

### Strong outlook !!!

PNB Housing Finance reported good set of numbers – PAT came in at INR 433 cr, up by 24.6% yoy & flat sequentially largely led by healthy asset growth and better recoveries leading to lower provisions. Overall disbursements were up by 19.3% yoy to INR 44 bn led by higher growth in the affordable & emerging housing loans. Management expects affordable & emerging market loans to contribute to 40% of the loans by FY25 end from current levels of 22% and these loans will contribute nearly 2/3<sup>rd</sup> of the total AUMs in the longer run. The company expects retail loans to grow by 17% in FY25. In addition to this, corporate loans are also likely to contribute to growth from second half of current financial year. **Margins largely maintained at the 3.65% levels on sequential basis while for the full it will be at 3.5%+.** **Asset quality held up;** GNPA / NNPA were lower at 1.35% / 0.9% vs. 1.5% / 0.95% qoq mainly due to recovery from one corporate NPA account and from write-off pool assets (INR 80 cr). Overall the provisioning write-back off of INR 12 cr vs. INR 6.6 cr provisioning in Q4FY24 due to recoveries.

### Outlook for FY25

- Retail disbursements growth of 17%
- Margins will be maintained at >3.5%+ vs. 3.65% seen in FY24
- Share of affordable + emerging market loans will increase from current 22% to 40% by FY25 end.
- Aims to have ROA of 2.4-2.6% in the near term vs. 2.4% seen in Q1FY25
- Gross NPAs <1% vs. 1.35% in FY24

### Financial Summary

Y/E Mar (Rs cr)	FY22	FY23	FY24e	FY25e	FY26e
Consol PAT	934	1123	1509	1945	2223
growth (yoy %)	2.8	20.2	34.3	28.9	14.3
Adj BVPS	412	556	553	633	720
EPS (Rs)	55	67	58	75	86
P/ABV (x)	2.1	1.5	1.5	1.4	1.2
P/E (x)	15	13	15	11	10
RoA (%)	1.2	1.6	2.2	2.4	2.4
RoE (%)	8.9	10.0	11.7	11.8	11.9

Source: Company, Dalal & Broacha Research

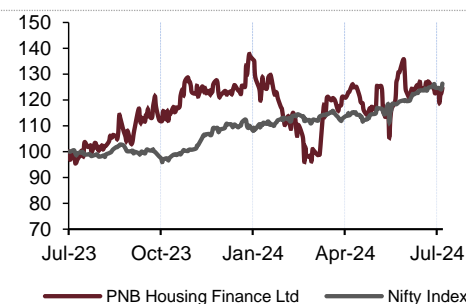
Rating	TP (Rs)	Up/Dn (%)
<b>BUY</b>	<b>970</b>	<b>22</b>

#### Market data

<b>Current price</b>	<b>Rs</b>	<b>794</b>
Market Cap (Rs.Bn)	(Rs Bn)	206
Market Cap (US\$ Mn)	(US\$ Mn)	2,463
Face Value	Rs	10
52 Weeks High/Low	Rs	914/598
Average Daily Volume	('000)	1,661
BSE Code		540173
Bloomberg		PNBHOUSI.IN

Source: Bloomberg

### One Year Performance



Source: Bloomberg

% Shareholding	Jun-24	Mar-24
Promoters	28.15	28.15
Public	71.85	71.85
<b>Total</b>	<b>100</b>	<b>100</b>

Source: Bloomberg

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## Valuations

Going forward, we expect loan book growth of 16% CAGR over FY24-26e led by retail loans. In current fiscal, even corporate loans are likely to contribute to growth from the run-down seen in the past. Also, recoveries from the written-off assets are likely to aid the bottom-line and result in overall lower credit costs. With healthy asset growth, better recoveries – we expect PAT to grow by 20% CAGR over FY24-26e.

At current CMP of INR 794, valuations are looking attractive at 1.4x/1.2x FY25e/FY26e ABV on ROE/ROA of ~11%/2.2-2.3%. We are rolling forward our estimates to FY26e and revise our TP to INR 970 with BUY rating, upside of 22% from the current levels (discounting its FY26e ABV by 1.4x).

## Financial & Concall Highlights

- PNB Housing Finance reported good set of numbers – PAT came in at INR 433 cr, up by 24.6% yoy & flat sequentially largely led by healthy asset growth and better recoveries leading to lower provisions.
- **Total disbursements grew by 19.5% yoy (21.1% qoq) to INR 4398 cr largely leading to overall loan book growth of 10.9% yoy (2.5% qoq) to INR 65157 cr** - Currently, retail loans is driving the entire the overall loan book growth. Within retail loans, prime grew by 2% qoq loans (78% share of the retail loans), emerging markets loans by 2.4% qoq (18% share) and affordable loans 32% qoq (3.6% share). Management expects affordable & emerging market loans to contribute to 40% of the loans by FY25 end from current levels of 22% and these loans will contribute nearly 2/3<sup>rd</sup> of the total AUMs in the longer run. The company expects retail loans to grow by 17% in FY25. In addition to this, corporate loans are also likely to contribute to growth from second half of current financial year.
- **Margins largely maintained at the 3.65% levels on sequential basis** and the spreads were maintained at 2.11% levels. Avg. cost of borrowings of the company has come down by 6 bps to 7.92%. During the quarter, the company received the rating upgrade from the CRISIL (to AA+ from AA with stable outlook) that led to lower incremental borrowings cost from 7.93% to 7.75% qoq. Management expects margins to contract in the next 1-2 quarters as the corporate book is likely to grow. Overall, for the full year, margins are anticipated to be at >3.5% levels vs. 3.65% for FY24.

- **Asset quality held up** – GNPA / NNPA were lower at 1.35% / 0.9% vs. 1.5% / 0.95% qoq mainly due to recovery from one corporate NPA account and from write-off pool assets (INR 80 cr). Overall the provisioning write-back off of INR 12 cr vs. INR 6.6 cr provisioning in Q4FY24 due to recoveries from above assets. It has total written off pool of assets worth INR 1260 cr. Also, going forward, good recoveries are expected. From this quarter, corporate GNPA has become zero. Management aims to bring down the GNPA to <1% by FY25 end.
- **Affordable loans is growing at fast pace** – During the quarter, affordable business has achieved the break-even. Over the last 1-1.5 years, affordable loans have grown by >5x to INR 2361 cr. Under the PMAY scheme, 3 cr households will be developed (including 2 cr rural + 1 cr urban) that will benefit the housing finance companies in many ways viz. higher demand, lower borrowing cost & margin expansion. The company is likely to add 40-50 branches each year over the next 2-3 years (current strength is 160 branches). And share of affordable loans + emerging market loans share which is at currently at 22% share will increase to 40% by FY25 end.
- **Overall the company aims to have the ROA of 2.4-2.6% levels in the near term from the current run-rate of 2.4% (Q1FY25) levels.**

### Valuations

Going forward, we expect loan book growth of 16% CAGR over FY24-26e led by retail loans. In current fiscal, even corporate loans are likely to contribute to growth from the run-down seen in the past. Also, recoveries from the written-off assets are likely to aid the bottom-line and result in overall lower credit costs. With healthy asset growth, better recoveries – we expect PAT to grow by 20% CAGR over FY24-26e.

At current CMP of INR 794, valuations are looking attractive at 1.4x/1.2x FY25e/FY26e ABV on ROE/ROA of ~11%/2.2-2.3%. We are rolling forward our estimates to FY26e and revise **our TP to INR 970 with BUY rating, upside of 22% from the current levels (discounting its FY26e ABV by 1.4x).**

## Quarterly Financials (Q1FY25)

Particulars (INR cr )	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY	QoQ
Interest Earned	1666.9	1702.9	1679.5	1692.9	1739.1	4.3	2.7
Interest Expended	1047.5	1057.3	1086.6	1069.7	1096.9	4.7	2.5
<b>NII</b>	<b>619.4</b>	<b>645.6</b>	<b>592.9</b>	<b>623.2</b>	<b>642.1</b>	3.7	3.0
Other Income	<b>40.8</b>	76.5	76.5	121.1	93.0	128.1	-23.2
<b>Net Income</b>	<b>660.2</b>	<b>722.1</b>	<b>669.4</b>	<b>744.3</b>	<b>735.2</b>	11.3	-1.2
Opex	<b>153.0</b>	<b>170.2</b>	<b>170.0</b>	<b>177.8</b>	<b>192.9</b>	26.1	8.5
<b>PPOP</b>	<b>507.2</b>	<b>551.9</b>	<b>499.4</b>	<b>566.5</b>	<b>542.2</b>	6.9	-4.3
Provisions	60.6	44.8	59.1	6.6	-12.0	-119.7	-280.1
<b>PBT</b>	<b>446.7</b>	<b>507.1</b>	<b>440.3</b>	<b>559.8</b>	<b>554.2</b>	24.1	-1.0
Tax	99.4	124.1	101.9	120.6	121.4	22.2	0.7
<b>Tax Rate (%)</b>	<b>22.2</b>	<b>24.5</b>	<b>23.1</b>	<b>21.5</b>	<b>21.9</b>		
<b>PAT (Pre OCI)</b>	<b>347.3</b>	<b>383.0</b>	<b>338.4</b>	<b>439.3</b>	<b>432.8</b>	24.6	-1.5
<i>growth (yoy %)</i>	<i>47.8</i>	<i>45.8</i>	<i>25.8</i>	<i>61.4</i>	<i>24.6</i>		
<i>growth (qoq %)</i>	<i>27.6</i>	<i>10.3</i>	<i>-11.6</i>	<i>29.8</i>	<i>-1.5</i>		
<b>PAT (After OCI)</b>	<b>332.4</b>	<b>389.7</b>	<b>333.1</b>	<b>436.7</b>	<b>415.8</b>	49.7	31.1
<i>growth (yoy %)</i>	<i>35.6</i>	<i>24.2</i>	<i>25.6</i>	<i>49.7</i>	<i>25.1</i>		
<i>growth (qoq %)</i>	<i>13.9</i>	<i>17.2</i>	<i>-14.5</i>	<i>31.1</i>	<i>-4.8</i>		
<b>Balance sheet (INR Cr)</b>							
	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY	QoQ
Disbursements	3686	4180	4143	5574	4397	19.3	-21.1
<i>growth (yoy %)</i>	<i>#DIV/0!</i>	<i>16.3</i>	<i>20.9</i>	<i>24.0</i>	<i>19.3</i>		
-Retail	3667	4165	4110	5541	4363	19.0	-21.3
-Corporate	19	15	33	33	34	78.9	3.0
<b>AUM</b>	<b>67340</b>	<b>67415</b>	<b>68549</b>	<b>71243</b>	<b>72540</b>	7.7	1.8
<i>growth (yoy %)</i>	<i>#REF!</i>	<i>2.6</i>	<i>4.3</i>	<i>6.9</i>	<i>7.7</i>		
<b>Outstanding loan book</b>	<b>60395</b>	<b>60852</b>	<b>62337</b>	<b>65358</b>	<b>66986</b>	10.9	2.5
<i>growth (yoy %)</i>	<i>8.8</i>	<i>5.2</i>	<i>7.4</i>	<i>10.3</i>	<i>10.9</i>		
-Retail	56978	58471	60129	63306	65157	14.4	2.9
-Corporate	3416	2381	2208	2052	1829	-46.5	-10.9
<b>Product-wise break-up of retail</b>	<b>60395</b>	<b>60852</b>	<b>60129</b>	<b>63306</b>	<b>65157</b>	7.9	2.9
-Individual Housing Loans	40454	42099	41662	45517	47043	16.3	3.4
-Retail non-housing loans	16524	16372	16363	17789	18114	9.6	1.8
<b>Key Ratios (%)</b>							
	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25		
Gross NPAs (Rs)	2270	1086	1079	984	906		
-Retail NPA	1416	1018	1005	916	906		
-Corporate NPA	854	68	74	68	0		
<b>GNPA (%)</b>	<b>3.76</b>	<b>1.78</b>	<b>1.73</b>	<b>1.50</b>	<b>1.35</b>		
-GNPA - Retail Segment	2.5	1.7	1.7	1.5	1.4		
-GNPA - Corporate Segment	25.0	2.9	3.4	3.3	0.0		
<b>NNPA (%)</b>	<b>2.6</b>	<b>1.2</b>	<b>1.14</b>	<b>0.95</b>	<b>0.92</b>		
-NNPA - Retail Segment	1.6	1.2	1.1	0.9	0.9		
-NNPA - Corporate Segment	19.5	1.0	1.3	1.1	0.0		
C/I Ratio (%)	23.2	23.6	25.4	23.9	26.2		

Yield (%) (Reported)	10.6	10.6	10.2	10.1	10.0
-Yield (ex-one off)	10.5	10.5	10.3	10.1	10.0
Cost (%) (Reported)	8.0	8.0	8.1	8.0	7.9
Cost (%) (Ex-one off )	8.0	8.0	8.0	8.0	7.9
Spread (%) (Reported)	2.62	2.59	2.12	2.10	2.11
Spreads (%) (Ex-one off)	2.5	2.5	2.3	2.10	2.11
Margins (%)	3.86	3.95	3.49	3.65	3.65
Margins (%) (ex-one off)	3.8	3.9	3.7	3.65	3.65
CAR (%)	29.9	30.4	29.5	29.3	29.5

Source: Company, Dalal & Broacha Research

## Financials

### Profit & Loss Account

(Rs cr )	FY22	FY23	FY24e	FY25e	FY26e
Interest income	5822	6199	6743	7686	8812
Interest expense	4064	3899	4261	4674	5305
<b>NII</b>	<b>1758</b>	<b>2301</b>	<b>2482</b>	<b>3012</b>	<b>3507</b>
Non-interest income	379	319	303	336	369
<b>Net revenues</b>	<b>2137</b>	<b>2620</b>	<b>2784</b>	<b>3347</b>	<b>3876</b>
Operating expenses	468	567	659	753	858
<b>PPOP</b>	<b>1669</b>	<b>2052</b>	<b>2126</b>	<b>2594</b>	<b>3018</b>
Provisions	584	691	171	139	202
<b>PBT</b>	<b>1084</b>	<b>1361</b>	<b>1954</b>	<b>2455</b>	<b>2816</b>
Tax	247	315	446	565	648
<b>PAT</b>	<b>837</b>	<b>1046</b>	<b>1509</b>	<b>1890</b>	<b>2168</b>
<i>growth (%)</i>	<i>-10.0</i>	<i>25.0</i>	<i>44.2</i>	<i>25.3</i>	<i>14.7</i>
Non-Controlling Interest (NCI)	0	0	-16	15	15
Net Profit (post NCI)	837	1046	1525	1875	2153
<i>NCI &amp; Other Comprehensive Income (OCI)</i>	<i>97.3</i>	<i>77.1</i>	<i>-16.3</i>	<i>70.0</i>	<i>70.0</i>
Consol PAT (post NCI & OCI)	934	1123	1509	1945	2223
<i>growth (%)</i>	<i>2.8</i>	<i>20.2</i>	<i>34.3</i>	<i>28.9</i>	<i>14.3</i>

### Balance Sheet

(Rs. Cr)	FY22	FY23	FY24e	FY25e	FY26e
Share capital	169	169	260	260	260
Reserves & surplus	9703	10845	14715	16660	18883
<b>Net worth</b>	<b>9872</b>	<b>11014</b>	<b>14975</b>	<b>16920</b>	<b>19143</b>
Borrowings	52961	53621	55016	64828	74778
Other liability	2897	2238	2414	2607	2842
<b>Total liabilities</b>	<b>65730</b>	<b>66874</b>	<b>72405</b>	<b>84355</b>	<b>96762</b>
Cash & Bank Bal.	5216	3796	2142	2424	2631
Investments	3483	3196	4346	4563	4791
Loans	55336	57840	64108	75201	86742
Fixed assets	263	149	207	261	329
Receivables	43	13	0	0	0
Other assets	1389	1879	1602	1906	2269
<b>Total assets</b>	<b>65730</b>	<b>66874</b>	<b>72405</b>	<b>84355</b>	<b>96762</b>

**Ratios**

<b>Ratios</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24e</b>	<b>FY25e</b>	<b>FY26e</b>
<b>Growth (%)</b>					
NII	-15.9	30.9	7.9	21.4	16.4
PPOP	-20.4	23.0	3.6	22.0	16.3
Consol PAT (post NCI & OCI)	2.8	20.2	34.3	28.9	14.3
Loan (Rs.cr)	55336	57840	64108	75201	86742
Loans growth (%)	-8.8	4.5	10.8	17.3	15.3
AUMs (Rs.cr)	66983	66617	71243	76112	82989
AUM growth (%)	-11.2	-0.5	6.9	6.8	9.0
<b>Other Ratios (%)</b>					
Cost/Income ratio (%)	21.9	21.7	23.7	22.5	22.1
Branches	137	189	204	219	234
<b>Spread (%)</b>					
Yield on advances	9.6	10.3	10.5	10.5	10.4
Yield on funds	8.7	9.6	10.0	10.1	10.0
Cost of funds	7.2	7.3	7.8	7.8	7.6
Spreads	2.4	3.0	2.6	2.7	2.8
Margins	2.6	3.6	3.7	3.9	4.0
<b>Asset quality (%)</b>					
Gross NPAs (Rs.mn)	4706	2271	984	861	879
Net NPAs (Rs.mn)	2931	1618	623	482	455
Gross NPAs (%)	8.2	3.9	1.5	1.1	1.0
Net NPAs (%)	5.1	2.8	1.0	0.6	0.5
PCR (%)	37.7	28.8	36.7	44.0	48.2
Slippages (%)	6.4	1.3	1.2	0.7	0.8
Credit Cost (%)	1.0	1.2	0.3	0.2	0.3
<b>Return ratios (%)</b>					
RoE	8.9	10.0	11.7	11.8	11.9
RoA	1.2	1.6	2.2	2.4	2.4
<b>Per share (Rs)</b>					
EPS	55.4	66.5	58.1	74.9	85.6
BV	585.5	652.2	576.9	651.9	737.5
ABV	411.7	556.4	552.9	633.3	720.0
<b>Valuation (x)</b>					
P/E	15.5	12.9	14.7	11.4	10.0
P/BV	1.5	1.3	1.5	1.3	1.2
P/ABV	2.1	1.5	1.5	1.4	1.2
<b>Other Ratios</b>					
C/I Ratio	21.9	21.7	23.7	22.5	22.1
C/I ratio (incl. other income)	18.6	19.3	21.3	20.5	20.2
Opex to AuM	0.7	0.9	0.9	1.0	1.0
Opex to Avg. AUM (%)	0.7	0.8	1.0	1.0	1.1
<b>ROA Tree (%)</b>					
Interest Income	8.5	9.3	9.7	9.8	9.7
Interest expense	5.9	5.9	6.1	6.0	5.9
Net Interest Income	2.6	3.5	3.6	3.8	3.9
Other Income	0.6	0.5	0.4	0.4	0.4
Net Income	3.1	4.0	4.0	4.3	4.3
Employee benefits expense	0.3	0.4	0.5	0.5	0.5
Other expenses	0.4	0.5	0.5	0.5	0.5
Total expenses	0.7	0.9	0.9	1.0	0.9
PPOP	2.4	3.1	3.1	3.3	3.3

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Provisions	0.9	1.0	0.2	0.2	0.2
PBT	1.6	2.1	2.8	3.1	3.1
Tax	0.4	0.5	0.6	0.7	0.7
Tax Rate	0.0	0.0	0.0	0.0	0.0
PAT	1.2	1.6	2.2	2.4	2.4
Consol PAT (post NCI & OCI)	1.4	1.7	2.2	2.5	2.5

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Source: Dalal & Broacha Research, Company



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