Ref: PNBHFL/SE/EQ/FY24/48
Date: July 27, 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 July 24, 2023**

In continuation of our letter dated July 24, 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 July 24, 2023 on Un-Audited Financial Results (Standalone and Consolidated) of the Company for the Quarter ended June 30, 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 & Chief Compliance Officer**
**Membership No. F2642**
Enclosed: As above

# "PNB Housing Finance Limited
# Q1 FY'24 Earnings Conference Call"
# July 24, 2023

**MANAGEMENT SPEAKERS:**

| | |
|---|---|
| MR. GIRISH KOUSGI | MD & CEO |
| MR. VINAY GUPTA | CFO |
| MS. DEEPIKA GUPTA PADHI | HEAD INVESTOR RELATIONS & TREASURY |

**Moderator:** Ladies and gentlemen, good day and welcome to the Q1 FY 2023-24 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

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

**Deepika Gupta Padhi:** Thank you, Aman. Good evening and welcome everyone. We are here to discuss PNB Housing Finance Q1 FY24 results. You must have seen our business and financial numbers in the presentation and press release shared with the Indian Stock Exchanges and is also available on our website. With me we have our entire management team across verticals sitting over here led by Mr. Girish Kousgi, Managing Director and CEO. We'll 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 28 of the investor presentation.

With that I will now hand over the call to Mr. Girish Kousgi.

**Girish Kousgi:** Good afternoon and welcome to all the investors to Quarter 1 Earnings Call. First of all, thank you very much. We completed a rights issue in Quarter 1 to the extent of Rs.2,494 crores and thank you so much for longstanding support to the company. Issue was subscribed 1.21 times. All the four top shareholders, namely PNB, Carlyle, Ares SSG and General Atlantic, they participated in the rights issue and this apart, I think a lot of institutional investors they participated.

Proceeds of the rights issue are being utilized for disbursements. Quarter 1 was very, very eventful for us and as a Company we have done well on most of the parameters. On retail disbursements, on a Y-o-Y we have shown a growth of 8%. Market is quite robust. There was a bit of cyclical low aspect in quarter one. But yes, we have been trying to do a lot of things to de-risk the book what we are going to build in future. For example, our focus was more on salaried. Our focus was more on home, our focus was also more on low ticket, you know, size in terms of our incremental disbursements. On a quarter-on-quarter compared to quarter four, there was a drop in disbursement. This is in line with, you know, market trends in the industry. And we saw a lot of traction in affordable space, we were able to grow our disbursement by 66%. In quarter one, we did Rs.228 crores, and the previous quarter was Rs.137 crores. We see a lot of traction, and that was really, really, you know, good for us.

And if you have to look at the login numbers just to give you a data point, login numbers on a Y-o-Y grew by 11% and sanction value by 15%.

On the loan book, on the retail side, we were able to grow by 11% and this happens to be the highest ever book growth in the last 15 quarters. Overall loan book grew by 5% on a Y-o-Y basis. Sequentially loan book grew by 2% and retail loan book grew by 3%.

We are on track in terms of our guidance for book growth which is about 17% to 18% and disbursement growth of 22%+ for the year. In spite of our conscious strategy in terms of de-growing corporate book, the loan book crossed Rs.60,000 crores. So as of 30th June, the book was Rs.60,395 crores and this again is highest in last seven quarters. In terms of customer retention, I think there has been a significant improvement on a Y-o-Y basis. Last year, quarter one, the book runoff was 23%, which is down to 16.58% this quarter. The book run-off has reduced by over 600 bps.

In terms of asset quality, there has been a lot of traction. We are pretty aggressive on SARFAESI and legal action. There is significant focus on cash collections and settlements. We have a good pool of retail loans which is ready for auction. So, for the remainder of the year we should see good traction in terms of NPA reduction.

So typically, when you see quarter 1, quarter 1 will be muted A) in terms of growth, B) in terms of asset quality improvement. Generally, there is a slight increase. I think given our book and the challenges what I had discussed in the past, we were able to still bring down GNPA on the retail book. I think the traction is pretty good. I think in next few quarters, we will see this number coming down, quarter-after-quarter.

With respect to corporate GNPA, we have two accounts. There has been no addition at all. The only thing is, because of IndAS, the percentage looks higher, and also the book de-grew compared to March.

So, if I have to talk about credit cost for the quarter, it is 0.36%. I think it was largely, we had said in the past that we will build up ECL, we will increase the PCR, I think to a large extent of 0.36%. It was only to true up ECL, especially on the retail and to a certain extent on corporate. Otherwise, credit cost has been very, very less for the quarter.

So, I was talking to you about our focus on getting the profile mix right. I think we are inline in terms of what we had stated earlier. So, our salaried is increasing. If you look at year-on-year, there has been consistent increase in salaried and the self-employed share is going down. This is true even incrementally as well.

Just to give you some data points, if you have to look at less than INR1 crore, it was higher by 4.3% as compared to last year quarter 1 and if you have to see that number now. It is increased to about 85.3% okay, if you have to look at less than Rs.1 crore it was 81% last year quarter 1, which means our focus is A) on retail, B) in terms of up to Rs.1 crore. So, our focus is up to Rs.1 crore, even though we have a cutoff at Rs.3 crores, we rarely do any case beyond Rs.3 crores, our focus is up to Rs.1 crore.

So, we are seeing that there is a lot of concentration of the loans, what we do, up to Rs.1 crore. This is good for the portfolio in the long run. This same trend is seen even incrementally as well. And when we saw this data a couple of quarters back in terms of geographical mix, we were quite low in South. So, we consciously tried to increase our business from South. If you have to look at let's, say quarter 4 of last year, it was 32.5% and quarter 1 of this year which is just after a quarter, we are close to about 36% in South.

So, the mix in quarter four on disbursement was North was 34.3%, West was 33.2% and South was 32.5%. Quarter one, North is 35.3%, West is 29% and South is 35.8%. So, we are slowly trying to increase our business from South, which was pretty low given the mix what works for this industry and same trend is seen incrementally as well.

Total branches expanded to 198 as on 30th of June which was 189 as on 31st of March, 23. Affordable branches expanded to 88 as on 30th of June, primarily, in Tier 2 and Tier 3 cities.On the affordable, we would reach 100 branches in a quarter or two. Currently, we are at 88, and we will reach about 100 branches in the quarter or two.

On the corporate book, we had two NPAs last quarter, this year as well this quarter as latest two NPAs, total amount is INR854 crores. Out of this one account constitutes to 92%, which is back by a large developer. The increase in corporate NPA is because of IndAS effect. There has been nil in Stage 2 in corporate from the last few quarters, there has been zero accounts in Stage 2. On a Y-o-Y basis. The corporate book has de-grown by about 45%, and sequentially, the book has gone down by 10%.

A little bit on the financials. On revenue on a Y-o-Y basis, we've shown a growth of 21%. Net interest income there is growth of 70%, PPOP is 41% and PAT there is a growth of 48% from Rs.235crores to Rs.347 crores. Yield has improved even sequentially from 10.41% to 10.59%. Cost, there was a marginal increase in cost. So last quarter, the cost of borrowing was 7.76%, and now its 7.97%. So now the cost on portfolio and incremental both are around 8%.

Spread is flat. We are at a 2.62% last quarter was 2.65%. NIM slightly improved from 3.74% to 3.86%. Gross margin improved from 3.83% to 3.91%. Credit cost, as guided for the year is 0.6%, quarter 1 was 0.36%, as I mentioned, 0.36% was largely this was due to true up in ECL, both in retail as well as corporate since we wanted to increase our PCR.

ROA, which was 1.71% last quarter and for the whole year of 1.61%, now rise to 2.07%. ROE has increased to 11.18%. Capital adequacy now we are at almost 30% and the leverage is 3.82x. I think a couple of points on the outlook. I think demand is quite robust. We are seeing a lot of traction across markets. So, we see a lot of demand on the prime side and more so on the affordable side. Even I am privy to some of the reports which talked about for the demand going down, but we have not witnessed that even that the base is very small. We started a few months back, but we are seeing a little good traction on the affordable piece. So, there will be a lot of traction in the coming quarters on the affordable side.

ROA of 2.07%, which is the highest in almost a decade for the Company. And in terms of guidance, I think we had mentioned the Spread of 2.5%, NIM of 3.5% and credit cost for this year, it will be 0.6%, and from next year onward, it will be 0.4%. We're happy to inform that CARE rating has revised the rating outlook to positive from stable. The credit rating of the company from CARE is now AA with positive outlook. And we are engaging with rating agencies for possible outlook change or an upgradation.

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

**Renish:** Yes, Hi team. Congrats on a good set of numbers. So just one question on the margin side. Okay. So now considering that, we have raised capital to the tune of Rs.25 billion in May, so of course, there will be a positive impact on the borrowing side in coming quarters. Given this quarter, there is an impact of only one month and given the portfolio mix is going to shift towards affordable and prime, which is a high yielding book. So, for what is the reason, we are still guiding for a lower NIM in coming quarters. When you say that, full year NIM will be at 3.5% versus more than 3.8% now?

**Girish Kousgi:** No. Actually, in terms of guidance, spread and NIM, this is the threshold. So, we will be able to sustain what NIM is seeing now, which is about 3.75% or so, but the guidance on a long-term steady state is going to be 3.5%. That is the threshold, what I mentioned.

**Renish:** Okay. And so, maybe next couple of quarters, there is a fair amount of chance that, NIM could sustain it around this level, considering the fundraising and the book mix change?

**Girish Kousgi:** Yes.

**Renish:** Okay. That's it from my side. Thank you.

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

**Ashwini Agarwal:** Yes, thank you. Congratulations to the team for the pretty good numbers. So, two or three questions. One is, how do you feel about the retail GNPA numbers, considering the kind of mix you're pursuing? Do you think in a couple of years, we should be looking at industry level NPAs, which are GNPA ratios somewhere in the handle of 1.2% to 1.4% and a credit cost in the ratio of 20 basis points to 30 basis points. I know you have 40 basis points guidance of fiscal '25, but how do you feel about this?

**Girish Kousgi:** GNPA, I think two years is too long a time, so we are looking at being comparable with the best in the industry in next four quarters to five quarters, the numbers what you mentioned. In terms of credit cost, I would want to stick to 0.4% because this will be a mix of both prime and affordable. Typically, if you look at credit cost for a company, which is focusing only on let us say super prime and prime, credit cost will be around 0.2%, could be 2 bps or 3 bps more or less.

But if it is a combination of prime and affordable and with every passing quarter, the mix of affordable will keep increasing because that is where we see lot of value, of course coupled with primary segment. And therefore, we would like to guide a credit cost of around 0.4%. So, we can take the call maybe after three quarters or four quarters. At this point in time, we feel that 0.4%, given the mix of prime and affordable, which will emerge over a period of time, that is what we feel is comfortable.

**Ashwini Agarwal:** Okay, and sir, over the next two years, what kind of gearing do you think is achievable? You have an eye on credit rating as well, but, unless the gearing goes to at least 5x or 6x, the ROE handle will not go to mid-teens, at least that's what I think. But how do you feel about gearing and the ROE versus the credit rating balance?

**Girish Kousgi:** So, we are at 3.82x now, so we have, we will be comfortable between 6 to 6.5 times. So that's our plan, and we also have an ambition to grow book to a level of Rs.100,000 crores.

**Ashwini Agarwal:** And which should therefore translate into an ROE say 2.5-3 years out in the handle of 16%, 17%, would that be fair?

**Vinay Gupta:** Yes, I mean, it will take three to four years to reach a level of 5 plus and then it should further increase from those levels.

**Ashwini Agarwal:** And do you plan to return to paying dividends at some point?

**Girish Kousgi:** We will take an appropriate call at the appropriate time but yes, the idea is to grow a profitable book, keeping in mind all the return ratios. As far as the unit is concerned, I think we will take an appropriate call-in consultation with all the stakeholders.

**Ashwini Agarwal:** And so, the last question is the large corporate loan account, do you have any sense on when it will get resolved either by way of a sale or a settlement or something?

**Girish Kousgi:** See as we speak, we are working on all the corporate accounts. Today, if you see the book has come down to almost about, little over 3,000 crores, right? So, we really don't see stress in the existing book. And if you look at our book for the last few quarters, we don't have anything in stage 2. And we have just two accounts in NPA. Out of two accounts, one account constitutes about 92%. And we have been constantly working on resolution.

And we have done some resolution in the last few quarters. So naturally if you see I think the book should run down maybe in next three years and all, but we are trying to accelerate the repayment, it could be possible resolution in terms of settlement. We are looking at various options so I think the book would definitely run off but not, the time frame is not over three years in any which way.

**Ashwini Agarwal:** Okay. Now my question was more relating to this one large NPA Rs.800 odd crores number. I mean is there any visibility on that getting resolved?

**Girish Kousgi:** We are working on resolutions, and it is through multiple channels. So, I would not be able to divulge more details on that. But I can only say that we are pretty comfortable.

**Ashwini Agarwal:** Okay, perfect. Thank you, sir. All the best.

**Girish Kousgi:** Thank you.

**Moderator:** Thank you. The next question is from the line of Ravi Naredi from Naredi Investments. Thank you, sir, all the best. Thank you. Please go ahead.

**Ravi Naredi:** Thank you very much for the opportunity to meet. Sir, your investor presentation, page number 10, you have shown Rs.2,762 crores reduced from corporate loan book. Will you tell us how much we have received and how much we have write-off?

**Deepika Gupta Padhi:** So, if you can see in the same table, we have also given below that what all has been through our sell-down, natural run-off as well as write-off. So, if you can see from March till June which is five quarters, we have a natural runoff around Rs.1,100 crores, Rs.1,400 crores of sell down and Rs.1,500 crores of approximate as the write-off.

**Ravi Naredi:** No can you give the bifurcation of Rs.2,762 systematically Rs.1,140 and Rs.1,500 how I can reconcile this?

**Deepika Gupta Padhi:** So, look we, yes, we will share so it's basically from March because that's where the year we have taken…

**Ravi Naredi:** No problem from March or June whatever you want to tell please say how much we have write-off? How much we have received? Two figure I want. How much we write off and how much we received?

**Deepika Gupta Padhi:** So, write-off is there around Rs.1,500 crores and the balance will be a part of either run-off or the sell down.

**Ravi Naredi:** What is the meaning of run-off?

**Girish Kousgi:** Actually, repayment.

**Ravi Naredi:** Yes. Okay. And this now balance payment is Rs.3,416 right? And you are telling one is 80% is in 1 group only, right? Real estate large developers?

**Girish Kousgi:** No, the book is now around Rs.3,400 crore we have NPA about Rs.850 crores out of Rs.850 crores there are two accounts, two NPA accounts, out of two, one account constitutes to 92% of the NPA.

**Ravi Naredi:** Okay 92% of NPA and we are hoping it will settle in this current year, current financial year or maybe next year?

**Girish Kousgi:** I think we have been pretty aggressive on resolution, so we are pretty positive that this should get resolved in the next few quarters.

**Ravi Naredi:** Sir, secondly, after right issue, PNB holding comes at second number after Carlyle. Carlyle has 32.7%, PNB 28.2%. So, what will happen now? Is PNB will lose as a promoter soon? Or will you change the name PNB housing?

**Girish Kousgi:** So, I think I would not be able to answer that. As of now, PNB is a promoter, and they intend to continue as promoter.

**Ravi Naredi:** As per company's act, now PNB has no promoter at all because Carlyle has more stake than PNB. If Carlyle has given you the proposal in the next board meeting, please change the name. You have to change it?

**Deepika Gupta Padhi:** No, sir. It is not like that. Even under the regulation, it is not like that. PNB will continue to be the promoter. They have also, if you can see that there's a press release, they have issued that they'll continue to be the promoter. They currently hold 28.2% stake in the company and even our trademark agreement is very clear on that front that we continue to use the brand name of PNB.

**Ravi Naredi:** Because as a PNB, the company has been total mess till you remove the name of PNB, it can't be bright future. So, my opinion, how you change the name, it will be more better for investor and you. Okay, thank you very much.

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

**Onkar Ghugardare:** In the investor presentation which you have uploaded, you have mentioned, in the conference call just now, you mentioned that you are targeting around 17% to 18% of loan book and disbursement of 20%-21%. So, this quarter it is a huge difference. It's around 5%-6% growth and 3%-4% growth. How will you manage that for the whole year if you are targeting 17%-18% and 20%-21% kind of growth?

**Girish Kousgi:** Yes, correct. So, if you see quarter 1 is always cyclical, so I think this is true for the industry. For all the HFCs we can see this trend. So, for us, there are two or three reasons. One, of course it is cyclical and number two, quarter one of this year, quarter one of last year is not comparable. Now, having said that, if you look at our last couple of quarters' performance on either book growth on the retail side or disbursement growth, we've been pretty good on that. So, our 17% to 18% book growth and disbursement growth of 21% is intact and we'll be able to achieve that.

**Onkar Ghugardare:** So, but in order to compensate for this low growth of this current quarter, we'll have to do significantly better for the rest of the year, right? Nine months. So, is it possible to do that?

**Girish Kousgi:** Very much possible. I just want to touch upon the earlier point, I think if this is done. See PNB is a promoter and they very clearly confirmed that their holding is now 28.2%. They are a promoter and the name continues and PNB, as a parent and as a promoter, they have been really supportive to us. At the same time, we also have a few large investors like Carlyle, Ares SSG, and GA. So, they're all supportive, and nothing changes, just because the shareholding has changed.

**Onkar Ghugardare:** Okay, so second question, my second question is on the fact that you mentioned that if I heard that correctly, the gearing is currently 3.82x and it will take around 4 to 5 years to reach gearing at 5x levels. Is that correct?

**Vinay Gupta:** Yes, 3 to 4 years is what we are expecting. We should reach somewhere around 5 plus and again depending on the growth and overall target that we have a Rs.100,000 crore of loan book, it might be faster also. But I mean this is what seems likely scenario right now.

**Onkar Ghugardare:** Okay, so in 3 to 4 years, 5 plus gearing and what kind of ROE we can achieve?

**Vinay Gupta:** Should be mid-teens.

**Onkar Ghugardare:** ROA. I am talking about.

**Girish Kousgi:** We are now at 2.07%. I think with every quarter and the mix changing, obviously, there will be focus on profitability, given the growth, what we have guided. So definitely, I think it should improve. We'll not be able to give you a number at this point in time, but definitely it will improve.

**Onkar Ghugardare:** Okay, so ROE you are targeting mid-teens, right? In the next three to four years, correct?

**Girish Kousgi:** Yes, three years.

**Onkar Ghugardare:** Okay, next three years. And assuming that you are saying that Rs100,000 crore book, that is also for next three years from current Rs.60,000 crore?

**Girish Kousgi:** Yes, three and a half years.

**Onkar Ghugardare:** Three and a half years from Rs.60,000 crores to Rs.100,000 crore, right?

**Girish Kousgi:** Yes.

**Onkar Ghugardare:** Okay, thank you very much.

**Moderator:** Thank you.

**Girish Kousgi:** And just a point on the other one, see if you look at you know, few quarters back our overall book growth was negative, and retail also was flat. So last year, we closed retail growth at about 10% and overall book at 2%, and quarter 1 is got to do with the cyclical nature of the industry. So, in next three quarters we. will be able to cope-up and this is, this we have seen at least for many-many years, at least for little over two decades in this industry.

**Moderator:** Thank you. The next question is from the line of Pratik Chheda from Guardian Capital Partners. Please go ahead.

**Pratik Chheda:** Yes, thanks for taking my question. So, my question is more on the strategic part. When we say that we want to grow aggressively in affordable housing, so what is the strategy here? Because this is anyway a very crowded space and there are players who have created their niche, somebody in the maybe 20 km radius of the city, somebody in the 50 km radius of the city. So, what is our strategy? Where are we placed, what are the ticket sizes we will be targeting and how much sort of infrastructure in terms of physical branches or employees are we likely to put in place in the coming 12 months or so?

**Girish Kousgi:** So basically sir, affordable, see, let me take one minute to explain about the market segmentation. There are basically four segments. Super prime, prime, affordable income, affordable assessment -based. So as of now, our focus is on prime and affordable income-based. So, we are not into affordable assessment. So, it's hardly anything. So, we don't cater to super prime, and we don't cater to affordable informal segment. We focus on the second and third bucket. Our prime business is focused on the second segment which is called prime and our affordable cater to affordable income based.

Now today, if you look at any organization, be it a bank, whether it is private or PSU, many HFCs, large, mid-sized, or small, or even NBFC, all of them focus on at least two or three buckets. So, if you look at HFCs, some of the mid-sized HFCs and small HFCs, they focus on prime segment and affordable income segment. So, this space is not really crowded.

What is really crowded is the affordable informal segment, which is a high-risk business. So, when we say that we want to grow affordable business aggressively, so my definition of aggressively, overall, both prime and affordable put together is about 17%-18% book. If we talk about affordable because the base is very small, we might grow at a maybe another 7% to 8% more than the overall growth. So, when we say aggressively, that is the definition of aggressiveness, it is not 40%-50% definitely we will not get there. For the simple reason our focus is on asset quality whether it is prime business or affordable business.

Now there is a very clear segmentation, A) in terms of customers, B) in terms of geography, C) in terms of type of properties, D) in terms of what is the ticket size we focus. In affordable, our ticket size will be about Rs.16 lakhs to Rs.17 lakhs. On the prime side, it will be Rs.10 lakhs to Rs.12 lakhs more than affordable ticket size. In terms of customer segmentation, top-notch customers, which is CAT-A customers, and to a certain extent, CAT-B customers, would form part of the prime and super prime.

For affordable, it's going to be CAT-C, both on salaried and self-employed. If you talk about salary, somebody who's earning, let's say, a salary between, let's say, Rs.35,000 to Rs.50,000, Rs.55,000 salary, who can afford to take a loan of about, let's say, Rs.17 – Rs.18 lakhs, that is an affordable segment.

On the self-employed side, somebody who's earning the income of, let's say, between Rs.3 lakhs to Rs.4 lakhs, INR4.5 lakhs per annum that is our segment.

In terms of geography, a prime business would be not at the city center, but slightly away. When it comes to affordable, segment it will be in the outskirts. It will be in the periphery of the given town or cities. There's a very clear segmentation of prime and affordable. In terms of branch, we have dedicated branches for prime and dedicated set of branches for affordable.

The customer segment is different. The set of channel partners are different. The entire team is different, whether it is sales team, credit team, collection team, the entire team is different.

**Pratik Chheda:** Sure, this explanation really helps. Secondly, whenever we talk about, we look at affordable housing in a similar risk profile, they tend to operate with a very materially lower leverage than what you are guiding for a 5.5x or 6x. So, if you also sort of take that route, are you saying that your leverage for the prime business will be slightly higher than that?

**Girish Kousgi:** So, as I told you, basically, when we talk about affordable, there are two segments within affordable. One is income and one is informal. So largely our focus is going to be on affordable income based. So, what you're saying is true, for set of companies, which focuses largely on affordable informal. Now, if you have to look at the asset core quality difference between let us say, prime and affordable, it's about 10 bps to 15 bps. So yes, to answer your question, leverage obviously on the affordable would be slightly lower compared to leverage on the prime. But for us, today we have a book of about Rs.60,000 crores. Out of that, retail is about Rs.57,000 crores

So, what I'm saying is that it will take some time for us to build the affordable book because we just started affordable, right? It will take some time. Incrementally, we will be able to reach about this year, it will be about 10% to 11% and in next two years, we might reach to about 20% to 25%. But at a book level, this is incrementally. At a book level, it'll take time to catch up. So, given the mix of prime and affordable, I'm seeing around 6x to 6.5x leverage is pretty comfortable.

**Pratik Chheda:** Fair enough. Thank you very much. Lastly, on the corporate side, what would be a security cover for the 92% GNPA account that you talked about? How much would that be? And is there any real account, which is there under stage 2 right now, which can likely to slip in the next two quarters- three quarters? Or should we expect that this is the asset quality as more than that in the next two, three quarters? Or should we expect that this is the asset quality as more than that in the past? Is there anything additional that can come out in the next quarter or so?

**Girish Kousgi:** So normally, we don't talk about any individual accounts, but just to answer your question, A) our coverage is more than 2 times. B) I think corporate is more or less sorted and we're doing a lot of work on resolution and to run down the book as soon as possible. At the same time, we would also have certain write-backs in the next few quarters.

**Pratik Chheda:** Yes, perfect. Thank you very much.

**Moderator:** Thank you. The next question is from the line of Kushan Parikh from Morgan Stanley. Please go ahead.

**Kushan Parikh:** Thank you for taking my question. I had primarily two questions. The first question is around the write-backs actually that you mentioned just now in the previous question. So, we have taken write-offs to the tune of more than Rs.2000 crores odd over the last six quarters. This is both corporate and retail combined. So just wanted to understand, what is the kind of or the quantum of write-back that we expect and over what period of time do we expect that write back to come back to us?

**Girish Kousgi:** See, these are corporate accounts. So, the nature of accounts are such that, I think nobody would be in a position to predict. But having said that, in the next few quarters, definitely we're expecting some write back.

**Kushan Parikh:** Sir, it would be helpful if you could share some sort of estimate that we would have for this?

**Girish Kousgi:** At this point in time, it will be difficult, maybe in future if we are very sure of that but we are doing a lot of work on the resolution and we are using multiple tools and in certain accounts we are working where a new developer would come in. In certain accounts, we are fast-tracked legally. So multiple tools are being used to try and resolve this account.

Given the nature, it will be very difficult to give a definitive timeline. But definitely, yes, we are really pretty aggressive on the resolution, especially on the corporate side. And in the next few quarters, definitely they will be like that. It will be difficult to quantify how many accounts, what amount, it will be difficult to quantify because the amounts are large, these are corporate accounts, but definitely there will be write-back.

**Kushan Parikh:** I understood. And just also on the retail written-off accounts, I mean any guidance on that in terms of write-back?

**Girish Kousgi:** There is no guidance on it, but it happens every month. So, I think that's part of our GNPA plan and also our profitability plan. So, we've said that the next four to five quarters our GNPA at a company level, would be comparable with one of the best in the industry.

**Kushan Parikh:** So that's quite helpful. And my second question was around the cost of fund. So, I mean, we're currently at a book cost of 8%, incremental cost of 8%. So, what is the scope of reduction that we see in cost of funds given that now our rights issue is completed, and I mean, that should help our capital position. So, just trying to understand what is the scope of the reduction in cost of funds that we see over the next 12 odd months?

**Girish Kousgi:** Yes, so definitely I think we also see some improvement on the cost of funds side. So, as I had mentioned in the earlier earnings call, so now we will have access to NHB funds, which will come at a lower cost, that is number one. And number two, we are engaging with all the banks. And few banks have already passed on the interest rate benefit to us, considering company performance improvement and also capital position strengthening. So, this also we expect going forward. And we are engaging with other rating agencies for outlook change, both upgradation. So, we're working parallelly with all of them. So, definitely we should see a few of those. Today if you see the difference in cost between the best managed in terms of cost and that is about 50 bps, right? I think we'll be able to easily cover 50. Yes, 50% to 60% of that we should be able to cover in the next few quarters.

**Kushan Parikh:** Okay, so you're saying this 50-bps gap, we should be able to cover 50% to 60% in the next few quarters?

**Girish Kousgi:** Yes.

**Kushan Parikh:** Understood. Just one last clarification related question if I can squeeze it in. Thank you. So just on the loan growth guidance, the 17% to 18% loan growth that we are speaking of, is that on the retail loan asset?

**Girish Kousgi:** Yes, yes. That's on retail.

**Kushan Parikh:** And that would be, that would involve about 25% disbursement growth. Is that the right understanding?

**Girish Kousgi:** Disbursement will be 22%.

**Moderator:** Thank you. The next question is from the line of Manish Maheshwari from Manu Group Family Office. Please go ahead.

**Manish Maheshwari:** Sir, what is the total deposit base as on 30th June?

**Deepika Gupta Padhi:** It is around Rs.17,000 crores.

**Vinay Gupta:** Around 30% of our total borrowings.

**Manish Maheshwari:** So, what is the guidance on credit cost for whole of FY24?

**Deepika Gupta Padhi:** 60 basis points.

**Manish Maheshwari:** And gross NPA and net NPA?

**Girish Kousgi:** There is no guidance on GNPA and net NPA. So, as I have told in next four to five quarters, it would be quite comparable in the industry.

**Manish Maheshwari:** Sir, we are going very aggressive on affordable housing per se. So, if you look at affordable housing, affordable housing demand has been shrinking, right? In the recent past.

**Girish Kousgi:** Sir, we started an affordable business just few months back. So, in the first part of the quarter when we started, we did about Rs.137 crores and in Q1 we did Rs.228 crores. The base is very small and this year we said, the mix is going to be about 10% to 11%.

**Manish Maheshwari:** Mix of the total…

**Girish Kousgi:** Disbursement between prime and affordable.

**Manish Maheshwari:** 10% to 11%.

**Girish Kousgi:** Yes, so which is not at all aggressive. Current year, disbursement-mix between prime and affordable is going to be about let us say 90%-10% or 89%-11% level.

**Manish Maheshwari:** And you have kept your NIM guidance also a little low right, I mean the NIMs that we have NIMs for this for the current quarter is 3.86%, right?

**Girish Kousgi:** Normally when we give guidance, we give guidance keeping in mind the long term on a steady state. So, there could be fluctuations in the short term but on a long-term basis, on a steady state, this is the guidance.

**Manish Maheshwari:** And loan growth, I mean one of the previous participants was perhaps alluded this particular thing, loan growth guidance you have given for 17% to 18% on the retail side.

**Vinay Gupta:** Yes, right.

**Manish Maheshwari:** And which would percolate down to what sort of disbursement for FY '24?

**Girish Kousgi:** Sir, I think every company would have their own math. So as far as we are concerned, sir, disbursement growth to be about 22% and retail book growth about 17% to 18%. Because it is a combination of what mix we are going to have and what is the runoff. There are so many things that get into this but as an outcome we would be able to deliver 17% to 18% of book growth and 22% of disbursement growth.

Given the industry growth rate, this is the -- for us. I have said this before again and I will be saying this. For us asset quality is the starting point. We are back to basics now. We are talking about increasing our -- we are talking about increasing the salaried within the profile, increasing home within products, between home and non-home. And we want to ideally reach to ideal mix of between prime and affordable. And the disbursement of growth of 17%, 18%. If you look at the industry, industry so far last few years they have been growing at about 13%, 14% and we are talking about 17%-18%.

And asset quality is the starting point. Our asset quality in the next four quarters to five quarters will be comparable. So, the growth rate of 17%- 18% given no strong demand in the sector for the next few years, 17%-18% for us it is positive.

**Moderator:** Thank you. Manish, may we request you to join the queue for any follow-up, as we have several participants waiting for their turn. The next question is from the line of Shweta Daptardar from Elara Capital. Please go ahead.

**Shweta Daptardar:** Thank you, sir, for the opportunity. So, if I look at the top 5 state share in retail loan assets which is topped by Maharashtra, Delhi and Tamil Nadu. Is your retail GNPA geography wise breakup also on similar lines?

**Girish Kousgi:** It's almost similar.

**Shweta Daptardar:** Okay. Thanks for that. Sir, secondly, you have been reiterating the fact that there is incremental focus on the salaried segment. But if I look at one year mix between self-employed versus salaried, then that has not sort of changed materially. Sir, what is the target mix here and the timelines for the same?

**Girish Kousgi:** So here, there are a few things. See, when we talk about the portfolio, what we are going to build it. So, we are talking about few things. One is the customer segment, second is the profile, third is the collateral and fourth is the ticket size. So, as I have mentioned in the past, we are now back to basics. So, if you always look at portfolio, portfolio obviously will take some time to correct. If you look at it incrementally, we are in the right direction. So, that's our focus.

So, our pricing strategy, our geography strategy, everything is aligned more to our goal, which is basically to change the profile mix, product mix, focus on low ticket price. I spoke about focusing on up to Rs.1 crores. I spoke about, especially within LAP, some of those high value cases which we had in a portfolio in the past, which we are doing in the past. So now, we have come out of that. So, this is a journey, it takes time.

While we have a portfolio to deal with it, we are dealing with it, the portfolio is what we're going to build, this is the direction in which we want to go. I mentioned about, ideally want to get to a salaried and self-employed -- of 65% and 35%. It will take time. So, we are on the right track, and it will take time for us to get there.

**Shweta Daptardar:** Sure, that's helpful, sir. Thank you.

**Moderator:** Thank you. The next question is from the line of Franklin Morris from Equentis Wealth Advisory. Please go ahead.

**Franklin Morris:** Yes, congratulations on a good set of numbers and having been able to achieve multiple milestones in this quarter. So, my question is on the recovery, you alluded to the fact that, there could be certain recoveries that we can expect in the coming quarters. So does your credit cost factor in these recoveries?

**Girish Kousgi:** I see, I had, again, I want to say the same thing. So last year, if you see a credit cost was 1.15% and this year, we said it is 0.6%. If you look at Q1, it is 0.36%. And this 0.36% significant portion of that is towards building up PCR. So, on the corporate side, the write-backs are not factored into this.

**Franklin Morris:** Got it. And secondly, you also mentioned in your opening remarks that you have increased the share of South. Now traditionally, we have been a player, who have operated in the North and you know, in the West. So, is this going to be directional? Or is this just a one-off?

**Girish Kousgi:** No, it's like this. So, we are a national player, and we want to present in most of the states, which are good for us, from A) business point of view, B) repayment culture point of view. So, we have done little tweaks that are, otherwise if you look at between South, North, and West, largely these three zones, all the three would be 30% plus. So, it's going to be almost equal. And we are not largely present in East. So, the tweaks are going to be very, very marginal. But yes, now even at a portfolio level, 1% or 2% would mean a lot to do good for the portfolio.

**Franklin Morris:** Yes, sir, thanks a lot.

**Girish Kousgi:** Thank you.

**Moderator:** Thank you. Ladies and gentlemen, that would be our last question for today. I now hand the conference back to the management for the closing comments. Thank you, and over to you.

**Deepika Padhi:** Thank you everyone for joining us on the call. If you have any questions unanswered, feel free to get in touch with the Investor Relations team. The transcript of this call will be uploaded on our website as well as the audio. Thank you.

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