“PNB Housing Finance Limited

Q2 and H1 FY26-27 Earnings Call”

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Moderator: Ladies and gentlemen, good day and welcome to PNB Housing Finance Limited Q2 and H1 FY26-27 Earnings 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 this conference call, please signal an operator by pressing star then 0 on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Chaitanya Yadav, National Head, Corporate Planning and Investor Relations. Thank you, and over to you, sir.

Chaitanya Yadav: Thank you, Iqra. Good evening and welcome everyone. We are here to discuss PNB Housing Finance Q2 and HI FY26-27 results. You must have seen our business and financial numbers in the presentation and the press release shared with the Indian Stock Exchanges and are also available on our website. With me, we have our management team led by Mr. Ajai Kumar Shukla, Managing Director and CEO of the company. We will begin this call with the performance update by the management team, 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 the 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 statements to reflect future events or circumstances. A detailed disclaimer is on Slide number 45 of the investor presentation. With this, I will hand over the call to our MD and CEO, Mr. Ajai Kumar Shukla. Over to you, Sir.

Ajai Kumar Shukla: Thank you Chaitanya.

Good evening everyone and welcome to PNB Housing Finance Q2 and H1 FY27 earning call. Thank you for taking the time to join us today.

We are delighted to share that CRISIL has upgraded our credit rating to AAA with a stable outlook. With this upgrade, we are now AAA by all 4 leading domestic rating agencies: CRISIL, ICRA, CARE Rating, and India Rating. This achievement reflects the strength of our balance sheet, prudent risk management, strong asset quality and the consistency of our operating performance.

Before discussing our operational performance for the quarter, Let me begin by sharing some perspective on the industry environment and the key trends shaping the housing finance sector. The recent 25 bps reported hike by RBI and clear policy guidance reinforce confidence in the housing finance sector's medium-term prospects.

While broader macroeconomic developments may influence growth trends periodically, the sector continues to benefit from strong structural drivers including urbanization, improving

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infrastructure, rising incomes, favorable demographics and increasing homeownership aspirations. These factors continue to support resilient housing demand and healthy growth.

Industry prospects also remain encouraging. ICRA expects affordable housing finance companies to deliver AUM growth of 19%-21% in FY27 supported by robust demand, expanding distribution reach, and the significant opportunity presented by India's underpenetrated housing finance market.

Coming to PNB Housing Finance Q2 FY27 was a landmark quarter for the company. Some of the key highlights for the quarter are as follows.

Overall disbursement grew 60% YoY to INR 9,609 crores. This includes pool buyout of INR 838 crores.

Retail disbursements reached an all-time high of INR 9,250 crores, registering a growth of 54% YoY.

Loan book grew by 19% YOY, in line with our guidance, led by strong disbursements.

GNPA improved to 0.91% vs 0.95% in Q1 FY27.

Spread improved to 2.43% as 2.12% in Q1 FY27.

ROA and ROE improved to 2.53% and 12.33% respectively.

At segment level, the affordable business witnessed a strong revival following the strategic initiative undertaken over the past few quarter, with disbursal growth of 40% YoY to INR1,149 crores.

The emerging market business delivered another strong quarter with disbursement growing 36% YoY to INR 2,882 crores.

Our prime business continued its steady momentum with disbursement reaching INR4,380 crores, up by 44% YoY.

Corporate disbursement stood at INR 360 crores for Q2 FY 27 versus INR 215 crores in Q1 FY27.

This translated to an overall loan book of INR 95,079 crores as on 30th September '26, representing growth of 19% YoY.

Our retail loan portfolio also grew by 19% YoY to INR 94,391 crores. Within retail portfolio, the affordable and emerging markets segment continued to be our key growth engines, representing YoY book growth of 45% and 22% respectively, and together contributing 41% of overall retail portfolio.

We remained on track to increase this contribution to 45% by the end of FY 26-27. Let me also update you all on our strategic initiatives that we highlighted during Q1 earning call. We

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disbursed INR 107 crores under Emerging Developer Finance in H1 FY27 and INR 241 crores of affordable business from selected Prime and Emerging branches. As announced in Q1 FY27, we launched our Micro Housing business during Q2 FY27 and have already disbursed INR 71 crores under this initiative. Additionally, we completed a pool buyout of INR 986 crores during H1 FY27, further supporting growth in our earning assets.

These initiatives are expected to accelerate the scale-up of our loan book while enhancing portfolio yield and maintain portfolio quality.

Under PMAY, we undertook an extensive awareness campaign through PMAY Yatra across key markets in Gujarat, Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu, and Uttar Pradesh. These initiatives have helped thousands of families better understand the benefits of scheme and navigate their home ownership journey with greater ease. We further strengthen our affordable housing outreach through the inauguration of India's first PMAY nodal branch in Siliguri and Kanpur. Till date, we have facilitated benefit for over 8,000 PMAY Urban 2.0 beneficiaries, with another 1,200 applications submitted to NHB for approval.

Going forward, we intend to scale the impact of this initiative through our extensive network of more than 400 branches across India.

The corporate loan book stood at INR 689 crores as on 30th September 2026.

During the quarter, we successfully completed Voice AI POC for Bucket X calling with very promising results. We also completed POCs for AI-powered policy and knowledge assistance, as well as intelligent document processing, where AI helped in classification, summarization, cross-validation, and extraction/population of data. Apart from core business functions, we also successfully completed agentic AI POC for our employee hiring.

The next couple of quarters will now be focused upon translating these successful POCs into production deployment and redefining our customer journey by leveraging GenAI and Agentic AI across various functions. On traditional AI front, we continue to strengthen our robust machine learning ecosystem. We have developed an end-to-end collection solution suite, right from early warning system to signal to bounce prediction to settlement prediction and prioritization. The solution suite covers the entire collection lifecycle.

As far as geographical presence is concerned, our distribution network stood at 404 branches across India as on 30th September '26, which include 234 Affordable branches which we call Roshni, 88 Emerging Market branches, and 81 Prime branches. The extensive reach gives us a strong foothold in Tier 2 and Tier 3 markets where we continue to witness significant growth opportunities and strong customer demand.

Asset quality continues to strengthen during the quarter, with GNPA improving to 0.91% as compared to 0.95% during Q1 FY27. During Q2 FY27, we recovered INR 75 crores from the written-off pool, resulting in a negative credit cost of 19 bps. Our retail written-off pool has now reduced to approximately INR 320 crores, reflecting sustained progress in recoveries and portfolio cleanup efforts.

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Coming to margins, our spread increased by 31 bps sequentially to 2.43%. Excluding one-off spread would be 12 bps higher, that is 2.24%.

NIM improved by 17 bps sequentially to 3.67%. Excluding one-off, NIM would be flat sequentially around 3.49%.

Our portfolio yield improved to 9.74% in Q2 from 9.48% in Q1 FY27.

Cost of borrowing also improved by 5 bps to 7.31% in Q2 FY27. The incremental cost of borrowing also improved by 15 bps to 7.26%.

On profitability front, Profit After Tax for the quarter grew by 6% YoY to INR 617 crores, translating into a ROA of 2.53% and ROE of 12.33%.

Our capital position remains strong with a capital adequacy ratio of 27.03% and Tier 1 capital ratio of 26.62%. As of September 30, 2026.

As we look ahead, we remain confident in the opportunities before us. Our strategy remains focused on driving profitable growth, increasing the share of high-yield retail segment, strengthening portfolio quality, leveraging technology to improve productivity and customer experience, and building a resilient and scalable franchise. With a strong balance sheet, improving operating efficiencies accelerating digital transformation and disciplined risk management, we believe PNB Housing Finance is well positioned to deliver sustainable growth and create long-term value for all stakeholders.

Before I conclude, I would like to extend my heartfelt wishes to all our stakeholders for a joyous and prosperous Diwali.

Now I will hand over the call to our CFO to discuss the financial performance in greater detail. Before we open the floor for questions. Thank you so much.

Vinay Gupta: Thank you, sir. And with that overview, let me now take you through the key financial highlights for the quarter. Led by strong loan book growth during the quarter, our net interest income grew 15% YoY and gross margin increased 16% YoY.

Our portfolio yields continued to improve and is now at 9.74% in Q2 FY27, an increase of 26 basis points sequentially. Incremental yields have also improved by 18 basis points to 9.64%. Cost of borrowing improved sequentially by 5 basis points to 7.31%, while incremental cost of borrowing improved by 15 basis points to 7.26%.

Better liquidity position in July, incremental borrowing through NHB and IRS deals done on fixed-rate deals led to lower cost of borrowing in Q2 FY27. As a result, our spread expanded to 2.43% and NIM improved to 3.67% during the quarter.

The reported yield, spread, and NIM includes one-time recovery of charges on prepayment of one legacy corporate account. Adjusting for this one-off item, yield, spread and NIM would have stood at 9.56%, 2.24%, and 3.49% respectively.

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With higher incremental yield vs book yield and rising interest rate scenario, we feel that spread and NIM should further improve from hereon.

Following the recent 25 bps policy rate hike, we anticipate a modest increase in our borrowing cost. To offset this impact, we are also evaluating increase in our retail lending rates by 10 to 15 basis points and corporate lending rates by 15 to 20 basis points. This will be effective from 1st of November.

As a result, we expect the overall impact on NIMs to remain broadly neutral to positive. Operating expenses increased by 20% YoY to INR 260 crores in Q2 FY27 from INR 217 crores in Q2 of FY26, largely in line with the growth in business volumes and driven primarily by investments in manpower addition with the affordable vertical.

Despite the scale-up in investments, our Opex to ATA ratio remains well contained at 1.03% during the quarter.

Reflecting strong business momentum and disciplined cost management, our Pre-Provision Operating Profit, grew 16% YoY to INR 749 crores.

Moving to asset quality, our gross NPA improved further to 0.91% as of Q2 FY27, reflecting the continued strength of our underwriting and collection processes. Company continues to deliver healthy recovery from its written-off pool, recovering INR 75 crores during the quarter. Consequently, we reported a negative credit cost of 19 basis points during the quarter.

Profit after Tax for the quarter grew 6% YoY to INR 617 crores. ROA stood at 2.53% and ROE at 12.33%. Reflecting the strength of our balance sheet, capital adequacy ratio remains strong at 27.03%. Including a Tier 1 capital ratio of 26.62%. Our net worth stood at INR20,250 crores while book value of shares increased to INR 776.

As we move forward, we remain focused on disciplined execution of our strategic priorities underpinned by strong fundamentals and differentiated strengths of our franchisee. With a strong capital base, healthy asset quality, and improving profitability, we are confident in our ability to deliver sustainable growth and long-term value creation.

With that, I conclude my remarks. Thank you for your continued support, and now I hand it over back to Chaitanya.

Chaitanya Yadav: Thank you, Vinay. Now we can open the floor for the Q&A.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

Abhijit Tibrewal: Yes, good evening everyone and thank you for taking my question. So, first thing I wanted to understand are 2 clarifications on what we have reported in this quarter. First is if you could explain this one-off charges that you have spoken about that you have collected from this legacy corporate account. So, what exactly it is - what is the nature of charges that you had collected, and how does it get accounted for in the interest income?

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And the second thing is, in this quarter, so we've also spoken about this portfolio buyouts that we've done over 1H. So one is -- I mean, what is the intent behind doing that? The second is, in which product, segments basically home loan, LAP or basically the different segments that you have - prime, emerging, affordable - where exactly are you evaluating this portfolio buyouts?

Ajai Kumar Shukla: So, question number 2, I will take first, and then Vinay will take question number 1. I hope it is okay, Abhijit. So, basically portfolio buyout and it is a combination of home loan and LAP both. It is not that only, one portion of the mortgage we have purchased. So it's a combination of both.

And, you also wanted to ask that, why we did that. Basically, it's a part of our annual plan. We took budget of almost, INR 2,000 crores of portfolio in this year. So, we have done close to INR 986 crores of buyout by H1, and this was as per our plan.

Vinay Gupta: And on the charges part, Abhijit, this is related to one legacy corporate account that we had. There were certain overdue charges and overdue interest which got collected at the time of closure. We account for it only on the receipt basis. So hence, as we have received it now, it is accounted for during Q2, and this is more like a one-off as the account is now fully closed.

Abhijit Tibrewal: Got it. Thanks for that clarification. So the other question that I had is, like you rightly mentioned in your opening remarks, that with this rising interest rate cycle, the expectation is that -- the NIM should remain stable to an improving trajectory. So, if you could just help us understand what is the sensitivity of your cost of borrowings and maybe margins to 50 basis points rise in the repo rates?

Vinay Gupta: Sure. So, see, first of all, leaving the interest rate scenario aside, overall if you see, our now incremental yield is better than the book yield. So that will definitely support the better yield on a book level also going forward. Our incremental yield is now 9.64% versus book yield of around 9.54. So, it is definitely going to further support the yield trajectory. Secondly, on now the interest rate perspective, so probably with 25 bps change, we expect around 9 to 10 basis points increase in our cost of borrowing.

And accordingly, we are also contemplating increasing our portfolio rate between 10 to 15 basis points. So immediately 8 to 10, that can increase to 12 to 15 also by end of Q4. So, this is the sensitivity from the current 25 bps hike that we saw. So, 50 will become between, you know, 15 to 25 basis points.

Abhijit Tibrewal: Got it.

Abhijit Tibrewal: So, sir, 50 basis points will translate into – how much did you say?

Vinay GUpta: 20 basis points…

Abhijit Tibrewal: 20 basis points increase in the cost of borrowings. And likewise, you said yields will continue to improve given that incremental yields are better than the book yields.

Vinay Gupta: Exactly.

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Abhijit Tibrewal: Got it, sir. This is useful. And the last question for MD, sir. So I mean, when we look at this quarter, disbursements, obviously they've been very strong. I'm assuming there was some spillover effect given that effective April we had, realigned our disbursements and how do we book it in the loan book.

Do you think whatever we've seen until now in October, the momentum which is typically better in the second half of the fiscal year, you're seeing that? Or what we have started hearing now, right, I mean, interest rates going up, droughts, are they having any impact on the demand today? Or do you think the demand continues to remain strong and maybe we keep building on the momentum in terms of disbursements in the coming quarters?

Ajai Kumar Shukla: So honestly, I think, you know, this 25 bps repo increase, we have not seen any change in terms of momentum in the market because market has easily absorbed that, which reflect in overall industry. If you see the logins, sanction and disbursal, I think we have not seen any, any impact of that as of now.

So, I think momentum is still there, because when there was a, when there was a downturn, it, it went up to 1.25% repo down. And these rates which are operating as of now are not the new phenomena, I would say, because this is how the cycle works. You know, there was almost, I would say, for a longer period the rates were not increased. Now the scenario has changed, but we have not seen any impact as of now by increase of 25 bps repo. The momentum is there.

Abhijit Tibrewal: Got it. So that's useful. Thank you so much. Maybe I'll come back in the question queue, but I wish you and your team the very best.

Ajai Kumar Shukla: Thank you.

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

Renish: Yes, hi sir. Congrats on a good set of numbers. So just two things. So first, on this, you know, affordable housing, yields movement, right? So, in the commentary, we have said that, given the incremental business, is coming from prime and emerging branches, just wanted to find, the strategy here. I mean, if yields are dilutive, then, is it a fair strategy to expand, branch network, maybe open more branch network to do affordable from prime and emerging?

Ajai Kumar Shukla: So, Yes, so thank you so much. First of all, as a part of our strategy, we enabled our prime and emerging market, and largely these are the markets which are metro and state capital kind of locations where you get this business. So, definitely there is some competition in comparison to the Tier 3 and Tier 4, but, in-spite of that, our strategy to focus, will remain to open more number of branches in Tier 3 and Tier 4 cities only. Overall, if you see, the yield impact is 10 to 12 bps only, not much.

If I see of, Roshni vertical, the yield is flat. So, there is no reduction in and no drop in the yield. So, for example, if you operate in, you know, Delhi periphery, definitely you will get a better customer, but there you, you would have some, maybe, compromise in, in, in pricing because of the property value and all those, good properties which are there.

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And sometimes the customers are also very good, but the property is affordable. So that way it is a kind of, minor trade-off, I would say. But overall strategy is remain, to grow more affordable business in, Roshni vertical, which is my affordable vertical.

Renish: Got it, got it. And then just related to that, I mean, internally when you assess the P&L. So, for example, at the cohort basis, the customer source at, prime and emerging offer better profitability than Roshni because obviously, given you're leveraging the existing infrastructure, the cost of customer acquisition will be lower in, prime emerging branches and hence, we can afford to loose a few basis point, I believe. Then the understanding?

Ajai Kumar Shukla: So, so, I think you're absolutely right. You know what has happened, so for example, let me tell you the example that in September month, my prime and emerging market contributed, more than INR 100 crores business in affordable. Now imagine my infrastructure was there, INR100 crores business at affordable rate without adding in any infrastructure cost is a win-win situation for me. So, I think this strategy has worked really well, and I'm very much confident that, this will further improve.

Renish: Got it, got it. So just, last thing on the growth side. So, we are already at 19%, and going ahead, you know, as you rightly mentioned, the underlying momentum seems to suggest a good traction. So, are we, closing this year with 20% growth or more? Or maybe when we enter FY28, what is the growth target in your mind?

Ajai Kumar Shukla: So, I think, you know, the growth guidance which we given was 18% to 20%, I think, we would be always very happy to grow at what we have delivered now. But currently we are maintaining the guidance. But, I'm pretty sure that, it currently is 19%, so it should improve.

Renish: And FY28, would you like to comment anything?

Ajai Kumar Shukla: **FY**'28 next year, I think maybe we are working on the strategy of FY28 in Q3, but the idea is not to degrow.

Renish: Got it. This is very helpful, sir. Thank you and best of luck, sir.

Moderator: Thank you. Next question is from the line of Viral Shah from IIFL Capital. Please go ahead.

Viral Shah: Yes, hi, thanks for the opportunity and congrats on a good set of numbers. I have two questions, so, first is basically see, it has been now almost 20 days since the policy announcement that came through. Of course, you also mentioned that you have taken some pricing action which will be effective from 1st of November. But over the last 20 days, what is the texture that you get in terms of the market and the competition?

Are people able to price in or at least pass through this, say, incremental 25 bps kind of rates, whether it's 25 or 20, on an incremental acquisition basis? So, what is it that you are seeing and are you confident that this pricing will sustain? Because when we look at the rec rates that many of the banks have, that has definitely moved up by 25 basis points?

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Ajai Kumar Shukla: Yes, so Viral, I think we are also having very close watch on how the competitions are playing in the market. Currently with the increase of 25 bps repo rate, I think most of the housing finance companies they have increased their pricing by 15 to 20 bps, in the range of 15 to 20 bps. Few of them place 15, few of them place 20, depending on their cost of fund.

And because there is some methodology which everybody has submitted to the regulator on how they compute their overall pricing, how they pass on to the customer and how it costs to them. So I think everybody uses that methodology. Because see, everyone, everyone is having different, different kind of borrowing on their book.

A few of them are having borrowing which is linked to the repo. Some are having combination. So, coming to the incremental question also, and if you are having mix of MCLR and repo and some company like us, we are also having the fixed deposit and NHB Refinance also. So, I think with increase of 25 bps repo, the pass-on would be in the range of 15 to 20 bps. I think that will happen. And what is your next question, Viral?

Viral Shah: So the second question, I have is basically when I look at the credit cost for this quarter, right, that if I adjusted for the INR 75 crores of recovery that you mentioned, currently it is standing at around 11 basis points. So is this a run rate that we should expect, say sometime next year once the recoveries kind of stop coming through and we see a more normalized credit cost? So what should be that?

Vinay Gupta: Yes, that's right. It should be in that range around 10 to 12 basis points.

Viral Shah: Okay, okay. Then this will be more stable according to you?

Ajai Kumar Shukla: Yes, post-normalization.

Viral Shah: Got it. And, can I ask, 2 more, I would say, follow-up questions, clarificatory?

Vinay Gupta: Yes, please. Yes,

Viral Shah: So, one is basically, Vinay, you mentioned that for 50 bps rate hike you will see around 15 to 20 basis points -- actually, sorry, 20 basis points increase in cost of fund. What will be the pass-through you mentioned, on the rates, on the lending rate side in that scenario?

Vinay gupta: Similar, we would be passing on whatever impact we will see on our cost of borrowing. So 20 to 30 basis points, whatever increase we will see on cost of borrowing, it will be passed on to the portfolio.

Viral Shah: Got it. That's very clear. And the other, I would say, follow-up is basically on the Insurance Commission side. Have you assessed the potential, say, do you have offsets and any thought process over there? What is the expectation?

Ajai Kumar Shukla: So I think, this is a very hot and burning question, now a days. So, see, every company, I think they are working on their model, I would say. If I talk about us, I think we are exploring opportunities, maybe more opportunities if we can source more business from the market and have an opportunity of some DA out also to get the some upfront income. That is one.

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We'll also see improvement in processing fee also, so some portion can be offset by that. And, see, my belief is that, Viral is that when, suppose this is being implemented as it is in the industry. Now what will happen, the premium will go down by almost substantially, maybe 30%-40% for the consumer.

So, one is that, your opportunity to do more business in that segment will increase because when the premium is low, you can sell more product or maybe combo product to the consumer. So that way your premium will improve and whatever penetration you are having because the premium will be reduced, so you will have more opportunity to cover more number of customers.

So I think this is in -- is still in discussion stage. The final outcome still has to come, how it will shape up, because there were the preliminary discussions which were happening. But honestly speaking, we have started working that even if it is implemented as it is you know, how much portion we can compensate through various opportunities, maybe some cost control mechanism, an increase in fees as I said, some DA out, some focus more on the more high-need product. So I think that's how it will help.

Viral Shah: Got it. Thank you. That's very clear. Thank you so much and all the very best.

Ajai Kumar Shukla: Thank you. Thank you, Viral.

Moderator: Thank you. Next question is from the line of Chintan Shah from Citigroup. Please go ahead.

Kunal Shah: Yes, hi, this is Kunal Shah.

Ajai Kumar Shukla: Hi, Kunal.

Kunal Shah: Yes, hi. So firstly, Yes, in terms of overall NIM trajectory, just to understand in terms of on the outstanding portfolio and on the incremental basis, so there are not many levers. In fact, we are increasing the proportion of the non-housing loans, okay, that's inching up every quarter. Plus we have this credit rating benefit which will flow through.

And even in terms of the rate pass-on, given that it's a repo, everything generally gets passed on. Maybe some gets offset with the competition. But overall in terms of means, does it clearly suggest that there should be maybe a good level of improvement from 3.5%-odd, or not really?

Vinay Gupta: You see, Kunal, definitely there will be a positive impact on spread as well as on NIM. But again, NIM will also have an offsetting impact of leverage. So our leverage is also continuously going up, so it will offset some of the impact. But yes, there will be a positive rub-off on both spread and NIM.

Kunal Shah: Yes. On spread, definitely it should be there, maybe looking at the mix and the credit upgrade and all. So, shouldn't we see maybe from currently where we are at, say, 2.24, adjusting for this one-off, shouldn't ideally we see an improvement in the rising interest rate environment?

Vinay Gupta: Yes, definitely. That's what I'm saying, spread definitely should improve. However, if you see on the credit rating side, that will take some time, it will not come immediately. We have started working on it, but if you see between us and other AAA-rated companies, the gap is not much.

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You know, for example, others are at 7.3, we are also at 7.3, right? So not too much of gap, but yes, we will try to work on repricing some of the existing old borrowings, and obviously the new borrowings will come at a better rate.

Ajai Kumar Shukla: In fact, old borrowing already we have started negotiating with our banker after this, Q4, so all 4Q ratings which are AAA.

Vinay Gupta: Next year I think we should get some real measurable benefits.

Kunal Shah: Yes, got it. And, in terms of this non-housing proportion, so today it's like almost 35%-odd, last quarter it was 33%. On incremental disbursement basis, how much would this be, this proportion be between the, maybe the individual housing and the non-housing loans in the overall mix as well as within the prime?

Ajai Kumar Shukla: Overall, I think it is around 52 is housing and remaining is non-housing,

Kunal Shah: Overall?

Ajai Kumar Shukla: Overall, in Q2.Excluding the pool buyout approximately 60% of incremental disbursements is housing

Kunal Shah: Okay, so almost like 48% of incremental disbursements are happening on the non-housing side?

Ajai Kumar Shukla: Because we have enough cushion in terms of PBC norms. So we will ensure that our principal business criteria norms are within reach.

Kunal Shah: Okay, and how long can this continue?

Vinay Gupta: No, I think, Kunal, now we are very close.

Kunal Shah: In terms of PBC criteria?

Ajai Kumar Shukla: Yes, so we will maintain that. And I think that...

Vinay Gupta: That's why there is a DA sell-down and buy-out strategy as well, which we will start playing out.

Ajai Kumar Shukla: We'll also have some, we are exploring some opportunity in this quarter for, pool sell-down also.

Kunal Shah: Okay, okay, got it. So on the non-housing side, you might sell down the pools? Yes.

Ajai Kumar Shukla: Yes, non-housing.

Kunal Shah: Okay, got it. Perfect. Yes, that helps. Yes, thanks for answering the questions.

Moderator: Thank you. Next question is from the line of Gaurav Khandelwal from JP Morgan. Please go ahead.

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Gaurav Khandelwal: Hi, good evening. Thanks for taking my questions. My first question is more on the business side. Your AUM market share as well as disbursement mix has increased quite a bit for Delhi NCR. Can I know what geography is this? Is this Noida or some other part of NCR?

Ajai Kumar Shukla: No, so it is not particularly any geography. See, being company having headquarters in Delhi, we have a very big presence in this market since long. Our distribution, our number of branches are much higher, whether it is in Gurgaon or it is in Delhi NCR or it is in Ghaziabad, Noida. So our presence in Delhi NCR is really very good, because head office of the organization started from Delhi and still is in Delhi only. So that's how I think we have very strong footprint in this market.

So it is not that, it is Noida. So maybe your question could be that Noida, is there any contribution from builder market? So the answer is that it's a very insignificant amount.If at all it comes, it comes from independent house for purchase or resale or balance transfer or construction.

Gaurav Khandelwal: Got it, sir. Thanks. My other question is if you can share details on, your prime disbursements. How much is the mix between salaried and self-employed because you had this data in the last quarter, so if you can share that color for this quarter in terms of disbursement?

Ajai Kumar Shukla: So in prime, the self-employed is almost 60% and salary is almost 41%, 40 and 60.

Gaurav Khandelwal: 40-60, okay.

Ajai Kumar Shukla: In Q2.

Gaurav Khandelwal: Got it. Thanks for that. In terms of your fee income, almost INR130-odd crores this quarter, so can I ask what's driving this underlying strength?

Vinay Gupta: So for Q2 it is driven by disbursements. So as our disbursements went up excluding DA by around 50%. So hence there is a strong growth on the fee income as well.

Gaurav Khandelwal: All right. Thanks. Vinay within the different cohorts, emerging and affordable, which part of the business generates the highest fee income on disbursement?

Ajai Kumar Shukla: So I think see prime and emerging has a big volume. So as a percentage, fee could be less, but if you talk about overall, value-wise, it would be high. But in emerging, which is Roshni, the fee percentage would be high, but since the volume is almost 12% to 13, 14% of my overall monthly business. So in absolute term, value could be low, but percentage would certainly be high.

Gaurav Khandelwal: Got it. Okay, thanks. And my final question if I can. So the 24-month vintage on 30 plus delinquency, that's increased from almost 0.2% to 0.4% quarter-on-quarter. Can we know what's happening there?

Ajai Kumar Shukla: Which slide is that 30 plus overall.

Gaurav Khandelwal: This is I think on Slide 23 of your debt?

Ajai Kumar Shukla: Just a minute. So first of all, let me tell you that if you see how we are controlling our overall delinquency and how we are working on that. See our overall bounce percentage at our

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organizational level, which is very well within control. Since now gradually the book is maturing. Okay, so if you see, 30+ has increased from 24 to 0.40.

Vinay Gupta: Not a significant jump. While 90 plus remains stable, this is also like between 25 to 40 basis points. So we will further deep dive and see if there is anything to work.

Ajai Kumar Shukla: Even if you see the bounce percentage, it has also improved.

Gaurav Khandelwal: Got it. Perfect. No, thank you very much. This is very clear. Thank you very much and good luck.

Moderator: Thank you. Next question is from the line of Avinash Singh from Emkay Global. Please go ahead.

Avinash Singh: Yes, good evening. Thanks for the opportunity. So two questions. First one, if I see, I mean, your asset mix in affordable also, there is a kind of a nearly similar 35%-odd or 130 into non-housing or LAP. So how is your comfort in terms of the asset quality trends in this affordable LAP? And also in the affordable segment, your yields have come down in previous quarters. So what is kind of driving that yield compression?

The second question is in the wake of competitive dynamics playing out, if the public sector banks continue to play kind of aggressive rates in the new, prime home loan what would you prefer? I mean, you will still compete with them or you would sacrifice growth for the profitability? Thanks.

Ajai Kumar Shukla: So, let me tell you the first question you asked about the ratio of in affordable between home loan and LAP. See, one thing which has happened in past by the regulation that and this happens particularly in affordable segment and in a smaller market wherein if any self-construction case, if the construction stage is more than 60% and customer comes to you for a loan, then you have to book while it is a construction loan, but you have to book your balance amount as a LAP only, which is a non-home loan. That is why the ratio is changing. Actually, it is a home loan only, but since regulation says that more than 60%.

See, earlier what used to happen, even if the stage is 90% or house constructed, within 6 months of construction you would have booked as a home loan. So that scenario has changed now. So that is why in most of the company you will see gradually, the ratio is looking different, while in actual it is different.

The second question is that yield, which I addressed in my first question itself. Basically we enabled our prime and emerging branches also to source affordable business and these are the branches largely which are operating from metro and the state capital. And that is why these are the price-sensitive markets.

But overall, if you see on standalone basis, if I say the yield of affordable vertical is still same and that is why the overall yield is looking slightly 10 bps, 12 bps lower. And the third question is your nationalized banks availability of fund and how to compete in the market. Honestly speaking, we don't want to compete much where the nationalized banks are are present because they are more into salaried and the prime salaried.

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And that is why purposefully we enabled our team, we structured our team in a way that they have expertise of self-employed business and experienced, I would say, underwriting team and keep a balance of self-employed and salaried and also the loan against property and home loan. So that my overall margin and yields are maintained.

Avinash Singh: Got it. Thank you.

Moderator: Thank you. Next question is from the line of Dhaval M Gala from Aditya Birla AMC. Please go ahead.

Dhaval M Gala: Thanks for taking the question. Good set of numbers. Sir, couple of questions. How do you look at sustainable disbursement rate, maybe say three to four quarters down the line and how that translates into AUM growth? Second, I think a lot of people have asked already, but how do you look at margins given our asset mix is improving more towards high yielding affordable and emerging loans. So what should be sustainable margins and we also have seen rating upgrade and rate cycle is also now a little better for us. How do you look at both these things?

Management: First of all if you see in general, Q3 and Q4 are better months than the Q2 month because these are the festive months when business starts shaping up. And this is the trend which is continuing from a number of years. So one is that whatever we have delivered in Q2, I think that is a a new set of benchmark for us and we have to grow from there. That's one thing.

And as I said that 25 bps repo hike also doesn't have much impact on the sourcing. In fact, I was checking with the many competition, today morning itself that how the logins are placed, how disbursals. Everybody was very confident that there is no problem of number. It suggests that the business is available and people are doing and there is a sequence of festivals now which are there and the demand of money also keeps on coming.

And once the growth is there, so it will translate into ultimately the AUM also. You rightly said that to maintain the margin, I think we have certain levers which I said that, you know, we'll focus more on, you know, what you call, high NIM product where the focus would be on emerging and affordable and that's why this year whatever investment majorly we have done, that is towards affordable only, whether in terms of branches or people. So the investment has there only. So that is one.

And some opportunities for, as I said, that, sell-down of portfolio will also be one of the tool which we will use for that. And some portion of, I think, construction finance, while we have not done much construction finance We have some book of some INR 700 crores, but, we'll also, as we said, that we will, this year we are aiming to get INR 3,000 crores of book this year.

I think that will also help us to improve because that's again a high-yield business for us. So overall, we are confident rating upgrade is definitely going to help in terms of our cost of borrowing because this was due from, you know, longer period, but now we have got it. But it may translate in phased manner, may not be immediately.

But yes, by a bit of this rating, we have started negotiating with the many bankers, and I think, you know, we have done some good deals also in that.

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Dhaval M Gala: Last question, the DA income in the current quarter, will this be a consistent trend for us? And is this one of the ways how you can improve ROAs and ROEs in coming years?

Ajai Kumar Shukla: So it will depend on, you know, how, how we feel the requirement is. So it depends on this, you…

Vinay Gupta: Dhaval. There is no DA sell-down. We have only done DA pool buying.

Ajai Kumar Shukla: He's asking, I think, future, correct? You're asking future or you're asking till now?

Dhaval M Gala: So I'm asking for future, the way affordable housing -- other affordable housing companies are doing. And so basically I am trying to understand how you can expand your ROA's in next 2 years, thereby also improving ROE's. You've got the growth momentum now, the margins are also on the trend of improvement, or sustainable numbers are around 3.5%. How do you look to improve ROA's and ROE's?

Vinay Gupta: That's right, Dhaval. So this is going to be one of our sustainable strategies now that we have hit our stated guidance, you know, on the book growth. So we will have some room and buffers, to do, DA sell-downs. So that we will start evaluating now from Q3, and we'll start, you know, doing some of the deals which will help in terms of the overall NIM as well as the ROE. So it will be part of the strategy going forward.

Dhaval M Gala: Sure, sir. Thank you.

Moderator: Thank you. Next question is from the line of Vansh Solanki from RSPN Ventures. Please go ahead.

Vansh Solanki: Thank you, management, for taking my questions. So my question, the first question is on that you mentioned that there is a retail return of pool around INR 320 crores. Is there any corporate written off pool as of now, as of September?

Vinay Gupta: We have a corporate pool of around INR650-odd crores, which are basically the two accounts which we have declare fraud, which we are now pursuing for recovery.

Vansh Solanki: Okay and second question is on other expense side. It has increased a lot sequentially. So is there any reason for that?

Vinay Gupta: So there is an increase of, I think, 10% there. It has not increased too much, but again, that also had some one-time payment of GST on a prior year's royalty to PNB, which is paid this time after the AGM approval. So it is more like a one-off.

Vansh Solanki: Okay, can you quantify the amount of the GST and the royalty which you have given?

Vinay Gupta: Around INR 7 crores.

Vansh Solanki: Including both of them?

Vinay Gupta: No, no, it's basically only the tax component which is reimbursed. The other part was, in any case, we are paying royalty to them on a month -- on a quarterly basis.

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Vansh Solanki: Okay, okay. Thank you, that's my time, and all the best for the future.

Ajai Kumar Shukla: Thank you.

Moderator: Thank you. Next question is from the line of Vikas from Bluesky Fintech. Please go ahead.

Vikas: Just wanted to ask on the ROA that we have guided for 2.4 range, and if I look at the quarterly basis we are now at 2.53% and on a half-yearly basis we are on 2.44. So we are already ahead of our guidance, and we have a festive season coming up and state high. And so how are we looking at our guidance? Is there any kind of upgrade, or are we maintaining that?

Vinay Gupta: No, we are maintaining that. See, this time again, as we said, there is some one-offs in the overall interest income. Which has led to higher ROA. The normalized ROA is 2.4, which is in line with Q1. So we are pretty much maintaining what we have, you know, guided.

Vikas: Thank you so much.

Moderator: Thank you, ladies and gentlemen. That was the last question for today. I now hand the conference back to the management for closing comments.

Chaitanya Yadav: Thank you everyone for joining us on the call. If you have any questions un-answered, please feel free to get in touch with Investor Relations. The transcript of this call will be uploaded on our website that is www.pnbhousing.com. Thank you.

Moderator: Thank you very much, sir. On behalf of PNB Housing Finance Limited, that concludes this conference. Thank you all for joining us today, and you may now disconnect your lines.

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