

PNB Housing Finance (PNBHOUSI)

NBFC | NBIE Conference Update

BUY

CMP: Rs824 | Target Price (TP): Rs1,100 | Upside: 33%

February 20, 2025

Strong growth outlook; Affordable/ EM ramping up

Key Points

- The company is confident of achieving a retail loan growth of ~17% in FY25, driven by Affordable/ EM segments.
- Expect NIM to improve to ~4% supported by growth in high-yield segments. Opex to remain elevated as the company opens new branches.
- Asset quality trend remains stable and we expect write-backs to continue.
- Reiterate BUY with an unchanged TP of Rs 1,100 (1.4x Dec'26E ABVPS). Premium over 5-year average P/ABV of 0.9x is justified given the shift towards Affordable Housing/ EM and strong execution on asset quality.

Affordable/ EM ramping up well led by expansion: Disbursement momentum continues to be strong (+30% YoY growth in Q3), driven by the Affordable and Emerging Markets vertical. The company expects these segments to contribute ~40% of disbursements by FY25-end. The affordable housing segment currently accounts for ~3% of the loan book; the company is planning to increase it to ~15% by FY27. To support this growth, the company is expanding its branch network to 200 branches by Mar-25 (vs. 160 currently) and 300 branches by FY27. Commentary indicated that ~50% of the branches will be in new regions, while the rest in existing regions, ensuring a balanced approach between expansion and consolidation. It remains confident of achieving a growth of ~17% in retail loans in FY25 with a target of reaching Rs 1,000 bn by FY27. We expect a growth of ~16.5% in FY25E driven by Affordable Housing and EM businesses.

Guiding for ~4% NIM over the medium term: Commentary indicated an improvement in NIMs driven by higher incremental yields in EM/ Affordable housing segments. While the company expects NIM to trend at ~3.5% in FY25, it highlighted levers such as the rising share of affordable/ EM in the mix and growth in the corporate portfolio for sustainable improvement in yields over the medium-term to ~4%. Moreover, ~70% of the company's liability book is floating, with most bank borrowings linked to MCLR. The company expects a repo rate cut of 25 bps to result in a reduction of 8-10 bps in the cost of borrowing. We expect FY25 NIM to sustain at ~3.5% (in line with guidance), with a gradual improvement in FY26 aided by a lower CoF. The company expects the Opex-to-Assets ratio to remain elevated over the medium-term (~1%) as it adds ~40-50 new branches every year.

Expect write-backs to continue: The company highlighted that portfolio performance was in line with expectations with no abnormal increase in bounce rates or delinquencies across prime, emerging, or affordable segments. It expects Q4/ FY26 credit costs to be negligible due to write-backs. On a steady-state basis, the company expects credit costs to range ~25 bps over the medium-term. PCR Stage 3 stood at 33.19% and Total ECL provisions/total assets stood at 1.51% as of Dec-24.

Company Data and Valuation Summary

Reuters	PNBH.BO
Bloomberg	PNBHOUSI IN
Market Cap (Rsbn / US\$bn)	214.8 / 2.5
52 Wk H / L (Rs)	1,202 / 604
ADTV-3M (mn) (Rs / US\$)	933.9 / 10.9
Stock performance (%) 1M/6M/1yr	(9.4) / 1.9 / 11.3
Nifty 50 performance (%) 1M/6M/1yr	(0.5) / (5.6) / 3.9

Shareholding	1QFY25	2QFY25	3QFY25
Promoters	28.1	28.1	28.1
DII's	11.0	22.2	26.9
FII's	17.9	20.4	24.3
Others	43.0	29.3	20.7
Pro pledge	0.0	0.0	0.0

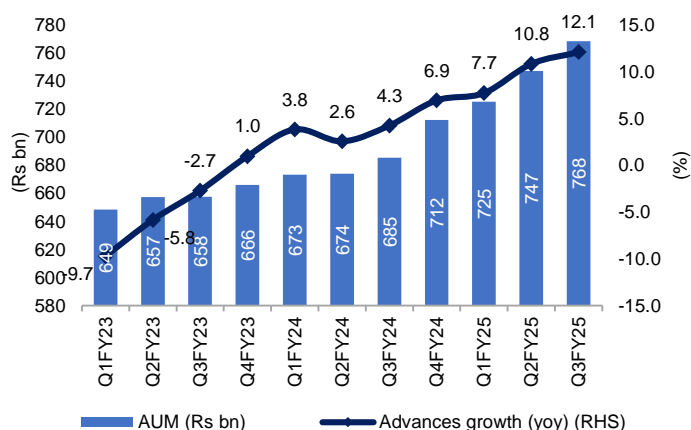
Financial and Valuation Summary

Particulars (Rsmn)	FY24	FY25E	FY26E	FY27E
NII	24,438	27,021	30,936	37,604
% growth	7.5	10.6	14.5	21.6
NIM %	3.6	3.6	3.6	3.7
C/I Ratio %	22.4	24.5	20.9	17.3
Operating Profit	21,427	23,380	28,015	35,304
% growth	4.1	9.1	19.8	26.0
Adjusted PAT	15,274	19,061	21,075	25,061
% growth	44.6	24.8	10.6	18.9
ABVPS (INR /share)	551	625	700	791
P/ABV	1.5	1.3	1.2	1.0
RoA (%)	2.2	2.5	2.4	2.5
Leverage (x)	5.4	4.9	4.9	5.0
RoE (%)	11.8	12.0	11.8	12.4

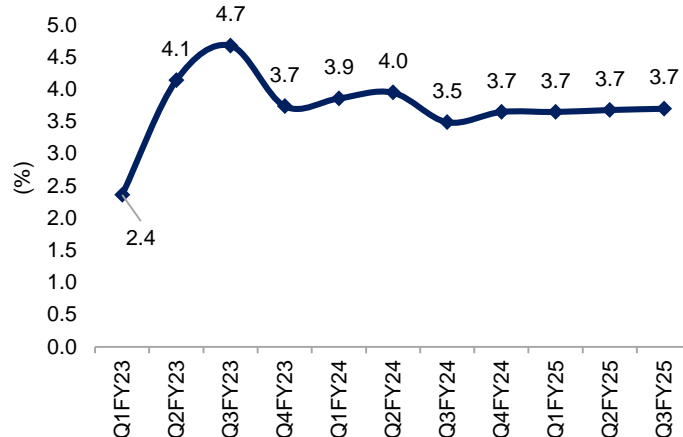
Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

Key Links- [3QFY25Presentation](#) | [Result](#)

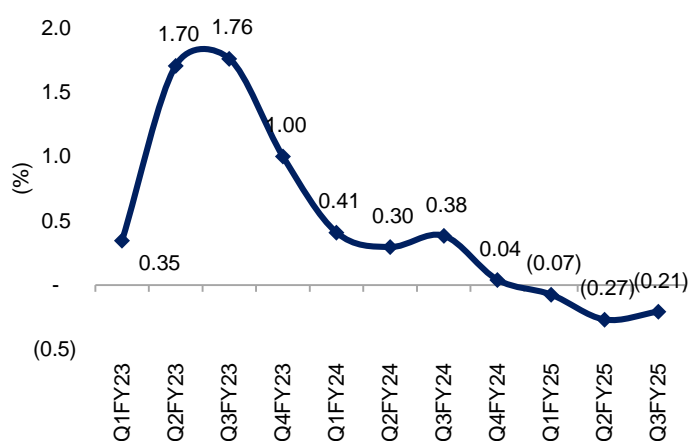
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Exhibit 1: AUM, Advances growth


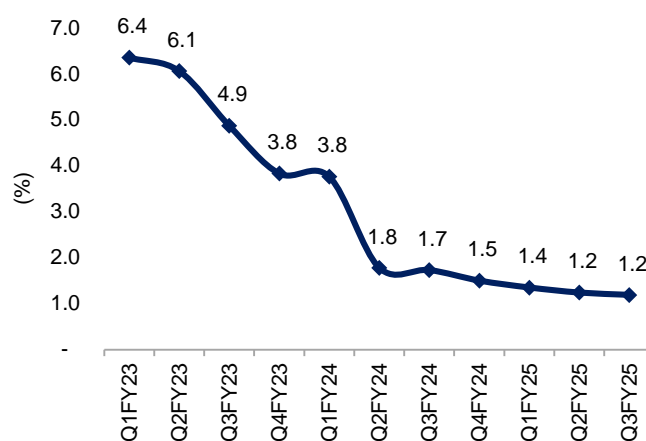
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: NIM (Reported, %)


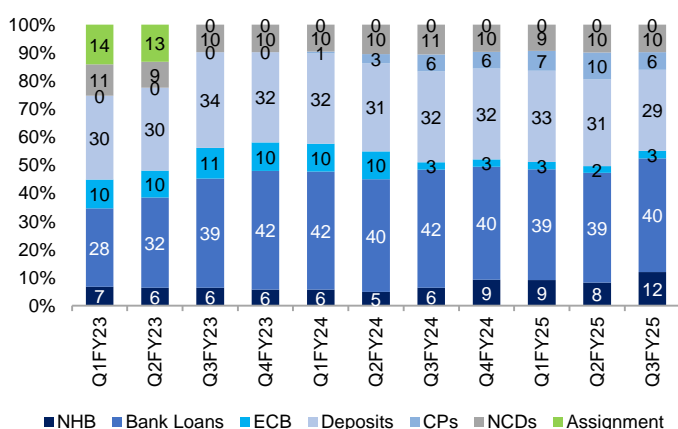
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: Credit cost (Calculated, Annualized, %)


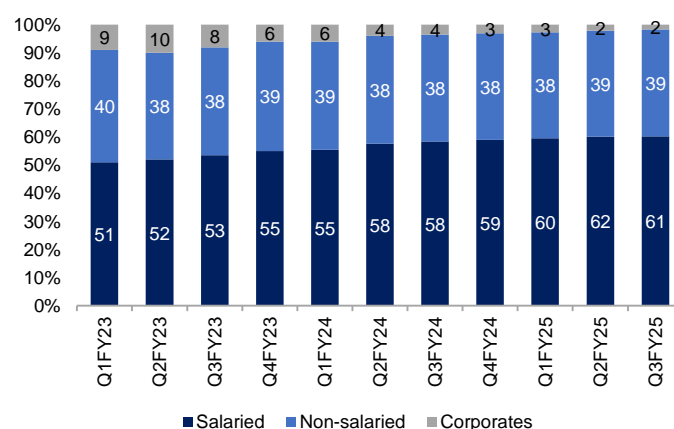
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: GNPA (%)


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: Borrowing profile (%)


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: Advances mix (%)


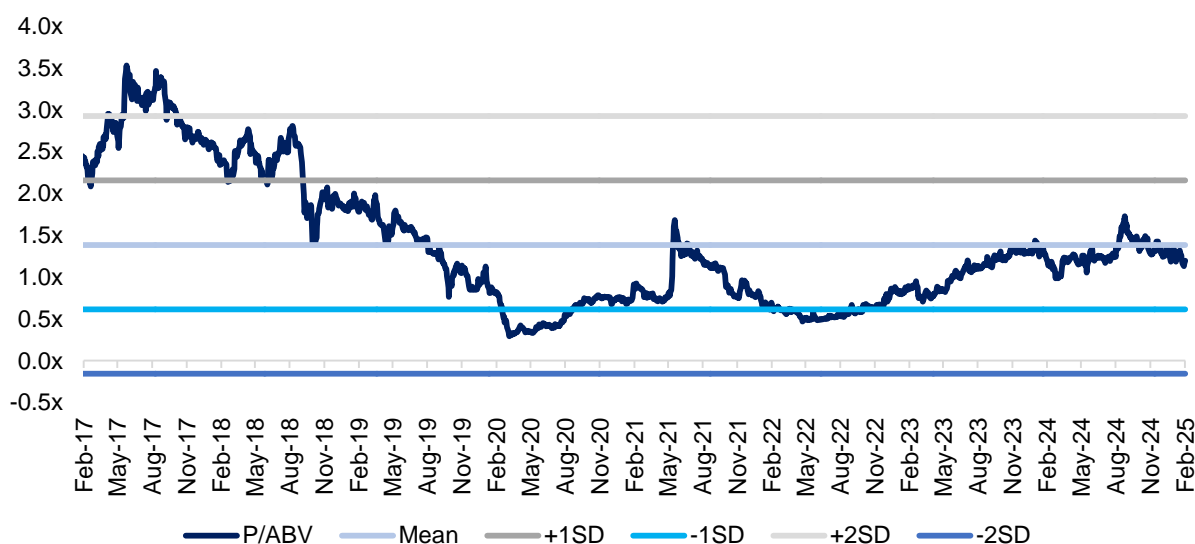
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 7: Financial summary

Y/E March (Rsmn)	FY23	FY24	FY25E	FY26E	FY27E
Net Interest Income	22,733	24,438	27,021	30,936	37,604
Pre-Provisioning Operating Profit	20,581	21,427	23,380	28,015	35,304
PAT	10,563	15,274	19,061	21,075	25,061
EPS (Rs)	62.6	58.8	73.4	81.1	96.4
BV (Rs)	648.6	574.9	647.7	728.8	825.2
P/E (x)	13.2	14.0	11.2	10.2	8.5
P/BV (x)	1.3	1.4	1.3	1.1	1.0
Gross NPA (%)	3.8	1.5	1.2	1.3	1.5
Net NPA (%)	2.8	1.0	0.8	0.9	0.9
ROA (%)	1.6	2.2	2.5	2.4	2.5
ROE (%)	10.2	11.8	12.0	11.8	12.4

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 8: One-year forward P/ABV



Source: Company, Nirmal Bang Institutional Equities Research

Financials

Exhibit 9: Income statement

Y/E March (Rsmn)	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	61,729	67,062	73,153	81,658	95,012
Interest expense	38,996	42,624	46,132	50,722	57,407
Net interest income	22,733	24,438	27,021	30,936	37,604
Non-interest income	3,195	3,177	3,929	4,477	5,105
Net Revenue	25,928	27,616	30,951	35,413	42,709
Operating Expense	5,348	6,189	7,570	7,398	7,406
-Employee Exp	2,143	2,641	3,403	3,258	3,451
-Other Exp	3,204	3,547	4,167	4,140	3,955
Operating profit	20,581	21,427	23,380	28,015	35,304
Provisions	6,912	1,710	-1,262	-85	1,889
PBT	13,668	19,717	24,642	28,100	33,415
Taxes	3,105	4,443	5,581	7,025	8,354
PAT	10,563	15,274	19,061	21,075	25,061

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 11: Balance sheet

Y/E March (Rsmn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	1,689	2,597	2,598	2,598	2,598
Reserves & surplus	1,07,837	1,46,727	1,65,695	1,86,771	2,11,832
Networth	1,09,526	1,49,324	1,68,294	1,89,369	2,14,430
Borrowings	5,36,211	5,50,165	6,28,411	7,19,298	8,42,930
Other liability & provisions	22,313	24,223	25,345	28,792	34,997
Total liabilities	6,68,050	7,23,712	8,22,051	9,37,460	10,92,358
Fixed Assets	1,454	2,114	2,235	2,325	2,420
Investments	31,880	43,453	41,103	46,873	54,618
Loans	5,79,085	6,42,048	7,48,109	8,66,624	10,15,579
Cash	36,926	24,986	22,487	13,190	10,951
Other assets	18,704	11,112	8,118	8,448	8,791
Total assets	6,68,050	7,23,712	8,22,051	9,37,460	10,92,358

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 10: Key ratios

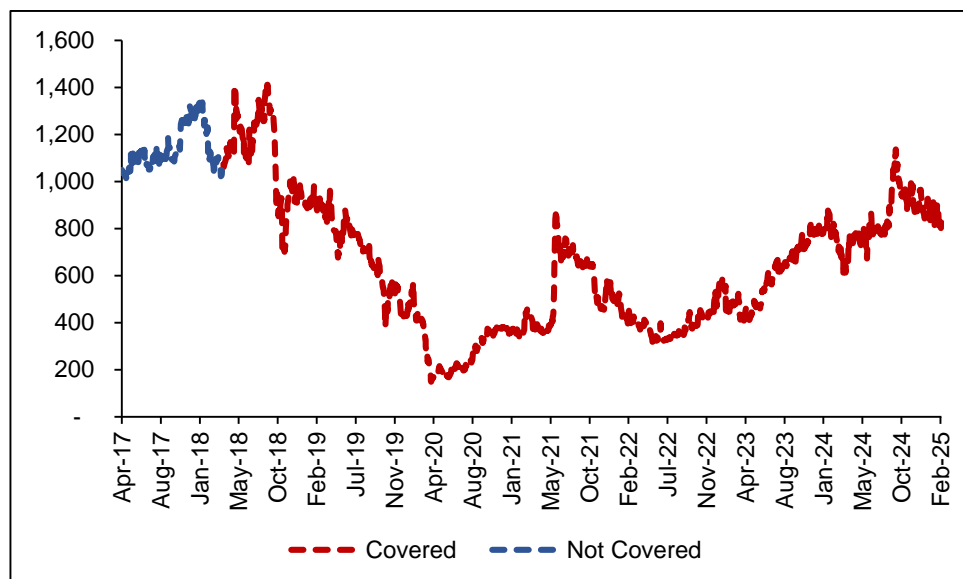
Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Growth (%)					
NII Growth YoY	31.6	7.5	10.6	14.5	21.6
Operating Profit	25.6	4.1	9.1	19.8	26.0
Profit After Tax	28.5	44.6	24.8	10.6	18.9
Business (%)					
Advance Growth	4.6	10.9	16.5	15.8	17.2
Borrowing Growth	1.2	2.6	14.2	14.5	17.2
Spreads (%)					
Yield on loans	10.3	10.3	9.9	9.6	9.6
Cost of Borrowings	7.5	7.5	7.5	7.2	7.1
Spread	2.8	2.8	2.4	2.4	2.5
NIMs	4.0	3.6	3.6	3.6	3.7
Operational Efficiency (%)					
Cost to Income	20.6	22.4	24.5	20.9	17.3
Cost to AUM	0.9	1.0	1.1	0.9	0.8
CRAR (%)					
Tier I	22.4	27.9	24.2	21.6	20.2
Tier II	2.0	1.4	1.4	1.4	1.4
Total	24.4	29.3	25.6	23.0	21.6
Asset Quality (%)					
Gross NPA	3.8	1.5	1.2	1.3	1.5
Net NPA	2.8	1.0	0.8	0.9	0.9
Specific Provision Coverage	35.0	36.7	32.8	30.8	30.8
Credit Cost	1.2	0.3	-0.2	0.0	0.2
Return Ratio (%)					
ROE	10.2	11.8	12.0	11.8	12.4
ROA	1.6	2.2	2.5	2.4	2.5
Per Share (x)					
EPS	63	59	73	81	96
BV	649	575	648	729	825
ABV	553	551	625	700	791
Valuation (x)					
P/E	13.2	14.0	11.2	10.2	8.5
P/BV	1.3	1.4	1.3	1.1	1.0
P/ABV	1.5	1.5	1.3	1.2	1.0

Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
26 March 2018	Buy	1,139	1,410
4 May 2018	Buy	1,414	1,634
10 August 2018	Buy	1,305	1,673
9 October 2018	Buy	890	1,312
6 November 2018	Buy	880	1,272
25 January 2019	Buy	925	1,267
8 April 2019	Buy	934	1,140
6 May 2019	Buy	695	931
10 May 2019	Buy	698	934
8 July 2019	Buy	783	956
31 July 2019	Buy	716	960
7 October 2019	Buy	575	739
25 October 2019	Buy	447	576
8 January 2020	Buy	469	625
24 January 2020	Buy	542	624
27 March 2020	Buy	156	186
9 April 2020	Buy	165	186
16 June 2020	Hold	213	204
9 July 2020	Hold	217	211
24 July 2020	Hold	210	212
23 September 2020	Hold	315	306
7 October 2020	Hold	350	330
30 October 2020	Hold	345	332
26 November 2020	Sell	371	347
08 January 2021	Hold	377	364
28 January 2021	Hold	353	352
21 February 2021	Hold	447	453
28 April 2021	Hold	376	423
31 May 2021	Hold	526	570
5 August 2021	Hold	718	690
26 September 2021	Hold	656	724
17 October 2021	Sell	640	514
2 November 2021	Sell	512	470
21 January 2022	Sell	487	441
21 February 2022	Hold	401	462
29 April 2022	Sell	391	362
29 July 2022	Sell	352	328
19 September 2022	Sell	412	377
28 October 2022	Hold	451	475
25 January 2023	Buy	556	650
22 March 2023	Buy	501	619
19 May 2023	Buy	481	564
25 July 2023	Buy	690	795
23 October 2023	Buy	718	835
25 January 2024	Hold	857	890
30 April 2024	Buy	801	980
25 July 2024	Buy	781	950
25 October 2024	Buy	933	1,100
22 January 2025	Buy	898	1,100
20 February 2025	Buy	824	1,100

Rating track graph



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Stock Ratings Absolute Returns

BUY > 15%

HOLD -5% to 1 4%

SELL < -5%

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