**Initiating Coverage**

| Sector | Ratings |
|---|---|
| Housing Finance Company | BUY |
| **Current Price** | **Target** |
| Rs. 934 | Rs. 1,333 |
| **Potential upside** | **Holding** |
| 43% | 12 months |

| Stock Information | |
|---|---|
| Sensex/Nifty | 81,050/24,796 |
| Bloomberg | PNBHOUSI:IN |
| Equity shares (Cr) | 25.97 |
| 52-wk High/Low (Rs) | 1201.45/600.40 |
| Face value (Rs) | 10 |
| M-Cap (Rs Cr) | 24,270 |
| 2-wk Avg Volume (Qty) | 1,364,560 |

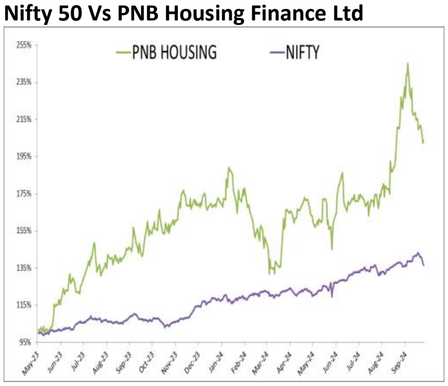
**Shareholding pattern %**

| Particulars | Dec-23 | Mar-24 | Jun-24 |
|---|---|---|---|
| Promoters | 28.1 | 28.1 | 28.1 |
| DII | 7.9 | 6.9 | 11.0 |
| FII | 24.7 | 25.0 | 17.9 |
| Public | 39.3 | 40.0 | 43.0 |

**Financial Summary (Rs. crs.)**

| Year Ended | FY24 | FY25E | FY26E |
|---|---|---|---|
| NII | 2,481 | 2,792 | 3,304 |
| NIM (%) | 0.04 | 0.04 | 0.04 |
| PPOP | 2,126 | 2,425 | 2,983 |
| PAT | 1,509 | 1,738 | 2,144 |
| BV (Rs.) | 577 | 616 | 666 |
| PBV (x) | 1.62 | 1.52 | 1.40 |
| ROE (%) | 10.1% | 11.2% | 12.9% |
| ROA (%) | 2.17% | 2.27% | 2.49% |
| GNPA (x) | 1.50 | 1.50 | 1.20 |
| NNPA (x) | 0.95 | 0.95 | 0.90 |

**Nifty 50 Vs PNB Housing Finance Ltd**




**Hitendra Gupta – Head of Research**
hitendragupta@systematixgroup.in
+91 22 6704 8170
**Chetan Sharma – Senior Analyst**
chetansharma@systematixgroup.in
+91 22 6704 8174

# PNB Housing Finance Ltd

**08th Oct 2024**

PNB Housing Finance, promoted by Punjab National Bank, is the third-largest housing finance company in India, boasting an outstanding AUM of Rs. 71,243 Crs as of FY24, up from Rs. 65,977 Crs in FY22. The company also ranks third in loan book size at Rs. 65,358 Crs and is the largest by deposits at Rs. 17,783 Crs.

PNB Housing Finance aims to grow its loan book to over Rs.1 lakh Crs by FY27, with affordable housing contributing 14-16% and the Emerging Markets segment accounting for 22-25%. The company plans to drive growth through the Pradhan Mantri Awas Yojana (PMAY) scheme and margin-accretive expansion. To improve efficiency, PNB Housing is implementing advanced technologies like cloud-based CRM and chatbots. It also plans to open 40 new branches this year, focusing on the South, North, and West regions. The company targets a 2.4%-2.6% ROA over the next three years, while keeping operational expenses at 1% of AUM.

As the third-largest HFC in its category by AUM, we value the stock at a P/B multiple of 2.0x (a 37% discount compared to the industry average) to the FY26E book value of Rs. 666, we derive a target price of Rs. 1,333.

## Focus to Emerging Prime and Affordable Segments with Bold Expansion by FY27

PNB Housing Finance is strategically shifting its focus from the super prime segment to higher-growth areas, specifically Emerging and Affordable housing. By FY27, it plans to reduce the Prime segment loan book from 76% to 50-55%, while expanding Emerging Prime to 20-25% and Affordable housing to 14-16%. The product mix will evolve to comprise 65-70% housing loans and 30-35% non-housing loans, with the Affordable segment expected to yield the highest returns of 12-15%. To facilitate this, PNB Housing aims to expand its branch network to 372 locations in Tier II to IV cities and diversify sourcing strategies. The retail loan book is targeted to reach Rs. 1 lakh Crs, with corporate loans making up less than 10% of AUM.

## Ratings: Boosted by Strong Growth, Improved Asset Quality, and Solid Capital Base

Rating company has assigned PNB Housing Finance's CP an 'IND A1+' rating and affirmed its NCDs and bank loans at 'IND AA+/Stable'. The ratings reflect PNBHF's strong presence in the mortgage sector, with 97% of its loan book in retail loans and minimal exposure to corporate lending. Key drivers include a robust AUM of Rs. 72,500 Crs, supported by a recent Rs. 2,500 Crs equity infusion, and improved asset quality, with GNPAs down to 1.35%. PNBHF has diversified funding, solid liquidity, and aims for 17-18% growth in FY25. CRISIL, ICRA, and CARE have also upgraded its ratings, affirming its stable outlook. This favorable rating will enable PNBHF to borrow funds at lower rates, further reducing its interest costs and will help to remain competitive.

## Gears Up for PMAY-U 2.0: Expanding Affordable Housing Reach Nationwide

PNB Housing Finance is poised to leverage the government's PMAY-U 2.0 initiative, aimed at affordable housing for urban poor and middle-class families through a Rs. 10 lakh Crs investment plan. Building on its success in the Credit Linked Subsidy Scheme (CLSS), where it sanctioned loans for 62,658 cases—including Rs. 8,129 Crs for the LIG/EWS category—PNB Housing is well-positioned to meet the rising demand for housing. With 303 branches nationwide, the company plans to capitalize on its extensive presence to support the government's mission and expand its footprint in both emerging and prime markets.

**Investors are advised to refer disclosures made at the end of the research report.**

**Strategic Realignment, Shifts Focus from Super Prime to Emerging Prime and Affordable Segments**

PNB Housing Finance has undertaken a strategic transformation following a series of significant initiatives, including a capital infusion, an upgrade in its credit rating, a restructuring of its management team, and a comprehensive clean-up of stressed assets. As part of this realignment, the company has made the decision to exit the super prime segment, opting instead to focus on areas with greater growth potential. It is now actively expanding its presence in the emerging prime and affordable housing segments. To facilitate this shift, PNB Housing Finance has established dedicated verticals aimed at strengthening its capabilities and driving sustained growth in these key market areas.

| | Prime | Emerging Prime | Affordable |
|---|---|---|---|
| Loan Book Mix* | FY24: ~76%<br>FY27 target: ~50-55% | FY24: ~18%<br>FY27 target: ~20-25% | FY24: ~3%<br>FY27 target: ~14-16% |
| Product Mix | **FY24:**<br>Housing : 75%<br>Non-Housing : 25%<br>**Target: FY27**<br>Housing : 65%<br>Non-Housing : 35% | | **FY24:**<br>Housing : 73%<br>Non-Housing : 27%<br>**Target: FY27**<br>Housing : 70%<br>Non-Housing : 30% |
| Yields | 9%-10% | 10%-11% | 11%-14% |
| ATS (Average Ticket Size) | Rs. 35 Lakhs | Rs. 25 Lakhs | Rs. 15 Lakhs |
| Profile Mix (target) | Salaried : 65%<br>Self Employed : 35% | Salaried : 60%<br>Self Employed : 40% | Salaried : 62%<br>Self Employed : 38% |
| Sourcing Mix | In House : 58%<br>DSA : 42% | In House : 65%<br>DSA : 35% | In House : 70%<br>DSA : 30% |
| Focus Markets | Tier I<br>(Top 10 Cities) | Tier II/III<br>(Next 40 Cities) | Tier II,III & IV<br>(Next 100 Cities) |
| No of Branches | FY24: 90<br>FY25 target : 92 | FY24: 50<br>FY25 target : 60 | FY24: 160<br>FY25 target : 200 |
| *Note: Balance is corporate book | | | |

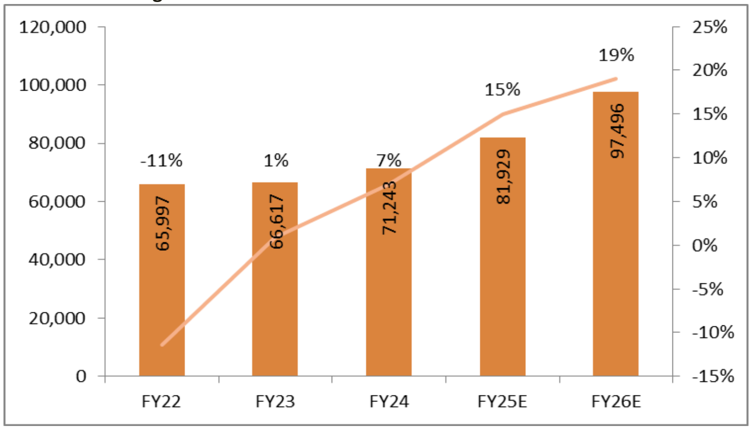
By FY27, the company plans to reduce its loan book concentration in the Prime segment from 76% to 50-55%, while expanding its Emerging Prime portfolio from 15% to 20-25%, and increasing the Affordable segment from 9% to 14-16%. The product mix across all segments will shift, with housing comprising 65-70% and non-housing 30-35%. Yield projections are highest in the Affordable segment at 12-15%, compared to 9-10% in the Prime segment. The average ticket size ranges from Rs. 35 lakhs for Prime to Rs. 15 lakhs for Affordable. Sourcing for the Prime segment relies more on Direct Selling Agents (DSAs), whereas the Emerging Prime and Affordable segments emphasize in-house sourcing.

The company also plans significant geographic expansion, targeting 92 branches for the Prime segment, 80 for Emerging Prime, and 200 for Affordable by FY27, with a focus on Tier I to Tier IV cities.

The company is optimizing its product and sourcing strategies to align with evolving market conditions and is emphasizing geographic expansion, particularly in Tier II, III, and IV cities.

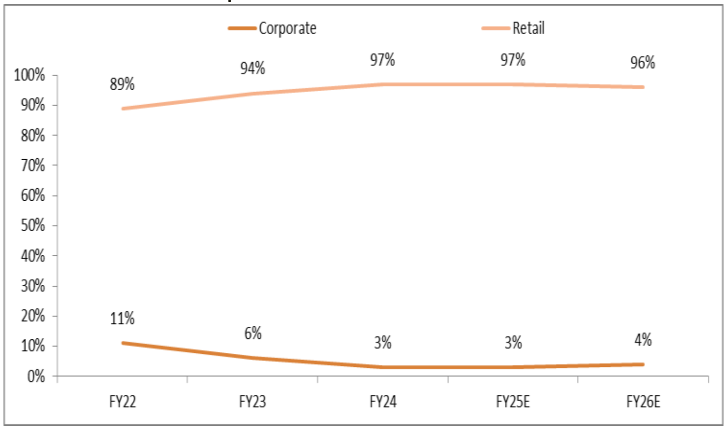
## Growth in AUM and loan book

**Exhibit 01: AUM growth at 17% CAGR from FY24 to FY26E**




*Source: Company, Systematix PCG Research*

**Exhibit 02: Retail and Corporate loan mix of AUM**

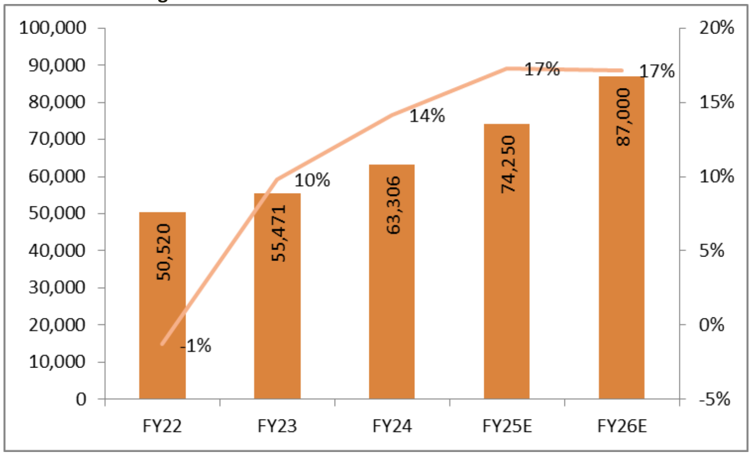



*Source: Company, Systematix PCG Research*

Following a period of decline in FY20 and FY22, the company has returned to a growth trajectory, achieving an AUM growth of 7% in FY24, reaching Rs. 71,243 Crs. This strategic de-growth was focused on minimizing high-ticket, bulky exposures within its wholesale portfolio, ultimately enhancing its asset quality. Consequently, the proportion of the corporate book in its AUM mix has significantly decreased from 21% in March 2019 to just 3% in March 2024.

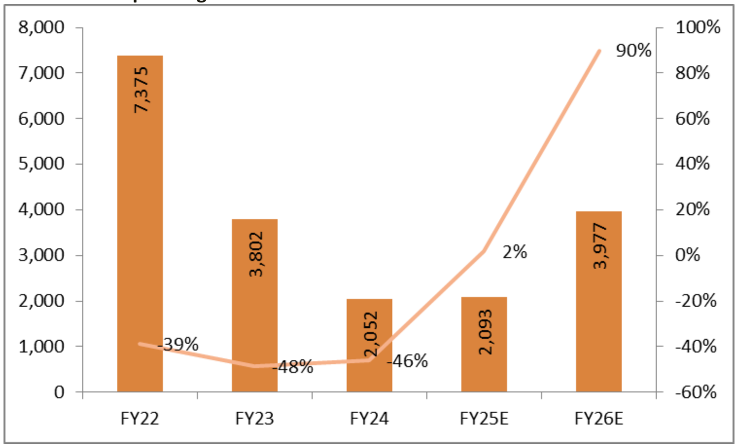
Looking ahead, AUM is expected to grow at a CAGR of 17% from FY24 to FY26E, with the retail segment consistently accounting for 96% of AUM, while the corporate segment is anticipated to range between 3-4%. Management has indicated that they will soon begin corporate lending in a phased manner, ensuring high-quality checks.

**Exhibit 03: Retail growth at 17% CAGR from FY24 to FY26E**




*Source: Company, Systematix PCG Research*

**Exhibit 04: Corporate growth at 39% CAGR from FY24 to FY26E**




*Source: Company, Systematix PCG Research*

To manage the pressure from its corporate loan book, the company has systematically reduced its exposure to maintain asset quality and mitigate potential risks to future growth. For the coming years, the company has projected a 17% growth in its retail loan book, which is expected to reach Rs. 1,00,000 Crs by FY27E, while the corporate loan book is anticipated to be around Rs. 8,000 Crs.

**Rating Upgrade**

**India Ratings Assigns PNB Housing Finance's CP 'IND A1+'; Affirms NCDs and Bank Loans at 'IND AA+'/Stable**

India Ratings has assigned 'IND A1+' to PNB Housing Finance's (PNBHF) commercial paper and affirmed its NCDs and bank loans at 'IND AA+'/Stable. The ratings reflect PNBHF's strong market presence, with 97% of its loan book in retail and a shrinking corporate portfolio. The recent Rs. 2,500 crore rights issue boosts growth, particularly in affordable housing. PNBHF has reduced leverage to 3.7x, with net worth at Rs. 14,800 crore and aims for 17%-18% growth in FY25. Asset quality has improved, with NPAs at 1.35%. Liquidity is solid, supported by unused bank lines and securitisation options. CRISIL, ICRA, and CARE have also upgraded PNBHF's rating to AA+ with a stable outlook, highlighting its sound financials and risk management.

**PNB Housing Set to Capitalize on PMAY-U 2.0 with Strategic Focus on Affordable Housing and Nationwide Expansion**

**1. Pradhan Mantri Awas Yojana - Urban (PMAY-U):** PMAY-U initiative, aimed at delivering affordable housing in urban areas, has achieved considerable progress in the following areas:

- 118.64 lakh houses have been sanctioned under the scheme.
- 114.33 lakh houses have been grounded, which means construction is either in progress or completed.
- 85.04 lakh houses have been completed, showcasing considerable progress in ensuring housing for all.
- Rs. 1,64,125 Crs has been released by the central government as assistance for the scheme.
- Rs. 2 lakh Crs has been committed by the government for further housing development.
- The total investment stands at Rs. 8.07 lakh Crs, indicating the broad scale and financial backing for the scheme.

**2. Pradhan Mantri Awas Yojana (PMAY-U) 2.0:** As announced in the Union Budget, the PMAY-U 2.0 builds on the progress of the first phase, targeting the urban poor and middle-class families:

- 1 Crs families from the urban poor and middle-class will benefit from this phase.
- The scheme aims for an investment of Rs. 10 lakh Crs, including Rs. 2.2 lakh Crs in central assistance over the next 5 years.
- It envisions a provision of interest subsidies to facilitate affordable housing loans, making homeownership more accessible for the target group.

**3. PNB Housing's Contribution to PMAY CLSS Scheme:** PNB Housing Finance has made notable contributions to the Credit Linked Subsidy Scheme (CLSS) under PMAY-U:

62,658 cases have been sanctioned for CLSS loans.

- 46,368 cases fall under the Lower Income Group (LIG)/Economically Weaker Section (EWS) category.
- 16,290 cases fall under the Middle Income Group (MIG) category.

In terms of sanctioned loan amounts:

- Rs. 8,129 Crs was sanctioned for the LIG/EWS category.
- Rs. 4,901 Crs was sanctioned for the MIG category.

This illustrates PNB Housing's active involvement in supporting the affordable housing mission, particularly for the economically weaker sections and middle-income households.

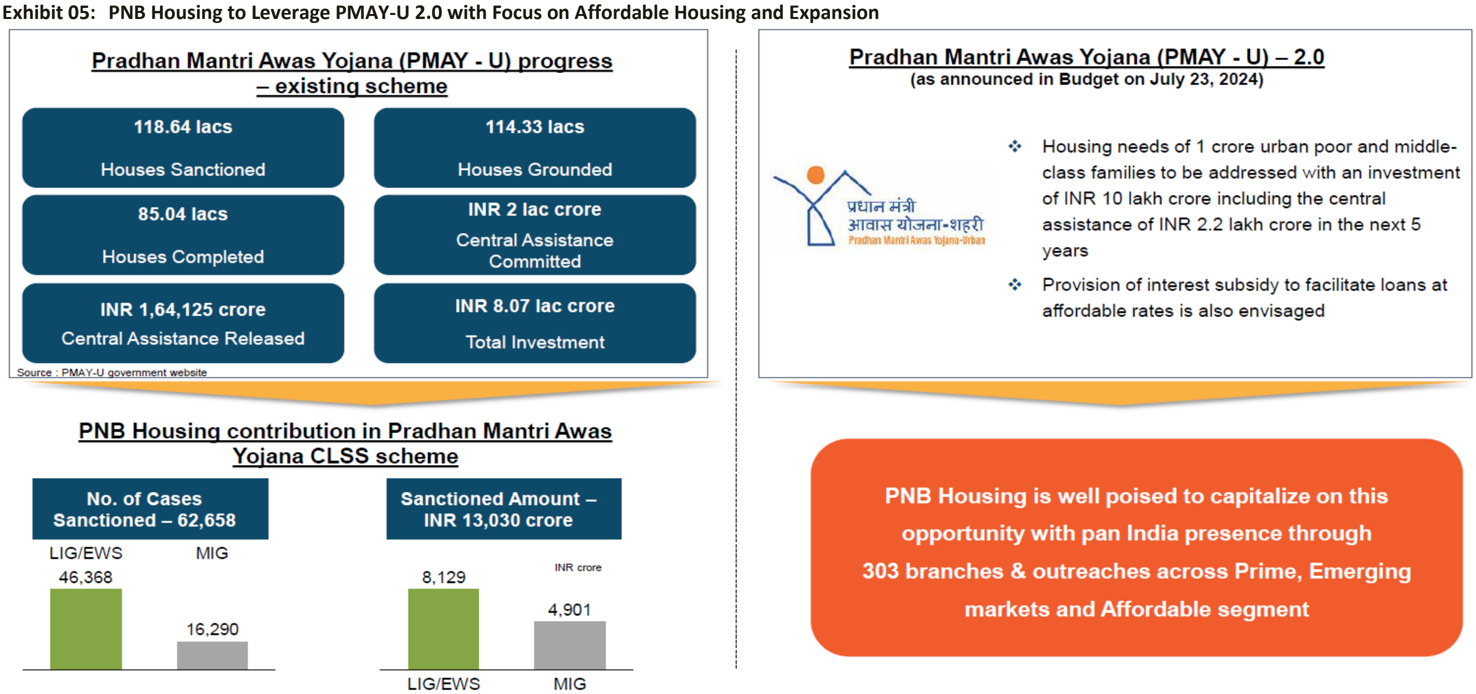
**4. PNB Housing’s Strategic Positioning**

PNB Housing is poised to capitalize on the growing demand for affordable housing under PMAY-U 2.0 by leveraging its extensive network:

The company operates 303 branches and outreaches across India, serving both prime and emerging markets as well as the affordable housing segment.

With its pan-India presence, PNB Housing is well-positioned to tap into the opportunities presented by the government’s renewed focus on housing for all, especially through its participation in schemes like CLSS that aim to make home loans more affordable for a large section of the population.

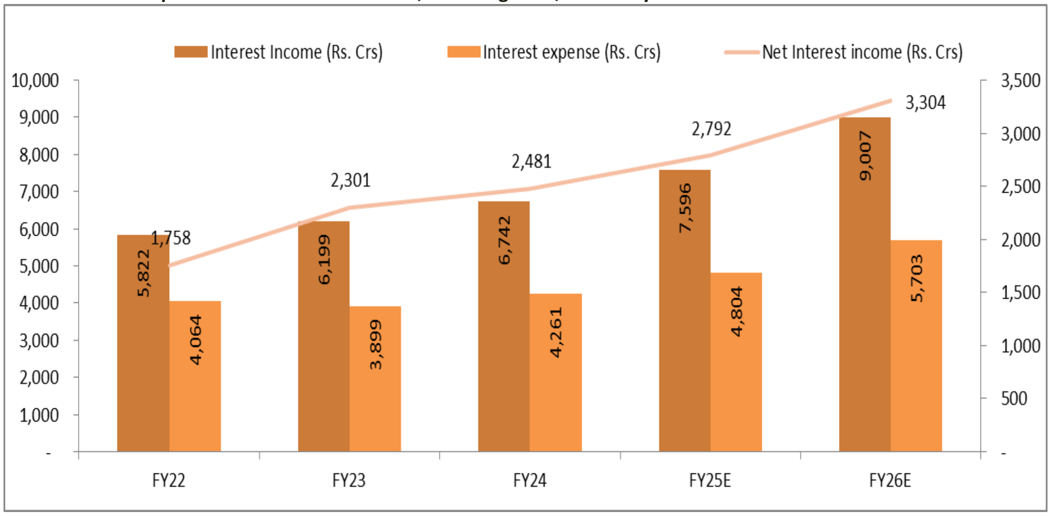
**Exhibit 05: PNB Housing to Leverage PMAY-U 2.0 with Focus on Affordable Housing and Expansion**




*Source: Company, Systematix PCG Research*

## Financial Highlights

**Exhibit 06: NII Expected to Grow at 15% CAGR, Reaching Rs. 3,304 Crs by FY26E**




*Source: Company, Systematix PCG Research*

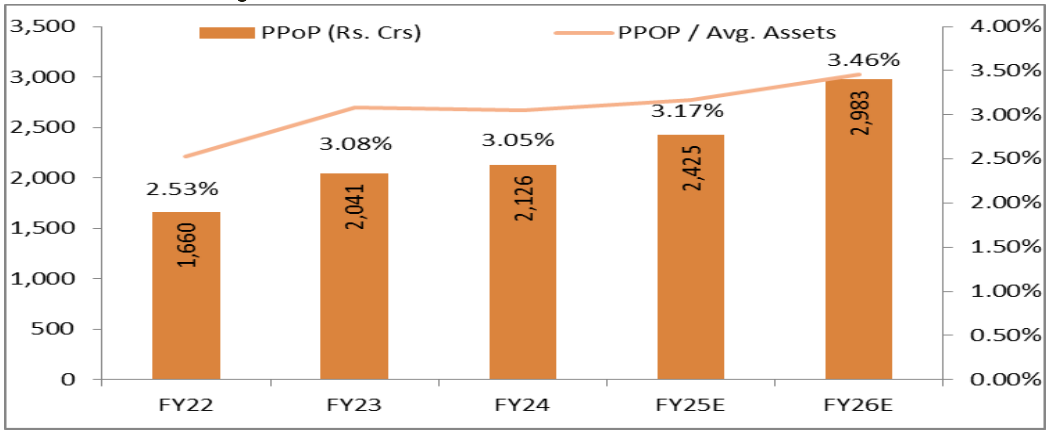
**Interest Income:** The systematic reduction in the corporate lending book has enabled the company to achieve steady growth in interest income. The company's strategic shift from super prime to prime, affordable, and emerging segments, which offer higher yields, has been instrumental in this growth. Loan yields range from 9% to 14% as the focus shifts from prime to emerging prime and affordable segments. PNB Housing is well-positioned to capitalize on the increasing demand for affordable housing under the PMAY-U 2.0 scheme by leveraging its extensive network, further driving its growth trajectory. Company is expected to exert a growth of 16% CAGR from FY24 to FY26E.

**Interest Expense:** CRISIL upgraded PNB Housing Finance's credit rating from AA to AA+ in Q1FY25, with a stable outlook. Other agencies, including ICRA, CARE, and India Ratings, also maintain an AA+ rating, reflecting confidence in the company's strong financial position and prudent risk management. This upgrade will enable PNB Housing to raise funds at more competitive rates. The average cost of borrowing increased to 8.01% in FY24 from 7.60% in FY21. The company's borrowing mix consists of term loans (39.4%), deposits (32.5%), NCDs (9.3%), CPs (7.1%), NHB refinancing (9.1%), and ECBs (2.6%). With 72% of borrowings being floating rate, the company remains sensitive to interest rate changes, but these developments are expected to help PNB Housing control and manage interest expenses effectively.

**Net Interest Income:** Interest income and interest expenses are projected to grow at a CAGR of 16% from FY24 to FY26E, This combination of steady interest income growth and controlled expense growth will drive the NII to expand at a CAGR of 15%, reaching Rs. 3,304 Crs by FY26E.

**Other income** includes fee income, commissions from sales, insurance, and various other services, which is projected to grow at a CAGR of 20% from FY24 to FY26E, reaching Rs. 400 Crs by FY26E.

**Exhibit 07: PPOP is set to grow at 18% CAGR from FY24 to FY26E.**

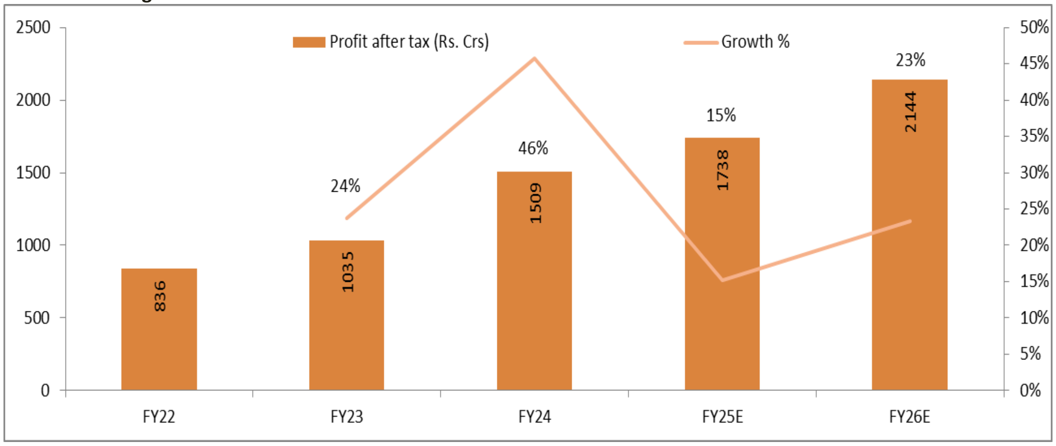



*Source: Company, Systematix PCG Research*

**Pre-Provision Operating Profits (PPoP):** The company's PPoP is projected to grow at a CAGR of 18% from FY24 to FY26E, reaching Rs. 2,983 Crs. Operational expenses are expected to remain below or at 1% of AUM, as the company employs a rental model for its branches, resulting in negligible costs.

**Provisions:** The company's provisions decreased significantly from Rs. 576 Crs in FY22 to Rs. 171 Crs in FY24. This decline is attributed to a systematic reduction in the corporate loan book, which previously required higher provisioning. As the company continues to reduce its corporate book, provisions are expected to increase slightly to Rs. 234 Crs by FY26E, reflecting a CAGR rise of 17% from FY24 to FY26E.

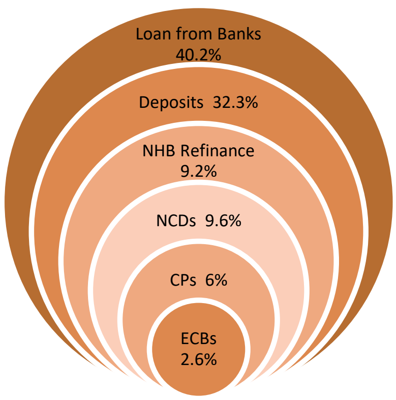
**Exhibit 08: PAT growth of 19% CAGR from FY24 to FY26E**



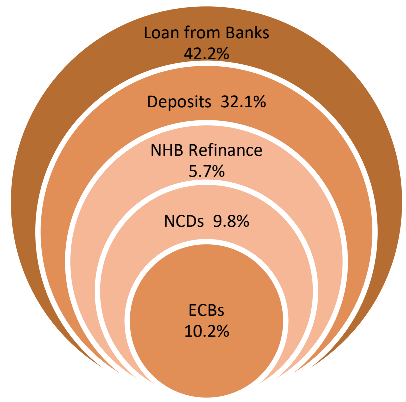

*Source: Company, Systematix PCG Research*

**PAT:** The company has experienced a systematic decline in its corporate loan book while simultaneously witnessing growth in the retail segment, which offers higher yields. Interest expenses are expected to decrease further due to a favorable re-rating. To date, the company has written off Rs. 1,200 Crs in the corporate segment, with an additional Rs. 500 Crs written off in the retail segment, totaling Rs. 1,700 Crs in write-offs. The company anticipates a gradual recovery of this amount, projecting to recover Rs.320 Crs every year for ~5 Years. These factors are expected to contribute to a substantial growth in PAT, with a CAGR of 19% from FY24 to FY26E, reaching Rs. 2,144 Crs.

### Borrowing




**Borrowing mix (31st Mar 24)**

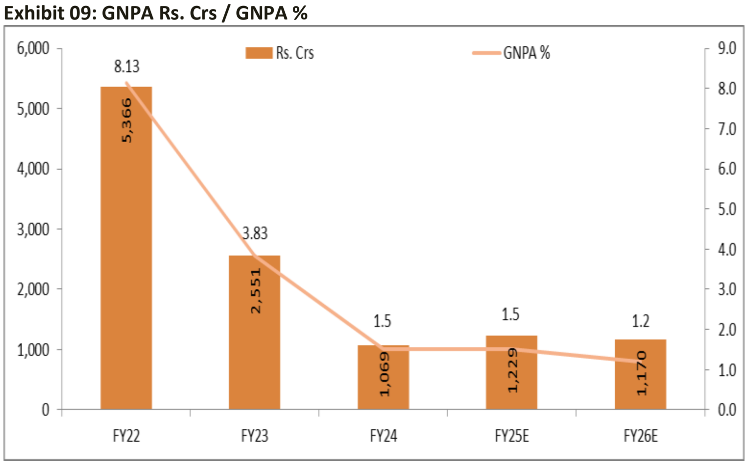



**Borrowing mix (31st Mar 23)**

As of June 30, 2024, PNB Housing Finance's total borrowings increased slightly to Rs. 55,734 Crs from Rs. 55,057 Crs in March 2024, while total resources rose to Rs. 61,172 Crs. Term loans remain the largest component at 39.4%, followed by deposits at 32.5% and NCDs at 9.3%. Commercial papers increased to 7.1%, while NHB refinance decreased to 9.1%. Approximately 72% of borrowings are floating, making them sensitive to interest rate changes. The cost of borrowing (COB) improved to 7.75% in Q1FY25, down from 7.92% in Q4FY24, reflecting efficient financial management. Capital adequacy remains strong, with a CRAR of 29.5%, while the liquidity coverage ratio is robust at 263%, ensuring a comfortable position for short-term obligations. The SLR stood at 14.7%, indicating compliance with reserve requirements. Going ahead, avg. cost of borrowing is expected to reduce due to company's re-rating.

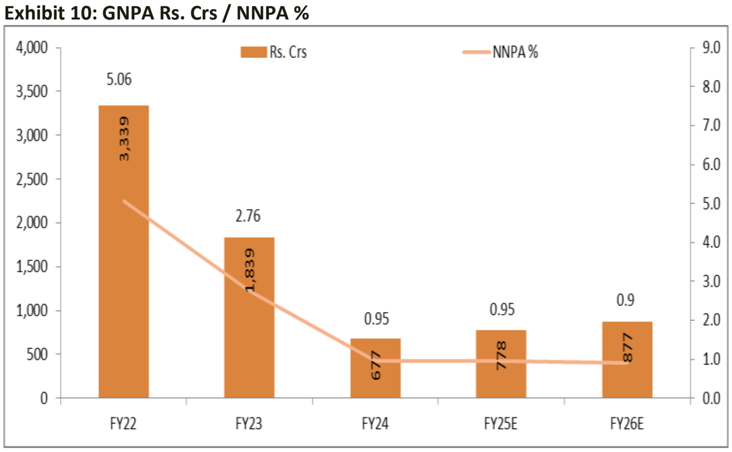
### Asset Quality

**Exhibit 09: GNPA Rs. Crs / GNPA %**




*Source: Company, Systematix PCG Research*

**Exhibit 10: GNPA Rs. Crs / NNPA %**

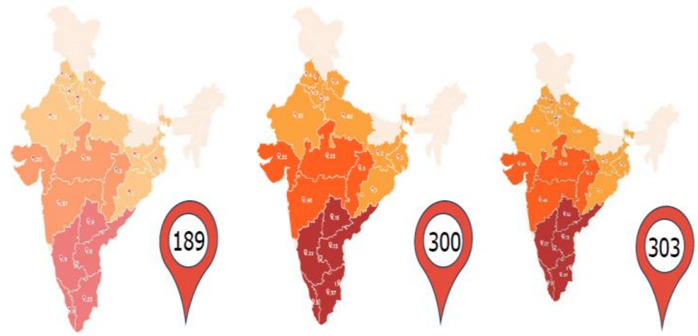



*Source: Company, Systematix PCG Research*

Gross NPAs (GNPA) for PNB Housing Finance significantly reduced from Rs. 5,366 Crs in FY22 to Rs. 1069 Crs in FY24, with the GNPA ratio dropping from 8.13% to 1.5% in same period. Net NPAs (NNPA) also declined from 5.06% to 0.95%. In the retail segment, GNPA fell from Rs. 1,416 Crs to Rs.906 Crs, improving the GNPA ratio from 2.49% to 1.39%, while NNPA decreased from 1.63% to 0.94%. The corporate segment showed remarkable improvement, with GNPA declining from Rs. 854 Crs to zero, and the GNPA ratio dropping from 24.99% to 0.00%. Credit costs have consistently decreased, going from 0.36% in Q1FY24 to -0.07% in Q1FY25, indicating recoveries exceeded provisions. Additionally, retail collection efficiency was impressive at 99%, and the company recovered Rs. 80 Crs from the written-off pool in Q1FY25, further enhancing its balance sheet.

**Branch Network:**

**Exhibit 11: Branch Network**




| LOAN BOOK (INR crore)* | 31-Mar-23 | 31-Mar-24 | 30-June-24 |
|---|---|---|---|
| Prime | 45,671 | 49,828 | 50,825 |
| Emerging Markets | 9,662 | 11,688 | 11,971 |
| Affordable | 138 | 1,790 | 2,361 |
| No of Branches | | | |
| Prime | 70 | 90 | 93 |
| Emerging Markets | 37 | 50 | 50 |
| Affordable | 82 | 160 | 160 |

*Source: Company, Systematix PCG Research*

PNB Housing Finance has expanded its branch network significantly, increasing its total from 189 branches in March 2023 to 303 branches by June 2024. In prime markets, branches rose from 70 to 93, while emerging markets grew from 37 to 50. The affordable housing segment saw a substantial increase, from 82 branches to 160, emphasizing the company's focus on rural and underserved regions. The geographical distribution indicates a strong presence in Southern, Western, and Northern India, particularly in high-demand states like Maharashtra, Karnataka, Tamil Nadu, and Gujarat, while also expanding into emerging areas such as the North-East and Central India.

The company is embarking on a bold expansion plan, aiming to add 50 new branches every year. This company will reach 400 branches by the end of FY26E. Company operates on a rental model, which significantly reduces capital expenditure requirements. Under this model, branches achieve breakeven within 9 to 10 months.

## Valuation

PNB Housing Finance, promoted by Punjab National Bank, offers a diverse range of housing and non-housing loans to retail customers, including individual home loans, loans against property, and non-resident property loans. As of FY24, it ranks as the third-largest housing finance company (HFC) in India, with an outstanding Assets Under Management (AUM) of Rs. 71,243 Crs, an increase from Rs. 65,977 Crs in FY22. The company also holds the position of the third-largest HFC by loan book, totaling Rs. 65,358 Crs in FY24, compared to Rs. 56,889 Crs in FY22, and it is the largest player by deposits, which reached Rs. 17,783 Crs in FY24.

Looking ahead, PNB Housing Finance aims to expand its loan book to over Rs. 1 lakh Crs by FY27, with affordable housing contributing 14-16% of the portfolio and the Emerging Markets segment targeting a 22-25% share. The company is strategically positioned for significant growth by leveraging the Pradhan Mantri Awas Yojana (PMAY) scheme to strengthen its presence in the Affordable and Emerging segments, with a focus on margin-accretive expansion and an anticipated improvement in NIM in the coming quarters.

To enhance operational efficiency, PNB Housing Finance has adopted advanced technology, including a new cloud-based CRM for acquisition and customer service, a revamped website for improved customer engagement, and a digital collection platform with chatbots. The company plans to open 40 new branches this year, focusing on the South, North, and West regions, with affordable branches expected to breakeven within 9 to 10 months. PNB Housing Finance employs tailored credit underwriting models for Prime, Emerging, and Affordable segments, utilizing standardized templates and personal discussions for decision-making in the Affordable segment. The company aims to achieve a ROA of 2.4%-2.6% over the next three years while maintaining operational expenses (Opex) at 1%, anticipating improvements in turnaround time, credit costs, and asset quality.

As the third-largest HFC in its category by AUM, we value the stock at a P/B multiple of 2.0x (a 37% discount compared to the industry average) to the FY26E book value of Rs. 666, we derive a target price of Rs. 1,333.

## Risks & Concerns

**Regulatory Changes:** Unfavorable shifts in policies by the RBI, NHB, or government could impact earnings.

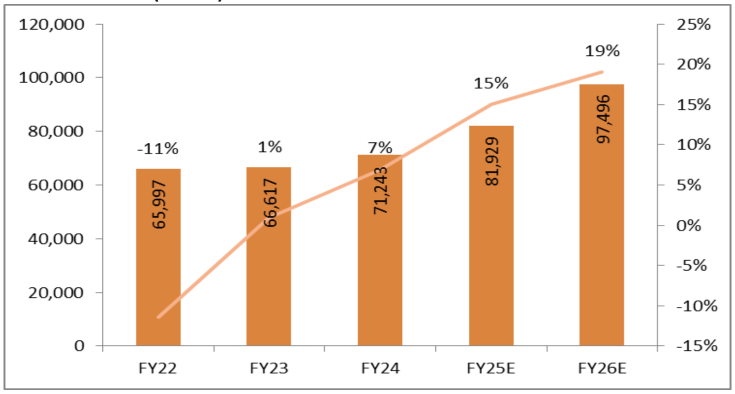
**Intense Competition:** Competition from banks and other HFCs, with their lower funding costs, may limit loan growth and compress Net Interest Margins (NIM).

**Asset Quality:** While GNPA has improved from 8.1% to 1.35%, renewed corporate lending may lead to future NPA risks.

**NIM Pressure:** Rising borrowing costs and increasing competition could squeeze margins, affecting profitability.

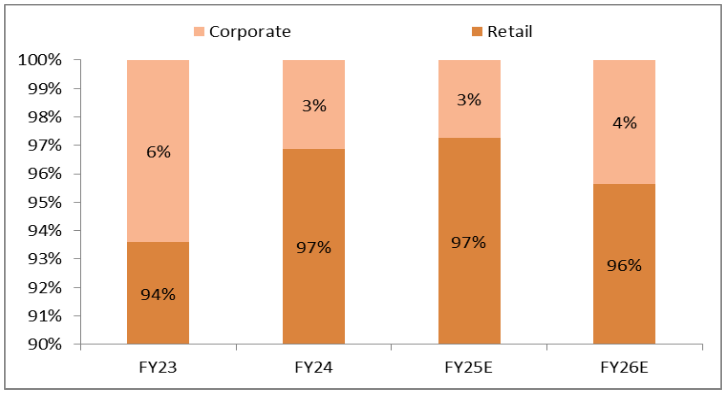
## Story in Charts

**Exhibit 12: AUM (Rs. Crs)**



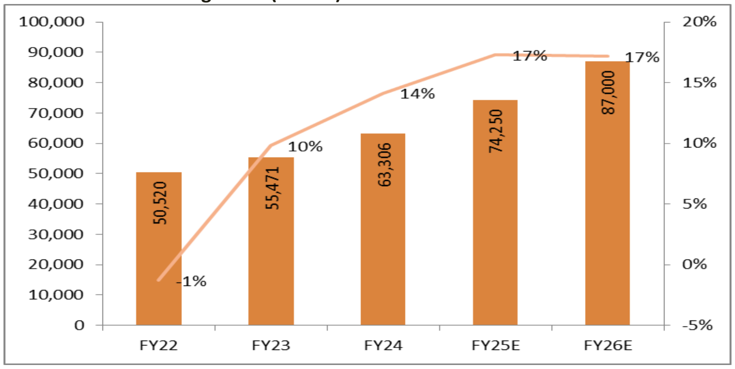

*Source: Company, Systematix PCG Research*

**Exhibit 13: Loan Mix %**



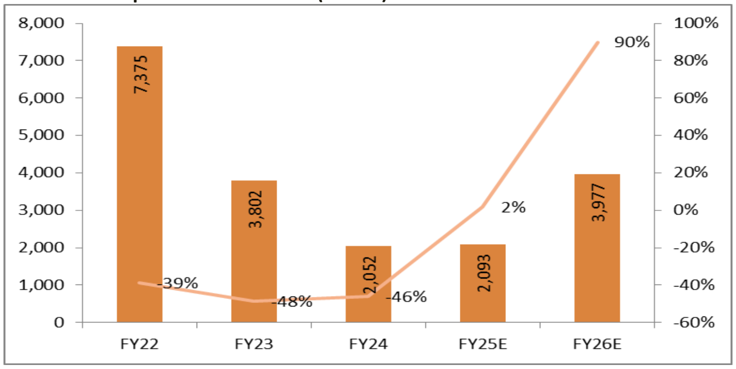

*Source: Company, Systematix PCG Research*

**Exhibit 14: Retail loan growth (Rs. Crs)**



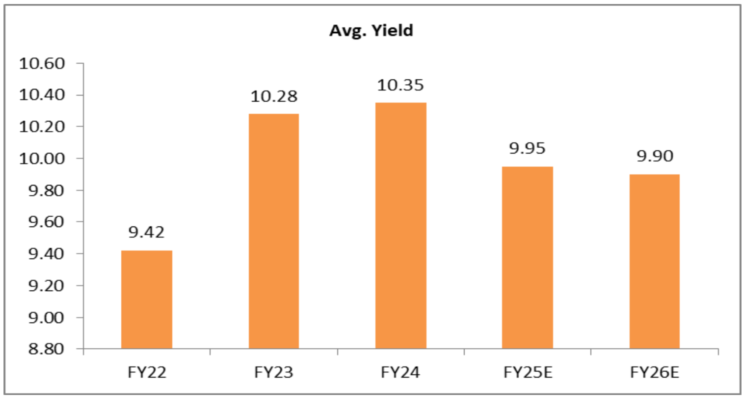

*Source: Company, Systematix PCG Research*

**Exhibit 15: Corporate Loan Growth (Rs. Crs)**



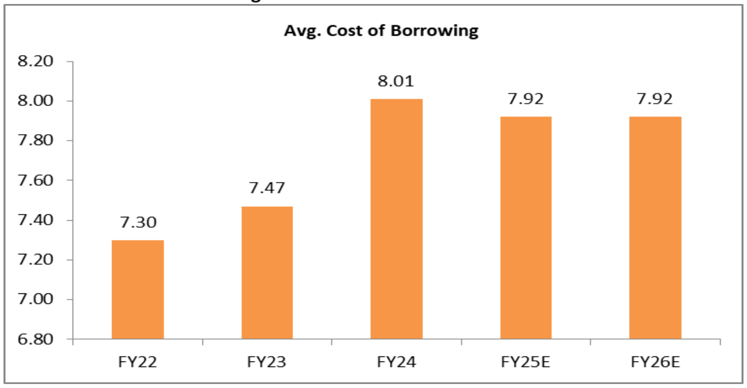

*Source: Company, Systematix PCG Research*

**Exhibit 16: Yield %**



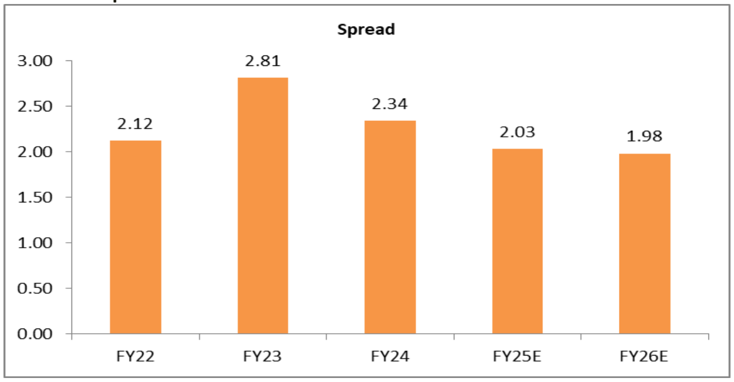

*Source: Company, Systematix PCG Research*

**Exhibit 17: Cost of borrowing %**



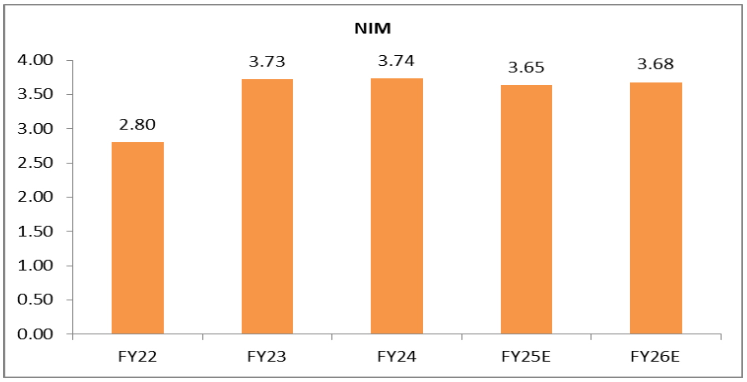

*Source: Company, Systematix PCG Research*

**Exhibit 18: Spread %**




*Source: Company, Systematix PCG Research*

**Exhibit 19: NIM %**

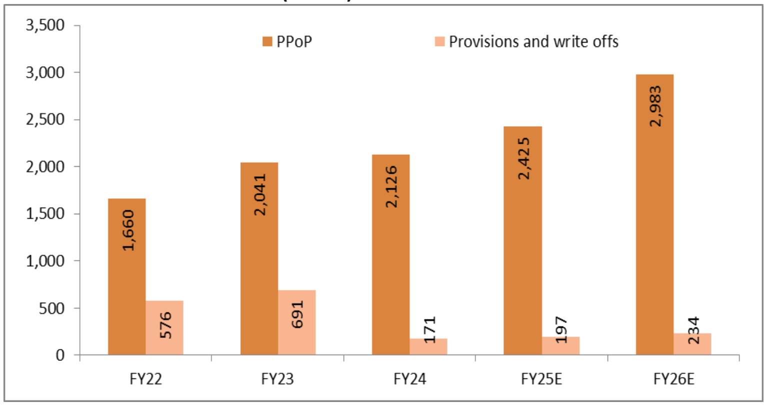



*Source: Company, Systematix PCG Research*

**Exhibit 20: Interest Income/ Interest expense / Net Interest Income (Rs. Crs)**

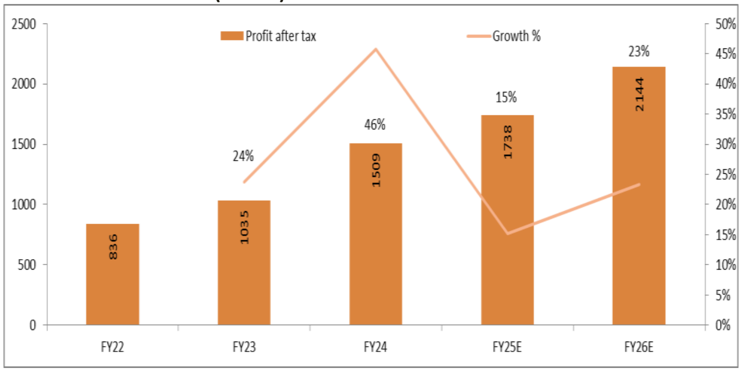

*Source: Company, Systematix PCG Research*

**Exhibit 21: PPOP and Provision (Rs. Crs)**



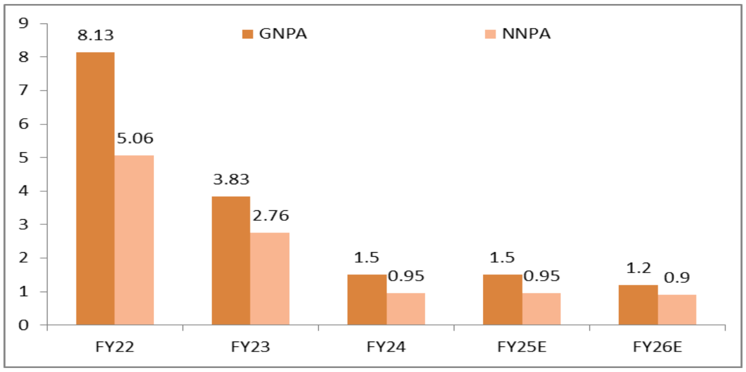

*Source: Company, Systematix PCG Research*

**Exhibit 22: PAT Growth (Rs. Crs)**



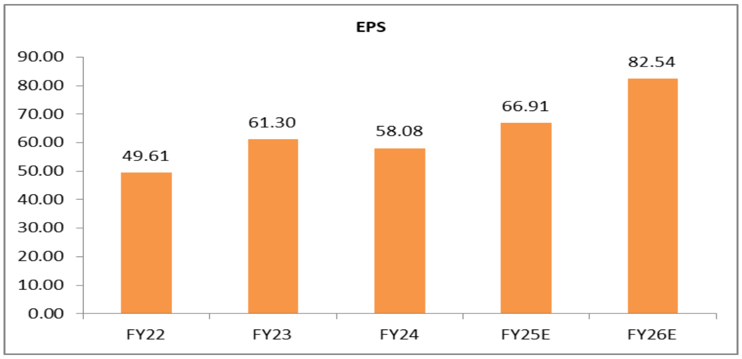

*Source: Company, Systematix PCG Research*

**Exhibit 23: GNPA Vs NNPA %**



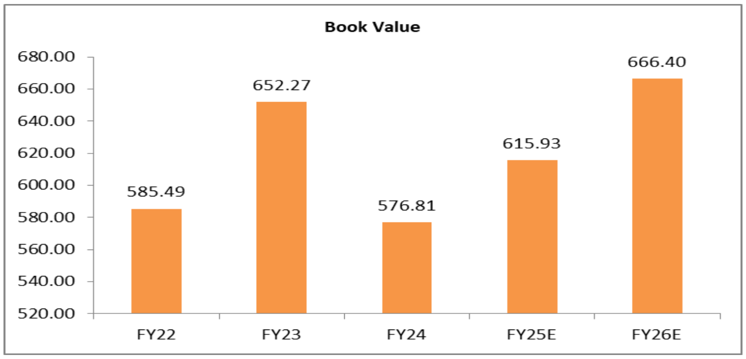

*Source: Company, Systematix PCG Research*

**Exhibit 24: EPS**




*Source: Company, Systematix PCG Research*

**Exhibit 25: Book Value**




*Source: Company, Systematix PCG Research*

## About the Company

With over 35 years of experience, PNB Housing Finance is India's third-largest housing finance company by loan assets, offering tailored solutions across diverse customer segments. It has strengthened its focus on retail lending, including affordable housing through its Roshni initiative and a new Emerging Markets segment targeting Tier 2 and 3 cities. Key growth drivers in India's housing sector include rising urbanization, income levels, and housing shortages, with demand expected to surge, particularly in mid-segment housing.

In FY24, PNB Housing Finance's retail loan book grew by 14%, now comprising 97% of its portfolio. The company expanded its affordable housing loans to Rs. 1,790 crore and improved asset quality, reducing gross NPA to 1.50%. Net profit surged by 44% to Rs. 1,508 crore, supported by a CRAR of 29.26% and credit rating upgrades to 'AA+'. Looking ahead, the company plans to further expand into key markets, maintain a strict corporate lending cap, and invest heavily in technology to enhance customer experience and operational efficiency.

## Strategic priorities

**Priority 1: Strategic Focus on Retail Loan Growth**
PNB Housing Finance has driven its loan book growth by focusing on the retail segment, leveraging its management team's extensive experience. Alongside growth in the Prime segment, the company targets high-yielding emerging markets and the affordable segment, supported by its strong parentage and efficient liabilities franchise. The emphasis on technology further enhances operational efficiency.

**Priority 2: Expanding Affordable Loan Offerings**
PNB Housing Finance expanded its affordable segment, increasing Roshni branches from 82 to 160 in FY24 and growing its loan book to Rs. 1,790 crore. Supported by a strong brand, pan-India distribution, and a dedicated vertical, the company disbursed Rs. 1,653 crore under Roshni in FY24, with 70% in-house sourcing.

**Priority 3: Enhancing Asset Quality**
The company improved asset quality by implementing advanced technology for underwriting and collections. Verticalized collection teams and leveraging the SARFAESI Act have further strengthened asset recovery and asset quality.

**Priority 4: Driving Digitalization for Operational Efficiency**
PNB Housing Finance invests heavily in technology and analytics to enhance core operations, aiming to lead the housing finance sector's digital transformation. Collaborations with fintech, banks, and aggregators streamline processes and offer personalized products. In FY24, 16% of service requests were automated, and each agent handled 63 calls per day using Salesforce CRM.

## Financial Summary

| Consolidated Income Statement (Rs.cr.) | FY22 | FY23 | FY24 | FY25E | FY26E |
|---|---|---|---|---|---|
| Interest Income | 5,822.00 | 6,199.07 | 6,742.21 | 7,596.13 | 9,006.70 |
| Net gain on Fair value changes | 111.38 | 34.10 | 34.98 | 34.98 | 34.98 |
| Interest expense | 4,064.46 | 3,898.52 | 4,261.12 | 4,804.37 | 5,702.64 |
| **Net Interest income** | **1,757.54** | **2,300.55** | **2,481.09** | **2,791.76** | **3,304.07** |
| Other Income | 267.35 | 285.59 | 279.90 | 336.42 | 400.35 |
| **Total Income (Net of Interest Expense)** | **2,136.27** | **2,620.24** | **2,795.97** | **3,163.16** | **3,739.39** |
| Employee benefit expenses | 216.61 | 265.96 | 337.34 | 374.35 | 415.06 |
| Depreciation and amortization | 53.39 | 51.44 | 51.19 | 56.00 | 56.00 |
| Fee and commission Expenses | 11.12 | 11.52 | 11.52 | 11.52 | 11.52 |
| Other operating expenses | 194.83 | 250.03 | 270.08 | 296.45 | 274.13 |
| **Total Operating Expense** | **475.95** | **578.95** | **670.13** | **738.31** | **756.70** |
| Pre-Provision Operating Profits (PPoP) | 1,660.32 | 2,041.29 | 2,125.84 | 2,424.85 | 2,982.69 |
| Provisions and write offs | 576.36 | 691.28 | 171.11 | 196.78 | 234.16 |
| **Profit before tax** | **1,083.96** | **1,350.01** | **1,954.73** | **2,228.07** | **2,748.52** |
| Total tax expenses | 247.48 | 314.91 | 446.13 | 490.18 | 604.67 |
| **Profit after tax** | **836.48** | **1,035.10** | **1,508.60** | **1,737.90** | **2,143.85** |

| **Balance sheet** | | | | | |
|---|---|---|---|---|---|
| Share capital | 168.60 | 168.86 | 259.72 | 259.72 | 259.72 |
| Reserves & surplus | 9,702.66 | 10,845.02 | 14,721.28 | 15,737.54 | 17,048.21 |
| Networth | 9,871.26 | 11,013.88 | 14,981.00 | 15,997.26 | 17,307.93 |
| | | | | | |
| Borrowings | 52,961.53 | 53,621.38 | 55,016.59 | 61,904.21 | 71,065.74 |
| Current Liabilities and shortterm provisions | 2,896.85 | 2,238.46 | 2,413.82 | 2,751.93 | 3,277.89 |
| **Total Liabilities and Stakeholder's Equity** | 65,729.64 | 66,873.72 | 72,411.41 | 80,653.40 | 91,651.57 |
| | | | | | |
| Cash and balance with RBI | 5,216.09 | 3,796.20 | 2,606.93 | 2,761.44 | 2,957.67 |
| Fixed assets | 149.86 | 145.87 | 211.43 | 237.44 | 280.55 |
| Loans | 55,335.94 | 57,839.79 | 64,108.24 | 70,861.77 | 79,936.19 |
| Investments | 3,482.70 | 3,196.30 | 4,346.01 | 5,283.75 | 7,092.55 |
| Deferred tax assets (net) | 398.90 | 145.67 | 127.69 | 127.69 | 127.69 |
| Other Assets | 1,146.15 | 1,749.89 | 1,011.11 | 1,381.31 | 1,256.93 |
| Total Assets | 65,729.64 | 66,873.72 | 72,411.41 | 80,653.40 | 91,651.57 |

| Valuation | FY22 | FY23 | FY24 | FY25E | FY26E |
|---|---|---|---|---|---|
| EPS (Rs.) | 49.61 | 61.30 | 58.08 | 66.91 | 82.54 |
| Growth % | - | 24% | -5% | 15% | 23% |
| Book Value Rs. | 585 | 652 | 577 | 616 | 666 |
| Growth % | - | 11% | -12% | 7% | 8% |
| P/E | 18.83 | 15.24 | 16.09 | 13.97 | 11.32 |
| P/BV | 1.60 | 1.43 | 1.62 | 1.52 | 1.40 |
| | | | | | |
| **Profitability Ratios** | | | | | |
| AUM (Rs.cr.) | 65,977 | 66,617 | 71,243 | 81,929 | 97,496 |
| Growth (%) | - | 1% | 7% | 15% | 19% |
| Cost / Income | 22.28% | 22.10% | 23.97% | 23.34% | 20.24% |
| PPOP / Avg. Assets | 2.53% | 3.08% | 3.05% | 3.17% | 3.46% |
| ROE (%) | 8.47% | 9.91% | 10.07% | 11.22% | 12.87% |
| ROA (%) | 1.27% | 1.55% | 2.17% | 2.27% | 2.49% |
| | | | | | |
| **Spreads** | | | | | |
| Yield on Loans | 9.42% | 10.28% | 10.35% | 9.95% | 9.90% |
| Cost of Funds | 7.30% | 7.47% | 8.01% | 7.92% | 7.92% |
| Spread | 2.12% | 2.81% | 2.34% | 2.03% | 1.98% |
| NIM | 2.80% | 3.73% | 3.74% | 3.65% | 3.68% |

| **Asset Quality** | | | | | |
|---|---|---|---|---|---|
| GNPA % | 8.13 | 3.83 | 1.50 | 1.50 | 1.20 |
| GNPA Rs. Crs | 5,366 | 2,551 | 1,069 | 1,229 | 1,170 |
| NNPA % | 5.06 | 2.76 | 0.95 | 0.95 | 0.90 |
| NNPA Rs. Crs | 3339 | 1839 | 677 | 778 | 877 |

| **Growth Ratio (%)** | | | | | |
|---|---|---|---|---|---|
| Int. Income | - | 6.5% | 8.8% | 12.7% | 18.6% |
| Int. Expenses | - | -4.1% | 9.3% | 12.7% | 18.7% |
| NII | - | 30.9% | 7.8% | 12.5% | 18.4% |
| PPOP | - | 22.9% | 4.1% | 14.1% | 23.0% |
| PBT | - | 24.5% | 44.8% | 14.0% | 23.4% |
| PAT | - | 23.7% | 45.7% | 15.2% | 23.4% |

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|---|---|
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| Served as an officer, director or employee | No |

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