



Company Details:

- PNB Housing Finance is among the leading housing finance companies in India with pan India network of **212** branches across **20** states and Union Territories.
- Company's **loan product portfolio consists** of retail loans which include i) individual housing loans, ii) loans against property, iii) non-residential premises loans and corporate loans.
- PNB Housing Finance is **promoted by Punjab National Bank** (PNB) which owns **28.13%** of the Company while Carlyle group is the largest shareholder in the Company with stake of 32.69%.
- Company's AUM as of 31st Dec' 2023 stood at **Rs. 68,549 cr** while outstanding loan book stood at **Rs. 62,337 cr** with Retail : Corporate mix of **96.5 : 3.5**.

Strength:

- **Strong parentage** in the form of Punjab National Bank and brand sharing benefits Company in every aspect of business – growing the loan book as well as in mobilizing funds including Deposits.
- Pan India presence and wider product portfolio which includes, Prime as well as Affordable Home Loans, enables the Company to **cater to wider customer segment**.
- Larger share of Retail Loans in the overall loan mix is expected to **help in better managing asset quality**.
- Enjoys healthy credit rating of **IND AA+/Stable** by India Ratings and Research (Indian arm of Fitch Ratings), **AA/Positive** by Crisil, **ICRA** and **CARE**.
- **Rs. 2,500 cr fund raise** through rights issue in Q1 FY24, helped the Company to shore up capital adequacy and also bring down gearing ratio at **3.65x** as of Q3 FY24.
- **Steady improvement in asset quality** with Gross NPAs declining to **1.73%** in Q3 FY24 from **4.87%** in Q3 FY23 and Net NPAs declining to **1.14%** in Q3 FY24 from **3.22%** in Q3 FY23.
- **Well diversified Borrowing mix** which includes 42.0% from Term Loans, 32.3% through Deposits, 10.5% viz NCDs, 6.3% through NHB and 6.1% vis Commercial Papers helps in better management of cost.



Growth Drivers:

- **Opportunity in overall housing finance** and particularly in Affordable Housing Finance in India continues to remain healthy at about **Rs. 23.7 lac crores**, thereby providing steady runway for growth going forward.
- Company plans to expand its presence in both Prime and Affordable housing finance segment by **expanding the network to 300** branches from current 212 branches.
- Disbursements are expected to grow at **22%** while Loan Book is expected to grow at about **17%** in FY25.
- **Upgradation of credit rating** by India Ratings & Research Ltd (Indian arm of Fitch Ratings) from IND AA to **IND AA+** should help in **bringing down cost of borrowings**.
- Cleaned-up Balance Sheet with significant winding down of corporate loan book and low gearing should help grow at steady rate without equity dilution.

Key Financial Highlights:

Particulars (Rs. Cr)	FY22	FY23	FY24 (E)	FY25 (E)	FY26 (E)
Interest Income	5,822.00	6,199.07	6,964.81	8,006.36	9,421.44
Fees + Other Income	378.73	330.59	242.49	258.94	274.88
Interest Expenses	4,064.46	3,898.52	4,387.25	5,123.00	5,891.45
NII	1,757.54	2,300.55	2,577.56	2,883.36	3,529.99
Opex	468.09	531.30	628.53	614.44	685.20
PPOP	1,668.18	2,099.84	2,191.51	2,527.86	3,119.67
Provisions	584.22	738.93	217.44	238.33	274.08
PBT	1,083.96	1,360.91	1,974.07	2,289.53	2,845.59
Provision for Tax	247.48	314.91	496.87	576.28	716.24
Tax Rate	22.8%	23.1%	25.2%	25.2%	25.2%
PAT	836.48	1,046.00	1,477.20	1,713.26	2,129.36
RoA	1.20%	1.60%	2.2%	2.3%	2.5%
RoE	10.00%	8.90%	11.4%	10.8%	12.0%
Networth-Equity	9,872	11,014	14,991	16,704	18,834
Debt/Equity	5.36	4.87	3.64	3.83	3.91
Source: Company					



- Net Interest Income grew by 30.9% (YoY) in FY23 to Rs. 2,300.55 cr, while PPOP grew 25.9% (YoY) to Rs. 2,099.84 cr.
- Despite Provisions growing by 26.5% (YoY) to Rs. 738.93 cr in FY23, Profits after Tax grew 25.0% (YoY) to Rs. 1,046 cr. As the company had made adequate provisions in the past and cleaning up the books, provisions for 9M FY24 stood at just Rs. 164.48 cr with credit cost at 0.32%.
- With lower provisioning and improvement in profitability annualized RoAs and RoEs for 9M FY24 stood at 2.08% and 10.52% respectively. RoEs look optically lower as the Company had raised Rs. 2,500 cr through rights issue in Q1 FY24.

Conclusion:

Investments can be made in PNB Housing Finance Ltd considering –

- **Significant opportunity size in overall housing finance and particularly in Affordable Housing Finance segment.**
- **Continuous support of Government for affordable housing through Pradhan Mantri Awas Yojana.**
- **Company focusing on Affordable Housing segment through expansion of dedicated branches.**
- **Tapping into Emerging market segment which have higher yield within Prime loan segment.**
- **Most of the stress out of the book with significant winding down of lumpy corporate loan book.**
- **Low Gearing and Credit Rating Upgrade helping to raise funds at competitive rates.**
- **Recovery from written off accounts will help improve profitability on the back of write-back of provisions.**
- **Company available at an attractive valuation of Price/Book of 1.26x considering its annualized RoA and RoE for 9M FY24 at 2.08% and 10.52% respectively.**

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*Long Term Investments could range from 3-5 years.