


3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✓	✗	✗
+ Positive	= Neutral	- Negative	

What has changed in 3R MATRIX

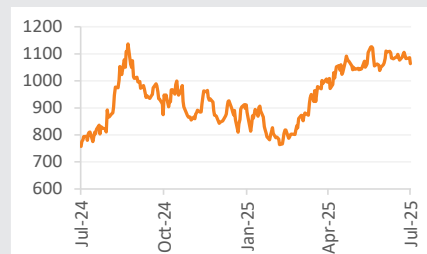
	Old		New
RS	✗	↔	✓
RQ	✗	↔	✓
RV	✗	↔	✓

Company details

Market cap:	Rs. 27,237 cr
52-week high/low:	Rs. 1201/741
NSE volume: (No of shares)	12.2 lakh
BSE code:	540173
NSE code:	PNBHOUSING
Free float: (No of shares)	15.96 cr

Shareholding (%)

Promoters	28.1
FII	24.2
DII	38.0
Others	9.7

Price chart


Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	0.5	6.5	20.4	40.6
Relative to Sensex	-0.5	3.2	12.3	37.7

Source: Mirae Asset Sharekhan Research, Bloomberg

PNB Housing Finance Ltd.
Earnings beat estimates; asset quality stable

NBFC	Sharekhan code: PNBHOUSING		
Reco/View: Positive	↔	CMP: Rs. 1,064	Upside potential: 22% ↑
↑ Upgrade	↔ Maintain	↓ Downgrade	

Summary

- Net earnings beat estimates due to recovery in written-off pool accounts, stable asset quality and negative credit cost.
- Reported NIMs were steady at 3.7% q-o-q despite repo rate cuts, with FY26E guidance rising to 3.7% from 3.6%. Favourable product mix shift and lower borrowing costs supported margins.
- Total loan book grew 16% y-o-y, as disbursements rose 14%, with affordable and emerging segments growing rapidly.
- We stay positive on the stock, expecting a 22% upside from CMP, given steady growth, profitability, and reasonable valuations. The stock trades at 1.5x/1.3x FY26E/FY27E BV.

Net earnings beat estimates by 5.2% (up by 23.3% y-o-y and down by 3.1%) to Rs. 533 crore, driven by negative credit cost due to reversal of provisions. NII grew 16.2%/2.5% (y-o-y/q-o-q) to Rs. 746 crore (below estimates by 1.9%) due to a higher drop in yields as compared to cost of borrowings. NIM was steady at 3.84% (percentage of AUM), however below estimates by 6 bps. Other income was up by 9.1% y-o-y and down by 22.4% to Rs. 102 crore. Opex above estimates by 2.1% to Rs. 216 crore (up by 11.9% y-o-y and 1.6% q-o-q) due to higher employee costs. PPOP grew by 16.5% y-o-y below estimates by 5.1% due to higher opex and lower other income. Credit cost came in at -0.29% (as a percentage of AUM), which was much below the estimates of -0.05% due to reversal of provisions as the company made recoveries of Rs. 57 crore (Rs. 40 crore from retail and Rs. 17 crore from corporate) from written off pool accounts. Benign credit cost drove above estimate profitability. AUM grew by 16%/2.6% (y-o-y/q-o-q), to Rs. 77,732 crore, was almost in line with estimates. The growth was driven by robust growth in affordable (143% y-o-y and 13% q-o-q) and emerging segments (20.1% y-o-y /2.0% q-o-q). The prime segment grew by 10%/1% (y-o-y/q-o-q). Disbursements grew 14.0% y-o-y and dropped by 27.3% q-o-q. Asset quality improved, GS-3 was down by 29/2 bps (y-o-y/q-o-q) to 1.06%. NNPA reduced by 23 bps (y-o-y) to 0.69%, was also flat on q-o-q basis. Improvement in asset quality also led for lower credit cost.

Key positives

- Recoveries from written-off pool accounts amounting to Rs. 57 crore, led to negative credit cost.
- Robust growth seen in affordable (143% y-o-y and 13% q-o-q) and emerging segments (20.1% y-o-y /2.0% q-o-q).

Key negatives

- Prime segment's disbursement growth was weak at 1% y-o-y amid stiff competition

Management Commentary

- AUM:** The growth expected at 18% for FY26 driven by high margin affordable and emerging segments. The Affordable housing loan book is expected to reach ~Rs. 9,500 crore by end of FY2026. The prime segment is expected to grow at 12-13%.
- NIM:** Management has increased NIM guidance for FY26 to ~3.7%, up from their earlier guidance of 3.6-3.65% due to increasing share of affordable and emerging market loans (within this also focusing on high margin categories), increasing contribution from LAP (high margin).
- Credit cost:** Credit cost was negative and is expected to stay so for the next 5-6 quarters. Post this, credit cost is expected at 25 bps of AUM.
- RoE:** Company eyes RoE of ~14% in the next three years, supported by a rising share of high-margin products.
- The company implemented a 10-bps reduction in its PLR, effective July 2025.
- Management stated that a dedicated NHL team has been established across 10 key markets to drive growth in Non housing loan (NHL), with management guiding for quarterly disbursements of Rs.100-150 crore going forward.

Our Call

Valuation – Maintained Positive view; expect potential upside of 22%: Q1 numbers were healthy. Favourable shift in product mix and a reduction in cost of borrowings, supported margins despite rate cut flowing in. NIMs guidance has been revised upwards to 3.7% from 3.6% earlier for FY26E, which is a key positive. Besides, the management anticipates a credit rating upgrade to AAA over the next few quarters, if this happens then it will further help to reduce borrowing costs. High mid-teen growth, steady NIMs, continued benign asset quality along with recoveries from written off pool are likely to drive strong profitability in FY26E and FY27E. Loan portfolio/PAT are expected to grow at a strong CAGR of ~20%/17.1% over FY25-27E, with an RoA/RoE of 2.5%/13.3% by FY27. At CMP, the stock trades 1.5x/1.3x its FY2026E/FY2027 ABV.

Key Risks

- Competitive intensity may put pressure on margins given aggressive competition in mortgages segment.
- Lower interest rate may cause for higher balance transfers (BT).
- Subsequent seasoning in the affordable/emerging loan book leading to asset quality deterioration and elevated credit costs.

Valuation (Consolidated)

Particulars	FY23	FY24	FY25	FY26E	Rs cr FY27E
NII	2,301	2,481	2,722	3,123	3,933
PAT	1,046	1,508	1,936.1	2,292	2,656
EPS (Rs.)	53.2	58.2	74.7	88.4	102.5
P/E (x)	20.0	18.3	14.3	12.0	10.4
P/BV (x)	1.9	1.8	1.6	1.5	1.3
RoA (%)	1.6	2.2	2.5	2.5	2.5
RoE (%)	10.0	11.6	12.2	12.8	13.3

Source: Company; Mirae Asset Sharekhan estimates

Key result highlights

- ♦ **NII growth:** NII grew by 16.2%/2.5% (y-o-y/q-o-q) to Rs. 746 crore due to AUM growth. NIM lagged estimates by 6 bps at 3.84% (% of AUM). However, the Management has increased their NIM guidance for FY26 to around 3.7%, up from their earlier guidance of 3.6%-3.65% due to increasing share of affordable and emerging segments, also increasing contribution from LAP.
- ♦ **Asset quality and credit cost:** Asset quality improved. GS-3 was down 29/2 bps (y-o-y/q-o-q) to 1.06%. NNPA dropped by 23 bps (y-o-y) to 0.69%, was also flat on q-o-q basis. Credit cost came in at -0.29% (percentage of AUM) which was much below the estimates of -0.05% due to reversal of provisions as the company made recoveries of Rs. 57 crore from written off pool accounts. Benign credit cost drove above estimate profitability. The management expect it to continue in the negative trajectory for the next 5-6 quarters. Post this, credit cost is expected at 25 bps of AUM.
- ♦ **Loan growth outlook:** AUM grew by 16.0%/2.6% (y-o-y/q-o-q), to Rs. 77,732 crore, was almost in line with estimates. The growth was driven by robust growth in affordable (143% y-o-y and 13% q-o-q) and emerging segments (20.1 y-o-y /2.0% q-o-q). Disbursement grew by 14.0% y-o-y and dropped by 27.3% q-o-q. AUM growth is expected at 18% for FY26 driven by high margin affordable and emerging segments. The Affordable housing loan book is expected to reach ~Rs. 9,500 crore by FY26-end whereas the prime segment is expected to grow at 12-13%.

Results

Particulars	Q1FY25	Q4FY25	Q1FY26	Y-o-Y %	Rs cr Q-o-Q %
Interest Income	1,739	1,906	1,980	13.9%	3.9%
Interest Expenses	1,097	1,178	1,234	12.5%	4.8%
NII	642	728	746	16.2%	2.5%
Other Income	93	131	102	9.1%	-22.4%
Total Income	735	859	847	15.3%	-1.3%
Opex	193	212	216	11.9%	1.6%
PPOP	542	646	632	16.5%	-2.3%
P&C	-12	-65	-56	370.1%	-13.3%
PBT	554	711	688	24.1%	-3.3%
Tax	121	161	154	27.2%	-4.0%
PAT	433	550	533	23.3%	-3.1%
AUM	66,986	75,765	77,732	16.0%	2.6%
Disbursements	4,363	6,854	4,980	14.1%	-27.3%

Source: Company; Mirae Asset Sharekhan Research

Actual vs Estimates

Particulars	Q1FY26E	Q1FY26	Variance (%)
NII	761	746	-1.9%
PPOP	666	632	-5.1%
PAT	507	533	5.2%

Source: Company; Mirae Asset Sharekhan Research

Key Metrics

Particulars	Q1FY25	Q4FY25	Q1FY26	y-o-y (bps)	q-o-q (bps)
NII as % of AUM	3.83%	3.84%	3.84%	0	0
Fee income % of AUM	0.56%	0.69%	0.52%	-3	-17
OpEx as % of AUM	1.15%	1.12%	1.11%	-4	-1
Prov as % of AUM	-0.07%	-0.34%	-0.29%	-22	5
Tax Rate	0.72%	0.85%	0.79%	7	-5

Source: Company; Mirae Asset Sharekhan Research

Asset Quality

Particulars	Q1FY25	Q4FY25	Q1FY26	y-o-y (bps)	Q-o-Q (bps)
GNPA	1.35%	1.08%	1.06%	-29.0	-2.0
NNPA	0.92%	0.69%	0.69%	-23.0	0.0

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Large pool of opportunity

Growing population, housing shortages, increasing urbanisation, growing aspiration levels driven by increasing income, and increasing number of nuclear families are some of the key drivers of the housing sector in the country. The government announced assistance for the construction of an additional three crore rural and urban houses under the PMAY as a first major policy decision in its third term. Two-thirds of India's population is aged below 35 years; and unlike the West, in India, people do not buy a home when they are in their 20s. The average age of a first-time home buyer in India is generally between 37 years and 39 years. With two-thirds of the population being below 35 years of age, it means two-thirds of the population has not even contemplated buying a home yet. Therefore, there will be a structural long-term demand for housing and housing loans in India. Estimates suggest that India will need 230 million housing units by 2047 to accommodate this growth. Changing income profiles will fuel housing demand across all segments.

■ Company Outlook – Risk Reward Favourable

Steady growth outlook along with benign asset quality is likely to support profitability in the near to medium term. Taking learnings from the past, the company has put substantial efforts to strengthen the franchise in terms of collections function, underwriting, product mix, and with a strong senior management team. The management focuses on high margin business segments such as emerging, affordable segments. We expect PNBHF to deliver a strong CAGR of ~20% in loan book and ~17.1% in PAT over FY2025-FY2027E, with an RoA/RoE of 2.5%/13.3% by FY2027.

■ Valuation – Maintained Positive view; expect potential upside of 22%

Q1 numbers were healthy. Favourable shift in product mix and a reduction in cost of borrowings, supported margins despite rate cut flowing in. NIMs guidance has been revised upwards to 3.7% from 3.6% earlier for FY26E, which is a key positive. Besides, the management anticipates a credit rating upgrade to AAA over the next few quarters, if this happens then it will further help to reduce borrowing costs. High mid-teen growth, steady NIMs, continued benign asset quality along with recoveries from written off pool are likely to drive strong profitability in FY26E and FY27E. Loan portfolio/PAT are expected to grow at a strong CAGR of ~20%/17.1% over FY25-27E, with an RoA/RoE of 2.5%/13.3% by FY27. At CMP, the stock trades 1.5x/1.3x its FY2026E/FY2027 ABV.

Peer valuation

Particulars	CMP (Rs / Share)	MCAP (Rs Cr)	P/E (x)		P/BV (x)		RoA (%)		RoE (%)	
			FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
PNB HFC	1064	27,237	12.4	10.4	1.5	1.3	2.5	2.5	12.8	13.3
Can Fin Homes	787	10,480	11.3	10.0	1.8	1.6	2.2	2.2	17.2	17.0
LIC HF	619	34090	6.5	6.0	0.8	0.7	1.6	1.6	13.7	13.3

Source: Company; Mirae Asset Sharekhan Research

About company

PNB Housing Finance (Promoter – Punjab National Bank) offers retail customers housing and non-housing loans, including individual home loans, loan against property, and non-resident property loan. It is an established player with a long track record of operations in the housing finance industry and a presence in 20 states/Union Territories (UTs) in India. It is led by an experienced management team and board with a notable track record and expertise in banking, insurance, retail lending, technology, and economic policy. Over the last few years, the company has focused on the retail segment while reducing its wholesale exposure.

Investment theme

PNBHF is the third-largest housing finance company in India with gross AUM of Rs. 82,100 crore as of June 30, 2025. As part of its retail strategy, the company is expected to focus on high-yield products, which would improve the company's NIM and RoA. Demand for housing products, PMAY and expansion in Tier-II and Tier-III cities are expected to drive demand.

Key Risks

- ◆ Competitive intensity may put pressure on margins given the aggressive competition in mortgages.
- ◆ Lower interest rate may cause for higher balance transfers (BT).
- ◆ Subsequent seasoning in the affordable/emerging loan book leading to asset quality deterioration and elevated credit costs.

Additional Data

Key management personnel

Name	Designation
Girish Kousgi	Managing Director and Chief Executive Officer
Vinay Gupta	CFO

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Punjab National Bank	28.08
2	Republic of Singapore	5.44
3	Nippon Life India Asset Management	3.43
4	Aditya Birla Sun Life Asset Manage	2.92
5	Vanguard Group Inc/The	2.46
6	SBI Life Insurance Co Ltd	2.25
7	L&T Mutual Fund Trustee Ltd/India	2.18
8	Tata Asset Management Pvt Ltd	2.06
9	Canara Robeco Asset Management Co	1.9
10	Franklin Resources Inc	1.81

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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