

PNB Housing Finance | BUY

Steady Quarter; Recoveries to continue over FY26

PNB Housing Finance (PNBHF) delivered a PAT beat of +8% over our estimates at INR 5.5bn (+25% YoY, +14% QoQ) leading to RoA/RoE of 2.8%/13% during the quarter driven mainly by recoveries from its retail written-off pool. NII came in at INR 7.3bn (+17% YoY, +5% QoQ) as NIMs remained largely stable QoQ at 3.75% (+5bps QoQ). PPoP stood at INR 6.5bn (+14% YoY, +12% QoQ) with opex growth +19% YoY, +3% QoQ. There was a provision write-back of INR 648mn majorly on account of recoveries from retail write-offs pool. The management expects the recovery to continue for next few quarters as it still has an outstanding write-offs pool of INR ~10bn in corporate book and INR ~4bn in retail book. AUM grew +13% YoY, +6% QoQ led by strong growth in retail housing loans (+18% YoY, +5.0% QoQ). Within retail, affordable segment grew +183% YoY, +32% QoQ, emerging markets segment grew +21% YoY, +7% QoQ and prime segment grew +12% YoY, +4% QoQ. Corporate book continued to rundown (-53% YoY, -22% QoQ). Asset quality metrics continued to improve as GS3/NS3 both declined -11bps QoQ to 1.08%/0.69%. With recoveries expected to continue from the balance write-off pool (~INR 14bn), PNBHF's credit costs are likely to remain low for the near term. Over the medium term, steady state credit costs are estimated at ~20bps. We believe that i) strong growth trajectory led by affordable and emerging markets and corporate disbursements ii) steady branch expansion, and iii) consistent recoveries from its write-off pool while maintaining asset quality would aid in healthy avg.RoA of 2.5% over FY25-27E. We maintain BUY on the stock valuing the company at 1.4x FY27E BV entailing a TP of INR 1,150.

- **Strong AUM growth led by retail HL:** Disbursements growth during the quarter was robust at +27% QoQ, +23% YoY at INR 68.5bn. AUM growth stood at +13% YoY, +5% QoQ driven mainly by retail assets which grew +18% YoY, +6% QoQ, while corporate book declined by -53% YoY/-22% QoQ. Within retail, affordable segment grew +183% YoY, +32% QoQ, emerging markets segment grew +21% YoY, +7% QoQ and prime segment grew +12% YoY, +4% QoQ. Mgmt reiterated its 18% retail book growth guidance and to reach INR 1trln of retail loan book by FY27 out of which INR 150bn would be from affordable segment, 350bn emerging segment and balance from prime. With resumption in corporate disbursements in FY26, we believe that the growth concern for the company is behind and we expect the company to deliver healthy AUM CAGR of ~18% over FY25-27E. Management also plans to add 150 more branches in next 2 years which should aid in higher growth especially from emerging and affordable segments.
- **In-line operational performance; Retail recoveries lead PAT beat:** NII came in at INR 7.3bn (+17% YoY, +5 % QoQ) as NIMs remained largely steady at 3.75% (+5bps QoQ). Yields were down -9bps QoQ to 10.03% while CoFs were largely stable at 7.8% PPoP stood at INR 6.5bn (+14% YoY, +12% QoQ) with opex growth +19% YoY, +3% QoQ. There was a write-back of INR 648mn majorly on account of recoveries worth INR 490mn from retail write-offs pool which led to a PAT of INR 5.5bn (25.3% YoY, +13.9% QoQ, +8% JMFe). We believe that shift towards high-yielding affordable and emerging markets and moving the book from super-prime and HNIs to prime and mass-affluent customers; will be offset



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,150
Upside/(Downside)	16.6%
Previous Price Target	1,150
Change	0.0%

Key Data – PNBHOU SI IN

Current Market Price	INR986
Market cap (bn)	INR256.4/US\$3.0
Free Float	53%
Shares in issue (mn)	259.7
Diluted share (mn)	
3-mon avg daily val (mn)	INR962.5/US\$11.3
52-week range	1,202/616
Sensex/Nifty	80,218/24,329
INR/US\$	85.0

Price Performance

%	1M	6M	12M
Absolute	11.9	9.1	25.7
Relative*	8.0	9.4	17.0

* To the BSE Sensex

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Profit	15,080	19,361	22,696	25,819	30,156
Net Profit (YoY) (%)	44.2%	28.4%	17.2%	13.8%	16.8%
Assets (YoY) (%)	8.3%	14.0%	18.0%	17.9%	17.2%
ROA (%)	2.2%	2.5%	2.5%	2.4%	2.4%
ROE (%)	11.6%	12.2%	12.6%	12.6%	13.0%
EPS	58.1	74.5	87.3	99.3	116.0
EPS (YoY) (%)	-6.3%	28.3%	17.2%	13.8%	16.8%
P/E (x)	17.0	13.2	11.3	9.9	8.5
BV	577	649	736	835	951
BV (YoY) (%)	-11.6%	12.5%	13.5%	13.5%	13.9%
P/BV (x)	1.71	1.52	1.34	1.18	1.04

Source: Company data, JM Financial. Note: Valuations as of 28/Apr/2025

JM Financial Institutional Securities Limited

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

by low yield corporate loan growth and thus would aid in steady margins in FY26. We estimate PAT to grow at 15% CAGR over FY25-27E.

- **Asset quality improves sequentially; Recoveries continue:** Asset quality metrics continued to improve as GS3/NS3 both declined -11bps QoQ to 1.08%/0.69%. Retail GNPL stood at 1.09% (-12bps QoQ) while corporate GNPL stands nil. PCR stood at 36.0% (+277bps QoQ). PNBHF recovered INR 490mn during the quarter from its retail book write-off pool taking total recoveries to INR 3.4bn during FY25 (INR 1.8bn from retail and INR 1.6bn from corporate). The company's outstanding recovery pool stands at INR 10bn (from corporate loans) while outstanding for retail book write-offs stands at INR 4bn. Stage-2 assets declined 95bps QoQ as one corporate account which slipped into stage-2 in previous quarter was rolled back to stage-1. Management expects recoveries to continue over FY26E and guided for 20-25bps credit costs for FY27E.
- **Valuation and view:** We believe that i) strong growth trajectory led by affordable and emerging markets and corporate disbursements ii) steady branch expansion, and iii) consistent recoveries from its write-off pool while maintaining asset quality would aid in healthy avg.RoA of 2.5% over FY25-27E. We maintain BUY on the stock valuing the company at 1.4x FY27E BV entailing a TP of INR 1,150.

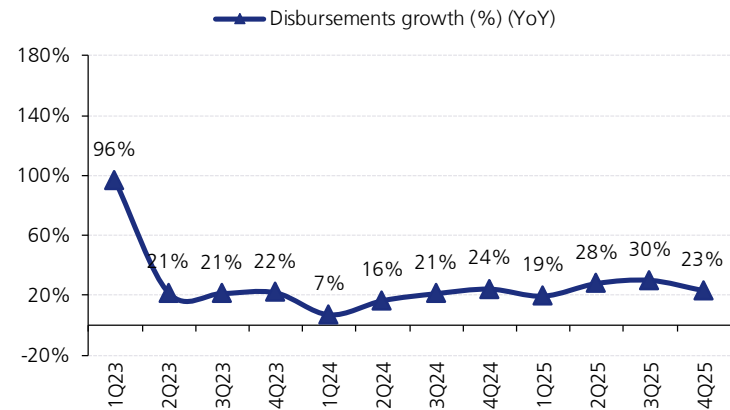
PNB Housing Finance: 4QFY25 highlights

Exhibit 1. 4QFY25 Results snapshot

Earnings Table (INR mn)	Q4FY24	Q3FY25	Q4FY25	YoY (%)	QoQ (%)	Q4FY25E	%var
Net Interest Income	6,232	6,905	7,279	16.8%	5.4%	7,292	-0.2%
Total Non-Interest income	1,211	947	1,309	8.1%	38.2%	1,285	1.8%
Total Income	7,443	7,852	8,587	15.4%	9.4%	8,577	0.1%
Employee Cost	906	983	1,051	16.0%	6.9%		
Depreciation and Amortisation	142	144	143	0.9%	-0.5%		
Other expenses	711	899	884	24.4%	-1.7%		
Total Operating Expenses	1,778	2,057	2,124	19.4%	3.2%	2,109	0.7%
Operating Profit (PPP)	5,665	5,795	6,464	14.1%	11.5%	6,468	-0.1%
Total Provisions	66	-361	-648	NM	NM	-319	NM
PBT	5,598	6,157	7,112	27.0%	15.5%	6,787	4.8%
Tax	1,206	1,324	1,608	33.4%	21.5%	1,710	-6.0%
Reported Profit	4,393	4,833	5,504	25.3%	13.9%	5,077	8.4%
Loan Book (INR bn)							
Disbursements	55.7	53.8	68.5	23.0%	27.4%	66.8	2.6%
AUM	712.4	768.4	804.0	12.8%	4.6%	811.5	-0.9%
Ratios Analysis (%)							
Cost to Income (%)	23.9%	26.2%	24.7%	84bps	-147bps		
Yield on AUM (%)	10.1%	10.1%	10.0%	-5bps	-9bps		
Cost of borrowings (%)	8.0%	7.8%	7.8%	-14bps	1bps		
Spread (%)	2.1%	2.3%	2.2%	9bps	-10bps		
NIM (%)	3.7%	3.7%	3.8%	10bps	5bps		
Gross NPA (%)	1.50%	1.19%	1.08%	-42bps	-11bps		
Net NPA (%)	0.95%	0.80%	0.69%	-26bps	-11bps		
Coverage Ratio (%)	37.4%	33.3%	36.0%	-137bps	277bps		
RoA	2.4%	2.5%	2.7%	31bps	22bps		
RoE	11.9%	12.0%	13.3%	135bps	126bps		

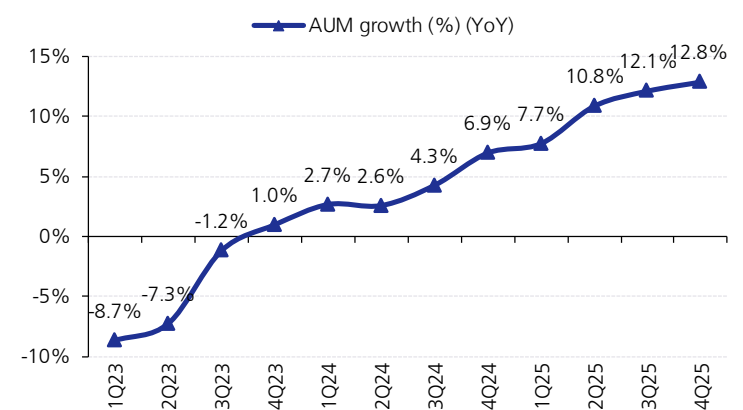
Source:

Exhibit 2. Disbursement trends



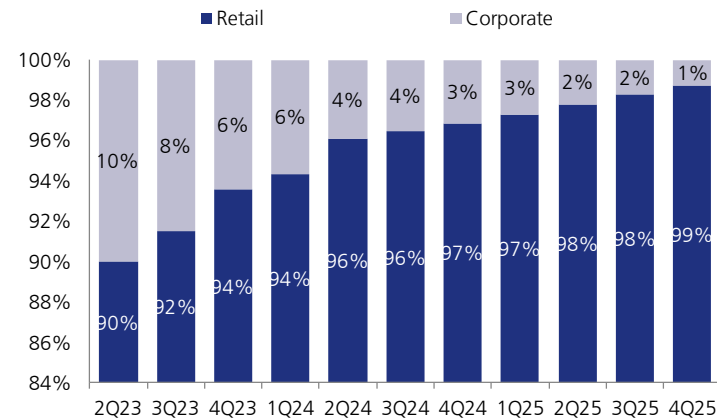
Source: Company, JM Financial

Exhibit 3. AUM growth trends



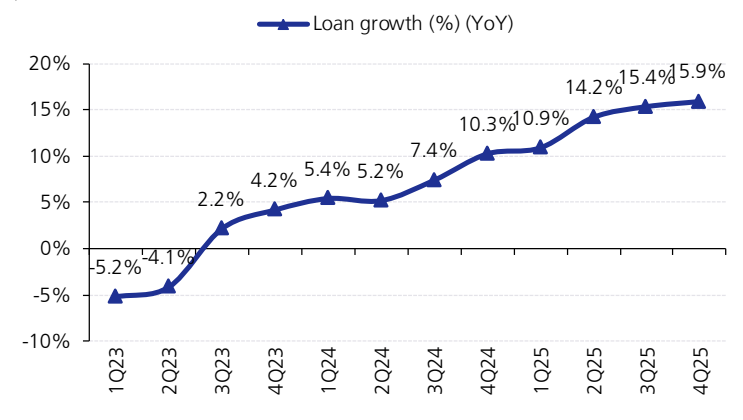
Source: Company, JM Financial

Exhibit 4. Loan book mix



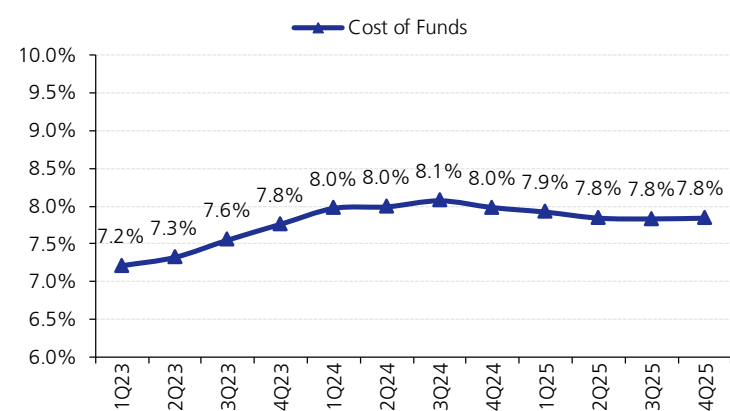
Source: Company, JM Financial;

Exhibit 5. Loan growth trends



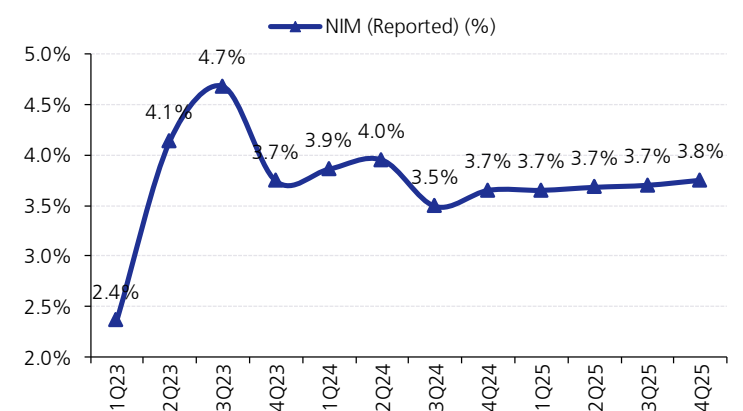
Source: Company, JM Financial

Exhibit 6. Cost of funds trend



Source: Company, JM Financial

Exhibit 7. NIMs trend

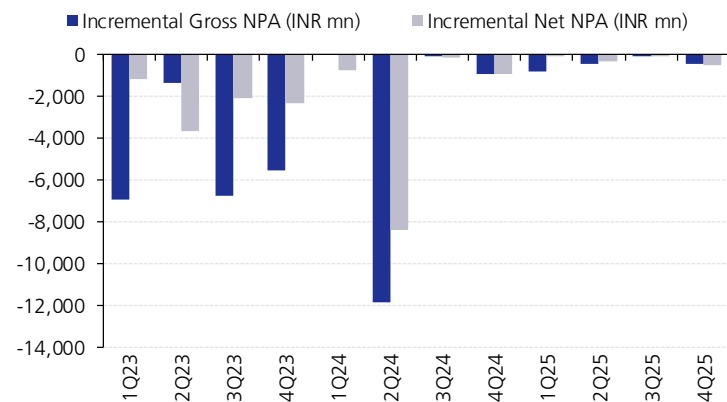


Source: Company, JM Financial

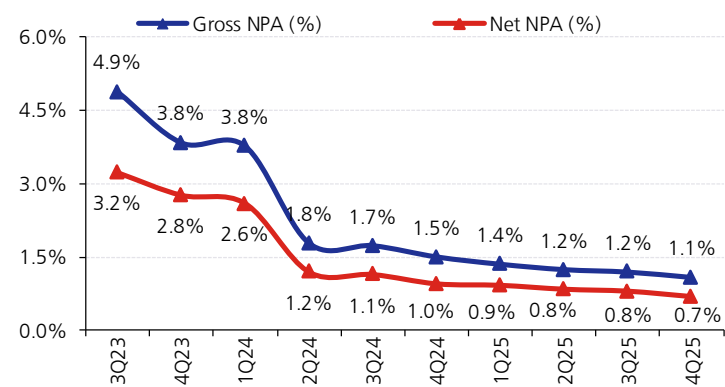
Exhibit 8. Trend in Spread

Spread Reported (%)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Yield on Advances (Q) (%) (Given by Co)	10.58%	10.19%	10.08%	10.03%	10.05%	10.12%	10.03%
Cost of Funds (Q) (%) (Given by Co)	7.99%	8.07%	7.98%	7.92%	7.84%	7.83%	7.84%
Spread (%)	2.59%	2.12%	2.10%	2.11%	2.21%	2.29%	2.19%

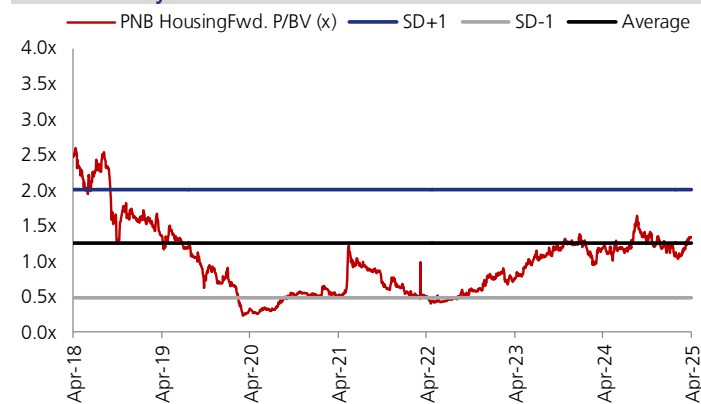
Source: Company, JM Financial

Exhibit 9. Trend in incremental NPA

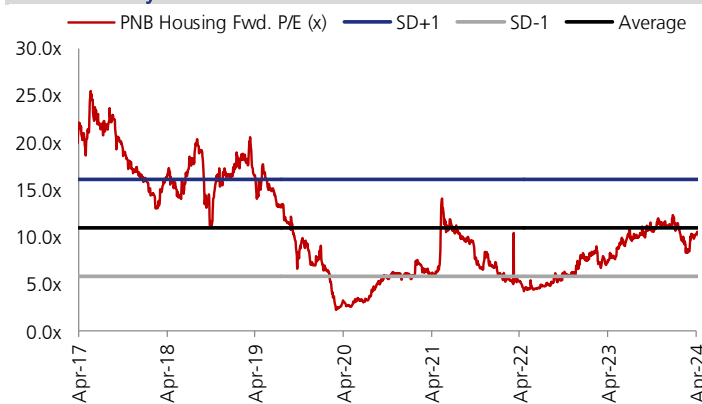
Source: Company, JM Financial

Exhibit 10. Trend in asset quality

Source: Company, JM Financial

Exhibit 11. 1-year forward P/BV

Source: Company, JM Financial

Exhibit 12. 1-year forward P/E

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Interest Income (NII)	24,792	27,223	31,958	38,681	45,235
Non Interest Income	3,149	4,179	5,448	6,469	7,634
Total Income	27,940	31,402	37,407	45,150	52,868
Operating Expenses	6,690	8,130	8,961	10,204	11,997
Pre-provisioning Profits	21,250	23,272	28,446	34,946	40,871
Loan-Loss Provisions	-1,826	-2,766	-1,917	502	644
Others Provisions	3,537	1,180	1,224	1,295	1,511
Total Provisions	1,711	-1,585	-693	1,798	2,155
PBT	19,539	24,858	29,139	33,148	38,716
Tax	4,459	5,496	6,443	7,329	8,561
PAT (Pre-Extra ordinaries)	15,080	19,361	22,696	25,819	30,156
Extra ordinaries (Net of Tax)	0	0	0	0	0
Reported Profits	15,080	19,361	22,696	25,819	30,156
Dividend	0	1,300	0	0	0
Retained Profits	15,080	18,062	22,696	25,819	30,156

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Equity Capital	2,597	2,599	2,599	2,599	2,599
Reserves & Surplus	1,47,147	1,66,032	1,88,728	2,14,547	2,44,703
Stock option outstanding	0	0	0	0	0
Borrowed Funds	5,50,567	6,23,096	7,47,715	8,89,781	10,49,942
Deferred tax liabilities	0	0	0	0	0
Preference Shares	0	0	0	0	0
Current Liabilities & Provisions	23,737	33,476	35,068	41,338	48,445
Total Liabilities	7,24,049	8,25,204	9,74,111	11,48,265	13,45,689
Net Advances	6,41,082	7,46,453	8,83,151	10,46,674	12,31,307
Investments	43,460	33,809	44,158	41,867	49,252
Cash & Bank Balances	21,422	36,001	26,495	29,307	34,477
Loans and Advances	6,213	3,965	13,247	15,700	18,470
Other Current Assets	8,539	740	2,110	8,939	5,758
Fixed Assets	2,055	2,523	2,930	3,396	3,633
Miscellaneous Expenditure	0	0	0	0	0
Deferred Tax Assets	1,277	1,712	2,020	2,382	2,791
Total Assets	7,24,049	8,25,204	9,74,111	11,48,265	13,45,689

Source: Company, JM Financial

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Growth (YoY) (%)					
Borrowed funds	2.6%	13.2%	20.0%	19.0%	18.0%
Advances	10.8%	16.4%	18.3%	18.5%	17.6%
Total Assets	8.3%	14.0%	18.0%	17.9%	17.2%
NII	7.3%	9.8%	17.4%	21.0%	16.9%
Non-interest Income	-1.5%	32.7%	30.4%	18.7%	18.0%
Operating Expenses	15.8%	21.5%	10.2%	13.9%	17.6%
Operating Profits	3.5%	9.5%	22.2%	22.9%	17.0%
Core Operating profit	3.6%	10.0%	21.5%	22.9%	16.9%
Provisions	-75.2%	-192.6%	-56.3%	-359.3%	19.9%
Reported PAT	44.2%	28.4%	17.2%	13.8%	16.8%
Yields / Margins (%)					
Interest Spread	2.18%	1.98%	2.06%	2.28%	2.28%
NIM	3.63%	3.55%	3.58%	3.68%	3.67%
Profitability (%)					
ROA	2.17%	2.50%	2.52%	2.43%	2.42%
ROE	11.6%	12.2%	12.6%	12.6%	13.0%
Cost to Income	23.9%	25.9%	24.0%	22.6%	22.7%
Asset quality (%)					
Gross NPA	1.53%	1.09%	0.97%	0.96%	0.96%
LLP	0.45%	-0.31%	-0.24%	0.05%	0.06%
Capital Adequacy (%)					
Tier I	27.90%	28.39%	27.53%	26.71%	26.14%
CAR	29.26%	29.38%	28.98%	28.46%	28.07%

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
NII / Assets	3.56%	3.51%	3.55%	3.65%	3.63%
Other Income / Assets	0.45%	0.54%	0.61%	0.61%	0.61%
Total Income / Assets	4.01%	4.05%	4.16%	4.25%	4.24%
Cost / Assets	0.96%	1.05%	1.00%	0.96%	0.96%
PPP / Assets	3.05%	3.00%	3.16%	3.29%	3.28%
Provisions / Assets	0.25%	-0.20%	-0.08%	0.17%	0.17%
PBT / Assets	2.81%	3.21%	3.24%	3.12%	3.10%
Tax rate	22.8%	22.1%	22.1%	22.1%	22.1%
ROA	2.17%	2.50%	2.52%	2.43%	2.42%
Leverage	4.8	4.9	5.1	5.3	5.4
ROE	11.6%	12.2%	12.6%	12.6%	13.0%

Source: Company, JM Financial

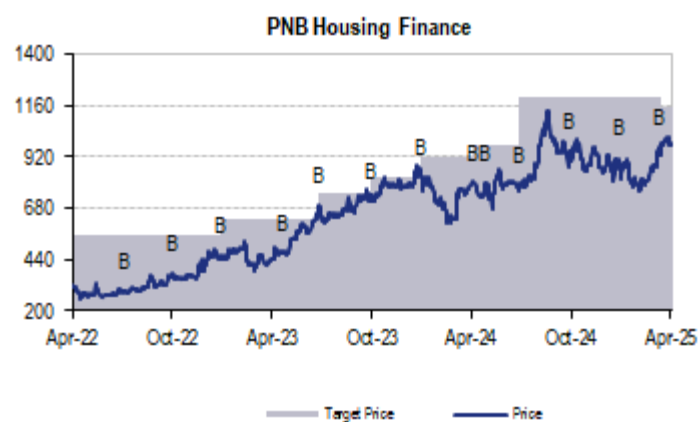
Valuations					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shares in Issue	259.7	259.9	259.9	259.9	259.9
EPS (INR)	58.1	74.5	87.3	99.3	116.0
EPS (YoY) (%)	-6.3%	28.3%	17.2%	13.8%	16.8%
P/E (x)	17.0	13.2	11.3	9.9	8.5
BV (INR)	577	649	736	835	951
BV (YoY) (%)	-11.6%	12.5%	13.5%	13.5%	13.9%
P/BV (x)	1.71	1.52	1.34	1.18	1.04
DPS (INR)	0.0	5.0	0.0	0.0	0.0
Div. yield (%)	0.0%	0.5%	0.0%	0.0%	0.0%

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
29-Oct-20	Hold	400	
28-Jan-21	Hold	410	2.5
28-Apr-21	Hold	430	4.9
31-May-21	Buy	800	86.0
4-Aug-21	Buy	780	-2.5
21-Jan-22	Buy	550	-29.5
31-Jul-22	Buy	550	0.0
27-Oct-22	Buy	550	0.0
24-Jan-23	Buy	625	13.6
19-May-23	Buy	625	0.0
24-Jul-23	Buy	750	20.0
25-Oct-23	Buy	825	10.0
25-Jan-24	Buy	920	11.5
30-Apr-24	Buy	970	5.4
23-May-24	Buy	970	0.0
25-Jul-24	Buy	1,200	23.7
25-Oct-24	Buy	1,200	0.0
22-Jan-25	Buy	1,200	0.0
8-Apr-25	Buy	1,150	-4.2
29-Apr-25	Buy	1,150	0.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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