



Date: August 02, 2022

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/Madam,

Sub: Transcript of Earnings conference Call held on July 28, 2022

In continuation of our letter dated July 28, 2022 and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the transcript in respect to the earnings call held on July 28, 2022, on Un- Audited Financial Results (Standalone and Consolidated) of the Company for the quarter ended June 30, 2022.

A copy of the same is placed on the website of the Company <https://www.pnbhousing.com/>

This is for your information and records.

Thanking You,

For PNB Housing Finance Limited

SANJA
Y JAIN

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

“PNB Housing Finance Limited's Q1 FY'23 Earnings Conference Call”

July 28, 2022

Mr. Hardayal Prasad
Mr. Kaushal Mithani
Mr. Sanjay Jain
Mr. Pankaj Jain
Mr. Jatul Anand
Mr. Neeraj Manchanda
Mr. Amit Singh
Ms. Valli Sekar
Ms. Deepika Gupta Padhi

Managing Director & Chief Executive Officer
Interim Chief Financial Officer
Company Secretary and Head Compliance
Chief Sales Officer – Retail
Chief Credit & Collections Officer
Chief Risk Officer
Chief People Officer
Chief Sales & Collections Officer-Affordable housing
Head - Investor Relations

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY'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. Thank you and over to you ma'am.

Deepika G Padhi: Thank you, Steven. Good evening and welcome everyone. We are here to discuss PNB Housing Finance Q1 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 is also available on our website.

With me, we have our entire management team across verticals sitting over here, led by Mr. Hardayal Prasad, -- Managing Director and CEO.

We will begin this call with the "Performance Update by the Managing Director and CEO" followed by an interactive "Q&A Session." Please note this call may contain forward-looking statements which exemplify our judgment and future expectations concerning the development of our business. These forward-looking statements involve risks and uncertainties that may cause actual development 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 34 of the investor presentation.

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

Hardayal Prasad: Thank you, Deepika. Good evening, everyone and welcome to our Q1 FY'2023 Results. On behalf of the Company, I extend a very warm welcome to all of you.

Let me start with the "Business Update." As we communicated about our focus on the retail segment, we registered disbursements growth of 96% during the quarter as compared to the same quarter previous year. We disbursed Rs.3,451 crores in Q1 FY'23 with retail segment contributing 98% of the total disbursements. During the quarter, the Company disbursed gross amount of Rs.76.5 crores under the co-lending which is in 20:80 ratio. We are also in discussion with other banks for co-lending arrangements.

On loan assets, retail loans registered growth of 2% YoY 1% sequentially to Rs.50,294 crores as on 30th June 2022. The corporate loan asset declined by 45% YoY to Rs.6,006 crores as on 30th June '22 on account of sell down and accelerated prepayments. The loan assets for the Company outstanding as on 30th June 2022 is Rs.56,301 crores and the assets under management is at Rs.64,849 crores.

On expansion of our footprints in the affordable housing segment, we have operationalized 10 new locations during the quarter, bringing the total number of locations to 34. As of 30th June 2022, our Unnati segment AUM was Rs.3,047 crores.

Coming to our asset quality, with our continuous efforts to reduce the GNPA, I am pleased to inform that our GNPA on IndAS basis, reduced by 23% during the quarter primarily on account of corporate book. The corporate book gross NPA registered a decline of 37% in Q1 FY'23 to Rs.1,732 crores as compared to Rs.2,738 crores as on 31st March 2022. The decline in the corporate GNPA is on account of resolutions through change of developer accounts, closure in two accounts, ARC sell-off in one account and write-off in two accounts. Retail GNPA declined by 3% during the quarter to Rs.1,907 crores as compared to Rs.1,968 crores as on 31st March 2022. In percentage terms, the gross GNPA is at 6.35% as on 30th June 2022 as compared to 8.12% as on 31st March 2022. We continue to focus on improving our asset quality going ahead. As of June 30, 2022, the net NPA was at 4.26%

With the increase in the repo rate in Q1 FY'22, the Company passed on the increase in rates to its customers. The impact of increased interest rate is yet to be fully reflected in the yields. In terms of liabilities, the impact of increase in repo rate is reflected in the cost of borrowings as the overall cost of borrowing increased by 11 basis points.

The Company has reduced its liquidity in the books to around Rs.3,800 crores on standalone basis as on 30th June 2022 as compared to Rs.7,085 crores as on 30th June 2021.

The profit after tax on a sequential basis increased by 39% to Rs.235 crores in Q1 FY'23. The ROA is at 1.47% in Q1 FY'23 as compared to 1.24% for financial year 2022. With the increased percentage of retail book, it is imperative to see the ROA of the retail book. Our retail book ROA over time has increased from 1.3% in FY'20 to around 1.5% in Q1 FY'23. The leverage has come down to 5.1 times as on 30th June 2022 from 6.33 times as on 30th June 2021. The Company is comfortably capitalized with CRAR at 23.9% and tier-1 at 21.4%.

The residential sector is experiencing an increase in demand particularly in tier-2 and tier-3 cities. As per ICRA, the portfolio of NBFCs, HFCs is expected to grow by 9%- 11% on account of pent-up demand and increasing level of economic activity. To leverage on this opportunity, we will continue to focus on retail lending, expand our affordable housing loan offering, improve our portfolio credit quality and enhance efficiency through digital interventions.

On the capital raise, PNB has received its approval from RBI to infuse Rs.500 crores in the rights issue of the Company. Further, the Company has received the final settlement order whereby issues raised with respect to the preferential issues have been settled under SEBI settlement proceedings regulations 2018. The draft letter of offer is in the final stages and to be filed at an appropriate time.

With this, I would like to open the floor for questions and answers. We have the entire management team sitting over here to answer to your questions and we welcome any question that you have, and we'll be more than happy to answer them. Thank you very much for coming and attending this meeting.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: Want to ask when PNB Housing Finance Company will revive its gross NPA; Gross NPA is 6.40% as on 30th June '21, 4.05% NPA level on 30th June '21 while it is 6.35% on 30th June '22, while net NPA has risen to 4.26% on 30th June '22. When whole country, bank and housing finance Company improve their performance, but maybe sad to know PNB Housing is nowhere in the game, what is the main problem behind this scenario?

Hardayal Prasad: It's a fact that the NPAs had gone up significantly and there are historical reasons why it had gone up. And then subsequently in December, because of the November RBI circular, there was an impact on the Company where about Rs.800 crores of NPAs. But if you look at the two quarters that are important. In one day it is not possible for any organization to bring down the NPA straightaway. If you look at the two quarters which is the March quarter and the June quarter, you will find that there is a significant reduction in the NPA that has been done. In the March quarter, we have reduced the retail NPA by almost about Rs. 600-700 crores. And in this quarter, there has been a decline as the reduction of almost about Rs.1,000-odd crores, which is about 23% of the NPAs have come down in Q1 FY'23 versus only Q4 FY22. I can't bring it down straight away, but, yes, there is massive effort that is being done both on the corporate side and on the retail side and the reduction has taken place both on the retail and the corporate side. There are very large number of accounts which are under resolution. We have resolved, I think about Rs.1,000 crores and we have another Rs.1,000 crores sitting over here which we are attempting to resolve, and I am very sure that in the next one or two quarters we should be in a position to resolve. That's on the corporate side. On the retail side if you look at it, there are scenes of the matter, and we are very clear that we would like to bring down the NPAs to less than 2% going forward. I think that's what it is. It's a journey that we are going to take, and the journey has already started right from December 2021, two quarters we have exhibited that there we can reduce the NPAs and will continue to exhibit the same kind of rigor in terms of reduction of NPAs.

Ravi Naredi: One figure I would like to discuss with you. Our market cap is Rs.6,000 crores. Our Loan Asset is Rs.56,000 crores nowhere in the history of finance market we have seen so much low market cap of any finance Company in compared to Asset. What I want to know how many more bad debts is lying in the Company which need to come outside, why the market is not giving any good value to the PNB Housing, that is my question to all management team you are sitting there?

Hardayal Prasad: I think we have cleaned up everything. In fact we were among the first HFCs which recognized the NPAs while the time was up to September '22. We still went ahead and recognized the NPA which was as per the Reserve Bank of India direction in December '21 itself. So, I think there is nothing that is lying as hidden either in the retail side or on the corporate side. We have gone ahead, and we have cleaned up everything. That is one part of it. In terms of the market cap, you would have seen that when the preferential issue was announced the share price went up from about Rs.440 which was on the days it was trading to almost about Rs.900. So, there is a potential

in the market, there is a possibility of growth. It's just a question of because of some reason and you know the reasons because I'm sure that the kind of investment that you are doing in terms of actually looking at the balance sheet, looking at us the approval from PNB had not come. I think that is one of the largest things that is there. Now that the PNB has an approval to invest Rs.500 crores. It's just a matter of time that the DLoF is submitted and the capital is raised. There are three important things that actually would help us in improving the share price in the market cap and everything. One of them is the capital requirement that was always actually at the back of the burner, but it has come forward, we will come out with the rights issue. The second was on the growth. In two quarters, we have shown that there is a growth. I would talk only about the retail because two years back we had very clearly said that we will not do corporate. We did a growth of almost about Rs.700 crores quarter-on-quarter on the retail in the last quarter of the financial year 2022 which is January to March. We have again done quarter-on-quarter growth of about Rs.550 crores in this quarter. I think there is a very clear green shoots that are coming in. So, that is the second part of it, first is the capital, second is the growth and third is the NPA. If you really look at it in the last six months, we have reduced the NPA by about Rs.1,700 crores. I think these are the way forward and I would say that we are now moving in the right direction, and we didn't want to say anything unless we demonstrated to you in the next two or three quarters that there is a growth. If you look at the disbursement, it has grown by 96% over the June quarter of FY'21. So, the disbursements are going up, the Loan Asset is going up, the NPAs have come down. I'm not saying it's a very rosy picture, but I think there is a very clear direction that the Company is on the path of recovery.

Moderator: The next question is from the line of Anand Mundra from Soar Wealth Management Managers. Please go ahead.

Anand Mundra: I have one question. You mentioned that you have grown in retail quarter-on-quarter, but the disbursement has not grown in Q1 FY'23 as compared to Q4 FY'22. Am I missing something, I just wanted to clarify that?

Hardayal Prasad: First is actually you know that there is a growth, and it is very clearly reflected in the numbers which you would have seen. In terms of the disbursement that you are seeing, I think we did a very good almost about Rs.3,6003700 crores of disbursement in Q4 FY22. Now, again we have done almost about Rs.3,400-3500 crores. This is the slower month. If you would have looked at the results of some of the HFCs, most of them have shown almost about 20% to 40% decline in the numbers in comparison to Q4. Our decline is only 7%. And this is usually a soft period; April, May, June is actually always a soft in terms of any HFC that you look at it, you would find that the numbers come down significantly as what it was done in March quarter. I think we have just had a minor blip in terms of the 7% decline, but we remain steadfast in terms of showing the growth and hope that our growth will be approximately in the high single digit.

Anand Mundra: So, any guidance for the growth for this year with respect to the disbursement or the AUM, sir, retail book?

- Hardayal Prasad:** I said about a higher single digit growth we are expecting this year. We already have grown by 1%. If you look at it as annualized basis it's a 4% growth. While the market is slow in April-June, we still have had an annualized growth of about 4.3% or 4.4%. So, going forward things are only going to improve. There was one more thing that happened in the first quarter and that is actually the interest rate. There are two things; one is the interest rate, there is an increase of about 90 basis points in interest rate, which actually dampened the market to some extent; the second is the input costs which has gone up significantly. The input costs in the construction activity have actually increased the 20% to 25% increase in the price of a property which is also little dampening from what the general public had seen, which was amongst the lowest interest rate, lowest prices and everything for the last year. So, that was little dampening. I am sure that people will come forward because if you look at the mortgage market to the GDP it is only at 10%. There is massive scope sitting over there in terms of the growth and I'm sure that people are realizing, and the growth will come in. And we are right now after all the cleaning up that we have done, we are suitably placed to actually encash on that growth.
- Anand Mundra:** You have given a guidance of high single digit AUM growth for the financial year FY'23 in retail. Correct?
- Hardayal Prasad:** High single digit which is anything from 8%- 9% is what we are looking at. I mean high single digit would be 7% to 9%, but that's the kind of growth that we are looking. We already have done 4.3-4.4% at a period which is normally very soft.
- Anand Mundra:** Sir, in market I am assuming you are competing with likes of HFCs, HDFC or ICICI Bank and another place. It's very difficult to compete with them; their cost of funds are really low. What is the differentiation which we bring to the table for the customer, otherwise customer will definitely would like to go with a larger bank which may offer better products or better pricing as compared to us? We are not focusing on that segment.
- Hardayal Prasad:** A couple of things. One is today, for the best customers who say about 800-plus CIBIL score. My interest rates and the competitors interest rates are almost at the same; 7.5-7.55% is what I also quote, and they are also quoting. So, as far as the class of customers that we are looking at it, the salaried and others who normally go over there, we still have interest rates which are pretty competitive. So, that is one thing. So, I'm in the competition and that is why I am growing. The second is that my actually ability to underwrite self-employed and NHL is far superior than any of the bank. So, even actually this quarter if it has been a little slow, I will ensure that these capabilities that we have in terms of delivering, nobody can deliver in about three to three and a half days, we actually not only deliver it, but we aspire to deliver it in threeto three and a half days to four days to a self-employed personal applying for a loan. I think these make us very, very distinctive in terms of the way we deliver it. So, if the interest rates are competitive, if my delivery is good, people will come to me, otherwise what was happening was because of the speed of my delivery, people are coming to me, but then after three months to six months I was realizing that people were running off from me, the portfolio would shift, somebody would take over, because you want a loan today, I was able to give it, the bank was taking a month to give it, so he takes a loan from me, but he comes back to me after three months and says I want to

move on to some other bank. That we have significantly arrested it is almost 60% down. We have significantly reduced the runoffs. So, I think these are two things. Because of the interest rates we are coping, the sharpness which the sales is actually entering into the DMA relationships, the APF relationships, the salaried. Our salaried is doing very well, we are actually increasing our salaried significantly which actually leverages from the risk also.

Anand Mundra: How much is the balance transfer for this quarter? Earlier, it used to be 18% for the year.

Hardayal Prasad: 9%. So, I told you. During the COVID, the issue was that earlier everybody was quoting very high interest rate. The differential between me and the other used to be about 50 basis points about the best of the banks. During the COVID when the interest rates regime started coming down, the differential went up to almost about 100 basis points to 150 basis points. And that was the reason why the numbers that you are giving have resulted into that. Because there are so many things happening on our portfolio, we wanted profitability, we wanted to ensure that the Company remains steadfast. The moment we realize that it is time for us to go back to the market, we have actually paired the interest rates which are very competitive with the market. And that is the reason why this has come down significantly.

Anand Mundra: So, 9% is for what period, sir?

Hardayal Prasad: 9% is annualized, which means 2.25% for the quarter.

Anand Mundra: Another thing which is very important for the growth in the rights issue. What is the pricing for the right issues? Why it is keeping kept as suspense for all the minority shareholders?

Hardayal Prasad: So, one is on March 9th, the board has approved the capital raise of Rs. 2,500 through the rights issue and that's the public knowledge. Now subsequently PNB has also received RBI's approval to participate in the rights issue and the approval is for Rs. 500 crores which again has been announced and they would hold the shareholding at 30% or below but above 26%.. This is the second thing which is one of the most significant thing that has happened that this time they were able to get approval, last time they were not able to get approval. The third is that we have already appointed investment banker, legal counsel and everybody is onboard, and the draft letter of offer is almost at the final stage. There are certain regulatory and other issues that are being sorted out. Once these are sorted out, the Company is planning to file the DLoF as soon as possible and maybe it is within weeks also. So, this is what we are going to do it. And then with respect to the preferential issue also we have got it completed. As far as the SEBI is concerned, the settlement is final, and everything has been completely taken over. So, this is where we stand. I think if some of those issues can get sorted... I can't give you, I can say a few weeks, but if unless those issues are sorted out, I will not be able to apply to the SEBI with the draft letter of offer. We are working very, very vigorously on these issues. Hopefully, we should be in a position to file as quickly as possible on this. And the biggest advantage is that the capital raise will bolster our capital position and enable the Company to accelerate the growth. For the rating agencies and others, this is again one of the most significant thing. And with the leverage almost at 5.1% which we have brought it down and our capital adequacy at 23.9%, I think this is one of

the sweetest things that could happen for this Company to go ahead and then book new, because this is a growth capital that we are looking at it.

Anand Mundra: But sir, it would be really helpful if you can give some guidance in the pricing because it's really suspense from last six months?

Hardayal Prasad: Timing actually sir, I cannot say to you because there are certain issues that I need to address it. The moment we address those issue, we will be in a position to do it. I can apply it tomorrow, but the point is that I'm not going to get an approval unless everything is complete as far as that draft letter of offer is concerned.

Anand Mundra: Rights issue price will be approved by the board; SEBI will just defer from that. You give an indication what price board is giving an approval for rights issue?

Hardayal Prasad: Sir, I will not be able to give you the price. Let us go and then we have investment bankers to sit with SRC, sit with the board to come out with what exactly would be the price on the rights issue.

Deepika Gupta Padhi: Once we file the DLoF, because it is not a fast track, it's under normal track, generally SEBI takes some time to come back on to that, and once we get an approval from SEBI on the DLoF, we file the letter of offer and at that point of time is what the pricing gets decided by the board. the pricing is open, in the sense that it will depend upon the market price at that point of time and how the stock is behaving in the market, basis that the pricing will be decided by the board and of course with the recommendation of our investment bankers that the pricing will be decided and announced to the market.

Anand Mundra: With respect to Unnati AUM, it has not grown in this quarter compared to last quarter.

Hardayal Prasad: We had mentioned to you, or we had actually explained that not only we have created a small vertical, but we have also now a head of the Unnati, which is the chief sales officer who is looking after the Unnati. She has joined about a month back over here and we are revamping the whole product, and she comes with almost about 26 years of experience in the mortgage industry and about 10 years to 15 years' experience only on the affordable. The team is being assembled, the policy changes are being done, because affordable obviously we've realized it's a very different thing that what we were doing in terms of that. So, the Unnati portfolio is actually going to be completely different. So, that churning was taking place during this quarter, and we hope to go ahead and start booking the business as early as maybe September, it could be August also, but September definitely.

Anand Mundra: What was the disbursement in Unnati segment last quarter?

Hardayal Prasad: Last quarter, I think Rs.140 crores of disbursement. That is because the whole policy is undergoing change. So, there were new completely new approval matrix that has been defined

and how it is going to be rolled out, the ticket sizes, on the eligibility norms, a lot of things are going ahead and that is the reason why it had slowed down to some extent.

Anand Mundra: Sir, I understood that. If there was Rs.140 crores disbursement, AUM should have been grown by actually Rs. 50-60 crores, net of repayments. Why there is a degrowth in AUM by Rs. 50 crores?

Pankaj Jain: Actually, what has happened is though we have done the fresh disbursement of Rs. 140-142 crores, but we have seen slight runoff on the Unnati and hence as our MD has mentioned that we are going through the transformation in Unnati business, we are scaling it up, we are redesigning the entire model and the business that we are doing as usual was on a slowdown method and at the same time the attrition was a bit higher.

Anand Mundra: How much was the runoff?

Pankaj Jain: Run off in the Q1 on Unnati portfolio was 25% on annualized basis.

Valli Sekar: This is Valli Sekar. I'm heading the affordable housing piece here. Currently, in the Unnati product what we were concentrating was in the lines of priority sector lending wherever loan amount was in the range of up to Rs. 35 lakhs, but the actual affordable housing would be like the EWS, LIG-1 and LIG-2 which the government prescribes which would be in an average loan rate of approximately Rs. 9 to 10 lakhs. Since we were doing this loans up to Rs. 35 lakhs, we were seeing significantly a lot of runoff in this loan portfolio. As far as affordable housing is concerned; the runoff is generally in the range of 4% to 5% only. So, completely we are revamping the entire product policy procedures and we are completely coming in line with the actual affordable housing market. So, you will see a turnaround in the product and in the policy and procedures in maybe by the end of next quarter and from October you will be seeing numbers growing in this as per the actual affordable housing policy in the market. Thank you.

Hardayal Prasad: Very competitive products, competitive interest rates and the delivery and everything is going to be actually then you can compare that particular portfolio with the affordable or the other competitors who are there in the market doing similar kinds of business where the ticket size is anything between Rs. 8 -15 lakhs.

Anand Mundra: So, sir what is the gross yield, I just wanted to understand sir, if there is a 25% run off what is the main reason for that?

Hardayal Prasad: 6.25% actually run off in a quarter.

Anand Mundra: 6.25% for three months, and these guys portfolio has moved, it has moved to bank, or it has moved to some other NBFC?

Hardayal Prasad: Actually, what happens is, some of the banks suddenly become very aggressive in terms of the priority sector especially, when they have a shortfall in the priority sector lending, they become

very aggressive in terms of actually capturing that business and at that stage as portfolio start moving here and there. Even when actually on the co-lending side when we go and talk there are various ways in which banks are looking at it, some of them are looking at priority sector, some of them asked for self-employed, some of them said I want NHL. So, it's a different mix of the portfolio that, that particular bank would like to build to ensure that, to actually give a guidance that this is the kind of portfolio I would like to accept under the co-lending platform. So, whenever there is a shortfall in the priority sector lending, it is when actually we will see this kind of effort, but what worth is mentioning you that it is normally about 4%. So, there is a little uptick between 4% and 6%, the 2% is actually that additional delta on Unnati platform.

Moderator: Thank you. The next question is from the line of Krishnendu Saha from Quantum AMC. Please go ahead.

Krishnendu Saha: Most of my questions has been answered, thank you. But just on the Unnati, what has been the GNPA over there?

Neeraj Manchanda: See, prominently the Unnati the after this COVID impact it is 150 odd bps higher than what in general we are facing now. So, it is in the range of delinquencies of around 3%.

Krishnendu Saha: 3% is the number, okay.

Hardayal Prasad: There is one more thing that we are doing it is actually we are revamping the whole collection system of Unnati. And we are setting up a complete infrastructure right from the ground only for collection of Unnati because that is much more rigorous collection process and other thing. We anticipate that not only the new portfolio that we are going to build will actually the collection will take place of that, and the delinquencies kept low. But this existing also we are very, very sure with this new Unnati vertical coming up. It will also look at the existing delinquency of the Unnati portfolio. So, one is the existing Unnati and then the new Unnati kind of portfolio that we are going to build. And both of them should see after maybe just as Valli mentioned that you will start seeing some traction, somewhere around October, November, the disbursement will start, but the traction that you will see maybe from December onwards you will find that there is traction coming up in the business as well as in the collection machinery.

Moderator: Thank you. The next question is from the line of Nikhil Walecha from Franklin Templeton. Please go ahead.

Nikhil Walecha: Sir, you have shared GS3 as per IndAS is it possible to share the GNP under the IRAC?

Hardayal Prasad: We don't maintain in the IRAC, we maintain it under the POS IGAAP, but only through POS we can give the IndAS actually also builds in the interest rate, but now we are monitoring it only for the IndAS. There it created, the interest component is added to it. If you want we can give you those numbers also there would be a differential of about - **Neeraj Manchanda:** of around Rs. 300 crores. In the IGAAP and IndAS there would be a differential of almost about that is amount.

- Nikhil Walecha:** Understood. And secondly, I see that the Stage-3 coverage have dropped slightly, I believe some of that would be due to write-off, but given that there is an aging of NPA, so that coverage should increase. So, why it has decreased and even the provisioning from the P&L side also it has dropped. So, ideally you should have increased the PCR but what is the reason for the decrease in Stage-3 PCR?
- Neeraj Manchanda:** Yes, see this what we are looking at a Stage-3 number is you have rightly mentioned it is after the set off of these write-off with the provision numbers. And then also we need to understand that there has been an upgradation of one account which has moved from Stage-3 to Stage-1. And then one account has been sold to the ARC. So, there has been also exhibited, but we are maintaining the provision on the impairment against the investment side that net number. In terms of the provisioning and the vintage perspective, everything is considered here. So, what we have actually written off are the vintage accounts only, which are a large exposure, including one of Rs. 244 crore exposure we have, it is after applying all the resolution strategies what we are having.
- Hardayal Prasad:** So, the reduction is mainly because of those three, four accounts where one is we utilize some when it was sold to the ARC and two write-offs are there, they were fully provided accounts so that has been used and there has been some decline in the NPAs even of Rs. 100 crores of retail. So, that is all the primary reason otherwise, it's not that that we have deliberately reduce the NPA, reduce the provisions.
- Nikhil Walecha:** Okay. And sir earlier you used to share GNPA of segment wise construction finance, LAP, can you share it now, how it is trending?
- Hardayal Prasad:** I don't think that we were, only annually we were doing it, we have not done it quarterly. But what we will do is that Deepika will get in touch with you the investor relations department and they will share some numbers with you.
- Deepika Gupta Padhi:** The retail and corporate GNPA is shared in the presentation. You can have a look at Slide #16, which gives the NPA for retail as well as for corporate.
- Hardayal Prasad:** Actually, now increasingly we are bringing the focus on the retail because we have already stopped doing the corporate so obviously the corporate there is no new loan that is being sanctioned. As the no new loan is being sanctioned, once the account becomes NPA an NPA in percentage terms look very, very scary. But the point is on the retail side it is very important that whether we are able to actually manage and bring down the NPAs on the retail side, and that's where we have worked towards reducing it.
- Nikhil Walecha:** Understood. And sir, if I look at the spreads, it's at 1.4% which is all time low and the reason that you have mentioned is quite, I can understand that there is a heightened competitive intensity, but on the incremental basis also, if I look at your incremental cost, it's closer to 7.5% based on the recent NCDs. So, what are the incremental spreads, that you are working at?

- Kaushal Mithani:** Spread we are looking at is more around 1.5-1.6%. And how it will come about is that we have instituted increase on our lending rate by 35 basis point which has been captured in the quarter, another 50 basis which will come in July to September, whereas cost of borrowing will not go up to that extent simply because we have certain fixed rate liabilities as well. So, we will add to the spread, spread will slightly increase.
- Hardayal Prasad:** One thing is there that in this quarter the cost of borrowing has gone up by 11 basis point because of the mix of our borrowing that we have. And in terms of the yield because we are focused now only on the retail it's going to be very different than what you would have looked at, so traditionally if you start looking at comparing it with that, though yields whatever coming from a sense whichever again, very high yielding interest rate, very high yielding. Now, it is only going to be the retail loans, with the retail loans with more and more focus on the retail loans obviously, we will have to start living with a spreads which are on the retail side and when he talks about 1.55 to 1.6% it is basically the retail that is pumping those.
- Nikhil Walecha:** Understood. And just a final question from my side is, as we will do a fresh raise then our tier I will again increase, and ROE will further reduce. So, unless and until we increase our growth to say 25%-30% level it would not improve substantially. So, can you give some medium to long term guidance like how are we looking at say three, four years AUM growth or how are we looking at ROE from the three to four-year perspective.
- Hardayal Prasad:** We have submitted it to the regulators also, but we are going to, listen first of all we still have a large book, we still are the fourth largest HFC and we have a large book. So, a small company with about Rs. 5000-10,000 crores of AUM it's very easy for them to say I've grown by 20% and all that stuff, for us it's a little challenging, because at Rs. 50,000-60,000 crores to grow. So, when I say that we are going to be on high numbers even if I say 9%-10% it translates into Rs.5000-6000 crores of growth straightaway. So, that is what we are looking at, we are looking at high numbers this year, in high single digit and obviously going forward these numbers will improve. I think we are in a sweet spot in terms it's a cyclical industry and we are in our sweet cycle, for the next four, five years I would anticipate that going is going to be good on the mortgage industry. So, the going is good there is no reason for an HFC especially when it has cleaned up its books, and it is ready to go. It is demonstrating in the two quarters that it is actually growing, to actually go ahead and start and especially another very significant thing is that the next two years you would also find that this Unnati, which is a new Unnati kind of affordable kind of Unnati, that will start kicking in, even if it doesn't give me a very high AUM but it still gives huge amount of advantage in terms of the spreads, in terms of the margins, NII, NIMs and everything. So, that's what we are looking at it.
- Nikhil Walecha:** Understood. And sir just one more question. How is the co-lending partnership working, forward you have some co-lending partners so how's the traction over there?
- Hardayal Prasad:** We have already reported we have actually with one of them, we have agreements with two, one private sector and one public sector organization. One private we have already given them Rs. 78 crores, and is in 80:20 ratio. And to the other partner also we have given significant number,

we are also in discussions with some other players, with some other banks to actually provide that kind of. We are expecting that it's still early times because there is straight through processing and the reason is not us, some of these banks want absolutely, seamless integration with our system, our systems are ready, my API's are ready, I've shared my API's, but these banks and some of them are large banks, they are not ready with their API's, once those API's are integrated fully is that that stage that the flow will take place, and we anticipate that the numbers will start coming in. Right now, we are pushing the files through SFTP, and we are seeing that actually these can be booked under them. With the numbers that we have given it to the other bank we will see some traction in the co-lending.

Nikhil Walecha: Understood. So, as of now it's very small, but you expect it to pick up?

Hardayal Prasad: It all depends also when a co-lending is good, we'll have to bring in first of all my AUM, it affects my AUM. When I have transferred Rs. 61 crore my AUM has come down by Rs. 61 crore. So, we have to actually pair it and see what is profitable for me, what is good for me, what is the customer's requirements, if the customer is really, very finicky about the interest rate, we will have to bring in a partner where the interest rates are slightly in median between both the interest rates of that organization and our organization. So, it's a mix bag of how you would like to handle the co-lending. However, the co-lending also provides a good opportunity for fee based income which is what we are also looking at it.

Moderator: Thank you. The next question is from the line of Sanjeev Kumar Damani from SKD Consulting. Please go ahead.

Sanjeev Kumar Damani: Sir, am I speaking to Hardayal sir.

Hardayal Prasad: Yes, sir.

Sanjeev Kumar Damani: Sir, I'm very impressed the way you all answered. So, I congratulate on that to you. Sir, my first question is that, can you quantify the total loan accounts that as on today you hold or as on 30th of June, total accounts that we hold of the loans given?

Hardayal Prasad: About 2.52 lakhs account, so there are multiple accounts also.

Sanjeev Kumar Damani: So, 2.5 lakh accounts we hold where we have given to entities we have given loan. Can I know our employee size as on date?

Hardayal Prasad: around 1,400.

Sanjeev Kumar Damani: 1400 are directly on our payrolls and do we have associates also working for us?

Hardayal Prasad: Yes, we have on our sales side there will be approximately 1400 people working only for the sales and underwriting.

Sanjeev Kumar Damani: Okay, but are they all employee of the company of the company or they are an associate of the company?

Hardayal Prasad: No, sir. We have a subsidiary which provides us this manpower.

Sanjeev Kumar Damani: Okay. We have a separate subsidiary where people are recruited to work for this organization.

Hardayal Prasad: Yes, sir.

Sanjeev Kumar Damani: So, it saves us some cost that's better.

Hardayal Prasad: Yes, sir.

Sanjeev Kumar Damani: So, I was observing that your retail portfolio is really going up and you are quite well spread into the middle of India and below down South also, but being a Punjab National Housing Company are you not present in North or PNB Bank also does the housing finance as such sir in North area?

Hardayal Prasad: Sir, we are pretty strong now in North India. We are across India, we are at 70+ cities, we have almost 99 branches and we have also our outreach offices. So, we are pretty strong in terms of the distribution network, geographically, city wise and everywhere if you look at it. On the North side, we definitely are strong but, I would admit that as a PNB brand name and brand organization, we still have big opportunity to encash on the PNB brand by actually making much bigger inroads into the market which is what we are planning and today if you look at it in the last about few months, we are seeing that there is a good traction that is coming in the North. Traditionally we have been very strong on the West.

Sanjeev Kumar Damani: So, now, sir when we talk about our NPA gross and all that. So, do you feel, or do you face problem in collecting EMI properly every month from even small, small individuals who have taken loans from you for housing or repairing or something like that, are their failures, it is the sum total that you are showing as gross NPA is largely from retail side, or it is an old baggage that we are carrying of the corporate?

Hardayal Prasad: No sir it is retail, actually most of the time now we are talking about the retail, corporate is something we talk of completely differently, because for last two years, we are doing only retail there is no disbursement that is taking place other Rs. 50 - 100 crores of the old sanction. In terms of the collection efficiency, we are almost at about 98% collection efficiency. So, we are able to collect, we are able to get money, we have feet on street, we have whole arrangement, we have digital tools to actually get the money. So, everything is there, provided it on our application where a customer can come check his EMI, see how much money he has to pay, he can there itself repay us by the click of a button. So, there are multiple ways in which we have calling centers that are there. So, we actually very through the advanced analytics, the delinquency or actually the repayment is split over there, something goes directly to the calling center, something goes to the field depending on the metrics that we use, and that is the way

we actually try and save the money. So, the cost of collection has come down if you look at it, there is a big difference in the way the collection is happening. Earlier most of the NBFCs and HFCs were actually collecting, they would collect one or two installments and then they would wait and next month again they would go, now we are very clear that you need to remove complete irregularities, because the very fact that from Rs. 800 crores that we had actually because of the Reserve Bank of India in March, we are just about Rs. 61 crores of account which are actually less than 90 days, but because of the Reserve Bank of India definition. So, we are able to collect the money now that is the reason why we are able to reduce our NPAs.

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

Aditya Doshi: I just wanted to know that our corporate portfolio has, sir our composition of corporate loan book has almost reduced to 9% from 22%. So, will PNB HF again relook at corporate building given that real estate market is picking up and project completion is not much of an issue in today's scenario, and we can cross sell that to retail. So, what's your strategy on that.. And second is follow up to the Unnati book. Since Unnati is a fairly new product, so why do we require it to again revamp it again. And second have we outsource collection of Unnati?

Hardayal Prasad: So, two things, the first question is you're actually on the corporate book, whether we are going to restart the business. We have been looking at it to restart the business however, because of the very high NPAs that we were holding, and the market also was not very supportive. That was one of the reasons why we had not ventured back into the corporate book. Now we find that there is much more order and discipline that is there with the builder and there are certain type of builders who are pretty good and the deep pockets also, we are definitely reviewing it that what should be our sweet spot in terms of doing it. We have done projects which are Rs. 1,000 crores also, but we are going to look at the sweet spot what we want to do it at some point of time, at the appropriate time we will reenter the market as an HFC it is essential that we have actually present across the mortgage industry, one of the primary reason why we had pulled back was also because of the capital constraints that we had and the risk weightages that you have to attach to a corporate loan is 100% and we did not have the capital at that time to go ahead and to continue to do it that was one of the reasons, the moment the capital is there, we should be in a position to restart the business, because capital is important, if the growth story comes on the retail, I would not like to actually get hamstrung that I do not have the capital to actually go ahead and to lend. So, that is one thing on the corporate book.

The second is actually on your own Unnati collections, the collection is more or less actually we have in sourced it but yes, we also work with some of the collection agencies who are accredited, who have the required trained people on it, we also use them for collection purposes, it is not that it is used only for the Unnati it is used across the organization also in certain ways.

Aditya Doshi: Okay. So, is it fair to assume once the rights issue is through, we can go and if you can provide some timeline when we can enter this maybe during this year or next upcoming quarter?

- Hardayal Prasad:** I cannot give you the timeline, because I need an approval from the Board, because Board in 2020 July, it had asked not to do this business. So, I will have to go back to the Board. I will go back to the Board once the situation stabilizes; I have a fairly good capital adequacy which will support the business and the growth. And so, there was one question that what would be a growth trajectory in the next two years, I have to factor that in to ensure that the capital is adequate to take care of the growth that comes not only on the retail side, but also on the corporate side.
- Moderator:** Thank you. The next question is from the line of Krishnendu Saha from Quantum AMC. Please go ahead.
- Krishnendu Saha:** It's about the restructured book which was around 4% or 4.5% of the own book, so, I was just wondering how is that what is the number of projects, how are the payments coming across can you throw some light on that?
- Neeraj Manchanda:** Sure. So, on the retail side, the restructuring book outstanding principal outstanding in around Rs. 2,016 crore, and out of that around Rs. 300 crores has already moved to Stage-3 which is part of the Rs. 1696 NPAs on POS level, and almost 75% of the customers either in the form of principal or interest outstanding have started making the repayment.
- Krishnendu Saha:** Okay. So, it's a 25% of the customers to move to Stage-3?
- Neeraj Manchanda:** Around 15%, Rs. 300 crore.
- Krishnendu Saha:** You said that they have all started paying, there's nothing left, no moratorium left for anybody left?
- Neeraj Manchanda:** No. As I said around 75% of the customers have reverted back to the repayment stream. So, another 20% to 23% odd customers are still in moratorium.
- Hardayal Prasad:** The book over Rs. 2,100 - 2,200 crores, 30% is actually the number over there. But almost about Rs. 1500 to Rs. 1600 have started the repayments. And the numbers that we have given of NPA also remaining would be one DPD onwards, some of them would be one day, 30 DPD or whatever it is, though that is being monitored completely separately in terms of the restructured, restructured book and the morat book has been completely relooked at in the way we would like and there's a big focus in terms of ensuring that these people should, especially the ones who have started, they should continue to actually repay and the ones where the business is coming up because we had a very large pool of self-employed within this. People where the business has restarted there's no reason for them not to do it. So, whether he's repaying it is good with us, bad with others, bad with others, good with us, or bad with me, good with others we are actually looking at the portfolio, dissecting it completely, and then seeing to it that actually we reach out and we say that you have to repay to us. So, if it requires a little tough stance to be taken, we are taking those stances, the opening up of the legal machinery today, the SARFAESI and other things, when I spoke to you only on the feet on street and on the collection side, or what we would on cash collection. However, now we see that there is a both the administrative

machinery, as well as the legal machinery the court, they are allowing us to actually issue and take the physical possession of the properties, there are a significant number of physical properties that we have taken, the auction is open, all these things are helping us in terms of actually putting the required pressure or to ask for the money, there is no reason why I've lend I will not ask for my money, there is a security underlying over there, he needs to either repair me, sell it to me, or whatever he wants to do it, put it on the auction. So, we are using all these machinery to ensure that these are brought down progressively.

Krishnendu Saha: Right. Sir, just on the capital raise, we already had 21% - 22% capital adequacy Tier-1. So, what is the hurry that we have raise the money, couldn't we wait and clean up the book a little bit more, grow the book and we still have time, why do we need the money so soon, that was my thought. So, I don't know if you could put in some thought on that part?

Hardayal Prasad: It is the money required for the growth, we are starting new verticals, we have stopped doing some businesses which required higher capital and that is the reason why you are seeing this, the moment you start it will be high yielding book, how do I do it because if the capital is a constraint to me, all this, this everything is interlinked. I will start doing it suddenly it will come down below 20 or 18 and you will again ask me, what have you done, why are you doing it. It is important that we take a very, very conscious call-in terms of how we want to actually enter the market, it cannot be start and stop if I enter the market I have to be there for some time.

Krishnendu Saha: So, in the near future, we would like to get into high yielding, developer or the corporate book?

Hardayal Prasad: Unnati, is also high yielding, is affordable, is high yielding, what Valli spoke about between 8 lakh to about 15 lakh is the high yielding book which is about 11% to about 12.5%, 13%, which is what the competition is offering also. In fact competition is charging much more than what we are actually anticipating.

Krishnendu Saha: Just on the Unnati book, what is the difference between a tenure of the old Unnati book and the new Unnati book?

Hardayal Prasad: New we have not introduced it, we are going to introduce it that is the reason that what she was trying to explain that is you will see some results from the third quarter, it is a different product, completely different product, different underwriting standards, procedures are different, collection strategy is different. So, it is going to be a very different way in which the business is handled. And it is not exactly like a prime business that is handled. This company is very good, it knows how to do prime, but it also needs to actually do as a full suite, housing finance company this is also required to be done.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Ms. Deepika Gupta Padhi for closing comments. Over to you ma'am.

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 of this call will be uploaded on our website which is www.pnbhousing.com. Thank you.

Management: Thank you very much. Thank you everyone for joining us.

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