

# PNB Housing Finance | BUY

## Recoveries drive steady performance

PNB Housing Finance (PNB HF) delivered a PAT growth of +23%/-3% YoY/QoQ leading to RoA of 2.6%. PAT was above 2% JMFe during the quarter, driven mainly by recoveries from its corporate written-off pool. AUM grew +13%/+2% YoY/QoQ led by strong growth in affordable segment which grew +13% QoQ while emerging and prime both grew ~2% QoQ. NII grew +16%/+2% YoY/QoQ, on account of largely steady NIMs (-1bps QoQ). Asset quality metrics continued to improve as GS3 declined -2bps to 1.06%. There was a provision write-back of INR 562mn majorly on account of recoveries from retail write-offs pool. Management expects recovery to continue for next 4-5 quarters as it still has an outstanding write-offs pool of INR ~7/4bn in corporate/retail book which should lead to negative credit cost for next 4-5 quarters. We believe that i) strong growth trajectory led by affordable, 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 an unchanged multiple of 1.4x FY27E BV entailing a TP of INR 1,210.

- **Modest growth:** Disbursements during the quarter grew +13% YoY, -27% QoQ, at INR 49.8bn which led to AUM growth of +13% YoY, +2% QoQ driven mainly by retail assets which grew +18% YoY, +3% QoQ. Within retail, affordable segment grew +143% YoY, +13% QoQ, emerging markets segment grew +20% YoY, +2% QoQ and prime segment grew +10% YoY, +2% QoQ. Corporate book declined -56% YoY, -16% QoQ. Mgmt reiterated its 18% retail book growth guidance with ~9% growth in prime segment. With resumption in corporate disbursements in FY26, we expect healthy AUM growth of ~18% CAGR over FY25-27E. Company reclassified 20 branches from prime to emerging markets. Further, management guided on continued focus on scaling its high yielding areas such as affordable and emerging markets segments.
- **In-line operational performance; Recoveries lead PAT beat:** NII came in at INR 7.5bn (+16% YoY, +3 % QoQ) as NIMs remained largely stable at 3.74% (-1bps QoQ). Yields were down 4bps QoQ to 10% while CoFs declined by -8bps QoQ. FY26 NIM guidance increased to 3.7% (vs earlier guided 3.5%-3.6%). The company also reduced its PLR rates by 10bps on 1Jul'25. PPop stood at INR 6.3bn (+17% YoY, -2% QoQ) with opex growth +12% YoY, +2% QoQ. There was a write-back of INR 562mn majorly on account of recoveries worth INR 570mn from write-offs pool which led to a PAT of INR 5.3bn (+23.3% YoY, -3.1% QoQ, +2% JMFe). Company aims to improve margin by increasing mix of Affordable and Emerging segment. We believe that shift towards high-yielding affordable and emerging markets will lead margins to improve in FY27. We estimate PAT to grow at 15% CAGR over FY25-27E.
- **Steady asset quality; Recoveries continue:** Asset quality remained largely steady as GS3 declined -2bps QoQ and NS3 remained flat QoQ to 1.06%/0.69% respectively. Retail GNPL stood at 1.07% (-2bps QoQ) while corporate GNPL stands nil. PCR stood at 35.4% (-64bps QoQ). PNBHF recovered INR 400mn during the quarter from its retail book write-



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(We acknowledge the support services of **Dev Jogani** in preparation of this report)

### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,210
Upside/(Downside)	11.4%
Previous Price Target	1,210
Change	0.0%

### Key Data – PNBHOUSI IN

Current Market Price	INR1,087
Market cap (bn)	INR282.7/US\$3.3
Free Float	64%
Shares in issue (mn)	259.7
Diluted share (mn)	
3-mon avg daily val (mn)	INR1,690.0/US\$19.6
52-week range	1,202/741
Sensex/Nifty	82,187/25,061
INR/US\$	86.4

### Price Performance

%	1M	6M	12M
Absolute	3.5	19.2	37.2
Relative*	3.1	11.0	34.3

\* To the BSE Sensex

### Financial Summary

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Profit	15,080	19,361	23,138	25,455	30,000
Net Profit (YoY) (%)	44.2%	28.4%	19.5%	10.0%	17.9%
Assets (YoY) (%)	8.3%	14.0%	18.1%	17.8%	18.0%
ROA (%)	2.2%	2.5%	2.6%	2.4%	2.4%
ROE (%)	11.6%	12.2%	12.8%	12.4%	12.9%
EPS	58.1	74.5	89.0	97.9	115.4
EPS (YoY) (%)	-6.3%	28.3%	19.5%	10.0%	17.9%
<b>P/E (x)</b>	<b>18.7</b>	<b>14.6</b>	<b>12.2</b>	<b>11.1</b>	<b>9.4</b>
BV	577	649	738	836	951
BV (YoY) (%)	-11.6%	12.5%	13.7%	13.3%	13.8%
<b>P/BV (x)</b>	<b>1.89</b>	<b>1.68</b>	<b>1.47</b>	<b>1.30</b>	<b>1.14</b>

Source: Company data, JM Financial. Note: Valuations as of 22/Jul/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

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off pool and INR 170mn from corporate write off. The company's outstanding recovery pool stands at INR 7bn (from corporate loans) while outstanding for retail book write-offs stands at INR 4bn. Stage-2 assets remained flat QoQ at 2.4%. 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, 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 an unchanged multiple of 1.4x FY27E BV entailing a TP of INR 1,210.

## PNB Housing Finance: 1QFY26 highlights

## Exhibit 1. 1QFY26 Results snapshot

Earnings Table (INR mn)	Q1FY25	Q4FY25	Q1FY26	YoY (%)	QoQ (%)	Q1FY26E	%var
Net Interest Income	6,421	7,279	7,460	16.2%	2.5%	7,489	-0.4%
Total Non-Interest income	930	1,309	1,015	9.1%	-22.4%	1,163	-12.7%
Total Income	7,352	8,587	8,475	15.3%	-1.3%	8,652	-2.0%
Employee Cost	1,092	1,051	1,180	8.0%	12.3%		
Depreciation and Amortisation	134	143	147	10.1%	2.7%		
Other expenses	674	884	797	18.3%	-9.9%		
Total Operating Expenses	1,929	2,124	2,158	11.9%	1.6%	2,166	-0.4%
Operating Profit (PPP)	5,422	6,464	6,317	16.5%	-2.3%	6,486	-2.6%
Total Provisions	-120	-648	-562	NM	NM	-204	NM
PBT	5,542	7,112	6,879	24.1%	-3.3%	6,690	2.8%
Tax	1,214	1,608	1,544	27.2%	-4.0%	1,472	4.9%
Reported Profit	4,328	5,504	5,335	23.3%	-3.1%	5,218	2.2%
Loan Book (INR bn)							
Disbursements	44.0	68.5	49.8	13.2%	-27.3%	52.8	-5.6%
AUM	725.4	804.0	821.0	13.2%	2.1%	828.1	-0.9%
Ratios Analysis (%)							
Cost to Income (%)	26.2%	24.7%	25.5%	-78bps	73bps		
Yield on AUM (%)	10.0%	10.0%	10.0%	-4bps	-4bps		
Cost of borrowings (%)	7.9%	7.8%	7.8%	-16bps	-8bps		
Spread (%)	2.1%	2.2%	2.2%	12bps	4bps		
NIM (%)	3.7%	3.8%	3.7%	9bps	-1bps		
Gross NPA (%)	1.35%	1.08%	1.06%	-29bps	-2bps		
Net NPA (%)	0.92%	0.69%	0.69%	-23bps	0bps		
Coverage Ratio (%)	32.5%	36.0%	35.4%	294bps	-64bps		
RoA	2.4%	2.7%	2.6%	19bps	-19bps		
RoE	11.4%	13.3%	12.5%	106bps	-80bps		

Source: Company, JM Financial

## Key takeaways from concall:

### Growth:

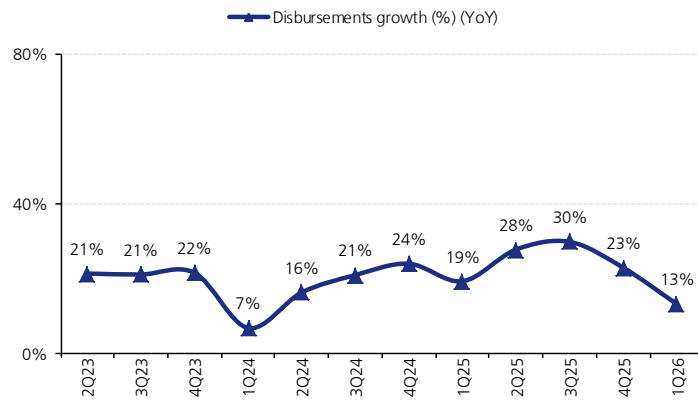
- There are 200 affordable branches out of 356 total branches. The company has identified 20 more branches in new regions with potential to return higher yields (totalling 80 branches).
- Company has set up an exclusive NHL (non-housing loans) team in 10 markets across the country which will add around INR 1-1.5bn incremental disbursements in coming quarters.
- Company has expanded presence in Punjab, Chandigarh and North-east
- Management remains confident on closing FY26 with an AUM of INR 95bn in its affordable segment.
- Company aims to keep GNPA's below 1%.
- 50% of originations in 1QFY26 was from affordable and emerging. 20% of the originations from affordable segment is expected to come from high and low risk customers each while 60% to come from medium risk customers.
- Overall book growth is expected to be 18%. Prime to grow 8-9% with disbursements growth of 12-13%.
- BT ins are higher in affordable while for emerging, BT in is equal to BT out.
- In affordable segment, BT ins was around 12% vs BT out of 1% during the quarter.
- Overall LTV stands at 66-67% and for affordable; it stands at 53-54%.
- Sanction to disbursal ratio stands at 64-65%.
- Company started offering fixed rate loans in Non housing book which is showing good traction.

### Margins:

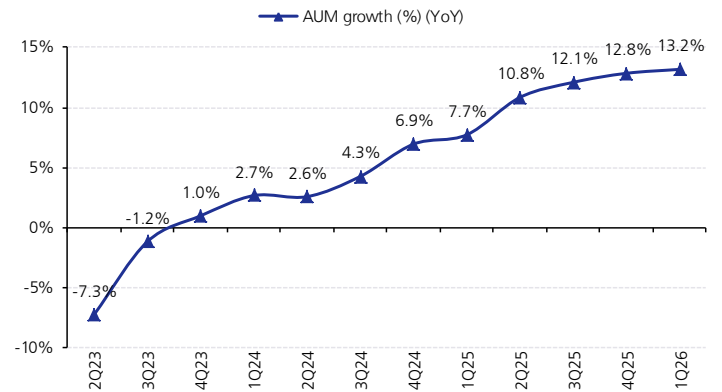
- Company has cut its prime lending rates by 10bps effective from 1st Jul'25 against 8bps benefit company has received on its o/s borrowings
- Emerging markets offer 35bps differential yields over prime business
- Incremental yields for affordable have improved to 12.1% vs 11.6% YoY
- NIMs will move from 3.7% to 4-4.1% from its high yielding segments viz affordable and emerging markets. This will offset the impact of credit cost normalization post 4-5 quarters. Overall FY26 NIMs targeted at 3.7%.
- Yields to be 12.6%-12.65% for FY26 and it should be around 13% for FY27. This is likely to offset recovery income and aid in margins to expand up to ~4% going forward.
- Management is hoping for credit rating upgrade in next 4-5 quarters.

### Asset quality:

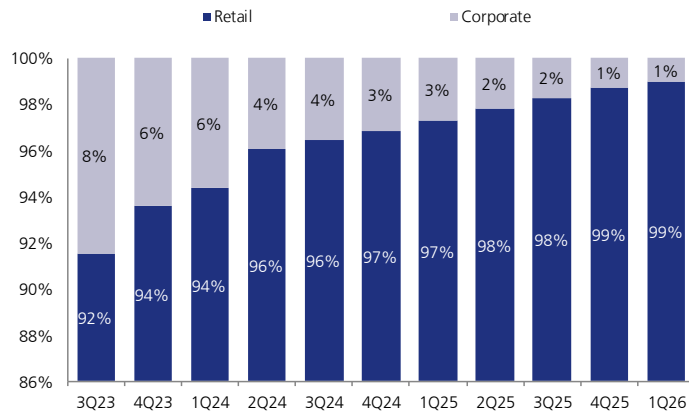
- Overall collections remained strong during the quarter.
- Company recovered INR 570mn from written off pool (INR 400mn from corporate and INR 170mn from retail).
- Bounce rates are well controlled at 11.1%.
- Management guided for recoveries to continue over next 4-5 quarters from its write-off pool.
- Under PMAY scheme, if a borrower defaults, subsidy stops. Hence delinquency levels are very low in these loans.
- Management guided for credit costs in its prime segment at 18-19bps and for emerging at 20-23bps.

**Exhibit 2. Disbursement growth was soft due to seasonality**

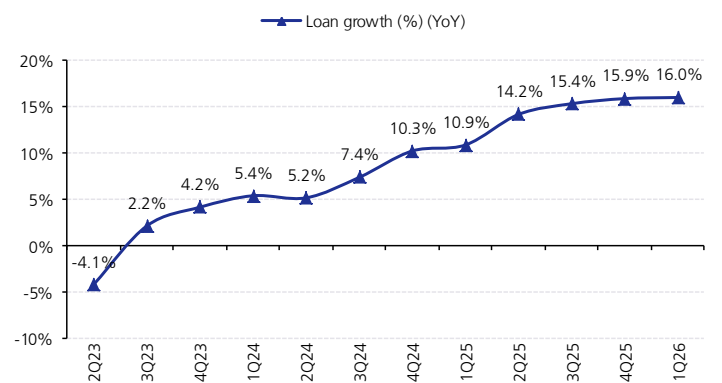
Source: Company, JM Financial

**Exhibit 3. AUM growing steadily from its retail book**

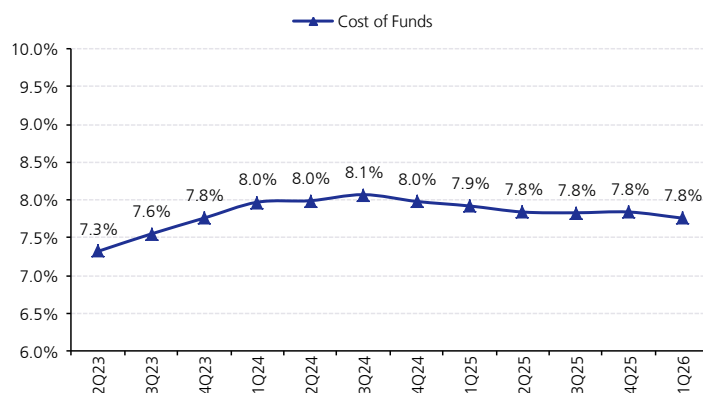
Source: Company, JM Financial

**Exhibit 4. Corporate loans settled at 1%; to grow from here on**

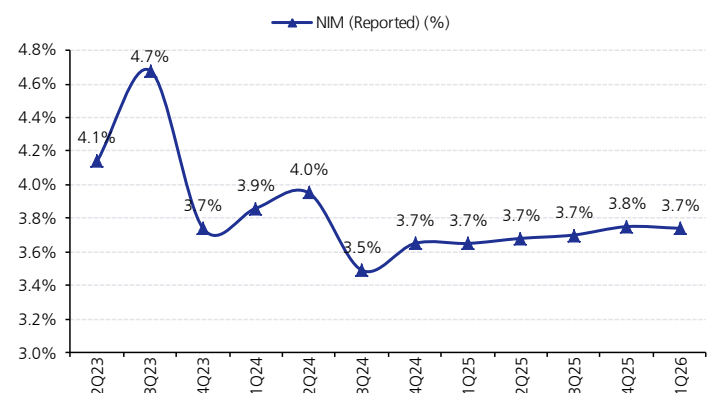
Source: Company, JM Financial;

**Exhibit 5. Steady loan growth led by retail growth**

Source: Company, JM Financial

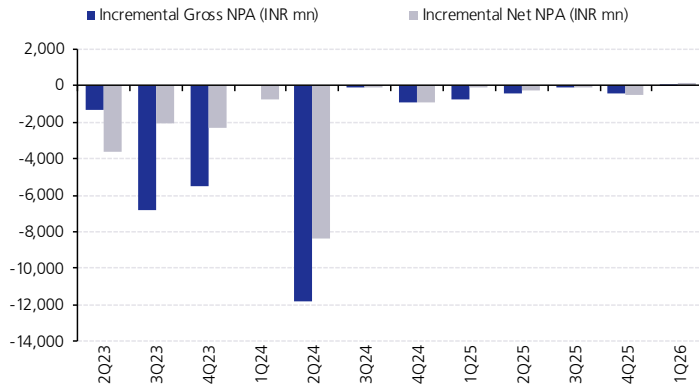
**Exhibit 6. Cost of funds improved -8bps sequentially**

Source: Company, JM Financial

**Exhibit 7. NIMs remained largely stable (-1bps) QoQ**

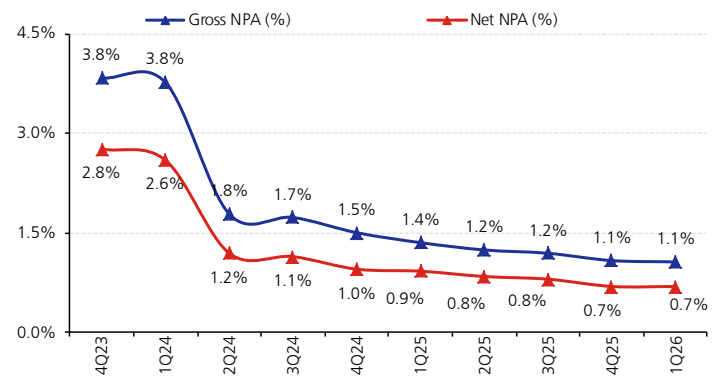
Source: Company, JM Financial

Exhibit 8. Incremental NPAs stable



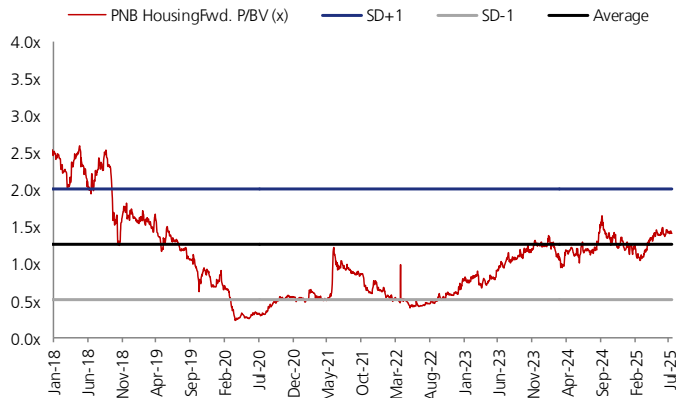
Source: Company, JM Financial

Exhibit 9. GNPA improved 2bps QoQ



Source: Company, JM Financial

Exhibit 10. 1-year forward P/BV



Source: Company, JM Financial

Exhibit 11. 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	31,375	37,897	44,323	
Non Interest Income	3,149	4,179	5,099	6,022	7,118	
<b>Total Income</b>	<b>27,940</b>	<b>31,402</b>	<b>36,474</b>	<b>43,918</b>	<b>51,442</b>	
Operating Expenses	6,690	8,130	8,961	9,940	11,097	
<b>Pre-provisioning Profits</b>	<b>21,250</b>	<b>23,272</b>	<b>27,513</b>	<b>33,978</b>	<b>40,344</b>	
Loan-Loss Provisions	-1,826	-2,766	-3,417	2	821	
Others Provisions	3,537	1,180	1,224	1,295	1,007	
<b>Total Provisions</b>	<b>1,711</b>	<b>-1,585</b>	<b>-2,193</b>	<b>1,298</b>	<b>1,828</b>	
<b>PBT</b>	<b>19,539</b>	<b>24,858</b>	<b>29,707</b>	<b>32,681</b>	<b>38,516</b>	
Tax	4,459	5,496	6,568	7,226	8,516	
<b>PAT (Pre-Extra ordinaries)</b>	<b>15,080</b>	<b>19,361</b>	<b>23,138</b>	<b>25,455</b>	<b>30,000</b>	
Extra ordinaries (Net of Tax)	0	0	0	0	0	
<b>Reported Profits</b>	<b>15,080</b>	<b>19,361</b>	<b>23,138</b>	<b>25,455</b>	<b>30,000</b>	
Dividend	0	1,300	0	0	0	
<b>Retained Profits</b>	<b>15,080</b>	<b>18,062</b>	<b>23,138</b>	<b>25,455</b>	<b>30,000</b>	

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	1,89,170	2,14,625	2,44,625	
Stock option outstanding	0	0	0	0	0	
Borrowed Funds	5,50,567	6,23,096	7,47,715	8,89,781	10,58,840	
Deferred tax liabilities	0	0	0	0	0	
Preference Shares	0	0	0	0	0	
Current Liabilities & Provisions	23,737	33,476	35,084	41,340	48,774	
<b>Total Liabilities</b>	<b>7,24,049</b>	<b>8,25,204</b>	<b>9,74,569</b>	<b>11,48,346</b>	<b>13,54,838</b>	
Net Advances	6,41,082	7,46,453	8,83,151	10,46,674	12,41,737	
Investments	43,460	33,809	37,092	41,867	43,461	
Cash & Bank Balances	21,422	36,001	34,443	36,634	43,461	
Loans and Advances	6,213	3,965	13,247	15,700	18,626	
Other Current Assets	8,539	740	1,683	1,693	1,085	
Fixed Assets	2,055	2,523	2,931	3,396	3,658	
Deferred Tax Assets	1,277	1,712	2,021	2,382	2,810	
<b>Total Assets</b>	<b>7,24,049</b>	<b>8,25,204</b>	<b>9,74,569</b>	<b>11,48,346</b>	<b>13,54,838</b>	

Source: Company, JM Financial

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Growth (YoY) (%)</b>					
Borrowed funds	2.6%	13.2%	20.0%	19.0%	19.0%
Advances	10.8%	16.4%	18.3%	18.5%	18.6%
Total Assets	8.3%	14.0%	18.1%	17.8%	18.0%
NII	7.3%	9.8%	15.3%	20.8%	17.0%
Non-interest Income	-1.5%	32.7%	22.0%	18.1%	18.2%
Operating Expenses	15.8%	21.5%	10.2%	10.9%	11.6%
Operating Profits	3.5%	9.5%	18.2%	23.5%	18.7%
Core Operating profit	3.6%	10.0%	18.3%	23.6%	18.8%
Provisions	-75.2%	-192.6%	38.4%	-159.2%	40.9%
Reported PAT	44.2%	28.4%	19.5%	10.0%	17.9%
<b>Yields / Margins (%)</b>					
Interest Spread	2.18%	1.98%	2.02%	2.22%	2.22%
NIM	3.63%	3.55%	3.51%	3.59%	3.56%
<b>Profitability (%)</b>					
ROA	2.17%	2.50%	2.57%	2.40%	2.40%
ROE	11.6%	12.2%	12.8%	12.4%	12.9%
Cost to Income	23.9%	25.9%	24.6%	22.6%	21.6%
<b>Asset quality (%)</b>					
Gross NPA	1.53%	1.09%	0.97%	0.96%	1.00%
LLP	0.45%	-0.31%	-0.42%	0.00%	0.07%
<b>Capital Adequacy (%)</b>					
Tier I	27.90%	28.39%	27.58%	26.72%	25.95%
CAR	29.26%	29.38%	29.03%	28.47%	27.88%

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
NII / Assets	3.56%	3.51%	3.49%	3.57%	3.54%
Other Income / Assets	0.45%	0.54%	0.57%	0.57%	0.57%
Total Income / Assets	4.01%	4.05%	4.05%	4.14%	4.11%
Cost / Assets	0.96%	1.05%	1.00%	0.94%	0.89%
PPP / Assets	3.05%	3.00%	3.06%	3.20%	3.22%
Provisions / Assets	0.25%	-0.20%	-0.24%	0.12%	0.15%
PBT / Assets	2.81%	3.21%	3.30%	3.08%	3.08%
Tax rate	22.8%	22.1%	22.1%	22.1%	22.1%
ROA	2.17%	2.50%	2.57%	2.40%	2.40%
Leverage	4.8	4.9	5.1	5.3	5.5
ROE	11.6%	12.2%	12.8%	12.4%	12.9%

Source: Company, JM Financial

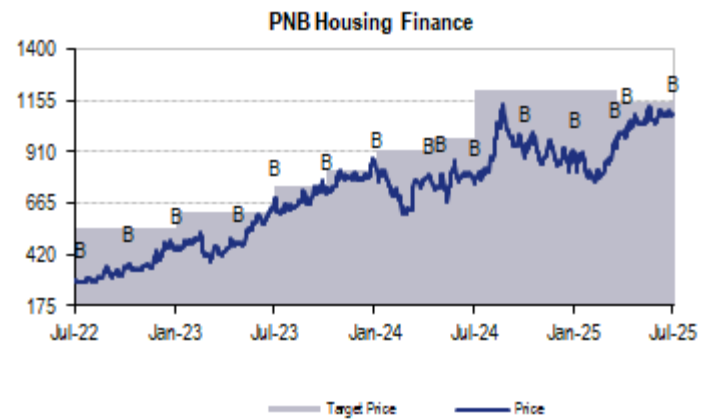
Valuations					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shares in Issue	259.7	259.9	259.9	259.9	259.9
EPS (INR)	58.1	74.5	89.0	97.9	115.4
EPS (YoY) (%)	-6.3%	28.3%	19.5%	10.0%	17.9%
P/E (x)	18.7	14.6	12.2	11.1	9.4
BV (INR)	577	649	738	836	951
BV (YoY) (%)	-11.6%	12.5%	13.7%	13.3%	13.8%
P/BV (x)	1.89	1.68	1.47	1.30	1.14
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.
28-Jan-21	Hold	410	
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
22-Jul-25	Buy	1,210	5.2

## 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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Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

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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