Ref: PNBHFL/SE/EQ/FY24/22
Date: May 23, 2023

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

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

Dear Sir(s),

Sub: Transcript of Earnings Conference Call held on May 18, 2023

In continuation of our letter dated May 18, 2023 and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, please find attached the transcript in respect to the earnings call held on May 18, 2023 on Audited Financial Results (Standalone and Consolidated) of the Company for the Quarter and Financial Year ended March 31, 2023.

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

This is for your information and records.

Thanking You,

For PNB Housing Finance Limited

Sanjay Jain

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

"PNB Housing Finance Limited's Q4 & FY 2022-23 Earnings Conference Call"

May 18, 2023

MANAGEMENT SPEAKERS:

Mr. Girish Kousgi	MD & CEO
Mr. Vinay Gupta	CFO
Mr. Neeraj Manchanda	Chief Risk Officer
Ms. Deepika Gupta Padhi	Head Investor Relations & Treasury

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 & FY'22-23 Earnings Conference Call of PNB Housing Finance Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

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

Deepika Gupta Padhi: Thank you Faizan. Good evening and welcome everyone. We are here to discuss PNB Housing Finance Q4 & FY'22-23 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.

With me, we have our entire management team across verticals, led by Mr. Girish Kousgi – our Managing Director & CEO of PNB Housing Finance.

We will begin this call with the "Performance Update" by the MD and CEO along with the financial performance by our CFO – Mr. Vinay Gupta 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 statements to reflect future events or circumstances. A detailed disclaimer is on Slide #29 of the Investor Presentation.

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

Girish Kousgi: Good evening to all the investors. Happy to share we had an eventful Quarter 4 and the whole year was pretty good compared to last year. Broadly, I'll be covering on the growth, especially on the Prime, then asset quality on the Retail side, Corporate book and performance both on A) in terms of resolution and B) also in terms of GNPA and net NPA, capital raise and Affordable business which we have started recently.

In terms of growth, very clearly there was a growth in Retail side on both disbursements and book. If you look at disbursements over the last year, we have grown by 36% on the Retail side and book growth was 10%. So, Q4 FY23 disbursement was all-time high in the last 14 quarters.

On the GNPA side, if you have to look at the last quarter, the GNPA on Retail was 2.86% as on Q3FY23 and as of Q4 FY23 it is 2.57%. Net NPA was 1.96% last quarter and Q4 FY23 was 1.74%. So, very clearly we can see that growth is back. Disbursement even sequentially there was a growth of about 33% that is Q4FY23 over Q3FY23. And sequential book growth is 4.4% on Retail. So, very clearly growth is back both on disbursements and book and also in terms of asset quality, both GNPA and net NPA has come down.

We had one of the best quarters for delinquency in the last 14 quarters. So, it was all time best in the last 14 quarters for both business as well as asset quality.

If we have to look at the Corporate side, as I had indicated earlier, we are degrowing the book. We are working on a resolution. There has been a significant resolution what you have done in the last few quarters and if you look at the book as of Q4 end, it is around Rs.3800 crore. The same number last year was Rs.7,375 crore, so the book has degrown by 48.5%. In terms of sequentially, the book has degrown by 23% and that was as per our plan. In terms of NPA, last year the NPA was Rs.2,738 crores and this year Rs.846 crores so there have been a 69% drop in GNPA and compared to 31st December 2023, GNPA was Rs.1,307 crores and now it is Rs.846 crores. In terms of percentage, it looks high, which is at 22.25% GNPA and net NPA is 18.24%, but this Rs.846 crores is only two accounts and out of Rs.846 crores there is a one account which accounts to 92% of GNPA. This account is backed by one of the leading developers. To that extent, more or less GNPA side we are sorted. We are still working on a resolution.

If you look at the overall book, disbursement had grown by 33% yoy and book growth was 2.4% yoy in FY23, this is both Corporate and Retail put together.

As you are aware, we have been talking about moving to the Prime segment. Earlier, we were focusing on Super Prime so now we have shifted and we have changed the segment, so therefore there will be lift in yield which will improve the profitability and our focus has been to have an ideal mix of more skewed towards Salaried then self-employed. The ideal mix is 70:30, so we see there has been a lot of traction in terms of moving towards sourcing more Salaried.

In terms of Product, our focus is going to be more on Home vis-à-vis compared to non-Home. So, incrementally we are trying to get this mix so it will take some time. Eventually, we would want to get there where a focus on Home is more. So, in the mix we'll be skewed more towards Home vis-à-vis compared to non-Home. In terms of profile, more salaried compared to self-employed and self-employed- non-professional.

We started Affordable business in Q4FY23. We did about Rs.137 crores of disbursement. It was just the start so I think it will gain traction from this quarter onwards. We have 82 branches, which are now completely operational. These are dedicated Affordable branches and we will see a good contribution coming in from Affordable in the overall Retail segment.

As you are aware, we were able to raise capital recently to the tune of Rs.2,494 crores. Now this capital will be used for growth. Basically, this is growth capital.

I'm sure you have seen the numbers. I would request Vinay to take you through the "Financial Performance" and then we can get into the Q&A.

Vinay Gupta: Good evening all. I will cover the "Financial Performance" for the quarter and full year ended FY22-23.

First of all, with respect to Q4 FY23:

Overall that PAT that was delivered is Rs.279 crores, which is a growth of 65% year-on-year and 4% on a quarter-on-quarter basis. Net interest income improved 57% year-on-year, though there is a decline of 19% quarter-on-quarter. However, there was a one-off in Q3 under the securitization income due to margin true-up on account of increase in yield. Excluding that NII declined by 6% quarter-on-quarter.

Pre-provision operating profit improved 32% year-on-year and operating expenditure increased 23% year-on-year. The spread on loans as of Q4 is 2.65%, there is a decline on a sequential basis, however, again there was one-off under the securitization in Q3. Excluding that it is more or less comparable from what we have seen in Q3.

The company has also increased its lending rates by 30 basis points at the end of March, the impact of that will come in the first quarter of next financial year, which will help us in offsetting some of this decline. NIM stood at 3.74% and gross margin stood at 3.83% for the quarter.

Similarly, on a full-year basis, we have delivered a PAT of Rs 1,046 crores versus Rs.836 crores in the same period last year. This is a 25% growth year-on-year. On a full year basis, the spread on loans is 2.8%, NIM is 3.7%, gross margin is 4.1% and ROA is 1.6%.

The leverage that we have closed as of March'23 is 4.9x and our ROE is 9.98% as compared to 8.9% in FY22.

This is the brief on the Financial Performance. Now we open it up for the Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Samip Bhansali from Tata Mutual Fund. Please go ahead.

Samip Bhansali: Yes, I would like to know what is the status on the restructured book as on March '23 and how much is the provision that we are holding against the restructured book?

Neeraj Manchanda: As on 31st March 2023, we are having a restructured book of Rs.1,870 crore. And we are carrying the provision of around 12% to 13% in our book.

Samip Bhansali: These are primarily your wholesale assets, right?

Neeraj Manchanda: No. These are COVID restructured retail accounts and many of those accounts have already started making the payment, they've gone back to the paying stream.

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

Onkar Ghugardare: With the capital raise just finished, where are the growth opportunities you are seeing and how you will be deploying that capital?

Girish Kousgi: So, basically, capital what we have raised is for growth, we see a lot of opportunity both on Prime and Affordable. Prime is business what we've been doing for a long time and in Prime what you have done because of 2-3 reasons we want to move segment – One is from Super Prime to Prime. That is because we used to have a lot of stress in terms of customer attrition. Therefore, we are now in the process of moving from Super Prime to Prime and in Prime we see a lot of opportunity not just in terms of growth, but also in terms of building book at a higher yield number one. Number 2, we have just started Affordable Housing so there we see a lot of opportunities which will help us to build book at a much higher yield than Prime. So, the yield what we are looking at Affordable is about (12%+) and on Prime the average yield is about (10%+), so there there's a very clear difference of about 2% between Prime and Affordable. We see opportunity in both. In terms of geography, we see very good opportunity in the South both for Prime and Affordable and certain markets in the North and whole of West. So, in terms of geography, in terms of segments, and in terms of products, we see a great opportunity. And today, if you see probably PNB Housing is the only Company which has two different verticals – one for Prime and one for Affordable. So, we have dedicated branches for these two – Prime and Affordable dedicated team and the customer segmentation is different. So, we see a lot of opportunity and this capital will be used for growing business.

Onkar Ghugardare: I was asking about what kind of what kind of disbursement growth you are looking out for say next 2-3 years since you have recently ventured into Affordable as well and another thing is on ROE and ROA front, what's your target on this one? Thank you.

Girish Kousgi: So, in terms of disbursement growth, we are looking at about (22%+). This is at a consolidated basis, both Prime and Affordable put together. On Affordable, the growth will be higher because of the smaller base, but I think overall on Retail, we will be able to grow at about (22%+) on disbursement for the next 2 to 3 years' time and on book, we will be able to grow at about 17% odd.

Vinay Gupta: And on the ROA front, as you can see, we have improved returns from 1.2% last year to 1.7% in Q4 annualized. So, we are working on improving it further and we are hopeful with the mix of Affordable coming in, we should be comparable to any other good Affordable Finance Company.

Onkar Ghugardare: And we can expect the gearing to remain here, right?

Vinay Gupta: Gearing currently is at 4.9x, but with the capital coming in there would be some pressure on gearing. Obviously it will improve with the capital coming in, but we have plans for a better utilization over the next two to three years.

Girish Kousgi: So, typically if you look at any Housing Finance Company be it on Prime or on the Affordable side, the acceptable leverage is around 7.5x to 8x, but for us we will be pretty comfortable around 6x. Post-capital raise we will be at 4x, but we would have scope. So, we are comfortable around 6x.

Onkar Ghugardare: And on a consolidated basis, the disbursement growth you mentioned is around 17%, right?

Girish Kousgi: Disbursement will be (22%+). Book growth will be 17%.

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

Renish: Two questions from my side. So, one on the yields, even if you look at the yields adjusted for one-off securitization in Q3, it has actually fallen by almost 20 basis points sequentially. So, I was just wondering when we look at the industry trend, it is generally improving and it was quite surprising for us it is declining. So, what is happening on the yield side Sir in Q4?

Girish Kousgi: So, if you look at the yields, we have passed on the higher rates to the customers end of Quarter 4 and also the beginning of Quarter 1 this year. So, this of course in terms of increase in interest rate, but as I mentioned, we are changing segment and there we will see an upside of yield, which will be at least 0.8% higher than the Super Prime. So, which means that we will be able to maintain yield on Prime side at around (10%+) and an Affordable 12%. So, if we compare it with Quarter 3, of course, yes, there has been a slight drop in yield but I think this is something which will get corrected from this quarter onwards.

Renish: So, basically I just wanted to understand what is led to this 20-basis point of reduction. It was the book mix in Q4 which doesn't look like because the Retail has gone up, right, so. I was just wondering; it is just because the book mix change is leading to this reduction or is there any write-off, interest reversal or something else to that?

Vinay Gupta: Yes, some part is related to book mix because the composition of Retail is going up as compared to Corporate so that is adjusting to some extent the yield. There was also a securitization true-up which came which is on account of repricing that happens. So, the future cash flows get adjusted so there is marginal impact on the securitization also. But our core interest income is almost flat quarter-on-quarter.

Girish Kousgi: And even if you look at the cost of borrowing, it went up compared to Quarter 3, which was 7.55%, it went up to 7.76%, so the impact is that we have passed on the benefit end of Quarter 4 and beginning of Quarter 1 of this year. And even the cost of borrowing went up, and the mix within the overall book also changed, and it was more of Retail and less of our Corporate and therefore that had an impact on the yield. But now, today, if you look at the entire composition, 94% of the book is Retail and this benefit of interest rate increase twice in the last few weeks will give us that upside from this quarter onwards.

Moderator: Thank you. The next question is from the line of Rajesh from K Securities. Please go ahead.

Rajesh: Yes, I wanted to understand in the Investor Presentation, Slide #10, you have mentioned that there is a Rs.1,500 crore that is write-off and resolution, what is the actual write-off here and what is the resolution over here?

Vinay Gupta: That split we have not shared. It has been a mix of both resolution and the write-off that we have done during the year. This is what we have shared on the page as well.

Rajesh: So, going forward, how much will we be disbursing in the Corporate? Will we not be growing the Corporate book at all or we will be growing a little bit over there, what would be an ideal Retail versus Wholesale going forward?

Girish Kousgi: So, I think, to degrow Corporate book was a decision which we had taken because we wanted to resolve GNPA, bring it down to comfortable levels before we could restart so this was by design and therefore you will see Corporate book going down since last few quarters. Now if you look at last year and this year, the Corporate book has gone down by about 48% to 49%. Now, the GNPA has come down and still we have about Rs.846 crores in terms of absolute number. Probably sometime this year we may restart a Corporate business, but we will restart in a small way focused on certain locations, specific builders, specific projects, and smaller ticket size. The idea of starting Corporate is to A) ensure that we are in this business which will also help us in terms of Retail penetration. So, we would not do standalone Corporate business. So, whatever business we do that will be linked to Retail penetration and in terms of mix, our Corporate book at any given point in time would not exceed 10% of overall book.

Rajesh: One last question from my side, if you look at the NPAs on the Retail side, we are still not as good as most of the competition. So, how are we going to address it, number one? What is an ideal NPA ratios for the Retail book going forward?

Girish Kousgi: So, if you look at a couple of challenges, what we had a few quarters back was also on the Retail asset quality. So, now we've got a good fix on that. Now if you see for the last two quarters, our recoveries are more than flow. So, this trend will continue and GNPA will keep coming down. Probably 4 to 6 quarters from now, we would be comparable with some of the best Housing Finance Companies in the industry in terms of Retail NPA. And that's what I was mentioning that Quarter 3 was very good for us in terms of asset quality on the Retail side and Quarter 4 was one of the best in the last 14 quarters.

Rajesh: What's the comfortable NPA ratio that we will be maintaining? Can you guide in terms of what kind of NPA will be comfortable and how will we achieve that in the next two to four quarters?

Girish Kousgi: Any enterprise given the mix of Corporate, Affordable, and Prime, I think anywhere between 1.25% to 1.35% should be the ideal GNPA level.

Moderator: The next question is from the line of Vivek Ramakrishnan from DSP Mutual Fund. Please go ahead.

Vivek Ramakrishnan: I just wanted to know strategically between the Prime and the Super Prime segment, what is the customer difference that you see, that's question number one. And then in terms of what kind of credit cost differences would you see between the 2 segments because you're getting an 80 bps higher yield and then to grow your businesses, would you especially because you have thrust on Affordable Housing is just taking off, would you need more OPEX going forward? Those are my questions, Sir.

Girish Kousgi: So, if you look at Super Prime and Primes, let's say set of institutions, which would focus on CAT-A developer projects for Retail funding and CAT-A corporates were funding to their employees that is basically Super Prime. So, in Prime, what we focus is CAT-B and CAT-C developers for Retail funding and CAT-B and CAT-C employer- employees for lending. So, basically here we have an upside in terms of yield which is 75 to 80 bps. This also would include large chunk from the government sector, be it Central or State Government. In terms of GNPA, a the difference between Super Prime and Prime is not significant. It's only about 10 to 15 bps is the difference what we have seen in the industry till now and therefore not much of a difference in the portfolio quality. The idea of getting into Prime is that A) we would be able to grow faster. B) We would be able to build book at a higher yield. C) Customers would stay for a longer time. So, the loan on the book is going to be for a longer time and that could be beneficial in terms of customer retention and growth of the book.

Vivek Ramakrishnan: So, the other question on operating expenses of this, what do you see the opex-to-income ratio?

Vinay Gupta: Opex-to-ATA right now is around 0.8%. It has been consistently at around 0.7% to 0.8%. Most of the investment related to the Affordable segment has been done in the current financial year. So, infra, people, all that investment is done so this seems to be sustainable. While there would be some investment that we need for IT and ramp up of Roshni or Affordable after few quarters.

Girish Kousgi: And just to add on the difference between Super Prime and Prime in Prime, the ticket size would be lower and therefore these customers are not that rate sensitive and therefore they tend to stay on book for a longer time.

Moderator: The next question is from the line of Ashwini Agarwal from Demeter Advisors. Please go ahead.

Ashwini Agarwal: A couple of questions from my side. One is this additional capital, what does that do to your credit rating and potentially to your borrowing costs and the other thing is that if you look at the higher equity and therefore lower gearing, what do you think would be the Fiscal ‘24 delivered ROA and especially the ROE given higher equity so these are my two questions.

Girish Kousgi: If you look at the last couple of quarter performance, I think very clearly it is evident that there is a significant improvement in growth, significant improvement on the asset quality and this is also true in terms of Corporate book in terms of GNPA. With a capital raise it will definitely help us and we have been engaging with the rating agencies and also bankers. This will have multiple positive impact. One is A) because of performance, on business, on the asset quality, pre-capital raise. So, we are engaging with rating agencies. So, this should positively have a relook in terms of possible upgrade. So, we are engaging with the agencies on this front. Not just this, we would also have access for cheaper funds from the National Housing Bank since our GNPA and net NPA has come down drastically over the last one year. 3) In terms of borrowing from the bank, because of all these things we will be able to raise funds at a much lower rate. All put together, our cost of funds would come down. In terms of ROA, in the mid-term, we are very sure that we'll be able to cross 2%.

Ashwini Agarwal: And return on equity, Sir.

Vinay Gupta: So, similarly, there would be some pressure on the ROE with the new capital coming in but with the improvement in ROA, we are sure that we'll be able to sustain the current ROE.

Ashwini Agarwal: One more question, I mean on the on the spread side, I'm still at a loss as to why these spreads should have contracted because your book mix is more or less the same between Q3 and Q4. It was 92% and now the Retail is 94% so it's not much of a difference, and the decline in the Corporate book appears to be from a non performing account. So, there you couldn't have been accruing income anyway. So, I am not quite sure as to why your next your spreads have declined in Q4 over Q3. Is there something that we are missing?

Vinay Gupta: So, on the spreads I mean there is some impact. Yes you rightly said the impact is not very material with respect to mix change. The other impact is primarily on account of securitized book. So, there is some repricing and there is some run off which happens on the securitized book and that is slightly uneven this quarter there was a higher impact of repricing. So, on the future cash flow repricing has to be upfronted. So, that led to some impact of 10 bps- 15 bps over there. So, this is an overall impact of around 20 bps.

Ashwini Agarwal: So, the securitized book also gets mark-to-market is it?

Vinay Gupta: Securitized book does not get mark-to-market, but you have to take into account the impact of repricing and any prepayments that happens on our securitize book. So, that has to be trued up every quarter. So, there is some minor impact or volatility in that particular part which happens on a quarter-on-quarter basis, but on a core yield we are able to sustain the similar kind of yield subject to this minor mix impact that has come on account of Retail and Corporate.

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

Nidhesh: Couple of questions firstly can you share the quantum of disbursement in the Affordable segment then what are the average yields that we are having in that book?

Girish Kousgi: So, actually we just started Affordable business in Quarter 4 so we just started. So, we will start seeing meaningful numbers from this quarter, but just to quote a number we did Rs.137 crores in Quarter 4 and from this quarter onwards now you will see good scale up on Affordable.

Nidhesh: And what are the yields that we are charging on the segment?

Girish Kousgi: It is about 11.5% - 11.6%.

Nidhesh: Secondly, can you also quantify the improvement in cost of funds that we are likely to see after this capital raise then credit rating improving and availability of funding as you mentioned that from NHB and other sources will also improve, so can you quantify what sort of improvements we can see in cost of funds over FY24?

Girish Kousgi: Today, if you look at the cost of funds of a company which has got all the advantages that vis-a-vis let us say PNB housing in terms of cost the difference is close to about let us say 90 to 100 bps. So, we will be able to cover over a period of time close to 40 to 50 bps out of that. So, we see over a period of time with performance improving quarter-on-quarter with capital raise, with possible upgrade in rating and also access to fund cheaper funds we see that the cost could come down by 40 to 50 bps.

Nidhesh: And lastly on the on the credit cost front given that we have decent right off pool on the Corporate side, Corporate NPA are still slightly on the higher side and we expect resolution to play out in FY24, so do we in the situation where we may have very negligible or negative credit cost given that recoveries may plan out from these pools going into next one year?

Girish Kousgi: So, on the Corporate NPA it has only two accounts. In NPA, we have only two 846 crores is only two accounts and our out of two one accounts to about 92% of the overall NPA and I mean the other account we have resolution in place and this one account which is 92% of total NPA is this project is backed by a leading developer. So, we do not see much of a challenge in terms of resolutions and credit cost for this year what we had guided that is 0.6% is largely on the Retail side.

Nidhesh: But sir do you see like the possibility like the credit cost can be negligible because as we see resolution from these two accounts and some of the written off accounts also in the Corporate side may see some resolution?

Girish Kousgi: Yes it is possible.

Nidhesh: And any timeline you see when this resolution can play out?

Girish Kousgi: This year we are planning for good amount of resolution would not be able to confirm any percentage, but definitely yes whatever credit cost we have considered for this year is largely on Retail and whatever write back you are going to get from Corporate that is something which we are very closely working and we have seen some resolution happening in last couple of quarters. So, this year is going to be very good in terms of resolution and even from the write-off pool.

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

Abhijit Tibrewal: Sir, just want to understand I mean we kind of addressed this a couple of times in this call itself that we will be utilizing the capital for growth, just wanted to re-clarify now that you have spent maybe close to more than six months at PNB housing I mean there is nothing really on the asset quality front in Retail that you want to utilize this capital for, Corporate very clearly what you have highlighted just two accounts there. The other user have been written off or sold to ARC so Corporate what you guided two accounts that are there you are expecting resolutions in FY24 and at the same time also stated there could be recoveries from the written off Corporate accounts, but on the Retail front I mean where do you think some of these capital can be utilized for cleaning up the Retail asset quality?

Girish Kousgi: If you look at Retail there has been a good story in the last two quarters and some of the things which I mentioned last time is that now we are now pretty aggressive on legal. So, all those efforts will start playing out in Quarter 1 and Quarter 2 and which is what I even mentioned especially on the Retail side maybe in for four to six quarters time we should be comparable with some of the best companies in terms of asset quality. The last two quarters there has been a very good story. The slippages in Quarter 3 was down by 25% and in Quarter 4 as I mentioned this quarter is the best ever in the last 14 quarters. So, it is a very good story on the Retail side and every quarter you will see GNPA coming down because our recoveries are going to be more than slippages. This capital is very clearly for growth which is why we have guided credit cost of 0.6% and that is only for Retail and this capital is very clearly for growth because we have started Affordable and business opportunity is quite large in the segment and even there is lot of scope in terms of Prime if you look at the lift in disbursement in last two quarters it is very evident that very clearly growth is back and within two quarters if you see I think the cover up on the Retail side book growth is close to about 8% and we have guided 17% book growth from this year onwards. So, very clearly there is a need for us to grow and the market is quite large and therefore this capital is going to help us for growth.

Abhijit Tibrewal: So, given that you now successfully completed this capital raise one thing I wanted to understand is if there is credit rating upgrade will that help us in start tapping the debt markets again and the other thing is during this call itself you highlighted that we selectively start doing the Corporate book again and will be primarily done to for Retail penetration so I mean on one side we compare ourselves or we at least aspire to be like one of the best or among the best HFCs, but if I look at I mean most of the HFCs today I mean none of them really have been very, very successful on the Corporate side so why not stick to Retail because there is enough and more opportunities in Retail I mean is doing Corporate really kind of a mandatory for growing the Retail book as well?

Girish Kousgi: So, I think it is a very good point. So, our focus is on Retail and if you see today 94% of the book is Retail. So, our focus will be on Retail. Now having said that there is some opportunity on the Corporate side as well, but we will do Corporate business strategically which can help us to increase our Retail business. So, which is why I told we would do Corporate the select developers in select markets which you may restart end of this year which would help us to increase our Retail penetration and also in terms of concentration in terms of mix our Corporate book will always be in single digit. So, we would not do Corporate business as a standalone business from profitability point of view, it will be only to help us to grow our Retail book.

Abhijit Tibrewal: The question that I asked on whether I mean it opens up opportunities to raise money from debt markets now?

Girish Kousgi: Definitely yes. So, we would have an opportunity in the debt market. So, we will raise debt because we are to raise debt even regulatory also whatever incremental borrowings are going to need 25% has to come in the way of NCD. So, we will raise and this capital raise and good performance since the last couple of quarters would help us in terms of raising debt at a much lower rate.

Moderator: Thank you. The next question is from the line of Subramanian Iyer from Morgan Stanley. Please go ahead.

Subramanian Iyer: I had data keeping question if you could please share the list of the restructured book into Stage-one, two and three?

Neeraj Manchanda: So, as I told you on the Retail side we have got an Rs.1,870 odd crore restructure for Retail out of that around Rs.300 crore is into the (90+) otherwise it is all standard.

Subramanian Iyer: And how would the performance of this book be I mean would this be predominantly zero DPD or if you could just share some color on the performer?

Neeraj Manchanda: It has already been a COVID restructured loan and COVID has gone by and now it has been more than two years and many of the accounts have come back to the repayment stream and all the assets are backed by security coverage which is also good. So, there is no additional stress which we are envisaging in this book and I think it has been reached to a Stage-where we can say that all the risk which was built up to the COVID has been settled and normalized. So, from the zero DPD or 1 to 30 DPD, we do not see any significant risk arising from that book.

Girish Kousgi: So, after COVID and restructuring whatever the impact of COVID and restructure is already seen in our NPA. So, the impact has already happened and this is not now I think over a year back and now what we are seeing is more and more of resolution and which is why we have seen very good resolution coming in last two quarters and this will continue. So, absolutely there is no stress what we see. In fact, now the entire pool is the same for us. So, whether it is a normal flow from standard to Stage-3 or a restructured pool flow to Stage-3 we do not see any difference, because now whatever had to happen has already happened and now what we see is only resolution from the NPA pool.

Subramanian Iyer: And if you could also give the potential split of the Retail disbursement in FY23 into Prime, Super Prime and Affordable I probably missed the number when you gave it?

Girish Kousgi: No, I think Super Prime was not that significant. So, now over the last two quarters we have moved the needle and now we are focusing more on Prime. So, in terms of percentage, now Super Prime is very, very less. Affordable last quarter we discussed disbursed Rs.137 crores.

Subramanian Iyer: So, in the coming year can we expect maybe something like an 80-20 between Prime and Affordable or how will these numbers look like?

Girish Kousgi: See incrementally if you look at Affordable eventually we want Affordable to contribute 25% of incremental disbursement, but this year we will be able to reach about 10% to 11%.

Moderator: The next question is from the line of Venkatesh Ramakrishnan from ICICI Bank. Please go ahead.

Venkatesh Ramakrishnan: I just wanted an input on your opex ratio is about 0.8% generally we have seen that the housing finance and other companies the peer group generally it is 2.8% to 4% or 5% we see that your opex is relatively low just that is there any specific reason how you are able to manage large book at a low opex?

Girish Kousgi: Actually, we want to further bring down opex. So, I think it is good feedback, but yes we are working on cost optimization. We want to bring down opex from this level to the extent possible. We take your feedback, but yes our endeavor is to bring down from the current level as well.

Moderator: Thank you. The next question is from the line of Nischint Chawathe from Kotak Institutional Equities. Please go ahead.

Nischint Chawathe: What was the incremental cost of funding for the quarter?

Vinay Gupta: Average Cost of Borrowing for the Q4 FY23 is around 7.75% and the incremental cost of borrowing is around 8.05%.

Nischint Chawathe: Sorry the incremental that you would have done or the repricing that would have happened would be at what rate did you say that that 8% because I am just saying that the incremental that you did?

Vinay Gupta: 8%-8.1%.

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

Renish: So, on the coverage side this quarter we saw the drop in coverage so in a steady state this is where do you see the coverage issue settling?

Vinay Gupta: Coverage as Mr. Girish explained it was primarily on account of Corporate. So, there we are only left with two accounts where also the resolution is in progress. So, on Retail our coverage is around 32% and it has been consistently at that level and we would like to maintain it at that particular levels.

Renish: And sir once again circling back to the yield question so you did highlighted that the repricing on the securitization book as like 15-20 basis point or maybe 10-15 basis point of yield compression this quarter, but generally a rising rate scenario your securitized pool will get repriced at a higher rate, so how does it impact negatively on the yield side?

Vinay Gupta: So, actually in this quarter you would have seen the MCLR increase was quite high as compared to the previous quarter. So, most of the banks have increased MCLR during Jan, Feb, March months. So, the increase in MCLR was significantly higher than the increase that we see on the rate reset that we do. So, the net impact was negative in this quarter that has led to this.

Renish: So, it is basically the cost of borrowing for your securitization pool has gone up which has led to the yield compression on our book, is that correct understanding?

Deepika Gupta Padhi: It is basically Renish the spread which we generate on the securitized pool has come down because we have not increased the rate as such in this quarter whereas the MCLR rates have gone up substantially and hence the spread on which we which we generate has come down resulting into this.

Renish: So, should we consider this as one-off?

Vinay Gupta: See there are two reasons. One is obviously the compression or decrease in the spread. So, that is already called out as a one-off in our entire presentation. The second impact is repricing you know which happens for the…

Renish: Should we consider as one-off in this Q4?

Vinay Gupta: Repricing is not one-off repricing will continue I mean that is something which will keep happening and that is why we have not carved it out as a one-off. You will see that impact every quarter, but it is slightly volatile sometimes the impact is lower, sometimes it is higher. So, there could be a 10 to 15 bps impact on account of that.

Moderator: Thank you. The next question is from the line of Ashwini Agarwal from Demeter Advisors. Please go ahead.

Ashwini Agarwal: You mentioned strategic growth plan do you have anything else in mind other than Affordable housing when you mention the word strategic?

Girish Kousgi: No, I mentioned that we will be growing both in Prime and Affordable business. So, this capital will help us to grow at a much faster pace because the market offers that kind of opportunity today. So, we will be growing pretty aggressively keeping of course asset quality in mind. You know on both Prime and Affordable I mentioned on the Corporate business we would do strategically just to help us in terms of Retail growth.

Ashwini Agarwal: No, I was referring to slide 3 where you said that proceeds would be utilize to fund strategic growth plan and I was wondering are you hinted at some inorganic?

Girish Kousgi: The same growth in Retail both Prime and Affordable.

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

Abhijit Tibrewal: Just to kind of reconfirm so restructured number that you have shared Retail Rs.1,870 crores and there is no wholesale account which has been restructured at least in one which is under restructuring now in Corporate account which is under restructuring now. So, that is one thing I kind of wanted to confirm, the second thing again on the restructured book for the benefit of everyone is there any Retail account which is still under moratorium or everyone has exited moratorium and resumed repayment and thirdly I mean a couple of days back or rather yesterday, when we had one of the larger HFC is reporting its results they said that they have classified the entire restructured pool in Stage-2, so while you have given out a number of Rs.300 crores is in 90 plus out of this Rs.1,870 crores, just wanted to understand the rest of it I mean all of it is parked in Stage-2 or they are based on the actual DPD some of it could be in Stage-1 and the rest in Stage-2?

Neeraj Manchanda: First of all, these are the Retail restructured numbers under the COVID this thing. In Corporate we have only Rs.108 crore and there is no delinquency nothing we see there. It is performing absolutely fine and perfect. In this Rs.1,800 odd crore number we have told already that Rs.300 odd is NPA and as we already discussed earlier I think whether probably you have missed out it has been made a part of non-normal kind of a business scenario what we have it has already been many, many months this normalization has come back. The allocation of this portfolio in Stage-2 or Stage-1 is actually depending on the performance. So, it is standard as of now and that is all.

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

Bhuvnesh Garg: Sir, just a few clarifications regarding the yield for Q4. So, firstly want to understand that where do you book this income or reversal from securitization because if I see your slide number 19 so there you have some difference in your reported yield versus yield ex-securitization, but I do not see any line item in your Slide #21 which is P&L which shows some income from the income on derecognize item so just want to understand where do you book this income from securitization?

Vinay Gupta: It is interest income only we have not shown it separately under the P&L line, but it is a separate line which is there.

Bhuvnesh Garg: It is in interest income you book it on?

Vinay Gupta: Yes.

Bhuvnesh Garg: And secondly sir in Slide #19 only so if I look at your yield excluding securitization so it seems to have dropped by 20 bps QoQ so excluding securitization, so just want to understand what you like to do?

Vinay Gupta: So, again, this is not excluding securitization it is excluding one-off in securitization which is a spread movement which we have explained MCLR versus our rate change movement. So, that is what we are calling at one-off. Apart from that there are few other movements which happen in securitization on account of repricing of that securitized book. So, that sometimes cause minor volatility sometimes it is positive, sometimes it is negative. So, that impact is around 10 to 15 basis points.

Bhuvnesh Garg: And sir what is our guidance for NIM or spread in FY24 and next two years?

Girish Kousgi: On a steady state spread should be 2.5% and NIM 3.5%.

Moderator: Thank you. As there are no further questions from the participants I now hand the conference over to the management for closing comments.

Deepika Gupta Padhi: Thank you everyone for joining us on the call. If you have any questions and unanswered please feel free to get in touch with Investor Relations. The transcript and audio of this call will be uploaded on our website, that is www.pnbhousing.com. Thank you.

Moderator: Ladies and gentlemen, on behalf of PNB Housing Finance Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.