

**Price:** 924

**Recommendation:** Buy

**Industry:** Housing Finance Company

**Sector:** Financial Services

**Report Date:** 07-Apr-2025

PNB Housing Finance Limited has shown strong growth and strategic expansion, surpassing its retail book growth guidance with a 17.5% increase. The retail book exceeded Rs. 70,000 crores by December 2024, driven by a focus on Affordable and Emerging markets. The company plans to reach Rs. 1 lakh crores by FY27. It has opened 61 new branches, with 40 more planned by March 2025, and is enhancing technology and cybersecurity to support future growth.

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	13.2	Sales Growth	8.24 %	Sales Growth	2.94 %
PEG Ratio	1.84	PAT Growth	44.7 %	Sales Growth QYoY	10.01 %
EV/EBITDA	11.2	EPS Growth	19.56 %	PAT Growth	-0.21 %
P/B	1.61	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	24.3 %	Debt	55017 Cr
RoCE	9.27 %	DII	26.8 %	Market Cap	24013 Cr
RoIC	9.27 %	Public	20.7 %	Enterprise value	76531 Cr
		No of Shares	26.0 Cr	Cash Equivalents	2499 Cr

source : Company filings

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

PNB Housing Finance Limited has demonstrated robust growth and strategic expansion in the recent quarter. The company surpassed its retail book growth guidance of 17% year-on-year, achieving a 17.5% increase, marking the highest retail book growth in the last 22 quarters. The retail book increased by over Rs. 10,000 crores, crossing Rs. 70,000 crores as of December 31, 2024. This growth is attributed to the company's strategic focus on the Affordable and Emerging market segments, which have shown significant contributions to the overall growth. The company aims to achieve a retail book of Rs. 1 lakh crores by FY27, with the Affordable segment contributing 15% and Emerging markets 25%.

The company has adopted several new initiatives and business strategies to drive growth. It has opened 61 new branches in the past year, with plans to open 40 more by March 2025, expanding into new states like Punjab and Haryana. The Roshni business, focused on Affordable housing, has seen a loan book growth of 234% year-on-year, reaching Rs. 3,838 crores. The company has also launched a new cloud-based Loan Origination System (LOS) for its Emerging business segments, enhancing operational efficiency and user experience. Additionally, PNB Housing has introduced a brand mascot named Roshni to strengthen its marketing efforts and brand positioning.

Looking ahead, PNB Housing Finance is well-positioned for future growth and scaling. The company plans to open 50 more branches in Q4 FY25, increasing its presence in Tier 2 and Tier 3 cities. The focus on higher-yielding segments and products is expected to improve yields further. The company's technology transformation agenda, including the upgrade of its core Loan Management System and the introduction of a cloud-based integrated data platform, is set to deliver long-term robust tech capabilities. The company also maintains a strong focus on cybersecurity, with 24/7 information security monitoring capabilities.

While the company's performance has been strong, there are areas for potential improvement. The Prime markets, which include larger cities, face pricing pressure, and the yield on incremental disbursements is lower compared to Emerging markets. However, these markets contribute more to growth in absolute volumes. The company is working on increasing yields in these markets and managing runoffs effectively. The company's asset quality remains strong, with a decline in gross NPA quarter-on-quarter, and it continues to focus on recoveries and maintaining a healthy portfolio. Overall, PNB Housing Finance is on track to deliver on its business and profitability guidance for the current financial year.

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
<b>Bajaj Housing</b>	98306.41	50.22	15.23%	1.61%	25.83%	0.44%	25.41%
<b>HUDCO</b>	38961.41	14.53	13.17%	9.63%	37.14%	6.74%	41.56%
<b>LIC Housing Fin.</b>	29901.69	5.81	16.22%	1.91%	3.91%	8.07%	22.75%
<b>PNB Housing</b>	24013.03	13.15	11.80%	2.96%	9.99%	-0.06%	36.04%
<b>Aadhar Hsg. Fin.</b>	18512.89	21.31	18.41%	4.36%	18.51%	5.20%	17.17%

Aspect	Commentary
<b>Revenue</b>	The company experienced a notable increase in revenue, with current year sales at 7404 Cr compared to 6491 Cr the previous year. This growth is reflected in the quarterly figures as well, indicating a positive trend in sales performance. The revenue growth is a strong indicator of the company's expanding market presence and effective sales strategies.
<b>Profit &amp; Loss</b>	Operating profit for the year stands at 6816 Cr, with a quarterly figure of 1774 Cr. The PAT for the year is 1528 Cr, showing a robust profit margin. The quarterly PAT of 471 Cr suggests consistent profitability. These figures highlight the company's efficient cost management and ability to generate substantial profits from its operations.
<b>Profitability Matrix</b>	The company exhibits strong profitability metrics with an operating profit margin of 92.1% and an EBITDA margin of 84.91%. The net profit margin is 21.8%, and EPS is 70.3. These metrics indicate high operational efficiency and effective cost control, contributing to the company's overall financial health and shareholder value.
<b>Valuation Matrix</b>	The valuation metrics show a trailing P/E of 13.2, PEG ratio of 1.84, EV/EBITDA of 11.2, and P/B of 1.61. These figures suggest the company is reasonably valued, with growth prospects reflected in the PEG ratio. The valuation indicates investor confidence and potential for future growth, making it an attractive investment.
<b>Growth (YoY)</b>	Year-over-year growth metrics reveal an 8.24% increase in sales, 44.7% PAT growth, and 19.56% EPS growth. The absence of dividend yield suggests reinvestment in growth opportunities. These figures demonstrate the company's strong performance and strategic focus on expanding its market share and profitability.
<b>Growth (QoQ)</b>	Quarter-over-quarter growth shows a 2.94% increase in sales, with a slight decline in PAT by 0.21%. However, the QYoY PAT growth of 35.73% is significant. These metrics indicate stable sales growth with some fluctuations in profitability, reflecting the company's ongoing efforts to optimize its operations and market strategies.
<b>Capital Allocation</b>	The company has a RoE of 11.8%, RoA of 2.20%, RoCE of 9.27%, and RoIC of 9.27%. These figures suggest efficient capital allocation and a strong return on investments. The company's ability to generate returns on equity and capital employed indicates effective management and strategic use of resources.
<b>Holdings</b>	The shareholding pattern shows promoters hold 28.1%, FII 24.3%, DII 26.8%, and public 20.7%. This diverse ownership structure reflects a balanced investor base, with significant institutional interest. The number of shares at 26.0 Cr indicates a stable equity structure, supporting the company's market position.
<b>Leverage</b>	The company has a debt/equity ratio of 3.68, with total debt at 55017 Cr. The market cap is 24013 Cr, and enterprise value is 76531 Cr. Cash equivalents are 2499 Cr. These figures suggest a high leverage level, which could pose risks but also indicates potential for growth if managed effectively. The company's financial strategy should focus on optimizing debt levels.

**Analyst viewpoint:** PNB Housing Finance Limited has demonstrated commendable performance, showcasing robust growth in its sales and strategic expansions, particularly in the Affordable and Emerging markets. The company reported a remarkable 2.94% quarter-over-quarter sales growth, with its retail book surpassing previous guidance by 17.5%, crossing Rs. 70,000 crores, reflecting an exceptional performance in the last 22 quarters. With ambitious plans to open 50 new branches and further its presence in Tier 2 and Tier 3 cities, the company positions itself for substantial future growth. Its tech-forward strategies, including the upgrade of the Loan Management System and the introduction of advanced cybersecurity measures, underline a drive to enhance operational efficiency and contribute to its evolving market competitiveness.

On the valuation front, PNB Housing maintains a reasonable trailing P/E of 13.2, complimented by a stable RoE of 11.8%, indicative of solid investor confidence and the potential for robust returns. Competition remains manageable with peers exhibiting similar performance metrics, ensuring PNB Housing's standing as a strong contender in the financial services sector. Nonetheless, it's worth noting the relatively high leverage with a debt/equity ratio of 3.68, which, while manageable, suggests the need for ongoing effective financial strategy to balance growth ambitions and risk.

Please read detailed disclosure on next page.

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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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