pnb Housing
Finance Limited
Ghar Ki Baat

November 01, 2022

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

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

Dear Sir/Madam,

Sub: Transcript of Earnings Conference Call held on October 27, 2022

In continuation of our letter dated October 27, 2022 and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, please find attached the transcript in respect to the earnings call held on October 27, 2022, on Un-Audited Standalone and Consolidated Financial Results of the Company for the Quarter and Half Year ended September 30, 2022.

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

This is for your information and records.

Thanking You

For **PNB Housing Finance Limited**

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JAIN

Digitally signed by SANJAY JAIN
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Sanjay Jain
Company Secretary & Head Compliance
Membership No. F2642
Enclosed: As above

"PNB Housing Finance Limited's Q2 & H1 FY'22-23 Earnings Conference Call"

October 27, 2022

MANAGEMENT:

Mr. Girish Kousgi	MD & CEO
Mr. Vinay Gupta	CFO
Mr. Sanjay Jain	Company Secretary and Head Compliance
Mr. Pankaj Jain	Chief Sales Officer – Retail
Mr. Jatul Anand	Chief Credit & Collections Officer
Mr. Neeraj Manchanda	Chief Risk Officer
Ms. Valli Sekar	Chief Sales & Collections Officer-Affordable housing
Ms. Deepika Gupta Padhi	National Head IR & Treasury

Moderator: Ladies and gentlemen, good day and welcome to the Q2 & H1 FY'22-23 Conference Call of PNB Housing Finance Limited. As a reminder, all participant lines will be in the listen-only mode, and there'll 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 '*' and 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, Mike. Good evening and welcome, everyone. We are here to discuss PNB Housing Finance Q2 & H1 FY'22-23 Results. You must have seen our Business and Financial Numbers in the Presentation and Press Release shared with the Indian stock exchanges and is also available on our website.

With me, we have our management team across verticals, led by Mr. Girish Kousgi -Managing Director and CEO. Mr. Girish joins us as MD and CEO effective 21st October 2022. He's a seasoned banker with vast experience across a variety of loan products, including housing loans, business loans, LAP, personal loans, among others. Prior to joining PNB Housing Finance, he was the MD and CEO of Can Fin Homes Limited.

We are also joined by Mr. Vinay Gupta, who joins us as CFO effective 26th October '22. He has extensive experience of over 20-years in financial management, financial planning, accounting, treasury operations and MIS. He was previously associated with SBI Cards and Payment Services, MFs.

We'll begin this call with the Performance Update by MD and CEO followed by an interactive Q&A Session. Please note, this call may contain certain 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 undertake no obligation to publicly revise any forward-looking statements to reflect future events or circumstances. A detailed disclaimer is on slide #25 of the Investor Presentation.

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

Girish Kousgi: Good evening to all the investors. Welcome to Q2 & H1 FY23 Earnings Call of PNB Housing.

I'll give you a context with respect to Market and Outlook. So, housing industry is really doing very well. The entire industry is in sweet spot and so is PNB Housing. Demand is quite robust. Demand which started after COVID FY'21-22 Q3 onwards…to be specific October onwards, demand has been quite robust.

In spite of intermittently disruptions by a quarter or two because of COVID second wave and third wave, I think demand has been quite robust in real estate as a space has revived with more than one and a half years, and this cycle would last for next four to five years.

Even though the interest rates have gone up in last little over a year's time, still, the affordability is pretty high. And demand is quite robust across all geographies, across all segments. And if you look at the industry, I think industry will be able to post growth of about 12% to 13% this year over last year. This is about the industry and the outlook.

Coming to PNB Housing, let me give you some data points on three parameters: One is Q2 YoY and number two H1 this year compared to H1 of last year and of course QoQ i.e. sequential.

I think we need to very clearly segregate retail and corporate. To start with, I'll give you consolidated numbers and then I'll get into retail and corporate separately. If you look at Q2 performance on a YoY basis, there has been a growth of disbursement by 21% YoY. The book on a console basis has degrown by 4% YoY but if you look at retail, there is a growth of 4% YoY.

In terms of revenue, the growth is about 6%YoY, PAT is close to 12%YoY, yield, of course is not comparable on a YoY, course, we have to compare yield on a sequential basis; yield for Q2 at a book level is 10.70%. Cost was 7.32%, spread of 3.38%, NIM of 4.14%, GNPA 6.06% and net NPA of 3.59%, CAR at 24% and leverage of 5x.

Now, talking about retail, in Q2 FY23 disbursement growth of 24.5% YoY and, book has grown by 4%YoY. And if I were to talk about retail GNPA, it is 3.39%, down from 3.53% in Q2FY22.

For corporate, I think disbursement growth is negative 48%YoY because we are degrowing corporate book. Book has degrown by 44%YoY, it was Rs.10,250 crores, now it is Rs.5,708 crores. GNPA, I've given you the overall numbers. So, if we look at GNPA numbers, nothing much change in terms of the amount, of course, the NPA stands at about Rs.1,734 crores, which stands to about 30%.

Talking about H1, disbursement growth is 49%, book has of course degrown by 4%. Revenue is negative 5.6%, PAT growth by 4%, yield is at 9.66%. I think some of these numbers are common for both so I'll not get into that.

In terms of strategy, going forward, I think the story is going to be around retail. And within retail, we have two segments, one is affordable and one is non-affordable. I think there's going to be very good focus on non-affordable and we're going to be very aggressive on affordable. So, for H2, we plan to open more than 25 branches largely in affordable space.

Today, if you look at retail book, which is about Rs.52,000 crores, affordable is about Rs.3,000 crores. So, we want to grow that book very aggressively, because we've seen that market is conducive, and will be able to build book at a higher yield and with very low delinquency. We've seen that any companies in the industry they're doing very well in affordable. We were primarily focusing on non-affordable segment within the entire housing space. Going forward, our focus will also be on affordable.

In terms of mix going forward, we would want to maintain non-affordable 75% and affordable 25%. This is more on the incremental over the next two to three years' time. I think at a portfolio, we think slowly we'll start building the affordable book.

In terms of HL and non-HL, we want to reach to a stage where our HL is 75%, non-HL is 25%. Today, if you look at a portfolio level, our non-HL is about 28%-odd.

We are trying to change our entire IT infrastructure, which might take about 15 to 18 months' time. So, this will help us in better delivery to our customers in terms of TAT, in terms of trying to integrate various KPIs so that we can fast track our decision process.

We had a challenge of book depletion. So, we have a very strong retention team. If we have to compare Q2 vis-à-vis Q1 of this year, we were able to arrest BT out. In Q1, BT out was about Rs.1,350 crores and in Q2 this number is about Rs.1,100 crores. So, going forward, this number is likely to come down. In terms of total closure, Q1 was about Rs. 3,450 crore and Q2 was about Rs. 3,150 crore and this is on a growing book.

This being my first earnings call, I thought I should give more time for all of you to ask questions, because you'll have lot of questions to ask. Before I open the forum for Q&A, there's one thing which I want to clarify on the provisioning because there has been a significant increase in provisioning compared to Q1; Q1 was Rs.49 crores and Q2 is Rs.243 crores. So, this Rs.243 crores has three parts; one is ARC sale, second is written off and the third is we have provided Rs.60 crores additional.

This apart, I think there has been a slight increase in the ECL provisioning. This Rs.243 crores actually has four components. So, you should read from Rs.49 crore, the number in Q2 has gone up to Rs.80 crore and the rest is write-off of ARC sale and additional provisioning. In terms of credit cost, for Q2 it is slightly on the higher side, it's 1.54%, H1 is 0.94% and for the whole year we are expecting credit to be around 1%.

I would request to open the floor for Q&A.

Moderator: We will now begin the question-answer session. We have the first question from the line of Ravi Naredi from Naredi Investment. Please go ahead.

Ravi Naredi: What will be your top priority to run this company to raise the funds, to raise the AUM or to bring down the NPA level? And second, company AUM is around Rs.66,000 crores, market cap is Rs.7,000 crores. Sir, with due regards to all of you PSU employees, I say if this company was in private sector, market cap maybe Rs.50,000 crores to Rs.70,000 crores. So, where we have challenges and how we overcome from them?

Girish Kousgi: We are pretty aggressive on growth and you will see in next few quarters we will be growing by a healthy percentage, which will be much above the industry growth rate both on disbursement and book. So, first, the growth will start on disbursement and then it will catch up with the book growth. Now while we say that we want to grow, so we want to grow in non-affordable space and also on affordable. So, we are now getting into affordable in a big way. That's going to lead our growth story along with non-affordable segment, that is point a. b) we will definitely bring down our GNPA and NPA. Going forward, a), we will work on growth, but both disbursement and book, b), we will bring down our delinquencies, our GNPA will come down, net NPA will come down. And number three, we will also ensure that while we do these two things, we are profitable. So, in terms of margins, we will ensure that we have a bare threshold which we will maintain and if we can get back to basics and grow with profitability, with lower delinquency, I'm sure I think market will reward, I think that's the expectation.

Ravi Naredi: Will bring in new people to the company as per your convenience, or you will run with existing employees?

Girish Kousgi: PNB housing team is excellent. While I say that we will always be open to hire talent from market… whenever there is a need and when there is an opportunity, we will also try to hire talent from market. So, largely, I think the existing team is going to deliver.

Moderator: We have the next from the line of Simran from Omkara Capital. Please go ahead.

Simran: I have three questions. First is, will the company focus on the gross NPAs going forward? Second question is on the loan growth front, because we are seeing very flattish sort of loan growth over the quarters. And third, where you see the cost of borrowing of the PNB Housing Finance is going to be on the peak in the upcoming quarters?

Girish Kousgi: So, in terms of growth, I mentioned that if you look at H1FY23 I think we've grown by 49%YoY, I'm talking about disbursements. So, book will catch up. So, probably, this year we'll see growth in book by about maybe close to 10%. One year from now or maybe five quarters from now, we should be able to see growth in book of over 15%. On a steady state in the long run, our disbursement growth at least for next few years is going to be 25% and book growth will be 18%. We are working on to bring down our GNPA. As I told you, the story is going to be on retail because corporate book we are degrowing the book and obviously, on a depleting book, the NPAs would look on a higher side. We have a plan for resolution on the corporate book. But, having said that, our focus would be to try and bring down GNPA on the retail book. So, you will see that progressively going forward from this quarter onwards, there will be improvement in GNPA. It might take some time, but definitely you will see the GNPA coming down quarter-on-quarter from this quarter.

Simran: My third question was that where you see the cost of borrowing is going to be peak for the PNB Housing Finance in the upcoming quarter?

Girish Kousgi: We are part of the system and therefore would have to operate within the system. But today given the context of where a company stands, definitely, our cost is going to be slightly high. Today, we're talking about cost of 7.32%. But when we get our growth story on, when we see that the delinquencies are coming down, I'm talking about GNPA, anyway, we are high on liquidity. And once we improve our quality from now onwards, we will also get the cost advantage. As of now the cost of borrowing is 7.32%. I expect in next two to three quarters still there could be increase in cost in the industry by about 0.5% to 0.6%. And to that extent, we will also try to pass on that to our customers. And as I mentioned earlier, we will definitely maintain profitability. To that extent, for me the starting point is margins, because we have very less control on cost and therefore, we would get fixated on the margins and then accordingly try to adjust the yield. And we are focusing largely on affordable from now onwards, there we have a higher yield opportunity. And even I will be able to grow the book because we see less competition in tier two, three and four cities vis-à-vis compared to large cities and tier one cities. So, we have an opportunity of building book at a higher yield, therefore we'll be able to maintain margins. I think all these things will happen parallelly, it's not sequential. On the cost front, it might go by another 50 or 60 bps in next two to three quarters time and we are ready to absorb that and still grow at a healthy rate.

Simran: Your focus is primarily driven on the affordable going forward, am I right?

Girish Kousgi: No. Today, our focus is retail. If you look at my retail book, it is Rs.52,000 crores, out of Rs.52,000 crores, Rs.3,000 crores is affordable. We see opportunity in both affordable and non-affordable, but today if you see our concentration is on non-affordable which is about Rs.49,000-Rs.50,000 crores. So, we want to grow non-affordable space, at the same time, we want to get aggressive on the affordable space as well, because we don't see too much of a difference in the portfolio quality between affordable and non-affordable and therefore we want to get into affordable. I'm talking about the industry. So, we will get very aggressive on affordable and we will continue to be aggressive on non-affordable. So, our focus is going to be on retail; two segments - affordable and non-affordable.

Moderator: The next question is from the line of Dipti Kothari from Kothari Securities. Please go ahead.

Dipti Kothari: My question was do we have any significant update on corporate resolution?

Girish Kousgi: We have an update, but at this point in time, let me be honest with you, corporate book is depleting, every quarter, there is a runoff and this book is now Rs.5,700 crores, if you look at my overall book, I think it's less than 10% and going forward, we're going to grow very aggressively on the retail side. On the corporate side, we're working on some of the accounts. So, only thing is since considering the nature of these accounts, the resolution may take slightly longer time. So, I won't be in a position to give you a definitive timeframe as to what would be the resolution, let's say in next two quarters, three quarters, four quarters, but we are working on resolution. So, we will see that coming through in the next three to four quarters time. In next quarter or two, I won't be able to commit on that, because we are still working on some of the accounts.

Dipti Kothari: Have you taken any write-offs in this quarter?

Girish Kousgi: So, I mentioned that out of total provision of Rs.243 crores, Rs.80 crores is ECL, and the balance has three components; one is write-off, one is ARC sale, and we have provided Rs.60 crores additional.

Moderator: We have the next question from the line of Himanshu Taluja from Aditya Birla Mutual Fund. Please go ahead.

Himanshu Taluja: I just missed your initial commentary, but I've heard that your endeavor is to bring down the gross NPA on the asset quality improvement on a quarter-on-quarter. So, what sort of a credit cost we should expect over the next two quarters? And when you think a normalized credit cost will likely to be visible?

Girish Kousgi: This year credit cost will be around 1%, and from next year onwards we can say that we'll reach a level where we can talk about normalized credit cost.

Himanshu Taluja: This is for retail?

Girish Kousgi: This is on the retail.

Himanshu Taluja: Would you like to also build up like on the corporate portfolio or would you like to build any contingent buffer to provision buffer?

Girish Kousgi: So, I think internally we're working on that. Only thing is on resolution, I wouldn't be able to give you a definitive timeline. While we're working on the corporate book, of course, now the pool has come down drastically. So, on the retail side, definitely we can expect normalized credit costs from coming financial year onwards.

Moderator: Thank you. We have the next question from the line of Ashwini Agarwal from Demeter Advisors. Please go ahead.

Ashwini Agarwal: So, two questions kind of along the lines asked by previous participant. So, the first question is on spread. If I look at your Q2 spread excluding securitization income, that's about 2.6% which is kind of a little bit on the higher side compared to the previous two quarters. And given that now obviously, banks and prime borrowers like HDFC, etc. are rising very rapidly. Do you think this number of 2.6% as a spread is sustainable?

Girish Kousgi: Yes, spread of 2.2% is sustainable.

Ashwini Agarwal: Okay. Spread of 2.2% including securitization is sustainable in your case?

Girish Kousgi: 2.2% is sustainable yes.

Ashwini Agarwal: Okay. The second thing is that, on your corporate book while you have made some additional provisions during Q2, so you still have a fairly large NPA pool on your corporate and you are talking about due to some resolution so there's Rs.1,730 crores worth of corporate GNPAs, I just wanted to ask, what is the provisioning level or the corporate GNPA and as this book is resolved how much more write off or pain do you need to take on this?

Girish Kousgi: So, on the corporate book, book is about Rs.5,700 crores, GNPA is about Rs.1,734 crores. So, I would say that the coverage is close to almost about 50% on the corporate NPA.

Ashwini Agarwal: Okay. And what's your estimate, how much do you need to kind of watch through the P&L over the next couple of quarters?

Girish Kousgi: That is what I told you it is very difficult for me to give an estimate for next couple of quarters, because knowing the nature of this account, sometimes it will take a longer time, sometimes you see revision coming through and therefore I can only say that we are adequately covered. And we are constantly working on resolution because number of cases obviously in corporate would be less and PCR is close to 50% as I mentioned, so we will constantly, we will constantly work to ensure that we are adequately covered and at any given point in time

Ashwini Agarwal: You earlier in your conversation, you said that for the full year the credit cost will be in the vicinity of 1% and next year.

Girish Kousgi: This is both retail and corporate put together.

Ashwini Agarwal: Correct, yes I get that. And you had also said that fiscal 24, which is the next financial year, we should expect to see normalize credit cost.

Girish Kousgi: On the retail book.

Ashwini Agarwal: So, what would be your estimate of normalized credit cost on the retail book?

Girish Kousgi: Given the fact that what we have seen credit cost on the retail for last few quarters. It should be in the range of 40 to 50 bps on retail**.**

Ashwini Agarwal: So, if you work with a 2.2% spread, and I'm assuming your leverage will remain around 5x, because your rating sort of needs to be maintained or improved and your cost to income ratios remain under control and 40 to 50 bps of credit cost. So, what kind of normalized ROA and ROE do you think you could expect say three or four quarters down the line?

Girish Kousgi: See, I mentioned 2.2% spread as a threshold so it could be higher. So, 2.2% is something which we will maintain at any given point in time this is threshold and let me also talk about within NIM of 3.2%; spread of 2.2% and NIM of 3.2% is something which we will always maintain to the threshold. Now, having said that even today, if you look at our spread it is much higher than 2.2%. So, going forward our spread will be upwards of 2.2%, threshold is 2.2%. So, you will see that every quarter now, there will be definitely improvement on all the metrics which I mentioned last few minutes. And today we are talking about today's situation. So, next three to four quarters, down the line you will see most of the parameters improving. And even the return ratios will improve.

Ashwini Agarwal: And sir the last question is that let's talk about the retail NPAs. You're saying that your retail GNPA ratio has declined and it has been declined the absolute GNPA on the retail side about Rs.2,700 crores and it's now down to some Rs.1,769 crores. So, what are you doing to or can you help me understand what's driving this, is it just the economic situation where people are feeling more positive are paying up and some of your restructured loans are coming back or is there a change in the way you are pursuing retail?

Girish Kousgi: Okay. The resolution in retail on the GNPA would be much faster vis-à-vis compared to corporate number one. And within retail, we work on pre-delinquency management and post-delinquency. So, pre-delinquency we use business intelligence to identify customers who would get into stress and we cure them before they could become delinquent #A. #B, all the delinquent accounts we start from x bucket. So, we have a call center strategy, there we use self-care, tele calls and feed. So, for each bucket whether it is 0 to 30, 1 to 30, 31 to 60 or 61 to 90 or 90 plus which is basically NPA or recovery. So, for each of these categories, we have a strategy largely, for SME-2 if it slips with NPA our strategy is to first try and collect. Now after November 12 RBI circular once the account flows into NPA, now you have to collect the entire overdue not just two EMI the way it was prior to November 12 of last year. So, that's a strategy. Now suppose if the account slips in the NPA, it gets into slightly deeper bucket, then we take the legal route. So, largely, the report for us is through SARFAESI. And they use OTS as a very effective tool to try and collect. So, we have different strategy for different buckets, whether it is in NPA, or early bucket. So, in retail we have a very clear strategy on collection starting from x bucket right up to recovery which is being 60% plus.

Ashwini Agarwal: And sir last question, what do you think will be your corporate loan strategy once you've cleaned up with current stress that you're dealing with. Would you be a pure retail lender or you would say that 15% to 20% corporate book as an overall part of the book still be desirable from a NIM and spread management perspective?

Girish Kousgi: See there are two things here talking about corporate now we are very keen to #A rundown the book, #B resolve sticky account and once we reach a comfortable level of GNPA then we may restart but on a very small scale and the proportion of corporate may not be substantial or it will be very less. So, we will be pick and choose in terms of not doing corporate loan, #A. #B, within retail especially on the affordable space, we see a lot of lift in the yield. So, we see very good opportunity and therefore, we will focus on retail primarily both affordable and non-affordable. Affordable is basically which will bring the growth in book could be much lower compared to non-affordable even the ticket size but, there we have an opportunity of growing the book at a higher yield so we get better margin. On the non-affordable we can grow the book faster, but the margin will be slightly lower compared of affordable. So, it's a fine balance between affordable and non-affordable. And we also have a good proportion of non-home which can get us better yield basically focusing on LAP, NRPL and LRD, I am talking it's all about retail. So, all I'm saying is that without focusing on growing the corporate book till the time we feel comfortable to start doing corporate business in spite of focusing only on retail, we have the wherewithal to maintain spread, grow the book faster and be relevant in the market.

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

Nidhesh: Two question, firstly any update on the capital raise that we have been planning to do?

Girish Kousgi: Yes, so we are planning for rights issue, we will file before the calendar year.

Nidhesh: Okay. And the quantum of the rights issue will be on Rs.2500 crores?

Girish Kousgi: Yes.

Nidhesh: If I look at one of the shortcomings that PNB Housing in the cost of funds, our cost of funds is almost 100 to 150 basis points higher than the peers who are operating in the same segment. So, how do you plan to bridge that gap, over a period of time what are the steps that you think are required to bridge this gap of cost of fund differentiated?

Girish Kousgi: See, basically it's a journey. According to me in mortgage business the starting point is portfolio quality. So, once we get our GNPA on track and when we show growth with decent profitability everything will fall in its place. So, cost of funds, which today for PNB Housing is slightly on the higher side, over a period of time it will come down and maybe a few quarters down the line you will be able to raise from the market at a much better rate. So, it's a journey. So, we need to take the scores, we need to go through the journey and ensure that we get all our pieces right. Few quarters from now, we won't be talking about high cost of funds for PNB Housing.

Nidhesh: Okay. So, the focus on asset quality and if asset quality improves, we will automatically.

Girish Kousgi: Our focus is very clear, our focus is on growth, asset quality and profitability with high liquidity, this is our mantra. So, these are not sequential everything is parallel.

Moderator: Thank you. We have the next question from the line of Sukriti Jiwarajka from Laburnum Capital. Please go ahead.

Sukriti Jiwarajka: Some of my questions around the fundraising has already been asked. So, just one follow up on tying in the fundraise and the corpus fund, of course the asset quality and the growth will help but one of the outcomes of the slide #16 could be your rating upgrade. I've been saying, one of the outcomes of the writes issue could probably be rating upgrade, which would automatically give us a cost to funds advantage. And that could come much sooner than let's say GNA going down and a lot of other long-term fluctuations. Do you think that will be enough to meet this 50-60 bps increase that you are anticipating this year, to sort of get a net-net zero increase in cost of funds?

Girish Kousgi: Yes, you're partly right but we need to work on all the pieces because recently we've got outlook upgrade. So, all these things, according to me would have to run parallelly yes, definitely raising capital is a big plus for the company. It will definitely help us to raise funds at a much lower rate than what it is currently. But yes, if we can work on growth strategy, profitability and asset quality, the cost will be much lower. And we will be able to compete with some of the best HFCs in the country in terms of cost leadership.

Sukriti Jiwarajka: Okay. And second question is, when you talk about affordability, you mean the Unnati kind of living that PNB would already bring, you don't need this sub 10 lakh loans, or let say what Aavas or HomeFirst would be doing?

Girish Kousgi: See affordable means up to Rs.35 lakhs that will be focus in the affordable space.

Sukriti Jiwarajka: No, can you narrow it down, is this because it's a very wide reach and you can't be building different verticals and capabilities because we don't have too many examples of one HFC doing a 6 lakh loan well and a 40 lakh loan well?

Girish Kousgi: No, we have quite a few HFCs who are focusing on both affordable and non-affordable space, as far as PNB HFL is concerned we are building capability, it's already on course, we will have a separate team to manage affordable business, while we are already there in the non-affordable space, we see a lot of opportunities so we have built a team to manage affordable. So, in terms of the difference between affordable, non-affordable one in terms of ticket size, more than ticket size, in terms of profile probably, I'll give just one example affordable will be basically focusing on tier two, tier three, tier four, and urban outskirts pocket #A in terms of geography, #B in terms of profile, CAT B, corporate and CAT C corporate, in terms of builder CAT B, and CAT developer. When we talk about non-affordable it will be focusing on CAT A corporate, CAT A builder, and focusing on top cities and Metro. These are the three, four differences ofcourse there are many more, I just thought let me give you a flavor of affordable and non-affordable. So, we see opportunity in both and we don't see too much of a difference in the book quality at the industry level. So, for PNB Housing it's a journey for us, we need to definitely bring down a GNPA, we are working on that. But the book we are going to build henceforth would definitely be at a far lower delinquency.

Moderator: Thank you. We have the next question from the line of Ameya Gawande from Metaverse Equity Fund. Please go ahead.

Ameya Gawande: So, I just have a couple of questions. So, first is with respect to Unnati segment. What were the disbursement numbers and were there any one offs for the quarter?

Girish Kousgi: At this point in time talking about Unnati, because we are just starting that now, we just started so we want to scale it up. So, today, if you look at the numbers, it'll be very less, if we look at our total disbursements, Unnati would be close to close to about 3-4% of the total disbursement. But going forward incrementally, we want to scale affordable up to 25% incrementally.

Ameya Gawande: And sir about the run offs?

Girish Kousgi: We don't see too much of a difference between affordable and non-affordable at this point in time.

Ameya Gawande: Okay, sir and sir second question is with respect to the growth you will be chasing for next three years. If you could just give some numbers?

Girish Kousgi: So, in the opening remarks I mentioned that we will be focusing this year the growth on disbursal would be about 40% odd. And growth in book would be about close to 10%. Now from next year onwards, industry would grow at about 12%-13%. On book we would grow at about 18% and disbursement 25%.

Moderator: Thank you. We have the next question from the line of Franklin Moraes from Equentis Wealth Advisory. Please go ahead.

Franklin Moraes: So, in terms of the assets sold to ARC, what would have been the gross book value and the net book value on the sale?

Girish Kousgi: I will have to come back to you on that because, specific no data I will come…

Franklin Moraes: Okay. So, some provisions would have been reversed because of the sales?

Girish Kousgi: Not in the ARC.

Franklin Moraes: Okay. And I also wanted to understand if we add the ARC sales and the write offs, if we adjust for both of these things in absolute levels would the gross NPA levels, would it have been the same or would it have still absolute?

Girish Kousgi: It will be on the lower side but slightly. There's a marginal improvement, net of write off and ARCs.

Franklin Moraes: Okay. And we have been doing a lot of ARC sales also recently so just wanted to understand the pipeline in terms of the quantum, what is the quantum of ARC sale that we are likely to do within the next two or three quarters?

Neeraj Manchanda: The company has not done too many ARC deals, it is the second deal, the first was done on the SR structure, which was a one large corporate account. This is the second one in retail portfolio which was on the cash basis. As such as of now there is no confirm pipeline.

Franklin Moraes: And on the credit cost we had mentioned, the normalized credit cost on the retail aspect. So, is there some concern still on the corporate book, because of which we are a little bit hesitant to give credit cost guidance?

Girish Kousgi: No, for this year I have given the numbers, so credit cost is going to be around 1%. There is no concern on the corporate book, the only challenge on the corporate book is that given the nature of the account, the resolution, you can't predict the resolution timeline. See in retail I can say suppose the account gets into NPA within five months, six months, either I can get into OTS with the customer or I can get into legal mode through SARFAESI and realize the asset, so I have a definite timeline, I can say within six or seven months I will be able to crack. But in corporate will not be able to give that kind of timeline, that's what but for giving the timeline, there is no difference. Of course, the concern is that we have quite a large NPA pool. But in terms of resolution, there is no concern, there is only thing we are able to give the exact timeline.

Franklin Moraes: And lastly on the capital raise you had mentioned that you will be filing the rights issue proposal by this calendar year. So, would it be safe to assume by the end of this financial year at least we would have the rights issue in place in terms of getting the money?

Girish Kousgi: It depends so it might get concluded before the financial year or it may slip to quarter one of next financial year.

Franklin Moraes: But Q1 is kind of the outer deadline?

Girish Kousgi: Yes, I would say before close of Q1 probably it will get complete.

Moderator: Thank you. That was the last question. I would like to hand over the call to the management for closing comments.

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