

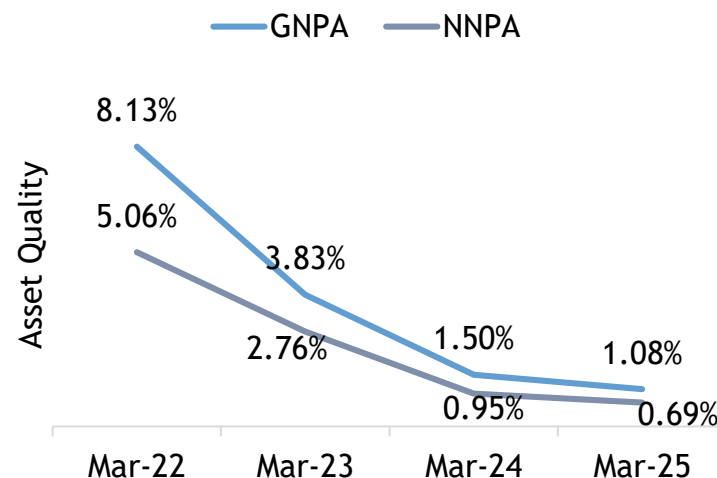
✚ PNB Housing Finance is India's third-largest housing finance provider, offering a range of home loans and financial products. The company operates in both the retail and corporate segments, but predominantly focuses on retail, which now contributes 98.7% of its business. The total retail loan asset amounts to Rs 74,802 crore, categorized into prime loans (average ticket size: Rs 35 lakhs) at Rs 55,607 crore, emerging markets (ATS: Rs 25 lakhs) at Rs 14,125 crore, and affordable housing (ATS: Rs 15 lakhs) at Rs 5,070 crore. Management is optimistic about expanding its retail loan portfolio by a CAGR of 22% to 25% over the next two years.

✚ The Managing Director and CEO of PNB Housing Finance, Mr. Girish Kousgi, has over 26 years of experience in the financial services sector. Before joining PNBHFL in October 2022, he served as MD & CEO of Can Fin Homes Limited. Under his leadership, PNBHFL's assets under management (AUM) grew at a CAGR of 22% from FY22 to FY25, and asset quality improved significantly.

✚ In the fourth quarter of FY25, the NIM was 3.75%, with management aiming to increase it to 4% by FY27, supported by a strategic shift in the product mix. Additionally, the return on assets (ROA) was reported at 2.55% in FY25, and the company plans to maintain this ROA level through FY27.

PNB Housing's capital adequacy ratio is stable at 29.38% (Tier 1: ~28.4%). Under Mr. Kousgi's tenure, the asset quality has improved dramatically, with GNPA/NNPA decreasing from 8.13%/5.06% in FY22 to 1.08%/0.69% in FY25. This enhancement in asset quality is mainly attributed to the increased focus on the retail segment.

We recommend a Buy rating based on anticipated improvements in operating expenses, margins, and stable ROA/ROE at 2.5%/12.9%. We value PNB Housing at a P/BV ratio of 1.7x (considering 10-year average) to arrive at a target price of Rs. 1397, indicating a potential upside of 34%.



Figures in Rs Cr

| Year | NII (Rs cr) | Growth | PAT (Rs cr) | Growth | EPS (Rs) | PE (x) | BVPS (Rs) | P/ABV (x) | RoA | RoE |
|-------|-------------|--------|-------------|--------|----------|--------|-----------|-----------|------|-------|
| FY24 | 2,481 | 8% | 1,508 | 44% | 58.1 | 17.9 | 577 | 1.8 | 2.2% | 10.9% |
| FY25 | 2,722 | 10% | 1,936 | 28% | 74.5 | 14.0 | 649 | 1.6 | 2.5% | 12.2% |
| FY26E | 3,270 | 20% | 2,311 | 19% | 88.9 | 11.7 | 733 | 1.4 | 2.5% | 12.9% |
| FY27E | 4,055 | 24% | 2,720 | 18% | 104.6 | 10.0 | 822 | 1.3 | 2.5% | 13.5% |

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