affordable, sanctioning happens at the branches, but the disbursement is centralized. So, why is the disbursement centralized? It is not because of the risk, because we have an inbuilt model, which is a vertical model, where there is no conflict of interest and therefore the risk is lower. Nobody can say there is no risk. The risk is far lower. Today, we have chosen a centralized disbursement for affordable, that is more from the operational efficiency and cost perspective.

So, there are both models. Both the models are exposed to certain kind of risks, and for operational efficiency, they may have a blended model. Even today in prime, in emerging, we have blended model. There are some branches, because of risk reason, which I mentioned to you, let us say a new branch, for six months will be centralized. An old branch, which has enough volumes, where there is the cost impact. Once you have managed the risk, it will be decentralized. So, it depends on the model.

But the question of whether centralization is good or decentralized is good, I think it is beyond a point, beyond cost, it is a view. But largely people do centralize more from a cost perspective and not from a risk perspective. Because both the models are exposed to risk and there are mitigants to mitigate risks in both the models.

Anujai Saxena: Also, just to add, it is an important point, especially on the affordable housing side as MD also highlighted, every branch has a branch credit manager. It is extremely important, especially in the informal segment, to underwrite the case locally there. We should have all the skillset there.

So, underwriting is happening locally, decentralized manner. Decisioning is not happening there. Decisioning, if the delegation of authorities are set in a way that there is a regional credit manager, a zonal credit manager, as per the delegation of authority, the decisioning is still happening centrally.

Girish Kousgi:

So, when we say decentralization, decentralizing everything. When I say everything, sourcing, underwriting, which includes disbursement, sanctioning and disbursement, collection, and customer service, under one person or one team, that is the risk. The risk in decentralization is this.

On the other side, if we don't decentralize, there is a larger risk. Because on the affordable side, if we don't meet the customer, if we don't get the touch and feel of the customer, because largely it's going to be informal, unless the credit manager, not the sales manager, credit manager, who is independent of targets. So, when the credit manager goes and meets the customer, he would meet the customer, understand customer's business, draws out P&L, and then would decide on the quantum of loan. If the credit managers are not there at the branches, the risk is higher.

So, whatever couple of instances what we have seen, that is not because of decentralization. That is because of 100% decentralization with one team. Again, I am saying, there is nothing called as right model or wrong model. It depends on whatever model we choose, we need to ensure that we mitigate all the risks. I think that is the difference, not because of centralization or decentralization.

Nidhesh Jain:

Also, can you share the bounce rate and one plus DPD in affordable housing vertical?

Girish Kousgi:

I think it's a very new business. I can just tell you our bounce rate today is not comparable. It is much, much lower compared to industry and therefore, it's very new business. I think once the business matures, we will be able to share all this data.

Participant:

First question is on the corporate book. You said that from less than 2% or 3% of the overall, it will become less than 10%. So, fair to assume that it will grow proportionately more than the overall book. So, what is the rationale for growing faster in the non-retail book? And in terms of profitability, if you can differentiate a little bit in terms of retail and corporate, what is the difference in profitability of these two segments?

Girish Kousgi:

See, on the corporate side, I think we had almost stopped business for three years because we saw stress in the book, and we know why there was stress. So, we had to deal with all the challenges. We took a pause. We stopped doing business. We worked on the portfolio. We worked on the NPA. We ran down the book. We reduced the NPA and now we know what went wrong and why it went wrong and therefore in a calibrated manner, we want to start growing.

I think now it is, we can't compare because the base is very small. Now 3% going to 5% we should not see, okay, it is going up by 65%-70%. We should not look at that because it is a very

small business. If you look at any new business, first year, second year the growth is going to be more than 1.5- 2x, which means 200x. So, it is a very small business. The book has shrunk. The book is very small. I think we should not look at that.

I think what is important is that in terms of de-risking, you know, strategically we want to keep corporate less than 10% at its peak. When I say at its peak, even if you look at the corporate book, let us say in FY '26 or '27, it is going to be under 10% in the overall portfolio. That is number one.

Number two, in terms of profitability, since we are into multiple segments and emerging and affordable are going to be high-yielding segments, the difference between profitability from a corporate book and let us say affordable is not going to be very different. In the sense, we are going to focus on very safe corporate kind of thing. So, the yield difference is not going to be much.

Participant:

And sir, second question is around the affordable. You said that when you go beyond the top 100 districts, that is where the opportunity lies. But I think there was a slide in terms of when you segregate on overall pan-India basis, there are 500-odd districts where there is scope for affordable. And within that, there are only 100 districts where there is enough size to do affordable or the asset quality is better.

So, when you try to go beyond those 100, either you face a problem of scalability or the TAM is not very high or probably the asset quality is not up to the mark where we want to properly operate. So, I am just failing to understand where is the potential for affordable? Is it in top 100 districts or is it beyond top 100 districts?

Girish Kousgi:

See, the potential for affordable business is there starting from Tier-2. When we talk about Tier-2, obviously we should talk about pocket in the town and not heart of the town. When you talk about Tier-3, Tier-4, Tier-5, you can be in the heart of the town and still you will have potential. So, when I spoke about going beyond 100, I was talking about the affordable segment which is beyond Tier-1 and Tier-2.

So, I was talking about Tier-3 and Tier-4, let us say top 100 and next 100. So, the minute you go to the next 100, there is huge potential, A. B, you also have an opportunity of yield. In the top 100, you have an opportunity on business, but because of whatever competition available, there might be slight challenge on the yield.

So, when I say when you get deeper, you will actually grow better and there is huge potential both in terms of growth and also in terms of yield. But that requires an investment. It is a very hard-working model.

As I mentioned to you, on the affordable side, every single customer has to be met. Every single property has to be visited. It is a very hard-working model and therefore, with existing set of branches, if a Company wants to grow, that is very risky.

So, we need to invest in branches. We need to invest in people. We need to invest in process, all the risk metrics. Only then growth will come back at the requisite rates. And for that to happen, if a Company has to grow, because there is a challenge today, growing the book beyond certain level, which is about let us say INR 15,000 crores, if a Company wants to grow beyond INR 15,000 crores, definitely we need to get deeper into geographies and only then they can grow. Otherwise, what will happen, within the existing geography, if you have to grow, then there will be a reduction or contraction in the yield. That is where I was coming from.

Anujai Saxena:

Just to add one more point here, the page that you are referring to, the message that we are trying to highlight there was, prime business will focus in, let us say, top 20-25 cities, emerging markets business will focus in the next 50 cities, and Roshni business, the affordable housing business will focus in the next 100 cities. So, the sum total is still around let us say 150 to 200, which remains the first page that I showed, 150 or 160 districts are conducive for this business.

Right now, we have around 160 branches. In my opinion, we can easily open 500 plus branches in these 150 districts, because you have to get to those peripheral towns and semi-urban areas of these districts, which we are targeting.

So, the idea is to go deeper, not necessarily to the 100 next districts. Within these 150 defined districts, there is a lot of opportunity to open more branches and penetrate these markets better.

Nitin Gandhi:

Sir, can you share some thoughts on your fixed interest rate? How much is variable component and how much is fixed rate, and how is it going to be shaping up in next two or three years, including your emerging market conditions?

Girish Kousgi:

On the lending side or on the liability side?

Nitin Gandhi:

No, lending side.

Girish Kousgi:

Lending side. Lending side, everything is floating.

Nitin Gandhi:

No, what I meant is, whatever your asset acquisition, so whatever your lending, you charge to customers.

Girish Kousgi:

All floating.

Vinay Gupta:

Asset book is all floating.

Nitin Gandhi:

And what is the lead-like relationship between passing of 25 bps? If there is a reduction of 25 bps, what is the lead-like relationship of passing? Is it one quarter or two quarters? How is it?

- Girish Kousgi:** No, whenever the cost goes up, we pass on that to the customer. Whenever the cost goes down, we pass on the benefit to the customer.
- Vinay Gupta:** It depends on what the impact would be on our liability profile. Depending on what is the impact on our liability profile, if there is a reduction, it will be passed on. If there is an increase, that will also be passed on.
- Nitin Gandhi:** So, what is the duration? Is there a one-quarter difference?
- Vinay Gupta:** Duration depends. It might takes around 12 months for the complete re-pricing to happen.
- Nitin Gandhi:** Let us say we arise to a hypothetical scenario. Maybe you can tell me what the probability is. India gets included in the sovereign rating rates upgraded in. There is a bond inclusion. Heavy inflow comes in and interest rate drops by 200 basis points. How will you react to this?
- Girish Kousgi:** See, whenever there is a movement in interest, either northwards or southwards, if the rate goes up, we pass on to the customer. If the rate goes down, our loans from the banks and various channels of instrument also would go down. So, when the rate goes down, we will also pass on that to the customer.
- Nitin Gandhi:** Now, that is the normal behavior to happen. That I understand. But question is, if this has happened, where your interest rate is suddenly dropped, so your spread will be under threat?
- Girish Kousgi:** See, we always, you know, we do stress testing. We always plan for the normal scenario and one extreme scenario in terms of rate going down and one extreme scenario on the rate going up. So, we do this and if it happens, it is very unlikely but if it happens, we would follow the norm and we would either increase or decrease depending on the interest rate movement in the market. So, in this case, if the rate goes down, let us say by 200 bps, which means my liability, so, which means even my cost is going to go down.
- Nitin Gandhi:** You are referring more on the existing book. I am referring to the business to happen thereafter.
- Girish Kousgi:** So, my incremental card rates would go down to that extent for new origination.
- Nitin Gandhi:** So, in worst case scenario, you think that the spread is still maintainable.
- Girish Kousgi:** Which is why, see, we were talking about margin. So, we were talking about margin and for this, there are two levers. One is cost of funds, and one is the yield. We don't have too much of handle on the cost of funds. It depends on so many external factors and therefore, we have a better handle on the yields and that is why the guidance of whatever NIM we have given.
- Nischint Chawathe:** So, when you move, when you actually increase your affordable book, do you need to reskill your employees? How are you managing human resources for this business?

- Girish Kousgi:** Reskilling the employees? So, what we do is, the entire team, most of them, I would say 95%, 96% of the employees in the affordable team are from affordable industry.
- Nischint Chawathe** These would probably come in from competition or similar banks?
- Girish Kousgi:** From the affordable, yes, that's right. So, there might be 2% or 3% of people who would have moved from either prime or emerging to affordable.
- Nischint Chawathe** So, how comfortable are you with so many new people joining? It's practically like a new team being set up and you are looking at exponential growth in this industry.
- Girish Kousgi:** Which is why in year one, we went little slow. We focused on few safe segments. We were okay with slightly lower yield. We were not catering to all the segments.
- Anujai Saxena:** Just to add to this and it is true, we have added another organization in the last one year, almost 300 people on the PNB Housing side, close to 1,000 people which are like a front line staff and continuously therefore we have training programs. We have orientation programs. There are these cultural integration programs that also we keep on running in the new teams so that the new people joining from various backgrounds, they are very well integrated with the overall culture and values of PNB Housing.
- Deepika Gupta Padhi:** Thank you everyone for taking out time, coming here, listening to our story. I hope we were able to talk a bit more in detail about what we said, I mean our performance which we have been talking about as well as our future performance on the strategy what we are looking at. This entire event will be uploaded on our website before the market opens tomorrow. So, you can definitely have a relook at that and the transcript will be eventually uploaded on again to the stock exchanges.
- Thank you very much for coming over here and for any questions, anything please reach out to the Investor Relations team and now we will break for High-Tea. So, I would request everyone to join us for the same. Thank you.