"PNB Housing Finance Limited Q3 & 9M FY'22 Earnings Conference Call"

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Participants from PNB Housing Finance:

Mr. Hardayal Prasad	Managing Director & Chief Executive Officer
Mr. Kapish Jain	Chief Financial Officer
Mr. Sanjay Jain	Company Secretary and Head Compliance
Mr. Pankaj Jain	Business Head – Retail
Mr. Jatul Anand	Credit Head – Retail
Mr. Neeraj Manchanda	Chief Risk Officer
Mr. Saurabh Suri	Head- Remedial Management Group
Ms. Deepika Gupta Padhi	Head - Investor Relations

Moderator: Ladies and gentlemen, good day, and welcome to Q3 & 9M FY'22 Earnings Conference Call of PNB Housing Finance Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Deepika Gupta Padhi. Thank you and over to you ma'am.

Deepika Gupta Padhi: Thank you, Neerav. Good evening and welcome everyone. We are here to discuss PNB Housing Finance Q3 and 9M FY'21-22 Results. You must have seen our business and financial numbers in the presentation and the press release shared with the Indian stock exchanges and also available on our website, www.pnbhousing.com.

With me we have our entire management team across verticals sitting over here, led by Mr. Hardayal Prasad -- Managing Director and CEO. We will begin this call with the Performance Update by the Managing Director and CEO followed by an interactive Q&A session.

Please note, this call may contain forward-looking statements which exemplify our judgment and future expectations concerning the development of our business. These forward-looking statements involve risks and uncertainties that may cause actual developments and results to differ materially from our expectations. PNB Housing Finance undertakes no obligation to publicly revise any forward-looking statement to reflect future events or circumstances. A detailed disclaimer is on Slide #36 of the investor presentation.

With that, I will now hand over the call to Mr. Hardayal Prasad. Over to you, sir.

Hardayal Prasad: Thank you, Deepika. Good evening, everyone and welcome to our Q3 & 9M FY'22 Results. On behalf of the Company, I extend a very warm welcome to all of you.

Before I share business and financial update, let me give you an update on the transformation project, that is Project IGNITE that the Company embarked upon in last financial year. Phase-II of the project i.e. design and implementation started and is within timelines. The key structural initiative identified are:

- Focus on high yielding affordable housing Unnati business in tier 2 and tier 3 geographies. We have already opened 13 Unnati locations during the quarter and 25 new locations will be operationalized by March '22.
- Enhance our core capabilities of serving self-employed segment by creating new models backed by advanced analytics.
- Create differentiators to remain competitive in salaried segment through automated decisioning.

- Improve collections and recovery by leveraging digitization and building advanced analytics. We have undertaken multiple interventions to reduce forward flows in the collections.
- Enhance productivity and right size infrastructure through various initiatives undertaken.

Let me now share Business and Financial Update. The Company disbursed INR 7,548 crores in 9M FY'22 as compared to INR 6,342 crores in 9M FY'21, registering a growth of 19% YoY. The loan disbursed during the quarter are INR 2,828 crores with 97% towards retail segment. The loan asset is at INR 56,798 crores as on 31st December '21 as compared to INR 64,584 crores as on 31st December 2020 and INR 59,283 crores as on 30th September '21 The retail loans are at INR 49,036 crores, which is almost at par to loans as on 30th September 2021. The corporate loans are at INR 7,761 crores, registering a decline of 22% quarter-on-quarter. As per our stated intention, this includes the sell-down/ accelerated payments of INR 1,080 crores in corporate book in Q3 FY'22. Since March '19, the corporate book has degrown by 57% in absolute terms and it's currently at 12% of AUM of the Company. This is exactly as per the announcement that we have been continuously making since 2019 when it was decided that we are not going to do new corporate loans.

Our affordable segment which is Unnati is at INR 3,089 crores of AUM as on 31st December '21. We have opened 13 Unnati locations to increase our presence and enhance business in this segment.

The gross NPA of the Company stood at INR 4,340 crores. This includes gross NPA of INR 829 crores which is less than 90% DPD but included on account of asset classification norms as per RBI notification dated 12th November 2021. Gross NPA excluding asset classification norms as per RBI notification is INR 3,511 crores as on 31st December, which is at similar levels compared to 30th September 2021, actually it is the same number. The net NPAs as on 31st December 2021 stood at 4.87 %. The adjusted net NPA without considering INR 829 crores, which is less than 90 DPD, would have been 3.6%. The total provision to total assets is at 4.4%. The retail GNPA stood at INR 2,431 crores including INR 829 crores added on account of asset classification norms as per RBI notification. The corporate book GNPA stood at INR 1908 crores as on 31st December '21 on a depleting book, which further reduced by 22% quarter-on-quarter in December 2021.

The retail collection efficiency for Q3 FY'22 stood at 98.5% as compared to 98.3% in Q2 FY'22.

On the liabilities, the incremental cost of borrowing stood at 5.75% for the quarter. The average cost of borrowings declined by 62 basis points to 7.36% as on 31st December 2021, as compared to 7.98% same time last year. The Company has maintained liquidity of over 5,000 crores as on 31st December '21. The Company is comfortably capitalized with CRAR at 21.6% and tier one at 18.9%. Leverage has come down to 5.57x as on 31st December '21 with reduced share of corporate book.

With this, I would like to open the floor for questions and answers. We have the entire management team, the CFO, the CRO, the head of the business, the head of the underwriting, the HR head, the IT team and the transformation head, all heads are sitting over here and we welcome any questions that you have, and we'll be more than happy to answer them. Thank you very much.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Rikin Shah from Credit Suisse. Please go ahead.

Rikin Shah: I have four questions. First one was on the disbursements. So, while we have been flagging that the corporate book could be running down over a period of time, but even in this quarter, the retail disbursements also fell 4% QoQ. So, when we are seeing strong growth by some of the peers, what explains the sequential contraction in the retail disbursements? Second one was on asset quality. The INR 829 crores impact from the RBI circular, was it largely only due to the upgradation norms or was there also some impact from the daily stamping of the loans? And if yes, then what would be the break up between the two? Third one is on the margins. You do highlight that net income reversal of INR 79 crores. As explained in the last quarter, it was partly due to the BT outs. So, just wanted to get a sense of what was balance transfer out this quarter and how is our interest rate differential vis-à-vis competitors, do you see the BT outs kind of slowing down going forward? And lastly, there was some notification that Kapish would have resigned. So, just wanted a clarification on that as well.

Pankaj Jain: Yes, so on the disbursement front the fresh retail disbursal for Q3 were INR 7,217 crores which has registered a growth of 18% year-on-year. Having said that we are also operating in very rate sensitive markets and due to the lower rates offered by the PSUs and some of the larger players, we did have an impact in our business, but still we have managed to have a growth of 18% so far. Considering whatever steps that we have taken, we expect the growth in the Q4 financial year '22 and the disbursement to be in the line with Q4 of financial year '21, and that's how we will register growth for this financial year as well.

Hardayal Prasad: In terms of the disbursements, home loan remains absolutely flat, I mean, we will start growing now, because of the interest rate differential and other issues that were there. However, on the non-home loan, the interest rates have come down significantly by most of the players. And as an HFC obviously with whatever issues we have, these are some things that we are working on. On the NHL, we had along with the corporate book exited the high value NHL which was very significant and which was one of the businesses that the Company used to do continuously. Now all those things have impacted to some extent the overall disbursement. The Company is re-looking at how it will like to reposition. One is on the affordable, the affordable will not give you a major amount of the kind of growth that you have seen in this Company. However, we are open to look at all options so that we continue to have the focus on the Unnati business that is there which is which is stated proposition of our Company and also see that the existing book that we have how do we actually continue to grow. In terms of the asset quality and upgradation, I think the CRO will take you through.

Neeraj Manchanda: On INR 829 crores, which is impact of November '12 circular and it is the upgradation, most of the accounts were in stage-II only which has been transferred to stage-III in retail portfolio only.

Rikin Shah: And any impact on the daily tagging on this?

Neeraj Manchanda: It's the impact of both. November '12 circular talks about daily tagging and the upgradation both.

Hardayal Prasad: From 12th November the daily tagging has started, the daily stamping will take place of the account based on that these numbers have come. We have just given you the breakup of the numbers where this 829 crores stands. I think that's more important.

Neeraj Manchanda: So, of this 829 crores, 40 crores is in stage-I and the rest in stage-II, but they are marked as NPA, on DPD basis.

Hardayal Prasad: Let me actually respond about Kapish. Kapish has been with the Company for almost four years and he has made immense contribution in terms of the way the Company has shaped and massive value addition that he has done in terms of bringing down the cost of operations, in bringing a completely new way in which the finance department would look at, work upon it, whether it is cost, whether it is revenues, whether it is securitization, there's a huge amount of effort that has been put in. But as anybody would like to look at the career, he has decided to move on and look for good opportunities and the Company also was offering him very good opportunities, but based on his personal preferences and choices, he has decided to move on. The Company has decided and it has gone ahead for the replacement to be hired as quickly as possible. And Kapish is sitting here also.

Pankaj Jain: Another part of the question was about the BT out. Yes, we had about 18% of BT out that we have witnessed so far which has impacted the margins as well.

Rikin Shah: Just as a clarification on the asset classification. I do see that the provision coverage has also come down because of this technical change. In terms of the outlook going ahead, is this the kind of provision coverage that you would feel comfortable running with or you would look to kind of shore it up again over a period of time? And secondly, the net NPA is also around 4.8% if I recall correctly. While the RBI requirement is 6%, but is there any soft requirement to bring it down below 4%?

Neeraj Manchanda: See, in terms of the provision coverage, if we look at the number of stage-III coverage, it looks to be 43% in September, and now it is around 36% in December. So, it is because of the technical write-off. Today overall coverage ratio, if I look at segment wise and other component wise, there is no significant change and the Company will always continue to maintain adequate provision, there is no relaxation in that as a policy also. And in terms of net NPA, see, it's 829 crores impact which is coming there and we are maintaining all the provisions as per the behavioral model of the IndAS. The provisions are very much sufficient.

Kapish Jain: 4.8 is a number that you are seeing, it was 3.2 in September, it is 4.8 because we are considering INR 829 crore, as in the NPA bucket they are not 90-plus. So, the numbers have always been there. So, you should not compare it to go to 4.8. If I just connect it what MD mentioned in the opening statement as well that this 3.2 has moved to 3.6 which means that there has actually been no change in the net NPA number, it is more because the book has depleted, the net NPA percentage has gone up on a lower denominator. So, therefore, the net NPA actually is 3.6. Yes, it is 4.8 because of the new norm that has come in. We will be working to see how we can get ourselves aligned to the new normal which is there on the daily marking basis and get this 829 at a low threshold. So, that that number overall looks lesser, but honestly speaking you should consider it a 3.6 on a comparative basis.

Hardayal Prasad: Let me actually say that when we are comparing these numbers, it's not apples and apples that we are comparing it. I can go back and actually say that in September, March '21 what was the number based on the Reserve Bank of India definition. We are not comparing. That was a totally different definition that was there.

Rikin Shah: My question really was not to make the sequential comparison, but how does RBI look at net NPA and whether there is any soft requirement to bring the net NPA below 4%, because that has been the case with some other NBFCs, so no comparison here really?

Kapish Jain: So, the PCR regulations talks about 6% and the PCR regulations are currently not applicable to HFC, they are for NBFCs which is clearly mentioned in those regulations, that's not for HFC. So, there's no soft regulation which is talking about any lower number than 6%. And we would like to honestly keep it around for and less than that.**Hardayal Prasad:** All our efforts will be made to actually pull back as much as possible. I cannot give you the number straight away. But efforts are made in the last about 20 days because it's a completely new norm that is we're looking at it, the new way and the stamping that is taking place, the NBFCs and HFCs were not prepared for it. I can tell you that if I look at yesterday's number, which is a dynamic number now because of the daily stamping that is taking place, the number is improving and we will make all our efforts to see to it that we pull back as much as possible on month-to-month basis, by the quarter end you will see some little bit amount of improvement over there. I cannot actually give you the number right away, but yes, internally we have a number that is there and we like to work on that number.

Moderator: The next question is from the line of Aditya Doshi from Chanakya Capital. Please go ahead.

Aditya Doshi: I have few questions. First, if you can please provide some qualitative color of the corporate NPA and the resolution. Second, Unnati is currently being around average 4%, 5%-odd of our total book, and it's also our focus area and a high yield product. So, what composition do we aspire to grow over the long term or 10 years and the timeframe if you can give a guidance? Third question is since in this quarter, we just got the news of Kapish sir leaving organization. In the past like for one year, we have been seeing some large churning in middle and top level. So, is there something in particular reason for this?

Saurabh Suri: On the corporate resolution, see, we have a pool of 1,900 crores of NPA. Sequentially on a quarter-on-quarter basis it has remain the same. It's just that it looks bloated because of the run off of the book, but we are working on solving the issues. We've resolved a few accounts, I mean, in fact, there was a resolution which was there in the last quarter, which was solved in the NCLT. Similarly, we are working on a few higher value resolutions also, which will start looking up from next quarter or one quarter more. So, we have resolutions lined up for each of the assets. Only thing is that some of these assets even they will get resolved, they continue to stay in the .NPA bucket, because the resolution and the money takes time to come in, but we definitely have resolutions for each of them.

Hardayal Prasad: One very significant thing I'd like to talk. There were some accounts in the March, we had said that they are SICR. They are large account, large exposures that were there. We have been able to pull back. Yes, there will be some stresses because that portfolio has been completely segregated and we are working on it. So, one is that three accounts have been pulled back. Second is one account has actually definitely slipped into NPA. We're working with them in terms of the resolution, or we can bring in another party to do it or sell the assets in whichever way that is possible. On the Unnati front, I think Pankaj will cover that in terms of growth and everything.

Pankaj Jain: So, Unnati has remained the focus for us and it will continue to grow. As of now we are able to do 9% of the total actual business. Having said that, we have also taken some initiatives by introducing 13 new locations, which we have already started in last one and a half month or two months and business has already started from these 13 new locations. At the same time, we have also identified 50 branches across the geographies where we are present, where we have introduced Unnati specific sourcing channel from where the sourcing will increase. This has also been done recently and it will help us to increase our reach and sourcing our Unnati business in Q4 of financial year '22. We expect that the monthly disbursement numbers to cross 100 crores from immediate basis and our overall percentage of Unnati share will grow from 9% to maybe 12% to 13%, 14%, that's what we are looking at

Hardayal Prasad: In terms of the top-level changes, you know that from 2019, there were some decisions that have been taken by the Company in terms of the way the business will be done, whether it was corporate book, whether it was actually high ticket loans and all those things. So, based on that and some of the changes that have happened because of the COVID. And COVID is actually the last straw. If you look at it right from demonetization, the GST, the RERA and the ILFS crisis, there was one after another and we have seen the HFCs have been going through it. So, as part of that, yes, people did decide to move on. The MD's tenure was completed. The ED risk also decided to move on because he wanted to start something on his own. The HR head had actually applied much before all this happened, because he wanted to go back to the government, he came from the army and then he decided to move back to the government. That was one of the reasons. It was not that it was a personal choice. And then actually now Kapish has decided. I think he has put in four years. Organic and inorganic growth are essential. The Company actually relies on the internal talent also, and the Company pushes for the internal talent to take over. So, I would say that yes, one would look at it that there are some changes that are happening, but I will personally feel that so it will be very good for the Company, overall the Company is going to grow, the Company has the strength, the Company has delivered and it just a matter of time when there are a couple of fixes that the Company will do it, there will be growth that is coming up. We have also seen that there is a lot of interest that the investor community has in us when we had announced the 4,000 crores deal, there was very clear direction that that came from the investor community. And I feel that in case there are certain things that are very essential for the Company, if that takes place, there are two, three things which will very quickly take this; one is the growth trajectory that we are looking at it; the second is actually on the provisions and other aspects that one can look at it; the third is the creation of verticals that we are looking at it. All these things put together will actually help the Company in coming back and delivering on the numbers. Yes, there are challenging times for the Company, there is no second thought about it. But I am sure that with the steps that we are taking, even one feels it's a baby step. But these steps are going to create a lot of vibrancy into the organization.

Aditya Joshi: If I can add one more thing on the capital raise if you can update anything like that would be very helpful?

Hardayal Prasad: We are still actually working on it. We have not announced anything. We have not come out with anything. We're still working on the capital raise. I think everybody's aware that the capital is required by the Company. The Company is working on it. And hopefully, once we have taken some calls, we will come back to you and we will make the necessary announcement and also inform each one of you.

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

Kunal Shah: So, again on growth, earlier, we had guided for quite an aggressive disbursement target for the full year compared to that of what we had reported in FY'21. But looking at the run rate, which is there for the first nine months, obviously, seems quite away. So, now, in terms of the strategy, as we are seeing rate sensitive competition intensity, would the call be to lower the rates and grow and that could ideally lead to the margin compression, should we expect that?

Hardayal Prasad: On the rate side, if we look at last about one, one and a half years, you will find that there are six or seven times we have actually recalibrated the rates. These times for NBFCs and HFCs very difficult times because the cost of borrowings for them is slightly on the higher side and the banks because they do not have any options to lend to industry or corporates, actually we have brought down the interest rate to one of the lowest that India has ever seen. Now, that is definitely a big cause of concern. To respond to it, one is that we have also lowered down. We are further looking at it. We are calibrating every day. Now, as I told you earlier in my presentation that on the home loan side, we have at least arrested the decline that was massive decline that we were seeing it, so we have arrested it, now we'll have to maybe one other quarter we will be start showing the growth on the home loan . Now, the question comes on the NHL side. Now, NHL also these interest rates used to be about 10%, 11% if you look at some few years back, they came back to 9%. Now, some of the banks are quoting almost a similar rate as their home loan rates. That again is a cause of concern for us, we are looking at it how we can bring in because they also involve 100% risk weightages. The moment I have 100% risk weightages, I also would have to consume capital and my ability to do the retail loan goes down, retail means the home loan goes down because there it is about 33% to about 50%, that actually without a capital I may have some issue. In terms of the growth that you are looking at it, we had targeted some growth. We expect to do more than what we had done last year. Some of the reasons could be I would not ascribe all the reasons, but one of the reasons could be that we were factoring in the capital that would come in. I would not say fully but there was a little expectation that it will come and hit us by December and if it would come over there, then there was a possibility of the growth trajectory, but having said that, whatever has happened, we are re-looking at all our options in terms of the growth that we would like to. Any organization and specially our size, we continue to be a large organization would like to look at the growth opportunities every time. So, we are looking at it, we will work on it and we will see that the rate sensitive environment is also taken care of in terms of the growth opportunities that exist on the reality and the mortgage industry.

Kunal Shah: Secondly, in terms of this nature of INR 829 crores, so, should I assume that this is largely coming in from retail or there are corporate also which are getting classified in the RBI notification?

Hardayal Prasad: One is it is only retail, there is no impact on the corporate, zero impact actually, this is all retail. And out of that it was given that 790 crores of 829 is actually in stage-II, and INR 40 crores is in stage-I.

Kunal Shah: So, the only question was when we look at it, if it is primarily retail, when we look at the compensation that you give in terms of 66% of the book in stage-I, earlier, we used to have almost 75%-odd. So, there seems to be some slippage out there. No doubt we would have sold down. So, it seems like the sell down which is happening in a better rated book and what we are sitting with now okay, that seems to be the stressed book either in stage-II and stage-III because it's not there in RBI notification also. And still I don't see the coverage going up. Stage-II in fact we have reduced the coverage, okay. Particularly stage III, it's highlighted that it's because of write-off, but even on Stage-I, we had not seen any kind of an increase. So, not able to get through maybe why there is no increase in the provisioning.

Neeraj Manchanda: See, in the corporate book, in Stage-I, we have seen large exits of more than 1500, 1600 odd crore and there are two write-offs which we have done in the Stage-III of around INR 422 odd crore. Now, my Stage-III coverage for corporate book is more than 50% and there is some backward movement from Stage-II to Stage-I, which we have resolved with zero overdue, fully recovered money. And on the Stage-III there is one slippage from Stage-II to Stage-III, which is a large ticket and on that we are carrying a provision of more than 45%. So, for Stage-III or Stage-II, we are adequately covered for our corporate portfolio, with the depletion in book these numbers are looking little broader. Now, on just answering the overall question on the provisioning piece, my Stage-III coverage for retail portfolio after considering 829 crores as NPA Stage-II it is around 25%, it used to be around 26%, 27% but since this portfolio has moved from Stage-II to Stage-III, the coverage is 25% if I include the technical written-off of two accounts of 422 odd crore in the portfolio back I would be having a provisional to asset ratio of 4.90%. So, we have not reduced any provision coverage, it is going consistently by the models and we are adequately provided for.

Kunal Shah: No, sir Stage-III I understand I was just talking about Stage-I and Stage-II would it have been better if we have increase the coverage of there on Stage-I and Stage-II as well because obviously Stage-II there is a chunk of some delays as per RBI and there is some slippage or maybe there are, maybe the accretion in the corporate of almost like 200, 300 crores happening in Stage-II as well?

Neeraj Manchanda: No, it all works by the model, if we have already moved 829 crores of retail portfolio, which had an incident of NPA and the model was behaviorally marking it on a higher side, so when more slippage is coming or behavior of the residual Stage-II accounts getting reiterated then automatically the number will go up. But as of now, we don't see any further stress or any kind of further severity on those portfolios.

Kunal Shah: And there is no impairment reserves created over and above the IndAS?

Neeraj Manchanda: As per IndAS, there is no impairment reserves. it all has to be the part of your ECL provisioning only.

Kunal Shah: No, something which was required under IRAC, additional provisioning that was not rotate through impairment?

Neeraj Manchanda No, our provision under IndAS, is two, two and a half times more than probably what is under IGAAP.

Moderator: Thank you. The next question is from Sharaj Singh from Laburnum Capital. Please go ahead.

Sharaj Singh: My question is on the Unnati side, can you give us some light on the sourcing and underwriting processes being followed here for the Unnati loans?

Jatul Anand: For Unnati loans, we have categorized the loans under 35 lakhs segment for both salaried and self-employed. So, the underwriting remains for salaried again it has a few rigger points in terms of the salary credits and bank accounts, etc and largely the same as in the other than Unnati segment. The self-employed of course is a segment wherein they are less organized in terms of filing regular ITRs and having the regular bank credits, etc. So, there is a mechanism to ascertain the cash flows and cash flow-based assessment is done for the self-employed profiles and plus the field visits are done. The full-time employee visits the customers business, customers property to be purchased and the assessment is done accordingly.

Sharaj Singh: Is it the same team as a sourcing team it is doing, or the different teams?

Jatul Anand: The team is separate who has the skill sets of appraising Unnati customers, the team on both the sourcing side and the underwriting segment remains separate to appraise this kind of loan profiles.

Sharaj Singh: And so our main focus area is supposed to be the Unnati loan, but it is too small for the entire book to grow. So, what are the areas are we focusing upon to grow the entire book?

Jatul Anand: This is one of the focus areas how we call it a main focus area because as we increase the percentage 9% disbursement to 12% to 13%, 14% kind of a percentage. But the other focus area the prime home loans, which we do for salaried and non-housing loans remain in the focus and as what has already been addressed in the MDs initial address, that non-housing is a segment which clearly we will be further focused upon and we will augment more business in that space as well. So, it’s not only Unnati for per se for the organization.

Pankaj Jain: Okay. So, Unnati has just remained one of the areas that we will focus but having said that, as we have mentioned earlier also, that we are looking forward to growing Unnati only from 9% to maybe 13% to 15% of the overall IHL. So, on our primary business or Prime HL and non-HL, we will continue to have riggers on that and will continue to augment and we'll see the opportunities of growing the prime business and with Prime HL and non-HL in focus, to have a right product mix and that's where our strategies will be put in going forward?

Hardayal Prasad: There's two or three things that we have initiated, one is that we had also withdrawn from the builder financing, builder means on the retail side the builder agreement that used to have the APF what you advance processing facilities that we have with the builder, that we have reactivated it. So, that has started giving us results. The second is that once we had exited in 2019 from the NHL side, on the large tickets especially more than two crore. So, our connect with the DMA and DSAs has actually come down that's one thing that we have restarted, we have started building the connect once again because we have found our sweet spots so where we can actually deliver even on the NHL side. So, those are some of the things that once we have cleaned up a lot of stuff that was there, we have decided that we will go ahead and actually build. So, there has been a traction in this month in December and going forward there will be however, the numbers that don't reflect is the reason is, because of two things, one of them is actually the interest rates that are there and the second is also the runoff that keeps on there even if I get a customer, suddenly he is actually going ahead and shopping for another lower interest rate continuously. And with private banks and the public sector banks offering very low, almost the home loan rates, the portfolio also runs away in about three months, six months' time. So, there are challenges but we have already found our sweet spots, it is not that we have not book we still booked significant business and we will continue to look at these opportunities. So, that the growth comes up very quickly. What we have done in December especially has been very, very good in terms of the sourcing is a very, very good sourcing number, it's almost about 50% increase that we have seen over October, November. This is something that we are trying to replicate. The sourcing increases, the business mix changes, the connect actually improves, we are working on the productivity improvement. These are some of the steps that will help us in augmenting the business growth. Let me again reiterate, Unnati will remain the focus, affordable is our focus. Housing for all is a government mandate, we are part of it and we will ensure that our systems and procedures and the overall push that we have on the Unnati will be there always.

Moderator: Thank you. The next question is from the line of Subhransu Mishra from Systematix Group. Please go ahead.

Subhransu Mishra: I wanted to understand on Slide #13 where we give out AUM mix and we give out salaried, self-employed. So, what percentage of our salaried customers come from the CAT-A companies. If you can split the salaries into PHA employees, government employee, government non PHA employees, private sector employees and within private sector how many come from CAT-A, CAT-B, CAT-C kind of company what's the average income and average per for these target customers and similarly if you can spirit it for a self-employed as well, what's the average per and what's the average income for them, that's the first one. Second is what kind of budget have we estimated for the litigation or the resolutions of pending corporate loans. That's the second question sir, thanks.

Jatul Anand : On the retail as you asked the salaried, largely 30% is our CAT-A profile, which comprises of government employees plus other well-established companies, the Category B is around 45% and Cat C constitutes the balance around 25%. The **FOIR** what you asked for salaried is around 50% and close to 66-67% is the **FOIR** on self-employed.

Saurabh Suri: So, what is the question, what is exactly we are looking for, how much we are budgeting for the corporate litigations?

Subhransu Mishra: Yes, what kind of budgeting is in our budgeting exercises, what kind of expenses have we budgeted for the pending litigation for all the corporate loans?

Saurabh Suri: I can give you those numbers offline but, see whatever we are budgeting in terms of litigation,as of now, what we're doing is, we book those in the specific accounts and we've been recovering each and every penny from those specific accounts when they're exiting. When we do any kind of litigation whether it sarfaesi, or section 138, or whatever we have to do in terms of our litigation costs. As of now very few cost we are bearing ourselves and we are recovering each of them from the customer itself.

Subhransu Mishra: I have full faith that you are recovering it, that's not the question, my question is fairly simple in your budgeting exercises, what are you budgeting for the litigation costs, it's fairly simple. I have full faith in you that we'll get the money back. What is the budgeted estimate?

Hardayal Prasad: No actually, if you're looking at the cost to the account, I don't think it is significant in terms of the litigation cost that goes in because what do you do, you can actually issue SARFAESI notices, loan recall notices, if it is an NCLT you will go and actually invoke, either you will go sit with the committee of creditors or you are actually going to invoke the personal guarantees. All this actually is not a significant cost that goes on the litigation part. If that is I don't know whether I've been able to answer your question. But if you are looking at the cost to the account, I don't think that there is any budgeting also that is done for that. Or it is that, what is the cost but I can actually offline handle it with you. And we can work on it then tell you that what exactly could be the litigation cost.

Saurabh Suri: We will give you that number, it's not very significant number let me tell you. With respect to NCLT cost, wherever we have NCLT those are part of CIRP cost, which is as per law first met out by the resolution applicant, comes back very, very quickly first when the resolution happens. So, as of now we just had one NCLT case for us. So, where we recover that money, we'll give you that number offline. It's not a very significant one.

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

Abhijit Tibrewal: Sir, I understand last two years and have been really difficult and I have complete empathy for you and your team. But sir, maybe I'm kind of repeating the question again, what some of the earlier participants have asked, finding it difficult to understand what is our core positioning right now because at some point in time, maybe we thought that we kind of want to change our target customer segments, we really want to be growing in the Unnati segment and we share sometime back that out of the total IHL, individual housing book, we are kind of looking to grow Unnati to about 13% to 15%. So, what I'm trying to understand is, understandably the banks have been very aggressive. But when we look at this entire housing finance companies landscape, there are customers who are ready to take loans at the entire spectrum, you have customer seeking loans at 6.5%, right up till 14%, 15%, 16%. You have housing finance companies doing that and then to get defensive and say that PSUs have been aggressive, so I understand the aggression is much, much higher in the last let's say 18 months. But, that aggression has always been there. So, if you were to just defend ourselves by saying that we are kind of waiting for this aggression to come down, then I don't know certainly what is kind of lacking here, because our cost of boarding are really not going to come down materially from here. So, what is it that we are doing and when you sir guide that after, let's say we will start growing now, by when do you kind of expect your disbursements to kind of start outpacing the runoff that you've seen in the book, that's my question one. But two more data keeping questions, the one is on this 829 crores that you've classified under Stage-III, but what you're suggesting is because of RBI guidelines, and is under Stage-I and Stage-II respectively. Just wanted to understand what is the time horizon that we are taking, is it this exercise that you've done of classifying these accounts into Stage-III, is it a prospective exercise or a retrospective exercise. Have you classified accounts since 1st April onwards, that are NPA or these are accounts which could have such NPAs at even two, three years back, but are less than 90 DPD now, so you're now classifying it under stage three which is GNPA. And sir lastly, a lot of the housing financial now have started talking about that the book whatever we have restructured are now coming up for repayments, in other words, the repayments are starting now. So, what has your collection efficiency experience been in that 4%, 4.5% of the book that you have restructured?

Neeraj Manchanda: Okay. So, to answer your second question whether this has been implemented retrospectively or prospectively so, after the 12th November circular, we have implemented it prospectively. So, from the 12th November any account which was in NPA, not covering the over dues fully that contributes to be NPA and any account which was on 12th November was standard becoming NPA, but still not getting fully recovered that is also being treated as NPA. So, we have not implemented before 12th November kind of thing. On the restructuring piece.

Abhijit Tibrewal: If I understood right, you said you have done it on the prospective basis from 12th November onwards.

Neeraj Manchanda: Absolutely, because the circular was very clear, it is from immediate impact on the 12th November whatever the position is as on that date. Now, on the restructuring book, I will give you some numbers also. So, in this we have implemented/ executed restructuring on 85 crore incremental assets. So, it is 2146 crore retail restructuring what we have done, around 40% odd of customers have started repaying us and we see a good traction, but there are some risk also coming up. So, around 10% to 11% of that book is moving towards Stage-III, in delinquency actually.

Hardayal Prasad: So, one is actually I don't know why this doubt is coming to your mind in terms of the Reserve Bank of India, their instructions are very, very clear how it came and we have actually implemented it exactly as what it is written over there. So, one is that there should not be any doubt that whether it has been done this way 31st December, it has been done as per the instruction, they said that 12th November please start doing it, we have started doing it and we have categorized it, there were discussions the NBFCs will show it maybe as NPA, Reserve Bank of India has said you have to show it as NPA. But you could have shown it in Stage-II, Stage-I depending on what it is, we decided that we are going to keep it because Reserve Bank of India says this is an NPA. In terms of business positioning and other thing, there were some decisions that were taken in 2019 that we will not do certain type of business. So, obviously, once you have stopped doing the business there are linkages and relationships, which are there with the builders and others. So, it does take some time for the company to actually come back and start doing it. We are very clear on two things, we will remain in the prime business that we do, we will not do some large tickets that we were doing earlier. We will build our portfolio on the, you look at any of these affordable housing, it doesn't come up in one day, it takes some time to build it. So, we are building it, our focus remains. So, there is no ambiguity in terms of what we will do. We will do prime business, we will do affordable business, this is what the company will do it.

Abhijit Tibrewal: Sure, sir please don't get me wrong sir. I kind of strongly believe that PNB Housing is a great franchise and just a matter of time before you get your mojo back.

Moderator: Thank you. The next question is from the line of Sameer Bhise from JM Financial Services. Please go ahead.

Sameer Bhise: Have you shared the yield on the Unnati book as of now?

Deepika Gupta Padhi: The incremental ROI for Unnati for the Q3 FY22 is 11.26%.

Sameer Bhise: Okay. And secondly, just one question on this whole 829 crore. Is it fair to assume that large part of it was due to the daily stamping, or was it otherwise, the upgrade related issue, the over dues were not fully covered?

Neeraj Manchanda: It's both.

Moderator: Thank you. The next question is from line of Gautami Desai from Chanakya Capital. Please go ahead.

Gautami Desai: A similar question, but I'll put it in a different way. So, when you say that certain decisions were taken in 2019 by the company, so I guess company is shareholders. So, I can talk about myself and several others that I know of the secondary market investors, even that point of time we did not have as bigger problem on the company investing in the corporate book, as much as probably the private equity investor had. So, that is point number one, in 2019 there was some overreaction on the corporate book, that this is going to happen and that is going to happen and which actually did not happen, the portfolio turned out to be much better than what was expected at that point of time. In fact, I feel the quality of the portfolio was not much different] than say one of the most reputed housing companies, but only difference was that housing company kept growing, whereas we did not. So, the NPA percentage ballooned. Had we continued to grow, this would have been a part of the business. So, are there any kinds of learning over the past, and then you keep saying that we have competition, we have interest rates problems and all that, so that is a part of business model. The business model doesn't support, that kind of a growth and that kind of interest rates and I'm sure there are some learning's and visiting and revisiting of what we thought two years back and somebody like Pankaj Jain who has been so proficient on the western side, on the corporate loan book side now he being at the helm, I'm surprised that the company is not thinking of revisiting what they had decided in 2019?

Hardayal Prasad: It's presumptuous to say that the company is not thinking, the company continuously recalibrates and the company thinks about what it is. In last about half an hour we have said that we have been recalibrating and we are thinking, when I said on the DMA, DSA we very clearly said that we are revisiting that. And we are re-looking at that business model. In terms of what we were doing on the NHL side, we are relooking at what we are going to do, we are building back the whole stock that is required to have. In terms of the corporate, there are multiple things. You know what RERA had done it, whether the projects were there, projects were not there the company actually segregated the two portfolios very clearly, and said that this is under the remedial management group. The remedial management accounts were accounts which was stressed, with more financial disciplines being exerted, it becomes essential that actually we also see that the accounts are maintained properly on time. There is a financial discipline in terms of the repayment, in terms of project completion, in terms of whatever it is. I think those are some of the things at that stage or even subsequently when the reviews have been taking place that this portfolio has been kept separated. If you ask me that what are the security coverages, what are other things, well I have about 1.96 coverage that is there for the remedial management groups also. I have 2.5 coverage for the other portfolio. So, as far as the coverage is concerned I **do it**, but the coverage doesn't help you in actually taking forward things. There are lot of other imponderables that continue to remain on the book. Some of them will remain, some of them you are working on it and some of them you will actually come out of it. I think Saurabh, if you can actually talk a little bit about the corporate book that she is asking.

Saurabh Suri: So, what happened in 2019 there was a number of factors which affected the micro market and it was not just mainly housing that decided to recede out of this business for a time being if I would say, lot of other NBFCs and HFCs also receded because there were micro market changes which were happening. There were issues at ground in terms of prolonged slump in the real estate market and that is why it was very essential at that point in time to concentrate on the existing portfolio on the existing portfolio on the existing projects which we had underwritten. So, make sure that this see light of the day and we get recoveries out of that. We are good at building that part of the book and we will build it at the right time that is most important. We have to get back to this business only when we see the green shoots of recovery in that business, when we know what is our new target segment after whatever issues has happened in the market, lot of developers which were even good developers in certain micro market faced issues. Now like you know the developers have started to deleverage themselves, sales are improving, we are relooking at it. But at that point in time and till now it was a very conscious decision to make sure that we are completing our existing assets, we are not taking unnecessary risks, because obviously lot of peers of us did get affected because of it and we make sure that our capital is not getting blocked neither our projects are majorly getting stopped.

Deepika Gupta Padhi: Just to add, so as you mentioned about the corporate book, at that point of time there was some decision taken, but now we are at 12% of AUM on the corporate book. We are relooking at few things which MD also talked about and I think we will keep on updating on that front as well. But then as of now, we are looking at all these various avenues where we were performing and how we can go about it in the coming time.

Hardayal Prasad: Very fact that Pankaj did so well on the West is the reason that we elevated him and we said that if he is going to head the business front, I am sure that there is lot of energy that he is going to bring into the system. The experience that he has both on the retail and the corporate side, that is going to help the organization move forward fast and at some stage we will take that call in terms of whether corporate is to be done or not to be done, it is something that you actually wanted to know.

Gautami Desai: I really hope so. So, the organization takes advantage of Pankaj Jain's expertise and the way the environment has changed in favor of real estate, I think it's very good opportunity for the company to restore its glory. Thank you so much.

Moderator: Thank you. The next question is from the line of Aditya Jain from Citi Group. Please go ahead.

Aditya Jain: Just a quick question on the BT out. I think you mentioned 18% in the beginning of the call. So, could you tell what was the level of this just to put context around it, what was this in the last quarter and what was say a normal pre-COVID sort of level?

Pankaj Jain: Actually, the BT out percentages have remained similar more or less percentage is here or there. But having said that we are also taking lot of efforts on the retention part and we are building a core task force also behind that. So, going forward we will ensure that the BT out will see the reduction and our attrition will also. We have demonstrated on attrition front as well. Our overall attrition on the IHL have really reduced and we have arrested that. So, what remains is the non-HL part where we are working very hard and we have a taskforce which we have already been set up across all branches, all regions and every other locations wherever we are and we are focusing on that.

Aditya Jain: Sir, pre-COVID, just as roughly…

Pankaj Jain: It has remained between 15% to 18%.

Moderator: Thank you. The next question is from the line of Ajay Chaudhary, an Individual Investor. Please go ahead.

Ajay Chaudhary: I am retail investor and actually I would like to know what is going to be your biggest focus in the next 12 months and the next question is, given that the Bank is profitable, do you have any plans to start paying dividends in the near future?

Pankaj Jain: Sir, growth is the biggest focus that we are looking forward to our growth in the AUM. So, we have seen degrowth in last 8-9 quarters, we have already worked on that. So, the arrest has already happened on the retail side to larger extent and on corporate side also whatever our plan that was there, we have met that plan and going forward from last month onwards we have seen the growth happening, growth coming in and the quarter 4 we will see the arrest completely happening and the growth will start coming in from this particular quarter. So, that is the largest focus on that and secondly we are also improving on the asset quality. These are the two important focus areas which will continue to be there for the organization.

Ajay Chaudhary: My second question was do you have any plans to start paying dividend?

Kapish Jain: Dividend is not a very efficient way to reward shareholders, because dividend inculcates dividend distribution tax and at the end of the day the shareholder also has to pay tax because it is not like a tax efficient for you as well. If a shareholder is being paid dividend he still has to pay tax, those norms have also changed. So, rather having a dividend leakage and a tax leakage at both ends, for a firm like us we would need to grow and you need capital to be preserved to support our growth, we would like to use the capital in a more efficient manner at least for the foreseeable time and as we grow further and have more capital buffer being built-in, o we might look into paying for dividend in future years. But today it doesn't really make too much of sense both for the company and for the shareholder to look for dividend.

Ajay Chaudhary: Well, I kind of don't agree with you. Even though we have to pay taxes, it is better to have income. So, let us keep that aside. So, what I heard from you is that you need a lot of cash to grow, right?

Kapish Jain: Yes, we need capital to grow. You know that the firm has been looking to raise capital. We have now corrected our gearing further and got it around to about 5.6x. So, therefore now we see that there is an opportunity for us to push our paddle for growth and for that we need capital. As we grow and as we get more business coming in, you will see value coming in into the share price which will more than compensate for any dividend that one would expect for and that is our endeavor.

Moderator: Thank you very much. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Ms. Deepika Gupta Padhi for closing comments.

Deepika Gupta Padhi: Thank you everyone for joining us on the call. If you have any questions unanswered please feel free to get in touch with investor relations. The transcript and the audio of this call will be uploaded on our website which is 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. You may now disconnect your lines. Thank you.