

## PNB Housing Finance

Date: 29 July 2025

Price: 1005

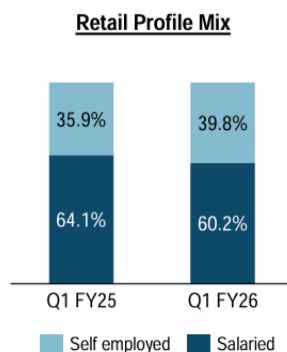
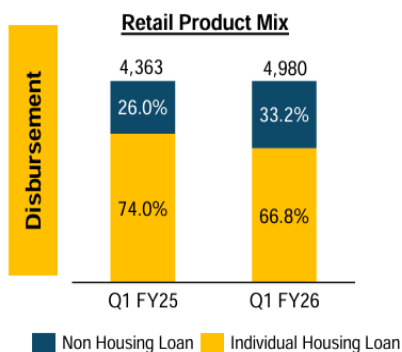
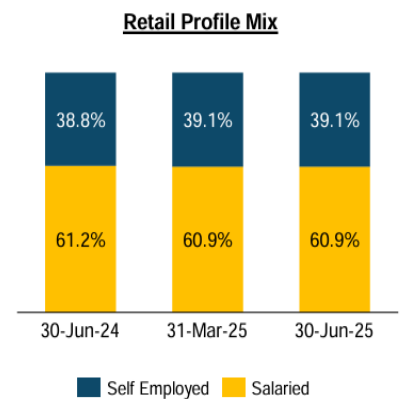
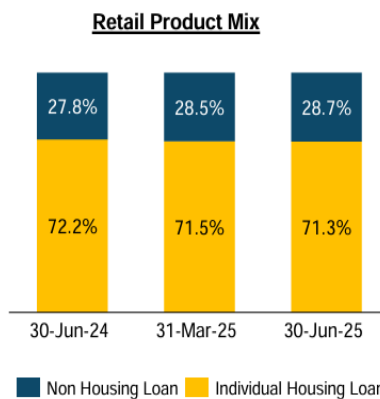
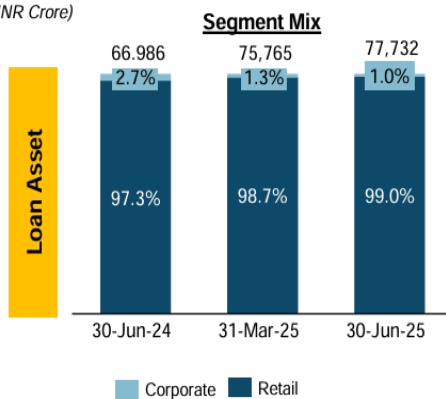
Action: BUY

Industry/Sector	Target Price	Upside Potential	Investment Duration
NBFC – Housing Finance	1194 to 1216	19% to 21%	12 to 15 Months

### About Company:

- PNB Housing Finance was promoted by Punjab National Bank (PNB), one of India's largest public sector banks. PNB remains a significant shareholder, currently holding 28.1% as of Q1 FY26 (after the complete exit by Carlyle Group on 2 May 2025 – sold 10.44% of stake)
- Company has an Assets Under Management (AUM) of INR 82,100 cr.

(INR Crore)



&gt; Live loan accounts serviced by the Company crossed 3,40,000 as on 30-Jun-25

&gt; Average ticket size for Individual Housing loan and Retail Non-Housing at INR 29 lac and INR 26 lac respectively (as on 30-Jun-25)

&gt; Affordable and Emerging Markets segment contributes 50% in Q1 FY25 of the Retail disbursement

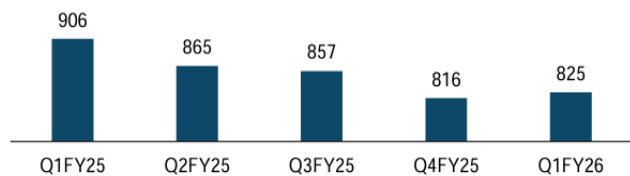
### Top 5 State share in the Retail Loan Asset (%)

State	30-Jun-25	30-Jun-24
Maharashtra	21.0%	24.0%
Tamil Nadu	12.1%	11.0%
Delhi NCR	11.0%	11.5%
Telengana	9.0%	9.5%
Karnataka	8.7%	8.3%

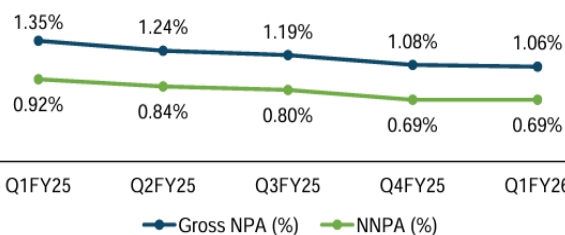
## Historical Financial Performance:

### Overall

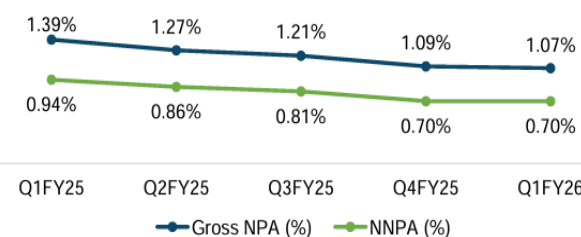
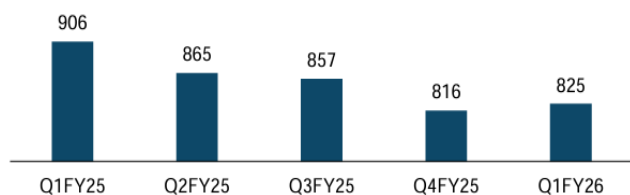
GNPA (INR Crore)



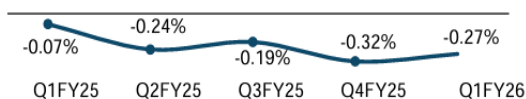
GNPA & NNPA (%)



### Retail



### Credit Cost



Corporate GNPA Nil since last one year

Particulars (INR Crore)	Q1 FY26	Q1 FY25	YoY	Q4 FY25	QoQ	FY25	FY24	FY23
Interest Income	1,980	1,739	14%	1,906	4%	7,274	6,742	6,199
Add: Net gain on fair value changes	14	9	59%	6	118%	27	35	34
Add: Income on derecognized (assigned) loans	-	-	-	-	-	-	-	11
Less: Finance Cost	1,234	1,097	13%	1,178	5%	4,551	4,261	3,899
<b>Net Interest Income</b>	<b>760</b>	<b>651</b>	<b>17%</b>	<b>734</b>	<b>4%</b>	<b>2,750</b>	<b>2,516</b>	<b>2,346</b>
Net Fees and other Income	87	84	4%	124	-30%	391	280	286
<b>Gross Income</b>	<b>847</b>	<b>735</b>	<b>15%</b>	<b>859</b>	<b>-1%</b>	<b>3,140</b>	<b>2,796</b>	<b>2,631</b>
<b>Operating Expenses</b>								
Less: Employee Benefit Expenses	118	109	8%	105	12%	421	337	266
Less: Fee & Commission Expenses	3	3	15%	5	-24%	14	12	12
Less: Net loss on fair value changes	-	-	-	-	-	-	-	-
Less: Other Expenses	80	67	18%	88	-10%	322	270	202
Less: Impairment on assets held for sale	-	-	-	-	-	-	-	48
Less: Depreciation and Amortisation	15	13	10%	14	3%	56	51	51
<b>Operating Profit</b>	<b>632</b>	<b>542</b>	<b>17%</b>	<b>646</b>	<b>-2%</b>	<b>2,327</b>	<b>2,125</b>	<b>2,052</b>
Less: Impairment on financial instruments & Write-offs (Expected Credit Loss)	-56	-12	370%	-65	-13%	-159	171	691
<b>Profit Before Tax</b>	<b>688</b>	<b>554</b>	<b>24%</b>	<b>711</b>	<b>-3%</b>	<b>2,486</b>	<b>1,954</b>	<b>1,361</b>
Less: Tax Expense	154	121	27%	161	-4%	550	446	315
<b>Net Profit after Tax</b>	<b>534</b>	<b>433</b>	<b>23%</b>	<b>550</b>	<b>-3%</b>	<b>1,936</b>	<b>1,508</b>	<b>1,046</b>
Add: Other Comprehensive Income	87	-17	-	-42	-	-70	-16	77
<b>Total Comprehensive Income</b>	<b>620</b>	<b>416</b>	<b>49%</b>	<b>509</b>	<b>22%</b>	<b>1,866</b>	<b>1,492</b>	<b>1,123</b>
EPS (Basic)	20.5	16.7		21.2		74.5	58	53

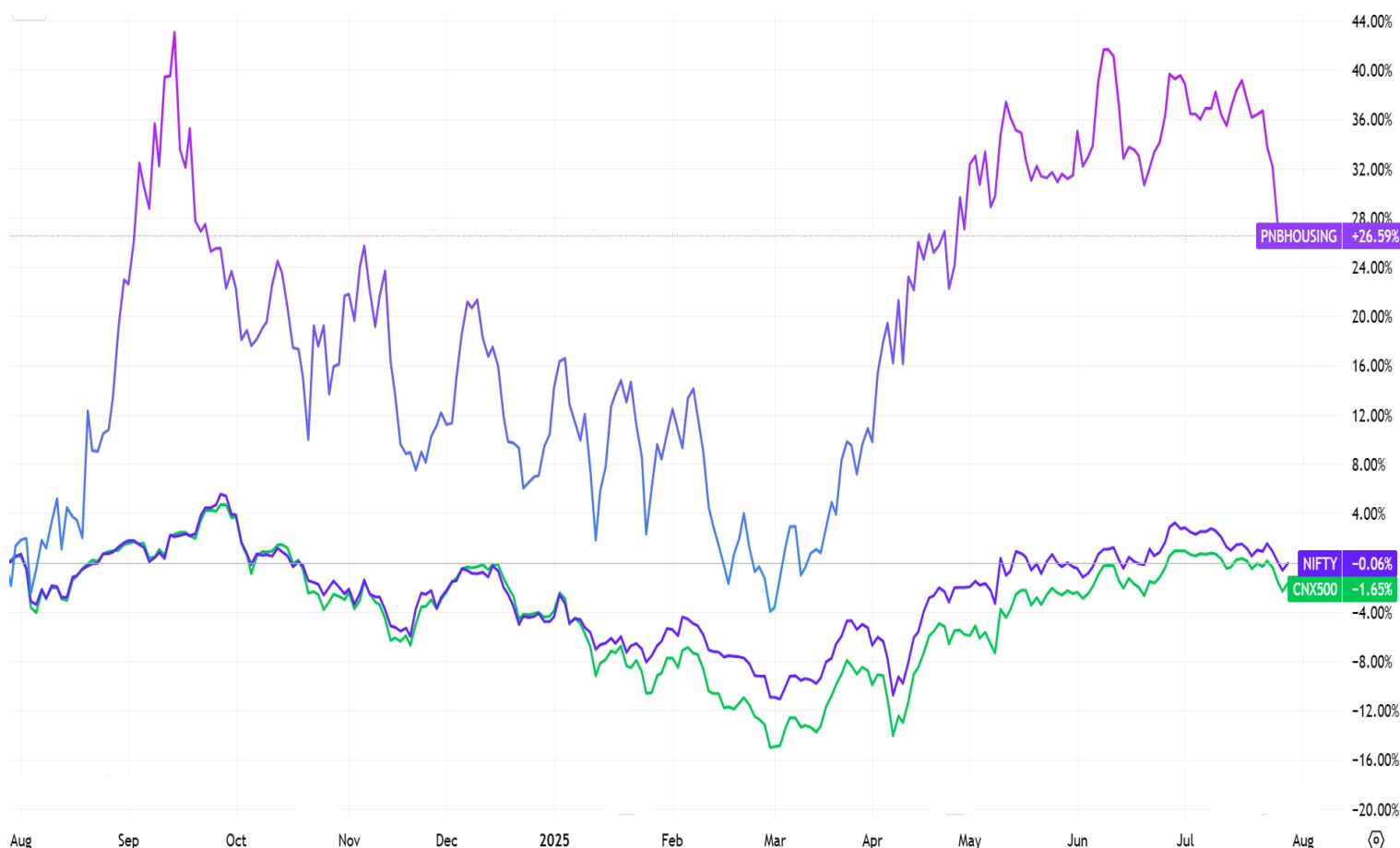
## Q1 FY26 Results & Conference Call (22 July 2025) Key Points:

- Retail Loan Assets grew by 18% YoY to INR 76,923 cr. and total AUM grew by 13% YoY to INR 82,100 cr.
- Pre-Provision Operating Profit (PPOP) grew by 17% YoY to INR 632 cr., showcasing strong operational performance before provisions.
- Net Profits grew by 23% YoY to INR 354 cr.
- Net Interest Income (NII) grew by 17% YoY to INR 760 cr.
- **Company reported a negative credit cost of -27 bps**, primarily driven by recoveries from previously written-off loans, a strong indicator of effective asset quality management and recovery efforts.
- **Cumulatively, company has recovered INR 218 cr. from its written-off pool over the past 5 quarters, as reported in Q1 FY26.** This comes after the company had previously written off INR 700 cr. in corporate loans and INR 400 cr. in retail loans during Q1 FY25.
- The recovery of INR 57 crore from the total written-off pool in Q1 FY26 (40 cr. from retail and 17 cr. from corporate). **Aiming for INR 300 crore recoveries across retail and corporate in FY26.**
- Return on Assets (ROA) stood at a healthy 2.57% (annualized) for Q1 FY26, up from 2.55% for FY25, indicating efficient asset utilization.
- Retail loan book grew by 18% YoY to INR 76,923 cr. Retail loans now constitute 99% of the total loan book.
- Affordable Housing segment loan asset witnessed a remarkable 143% YoY growth to INR 5,744 cr. This indicates successful penetration into this critical, high-growth and government-supported segment (PMAY 2.0).
- **Gross Non-Performing Assets (GNPA) improved significantly, decreasing to 1.06% as of June 30, 2025, down from 1.35% a year ago and 1.08% in Q4 FY25.**
- Net Non-Performing Assets (NNPA) remained stable at 0.69%, indicating effective provisioning.
- Approximately 66% of total borrowings are floating rate, providing flexibility in interest rate management.

## Peer Comparison:

Amounts In Cr.	PNB Housing Finance	Bajaj Housing Finance	LIC Housing Finance
Market Cap	26,156	96,597	32,897
Price to Book Value (P/B)	1.55	4.84	0.9
Loan Book (AUM)	82,100	120,420	307,732
Credit Cost as % of AUM	-0.27%	0.16%	0.09%
GNPA	1.06%	0.30%	2.47%
NNPA	0.69%	0.16%	NA

## Price Movement Comparison b/w PNB Housing Finance and Benchmarks (Nifty50 & Nifty500):



## Conclusion:

- Our outlook on PNB Housing Finance is positive and we recommend a BUY at the current market price for investors with a medium to long term horizon.
- PNB Housing Finance appears strategically positioned to capitalize on an evolving economic and housing market landscape. The company's liability structure, with 66% linked to floating rates, offers a significant advantage in a declining interest rate environment, facilitating a quicker reduction in borrowing costs. This agility is expected to help maintain or even enhance its Net Interest Margins (NIMs), aligning favourably with the general benefit lower interest rates offer NBFCs, albeit with a typical lag of 3 to 6 months.
- Despite short-term headwinds of credit cost increase, stress in MFI segment and NIM compression because of declining Interest rates at Industry level, our view on PNB Housing Finance remains optimistic. We believe strong management capability (effective control over credit cost, GNPA and NNPA) may mitigate potential future risks and deliver projected growth rates for Profit After Tax (PAT), Pre-Provision Operating Profit (PPOP), estimated at 15% to 18% for FY26. We believe this investment presents an upside potential of 19% to 21% over a 12-to-15-month investment horizon.

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