Ghar Ki Baat

Ref: PNBHFL/SE/EQ/FY2025-26/13
May 02, 2025

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),

Sub: Transcript of Earnings Conference Call held on April 28, 2025 – Q4FY25
Ref: i. Our letter PNBHFL/SE/EQ/FY2025-26/06 dated April 28, 2025
ii. Our letter PNBHFL/SE/EQ/FY2025-26/09 dated April 28, 2025

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, please find attached the transcript pertaining to the earnings call held on April 28, 2025 on Audited Financial Results (Standalone and Consolidated) of the Company for the 4th quarter and financial year ended March 31, 2025.

This intimation is pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the same shall also be available on the website of the Company at www.pnbhousing.com

Kindly take the above document on record.

Thanking You,

Yours faithfully,
For **PNB Housing Finance Limited**

Veena

Digitally signed by Veena
DN: cn=Veena gn=Veena c=GB United Kingdom l=GB United Kingdom
Reason: Veena G Kamath
Location:
Date: 2025-05-02 21:40+05:30

Veena G Kamath
Company Secretary

Encl: As above.

"PNB Housing Finance Limited Q4 & FY'24-'25 Earnings Conference Call"

April 28, 2025

MANAGEMENT: **MR. GIRISH KOUSGI - MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER**
MR. VINAY GUPTA - CHIEF FINANCIAL OFFICER
MR. DILIP VAITHEESWARAN - CHIEF SALES OFFICER, PRIME & EMERGING BUSINESS
MS. VALLI SEKAR - CHIEF SALES & COLLECTION OFFICER, AFFORDABLE BUSINESS
MR. JATUL ANAND - CHIEF CREDIT & COLLECTIONS OFFICER, RETAIL BUSINESS
MR. ANUBHAV RAJPUT - CHIEF INFORMATION OFFICER
MS. DEEPIKA GUPTA PADHI - NATIONAL HEAD ,INVESTOR RELATIONS & TREASURY

Moderator: Ladies and gentlemen, good day and welcome to PNB Housing Finance Limited Q4 & FY'24-'25 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this 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 – National Head, Investor Relation and Treasury. Thank you and over to you, ma'am.

Deepika Gupta Padhi: Thank you, Neerav. Good evening and welcome, everyone. We are here to discuss PNB Housing Finance Q4 & FY'25 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. Girish Kousgi – our Managing Director & CEO. 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 our business. These forward-looking statements involve risk and uncertainty that will cause actual development and results to differ materially from our expectations. The PNB Housing Finance undertakes no obligation to publicly revise any forward-looking statement to respect future events or circumstances. A detailed disclaimer is on Slide #49 of the investor presentation.

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

Girish Kousgi: Hi. Good evening to all the investors and thanks for taking time out. It is my pleasure to address you today as we review the dynamic development in India's housing finance sector and share an update on the performance during the quarter and the year.

Housing finance industry has shown remarkable resilience and growth. While regional disparities remain, there lies a tremendous opportunity in expanding deeper into underserved regions. Further, government support has been a strong enabler, with initiatives like PMAY 2.0 injecting momentum into the Affordable housing space.

Housing finance companies have responded proactively, offering customized products and flexible solutions to meet the aspirations of a broader spectrum of customers. As per ICRA, the housing finance industry is expected to continue its growth momentum with 13% to 15% annual growth, expected for FY'25-'26. The profitability of the HFCs is projected to remain healthy supported by low credit cost.

Coming to PNB Housing:

We had a stellar run in the current financial year and achieved significant milestones during the year. Let me talk about them and update you on the performance of our guidance sheet last year.

Despite the challenging operating environment, we achieved retail loan book growth of 18.2% YoY, surpassing a guidance of 17% to INR 74,802 crores as of 31st March 2025. The total loan asset of the Company crossed Rs. 75,000 crores, after 23 quarters to reach INR 76,765 crores as of 31st March 2025. The Affordable and Emerging market segments continue to increase their share in the retail loan asset and is at 26% as on 31st March 2025 from 21% on 31st March 2024.

Our Affordable segment loan assets have performed phenomenally and crossed a significant milestone of Rs. 5,000 crores on March 25. Despite being a late entrant in the Affordable segment, this achievement is a testimony to our conviction in the available opportunity, ensuring right execution and presence across pan India**.**

Retail disbursement increased by 26% YoY with Affordable and Emerging segments contributing 40% during the quarter.

Recovery from written off pool grew 2X, from Rs. 100 crores to Rs. 336 crores in the current year. The gross NPA reached close to 1%. It is at 1.08% by end of the financial year.

Ensured stable NIM of 3.7% during the year, achieved ROA of 2.55% for FY 2024-25 versus 2.2% in FY 2023-24.

With the strong performance of the Company, I am pleased to announce that the Board of Directors recommended a dividend of INR 5 per equity share for FY 2025. This is subject to the shareholders' approval.

Let me now talk about the few details on the performance achieved during the year:

Disbursement: Our disbursement grew by 25 % during the year to INR 21,972 crores. The disbursement during Q4 grew by 23 % YOY and 27 % quarter-on-quarter to INR 6,854 crores.

Affordable and Emerging market segments contributed 40% in Q4 and 36% in FY'25 of the total retail disbursements.

As planned, we opened 51 branches in Q4, FY'25, for Affordable and Emerging market segments. The total Pan India branch network of the Company stands at 356, including 200 for Affordable and 60 for Emerging market segments. Taking the vision of the regulator forward to develop Northeast states, we have expanded our reach to an Affordable branch in Guwahati. With our large presence pan India, we are ready to capitalize the opportunity available in Affordable and Emerging market segments in tier 2, 3 and 4 cities.

On asset quality, the gross NPA improved to 1.08% as on 31st March 2025 as compared to 1.5% as on 31st March 2024 and 1.19% as on 31st December 2024.

During Q3 FY'25, one corporate account which slipped into Stage-2 has now been rolled back to Stage-1. With focused collection records, we sold 537 retail properties as compared to 268 in FY'24. We recovered Rs. 336 crores from written off pool which includes Rs. 178 crores from retail and Rs. 158 crores from corporate pool during FY'25. The Company has a remaining written off pool of around Rs. 1,000 crores in corporate and around Rs. 400 crores in retail.

To further our commitment to the vision of housing for all, we are proud to share our partnerships with MoHUA and NHB to spearhead the interest subsidy scheme of PMAY initiative. The scheme was applicable from 1st September 2024 and since then the Company has sourced over 5,500 applications, amounting to over Rs. 750 crores which are eligible under PMAY scheme.

Our diversified liability profile improved credit rating and continuous engagement with the lenders enabled us to reduce the cost of borrowing by 15 bps during the year to 7.86 versus 8.01 in FY'24.

In FY'25, PAT increased by 28.4% YoY to Rs. 1,936 crores leading to an ROA of 2.55 % and ROE of 12.19%. The capital adequacy ratio is 29.38 % and tier 1 is 28.39 as of 31st March 2025.

Given the industry outlook and the business performance, so far, sharing our FY’26 guidance with you all. Retail loan growth 18%, Affordable loan book on 31st March 2026 will be Rs. 9,500 crores. Corporate disbursement will be in the range of Rs. 1,500 crores to Rs. 2,000 crores. NIM will be stable. Credit cost will be benign due to recoveries of written off pool. ROA would be in the range of 2.5% to 2.6%. As we progress, we will continue to focus on profitable growth while sustaining the asset quality.

With this, I would like to hand over the call back to Deepika.

Deepika Gupta Padhi: Thank you, sir. I will now request, Vinay – our CFO to talk about our financial performance.

Vinay Gupta: Good evening, everyone, and a very warm welcome to our Earnings Call. I am pleased to announce strong Q4 & FY'25 financial numbers driven by robust Company’s performance. I will now cover some of the financial parameters in more detail.

With growth in retail loan book by 18%, our retail interest income has grown 17% year-on-year. Our total interest income grew 13% year-on-year to INR 1,906 crores in Q4 FY'25.

Coming to borrowings:

The Company continues to have diversified and cost-effective long-term financing sources, which resulted in a decline in cost of borrowings by 15 bps year-on-year to 7.86 in FY'25. Cost of borrowing for Q4 was at 7.84%, 1 bps higher than Q3 FY'25. This is on account of the higher cost of deposits, and it's been almost at a similar lines that we have been in previous quarters.

During the year, the Company has received Rs. 5,000 crores from NHB and has sourced US $350 million from ECB. With improved liquidity in the market and rate cut, we expect the borrowing cost to reduce from this quarter onwards.

Net interest margin improved by 5 bps in Q4 FY'25 to 3.75% in comparison to 3.70% in the previous quarter. The increase in margins includes temporary gain due to higher disbursements and loan assets in March 25 without a corresponding increase in borrowings. This will normalize next quarter.

Gross margin improved to 4.27% in Q4 versus 4.1 in Q3, driven by 27% higher disbursements during Q4. And it also includes one off on account of interest received on income tax refund.

Our operating expenses grew by 18% year on year to Rs. 208 crores versus Rs. 176 crores in Q4 FY'24 and Rs. 203 crores in Q3 FY'25. This increase is largely on account of new branch additions that we have done in Affordable and Emerging market verticals at the beginning of this financial year. We have added another 50 branches in Q4 which will start reflecting in Opex in Q1 FY26. However, we would be able to offset this with economies of scale in existing businesses. Our Opex to ATA guidance remains in the range of 1% to 1.1%.

Led by strong revenue growth, our pre-provision operating profit has grown 14% year-on-year to Rs. 646 crores at an overall level. Operating profit for retail has grown by 16% year-on-year.

Credit cost stood at 32 bps negative for Q4 and 21 bps negative for FY'25. Happy to share that we have recovered INR 336 crores from written off pool during FY'25. Happy to share we have also reported a PAT of Rs. 550 crores in Q4 which is up 25% year-on-year and 14% quarter-on-quarter. For FY'25, PAT grew by 28% to Rs. 1,936. ROA improved to 2.55% for FY'25 versus 2.2% in FY24. ROE stands at 12.2 in FY25.

Coming to capital:

Our total CRAR is at 29.38 with Tier 1 at 28.39. Debt to equity is stable at 3.7 times. Our March '25 net worth stands at Rs. 16,863 crores and our book value per share is now at Rs. 649.

With this, I now hand over back to Deepika for taking this forward.

Deepika Gupta Padhi: Thank you, Vinay. I will now request Dilip, our Chief Sales Officer for Prime & Emerging Business to give segmental performance update.

Dilip Vaitheeswaran: Thank you, Deepika and good evening, friends. Welcome to the call. I appreciate you taking the time out. I am delighted to share with you that we had another very good quarter on the Prime

& Emerging Markets businesses. To give you a color on disbursements, we disbursed about Rs. 5,500 plus crores across both these businesses, a growth of 14% year-on-year and a sequential growth of 25% plus quarter-on-quarter. The NHL business, where we are trying to increase our growth rate, we managed to disburse Rs. 1,800 plus crores here in the quarter. YoY of 40% plus over last year Q4.

Let me now give you a color of both businesses. I will start with Emerging Markets first. Disbursements in Emerging markets grew at 33% YoY for the entire FY'25. In fact, for Q4, they grew at 40% YoY. The share of Emerging markets business like Mr. Kousgi explained along with Roshni is going up at an enterprise level. This business now is being generated at a yield increment of 41 basis points over the Prime business. Even within Emerging markets, NHL is growing up strongly. NHL as a share of overall disbursements in Emerging markets stands at 42% for Q4 of FY'25.

Now in the Emerging markets business we opened a few more new branches along with the new branches and a set of existing branches which are now being re-designated as Emerging markets branches. The total distribution size in Emerging markets goes up to 79 branches as compared to 50 branches at the beginning of FY'25. This just goes to show that we are more and more focused on growing this segment which is more margin-accretive for the enterprise.

Now coming to the Prime markets, here also we had a very good quarter on all fronts. We managed to increase our disbursements by 13% year-on-year for all of FY'25. The Prime book grew by 12% to about Rs. 55,600 plus crores. Another key agenda here is to restrict runoffs. Runoffs for the entire FY'25 stood at 17%. This is down by 80 bps YoY. Here also the NHL mix has grown against 26% in Q4 of FY'24, the NHL mix in FY'25 for Q4 was 30% plus. We had opened 35 new branches across Prime and Emerging markets in this year. Happy to update that they contributed 13% of overall disbursements in Q4 of FY'25.

Now in line with our focus on profitable growth and margin-accretive businesses, we have also set up a dedicated NHL team. This team will source exclusive NHL business, starting with 10 clusters in top cities. As we speak, in fact, we have also come up with a new customer offering, a complete full-tenure fixed-rate offering for non-housing loans. This is a one-off kind product which currently is not available across the industry. We believe this will be a game changer for increasing our NHL mix further.

So to summarize, be it sustained growth in business momentum through geography or managing channel partnerships, retention, asset quality, we have had a good quarter on all these fronts and we are now ready to increase our business further in the coming years. We believe that FY'25 overall has been a testimony to the fact that our core business franchise is in very, very good shape and we will only move forward on growth, on margin and asset quality. Thank you. I hand the call back to Deepika.

Deepika Gupta Padhi: Thank you, Dilip. I will now request Valli Sekar, our Chief Sales & Collection Officer for Affordable Business to update on the business performance.

Valli Sekar: Thank you, Deepika. Good evening, everyone. It is my distinct pleasure to share with you the exceptional progress we have made in our Roshni business over the last quarter of the year. We concluded the year with a remarkable loan book of Rs. 5,070 crores representing a phenomenal year-on-year growth of 183% up from Rs. 1,790 crores as on 31st March 2024. This also reflects a robust 32% growth over the preceding year.

Our disbursements tell an equally compelling story. In Q4 of FY'25 alone, we disbursed Rs. 1,291 crores, delivering a 100% growth over Rs. 645 crores in Q4 of the previous year. On sequential basis, we saw a 40% increase, up from Rs. 920 crores in the previous quarter, demonstrating a strong momentum and a market acceptance. Over the past year, we have added 40 new branches taking our total footprint to 200 branches across 130 plus potential districts in 15 states. I am happy to report you that these branches are fully operational and already started contributing significantly to our business.

We have forayed into 2 promising new markets namely Punjab and Northeast with plans to deepen our presence in the coming fiscal. We are thrilled to have opened our first branch of PNB Housing Finance in Northeast at Guwahati. Our pan India operations are well balanced across 3 zones, North zone contributing 36%, West zone contributing 33% and South zone contributing 30%. This geographical balance ensures resilience and consistency in our growth. The state of Tamil Nadu posts the highest AUM followed by Uttar Pradesh and Madhya Pradesh.

To further strengthen our reach, have empaneled over 2,100 connectors under our Saarthi program and partnerships with more than 500 channel partners who are all powered by 1,200 plus vendors who handle the legal, technical FI, FCU-related activities.

On the technology front, we have implemented advanced digital solutions to enhance our operational agility and scalability. The last quarter was our best ever in terms of login, sanctions, disbursements, and the foundation for continued growth.

On the portfolio front, we have made significant headway. Self-employed sourcing rose to 44% up from 42% last quarter and 37% a year ago. Informal income segment sourcing grew to 30% up from 26% last year, forming a sizable part of our book now. 73% of the portfolio is within the ticket size of 25 lakhs and 30% of our portfolio remains non-housing loan. On incremental yields, at 11.7% this quarter, sequentially down the previous quarter; however, higher comparatively to the last year. Generally competition is higher in the last quarter, which results in lower incremental yields. With focus on higher yielding profiles and Tier 3 and Tier 4 markets, we will increase the incremental yields in the coming quarters. Importantly, portfolio quality remains very strong. Bounce rates are well controlled at 11% and NPAs are impressively as low as 0.21%.

We are incredibly proud of what we have accomplished. With this momentum and strong foundation we have laid, we are confident of closing the upcoming financial year with a loan book approaching Rs. 9,500 crores. Thank you all for your continued support and trust. I am handing over back to Deepika.

Deepika Gupta Padhi: Thank you, Valli. I will now request, Jatul, our Chief Credit & Collections Officer, Retail Business, to talk about the performance.

Jatul Anand: Thank you, Deepika. Good evening, everyone. So credit underwriting has been a driving force towards building a healthy portfolio followed by a sustainable growth. The Company has a well diversified book exposures across all industries with majority cases having low and mid ticket size and a healthy mix of salaried and self-employed profiles. During Q4 '25, the Company witnessed an upward tick in onboarding sanctions and disbursements across all verticals - Prime, Emerging and Roshni. With all the checks and balances in place, the Company has been able to calibrate the portfolio quality. The delinquency book during the last few quarters is well within the tolerable limits and is one of the critical monitoring parameters for the Company at all intervals. Last 12 months onboarding witnessed 30 plus of 0.13% and negligible NPA at 0.03%. Going to last 24 months disbursements, the 30 plus range at 0.48% with 90 plus of 0.14%.

Now, taking over more on retail collections, the Company continued its pattern of sequential reduction in gross NPA quarter-on-quarter reaching nearer to 1% by end of FY'25. Similar positive results were also replicated across other buckets through a focused approach on granular field collection performance plans, focus on rollbacks and normalization of cases in early buckets, efficient leverage of legal machinery to reduce NPA by higher number of possessions through SARFAESI and other legal actions available on parallel basis.

Now taking over to the dual success stories of write-off recovery and distressed property disposal, it gained further impetus in Q4 FY'25 recording newer heights. Recovery from written off pool in retail was Rs. 49 crores for the quarter, taking the annual recovery to Rs. 178 crores as compared to Rs. 68 crores last year same time. Disposal of repossessed properties also witnessed staggering performance with 174 properties sold through auction in Q4, taking annual disposal to 537 as against 268 properties of last year same time, so doubling the numbers.

So taking the queue forward, as we step into the new financial year, the plan for retail collections is to capitalize and build on successes of the last financial year, and further uplift performance through rigorous reviews of the portfolio, tighter control of flows and faster resolutions.

Thank you and now I would like to hand over back to Deepika.

Deepika Gupta Padhi: Thank you, Jatul. I will now request Anubhav, our Chief Information Officer to talk about our initiatives and progress.

Anubhav Rajput: Thank you, Deepika. A very good evening to all. PNB Housing Finance continues to move forward and strengthen its technology landscape and foundation to drive business and modern tech capabilities. Our long-term technology vision is to be recognized as a large tech-led digital player in the housing finance ecosystem, partnering with various FinTechs, banks and aggregators, through scalable digital platforms, and technology services which are integrated end to-end.

Our technology transformation agenda that was initiated in Q4 2024, is in the final stages of completion now. In Q4 FY'25, we have launched the new deposit core platform for sourcing, servicing, renewing, and managing of our term deposits for customers. This system replaces our legacy core deposit system and delivers improved performance, API integration capabilities, and additional workflow control. The new platform is under stabilization and user adoption phase.

In Q4 FY'25, we have also successfully set up a full-scale disaster recovery setup on cloud, and the same was tested successfully. This setup will ensure IT resilience and spillover capabilities and enhance our business continuity posture. The new cloud-based setup was successfully tested in this quarter for all systems and applications in scope.

The overall scalability and performance of the new platform that have been implemented as part of transformation in the last 12 months to 18 months was successfully demonstrated with the higher transaction volume that was handled in Quarter 4, which was done in a seamless manner. The Pilot launch of the new LOS for Prime and Emerging business will now be enhanced and rolled out across branches during Q1 and Q2 of FY'26.

Lastly, we remain focused on the threats of cybersecurity and have set up a 24/7 information security monitoring capabilities center and continue to build resilience in our technology platforms in line with new and Emerging cybersecurity threat landscape. Information access for all users are also controlled using relevant tools, which work purely on a zero-trust architecture model. We have recently further augmented our information security capabilities by introducing additional AI-based monitoring capabilities for our email landscape as well as for our internal network traffic monitoring.

Thank you very much. Handing it over back to Deepika.

Deepika Gupta Padhi: Thank you, Anubhav. Neerav, we can now open the floor for Q&A.

Moderator: Thank you very much, ma'am. Ladies and gentlemen, we will now begin with the question-and-answer session. Anyone who wishes to ask a question may press * and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press * and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. First question is from the line of Renish from ICICI. Please go ahead.

Renish: Hi sir, congrats on a great set of numbers. Just two things, one on this Affordable yield size. We have seen a pretty sharp fall on sequential basis to 40 basis point. Is this due to some seasonality or sort of how one should read this drop in yield on a sequential basis?

Girish Kousgi: In the coming yearwe will increase yields. So in Quarter 4, we had focused more on volume and also with this PMAY ISS coming into picture so because of these two reasons, yields are slightly lower. And I would say in a sense this is seasonal and from quarter 1 it will pick up sir. Our idea is to take a yield to about 12.65% in FY'26.

Renish: Okay, I mean, so is it fair to assume that let's say anything about Rs. 1,000 odd crores yields will be very competitive to achieve that volumes or I mean just wanted to get a sense how one should read this data point in terms of Rs. 1,200 crores of disbursement and a 40-basis point of yield curve.

Girish Kousgi: If you look at any Quarter 4 of the year it will be slightly seasonal because of too much of focus on everyone trying to build up volume. So, in that sense it is seasonal otherwise we are very clearly focused on increasing yield. So, our plan is to take yield to about 12.65% in Affordable.

Renish: And last question from my side on the disbursement momentum. So just wanted to have the share. I mean what would be the share from BT-in of Q4 disbursement and how much it would be from let's say core volume increase.

Girish Kousgi: So, for us I think on, we are into three different businesses so let me try to address this business wise. If we look at Prime, I think the BT-in and GT out is almost similar, on Emerging space, the BT yield is slightly more about 50% more than the BT-out and in Affordable, I think largely it is BT-in, BT-out is negligible.

Renish: Okay. Any numbers you want to put it.

Girish Kousgi: So overall out of 17%, now what we talk about no closure. BT-out would be about 5.5% to 6%.

Renish: 5.5% to 6% BT-in on a net basis?

Girish Kousgi: BT-out.

Renish: Okay. And BT-in?

Girish Kousgi: BT-in would be about 8%.

Renish: At overall basis, right?

Girish Kousgi: Yes. Overall.

Renish: Okay. That's it for my side.

Moderator: Thank you. Next question is from the line of Viral. Please go ahead. The line for the participant dropped. We move on to the next question. Next question is from line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

Abhijit Tibrewal: Good evening, everyone. Thank you for taking my question. Sir, first things first. Just trying to understand, while you said that BT-in was 8% at the overall level, if you could also share the number in the Affordable book, what proportion of the disbursements in Q4 and full year FY25 came from BT-in the Affordable book?

Girish Kousgi: So, on book I said it is 8% is BT-in and BT-out to 6%. So, we get net close to about 2%. So, talking about business specifically Affordable BT-in is about 12%.

Abhijit Tibrewal: BT is 12%. This was for 4Q disbursements.

Girish Kousgi: Yes.

Abhijit Tibrewal: Okay. And for year FY25?

Girish Kousgi: No, I was talking about…See, if we talk about overall Affordable, the BT-in is about 21%-22% and in Affordable, what BT-out is hardly about 1%-2%. If you take Prime, it's about 20% and Emerging also will be on similar line. The only thing is in Prime, the BT-in is equal to BT-out. So, we don't get anything on BT. On Emerging, we gain about 3%. On Affordable, largely it is BT-in, BT-out is very low. So overall on the book, what we lose is about close to 6% on BT-out and BT-in is ~8% on the book

Abhijit Tibrewal: Got it. This is clear. So, the second thing I wanted to understand is, how should we look at margins in FY26? The reason I ask is, when we look at large HFCs like you in a declining rate environment, they speak about a transitory NIM compression. In our case because we are also matching it up with the product mix change in favor of Emerging and Affordable. How are we kind of looking at NIMs evolving over the next couple of quarters as well as this full year FY26?

Girish Kousgi: NIMs should be stable. When I say stable, if I have to give you a range, it will be between 3.6 to 3.65. The reason for that is very clear, even in spite of cuts in policy rates because of mix change and also because of corporate business and cost would slightly go down because we are expecting maybe fag end of this year, maybe a rating upgrade. Because of these reasons our cost would go down, because of mix change yields would go up, because of corporate restart, it will on the yield and margin and therefore margin will be stable.

Abhijit Tibrewal: Got it. And so lastly, if I recall correctly during your opening remarks you guided for a retail loan growth of 18% year-over-year and ROA of 2.5% to 2.6% in FY26. Is that right?

Girish Kousgi: Right.

Abhijit Tibrewal: Got it. And so, I mean just trying to understand this better. Maybe three-four quarters back you had suggested that this provision write backs will continue this year, for almost whole of this year we saw those provision write backs continuing. Earlier in the call during your opening remarks you spoke about a Rs. 1,000 crores corporate write-off pool, Rs. 400 crores of retail write-off pool. Now are we looking for another maybe three-four quarters of these provision writebacks continue?

Girish Kousgi: Yes. Whole of FY26 will be write back and credit cost will be negative.

Abhijit Tibrewal: Got it. This is useful. Thank you so much and sir, congratulations again on a very strong quarter. Wish you the very best.

Moderator: Thank you. Next question is from Nishant Shah from MLP. Please go ahead.

Nishant Shah: Hi sir, congrats for the good set of numbers. So just elaborating on the previous question on the headwinds from the repo rate cuts. So, fair play we have some levers from product mix change but do you see some headwinds to just growth itself because while yes, there'll be margin compression or yield compression on incremental book, does that kind of also result in lower growth? Because you're seeing some of your large HFCs also start to cut rates in line with the repo rate cuts of the large banks. So should we think about you know growth probably in the Prime segments or in the corporate segments tapering down a bit and probably Affordable, trying to pick up the slack. How should we think about that?

Girish Kousgi: I think two things. If you look at our strategy, our strategy has been to grow the Prime book slower, Emerging faster and much faster Affordable book. So, with the rate going down demand will further go up. So, which means volumes will increase. Now for us, cut in policy rate would not impact us for two reasons. One, our focus is on margins. So, when the rate goes down, we would fine tune the yield in such a way that the margin is protected. Adding to this, the product mix change and also corporate. So, this would aid us to maintain margin. This should further propel demand and therefore the growth. But our focus is very clear. Our focus is on all the three. But Prime will grow at a slower pace, Affordable and Emerging at a faster pace.

Nishant Shah: Okay, fair enough. So, what should we think of the blended company growth to kind of come in at for this year?

Girish Kousgi: So, we have guided retail growth of about 18%, retail book growth 18% and corporate we plan to do about Rs. 1,500 to 2,000 crores.

Nishant Shah: Got it. And that 18% incorporates the slowdown in the Prime book as well as the acceleration, the Affordable book.

Girish Kousgi: In fact, FY25, there were a lot of challenges which I've spoken in my previous earning calls. In spite of all the challenges we had guided for 17% retail growth. We end up with 18.2% retail growth. FY26 is going to be far better than FY25 for the industry.

Nishant Shah: So just to double click on that point, FY26 we still had broadly rate discipline being maintained by a lot of the large banks. But now it's like when there's like say a 100 bps rate cut cycle, it's compulsory. Everything will have to compulsorily kind of flow through. Does that kind of create. So, I'm just trying to understand how is the environment in FY26 easier than in FY25 when FY26 is the one which is going to see the brunt of the rate cuts.

Girish Kousgi: See in FY26 definitely there'll be cut in policy rates, and it could be 50, it could be 75, it could be 100 bps, it could be anywhere between 50 to 100 bps. Now this would definitely have an impact because of the lag effect. Now we have baked this into our business plan and basis that we are saying that we'll be able to protect the margin. So on one side this would impact the margin because of the lag because everyone, including PNB Housing, we have our own PLR that is broadly linked the general interest rate scenario in the market. So, whenever policy rate goes down, sooner or later, when our cost goes down, we pass on that benefit to our customers. However, there'll be a bit of lag, to offset that we have plan in place in terms of mix change and corporate.

Nishant Shah: Okay, fair enough. I will Take more questions offline. This is very useful. Thank you.

Girish Kousgi: Thank you.

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

Viral Shah: Hi. Thank you, sir. So, total three questions. One is you mentioned on the possibility of a rating upgrade towards the end of the year. Can you tell us like what gives you that confidence? Have you interacted with the credit rating agencies? I'm asking this in the context that of course there is also the October 4th circular of RBI. If it comes through then maybe potentially PNB may have to reduce the stake to 20% odd levels. Of course there is probably could be a glide path. Again, not sure whether even that circular is coming or not. But given that uncertainty, what gives us that confidence and more so the rating agencies. That's one.

Girish Kousgi: See we got the last upgrade in Quarter 4 of last year and Quarter 1 of FY25. So, generally there is a cooling period and if you see the company's performance in last five quarters, this quarter included, I think all the performance metrics have improved. And we are sure that this performance will continue for the next two quarters. So, basis this, we feel that there will be a rating upgrade. Commenting on Para-IV, I think it's too early because even the circular is not rolled out yet. So, I think that is too premature to discuss on that. I think looking at a short to medium term view, I think very clearly, we have a handle on our yield and margins and we expect that end of this financial year we should get an upgrade on the rating.

Viral Shah: Okay sir, so second question is with regards to I would say the management kind of continuity beyond when the PE presence kind of goes away. More so from the perspective, again from a longer-term perspective, how does governance and all those things kind of play out in that scenario?

Girish Kousgi: See PNB Housing is a professionally managed organization so management is quite strong. We have a very strong bench and today if you look at PNB is a promoter, they hold about 28%. The next highest is by a private equity player which is about little over 10%. So, I don't think so anything would change at all.

Viral Shah: No sir, but like once if the PE goes away then basically what's the view of the parent because how do they then want to run on it? Just if you can comment.

Girish Kousgi: No, we have no view on that. I think as of now we are focused on operational things of the company and in last few quarters, the stake has been changing, and we have seen that, we witnessed that but nothing really has changed the performance of the company. So, it will continue.

Viral Shah: Got it, sir. Sir, and last is on the PLR rates. So you haven't taken any PLR rate cut as yet for the total 50 bps cut that has already come?

Girish Kousgi: Not as yet, yes.

Viral Shah: Do you have any plans and if at all, over what period you may want to consider that. I know it's an ALCO decision but just some thoughts if at all.

Girish Kousgi: We keep reviewing, I think whenever it is the right time then we will take a call.

Viral Shah: Okay, sir, fair enough. Thank you so much and all the best.

Girish Kousgi: Thank you.

Moderator: Thank you. Next question is from the line of Abhas Verma from East Green Advisors. Please go ahead.

Abhas Verma: Good evening, sir. Thank you for the opportunity. I had two quick questions. My first question is going forward, what steady state mix between salaried and self-employed customers do you see on the loan portfolio? Any broad guidance would be helpful. So that's my first question.

Girish Kousgi: At a disbursement level again, we have three different businesses. So, if you have to talk about Prime it will be 65:35 in Emerging would be 60 and 40 and Affordable 50:60. This is at the origination stage, disbursement stage. At a portfolio level it will take a lot of time because today the mix is about 70 and 30. It will take time for the mix to stay at a portfolio level.

Abhas Verma: Okay. Thank you so much. And my second question is for the corporate loan book that we build from here on, what will be the average ticket size and the yields on that if you could help on that?

Girish Kousgi: Average ticket size should be in the range of Rs. 175 to 200 crores. So, we started off the last financial year with a small sanction. We will continue and this year we plan to disburse about Rs. 1,500 crores to 2,000 crores.

Abhas Verma: Okay. And about the yields, is it like what sort of yields are you expecting on the…?

Girish Kousgi: Yield should be about 12%.

Abhas Verma: Okay. Thank you so much. That's it from my side.

Moderator: Thank you. Next question is from the line of Siraj Khan from Ascent Capital Partners Please go ahead.

Siraj Khan: A couple of clarification before I ask my question for Affordable book, in the opening remarks you have said Rs. 9,500 crores is the target for FY26, is that correct?

Girish Kousgi: That's right.

Siraj Khan: Okay. And so that would imply we would want to, so in for FY25 we did approximately Rs. 3,400 crores of disbursements. And that would mean we do have to do somewhere in the region of more than Rs. 5,000 crores considering the BT and etc., so would that be a fair assumption?

Girish Kousgi: No, in Affordable BT-out is hardly anything as I mentioned. So as of March, '25 the book is about Rs. 5,070 crores. So, we plan to take it to Rs. 9.500. So, disbursement should be about close to Rs. 5,000 crores, you're right.

Siraj Khan: Okay. And the data keeping question and then I will come to the main question. So, in the past quarters were showing also in the slide, the sanctions that we did in the quarter. So, what are the Q4 sanction? Just to identify the sanction to disbursement ratio for the quarter.

Girish Kousgi: Generally, the ratio between disbursement to sanction is about 66%-67%. So, we have disbursed little over Rs. 1,200 crores in Quarter 4.

Siraj Khan: So, the sanction rate is somewhere in the range of 66% for Q4.

Girish Kousgi: Yes, about there, Rs. 1,600 to 1,700 crores.

Siraj Khan: Okay, great. And so now my question comes with respect to the branch expansion. So, in the last quarter we added a significant number of branches to reach 200 branches for the year. What is the number that we plot for FY25 and how will be distributed? Will it be again like this year rear ended maybe towards H2 or will it be spread out? That is first.

Girish Kousgi: So, we are at now 356 branches as of March '25. The plan is to take to 500 by March '27. So Affordable, which is now 200 we will take it to about 300 branches and the rest would be largely in Emerging. So, all the branch expansion would happen in Affordable and Emerging. So close to 150 branches will open in next 2 years, that is FY26 and '27. That would largely be in Affordable and Emerging.

Siraj Khan: So, would that be for Affordable specifically, would that be 50-50 in each year or will it be more in the next year?

Girish Kousgi: It will be almost **80%** in Affordable and the balance 20% in Emerging.

Siraj Khan: Understood. And sir, with respect to the pricing, now I think many of the previous participants asked on this and my question is slightly different from the yields. So with the yields, average yield for the whole book in specifically the Affordable was approximately 12%, eleven point something percent on an average basis. So as and when the yields do come down, with the rate cuts, how do you think that it will sustain? Will it go above 12% and or will it be somewhere in the region of 11%-11.5%?

Girish Kousgi: It will go over 12% because if you remember our earlier yield, the target was 13%. So with the policy cut, we are now revised up to about 12.65%. So our yields will go up to 12.65%. So we have taken that into account.

Siraj Khan: Then basis that the overall book yield would then, I think go somewhere north of 10%-10.5%, the incremental yield I am talking about?

Girish Kousgi: Yes, because Emerging the yield, what you are targeting is 10.25. Let me talk about FY26 because we really do not know to what extent there will be swing in policy rates, right, and therefore, let us talk about FY '26. FY '26 is the target for Affordable list to take the yield to 12.65%, Emerging is 10.25% and Prime will be about 9.5%-9.6%. So if you take disbursement blended yield, it should be in excess of about 10%-10.2%.

Siraj Khan: Understood. Thank you. I will join back in the queue for more questions.

Moderator: Thank you. Next question is from the line of Abhishek Jain from AlfAccurate Advisors. Please go ahead.

Abhishek Jain: Thanks for the opportunity and congrats for a strong set of numbers. Sir, my first question on the change in the business mix, in this year, we have done around 26% from Emerging and Affordable housing. So how do you see the change in the business mix in FY '26 and '27 and how much improvement is possible in the ROA and ROE front?

Vinay Gupta: So on a long-term basis, we have guided that this mix should touch by 40% by FY '27. Right now, we are at 26%, next year should be around 32%-34% and then it will reach to 40%.

Abhishek Jain: And at that point, what would be the ROE? In this quarter, we have seen a very good improvement on the ROE, what is your medium-term target for ROE?

Vinay Gupta: See, right now, ROE or ROA has upside on account of recoveries from return of pool, which is to the extent of around 40 basis points, so excluding that we are at maybe 2.2-2.5. So by FY '27 on a steady state, we want to reach to around 2.5-2.6 without the support of the recovery.

Abhishek Jain: And my last question on the outlook for the Affordable housing industry. What are the key levers of the growth in FY '26 and how do you see competition over there?

Girish Kousgi: For Affordable, especially now there is a lot of focus from government as well. PMAY 2.0 Interest Subsidy Scheme, there is a lot of demand for that Interest Subsidy Scheme and even otherwise from EWS and LIG and part of MIG, there a lot of demand. So Affordable industry should do well, the growth should be much higher compared to Emerging and Prime. And since our focus is more on Affordable that is the reason we are planning to take a book from the flow of Rs. 5,000 crores to about Rs. 9,500, which is almost about 80%-90% growth in book.

Abhishek Jain: In the next 2 years?

Girish Kousgi: No, by March 26th Affordable booked to Rs. 9,500 crores. By March 27, our Affordable books will be Rs. 15,000 crores. So March 27, I reiterate, our retail loan book is going to be Rs. 1,00,000 crore. Out of Rs. 1,00,000 crore, Affordable will be Rs. 15,000 crores, Emerging will be Rs. 25,000 crores and the balance Rs. 60,000 crore will be a Prime book.

Abhishek Jain: Thanks, sir. That is all from my side.

Girish Kousgi: Thank you.

Moderator: Thank you. A request to all the participants. Kindly restrict to 2 questions per participant and join the queue again for a follow up question. Next question is from line of Aditi Nawal from RSPN Ventures. Please go ahead.

Aditi Nawal: Thanks for taking my question. I just have one question in the Affordable segment. So the bounce rates sequentially over the last few quarters have been inching up. So what is the bounce rate that we are comfortable with in this particular segment?

Girish Kousgi: So I think if you look at the industry, bounce rate in the range of 15%-16%. We are at about 11%, 10.5%-11%. So I think this portfolio, we are very comfortable as long as it is under 15%. But today it is 11%. We will take a lot of time because we also have built a book largely from low risk and medium risk. So as we increase our business segments, we will be in line with the market. Today, we are much below market in terms of bounce rate. I think we will take another 18 months. I think we will get close to that, but we will be very comfortable as long as it is below 15.

Aditi Nawal: Understood. Thank you so much.

Moderator: Thank you. Next question is from the line of Harsh Shah from Reera Holdings. Please go ahead.

Harsh Shah: Yes. Hi. Good evening, sir. Sir, my question is on the credit cost. So this year, we had around Rs. 160 crores of negative credit cost because of the recoveries and next year also, you are guiding that recovery could be higher than the credit cost. So my question is, this year we had almost 35 bps flow through to the ROA because of savings in the credit cost. But if I look at FY '27, we might end up at our usual 20-25 bps kind of credit cost, so that means it would be a negative delta of almost 50-60 bps in couple of years. Sir, my question is how will we recover that 50-60 bps of negative impact that our ROA will have from the credit cost? So currently, we are at 2.75 ROA which could go down to maybe 2.25-2.35 of this negative credit cost turning to credit cost expense?

Girish Kousgi: So if you look at our recovery pool, I think whole of FY'26, the credit cost is going to be negative because of the recovery, right. In FY'27, we will not get that much support because we won't have really pool available. In the meanwhile, we would have built our corporate book. We would have increased our share of Affordable and Emerging and also parallelly, we are trying to increase yield in all the three segments, I think barring quarter 4, right. So today the NIM is about 3.6-3.7. By FY'27, NIM will go to 4.0-4.1. So with that standalone, the credit cost is going to be about 25 bps and ROA will be 2.5-2.6.

Harsh Shah: That is what I wanted to hear. So you are working towards getting that NIM to above 4%-4.1% kind of a number?

Girish Kousgi: Yes.

Harsh Shah: Alright, sir. Thank you so much. Thank you.

Moderator: Thank you. Next question is from the line of Siraj Khan from Ascent Capital Partners. Please go ahead.

Siraj Khan: Thank you very much for the follow up. With respect to the pricing strategy and again this is kind of related to both the Emerging and Affordable segments. Again, the Affordable segments have dropped in the yields for Q4 because of seasonality and competition across the board in the other HFCs, and even your Affordable HFC, we have seen the incremental yields dropping. So although you are saying that the yields will be above 12%, but my question was, would it be in our benefits to not go too much ahead and stay like a cost leader? Are we doing this by design or is it happening by default that kind of we are getting the benefits of being like a low cost leader in the space with respect to the yields?

Girish Kousgi: So I think we are very clear in our strategy. See, if we look at Affordable business, there are three segments, low risk, medium risk and high risk. So the strategy for us is going to be focused on 20% from high risk, 60% from medium risk, 20% from low risk. So this would give us a yield of about 12.65%. So we would neither be at the bottom in terms of pricing nor at the top. We will be somewhere in between, and our yield is going to be 12.65. So that is the strategy.

Siraj Khan: Understood. So I was just wanting to understand whether this was by design or something and any specific buckets of ticket size, say for example, I can see from the presentation that less than 35 lac ticket size is the predominant one. But even in the specific sub segments or with respect to the 10-15 or 15-25, any specific band of ticket size that you see is showing good growth in the specific sub segments of this ticket size? And secondly, any specific geography that you are seeing any early times of you can say with respect to asset quality troubles or any specific region, even with the ticket size and the geography?

Girish Kousgi: So in terms of average ticket size, today we are at about 15-16 lakhs. So I think once we increase volumes, it will be around 14,00,000. Now, in terms of geography, I think the South is doing well, North is doing well, and the West is doing well. So I think our strategy would continue. We don't have any pocket or geography which is a clear logo for us. So we are pretty much comfortable because we have our experience, we have industry experience. So as of now, all the geographies are doing pretty well in terms of portfolio quality and we would remain focused on all these geographies and in future, if there is a need, then there might be a small peak here and there, but I think by and large our strategy is going to be there.

Siraj Khan: Understood. Because we are looking at some of the results of some of the HFCs, they were speaking about a few issues in the Southern region and a bit of issues in the Madhya Pradesh and so I was like because we have a good presence in these areas, so are we seeing any risks or are we seeing anything on ground in these specific regions in our book or maybe even initial….

Girish Kousgi: Not at all. South is doing well. West is doing well. North is doing well, so we have not seen any stress.

Siraj Khan: Thank you very much.

Moderator: Thank you. Next question is from the line of Harshit Toshniwal from Premji Invest. Please go ahead.

Harshit Toshniwal: Hi, sir, congratulations on good set. The question is the cost of funds this quarter so, I think when we look at the sequential decline, is it that a lot of the cost benefits is passed on or what has led to this decline if you can help us know? And given our mix, if you can help us that within the bank loans, how much would be MCLR linked and how much would be repo EBLR linked? And if you can also help that, how should we expect the cost of funds to pan out next year?

Vinay Gupta: So there is no sequential decline, but year-on-year, we have seen a decline of 15 bps and this is largely has happened post the rating upgrade for us in Q4 of last year and Q1 of this financial year. So more or less, we have now received the benefit of the rating upgrade, which is in the range of 15 basis points as of now. Out of the total loan book, the term loans that we have around 40% of it is linked to repo and rest is linked to MCLR which are also short-term in nature, mostly 1 month and 3 months. Translation, again, it depends because we are also watching while repo is obviously being repriced immediately in some cases. In some cases it takes 2-3 months. But on the MCLR side, there is still no action as such from bank. So depends on when we see that transmission to start happening. What we are expecting, somewhere around 10-15 basis points reduction over a period of the next 2-3 quarters in our cost of borrowing.

Harshit Toshniwal: Sir, just on one thing, I think when we look at this 40%, maybe I think 50 basis points reduction if I take then I think 20-25 basis points of reduction in my overall cost of funds can be from this and on the public deposits also there should be. So I am just wondering that when you are saying 15 basis points reduction on a full year basis, are we being conservative here?

Vinay Gupta: Say 40% or 40%, so our overall term loans are 40% of our total borrowings. Within that term loans, 40% is linked to repo. So on an overall basis, it is 16% roughly, not 40%. So on that also transmission comes with a lag, maybe it takes 2-3 months for certain banks to reprice. So it will come, but yes, the impact is 15-16 basis points which is direct. Remaining is linked to MCLR, which will be over a period of time.

Harshit Toshniwal: Understood, got it sir. Sir, in that context, when we look at our margins this year to next year, given the fact that in the Prime also we have not yet taken PLR cut anything right now, but there will be an increased competition and obviously, as you said, corporate loan all, etc., and mixed will help, but still maintaining the margins, do you think that it would be the best case scenario because for a 15 basis points decline only and still for our Prime and Emerging, the rate cut and the competition cycle will play out in the next 2-3 quarters. Just wanted to get your sense on that piece itself that the offset elements will be so effective that the corporate mix and the mix change is going to offset the entire impact?

Girish Kousgi: We have multiple levers to increase our fees vis-a-vis compared to the impact because of policy cut and thereby impact on customers and therefore transmission to the customers, right. So they, as I mentioned to you, whatever is the benefit we get because of policy rate cut that we will pass on, to that extent we will pass on to our customers. At the same time, we are working on multiple things. From this year, we have started the LAP vertical, so that will be at a higher yield, number one. Number two, all the three segments, Prime, Emerging and Affordable, we are increasing yield. Number three, we will start corporate. So these three things will ensure that the yields will go up. And there will be some impact because of the policy rate cut. I think that can easily be offset with these initiatives.

Harshit Toshniwal: And sir, on our credit cost, if I exclude the write-off then it is 46 basis points this quarter, if I am not wrong, 45 basis points, if you can help us that X of the recoveries, how should we look at the credit cost given the book will season over time, especially the Affordable one?

Girish Kousgi: Our credit cost will be about 25 bps.

Harshit Toshniwal: Okay.

Girish Kousgi: X one-offs.

Harshit Toshniwal: Got it. Sure. Thank you, sir.

Moderator: Thank you. Next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: Thank you very much to giving me the opportunity to ask the question. Girishji, you and your team are doing a very good job in housing a finance company and we salute you are doing such fantastic work for PNB Housing.

Girish Kousgi: Thank you, sir.

Ravi Naredi: At this stage, can you tell on 25 number page of investor presentation, you sold 537 properties, so out of selling of this property, how much we lose or how much we gain? Can you tell the figure?

Girish Kousgi: When we actually sell property on the retail side, we hardly lose anything. We don't lose at all. At times, it will be no loss, no profit on principle. So if we talk about corporate, there could be a haircut of about 20%, 30%, 35%. But when it comes to retail, literally there is no haircut. So whatever properties we have sold through SARFAESI action, legal initiation, so the loss is hardly anything. At the enterprise level, there is no loss. At an account level, you might have lost into few accounts, but you also get more in the other accounts and therefore it just gets netted off. So there is no loss in the retail side.

Ravi Naredi: And you had given very fantastic projection, Rs. 1,00,000 crore AUM by next 2 years. It is really fantastic and we hope you will attain this AUM figure. Thank you very much to giving me the opportunity to ask the question.

Girish Kousgi: Thank you, sir.

Moderator: Thank you very much. Ladies and gentlemen, we will take that as the last question. I now hand the conference over to Ms. Deepika Gupta Padhi for closing comments.

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

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