

**Price:** 1,009

**Recommendation:** Buy

**Industry:** Housing Finance Company

**Sector:** Financial Services

**Report Date:** 21-Apr-2025

PNB Housing Finance Limited is actively pursuing growth through strategic initiatives and operational efficiency. The company plans to expand its branch network to 200 in the Affordable segment by Q4 FY25, focusing on Tier 2 and Tier 3 cities. With a strong emphasis on higher-yielding segments, the Affordable segment's yields rose to 12.14% in Q3 FY25. The Roshni business, a key component, saw a 234% loan book growth, reaching Rs. 3,838 crores.

Sales		Profit & Loss		Profitability Matrix	
Current Year	7404 Cr	Operating Profit(Year)	6816 Cr	Operating Profit Margin	92.1 %
Previous Year	6491 Cr	Operating Profit(Quarter)	1774 Cr	EBITDA Margin	84.91 %
Current Quarter	1923 Cr	PAT (Year)	1528 Cr	Net Profit Margin	21.8 %
Previous Quarter	1868 Cr	PAT (Quarter)	471 Cr	EPS	70.3
Revenue (QYoY)	1748 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	14.4	Sales Growth	8.24 %	Sales Growth	2.94 %
PEG Ratio	2.01	PAT Growth	44.7 %	Sales Growth QYoY	10.01 %
EV/EBITDA	11.5	EPS Growth	19.56 %	PAT Growth	-0.21 %
P/B	1.75	Dividend Yield	0.00	PAT Growth QYoY	35.73 %
Capital Allocation		Holdings		Leverage	
RoE	11.8 %	Promoter	28.1 %	Debt/Equity	3.68
RoA	2.20 %	FII	21.4 %	Debt	55017 Cr
RoCE	9.27 %	DII	29.9 %	Market Cap	26231 Cr
RoIC	9.27 %	Public	20.6 %	Enterprise value	78748 Cr
		No of Shares	26.0 Cr	Cash Equivalents	2499 Cr

source : Company filings

## Company's Overview Based on Recent Concall and Performance:

In the recent meeting, PNB Housing Finance Limited outlined several strategic initiatives and business strategies aimed at driving growth and enhancing operational efficiency. The company has made significant strides in expanding its branch network, with plans to open 50 new branches in Q4 FY25, increasing the total to 200 branches in the Affordable segment. This expansion is part of a broader strategy to capitalize on opportunities in Tier 2 and Tier 3 cities, particularly in the Affordable and Emerging markets segments. The company has also focused on improving its yield through a continued emphasis on higher-yielding segments and products, with incremental yields in the Affordable segment rising to 12.14% in Q3 FY25.

The company's diversification efforts are evident in its focus on the Affordable and Emerging markets, which now contribute significantly to its retail disbursements. The Roshni business, a key component of the Affordable segment, has seen its loan book grow by 234% year-on-year, reaching Rs. 3,838 crores. This growth is supported by a robust distribution network, including 161 branches and a strong presence in 130 high-potential districts across 13 states. The company has also launched a new brand mascot, Roshni, to enhance its marketing efforts and strengthen its brand positioning in the Affordable housing market.

Looking ahead, PNB Housing Finance is optimistic about its growth prospects, with a target to achieve a retail loan book of Rs. 1 lakh crores by FY27. The company aims to maintain a balanced portfolio with contributions from the Affordable, Emerging, and Prime segments. The management is confident in its ability to navigate market challenges and capitalize on growth opportunities, supported by a strong focus on asset quality and operational efficiency. The company's technology transformation agenda, including the upgrade of its Loan Management System and the introduction of a cloud-based Loan Origination System, is expected to further enhance its operational capabilities and support future growth.

While the company's performance has been strong, there are areas for improvement. The management acknowledges the need to address margin pressures in the Prime markets, where competition is intense. Additionally, the company is working to enhance its credit underwriting processes and improve its asset quality metrics. Despite these challenges, PNB Housing Finance remains well-positioned to achieve its growth objectives, supported by a strong capital base, robust liquidity, and a clear strategic focus on high-growth segments. The company's commitment to maintaining a high standard of asset quality and operational excellence will be crucial in sustaining its growth momentum in the coming years.

PNBHOUSING Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
HUDCO	46932.25	17.50	13.17%	9.63%	37.14%	6.74%	41.56%
LIC Housing Fin.	33364.07	6.48	16.22%	1.91%	3.91%	8.07%	22.75%
PNB Housing	26230.53	14.37	11.80%	2.96%	9.99%	-0.06%	36.04%
Aadhar Hsg. Fin.	20723.75	23.86	18.41%	4.36%	18.51%	5.20%	17.17%
AAVAS Financiers	17127.05	30.42	13.93%	3.04%	17.47%	-1.01%	25.52%

Aspect	Commentary
Revenue	The company experienced a notable increase in revenue, with current year sales at 7404 Cr compared to 6491 Cr the previous year, indicating a strong growth trajectory. The quarterly revenue also showed improvement, reflecting effective sales strategies and market demand.
Profit & Loss	Operating profit for the year reached 6816 Cr, showcasing robust operational efficiency. The PAT for the year was 1528 Cr, highlighting effective cost management and profitability. Quarterly figures also indicate stable performance.
Profitability Matrix	The company maintains a high operating profit margin of 92.1%, with an EBITDA margin of 84.91%. The net profit margin stands at 21.8%, reflecting strong profitability. EPS is at 70.3, indicating good earnings per share.
Valuation Matrix	The trailing P/E ratio is 14.4, suggesting a reasonable valuation. The PEG ratio of 2.01 indicates growth potential. EV/EBITDA is 11.5, and P/B is 1.75, reflecting a balanced valuation approach.
Growth (YoY)	Year-over-year sales growth is 8.24%, with PAT growth at 44.7%, indicating strong financial health. EPS growth is 19.56%, showing improved earnings. The dividend yield remains at 0.00, focusing on reinvestment.
Growth (QoQ)	Quarter-over-quarter sales growth is 2.94%, with a QYoY growth of 10.01%. PAT growth is slightly negative at -0.21%, but QYoY growth is 35.73%, indicating strong recovery and performance improvement.
Capital Allocation	The company shows a RoE of 11.8%, RoA of 2.20%, and RoCE of 9.27%, indicating efficient capital use. RoIC is also 9.27%, reflecting effective investment strategies and capital management.
Holdings	Promoter holding is 28.1%, with FII at 21.4% and DII at 29.9%. Public holding is 20.6%, indicating a balanced ownership structure. The total number of shares is 26.0 Cr, reflecting a stable shareholder base.
Leverage	The debt/equity ratio is 3.68, indicating high leverage. Total debt is 55017 Cr, with a market cap of 26231 Cr. Enterprise value is 78748 Cr, and cash equivalents are 2499 Cr, reflecting financial stability.

**Analyst viewpoint:** PNB Housing Finance Limited is strategically positioned for significant growth in the short to mid-term, driven by a robust QoQ sales increase of 2.94% and a commendable QoY sales growth of 10%. The company's efforts to expand its branch network and focus on high-yielding segments, notably the 12.14% yield in affordable segments, reflect impressive operational capabilities. Valuation metrics like a P/E ratio of 14.4 and a PEG of 2.01 demonstrate reasonable pricing with a promising growth outlook. The capital allocation showcases an efficient use with a RoE of 11.8% and a strategic leverage marketing plan strengthening its foothold in Tier 2 and Tier 3 cities. The addition of their Roshni business, showcasing a 234% loan growth, highlights aggressive penetration in the affordable market.

Additionally, PNB Housing's robust distribution network and targeted business strategies reinforce their competitive edge, positioning the company favorable amongst industry peers. Technological upgrades will further bolster their operational efficiencies, aligning with growth aspirations such as reaching a Rs.1 lakh crore retail loan book by FY27. However, while their performance projection is optimistic, addressing margin pressures in the highly competitive Prime market remains essential. Despite this, the company's strong asset quality focus and operational enhancements suggest a positive investor outlook supported by stable financial health and liquidity.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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