

PNB Housing Finance | BUY

Mixed trends

PNB Housing Finance (PNB HF) reported a PAT growth of 24%/9% YoY/QoQ which was +5% above JMFe, leading to annualized RoA of 2.7%. The beat was mainly led by higher recoveries of ~INR 590mn from its written off pool and ~INR 700mn from a corporate loan account. NII grew 13%/1% YoY/QoQ, as NIMs declined -7bps QoQ while PPop grew 16%/2% YoY/QoQ. Disbursements YoY growth slowed down to 12% (from 13% in Q1) which we believe may lead to a slower AUM growth over the near term. Loan assets grew 15%/3% YoY/QoQ led by strong growth in affordable/emerging segment (14%/6% QoQ). GS3 declined -2bps to 1.04%, however, seasoning of the portfolio led to a spike in 30+ DPD in its affordable segment. Though management expects recovery to continue for next 2-3 quarters (o/s recovery pool of INR 10bn) offering near term tailwinds, slippages from affordable book as portfolio seasons, is expected to drive credit costs slightly higher. The corporate loan disbursements coupled with revision in interest rates would likely offset any meaningful expansion in NIMs. However, current multiple of 1.1x FY27E P/B offers healthy upside in return for 2%+ RoAs. We maintain BUY with a target multiple of 1.4x FY27E BV entailing a TP of INR 1,150.

- **Modest growth:** Disbursements for the quarter grew +12% YoY/+20% QoQ to ~INR 60bn, driving AUM growth of +12% YoY/+2% QoQ, primarily led by retail assets (+17% YoY, +3% QoQ). Within retail, the affordable segment surged +121% YoY, +14% QoQ, emerging markets grew +21% YoY, +6% QoQ, and the prime segment grew +8% YoY, +1% QoQ. However, the corporate book continued to decline (-78% YoY, -59% QoQ), now representing ~0.4% of the total book. Management reiterated its retail book growth guidance of ~17-18% for FY26E. With a pick-up in corporate disbursements anticipated in 2HFY26, we forecast robust growth in loan assets of ~16% CAGR over FY25-27E, with a continued focus on scaling high-yielding segments like affordable and emerging markets.
- **PAT beat led by higher recoveries:** NII came in at INR 7.5bn (+13% YoY, +1% QoQ), with NIMs moderating by -7bps QoQ to 3.67%. Yields were down -4bps QoQ, while CoFs declined by -7bps QoQ. NIM compression was mainly due to lower investment yields, while spreads remained largely stable (+3bps QoQ). FY26 NIM guidance was maintained at ~3.6-3.7%. PPop stood at INR 6.5bn (+16% YoY, +2% QoQ), driven by opex growth of +7% YoY, +1% QoQ. A write-back of ~INR 590mn from recoveries in the retail (INR 340mn) and corporate (INR 250mn) write-offs pool led to a PAT of INR 5.8bn (+24% YoY, +9% QoQ, +5% JMFe). While the rising mix of affordable and emerging segments will support yields, decline in incremental yields from prime and emerging segments would keep NIMs largely range-bound at ~3.5% over FY26-27E.
- **Steady asset quality; Recoveries continue:** Asset quality remained stable, with GS3 improving by -2bps QoQ and NS3 flat at 1.04%/0.69%, respectively. Retail GNPL stood at 1.05% (-2bps QoQ), while corporate GNPL remained nil. PCR declined to 34.2% (-118bps QoQ). The overall 1+ DPD ratio was 2.5%. The affordable segment's 30+ DPD rose to 1.4% (vs. 0.9% in 1Q26), attributed to portfolio seasoning. The outstanding written-off pool stands at INR 10bn, with INR 6.75bn from corporate loans and the remainder from retail. Management expects continued recoveries from this over the next 2-3 quarters, with GNPA trending towards ~1% in the medium term. We forecast an average credit cost of ~20bps over FY26-27E.
- **Valuation and view:** We believe the current multiple of 1.1x FY27E P/B offers healthy upside in return for 2%+ RoAs. We maintain BUY with a target multiple of 1.4x FY27E BV entailing a TP of INR 1,150.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,150
Upside/(Downside)	24.0%
Previous Price Target	1,210
Change	-5.0%

Key Data – PNBHOUSI IN

Current Market Price	INR928
Market cap (bn)	INR241.6/US\$2.7
Free Float	69%
Shares in issue (mn)	259.9
Diluted share (mn)	259.7
3-mon avg daily val (mn)	INR2,233.4/US\$25.3
52-week range	1,142/746
Sensex/Nifty	84,779/25,966
INR/US\$	88.2

Price Performance

%	1M	6M	12M
Absolute	7.3	-4.5	-2.1
Relative*	1.8	-10.8	-8.3

* To the BSE Sensex

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Profit	15,080	19,361	22,462	23,081	27,658
Net Profit (YoY) (%)	44.2%	28.4%	16.0%	2.8%	19.8%
Assets (YoY) (%)	8.3%	14.0%	15.7%	16.0%	16.2%
ROA (%)	2.2%	2.5%	2.5%	2.2%	2.3%
ROE (%)	11.6%	12.2%	12.5%	11.4%	12.1%
EPS	58.1	74.5	86.4	88.8	106.4
EPS (YoY) (%)	-6.3%	28.3%	16.0%	2.8%	19.8%
P/E (x)	16.0	12.5	10.7	10.5	8.7
BV	577	649	735	824	930
BV (YoY) (%)	-11.6%	12.5%	13.3%	12.1%	12.9%
P/BV (x)	1.61	1.43	1.26	1.13	1.00

Source: Company data, JM Financial. Note: Valuations as of 27/Oct/2025

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

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

PNB Housing Finance: 2QFY26 highlights

Exhibit 1. 2QFY26 Result snapshot

Earnings Table (INR mn)	Q2FY25	Q1FY26	Q2FY26	YoY (%)	QoQ (%)	Q2FY26E	%var
Net Interest Income	6,618	7,460	7,505	13.4%	0.6%	7,571	-0.9%
Total Non-Interest income	994	1,015	1,132	13.9%	11.5%	1,292	-12.4%
Total Income	7,612	8,475	8,636	13.5%	1.9%	8,863	-2.6%
Employee Cost	1,088	1,180	1,092	0.3%	-7.4%		
Depreciation and Amortisation	139	147	164	18.4%	11.6%		
Other expenses	761	797	912	19.8%	14.5%		
Total Operating Expenses	2,020	2,158	2,172	7.5%	0.6%	2,226	-2.5%
Operating Profit (PPP)	5,591	6,317	6,465	15.6%	2.3%	6,636	-2.6%
Total Provisions	-456	-562	-1,132	NM	NM	-491	NM
PBT	6,047	6,879	7,596	25.6%	10.4%	7,127	6.6%
Tax	1,351	1,544	1,781	31.8%	15.3%	1,568	13.6%
Reported Profit	4,697	5,335	5,816	23.8%	9.0%	5,559	4.6%
Loan Book (INR bn)							
Disbursements	53.4	49.8	60.0	12.2%	20.4%	65.2	-8.0%
AUM	747.2	821.0	838.8	12.3%	2.2%	855.4	-1.9%
Ratios Analysis (%)							
Cost to Income (%)	26.5%	25.5%	25.1%	-140bps	-32bps		
Yield on AUM (%)	10.4%	10.3%	10.2%	-19bps	-7bps		
Cost of borrowings (%)	7.9%	7.8%	7.8%	-14bps	3bps		
Spread (%)	2.5%	2.6%	2.5%	-5bps	-10bps		
NIM (%)	3.9%	3.9%	3.8%	-7bps	-8bps		
Gross NPA (%)	1.24%	1.06%	1.04%	-20bps	-2bps		
Net NPA (%)	0.84%	0.69%	0.69%	-15bps	0bps		
Coverage Ratio (%)	32.7%	35.4%	34.2%	150bps	-118bps		
RoA	2.5%	2.6%	2.7%	21bps	18bps		
RoE	12.0%	12.5%	13.2%	114bps	70bps		

Source: Company, JM Financial

Key takeaways from concall:

Growth/AUM mix

- 99.6% of total loans is now retail loan book. Affordable and Emerging markets (EM) growth accounted for 38% of total retail loan book growth.
- Company would continue to grow 40-50 branches each year going forward.
- Company's strategic approach remains same i.e to focus on affordable segment growth and management remains confident on the sustainable growth going forward.
- Management highlighted that even with government initiatives such as PMAY, the firm targets to keep self-employed in the mix at ~45-50% and informal in the range of 35-40%.
- Management aims to grow retail AUM at 17-18% in FY26E. Mix is targeted at INR 150bn in affordable book, 50% in prime and remaining EM.
- Sanction/disbursements ratio stands at ~68-70%.
- BT-in and BT-out for affordable stood at 9% and 4% respectively during Q2FY26.
- The company has revamped its corporate credit policies. Q3 and Q4 is expected to show some disbursements in corporate segment which will grow gradually with a conservative approach. ATS in corporate segment would be INR 1.5-2bn.

Margins

- NIM during the quarter declined due to decline in investment yields while spreads remained stable. Management maintains its NIMs guidance of 3.6-3.7% for FY26E.
- From Q4FY25 to Q2FY26, CoFs have gone down from 7.84% to 7.7%. Thus, company has only cut PLR by 10bps and the management is closely monitoring this movement which will be passed on to customers gradually.

Branch Expansion

- Company will continue to increase its presence in its newly added geographies viz. Punjab, Chandigarh and North East.
- Focus on high yielding products growth and deeper penetration in Tier 3 and tier 4 markets has aided branch addition of 40 branches YoY in affordable segment.
- Company has 3 different kind of branches: large (Ganga), medium (Yamuna) and small (Kaveri) with disb/month of INR ~1.8cr, ~1.3cr and ~70-80lakh respectively. Branches get upgraded as the disbursements move up.
- Company plans to have ~250 affordable branches by FY27E.

Asset Quality

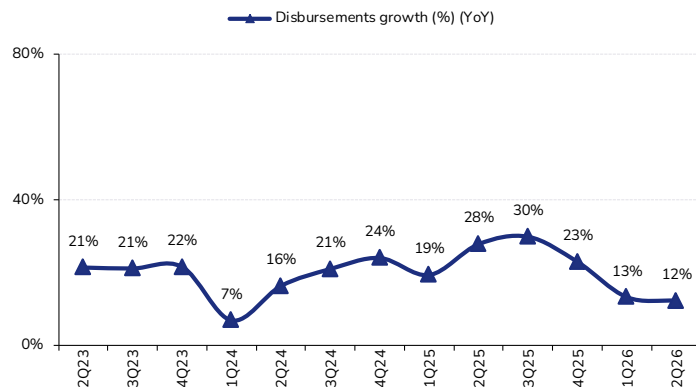
- Company has an outstanding total written off pool of INR 10bn of which INR 6.75bn is in corporate segment and balance in retail. Credit cost is expected to remain range bound over the near term.
- PNBHF introduced loan amount sanctioning based on geographical tier level and city level.
- Negative credit costs was due to recoveries worth INR 600mn from its written off pool and INR 700mn recovered from 1 corporate loan which was a stage-1 account. The INR 700mn was also released from ECL stage-1 (outstanding amount was INR 3.4bn) which led to PCR decline.
- Overall 1+DPD stands at 2.5%. Spike in 30+ DPD in affordable segment was attributed to portfolio seasoning in the affordable segment. (Usually, delinquencies are encountered in 18-24 months of the loan disbursement).
- Recoveries are lined up for next 2-3 quarters. Post that, there will be some recoveries from corporate accounts. Company aims to maintain its GNPA at ~1%.

Other Highlights

- Currently, Mr Jatul Anand is leading the team and in discussion with BoDs, the operating decisions are made.

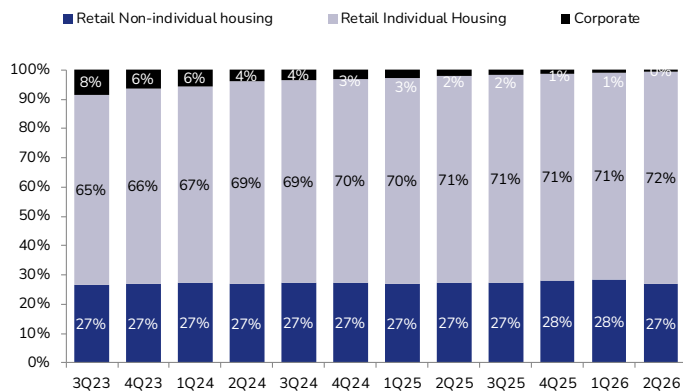
Quarterly Trends

Exhibit 2. Affordable and EM contributed to ~50% of the total retail disbursements



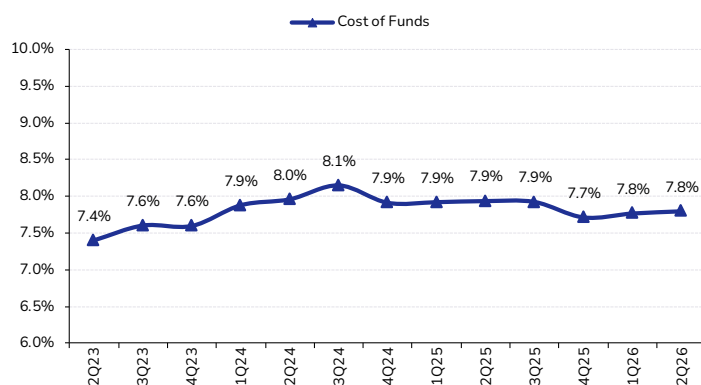
Source: Company, JM Financial

Exhibit 4. Corporate loans settled at 0.4%; to start growing again from 3Q onwards as per management



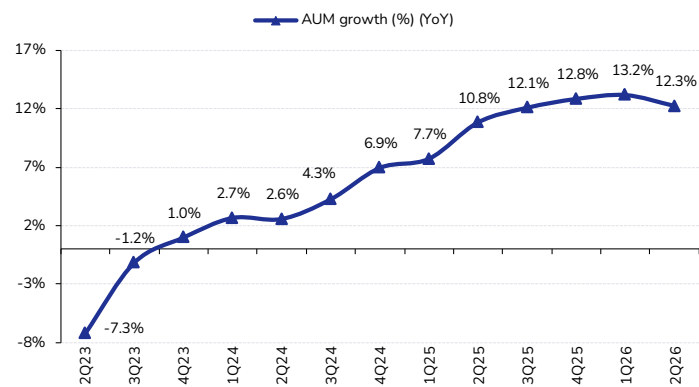
Source: Company, JM Financial;

Exhibit 6. Cost of funds increased by 3bps sequentially



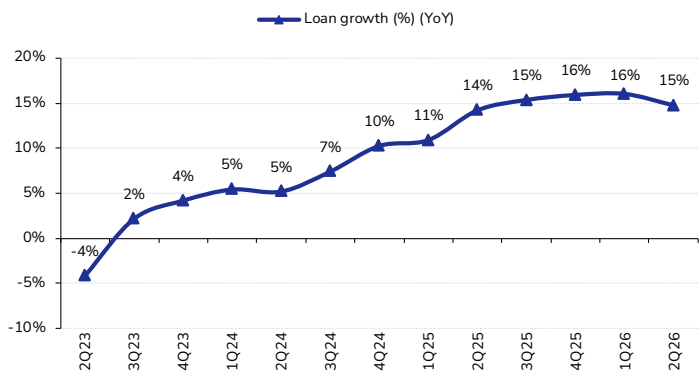
Source: Company, JM Financial

Exhibit 3. AUM growth steady driven completely from its retail book



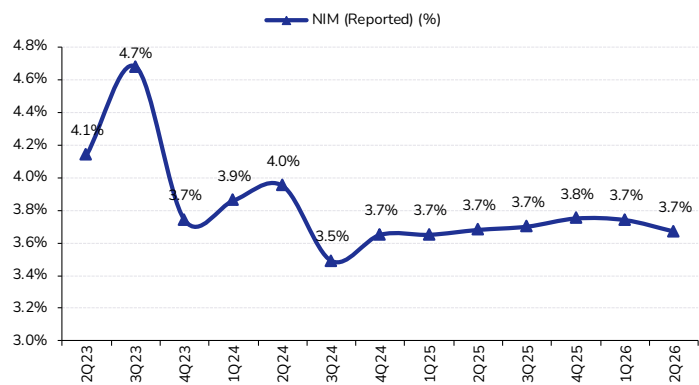
Source: Company, JM Financial

Exhibit 5. Steady loan growth (+15% YoY) led by retail book

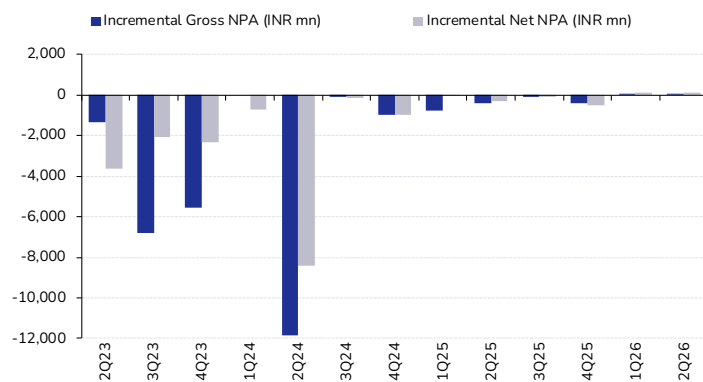


Source: Company, JM Financial

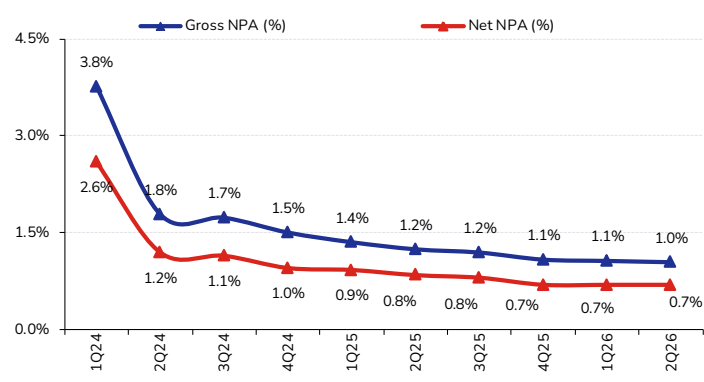
Exhibit 7. NIMs declined by ~7bps QoQ due to decline in investment yields while spreads remained stable



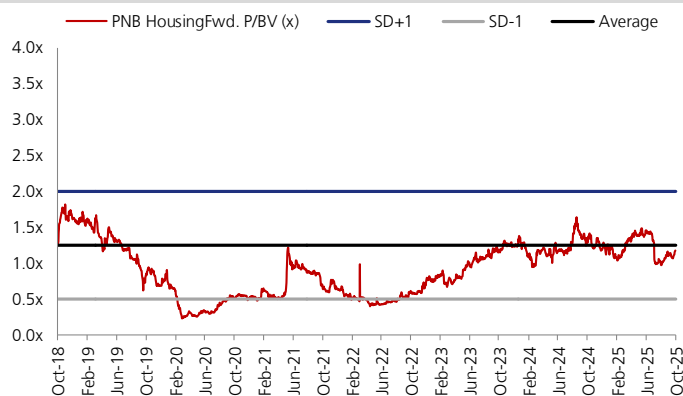
Source: Company, JM Financial

Exhibit 8. Incremental NPAs fairly stable led by continued recoveries

Source: Company, JM Financial

Exhibit 9. GNPA improved 2bps QoQ; while NNPA was steady QoQ

Source: Company, JM Financial

Exhibit 10. 1-year forward P/BVSource: Company, JM Financial, Bloomberg
Note: Priced as of 27th Oct, 2025**Exhibit 11. 1-year forward P/E**Source: Company, JM Financial, Bloomberg
Note: Priced as of 27th Oct, 2025

Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Interest Income (NII)	24,792	27,220	30,540	35,474	41,597
Non-Interest Income	3,149	4,179	4,808	5,850	6,911
Total Income	27,940	31,399	35,347	41,324	48,508
Operating Expenses	6,690	8,126	9,106	9,805	10,714
Pre-provisioning Profits	21,250	23,272	26,241	31,519	37,794
Loan-Loss Provisions	-1,826	349	-2,598	1,886	2,285
Others Provisions	3,537	-1,934	0	0	0
Total Provisions	1,711	-1,585	-2,598	1,886	2,285
PBT	19,539	24,858	28,839	29,633	35,509
Tax	4,459	5,496	6,377	6,552	7,851
PAT (Pre-Extra ordinaries)	15,080	19,361	22,462	23,081	27,658
Extra ordinaries (Net of Tax)	0	0	0	0	0
Reported Profits	15,080	19,361	22,462	23,081	27,658
Dividend	0	1,300	0	0	0
Retained Profits	15,080	18,062	22,462	23,081	27,658

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	1,88,494	2,11,575	2,39,233
Stock option outstanding	0	0	0	0	0
Borrowed Funds	5,50,166	6,23,096	7,29,022	8,52,956	9,97,959
Deferred tax liabilities	0	0	0	0	0
Preference Shares	0	0	0	0	0
Current Liabilities & Provisions	24,138	33,476	34,361	39,851	46,299
Total Liabilities	7,24,049	8,25,204	9,54,477	11,06,982	12,86,091
Net Advances	6,41,082	7,46,453	8,57,441	10,06,749	11,90,124
Investments	43,460	33,809	36,013	40,270	35,704
Cash & Bank Balances	21,422	36,001	38,585	35,236	29,753
Loans and Advances	6,213	3,965	12,862	15,101	17,852
Other Current Assets	8,539	740	4,727	4,055	6,518
Fixed Assets	2,055	2,523	2,871	3,274	3,472
Miscellaneous Expenditure	0	0	0	0	0
Deferred Tax Assets	1,277	1,712	1,980	2,296	2,668
Total Assets	7,24,049	8,25,204	9,54,477	11,06,982	12,86,091

Source: Company, JM Financial

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Growth (YoY) (%)					
Borrowed funds	2.5%	13.3%	17.0%	17.0%	17.0%
Advances	10.8%	16.4%	14.9%	17.4%	18.2%
Total Assets	8.3%	14.0%	15.7%	16.0%	16.2%
NII	7.3%	9.8%	12.2%	16.2%	17.3%
Non-interest Income	-1.5%	32.7%	15.0%	21.7%	18.1%
Operating Expenses	15.8%	21.5%	12.1%	7.7%	9.3%
Operating Profits	3.5%	9.5%	12.8%	20.1%	19.9%
Core Operating profit	3.6%	10.0%	12.7%	20.2%	20.0%
Provisions	-75.2%	-192.6%	63.9%	-172.6%	21.1%
Reported PAT	44.2%	28.4%	16.0%	2.8%	19.8%
Yields / Margins (%)					
Interest Spread	2.17%	2.00%	2.05%	2.13%	2.13%
NIM	3.98%	3.86%	3.75%	3.75%	3.73%
Profitability (%)					
ROA	2.17%	2.50%	2.52%	2.24%	2.31%
ROE	11.6%	12.2%	12.5%	11.4%	12.1%
Cost to Income	23.9%	25.9%	25.8%	23.7%	22.1%
Asset quality (%)					
Gross NPA	1.53%	1.09%	1.00%	0.97%	1.00%
LLP	0.00%	0.00%	0.00%	0.00%	0.00%
Capital Adequacy (%)					
Tier I	27.90%	28.39%	28.08%	27.35%	26.78%
CAR	29.26%	29.38%	29.57%	29.18%	28.82%

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
NII / Assets	3.56%	3.51%	3.43%	3.44%	3.48%
Other Income / Assets	0.45%	0.54%	0.54%	0.57%	0.58%
Total Income / Assets	4.01%	4.05%	3.97%	4.01%	4.05%
Cost / Assets	0.96%	1.05%	1.02%	0.95%	0.90%
PPP / Assets	3.05%	3.00%	2.95%	3.06%	3.16%
Provisions / Assets	0.25%	-0.20%	-0.29%	0.18%	0.19%
PBT / Assets	2.81%	3.21%	3.24%	2.87%	2.97%
Tax rate	22.8%	22.1%	22.1%	22.1%	22.1%
ROA	2.17%	2.50%	2.52%	2.24%	2.31%
Leverage	4.8	4.9	5.0	5.2	5.3
ROE	11.6%	12.2%	12.5%	11.4%	12.1%

Source: Company, JM Financial

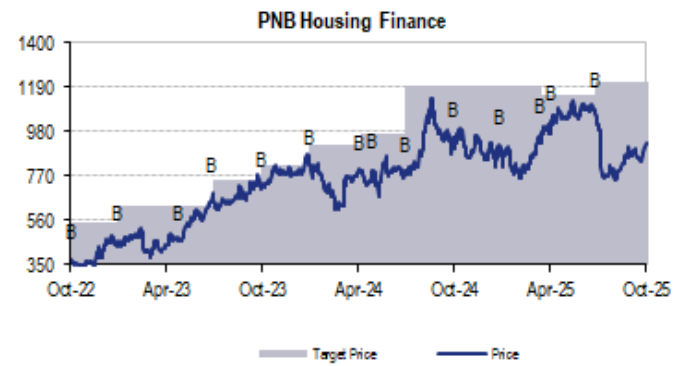
Valuations					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shares in Issue	259.7	259.9	259.9	259.9	259.9
EPS (INR)	58.1	74.5	86.4	88.8	106.4
EPS (YoY) (%)	-6.3%	28.3%	16.0%	2.8%	19.8%
P/E (x)	16.0	12.5	10.7	10.5	8.7
BV (INR)	577	649	735	824	930
BV (YoY) (%)	-11.6%	12.5%	13.3%	12.1%	12.9%
P/BV (x)	1.61	1.43	1.26	1.13	1.00
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.

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

New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return $\geq$ 15% over the next twelve months.
ADD	Expected return $\geq$ 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return $\geq$ -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: 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.

Research Analyst(s) Certification

The Research Analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that:

All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and

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