"PNB Housing Finance Limited Q3 & Nine Months FY'18-19 Conference Call"

January 24, 2019

Participants from PNB Housing Finance:

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

Moderator: Ladies and gentlemen, good evening and welcome to the PNB Housing Finance Limited Q3 & Nine Months FY'18-19 Conference Call. As a reminder, all participants lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Deepika Gupta Padhi. Thank you and over to you, ma'am.

Deepika Gupta Padhi: Good evening and welcome everyone. We are here to discuss PNB Housing Finance Q3 & Nine months financial year '18-19 results adopted as per Indian Accounting standard. With me, we have our leadership team represented by Mr. Sanjaya Gupta -- Managing Director; Mr. Shaji Varghese -- Executive Director- Business Development; Mr. Ajay Gupta -- Executive Director- Risk Management; Mr. Kapish Jain - Chief Financial Officer, Mr. Nitant Desai -- Chief Operations & Technology Officer; Mr. Anshul Bhargava -- Chief People Officer; Mr. Sanjay Jain -- Company Secretary & Head of Compliance. .

We will begin this call with the overview and performance update by the Managing Director, followed by an interactive question-and-answer session.

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

With that I will now hand over the call to Mr. Sanjaya Gupta. Over to you.

Sanjaya Gupta: Thank you, Deepika. Good evening, everyone. Welcome all to our Q3 & Nine Months Financial Year '18-19 Earnings Call.

Before I get down to business, I like to Wish Your Families and You a Very Happy, Joyous, Healthy and a Meaningful New Year 2019.

The Third Quarter of the Financial Year '18-19 witnessed high level of volatility and liquidity concern in the debt capital market particularly on short-term borrowings. Anticipating the liquidity challenges that we have been speaking about during various earning call over the last one year we maintained additional liquidity of INR 6,000 crores as on 31st, December 2018. Having said so, our proactive approach of maintaining excess liquidity in the balance sheet and operational rigor enabled us to operate in a business as usual mode during Q3 of 2019. As a consequence during the quarter, we disbursed loans worth INR 9,300 crores across products and business segments and cumulatively over INR 27,500 crores during the nine months period of the financial year '18-19.

On the Liability side, we raised over INR 22,500 crores during Q3 of financial year '18-19 utilizing multiple avenues like ECB, NHB refinance, Deposits, Securitization via direct assignment, Commercial papers, etc.

Among the recent borrowings of Q3 financial year '18-19 the pertinent ones are INR 3,500 crores of loan sanction from the National Housing Bank and INR 3,324 crores of fresh ECBs. In this regard, we express our sincere gratitude to the National Housing Bank for their trust and belief in the Company's robust operation. Borrowings via commercial paper was restricted to roll over of existing facilities. Hence, during the quarter, the Company net borrowed long-term funds thus improving its ALM gap across all buckets.

On the Deposits side, the Company continues to be the second largest deposit taking HFC in the country. We strengthened our deposit franchise and have seen strong retail confidence with 3,500 deposit applications in April of 2018 moving to over 9,000 deposit applications in December of the same year. This is the robust and dependable engine to mobilize low cost and sticky resources.

Let me now talk about the "Financial Numbers" for the quarter ending 31st December, 2018 and nine months of financial year '18-19. The figures are on a consolidated basis and are compared with the same quarter during the previous financial year. During the quarter, the Company registered healthy double-digit growth over Q3 of financial year 2017-18.

The net interest income was up by 35% at INR 558.2 crores and profit after tax was up by 22% to INR 303 crores. The spread on loans for Q3 of 2018-19 is 256 bps and the net interest margin is 306 bps. The Company also registered healthy double digit growth during the nine months period of '18-19 over the same period of financial year 2017-18. The net interest income was up by 30% at INR1,453.8 crores and profit after tax was up by 38% at INR 811.8 crores. The spread on loans for the nine months period '18-19 is 227 bps and the net interest margin is 285 bps. The gross margin net of acquisition cost for the nine months period stood at 326 bps against 338 bps during the same period of '17-18. The OPEX to average total assets for the nine months is at 69 bps compared to 58 bps during the same period of the previous year. This includes incremental ESOP cost of 3 basis points and employee cost of PHFL which is our subsidiary that largely houses DST cost that was amortized under the IGAAP is 6 bps. Further ongoing branch network expansion, the cost undertaken includes in the growth expenditure. If you only consider our business as usual and exclude incremental ESOP and PHFL cost, the OPEX to ATA is 58 bps. The cumulative ECL provisioning on 31st December, 2018 is at INR 435.6 crores. In addition to the ECL provision, we have INR 156.5 crores as a steady state provision for unforeseeable macroeconomic factors. As a prudent management practice, we added INR 11 crores in this pool during Q3 of financial year '18-19. The return on assets for nine months period '18-19 is 1.51% compared to 1.56% during the same period of the previous year on average gearing of 9.19x against the gearing of 7.15x during the previous year for the same period, resulting in an expansion of return on equity to 16.22% for nine months period of financial year '18-19 vis-à-vis 13.28% for the nine months period of the previous year. The closing net worth as per IND AS as on 31st December, 2018 stands at INR 7,162.2 crores.

Now let me talk about the "Business Performance." During the nine months of the financial year, we registered 14% increase in loan file logins compared to the corresponding period of the previous financial year. The disbursements registered 13% growth year-on-year at INR 27,518 crores vis-à-vis INR 24,455 crores during the nine months period of the previous year. The assets under management registered a growth of 38% to INR 79,727 crores as on 31st December, 2018. Geographically, West is our largest market with 38% of assets under management followed by North and South at 31% each. We have limited presence in East with three branches; two in Kolkata and one in Bhubaneswar which forms a part of the North zone.

The Company during nine months period of '18-19 securitized loans worth INR 5,800 crores through the direct assignment route. The total outstanding loans assigned amounts to INR 9,019 crores as on 31st December 2018. Net of this assigned loans, the loan assets are INR 70,717 crores as on 31st December 2018, representing a healthy growth of 28% year-on-year. Housing Loans constitute 70% of assets under management and non-housing loans constitute the balance 30% and is in line with the business mix maintained in the previous several years.

In the Housing Loan segment, Individual Housing Loans constitute 57% and Construction Finance for residential properties constitute 13% of the assets under management. In the non-housing segment, loan against property constitute 16% of the assets under management, lease rental discounting, non-residential premises loans and corporate term loans constitute the remaining.

As part of our geographical expansion, 16 branches were made operational during the nine months of this financial year, totaling to a three digit number of 100 branches with presence across 60 unique cities. The Company also services its customers through 26 outreach locations. The Company also made two underwriting hub operational during the period, totaling to 23 underwriting hubs as on 31st December 2018 catering to the branches and the outreach centers of the Company. During the nine months period of '18-19 out of the total individual housing loan disbursements about 23% by value was in less than 25 lakhs category which can be termed as affordable housing. With increase in our branch network in tier-2, tier-3 cities, we look forward to increasing the contribution of the affordable segment in our individual housing loan portfolio. Part of this portfolio also qualifies as priority sector or PSL, the portfolio which can be sold off to bank at clearly attractive price post attain the minimum seasonal requirement of six months.

Gross NPAs as a per cent of the loan assets stands at 0.47% as on 31st December 2018 compared to 0.42% as on 31st December 2017. The gross NPA at AUM level is 0.45% as on 31st December 2018. In our Wholesale book, we have nil NPA as on 31st December 2018 which is due to the stringent norms for customer selection, credit underwriting and project monitoring mechanism.

On our resource profile, 30% is contributed by non-convertible debentures, 17% by bank line, 17% by deposits, 12% by direct assignment which is securitization, 11% by commercial paper, 7% refinance from the National Housing Bank and 6% to ECB.

On 9th of January 2019, India Ratings downgraded our NCD rating from AAA to AA+ Stable. The rating action reflects change in India rating approach whereby the credit assessment is based on the standalone intrinsic credit profile of the Company compared with the erstwhile approach where the rating agency has factored in the credit strength of the sponsor Punjab National Bank. This change in the rating approach is in light of the weakened credit profile of the sponsor as well as a stated intention to divert its stake in the Company. No concern otherwise has been recorded by India ratings with respect to financial performance and soundness of the business.

The capital adequacy ratio as on 31st December 2018 stood at 14.49% of which tier-1 capital is at 11.37% and tier-2 capital is at 3.12%. This is as per IGAAP and does not consider the impact arising out of IND AS adjustment.

In line with our philosophy to enable the marginalized community in becoming capable and self-reliant, we worked in the area of skill enhancement, day care centers, education and healthcare under our corporate social responsibility program known as "Saksham."

As an update to the stake sale, we received a joint letter on 13th November 2018 from PNB and Quality Investment Holdings (QIH), the Carlyle Group, informing about QIH decision to withdraw from the joint sale process. On the same day we received another letter from the Punjab National Bank on their intention to independently sell the stake in the Company. The process is currently underway.

With this, we would now open the floor to the question-and-answer. Thank you very much, everyone.

Moderator: Sure, thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nidhesh Jain from Investec. Please go ahead.

Nidhesh Jain: Two, three questions. First is how one should look at spreads given that we have done huge amount of securitization/assignment in this quarter. So on a like-to-like basis, how is the spread movement, we would not have done assignment this quarter?

Sanjaya Gupta: I will answer one-by-one, so I will give you all the time. Securitization is the business as usual for the Company and we have been maintaining at about 10% of our total assets will be securitized year-on-year and this year in the beginning we have indicated that figure is at about INR 7,000 crores, as of now we have done net secuitization of about INR 5,100 crores. So, we have headroom of about INR 1,900 crores for Q4. We make sure that we do a very balanced securitization of the pool which has home loans and LAP both so that the product mix in the retail segment does not go haywire. So to say in the future what are we going to do (+/-2%) as I keep saying. We have large operations. We will maintain 10% portfolio via the direct assignment route and this just been now done on a quarter-on-quarter basis, so it is not that Q3 had some amount of securitization, so Q4 will not have, it is now business as usual. So not to worry on that count.

Nidhesh Jain: But just to understand the spread trends…?

Sanjaya Gupta: Because of IND AS, you upfront the spread for the life of the loan and add it your interest income. If that was not the case, if you want to know that figure, it is about 1.95% of the entire portfolio. You should recollect that the portfolio which will be securitized is the vintage portfolio which is at a higher sort of spread.

Nidhesh Jain: Secondly on OPEX to asset ratio, how one should look at that number?

Sanjaya Gupta: Now, this is again an impact of the IND AS and I was also grilled by my board and they have all the right and I was very well prepared. The impact is primarily because of two reasons – In IND AS, the entire ESOP valuation gets upfronted. Now that has an impact of about INR 28 crores in this financial year. And the other one is that all our direct sales team used to be a third party as of the previous year which is now sitting on a subsidiary Company. Now under IND AS, the fixed salary of these folks which are about 3,500 people cannot be amortized, only the variable component can be amortized and that has an impact for the nine months period of about INR 32crores. Now, if you summate both of them they will be about INR 60 crores. And if you minus that INR 60 crores from INR 415 crores, then you will be left with something like INR 355 crores. And if you compare INR 355 crores like-to-like with INR 270 crores, the upside of the OPEX is not 47% but it reduces to about 30%. And if you want to convert this to OPEX to ATA it will be somewhere around 58 bps, which is as good as anybody else. And also in the CIR, it will move from 21.1% to something that 17.7% if you do the same math there. So it is because of the accounting law or the regulation and the change which has brought about this increase both in OPEX as to ATA and in CIR.

Nidhesh Jain: Thirdly on the line item net gain on fair value changes which is around INR 52 crores for this quarter, so should we include that in net interest income, is it on investment portfolio that we are running and it will be very volatile QoQ?

Sanjaya Gupta: These are basically Mutual funds and liquid funds, so not to worry on it.

Moderator: Thank you. The next question is from Ronak Raichura from Asian Market Securities. Please go ahead.

Ronak Raichura: Sir, I wanted to know what is your two year lagged gross NPA?

Sanjaya Gupta: Two year lagged gross NPA is an annual exercise and it is not a quarterly exercise. So if you see as on March our two year lagged NPA were at about 0.67% vis-à-vis the industry of 1.6%, and that delta spread is only increasing, and I think the same story is going to remain as of 31st March 2019.

Ronak Raichura: So you are saying that we will be much lower than the industry?

Sanjaya Gupta: Yes and that is why the operational rigor especially when there is a slowdown and I shall not be saying this but there is a liquidity sort of crunch, gate keeping and monitoring have become bigger role than what it used to be. And I am very hopeful that we will come back to a sterling two-year lagged comparison when CRISIL comes back to its annual exercise.

Ronak Raichura: Sir, the second question is got to do more with what is the outlook on the real estate segment because real estate typically is a very levered business and because of the liquidity crunch from the NBFC as well as the cost of funds rising, there will be some kind of a slowdown in the real estate segment as well?

Sanjaya Gupta: I am not so much concerned and I have been maintaining this over the last one year. On the yield curve movement because the bench rate looking at the sentiment and the inflation, the CPI, etc., I think the bench rates are going to come down, but the spread is going to increase because of the fear of credit default. Now, hence the effective rate of interests are not going to come down. What we have to be really looking very carefully is the liquidity which is the blood line of real estate per se or the build environment. That I think the regulatory authority, the government and all should be taking care of to make liquidity their priority and not the rate of interest.

Ronak Raichura: You just mentioned that the gateway keeping has become very important aspect of lending now. So, obviously most people are cautious and therefore are disbursing lesser. Is that so even with us?

Sanjaya Gupta: We have not disbursed lesser in comparison to Q2 of this financial year, in fact, we had 11% higher, On a 9 month basis, we are a good 13% higher than the same period of the previous year. If you remember Q3 of '17-18 was a sterling quarter for us where we have done two large LRD transactions amounting to something like INR 1,680 crores. I had told the investment community or the analyst community that, that quarter is an aberration, do not take it as business as usual. Even if you were to compare from Q3 of the previous year to Q3 of this year, we are having a positive growth. So I am not saying that because of gate keeping the disbursements, the business has turned down but the business processes or the rigors are more than in a BAU situation.

Ronak Raichura: Actually, there is no stress as such, I mean, you are saying the wholesale gross NPA is zero. Our book is very-very robust.

Sanjaya Gupta: I think the wholesale business has become a phobia and there is a fear psychosis behind it. As a person, as a veteran in the industry for the last 32-years, take my word, if wholesale credit hypothetically become zero, your retail will be first belly up than wholesale because the developers will not construct hence on the sold inventory they will not be able to raise new demand, hence the interest servicing will be jeopardized. If they do not construct, they will not be able to sell. Retail business is a rich man's hobby. Till you do not have the right mix in a large portfolio between corporate finance and retail, that is open challenge which I throw to everybody. Have large operations of this magnitude only retail and give me an ROE of +18%. First of all, reach this scale by doing only retail. Which good developer will let a lender even come inside? What is our purpose, what is our relevance in the economy? We are making the supply side more versatile. And if we do not form the supplier side so where will the demand come, it will be just inherent demand, it will never fructify.

Moderator: Thank you. Our next question is from the line of Bhaskar Basu from Jeffries. Please go ahead.

Bhaskar Basu: Just a couple of housekeeping questions, firstly on the incremental yield, could you kind of share what your incremental yields are?

Sanjaya Gupta: Incremental yields are smarter than the previous ones and as a consequence of which it is about a good positive of 10.01% for Q3 FY18-19 on the entire portfolio.

Bhaskar Basu: And if you can get a breakup.

Sanjaya Gupta: Incremental yield for HL is at 9.30%, CF is at 11.67% and NHL is 10.67% including LAP at 10.55%

Bhaskar Basu: Just to get in perspective for the current quarter obviously the quoted yield is at 10.77 has been distorted because of the assignment income. So what would be the like-to-like underlying.

Sanjaya Gupta: So, that is what I said, assignment is going to be business as usual, assignment is going to be a source of funds like deposit.

Bhaskar Basu: And also just to get a perspective of the growth, so we have the numbers for AUM, can we kind of get the growth numbers on an AUM basis for this quarter?

Sanjaya Gupta: As I keep saying my AUM will grow, we are not working in vacuum at about 1.5 to 1.75 of the industry average.

Bhaskar Basu: No, basically for this quarter, for the various segments.

Sanjaya Gupta: Well, Bhaskar, we will maintain a very-very judicious mix and we are not going to change our product mix or our segment mix at all. And we have not done it in the last 28 quarters, I do not expect that we will do it in this quarter.

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

Nishchint Chawathe: Two things, just one clarification, did you mention that your NIM which is at around reported NIM of 3.06% becomes 1.95%,

Sanjaya Gupta: No, it is not NIM, it is the spread.

Nishchint Chawathe: So the spread which is at around 2.56%, that is reported, becomes 1.95%, I think that is what you mentioned.

Sanjaya Gupta: No, that was on the incremental business, it is not that 2.56% has got 60 basis points impact of securitization, it is not that. The corresponding number is 2.27%.

Nishchint Chawathe: Sure. So had you not done the securitization you would have been 1.95% versus 2.27%, that is what you are saying?

Sanjaya Gupta: Yes, for the nine months period, correct.

Nishchint Chawathe: Sure. Just two things, wanted your commentary on what is really happening with real-estate developers? And what are you really seeing at the ground level in terms of some of the other players slowing down and how is that really affecting the business? And how are the banks responding in this environment?

Sanjaya Gupta: See, one is, totally what we are seeing is there is a change of gears amongst the developer community. So, I think we have been wishing for pan-India brands to emerge. I think within a passage of 18 to 24 months we will have about 25-30 brands across the country which will be worth sort of investing in. And the model which is going to emerge is not the development or the DM model, but is the joint development model or the JD, as we call it in our parlance, where the developers will be putting their skin in the game in the project rather than just working on revenue sharing. So, I think thanks to RERA, demonetization and tightening of the liquidity that this consolidation is becoming more and more visible. Obviously, we will have to even on the retail front and I keep saying that retail can become more dangerous because of the operational rigor. So if today I have about 177 unique corporates in my corporate finance book, I have 2 lakh unique customers in my retail book. Now, you just imagine how horribly high the rigor and the operational girth will be required if these people start behaving in a different fashion than what they have been behaving till now. So, it is I think worth a wait and that wholesale or corporate finance should continue to sort of even moderate the stress on the retail part. And as I keep saying, gate keeping has become more and more significant, it is consuming more of our time, operational robustness, digitization, enterprise system solutions, robust standard operating processes, up-skilling people, keep on modernizing technology is the way forward. Because gate keeping has become significantly more important than just risk bind or risk purchase. And we have kept away from category B and C developers, now B and C we internally classify them. And I think going ahead we will have to only focus on A category type of developers who would be emerging as the pan-India players.

Nishchint Chawathe: And on the retail side, competition in terms of some of the players slowing down, how are really private banks kind of… so basically some of the NBFCs who still continue to do well, some are slowing down, and the role of private banks at this point of time?

Sanjaya Gupta: That is the truth of life, you know it as well as I know it. And that is what I say, and you people have been asking me in various investor conferences what are your fears? And I keep repeating 3Ps, my people; my peers, I wish them all the very best; and the press.

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

Alpesh Mehta: Sir, first question is on the corporate term loan book which is of almost INR 3,600 crores. Can you just throw some light on that, please?

Sanjaya Gupta: Okay, so these are 100% secured loans. The security value or the DSCR in the credit parlance will be at least 1.5x and the repayment of these loans are through earmarked escrowed cash flows of very marquee brands, I cannot reveal the brands. And let me assure you, this is a very safe bet. The only difference between a CTL and CF is that CTL is like a working capital, it is fungible at a hold co level, not at a project SPV level. So, it is a more robust and these are basically listed and highly rated companies.

Alpesh Mehta: On the slide number #41 when we have given some details about the CTL wherein we have given the ratio of residential and commercial of 62:38, so what is that.

Sanjaya Gupta: Yes, when we say commercial these will be basically corporate houses of these marquee brands, their own offices, their commercial buildings which are occupied by marquee tenants, those type of commercial buildings.

Alpesh Mehta: And second question is on the average gearing, now we have reached almost to 9.2x, what would be the comfort level from the management in terms of regulatorily obviously you can increase significantly from here also, but just what is the ballpark range that you are looking at?

Sanjaya Gupta: Yes, basically I will maintain it at about 11x is when we start preparing for the next capital raise. And by 12x-13x we will have the capital inside the Company. Even at the IPO level we were geared at about 15x.

Alpesh Mehta: And when we talk about the gearing of 11x or 12x, 13x, do we include the off-balance sheet AUM or it is only on balance sheet?

Sanjaya Gupta: No, it is only on the portfolio on balance sheet.

Moderator: Thank you. Our next question is from the line of Mohan Pradeep who is an individual investor. Please go ahead.

Mohan Pradeep: I just wish to know regarding the stake sale process. Will this end by this financial year?

Sanjaya Gupta: See, we are not running the process, Mohan, PNB is running the process. The way they are doing it, it looks by the end of this financial year they would be done and dusted. But I cannot give you a commitment, I am not running the process.

Moderator: Thank you. Our next question is from the line of Pravesh Kochar from Blackstone. Please go ahead.

Pravesh Kochar: I just had one quick housekeeping question, the income that we have recognized on assigned loans this quarter of INR 152 crores, that corresponds to INR 2,700 crores of securitization, is that right?

Sanjaya Gupta: Its on entire INR 5,800 crores.

Pravesh Kochar: And last quarter for INR 3,100 crores we recognized INR 62 crores, so is there an increase in spreads this time or how does that work?

Sanjaya Gupta: Yes, there is so. So, you are right, INR 115 crores that belongs to this quarter assignment has got about 50% home loans and 50% retail LAP.

Pravesh Kochar: So if you could just throw some light on what is the spread we have received on these assigned loans versus last quarter?

Sanjaya Gupta: See, it is not a single transaction, these are multiple transactions with multiple buyers. And they are different segments, they are different vintages and they are different products. So, it would be very difficult to say one number.

Pravesh Kochar: And for these calculations you assume an average tenure of what, 7, 8 years?

Sanjaya Gupta: So, as I am saying it will depend on the months on book, on products and on segment, because the behavior change with product, segment and vintages.

Moderator: Thank you. Next, we have a follow-up question from the line of Ronak Raichura from Asian Market Securities. Please go ahead.

Ronak Raichura: Sir, my question is, I wanted to understand the rationale behind the restriction of the assignment to 10% of our portfolio? So, if it is ROE accretive why wouldn't we want to do more assignments?

Sanjaya Gupta: It is a self imposed sort of a restriction, like in the wholesale we keep saying that the wholesale book, plus/minus 2% will be around 20% of the total portfolio. So these are just good housekeeping questions.

Ronak Raichura: So, is there a rationale behind it?

Sanjaya Gupta: Yes, the rationale is obviously that the rating agencies also feel comfortable if you are not going berserk on your assigned pools, because then from an HTM lending institution you become a warehousing Company.

Ronak Raichura: Correct, it is like a semi-DSA.

Sanjaya Gupta: Yes, you are just an aggregator, you mature the portfolio and sell it off and you become a servicing agent. If you have worked is in the US market this is the model.

Ronak Raichura: Sir, my second question is, we are saying that we will be looking to raise further capital, we will prepare ourselves at around 11x gearing. Sir, it will impact also our borrowing capacities and our rates, because higher the leverage the lesser the banks would be willing to further lend you, right.

Sanjaya Gupta: Okay. Now, our business process reengineering only started from 2012. And in 2016 we were geared at 15x and our IPO was well received and was the best IPO of the year. And in that year we had the maximum growth also. So, if your operational robustness over the period of time has been demonstrated well, the lending institutions do not raise an eyebrow just because of the lever.

Ronak Raichura: But sir, I am just talking purely from what we are seeing from the market's perspective, because I understand it is not in your hands but PNB is trying to sell the stake and it is finding it difficult to find a buyer. So, I mean, wouldn't that be an overhang saying that okay in fact India rating has downgraded our credit rating primarily because of the weakness of PNB and also non-identification of the new buyer. So, don't you think that further will impact our pricing when we plan to go for IPO? It will, right?

Sanjaya Gupta: Okay. This was the Valentine's Day gift of 2018 to us. And you will appreciate over the last four quarters we have insulated the Company's operations from this misgiving, which is not our doing. And I do not think I am in a position to say they are not able to locate, I mean, find a buyer. The Company is at its lowest valuation and I think the way the management team has sort of again and again demonstrated manifest that the Company is very robust, strong and is a national asset, so I do not think that prophesy of yours is correct. And I can't comment any further, because as I said, I am not running the process.

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

Nidhesh Jain: Sir, last time when we spoke you had indicated that in the corporate accounts around six to seven accounts are where you feel there is some sort of stress or some sort of delay in payment. How is the situation right now in terms of number of accounts, has it changed?

Sanjaya Gupta: Yes, the number of accounts remain minus 1, one is cured and we are working on the rest. And the remaining accounts, touch-wood, by grace of God are working in a very robust and a sterling performance they are giving. So, I would say our attention towards regularizing or curing these four, five accounts now has not gone enlarged over the last quarter.

Nidhesh Jain: And secondly on the fixed deposit there has been quite a good traction in this quarter, what percentage of these deposits have come from online fixed deposit channel?

Sanjaya Gupta: See, online we were doing fantastically well. And let me tell you, IBM this month is going to have an award ceremony in the Silicon Valley in SF and this is an application which is getting an award because this is one of the finest applications which have been developed in partnership with IBM. Now, unfortunately the Supreme Court ruled against e-KYC on the liability side and hence it had to be withdrawn. So, as of now the online deposit application is not live, we have withdrawn it.

Moderator: Thank you. Our next question is from the line of Sanjay Kular from Infopile India. Please go ahead.

Sanjay Kular: My questions are on the two sides, one is on NIM is a little bit under pressure for the nine months, even vis-à-vis peers it has been quite low. Would you like to give some outlook on that going forward? And secondly, what is our PPOP profits?

Sanjaya Gupta: I will take first the NIM question and then you can repeat the second part of it. See, The gross NIM is at 326 which is very steady state, the net-NIM is at about 285. And that has got compressed because of two reasons, one is obviously the lever which has gone up by about 200 basis points. And the second thing is that we are carrying excess liquidity of about INR 6,000 crores and that is an inventory holding cost which gets reflected in the NIMs. So, I do not think that there would be further compression. And not to worry, because it was very important for us to maintain business as usual and not slowdown operations even for a day for a rupee. And that was our promise of the leadership team to our teams on the ground. And we honored it like every other time whenever we come across challenging situations. Because in a lending sort of a scenario you should be more bothered about spreads rather than NIM, because then you have the gross NIM which has the fee income part and net off, COA, etc. And if that is positive of 300 basis points and all and you are able to control your OPEX, then it is a safe bet that your ROTA will be anywhere positive of 1.5% and if you are levered well you can be returning the equity shareholders 18%-19%.

Sanjay Kular: Okay. Sir, other question is on the pre-provision profits, how much is that for this current quarter vis-à-vis last quarter?

Sanjaya Gupta: Pre-provision, we do not work, because provisioning is part of our life. I mean, in lending institution you do not work on EBITDA concept at all. Because in a lending institution you will have to have provisions, so we do not even look at it as a line item because if we are lending we have to have provisions.

Moderator: Thank you very much. That was the last question in queue. I would now like to hand the conference over to Ms. Deepika Gupta Padhi for closing comments.

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

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