Quarterly Results Pick

PNB Housing Finance Ltd.

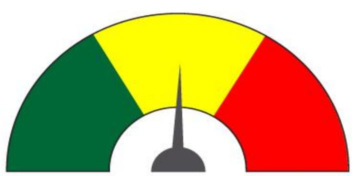
Nov 27, 2025

PNB Housing Finance Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
BFSI - NBFC	Rs 916	Buy in Rs 910-925 band and add on dips in Rs 825-840 band	Rs 995	Rs 1080	2-3 quarters

HDFC Scrip Code	PNBHOUEQNR
BSE Code	540173
NSE Code	PNBHOUSING
Bloomberg	PNBHOUSI IN
CMP Nov 26, 2025	915.9
Equity Capital (Rs Cr)	260.5
Face Value (Rs)	10
Equity Share O/S (Cr)	26.1
Market Cap (Rs Cr)	23860
Book Value (Rs)	689.8
Avg. 52 Wk Volumes	16,62000
52 Week High	1141.9
52 Week Low	746.7

Share holding Pattern % (Sep, 2025)	
Promoters	28.0
Institutions	59.3
Non Institutions	12.7
Total	100.0



* Refer at the end for explanation on Risk Ratings

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Our Take:

PNB Housing Finance Ltd. (PNBHF) was established in 1988 as a deposit-taking HFC registered with the National Housing Board (NHB). It has a long and profitable track record of operations. It is the fourth-largest housing finance company in India in terms of AUM. After de-growing during FY21 and FY22, the company is back on a growth trajectory, with AUM rising 7% in FY24 to Rs 71,243cr. The de-growth was strategic, aimed at reducing high-ticket, bulky exposures in its wholesale book and thereby improving its asset quality.

PNBHF's pivot toward higher-yielding loans across segments through significant investments in distribution for affordable and emerging segments is likely to aid margins during FY26-FY28E. While the current rate cut environment is likely to exert pressure on spreads for the prime segment, an increasing share of emerging and affordable segments (49% of disbursements in Q2) is likely to aid NIM reflation during FY26-FY28E. However, the gradual normalisation of credit costs and seasoning of the emerging and affordable portfolio are likely to put pressure on return ratios.

Q2FY26 Result Update and Concall Highlights

- PNBHF reported a strong set of numbers for Q2FY26 with a PAT growth of 24%/9% YoY/QoQ, mainly driven by higher recoveries of Rs 59cr from its written off pool and Rs 70cr from a corporate loan account.
- NII grew 13%/1% YoY/QoQ, as NIMs declined marginally to 3.67% (Q1FY26: 3.74%) due to lower investment yield, with a reduction in cost of funds (by 7bps), offset by lower yields, while spreads remained broadly stable. Avg. yield declined by 4bps sequentially to 9.95% while CoB dropped 7bps to 7.69%
- PPoP stood at Rs 647cr (+16% YoY, +2% QoQ), driven by opex growth of +7% YoY, +1% QoQ.
- Disbursements for the quarter amounted to Rs 600cr (+12% YoY), entirely towards retail assets (+17% YoY, +3% QoQ). Within
- Within retail, the AUM of the affordable segment surged +121% YoY, emerging markets witnessed 21% YoY growth, and the prime segment increased 8% YoY. However, the corporate book continued to decline (-78% YoY, -59% QoQ), now contributing ~0.4% of the total book.
- Asset quality improved sequentially, with GS-III/NS-III at 1.0%/0.7% and GS-II at 2.2%. Credit costs are likely to remain negative in FY26 on the back of a large written-off pool.
- The company continues to strengthen its physical footprint and plans to add 30-40 new branches annually, primarily across high-potential Tier 2 and 3 locations. It targets scaling up to 240 branches in the affordable segment by the end of FY26.

Management Guidance & Comments:

- Management maintained its guidance of 17-18% AUM growth in FY26. Affordable book expected to reach Rs 15000cr by FY27 (Rs 6500cr currently).
- NIMs are likely to remain stable in 3.6%-3.7%
- Credit costs write-back is likely to continue for 2-3 quarters. It intends to maintain GNPA below 1% in the medium term.

Key Risks

- Any unfavourable change in rules and regulatory policies by the RBI/NHB/Govt ministries can have a negative impact on the earnings outlook of the company.
- The uncertainty around the management succession and subsequently the overall strategy remains an overhang on the stock.
- The housing finance industry is highly competitive. Banks with wider branch and distribution networks and cheaper cost of funds have a greater competitive advantage. The stiff competition from banks may pose increasing challenges, including lower-than-expected loan growth and lower NIM.
- In the past, the company has faced issues with its asset quality and the GNPA ratios had in the past touched the highs of 8.1%. This was primarily driven by the corporate book. As of Sep'25, the GNPA ratio of the company stood at 1.05%. Though all the NPAs in the corporate book have been provided for, the management is looking to restart lending which could result in higher NPAs in the future.
- In case the competition intensifies, and the cost of borrowings does not come down, the company can face a squeeze in its spreads/NIMs, affecting its profitability and the return ratios

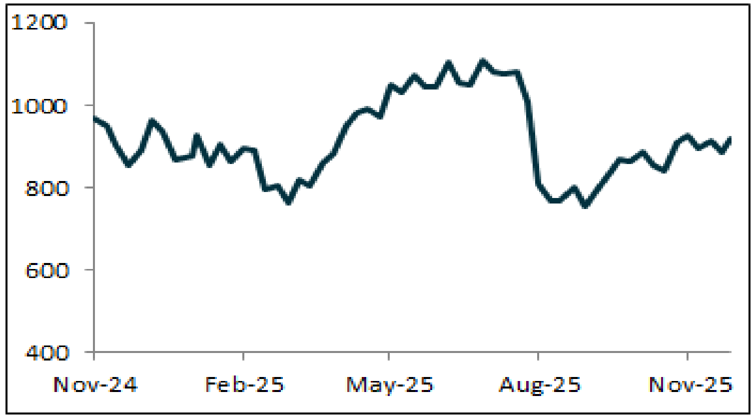
Valuation & Recommendation:

PNBHF has pivoted its strategy toward granular retail loans, with an emphasis on high-yielding retail loans to drive profitability. However, throughput at newly added branches remains a key monitorable, along with seasoning of the high-yielding loan portfolio. We have envisaged a 17% CAGR in its loan book over FY25-28E, while PAT is expected to grow at 14% on account of reducing recoveries from written off pool. The RoA of the company is expected to moderate by ~10bps to 2.4% by the end of FY28. We believe investors can buy the stock in Rs 910-925 band and add on dips in Rs 825-840 band (1x Sep'27E ABV) for base case fair value of Rs 995 (1.2x Sep'27E ABV) and bull case fair value of Rs 1080 (1.3x Sep'27E ABV) over the next 2-3 quarters.

Financial Summary:

Particulars (Rs cr)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	FY25	FY26E	FY27E	FY28E
NII	751	662	*13.4*	746	*0.6*	2722	3139	3840	4587
PPoP	647	559	*15.6*	632	*2.3*	2327	2676	3305	4001
APAT	582	470	*23.8*	534	*9.0*	1936	2230	2395	2906
Diluted EPS (Rs)	22.3	18.1	*23.2*	20.5	*8.8*	74.5	85.8	92.2	111.8
ABVPS (Rs)						628.7	704.5	782.4	879.5
P/E (x)						12.3	10.7	9.9	8.2
P/ABV (x)						1.5	1.3	1.2	1.0
RoAE (%)						12.2	12.4	11.9	12.9
RoAA (%)						2.5	2.5	2.3	2.4

One Year Price chart



HDFC Sec Prime Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions.
These stocks
have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Rating Criteria

Buy - > 15%+ return potential
Add - +5% to +15% return potential
Reduce - -10% to +5% return potential
Sell - >10% downside return potential

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