pnb Housing
Finance Limited
Ghar Ki Baat

Ref: PNBHFL/SE/EQ/FY25/20
Date: May 01, 2024

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

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

Dear Sir(s),

Subject: Transcript of Earnings Conference Call held on April 29, 2024
Ref: Our letter PNBHFL/SE/EQ/FY25/18 dated April 29, 2024

Pursuant to Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the transcript in respect to the Earnings Call held on April 29, 2024, on Audited Financial Results (Standalone and Consolidated) of the Company for the quarter and financial year ended March 31, 2024.

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

Kindly take the above intimation and documents on record

Thanking You,

Yours faithfully,
For PNB Housing Finance Limited

Veena G Kamath
Digitally signed by Veena G Kamath
DN: cn=Veena G Kamath c=IN o=Personal
Reason: I am the author of this document
Location:
Date: 2024-05-01 16:02+05:30

Veena G Kamath
Company Secretary

Enclosure: As above

"PNB Housing Finance Limited Q4 & FY'2023-24 Earnings Conference Call"

April 29, 2024

MANAGEMENT:

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

Moderator: Ladies and gentlemen, good day and welcome to the Q4 & FY'2023-24 Earnings Conference Call of PNB Housing Finance Limited.

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

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

Deepika Gupta Padhi: Thank you, Yeshashree. Good evening and welcome everyone. We are here to discuss PNB Housing Finance Q4 & FY'23-24 Results. You must have seen our "Business" and "Financial Numbers" in the "Presentation" and the "Press Release" shared with the Indian stock exchanges and also available on our website.

With me, we have our entire management team across verticals led by Mr. Girish Kousgi, our M.D. 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 developments and results to differ materially from our expectations. PNB Housing Finance undertakes no obligation to publicly revise any forward-looking statement to reflect future events or circumstances. A detailed disclaimer is on Slide #34 of the Investor Presentation.

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

Girish Kousgi: Good evening to all the investors.

I am happy to state that Q4 & FY'24 performance has been very good; we had an exciting financial year whereby we made significant stride across parameters, that is "Growth, Asset Quality, Liability Mix, Liquidity, Credit Rating and Profitability."

At the start of the year, we raised capital. We did rights issue, which was subscribed by 1.21 times.

Growth:

In terms of growth, we had mentioned that we will get into double-digit growth on the retail front. We were able to show growth on a year-on-year of 14% on retail loan book. And this happens to be the highest growth in the last five years.

And also, we moved largely towards retail. Now, retail contributes 97% of our portfolio. Within retail segment, we started "Affordable Business." in the last financial year and now it's 15 months. So, in about 10-months' time, we built a book of Rs.1,000 crores, and as of March, the book is close to Rs.1,800 crores. So, March '24, the book was Rs.1,790 crores. So, we had a very good story on Affordable business.

We started off with 100 branches. We opened 60 branches in Affordable between December to March. So, now we have 160 branches which will cater to the Affordable segment and predominantly Affordable branches would be in Tier-2 and Tier-3 cities. This Affordable business contributed to about 12% of disbursements in Q4. It started with 3%, this was last year Q4, that's when we started the business, so in about five quarters from 3% incremental contribution, we have moved to 12% contribution, this is on disbursements.

We also started a new vertical called "Emerging Market" and this was keeping in mind that we had taken this call of transitioning this Company within retail from Prime-based business to Affordable and Emerging market. So, we have started a new vertical starting this financial year, that is April 2024. We will have 50 branches in the Emerging segment which can give us a higher yield. So, our plan is to try and build the book from both Affordable and Emerging, which would contribute to almost about 40% to 42% of incremental business. So, whatever business we're going to do this year, incrementally, Affordable and Emerging would contribute to 42% of the overall disbursement, and the rest 58% would come from Prime.

So, as we speak, we have totally 300 branches, out of 300, 160 would be Affordable, 50 branches would be in Emerging segment and the balance 90 will cater to Prime.

In order to bring undivided focus on retail segment, we ensured that we set up different verticals, for example, Affordable, Emerging and Prime. These three are different verticals within retail, which means there is a dedicated team starting from sales, credit, operations and collections. This is to ensure that we smoothly transition from Prime to high yielding business and that's the reason why we started both Affordable and Emerging. If we look at the total number of branches, we have 300, almost two-third of the branches would be focusing on building book at a higher yield.

In terms of overall loan book growth on a YoY, we grew by 10.3%, retail, we grew by 14.1%, on Affordable last year the book was about Rs.138 crores, and this year as of March, the book is Rs.1,790 crores, we have grown by 11 times over last year.

Corporate:

The book last year was Rs.3,802 crores and this year it is Rs.2,052 crores. The book has degrown by 46% as per plan and run-off last year that is FY'23, it was 18.7%, we have a good story here; run-off has come down to 16.7%.

Loan Book:

On the loan book, as I mentioned on a YoY, we have grown by 10.3% and QoQ by 4.8%. Retail loan book, we have grown by 14.1% on a YoY and sequentially the book has grown by 5.3%. Affordable book on a QoQ basis, we have grown by 56%, on a YoY, it's over 11 times. We are looking at book growth of 17% in retail segment FY'25 onwards with higher focus on Affordable and Emerging segment.

Disbursements:

Talking about disbursements, retail disbursements grew by 35% in Q4 and 19% in FY'24. We disbursed loans worth Rs.5,541 crores, which is again all-time high in the last over five years.

And if you have to look at the whole year, the disbursement was Rs.17,483 crores. Out of this, Rs.1,653 crores was from Affordable segment which is around 10% of total retail disbursements. We started off the quarter with 3% contribution from Affordable in the overall retail and Q4 of last year the contribution was 12%, for the whole year the contribution is around 10%. This percent is likely to go up to 18% in FY'25.

Out of the total retail disbursements, 86% is upto a loan of 1 crore. So, the concentration is largely up to 1 crore and up to 1 crore the retail loan is about 86%, so it's only 14%, which is more than 1 crore on the retail side.

For full year, on the retail disbursements, YoY, the growth was 18.5% and if you have to talk about total disbursements, it is 17.5%, that is including corporate and Affordable.

Geographical Breakup:

In terms of incremental geographical breakup, North contributes to about 35.3%, West is about 27%, and South is 37.5%.

Asset Quality:

On the asset quality, we had a great and remarkable improvement in asset quality. Our GNPA reduced by 57% YoY to INR 984 crore, FY'23 the GNPA was 3.83% and FY'24 that is as of March it is 1.5%. Net NPA declined to less than 1%. So, it is at 0.95% as on 31st March '24. We will continue to work towards achieving best-in-class asset quality in the years to come.

Corporate GNPA in March '23 was 22.5%, March '24 is 3.31%, Retail GNPA as of March '23 was 2.57% and March '24 is 1.45%. Overall GNPA at an enterprise level, March '23 was 3.83% and now it is 1.50%, and net NPA in March '23 was 2.76% and March '24 is 0.95%.

Collections:

On collections, we were pretty keen and focused on cash collections on using various legal tools. We aggressively used SARFAESI and auction. We sold 268 properties in FY'24 through auction as compared to 95 properties in FY'23. And in FY'24 on those 268 properties which went through auction, there was no principal loss at an enterprise level.

As I had mentioned earlier as well, the Company had a written off pool of around Rs.1,700 crores in corporate and Rs.500 crores in retail. In FY'24, we have recovered about Rs.100 crores from the write-off pool. We continue to work on this recovery in the write-off pool.

Corporate loan book:

On the corporate loan book, book reduced by 46% in FY'24 and now the book is Rs.2,052 crores. The reduction is on account of resolutions, balance transfer, accelerated prepayment, sale to ARC and run-off. In Q4, one account POS of Rs.126 crores slipped to Stage-2. We are very confident that this account will be in Stage-2 or might recover to Stage-1 and we are very closely monitoring the corporate book.

Borrowing mix:

In terms of borrowing mix, we had a very good story. In FY'24, we received Rs.3,000 crores from NHB which started in FY'24 and it was not there in prior two to three years' time because of high GNPA and high net NPA. We started off in FY'24 and we have availed Rs.3,000 crores from NHB which will come at an approximately about 50 bps lower than the others average source of borrowing.

We restarted raising funds from wholesale debt market. We raised about Rs.1,500 crores through NCD and Rs.10,000 crores via CPs in FY'24. The incremental cost of borrowing for the quarter is 7.93%. Deposits grew by 3% during the year with 88% as public deposits. We are well capitalized with CRAR of 29.3% and out of that tier-I is 27.9%.

The mix for Q4, that is as of March '24, term loans is about 40%, deposit is 32%, NCDs are about 10%, NHB refinance which was 5.7% as of March '23 increased to 9.2%, CPs, which was nil in March '23, rose to 6% in March '24, ECB, which was 10.2% in March '23, came down to 2.6%. So, three critical changes; one is on ECB, ECB came down, CPs went up and NHB went up.

As you are aware, we got rating upgrade from AA to AA+ from three rating agencies, that is India Ratings, ICRA and CARE. We were also certified as a "Great Place to Work in October '23 by GPTW Institute."

Profitability:

In terms of profitability, in FY'24 PAT stood at Rs.1,508 crores, registering a growth of 44% YoY; X 1-off. PAT registered a growth of 79% YoY. Our efforts across parameters helped in improving profitability. Our return on asset improved to 2.2% in FY'24 from 1.61% in FY'23. Return on equity was at 10.9%.

Guidance:

In terms of guidance, the margin would be around 3.5%, ROA will be more than 2.1%, credit cost for FY'25 is expected to be around 30 bps.

I will now hand over to "Vinay, CFO, to Brief on the Financial Parameters."

Vinay Gupta: Good evening to all the participants presents on the call today. I am pleased to present an "Overview of our Financial Performance for Q4 FY'24 and Full Year FY'23-24."

PAT:

Happy to share that we have reported a PAT of Rs.439 crores in Q4 FY'24, which is up 57% year-on-year and 30% quarter-on-quarter. For FY'24, PAT grew by 44% to Rs.1,508 crores. X 1-offs in FY'23, PAT grew by 79% year-on-year.

Yield:

In Q4 FY'24, the yield was 10.08 versus 10.19 in Q3 FY'24. The marginal drop was due to repricing and run off of high yielding book during Q4. The yield for full year FY'24 was at 10.35% versus 10.28% in FY'23. However, ex-one-off yield in FY'23 was 9.78%, so there is a sequential improvement year-on-year.

Cost of borrowing:

Cost of borrowing stood at 7.98% for Q4 versus 8.07% in Q3. Ex-one-off, even Q3 was at 7.98%, so we are flat on cost of borrowing. The full year cost of borrowing is also similar at around 8% versus 7.5% for FY'23.

Net interest income:

Net interest income grew by 6% year-on-year for Q4 FY'24. For full year FY'24, net interest income grew by 7% to Rs.2,516 crores. However, X 1-off net interest income grew by 22% year-on-year.

NIM during Q4 was at 3.65%, which is in line with the last quarter X 1-off NIM. The reported NIM last quarter was 3.49%, against that in Q4, it is 3.65%. Next year we expect this to be somewhere around 3.5%.

OPEX:

In Q4, OPEX grew by 23% year-on-year. However, this is largely on account of investments that we have made in Roshni vertical, IT transformation and the new spend that has come on account of royalty. We have further invested in around 90 additional branches for Roshni and Emerging verticals in Q4 FY'24. This will help us in scaling up Roshni and Emerging verticals faster.

Credit Cost:

Credit cost stood at 4 bps for Q4 and 25 bps for FY'24. Happy to report that we have recovered around Rs.49 crores from the written-off pool during Q4, which helped in controlling credit cost for the quarter. Recovery for the full year was Rs.99 crores. We will continue to optimize credit cost to recoveries from the written-off pool.

ROA:

ROA last year was 1.6% and it has improved to 2.2% for the full year FY'24. ROE stands at 10.9%. Capital adequacy is at 29.26% as of 31st March with tier-one at 27.9%.

You may also refer to Page #23 where we have put in ex-one-off financials for FY'23-24 as well as the reported numbers. There are no one-offs in Q4 FY'24.

Moderator: We will now begin the question-and-answer session. We will take our first question from the line of Renish from ICICI. Please go ahead.

Renish: Just two questions from my side. One, on this new vertical, which is Emerging market, what is the outstanding AUM side as of March '24?

Girish Kousgi: So, this is a new vertical we have just started this year. What we did was we just culled out some of the existing Prime branches depending on the geography and customer segments which can give us an opportunity of building book at a higher yield, and we also opened a few new branches between December to March. From the existing set of branches, the book is around Rs.12,000 crores.

Renish: And secondly, on the Affordable piece, when we look at the customer profile select customer at 62% and when we look at the sourcing mix, it is almost 30% being sourced with the DSA route. So, is there any CIBIL threshold limit we follow, or maybe if you can just throw some light on the customer profile in the Affordable housing finance space?

Girish Kousgi: We are now present in three segments out of four segments. The three segments are Prime, Emerging and Affordable. The only segment where we are not there is super Prime and that is more by design. In terms of Affordable, now we would be operating in geography, in segments where most of the Affordable companies would operate. In terms of bureau, I think about one-third of the customers would be either new-to-bank or new-to-credit and we would have close to about 45% to 50% where the bureau score would be about 700-plus.

Renish: This is in the Affordable segment, right?

Girish Kousgi: This is in the Affordable. Yes.

Renish: Just a last question on the yield. Adjusted for one-off, there has been a sharp decline in the yield from 10.29 to 10.08 in Q4. So, what is happening there on the yield side?

Girish Kousgi: So, basically which is why I mentioned no, I think if you see last few quarters we had taken this transformational journey to move away from super Prime to Prime and we started Affordable about 15 months back and this year we have taken the call to further move some portion of business from Prime to Emerging. The reason why we are doing is that on the super Prime and on Prime, so definitely given the competition and given that we are not a bank, we are an HFC and definitely given a cost structure there will be pressure on margins and that is the reason we started moving towards high margin segments and that is why this whole transition story. So, there will be some pressure on the Prime book in terms of book depletion, maybe because of foreclosure or maybe BT out and that is why we had moved towards high yielding segments Affordable last year and Emerging this year. So, in terms of guidance, I think the margin would be about 3.5%.

Renish: Just circling back to the yield side, I mean, when we look at the sequential drop in the yields, it essentially means that the disbursements is under Prime or super Prime category is actually falling quarter-by-quarter because of the compression. Is that the right conclusion?

Girish Kousgi: To a certain extent, yes, the answer is right, but to a large extent also, we are moving segments and if you look at any organization, the portfolio yield would be higher than the incremental yield. So, because of these two reasons, our yield would be lower if you look at the QoQ comparison.

Renish: But considering like say AUM mix changing competition on the super Prime category plus maybe some lower cost of fund going ahead, we are fairly confident about sustaining NIM at 3.5%?

Girish Kousgi: Yes.

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

Abhijit Tibrewal: Just kind of taking that discussion forward on yields before I ask the other two questions that I have, I mean, very clearly you are saying that Prime book will deplete, which is the lower yielding book which will deplete, at the same time our Emerging vertical and Affordable book will increase which is higher yielding book. So, going forward, do you still see pressure on NIMs as we move into FY'25?

Girish Kousgi: So, if you look at last year, corporate book has come down by almost half; so the book has come down by 46%. So, obviously we are not doing corporate business now. We plan to start this year. So, even that has contributed to drop in yields and now the book has come down, book is now down to almost about Rs.2,050 crores. So, if you see compared to last year and this year, the contribution of yield contraction is largely because of a corporate book. So, I was talking about retail. So, even corporate book is one reason. So, now the book has come down and with a change in our segment strategy and also the plan to start corporate this year, we'll be back on the requisite yield to maintain a margin of 3.5%.

Abhijit Tibrewal: Essentially speaking, what you're saying is going forward, I mean, corporate book will also start growing, in which retail is growing for us and that can result in an improvement in yields?

Girish Kousgi: Yes, so corporate, we have planned to start this year, maybe we might start in second half, so that would also assist in better yields.

Abhijit Tibrewal: One more question that I had was on the credit costs front. Obviously, I mean, this this quarter, credit costs are very benign, but you have in your opening remarks guided for credit costs of 30 basis points. Just wanted to understand this write-off pool that you're carrying in both corporate and retail, when can it kind of start giving us recoveries like Rs.50 crores I think what Vinay sir also said in this quarter, so when can we expect, I mean higher quantum of recoveries and over what time period can these recoveries come?

Girish Kousgi: So, I think there are two parts to this. One is this 30 bps is without considering write-back, #1. #2, write-backs have started. So, in Q4, as we mentioned that we did good amount of recovery that has already started, it will continue this year as well quarter-on-quarter.

Abhijit Tibrewal: Again, just going back to OPEX, very clearly we have invested in 90 additional branches for Affordable and Emerging, we also shared that we have now dedicated team of sales, credit operations and collections, I am assuming across each of these three verticals. Then I mean from here on, do you expect the operating expenses, more particularly whichever way we want to look at it, OPEX-to-assets to increase over the next two years or so?

Girish Kousgi: So, OPEX, yes, as you rightly mentioned, because we invested in new branches both on Affordable and Emerging, Affordable 60 and Emerging and bit of Prime, we opened about 90 branches from December to March. So, in that context definitely, yes, the OPEX is going to slightly go up; it will be in the range of 95-100 bps, that is OPEX to ATA. And if we look at the business, what we have done in FY'24, that is from 210 branches. So, starting this financial year we will have 90 branches which are ready and operational, and which will start contributing business. So, there will be some lag effect, but I think we should be able to catch up and OPEX would be 95 to 100 bps.

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

Nidhesh: Firstly, on fee income, we have seen pretty strong growth in Q4. So, what is driving that and how sustainable it is? Secondly, the write-back income that we reported of Rs.100 crores. In which line item we have reported that income in P&L?

Girish Kousgi: So, on the fee income, see, this is in line with our volume growth. So, if you see Q4, I think that happens to be the highest in the last many years. If you look at the overall book growth, FY'24 has been the highest in the last five years. So, fee income is largely attributed to increase in disbursements. And write-back what we have got, that is in the netted off in the credit cost.

Nidhesh: Secondly, what is the BT out rate for FY'24 and Q4?

Girish Kousgi: So, it's in the range of 6% to 7%. Our overall closures have been 16.7% in the year. BT out used to be higher; if you compare FY'23, it used to be higher, in FY'24, it has come down, so now it will be in the range of about 7%-odd, on a YoY basis BT out has come down by 10%.

Nidhesh: In absolute terms or in percentage terms?

Girish Kousgi: In absolute terms.

Nidhesh: Lastly, if you look at the cost of funds, since your incremental cost of funds and book cost of funds are broadly similar, so cost of funds should not inch from here onwards. Despite that you are guiding for around 15 basis points compression in margins from Q4, so which means that we expect further moderation in yields in FY'25 versus Q4?

Girish Kousgi: See, when we give guidance on NIM, we are looking at slightly long-term. So, what I am saying is margin will be in the range of 3.5%. Now given the fact that lot of performance metrics have improved over the last few quarters especially in last year and also the rating upgrade by three agencies from AA to AA+, we are expecting the cost of borrowing to come down and moving to high yield segments and restart of corporate. So, all of these things will ensure any drop in the yield because book attrition especially is on the Prime.

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

Nischint Chawathe: Just wanted to reconfirm. So, the benefit of rating upgrade is not something that you're building in your margin guidance, right?

Girish Kousgi: To a certain extent, we are building in because rating upgrade we got the upgrade recently, so we are building in the benefits of rating upgrade. So, all I am saying is that because of corporate, because of book depletion especially on the Prime book, that would be compensated by new segments which will give us a higher yield and also the benefit what we can see on cost of borrowing because of rating upgrade.

Nischint Chawathe: But in last one month in your conversations, what is the benefit that you are seeing right now?

Girish Kousgi: No, it is too short a time. This will take about a quarter or so. So, we are negotiating with all the bankers, and we are trying to figure out how we can try to bring down the cost to various instruments. So, I think this effort is on. So, we expect the cost of borrowing to come down because of the rating upgrade and improvement in performance metrics.

Nischint Chawathe: Just on the Emerging markets business, these are basically into interior India. So, these markets will already have some other lenders, or would you be the first lender in these markets?

Girish Kousgi: These markets would have lenders already.

Nischint Chawathe: But then do these lenders like maybe the larger banks out there, do they really differentiate in terms of the rate of interest between the larger and Tier-1 and Tier-2 city or whatever?

Girish Kousgi: Yes, it will be differential. Even today, the kind of business what we do, for us, the lowest book in terms of yield is about 60 to 70 bps higher than the yield of most of the banks. So, even today the differential is there in Prime markets only. So, in Emerging, this is going to be slightly higher. Within our segment composition, this would be about 50 to 75 bps higher than the Prime yield.

Nischint Chawathe: Just on the ECL coverage, we have been consistently increasing it. So, are we comfortable at these levels and specifically in Stage-2 where we had a slippage in the corporate segment?

Girish Kousgi: No, we are pretty comfortable.

Nischint Chawathe: Last question which is a little topical at this point of time. In terms of anything that you could share in terms of the audits that happened with the regulators and is that has happened for the year and if there is anything notable that you can share on that?

Girish Kousgi: There was an audit by the regulator, and we have discussed the initial observations. So, there's nothing serious in nature and we are still awaiting final confirmation from the regulator.

Nischint Chawathe: And this will be NHB or RBI?

Girish Kousgi: This is NHB.

Nischint Chawathe: RBI doesn't audit you at all from a regulatory point?

Girish Kousgi: So, given the structure for policy framework, it is RBI, for supervision it is NHB.

Moderator: We will take our next question from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

Dixit Doshi: My question is if we compare ourselves with let's say Can Fin Homes, our book is kind of double of what they are doing. But if I see our employee cost, it's around 3x. So, what is the reason for that -- is it because our earlier focus was predominantly a Prime business or is there a lower utilization of our branches, because their NIM is also kind of similar 3.5% to 3.7% and with a similar credit cost, so if you can broadly help me understand what is the difference between us?

Girish Kousgi: I wouldn't be able to compare between one other Company, but just to give you a context, the name which you mentioned for us that is going to be Emerging vertical business.

Dixit Doshi: So, basically just wanted to understand how we'll be able to improve the ROE?

Girish Kousgi: See, ROE today is slightly muted because of the drag of rights issue. With the improvement in performance metrics, you must have seen the journey in the last five to six quarters, so as of now there will be a drag because of capital raise. I think in about three years or so, I think we should be able to look at reasonable ROEs.

Dixit Doshi: Can you just mention how much your typical employees per branch in let's say Prime, Affordable and Emerging?

Girish Kousgi: So, in Affordable, a branch would have a branch manager, we would have a credit manager and we would have ops resource and we would have some executives to source. The same model would also be on Emerging. On the Prime side, depending on the location and the potential, the branch staff could vary between four, some of the bigger branches will have more, but those are few in numbers.

Dixit Doshi: How many you said? Four?

Girish Kousgi: Some of the smaller branches will have four to five, some of the bigger branches may have even ten. That depends on the location and the potential and the business what we do.

Dixit Doshi: If you can just repeat the recovery number you mentioned in the Q4?

Vinay Gupta: From the written-off of pool, it is Rs. 49 crores for the Q4.

Moderator: We will take the next question from the line of Viral Shah from IIFL Securities. Please go ahead.

Viral Shah: So, actually a few questions. One, first of all, did I get it right, your growth guidance for FY'25 is 17%?

Girish Kousgi: Correct.

Viral Shah: If I may, like, what is stopping us, given that we are pretty, I would say, levered at a lower end of the spectrum, is the market opportunity not out there to grow faster, especially given that you are getting into some of the sub-segments and geographies where you would now have a pricing power?

Girish Kousgi: There are two, three contexts. One is we want to grow profitable book. That is one, and that is the reason why we have moved towards Affordable and Emerging. So, if you see incrementally, this FY'25 40% to 42% of the origination would happen from Affordable and Emerging markets. So, the idea of 17% is that keeping this in mind, number one. And number two, you know, with respect to asset quality, we want to be one of the best in the industry in the next few quarters. So, the idea of 17% was to ensure that we grow in all the three segments and try and leverage opportunity on high yield segments.

Viral Shah: And if you are able to scale up the corporate piece, as you mentioned in the second half, does this growth that is kind of take that also in the account or it there could be some additional lever?

Girish Kousgi: No, this growth is on retail, what I mentioned. So, corporate would be separate.

Viral Shah: And basically, on the recovery pool, correct me if I am wrong, like the broad numbers were around 1,700 crores is what you had written off on the corporate side and some another 500 crores is there on the retail side. If you can give us like visibility of, I understand like of course we won't have visibility in terms of timeline precisely to guide, but just your assessment of what's the potential pool of recovery? It can happen either over say one year period or a two-year period, but just the sense of it.

Girish Kousgi: So, as I mentioned, recovery has already started. It started from quarter four and this will continue from this quarter onwards. I think at least this will play out in the next four to six quarters time on both the corporate and retail.

Viral Shah: And what would be the like kind of the recoveries? Like, should we assume say $0.50 to $1 or how would it look like?

Girish Kousgi: I think every quarter we will have support of recovery from the write-off pool both on retail and corporate. In terms of corporate, it's difficult to quantify every quarter. In terms of retail, we will have, you know, you can see numbers almost similar to what we have done in quarter four.

Viral Shah: But actually, what I was looking at is on the corporate piece, I am sure you would have done an account-by-account analysis. Again, not asking for like what's the timeline and extent of it, but just a broad picture of like what recovery could look like, say, over three years, just on a cent to dollar basis?

Girish Kousgi: So, this is what I was trying to say. FY'25, credit cost is going to be around 30 bps and this does not take into account the write-back and in terms of write-back, we can look at the number, what you have done in quarter four, this might play out for the next four to six quarters time. On corporate it is difficult to tell quarter-on-quarter. But I think in a year, you know, we will see a good amount being recovered.

Viral Shah: Maybe I will connect separately after this.

Moderator: Thank you. The next question is from the line of Kunal Shah from Citigroup. Please go ahead.

Kunal Shah: So, firstly on the overall disbursements yield, if we have to look at it across the three segments, would it be fair to assume that maybe the Prime would be somewhere closer to 9%- 10%-odd, maybe Emerging market somewhere around 10% to 11% and Affordable in 11.5% to 12-%odd range?

Girish Kousgi: Yes, you are right.

Kunal Shah: So, when we look at the overall disbursement yields, then obviously maybe then there would be a component of the non-housing. But currently when we look at the disbursement yields, particularly in the individual housing, then that should very closely resemble to where our Prime would be, that would be closer to 10%-odd.

Girish Kousgi: Yes. And also, one more thing on Affordable. On Affordable, last year, the yield was about 11.6%. In FY'25, there will be 100 bps lift in terms of yield and Affordable. So, we are looking at 12.5% to 12.6%.

Kunal Shah: 12.5% to 12.6%. Yes, because last time maybe that slide shows it's somewhere around closer to 11.5%, 11.6% all through.

Girish Kousgi: Yes.

Kunal Shah: And when we look at it in terms of the branches, so outside of Affordable, we still have like say added almost like 30 odd branches during the quarter, maybe carving out what we have highlighted over a period 90 odd branches would be Prime and 50 odd branches would be the Emerging market. So, this incremental branches, are they more towards the Prime segment or the Emerging market because currently there is no break up which is there?

Girish Kousgi: So, I think, broadly, we opened 90 branches between December to March out of this 60 is in Affordable.

Kunal Shah: Yes. Affordable. Yes. And balance, yes.

Girish Kousgi: In Affordable and out of the balance, about 22 in Emerging and the balance in Prime.

Kunal Shah: And lastly, in terms of the incremental borrowing cost, so I presume given that last time we have withdrawn like drawn down around about 800, so balance in the NHB would have come in this quarter?

Girish Kousgi: Here we have drawn full amount.

Kunal Shah: It's almost like, yes, so Rs. 2200 would have been drawn down this particular quarter, but still when we look at the incremental borrowing cost that's moving up compared to that of Q3 and NHB would have been at a much lower cost now. So, is it more kind of a CPA repricing impact or how should we look at it? There is still a 10-bps kind of increase in the incremental cost of borrowing despite a larger part of the increase in borrowing through NHB.

Vinay Gupta: Yes, it is Kunal, because of the tighter liquidity conditions in Q4. Generally, you know, the market remains tight in liquidity during Q4. This will start improving from Q1 onwards.

Kunal Shah: But still we are seeing that margins would still come off despite maybe this can maybe I think because incremental also it should come off a bit in terms of the overall borrowing cost. And we are maybe increasing the proportion of Emerging as well as Affordable then to maybe we are guiding for 15 bps kind of a decline in NIMs?

Vinay Gupta: Yes. See, NHB will not be there in Q1, right? So, that is we have to work on the existing instruments. Plus, as sir mentioned, you know there would be some BT and repricing pressure on the existing Prime book. So, initially we might face some pressure and hence it might stabilize at 3.5%. And then with the higher improvement and higher mix of Roshni and Emerging and corporate coming in later half of the year it will start.

Girish Kousgi: And also, to a significant extent, we draw down from NHB in quarter four. So, if you see the impact, it will be hardly anything in that particular quarter.

Moderator: Thank you. We will take the next question from the line of Nilesh Shah from Julius Baer. Please go ahead.

Nilesh Shah: So, just starting once again from a glide path point of view, say about 3-4 years from now, where do you expect your segment mix to land up between corporate, Affordable, Prime?

Girish Kousgi: Yes, I got your question. In about four to five years from now. On the corporate side, we want to keep it in the single digit. So, it's going to be less than 10%. So, in about four years' time between Affordable and Emerging, we would like to reach a book level of about 40% to 42%. And the rest would be from Prime.

Moderator: Thank you. The next question is from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

Vignesh Iyer: My question is regarding what is the AUM growth, I mean the loan book growth that we are targeting for FY'25?

Girish Kousgi: 17% retail.

Vignesh Iyer: 17% on the retail side. And sir, also on the corporate side of it, so if I understand it right, we are planning to restart this operate lending activity from H2. So, are we going to bring the book down to 0 before that? Or would it be stable around this levels only?

Girish Kousgi: So, I think we would start this year sometime in the beginning of H2. So, by that time this book wouldn't have become zero. So, I think it may be a couple of hundreds lower from the current level. That's all.

Moderator: Thank you. We will take the next question from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: Girishji, you have cleared and cleaned the balance sheet since you have done very hard work. Now, we want you to have good capital adequacy below 1% NPA. Now what is the strategy to grow in financial year '25-'26 in percentage term, if you can tell something about the figure?

Girish Kousgi: In terms of growth guidance, we are looking at 17%. The reason why it is 17, why it's not more is simply because we are now moving towards the high yield segment. So, we were largely in Prime and super Prime earlier. So, last year we started Affordable. And overall contribution was about 10 odd percent incrementally. And this year we have started Emerging. So, which is why we want to ensure that we grow profitable book. And not just the book. That is why we are focusing on 17%. In future if we see an opportunity and this number could change.

Moderator: Thank you. We have a follow up question from the line of Nilesh Shah from Julius Bear. Please go ahead.

Nilesh Shah: Just wanted to ask, sir, what you are trying to build here, where you are inside one company, you know, set of branches and people catering to Prime and a set of branches and people work ethics, right. Sir, what our experience in India has shown us that actually, both the go to market in terms of the kind of branch you need to have, where you need to have, how you access customers and the business processes are very different, right? And I understand that you have had a business process that is oriented thus far for Prime. Now that you want Affordable to become 40%- 50% of your book over the next five years, how will some of these things have to change? Or would you create a new set of processes and rules for the other segment? And is it possible to have two sets of employees like that inside the company? And in your experience in doing this over the last one year, how has your experience been basically?

Girish Kousgi: So, actually it is not Affordable. Affordable and Emerging both put together in next four to five years at a portfolio level, we would ideally want to be around 40%. So, that's the first point.

Second, in terms of Affordable and Prime, these two are two totally different businesses. Now whether it is customer segmentation, whether it is the geography, whether it is a given pocket in the town or the city, whether it is a type of collateral, so I think it's very different and even the process and the risk controls what we need to have, are very different from these two.

Now between Prime and Emerging, there is not much of a difference. There is a difference, but the difference is very little. And therefore, both Prime and Emerging could be even though these are two different verticals, we have set up different teams. And therefore, the nitty-gritties are very different compared to Prime and Affordable.

Therefore, number one, on the Affordable side, we have very carefully chosen the geography and the pocket within the given town or city to ensure that our branch would cater to customer segments and the kind of properties we cater to. That's number one.

Number two, the entire team on the Affordable side, they have experience in doing Affordable business. And two, because we have a slightly different process for Affordable and Prime, we have a different dedicated team on the Affordable side. We have a dedicated sales team, dedicated credit team, dedicated ops team. So, it's very different. And therefore, it is very important that we need to have a different team to manage different businesses because the need and the opportunity what is available in this country are very different depending on the customer segmentation. Therefore, we have different verticals to manage different set of businesses.

And our experience on the Affordable side has been very good and very encouraging. However, initially in the first year, we were not operating in all the segments because even though the team is from Affordable segments, even though we had done a thorough research before selection of branch in the city or town, we thought let's understand the market better and let the team also get used to PNB housing culture and the processes. Therefore, we went a little slow in terms of opening up all the segments. However, after the Quarter 3 onwards, we started looking at all the segments and that is why now we are ready with an increased set of branches from 100 to 160 to operate in all the segments within Affordable.

So, these two are very, very different business. You rightly pointed out. Everything is different. Customer segment is different. Branches are different. Geography is different. The products are different. Type of collateral is different. The orientation is different. The kind of risk controls what we need to have is very different and therefore we have dedicated specialized team to manage different businesses.

Nilesh Shah: Sir, just one follow up, Sir, you know, from an ROA point of view, you are, you know what we hear from you is confidence on the NIM path improving because of this Emerging plus Affordable mix going up, right. But don't you think that the OPEX of this would be significant and even from a OPEX point of view for at the branch level and Affordable branch also has a journey, right, in terms of breaking even because the loan ticket sizes are smaller, right? Don't you think that the OPEX cost would significantly increase? And therefore, at least in my mind, I'm not, you know, perhaps you could comment on what impact of this transition would have over the next two years as you increase the share on the ROA, right, primarily because of OPEX and the credit cost line, which will sort of worsen because of this mix?

Girish Kousgi: On the OPEX side for Prime and Emerging, not much of difference. On Prime and Affordable, there is going to be some difference. But for PNB Housing, most of the verticals other than sales, credit, operations and collections are shared. Number one.

Number two, we have seen the experience on the Affordable side by opening 100 branches and all the 100 branches are now with a decent vintage and we have seen OPEX on that. So, we already have experience of 100 branches. So, OPEX on the Affordable is going to be slightly higher. But if you look at the breakeven of the branch on the Affordable side, it should happen in about on an average of about eight months.

So, now we have crossed the bridge to the extent of about 65% to 70% and we have experience on what kind of business we can generate, at what yield and what is going to be the OPEX. And that is the reason we were very confident. That is the reason we opened 60 more branches on the Affordable side.

So, to answer your question, OPEX for Affordable is going to be higher compared to Prime, but the difference in our case is not going to be substantial. It's not going to be significant because we have most of the shared resource which would cater to all the three. For example, we have the entire IT infrastructure, the call center. All of these things are shared. So, we have to only dedicate certain teams to do this business, that is sales, credit, operations and collections.

And therefore, for a standalone Affordable company, if you look at the OPEX, for a standalone Prime company, if you look at the OPEX, there is a huge difference. For us it is just one segment within the overall enterprise and therefore OPEX is not going to be significantly higher in Affordable compared to Prime or Emerging.

Nilesh Shah: I mean, overall, what is your company level ROA guidance over the next one or two years? Where do you expect it to go versus the FY'24 number?

Girish Kousgi: So, we don't give guidance, but it should be about (2.1%+).

Moderator: Thank you. We will take a last question from the line of Anusha Raheja from Dalal and Broacha. Please go ahead.

Anusha Raheja: Sir, on the corporate loan book side, you said that you will be starting the loan growth in that segment this year. Yes, I am saying that you will be growing your corporate loan book from this current fiscal. So, what is the share that we are looking at it?

Girish Kousgi: It will be in single digit at its peak. So, we are looking at the overall share from corporate is going to be less than 10% in the year to come out of the overall portfolio. So, this year we might start. We might do some business. But even in future, corporate business is going to be always in single digit, less than 10%.

Anusha Raheja: And you said that retail loan book growth, you are looking at closer to around 17% odd. So, assume that, you know, given the lower base of the corporate loan book, in quantum wise even if the growth is lower, I think it can give a good delta to the overall total loan book growth, right? Because of the corporate kicks in.

Girish Kousgi: Now this 17% what we mentioned was for retail. So, whatever corporate, that will be additional.

Anusha Raheja: And can you just share the number of, you know, what is the total write-off pool currently that you are sitting at it on retail and corporate side?

Girish Kousgi: So, on the corporate, we have close to about 1700. On the retail we have about 500 crores.

Anusha Raheja: And how much recoveries that we can expect, I mean, in retail? I mean the current run rate of 50 odd crore that you said that might continue, right, per quarter?

Girish Kousgi: Yes, I think it will be on similar trend.

Anusha Raheja: And then there is some rough guidance on the corporate side. Although difficult to predict quarterly wise, overall, in the full year FY'25, how do we see the recovery from the corporate?

Girish Kousgi: So, I was saying it is difficult to put a number, but definitely we would be able to collect good amount from the recovery.

Anusha Raheja: And sir, this credit cost of 30 basis points excludes the recovery, right? So, if you build in the recoveries, then this number can be lower again, right?

Girish Kousgi: Yes, it can be lower. Yes, this 30 bps is excluding write-back. So, this number could be lower if we include recoveries.

Anusha Raheja: And this last thing on this BT-OUT, that number was in percentage from 16% at the start of the fiscal FY'24. So, how much is it right now?

Girish Kousgi: No, no, that 16% is the overall book depletion. Out of that we have natural run off, we have foreclosures, which again has two parts. One is BT-out and the second is customer-initiated loan closure. So, BT-out will be in the rate, it will be around 7%.

Anusha Raheja: No, so I meant the total run off of the book is 16.5% to 17%, right?

Girish Kousgi: Yes. 16.7. I think that will be around 16%, 16.5%.

Anusha Raheja: In FY'25 as well?

Girish Kousgi: Yes.

Anusha Raheja: So, when we can see a complete rundown of this book? Because I think that is high yielding and see, given the fact that even Affordable is at a higher yield, and the share of that will increase.

Girish Kousgi: Which book rundown you are talking about, ma'am?

Anusha Raheja: The previous Prime book, which is running off from your balance sheet, which is at a higher yielding, which is the high yielding book.

Girish Kousgi: No, this is natural book depletion. So, we don't intend to run off that book fast. We would want to maintain that book and try to retain the customers because at a portfolio level on retail, we are still at about 10 plus percent. So, we don't want to run down this book. This is natural attrition and some attrition because of BT-out and the closures from the customer. So, this is in line with the industry, and we are at about 16%, 16.5% and this will continue.

Anusha Raheja: Just one last thing on corporate loan book. What could be the average yield that you might expect there?

Girish Kousgi: We will be able to share with you once we are ready with the business plan and once we are about to start.

Moderator: As there are no further questions, I would now like to hand the conference over to management for closing comments. Over to you.

Deepika Gupta Padhi: Thank you everyone for joining the call. If you have any questions unanswered, please feel free to get in touch with Investor Relations. The transcript and the audio of this call will be uploaded today, and the transcript will be available in a few days. Thank you.

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