Date: January 31, 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 January 24, 2023**

In continuation of our letter dated January 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 January 24, 2023, on Un-Audited Standalone and Consolidated Financial Results of the Company for the Quarter and Nine Months ended December 31, 2022.

During the earnings call there was a confusion wrt the retail book under moratorium as on 30th Sept 2022. It was mentioned during the call that no account is under moratorium however few cases might be a part of restructuring morat. The same is further clarified in the Transcript on Page 11.

A copy of the same is 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 and Head Compliance**

Encl: a/a

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CIN: L65922DL1988PLC033856

# "PNB Housing Finance Limited's Q3FY23 Earnings Conference Call"

# January 24, 2023

**MANAGEMENT SPEAKERS:**

| | |
|---|---|
| Mr. Girish Kousgi | MD & CEO |
| Mr. Vinay Gupta | CFO |
| Mr. Neeraj Manchanda | Chief Risk Officer |
| Ms. Deepika Gupta Padhi | National Head IR & Treasury |

**Moderator:** Ladies and gentlemen, good day, and welcome to the PNB Housing Finance Limited's Q3 & 9M Months FY'22-23 Earnings Conference Call. 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 Investor Relations and Treasury. Thank you, and over to you.

**Deepika Gupta Padhi:** Good evening and welcome everyone. We are here to discuss PNB Housing Finance Q3 & 9M FY'22-23 Results. You must have seen our business and financial numbers in the presentation and the press release shared with the stock exchanges and also available on our website.

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

We will begin this call with the Performance Update by the MD & 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 statements to reflect future events or circumstances. A detail disclaimer is on Slide #26 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, and welcome to the earnings call. I think we had a very good quarter. I think there were a lot of positives to take back and work further on it. So, if we basically talk about the numbers on a YoY, disbursements have grown by 21% for the quarter and, for the nine months have grown by 39%. So, Loan book growth last quarter, it was negative 4%; this quarter we are at 0.3%. If you look at retail, because the focus is going to be on retail going forward, the retail book has grown by 2% QoQ. And YoY it has grown by 7%. Corporate book, as I had mentioned earlier also, we are de-growing. So, on a YoY it has de-grown by 39%.

In terms of revenue, registered a growth of 20% YoY for the quarter, and 2.5% for the nine months. PAT is up by 43% YoY for the quarter and 15% for the nine months. Yield is at 11.38%, last quarter was 10.7%. The cost of funds has slightly gone up; it was 7.32%, went up in last quarter and now it is 7.55%. We have improved spread from 3.38% to 3.83%. NIM from 4.14% for the last quarter to 4.68% this quarter.

I think the big story is around traction in business, both on disbursement, loan book and also on asset quality. So, if we look at asset quality, GNPA is now about 4.87%, if you compare this number last quarter it was 6.06%, and the net NPA is now about 3.22%. If we talk about retail, specifically, retail GNPA is 2.86% and net NPA is 1.96%. So, corporate as I mentioned, it's degrowing. So, if you look at CRAR, it has improved; now it is 24.6% and Leverage is at 4.89x.

Largely, the focus was on retail. We focused on few things; one is on the disbursement I can say that in the last two months there is very good traction and this would continue in future.

In terms of loan book, we have done a great job in terms of retention. So that has also helped us to grow our book. So, we have to a large extent controlled on the part foreclosures, and also BT out.

Now, we have tweaked our credit policy to a certain extent and also process to ensure that the book what we're going to build in future is of pristine quality. And we've done some design level changes in terms of ticket size, in terms of product mix. We are focusing now more on home loan vis-à-vis compared to non-home loans. In terms of profile, we are now focusing more on salaried vis-à-vis compared to self-employed, and within salaried the focus is now also on government employees, which is a very small portion in our portfolio, because this segment will give us the least delinquency. We have seen this in the industry and therefore, we want to do that shift within salaried. So, we have now changed our strategy in terms of focusing on retail granular business. To that extent, high ticket loans, I think it has come down drastically directionally, and going forward as well, we can see this in the book, what we are going to build in future. Today, retail disbursement accounts to 92% of the loan book.

In terms of affordable, we have now setup the entire team, we have a dedicated team starting from sales, credit, operations and collections. The entire architecture is different, the policies are different, and set of branches, channel partners, segments, I would say everything is different, starting from pricing to segment employees from affordable backgrounds, the entire architecture is different for affordable. We have started business in this segment in last week of December. So, probably this quarter, we'll be able to see some traction there and it will carry on going forward. I had mentioned in the last quarter that incrementally going forward affordable will contribute about 25% of business which is let's say 12 months from now, it will start contributing about close to 20% - 25% of incremental business, that's our focus on affordable, it has started very well. And, the book growth would have been slightly higher, but we had certain subsidy amount to adjust, this is on PMAY, and therefore, the book growth what you see is little less, otherwise the book growth would have been far better than what you see now.

We have done a few changes in the sales structure; we are now much more closer to market and we have added more, if I can say, more zones, more regions, so that we are much closer in terms of tracking, monitoring and business development.

On the credit side, we are working on automation and digitization. We have just launched (STP) Straight Through Process, this is for salaried segment. So, this would give us faster TATs and efficiency in credit underwriting and standardization. So, this will pick traction in next couple of quarters.

In terms of policy as I mentioned, we have done some tweaking just to ensure that the book whatever we build in future will be of very good quality. And we have done certain process changes; we have tried to cut down on some of the redundancies and improve efficiency.

In terms of collection, the collection strategy is very, very clear; we have now four different verticals under collection. One is completely focusing on bounce and x-bucket. There we have seen significant improvement in the collection efficiency, and then for the entire SMA pool, that is SMA-0, SMA-1 and SMA-2 we have a different set of team, managing this to ensure that the slippages are the lowest. In fact, Q3 saw significant reduction in the slippages; the slippages was down to the extent of 25%, which is basically NPA, 90-plus to 360 will again have a different dedicated team and 360-plus we will have recovery. So, we will have X-bucket, SMA, NPA and recovery. So, we have done this tactically, we've done this bifurcation within the collection architecture. We've had highest NPA recovery and the slippages have come down by 25%. And we have fast tracked the entire legal process in terms of SARFAESI, in terms of settlements in time, in terms of sale of assets. I think all these things have resulted in asset quality improving especially on the retail front.

What we have done is, as I mentioned, we are now slowly trying to change the profile mix, product mix, and also in terms of ticket size now we are trying to get more granular and we want to focus on retail. We've seen some improvement in terms of the mix what we want. It's hardly of course one quarter, so, it will take some more time to see this impact coming in. So, our salaried share has increased incrementally. Our profile in the product mix, we have seen that HL is gaining more traction when we compare to non-HL, and in the ticket size we are seeing that up to Rs.1 crore the share of the percentage of cases which are being booked are on the increasing side.

I would now open the forum for Q&A.

**Moderator:** We will now begin the question-and-answer session. We have our first question from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

**Abhijit Tibrewal:** So just two or three questions. Firstly, on the corporate book, have there been any NPA resolutions that you've seen in this quarter among those four or five large accounts? Secondly, during this quarter, I think you've talked about some impairments or provisions that you've taken on assets held-for-sale. So, if you could just kind of throw some more color on what is the quantum of these assets held-for-sale and what have we actually classified under assets held-for-sale? And sir, then on margins, just wanted to understand, last quarter, it seems like there is a one-off in the margins, and probably something that should kind of normalize in this quarter. But, seeing margin expansion in this quarter as well in a rising rate environment, something very, very counterintuitive. So, if you kind of just explain what has happened there, how is it that we are looking at margins expanding, and how long you want to suggest this maybe just one-off from this assignment loans can continue? And lastly, sir on the OPEX side, I think on the affordable bit, you have said that you've added about 80-odd branches during this quarter if I kind of heard you right. So, wanted to understand that how should we look at OPEX since there are so many branches which are getting added, so this entire affordable that we have built up, why is it not reflecting in the OPEX numbers that we've reported?

**Girish Kousgi:** You see, resolution is both in NPA and non-NPA pool in the corporate. In terms of margins, I had mentioned that for a profile like PNB Housing we should look at NIM of 3.2% and Spread of 2.2%. Currently, NIM is at 4.68% and spread stood at 3.83%. In terms of assignment, basically this is a lag effect. So, sometimes it is plus, sometimes it is minus, and the only thing is it evens out in a year's time and therefore I think that is something part of business and we should continue with that. In terms of OPEX, I think whatever OPEX you're seeing now that is I think most of the OPEX of affordable vertical is already built in. So, what you're seeing now is, most of it is part of what we've already built in, because all the branches are operational and most of the spends are already done. In terms of asset held-for-sale, I think we had a small pool, so we have just marked it down to realizable value and that is the effect what you can see in P&L, so there is a bit of charge to P&L.

**Abhijit Tibrewal:** What is the quantum of these assets which are held-for-sale?

**Girish Kousgi:** It was roughly Rs.100 crores, but it is now completely marked down to the realizable value. So, it is one-off instance you can say and these were some legacy.

**Abhijit Tibrewal:**: And this Rs.100 crores are not your NPA accounts is what you said?

**Girish Kousgi:** Those were not in NPA accounts, those were current assets held-for-sale.

**Abhijit Tibrewal:** On that corporate NPA resolutions that I asked, I missed you. There were no resolutions during the quarter is what we –

**Girish Kousgi:** There were some resolutions, which was both in NPA and non NPA-pool, but the amount was quite less, I think the quantum is not huge. But having said that, on the corporate side, we are working on resolution. So, as I mentioned earlier, it will take about four to six quarters for us to completely come out of the entire corporate NPA pool. So we are working on account-by-account on resolution, and we see a lot of positive feelers what we're getting in terms of resolution. That would start happening in next four to six quarters. Unless and until, if there is some kind of one-offs which probably you might look at, we are open to all the options.

**Abhijit Tibrewal:** Just a follow up question on the margins, the guidance was more around the margins of 3.2%, but finding it a little difficult to understand that until I think the first quarter of this fiscal year, margins were around 2.36% is what I'm seeing in front of me and they are about 4.68% now. So other than I would say this one-time gain that we're getting from the assigned pool, other than that no one-offs, and it's just expanded from 2.36% to 4.68% now?

**Girish Kousgi:** That is right. So see, I'm talking on a long term steady state, I'm not talking about next two, three quarters. If you have to look at both Spread and NIM in next two, three quarters, I don't think so you would not see much of a change what you're seeing now. But if I have to talk about the long term guidance on a steady state business, I think normalized NIM and Spread would be in the range what I mentioned.

**Moderator:** We have our next question from the line of Sharaj Singh from Laburnum Capital. Please go ahead.

**Sharaj Singh:** First question is on a disbursement. Despite the expansion we've taken, and the guidance is given, we require around Rs.5,000 crores of disbursements quarterly rate. How do we look at that?

**Girish Kousgi:** I can only say that in last two months, we have seen very good traction on disbursement and also on the closures. And I had mentioned last quarter that we are looking at a book growth of about close to 10% especially on the retail. So, I think we will be able to hit that number, because now we are at about 7%, I think with Q4 we will be close to about 10%. And guidance from next year onwards, I had mentioned that disbursement will be 20% to 25% and book would be about 17%.

**Sharaj Singh:** 17% of the Loan book?

**Girish Kousgi:** On a YoY, yes, correct on the loan book.

**Sharaj Singh:** Second question is on the yields. We've seen an expansion on the yield excluding securitization. So how much of this is for the NPA reversal and how much is the rate now?

**Girish Kousgi:** Sorry, I didn't get your question. You were talking about the –

**Sharaj Singh:** The loan book yields excluding securitization.

**Vinay Gupta:** They've expanded by around 90 bps.

**Girish Kousgi:** It'll be less than 100 bps, that's the gap. Sometimes it is 70 bps, sometimes it is 80 bps, yes.

**Sharaj Singh:** How much of this is attributable to NPA reversals and how much of this is pass-through?

**Girish Kousgi:** I didn't get your point… what is NPA reversal?

**Sharaj Singh:** NPAs have gone down from 6.06% to 4.87% from the entire book on QoQ.

**Girish Kousgi:** Correct, I think that is because of a few things. One is the slippages have been controlled and there is a NPA recovery and there are certain one-offs in both retail and corporate.

**Sharaj Singh:** What I'm trying to understand is if I look at the yields which have gone up by 90 basis points, some of this would have come from the NPA reversals which have taken place, right. What is this portion which could be attributable for the reversals?

**Neeraj Manchanda:** There is no correlation between NPA reversal in the yield per se. This is the portfolio yield we are talking about.

**Sharaj Singh:** One question on the cost of fund side. I understand that 65% of our borrowings are floating rate. On this floating portion of the borrowings, how much of the rate hike is yet to pass-through?

**Girish Kousgi:** Yes, yes, it has been fully passed on to a customer.

**Sharaj Singh:** On the cost of funds, the borrowings have been reset completely, or there are some borrowings which would reset in the upcoming quarters?

**Girish Kousgi:** Most of it is done and we have quite a bit of pool which will happen in the next few weeks.

**Sharaj Singh:** One question on the provisions. The total provisions have come down QoQ from Rs.2,100 crores to Rs.1,760 crores. So, have we taken any write-off during the quarter?

**Girish Kousgi:** We have taken write-off of a small pool in retail and a small pool in corporate as well.

**Sharaj Singh:** One last question on the asset for sale we've marked down. What is the nature of these assets, are these treasury assets?

**Vinay Gupta:** These are certain current assets basically repossessed assets, which we were holding for sale and these were some legacy assets, very old, which we are planning to dispose of.

**Moderator:** We have our next question from the line of Anand Venugopal from the BMSPL Capital. Please go ahead.

**Anand Venugopal:** My question is in regards to our provisions. It's still remain high and hence we are not able to achieve good ROEs. How do we get to 15% ROE from here?

**Girish Kousgi:** So, basically, if you are leaving the one-off, it is quite less. So, in the last quarter, I had mentioned that for this year, credit cost will be about 1% and this is maybe from coming year onwards… I am just for a minute leaving the corporate book aside, I'm talking about retail, I think it will start normalizing because we have seen a lot of traction on the retail NPA. Also, on the corporate NPA we are seeing a good visibility. Only thing is that timeframe is little longer given the nature of those accounts and the size of the loans. So, basically when we talk about credit cost, we should ideally look at the slippages and the stage movement. I think these two are something which one needs to worry about. And if it is a one-off, because of that if the credit cost is going up… even in that case now we are talking about overall nine months of credit cost of 1.13%. Now, for the whole year we'll be able to maintain 1% unless there is a one-off. In terms of our focus now being on retail, and within retail, not just prime, even the affordable, and there is a clear guidance given in terms of disbursement growth and book growth, and also in terms of margins. I think in the next few quarters, we will see good traction on all the parameters what I mentioned, be it growth in disbursements or growth in book or profitability, I think in all these things there will be a good traction. I will leave that for you to work out on the ROE, but yes, this is the guidance and outlook for next few years.

**Moderator:** We have our next question from the line of Ashwini Agarwal from Demeter Advisors LLP. Please go ahead.

**Ashwini Agarwal:** I was intrigued about your opening comments and how your renewed focus is going to be on salaried and within salaried on government employees. So, two questions here. This is more or less the space where the PSU banks and the large commercial banks are very active in. And therefore from a strategy perspective, if you go back into the market, which is very keenly competed for, what is the edge that PNB Housing brings, because as a standalone housing finance company, your cost of funds are not as competitive as they are for the bank, so, why go there, why not focus on the self-employed category, which obviously is more difficult to manage, but at least as a profile where the competition is somewhat discrete, could you help me understand the reason behind the change in strategy?

**Girish Kousgi:** A very good question, sir. I think we have seen for last many decades in this industry, a) self-employed as a profile compared to salaried is highly delinquent; b), also the book attrition is higher in the self-employed segment. Now, when we talk about retail, we are looking at increasing the salaried profile. Now, in salaried, there are two things. One is if we focus on slightly lower ticket size, which is very safe, for example, in Rs.1 crore, Rs.2 crores, ticket size, we will have book depletion pressure. And therefore, let's say we focus on 30-40 lakh ticket size, which is basically from salaried, this is a segment where we see that this segment is not that price-sensitive and therefore pricing strategy very well fits in. There won't be depletion pressure; today, if we look at all the housing finance companies, all the small banks, I think their focus is on this. Our USP would be, a), in terms of our digital strategy where we get direct customers to us; b), we have door step service; c), our advisory to customers, especially on the legal and technical front, and we always ensure that our TATs is very competitive in the market. And therefore, I think looking at all these things, we have an advantage; a), in terms of being present there, through door step service, we can increase a book at a higher yield with less book depletion, and also we are able to see this particular segment on the asset quality side behaving very well.

**Ashwini Agarwal:** Maybe I misheard… I thought you said that your focus is going to be on 1 crore loans in your opening remarks.

**Girish Kousgi:** No, no, no, what I said was, our focus is going to be on both salaried and self-employed, but within the entire profile mix, we would be slightly skewed towards salaried, which means we will be increasing our share in salaried, within salaried we would focus on all the segments, but yes, we would also focus on 30-40 lakhs of ticket size. Now, this is a vast segment where on the private side, CAT-B, CAT-C employees would cater to, and on the government side this is a typical segment where the book is very good… the book depletion pressure is quite low, and this set of customers are not that rate-sensitive, and therefore it fits into our pricing strategy. So, we would focus on all; we would ideally keep the ticket size of around 26-27 lakhs. So this chunk could be major portions for us within salaried.

**Ashwini Agarwal:** Sir, could you also explain the focus on the affordable side, what kind of customers you're looking at, the average ticket size that you're looking at, and who's the real competition there, and how do you differentiate yourself?

**Girish Kousgi:** So, on the affordable side, basically in terms of geography, there is opportunity in metros, big cities and Tier-2 and Tier-3 towns. Now, for example, if it's a metro, we're talking about the entire periphery at the outskirts so there we have a very good opportunity. In terms of segments basically focusing on let us say if you talk about good CAT-C developer and good CAT-D developers. In terms of profile, it will be let us say both private and government employees whose income is in the range of 40,000 to 55,000/ month. So, in terms of affordability, our ticket size is going to be 16 to 17 lakh. On the prime it will be 26 - 27 lakh and on affordable 16 lakh to 17 lakhs and in terms of affordable I think we would benchmark with some of the listed affordable companies whose ticket size in the range of about 20 22 I think 70% to 80% of that would be our affordable segment.

**Ashwini Agarwal:** And which is the reason why you are kind of signaling to a lower sustainable NIM in the long run, but that hopefully will be offset by lower OPEX to total asset as asset growth takes place and lower credit cost thereby driving up the ROE, is that how I should see it?

**Girish Kousgi:** Actually, if you see the margins in last few quarters it is really varying, it is fluctuating and therefore with respect of guidance this is the minimum what we are going to protect and if everything goes well obviously we will be able to maintain this and probably it will be much higher than what I mentioned.

**Moderator:** Thank you. We have our next question from the line of Vikram Damani from Damani Securities. Please go ahead.

**Vikram Damani**: Question regards to the rights issue you said in your press release that the draft letter was filed back in November any updates on when we can expect further clarity and what are we planning in terms of quantum of pricing etc.?

**Girish Kousgi:** We are awaiting confirmation from SEBI to take this forward.

**Vikram Damani**: Any idea sir as to how long that might take any internal planning anything you can throw light on?

**Girish Kousgi:** I think there was some queries which were resolved and our overall timeframe is by end of March or so or it might just slip to let us say first week or second week of April and at this point in time we are awaiting SEBI’s approval.

**Vikram Damani**: One last question sir I did not come across specific cost-to-income number, do you all disclose that you all share that?

**Girish Kousgi:** So, I think we probably sort of missed out so let me give you this, so for 9 months it is 18% and the quarter it is already 14.8%. So, we can take it as 17% to 18% as the normalized cost-to-income.

**Moderator**: Thank you. We have a next question from the line of Aditya Doshi from Chanakya Capital. Please go ahead.

**Aditya Doshi**: My question was related to fee income if we see fee income as a percentage to disbursements so last four quarters we have been disbursing around 3,500 crore, but if we see that as a percentage of disbursements it has reduced from 3% from Q1 of this year to now 2%, so can you throw some light on whether fee income has reduced for last two quarters?

**Girish Kousgi:** Actually, the fee income related to disbursements is actually deferred so it is accounted in the interest income line itself. So, it is accounted at a yield level. The fee income that you are seeing here is more like a P&L income and some other charges which are recovered.

**Moderator**: Thank you. We have our next question from the line of Abhay Modi from Helios Capital. Please go ahead.

**Abhay Modi**: I was going through the Draft letter of offer in there it is mentioned that the retail loans about 21.7% is under moratorium I mean can you tell how much is it as of end of December and when do you think it will end?

**Girish Kousgi:** Actually, morat and restructuring, I think it is almost for the entire industry, it has almost come to an end or maybe it is in the final stages. So, today what NPA pool we are seeing I think most of it is already taken into account because this moratorium started in the year 2020 from March 2020. It was basically for Quarter 1 and Quarter 2 of 20-21 if I am not wrong. So, then of course we had a slightly higher moratorium rate. So, now all those things are budgeted and all those things are taken into account and now what we see is the NPA pool whatever had to flow from morat pool or the restructured pool has already flown. So, what we see now is consolidation of all those things.

**Abhay Modi**: Are the loans and the moratorium or is it over because it is mentioned it is still under moratorium as of 30th of September 22?

**Girish Kousgi:** No, it is over because this was in 2021 the first and the second time got over in October, I think it was April to June and September. So, basically Quarter 1 and Quarter 2 so that is over.

**Abhay Modi**: So, as of December 2022, there are no loans under moratorium?

**Girish Kousgi:** Under morat no.

**Abhay Modi**: In September, it is 21% so all of these loans have come out of moratorium in the current quarter?

**Girish Kousgi:** Basically, the morat was for 3 plus, 3-6 months, after that there was restructuring resolution under resolution 1 and resolution 2. So, we may have some accounts under the restructured pool, but even in the restructured pool it was for a period of two years. So, we would have structured it in a different way for example, in certain set of cases would have 3 months morat, certain cases would have 6 months morat and then the step of EMI or the full EMI. So, if you are talking about morat I think none of the accounts are today in morat, would we have few cases which are part of restructuring the answer is yes. In all those accounts the EMI would have started because two years morat is something which is not given and whatever you had given whether it is 3 months, 6 months or any that is over. Both on now the entire pool be it retail or corporate.

**Abhay Modi**: Now I understand that is exactly why I am asking this question because this is mentioned in the Draft letter of offer that is why I am asking this question that it says very categorically that 21.7% of our retail loan book as of 30th of September 2022 is under moratorium, that is what I am asking you?

**Girish Kousgi:** We will have a look at this because there is nothing which is now under moratorium.

***Further Clarification:* "During COVID, our retail customers with cumulative POS of approx. INR 18,000 Crores availed moratorium (during the period Mar'20 to Aug'20). The Company closely monitors the performance of such customers. As on Sep 30, 2022, and as reported in the DLoF, out of approx. 18,000 Crores, customers with value of INR 11,309 Crores are outstanding in our book. Of this INR 1,895 Crores got restructured under Covid OTR scheme. Further, out of this restructured book, customers with outstanding of INR 285 crore are in moratorium as on 30th Sept 2022"**

**Abhay Modi**: There are no loans under moratorium as of now everything added is restructured or in NPA?

**Girish Kousgi:** Right.

**Moderator**: Thank you. We have a next question from the line of Sanket Chheda from DAM Capital. Please go ahead.

**Sanket Chheda**: My first question was that credit cost run rate since last couple of quarters it has inched up, but it is quite high at about 170-180 so while on margins you mentioned it is 4.7, but steady state we would like to see at 3.2-3.3 and maybe that is a conservative guidance and maybe would be around 3.7-3.8, but that is a big drop so on and we are making ROA of say 150-160 bps as of now so on, let we say compensate in credit cost somewhere when it normalizes over 24-25 what are the kind of average that we are seeing and are we seeing credit cost normalizing to say 50 bps-70 bps in FY24 or FY25?

**Girish Kousgi:** So, if we look at H1 credit cost it is 0.94, 9 month is 1.13 and if I remove one off it is 0.72. So, this year leaving one off the credit cost will be 1%. Now on the retail side very clearly we can see credit cost normalizing at about 0.6 so I am very sure on that. On the corporate side, I am very sure about resolutions, but if there is one off obviously the credit cost is going to be slightly more. So, I think the way I would want to see credit cost is that with one off, without one off. So, definitely if not coming year next year we can see credit cost of about 0.6 to 0.65, that is for sure. Now, on the retail side coming year we can see about 0.6. Now, if we take both retail and corporate together and if there is one off then the credit cost could be slightly higher than what I mentioned.

**Sanket Chheda**: In this release we have also incurred some impairment on asset held for sale which is like 52 crores, what is there?

**Girish Kousgi:** Actually, we had clarified that this is a small pool of assets which was held, this is very old book legacy pool so that we have already clarified. We have mark it down and now that is on that.

**Sanket Chheda**: So, that pattern we should see as a part of credit cost only right?

**Girish Kousgi:** No, that is not part of credit cost anyway it is one time. So, this is a legacy pool so if you see of course we have charged the P&L, but that is not part of credit cost.

**Sanket Chheda**: When we talk about disbursements maybe we will close loan book this year which is slight lower single digit growth YoY and on that even if grow 20%-25% the next year, the growth that we are guiding we would not be able to do that under the disbursement growth is much higher maybe for at least FY24 and then from FY25 it can normalize to the number you are guiding, but is that the right way to look at?

**Girish Kousgi:** If we look at Quarter 3 the disbursement growth is 21%. If we look at 9 months YoY we are at 39%. So, what we have guided is about 22% to 25% of disbursement growth and 17% growth on the book so this is very much possible because if not just the disbursement even on the book retention. So, we are working on both and therefore we see that this is quite possible.

**Sanket Chheda**: My question was sir that this year you have been doing and 20%, 22% is possible on disbursement I am not denying that I am saying that has not resulted in income for this year, so we are guiding for say 15% plus AUM for next investment growth has to be much higher?

**Girish Kousgi:** This I was talking about 12 months from now coming year. So, this year we had guided book growth of close to 10%.

**Sanket Chheda**: And lastly sir out of overall restructured how much is in Stage-2 or there is some part which will be in Stage-1 or Stage-2?

**Girish Kousgi:** So, talking about retail what is in NPA is about close to 15% and what is in Stage-2 is ~ 20%.

**Sanket Chheda**: So, it is either in Stage-3 or Stage-2 I think it is Stage-1 out of restructure?

**Girish Kousgi:** See for the restructuring book we have got a 15% NPA and that number is static there is no additional incremental we have seen in the last two, three quarters. So, whatever the stress we are looking into restructured book that is getting slightly now.

**Sanket Chheda**: I am asking that of the restructured book is there anything in Stage-1 or the entire restructuring is either in Stage-2 or Stage-3?

**Girish Kousgi:** No, not the entire in Stage-1. So, if this is add to the SICR logic which we have already discussed in the earlier investor calls as per that only we are doing.

**Sanket Chheda**: I just wanted to know how much is in Stage-1 not entirely that way, but how much is in Stage-1 of the restructured if we have that number handy?

**Girish Kousgi:** We can come back to you on that. So, as I mentioned earlier because now Morat and restructuring is behind us. Now, whatever we are seeing is the result of both moratorium and restructuring. So, whatever NPA pool we see in either retail or corporate is post moratorium and restructuring so we can get back to you on specific numbers.

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

**Pratik Chheda**: So, in the opening comments you mentioned that there has been a control on the run out and pre-closures, what has been change in strategy here I mean what has been the key difference that led to this lower BT out and if you can also quantify what is the BT out percentage maybe a year back same quarter year back and what is it today?

**Girish Kousgi:** What I was saying was I think our overall run off in a month was close to about 1,000 crores. So, that 1,000 crores we are able to control it to less than 800 crores so that we were effectively able to manage which means this is largely coming out of BT out and also for closure and part closure. This also includes normal run off.

**Pratik Chheda**: So, in terms of percentage if we just have to step out the BT out and for closure not the normal run off how much would that be a year back?

**Girish Kousgi:** It has come down drastically. Of course, even though these are early days but we have seen very good traction in last couple of months and we hope that this trend will continue and there is scope for another 50 odd crores to come down.

**Pratik Chheda**: So, my second question is on the margins hit I would like to know what was our yield rate on affordable piece and when we say that we are going to get incremental business of around 25% from the affordable segment that is I am assuming it will be slightly better yield eve much more better yield and on the other hand we are seeing that there is a 50 bps, 60 bps compression coming in the margins, so this is slightly counter intuitive, what is going to really contribute majority which is the major segment which you are going to contribute to the normalization in margins, is it when I say growth plan which we might offer in terms of trying to grow maybe little bit more faster?

**Girish Kousgi:** See affordable book would definitely be able to generate a higher yield vis-a-vis compared to prime so that in that sense definitely you are right. All I am saying is that we have seen some fluctuations in the past and it may continue for next few quarters and therefore as in the long if you talk about next three to four quarters I think NIM and spread there would not be too much of variance from what we are seeing it now I am talking about long term steady state. So, obviously affordable is going to come at a higher yield compared to prime.

**Moderator**: Thank you. We have a next question from the line of Nidhesh Jain from Investec. Please go ahead.

**Nidhesh Jain**: What are the incremental yields on affordable housing segment and the prime home loan segment which we have got in Q3 or we are getting in the month of January?

**Girish Kousgi:** Basically, what yield we are seeing now is largely from prime and affordable is going to be at least about 125 to 150 high.

**Nidhesh Jain**: What are the prime yields if you can share that level what is the yields in absolute percentage?

**Girish Kousgi:** So, it will be prime housing is about 9.00% and affordable will be in the range of 11%-12.00%.

**Nidhesh Jain**: And secondly just one off that we are getting from our assignment income so I understand it is because of MCLR rate changes which led to this one-off, so as interest rate stabilizes then one off will not recur next year probably, is that the right understanding?

**Girish Kousgi:** Yes, absolutely you are right because now we have seen that interest rate has almost peaked out and therefore this one off whether on the negative side or positive side I think would not probably happen in the next few quarters to come.

**Nidhesh Jain**: And sir it is a function of we changing our interest rate to the customer or it is function of banks changing their MCLR which write this one off?

**Girish Kousgi:** It is linked to the bank base rate.

**Nidhesh Jain**: And lastly on the operating expenses we have added almost 80 odd branches on affordable segment, but if you look at employee expense or non-employee expense we have not growth in fact employee expense have declined sequentially, so is there any one off in the employee expense or what should be the quarterly OPEX that we should build in going forward?

**Girish Kousgi:** On the affordable I think most of the OPEX is already built in because all this is spent during the financial year. So, in terms of OPEX I think there is no major one off and therefore going forward we will see only a marginal increase in the OPEX not a significant increase.

**Moderator**: Thank you. We have our next question from the line of Nischint Chawathe from Kotak. Please go ahead.

**Nischint Chawathe**: Just trying to understand little bit on the arrangement that you have on the assignment that you did, so is the rate fully pass through whatever the changes that bank will make or is it something that your cost of assignment from the bank will be linked to their MCLR what you are charging to the customers?

**Deepika Gupta Padhi:** In most of our cases it is linked with the MCLR of the respective financial institution. So, whenever there is a change in the MCLR of those financial institutions and accordingly it is passed on. So, if I have changed let us say the rate by 50 basis point however the MCLR changes by 20 basis points the pass on will be 20 basis point.

**Nischint Chawathe**: So, you will end up kind of having a positive or a negative impact to that extent?

**Deepika Gupta Padhi:** Yes and that is how this assignment income which comes in our P&L.

**Nischint Chawathe**: Just again when I am looking at the yield on loans and that has kind of gone up by almost around 200 odd basis point over the last two quarters I am sorry around more than 200 basis points of the last two quarters, so is it something that it is just to do with the fact that you have raised the benchmark rate or is there kind of higher increase in the incremental loans or anything on that cost?

**Deepika Gupta Padhi:** It is a function of both. So, if we see our yield excluding this securitization in Q3 FY23 it is 10.83% there is an increase of 90 basis point and as MD has mentioned earlier that this is primarily on account of the increase in the rates by the company.

**Nischint Chawathe**: And so, will be the case between Q1 and Q2?

**Deepika Gupta Padhi:** Yes.

**Nischint Chawathe**: And this is the entire benchmark going up right?

**Girish Kousgi:** Yes.

**Nischint Chawathe**: And just one last question I know we touched upon it, but to understand the entire COVID restructured loans of INR 2,037 crores, these would be Stage-2 or 1 depending on I think the dpd of the loans

**Girish Kousgi:** Yes.

**Nischint Chawathe**: And you probably shared the breakup offline in terms of how much stage one-off ratio?

**Deepika Gupta Padhi:** Sure.

**Moderator**: Thank you. We have our next question from the line of Akash Sethia from Elin. Please go ahead.

**Akash Sethia**: So, my questions have already been answered earlier so I am just going to step back into the queue.

**Moderator**: Thank you. We have a next question from the line of Sandeep Joshi from Unifi Capital. Please go ahead.

**Sandeep Joshi**: The question is actually related to corporate book closure, sir since you have completed about 3 months in the organization you would have actually spent a good amount of time to go through all lumpy exposures, so you can you give a sense on the performance of corporate books in terms of do you expect any lumpy slippages near term or do you believe all stressed assets are already recognized and you do not expect any incremental repeated in the book?

**Girish Kousgi:** So, I have seen the entire portfolio at a close detail so I think we are adequately provided. All the accounts which are in Stage-1, very closely I have seen and I do not expect any slippages in next few quarters as of now we do not see any slippages and we are also looking at some resolution, only thing is the timeline for resolution might take some time and if we look at the entire NPA pool as well so there are close to 50% of the NPA pool Where we see very good traction on the resolution and therefore I do not see any slippages happening in the next few quarters.

**Sandeep Joshi**: And sir how the Stage-2 will be performing I mean are there any sticky lumpiness over there or the book is churning?

**Girish Kousgi:** Stage-2 is 0, we do not have any case in Stage-2.

**Sandeep Joshi**: With all retail in Stage-2?

**Girish Kousgi:** Yes exactly.

**Sandeep Joshi**: Second question is on the income on assigned domains I mean you just answered to the earlier participants that how the math works, so I just want to check so from next quarter onwards there will be no such income or do you think some part of it is going to be passed on by the other financial institution and that effect will come in next quarter?

**Girish Kousgi:** Basically, if we get triggered off with change in repo. So, if there is no change in the repo or if the interest market condition if there is no change I think there would not be any impact.

**Sandeep Joshi**: So, whatever repo rate hikes have already been happened and the rate which was improved by the financial institution that has been passed completed till now or some part is pending?

**Girish Kousgi:** It is passed on completely.

**Sandeep Joshi**: So, if there is no repo rate hike there will be zero an income in next quarter?

**Girish Kousgi:** There would not be any fluctuation because I think the trigger is change in repo.

**Moderator**: Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to management 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 of this call as well as the audio will be uploaded on our website which is www.pnbhousing.com. Thank you very much.

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