

# PNB Housing Finance

<b>BSE SENSEX</b>	<b>S&amp;P CNX</b>
34,951	10,524
<b>Bloomberg</b>	<b>PNBHOU5 IN</b>
Equity Shares (m)	167
M.Cap.(INRb)/(USDb)	146.2 / 2.0
52-Week Range (INR)	1444 / 694
1, 6, 12 Rel. Per (%)	1/-30/-42
12M Avg Val (INR M)	393
Free float (%)	67.2

## Financials & Valuations (INR b)

Y/E March	2018	2019E	2020E
NII	15.5	15.5	19.5
PPP	14.8	17.7	22.1
PAT	8.3	10.5	13.0
EPS (INR)	49.6	62.6	77.7
BV/Sh. (INR)	383	432	493
RoAA (%)	1.6	1.4	1.4
RoE (%)	14.0	15.4	16.8
Payout (%)	21.7	21.6	21.6
P/E (x)	17.6	13.9	11.2
P/BV (x)	2.3	2.0	1.8
Div. Yield (%)	1.0	1.3	1.6

**CMP: INR873**

**TP: INR1,215 (+39%)**

**Buy**

## Growth slows down; well placed on liquidity front

- PNB Housing Finance's (PNBHF) 2QFY19 PAT increased 33% YoY to INR2.5b (4% miss). While PPop was 4% above our estimates, higher credit costs led to the PAT miss.
- The quarter was marginally slower on the growth front. Disbursements grew 14% YoY (-14% QoQ) to INR84b. However, the repayment rate (annualized) improved 500bp to 27%. As a result, AUM growth came in at a robust 43% YoY. The share of home loans increased ~200bp QoQ to 58%, while that of CF decreased ~100bp to 12%.
- Calculated spreads declined 30bp YoY to 2.14%, the lowest in the past several quarters. This was due to 40bp+ YoY yield compression. PNBHF has taken a 20bp yield hike in October. The company has managed its treasury very well – CoF has hovered in the range of ~7.7-7.8% for the past four quarters. Note that in our annual report analysis, we had highlighted how almost all NCDs issued in FY18 were at a cost below 8% and only 3% of secured NCDs will mature in FY19, thus minimizing refinancing risk in FY19.
- The company tweaked its borrowing profile by reducing the share of CPs (down from 16% to 12% QoQ) and correspondingly increasing the share of bank loans (16% to 20% QoQ).

**Valuation view:** PNBHF continues delivering strong growth in its loan book. Increasing geographical spread and new branch openings (110 branches in FY20E v/s 84 in FY18) are expected to result in loan book growth to INR1t+ by FY20. With the pace of investments slowing down, coupled with operating leverage benefits kicking in, the expense ratio is set to decline. The company has managed its liquidity situation well over the past 1-2 months and has demonstrated its ability to raise market borrowings as well as ECBs at competitive rates. We largely maintain FY19/20E EPS estimates. Maintain **Buy with an unchanged TP of INR1,215 (2.3x Sep'20E BV)**.

## PNBHF: Quarterly performance

Y/E March	(INR Million)								FY18	FY19E
	FY18				FY19					
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Interest Income	10,885	11,972	13,691	14,686	15,238	16,121	17,169	18,408	51,234	66,935
Interest Expenses	7,505	8,348	9,250	10,168	10,998	12,289	13,272	14,361	35,271	50,919
<b>Net Interest Income</b>	<b>3,380</b>	<b>3,624</b>	<b>4,441</b>	<b>4,518</b>	<b>4,241</b>	<b>3,832</b>	<b>3,897</b>	<b>4,046</b>	<b>15,963</b>	<b>16,016</b>
YoY Growth (%)	61.6	58.7	67.9	35.8	25.5	5.8	-12.2	-10.5	54.3	0.3
Other income	717	773	695	1,016	1,245	1,962	2,000	2,229	3,201	7,435
<b>Total Income</b>	<b>4,097</b>	<b>4,396</b>	<b>5,136</b>	<b>5,534</b>	<b>5,486</b>	<b>5,794</b>	<b>5,897</b>	<b>6,275</b>	<b>19,164</b>	<b>23,451</b>
YoY Growth (%)	60.8	53.9	57.7	39.0	33.9	31.8	14.8	13.4	51.6	22.4
Operating Expenses	962	881	1,237	1,663	1,293	1,422	1,451	1,574	4,742	5,740
YoY Growth (%)	20.6	-12.6	42.2	85.2	34.4	61.5	17.3	-5.4	32.7	21.0
<b>Operating Profits</b>	<b>3,136</b>	<b>3,516</b>	<b>3,899</b>	<b>3,871</b>	<b>4,193</b>	<b>4,372</b>	<b>4,446</b>	<b>4,701</b>	<b>14,422</b>	<b>17,712</b>
YoY Growth (%)	79.0	90.3	63.3	25.6	33.7	24.4	14.0	21.4	59.0	22.8
Provisions	681	756	561	444	440	647	600	597	2,442	2,284
<b>Profit before Tax</b>	<b>2,454</b>	<b>2,760</b>	<b>3,339</b>	<b>3,427</b>	<b>3,753</b>	<b>3,725</b>	<b>3,846</b>	<b>4,104</b>	<b>11,979</b>	<b>15,428</b>
Tax Provisions	754	859	1,164	1,223	1,195	1,195	1,231	1,317	3,999	4,937
<b>Profit after tax</b>	<b>1,701</b>	<b>1,901</b>	<b>2,175</b>	<b>2,205</b>	<b>2,558</b>	<b>2,530</b>	<b>2,616</b>	<b>2,787</b>	<b>7,980</b>	<b>10,491</b>
YoY Growth (%)	77.3	38.1	57.8	44.7	50.4	33.1	20.3	26.4	52.4	31.5
Loans growth (%)	42.4	51.2	61.1	48.0	45.2	37.0	25.6	28.9	48.0	45.2
Cost to Income Ratio (%)	23.5	20.0	24.1	30.0	23.6	24.5	24.6	25.1	24.7	24.5
Tax Rate (%)	30.7	31.1	34.9	35.7	31.8	32.1	32.0	32.1	33.4	32.0

E: MOSL Estimates; Note: FY19 numbers as of Ind-AS

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**Exhibit 1: Quarterly performance v/s our estimates and reasons for the deviation (INR m)**

Y/e March	2QFY19E	2QFY19A	Var (%)	Comments
Interest Income	17,011	16,121	-5	
Interest Expenses	12,647	12,289	-3	
<b>Net Interest Income</b>	<b>4,364</b>	<b>3,832</b>	<b>-12</b>	<b>Sharp yield compression</b>
YoY Growth (%)	10.6	5.8		
Other income	1,200	1,962	63	Higher assignment income
<b>Total Income</b>	<b>5,564</b>	<b>5,794</b>	<b>4</b>	
YoY Growth (%)	16.0	31.8		
Operating Expenses	1,345	1,422	6	
YoY Growth (%)	22.1	61.5		
<b>Operating Profits</b>	<b>4,220</b>	<b>4,372</b>	<b>4</b>	<b>PPoP beat due to higher assignment income</b>
YoY Growth (%)	14.1	24.4		
Provisions	350	647	85	Credit costs higher than estimates
<b>Profit before Tax</b>	<b>3,870</b>	<b>3,725</b>	<b>-4</b>	
Tax Provisions	1,238	1,195	-4	
<b>Profit after tax</b>	<b>2,631</b>	<b>2,530</b>	<b>-4</b>	<b>PAT miss due to higher credit costs</b>
YoY Growth (%)	26.5	33.1		
Cost to Income Ratio (%)	24.2	24.5		
Tax Rate (%)	32.0	32.1		

Source: MOSL, Company

AUM grew 43% YoY during the quarter to INR735b

**AUM growth strong, mix shifts toward home loans**

- Disbursements grew 14% YoY (down 14% QoQ) to INR84b.
- However, repayment rate (annualized) improved 500bp to 27%. As a result, AUM growth was a robust 43% YoY.
- Share of home loans increased ~200bp QoQ to 58% while that of CF decreased ~100bp to 12%.

Management has guided for 200-210bp spreads going forward

**Pressure on yields; declining share of CPs in total borrowings**

- Calculated spreads declined 30bp YoY to 2.14%, the lowest in the past several quarters. This was due to 40bp+ YoY yield compression.
- The company, however, has managed its cost of funds very well – it has hovered in the range of ~7.7-7.8% for the past four quarters.
- Opex was up 62% YoY to INR1.4b. Hence, opex/AUM increased 8bp YoY to 80bp.
- AUM mix: Home loan – 58%, CF – 12%, LAP – 16%, Others – 14%
- Borrowing mix: Banks – 20%, NCD – 33%, CP – 12%, Deposits – 18%, Others – 17%

Asset quality stable

**Asset quality stable**

- PNBHF continues to maintain robust asset quality. The GNPL ratio stood at 42bp v/s 43bp in 1QFY19

**Information on the wholesale lending book**

- Average ticket size: CF – INR670m, LRD – INR1.65b, CTL – INR800m.
- Number of accounts: CF – 198, LRD – 22, CTL – 75
- Residential project developers comprise 59% of corporate term loans

### Valuation and view

- Over the past six years, PNBHF has scripted an enviable turnaround, positioning itself to become the fifth largest player in the HFC segment. Strong underwriting and execution skills have ensured that growth has not come at the cost of asset quality.
- Its dynamic treasury management has enabled it to largely maintain spreads in this volatile environment. In addition, the company has raised money from multiple sources at attractive rates over the past month. Management is clear that availability of money is not a constraint for growth at the moment.
- Strong loan growth and moderating expense ratio should drive 25% PAT CAGR over FY18-20E. RoE is expected to improve from 14% in FY18 to 16% in FY20. However, ability to maintain spreads will be a key monitorable.
- We largely maintain FY19/20E EPS estimates. We use RI model to value to company, with Rf of 7.5%, CoE of 13.8% and terminal growth rate of 5%. We maintain a Buy rating, valuing the stock at INR1,215 (2.3x Sep2020E BVPS).

### Exhibit 2: We largely maintain FY19/20E EPS estimates

INR b	Old Est.		New Est.		Change (%)	
	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
NII	17.2	21.8	15.5	19.5	-9.8	-10.3
Other Income	5.4	6.7	7.9	9.4	46.9	40.2
<b>Total Income</b>	<b>22.6</b>	<b>28.5</b>	<b>23.5</b>	<b>28.9</b>	<b>3.8</b>	<b>1.6</b>
Operating Expenses	5.5	6.8	5.7	6.9	5.0	1.1
<b>Operating Profits</b>	<b>17.1</b>	<b>21.7</b>	<b>17.7</b>	<b>22.1</b>	<b>3.4</b>	<b>1.8</b>
Provisions	1.7	2.4	2.3	2.9		
<b>PBT</b>	<b>15.4</b>	<b>19.3</b>	<b>15.4</b>	<b>19.1</b>	<b>0.1</b>	<b>-1.0</b>
Tax	4.9	6.2	4.9	6.1	0.1	-1.0
<b>PAT</b>	<b>10.5</b>	<b>13.1</b>	<b>10.5</b>	<b>13.0</b>	<b>0.1</b>	<b>-1.0</b>
<b>ROAA (%)</b>	<b>1.4</b>	<b>1.3</b>	<b>1.4</b>	<b>1.4</b>		
<b>RoAE (%)</b>	<b>15.2</b>	<b>16.8</b>	<b>15.4</b>	<b>16.8</b>		

Source: MOSL, Company



### Conference call highlights

#### Business Updates

- Supertech – Exposure of INR2.8b bifurcated in two loans (one completed and one under construction). Project across 27.5 acres of land in Sector 83 of Gurgaon. Mass affordable project with ATS of INR8m/unit. Receivables coverage of 1.5x. Not an NPL in the books.
- 5bp opex/ATA attributable to ESOPs. 66bp opex/ATA without considering ESOPs.
- INR30b assigned in 1HFY19.
- 22% of housing loans disbursed by value are sub-INR2.5m ticket size.
- Took 20bp rate hike across the portfolio in October 2018.
- Nil NPL in the wholesale lending book (they had 2 NPLs earlier but managed to recover the money).
- INR500m YoY increase in opex is due to: Inclusion of subsidiary employees: INR170-180m, ESOPs: INR90m and others (salary hikes, bonus, etc.).
- Largest exposure in NCR would be in the range of INR3-3.5b.
- Incremental CoF: 8.2-8.3%.
- 20% of AUM will be assigned at steady state.

**Liquidity**

- Raised INR60b from CP and USD200m from ECBs post September.
- INR42b liquidity on BS vs INR30b in 1QFY19.

**Others**

- No corporate exposure to Unitech, IL&FS, Amrapalli, etc.
- 70% of portfolio is at a floating rate.
- 50-60bp spread on home loan assignments.
- Cross-sell fees are upfronted (1/3<sup>rd</sup> of total) while processing fees are amortized.

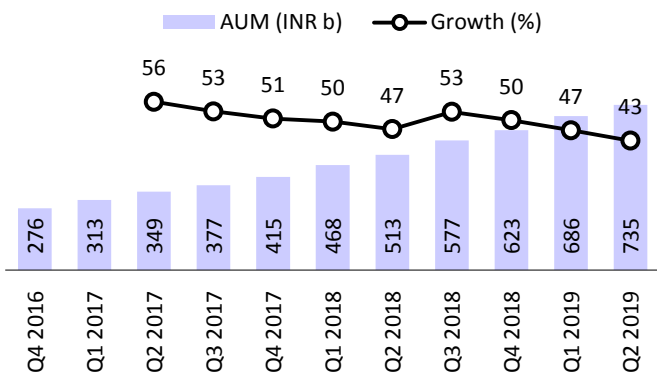
## Exhibit 3: Quarterly Snapshot

	FY18				FY19		Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	QoQ	YoY
<b>Profit and Loss (INR m)</b>								
<b>Net Interest Income</b>	<b>3,380</b>	<b>3,624</b>	<b>4,441</b>	<b>4,518</b>	<b>4,241</b>	<b>3,832</b>	-10	6
Other Income	717	773	695	1,016	1,245	1,962	58	154
<b>Total Income</b>	<b>4,097</b>	<b>4,396</b>	<b>5,136</b>	<b>5,534</b>	<b>5,486</b>	<b>5,794</b>	6	32
Operating Expenses	962	881	1,237	1,663	1,293	1,422	10	61
Employee	321	297	349	396	506	809	60	173
Others	641	584	888	1,267	787	613	-22	5
<b>Operating Profits</b>	<b>3,136</b>	<b>3,516</b>	<b>3,899</b>	<b>3,871</b>	<b>4,193</b>	<b>4,372</b>	4	24
Provisions	681	756	561	444	440	647	47	-14
<b>PBT</b>	<b>2,454</b>	<b>2,760</b>	<b>3,339</b>	<b>3,427</b>	<b>3,753</b>	<b>3,725</b>	-1	35
Taxes	754	859	1,164	1,223	1,195	1,195	0	39
<b>PAT</b>	<b>1,701</b>	<b>1,901</b>	<b>2,175</b>	<b>2,205</b>	<b>2,558</b>	<b>2,530</b>	-1	33
<b>Asset Quality</b>								
GNPA	1,892	1,657	2,322	1,881	2,748	2,805	2	69
NNPA	1,452	1,267	1,825	1,425	2,109	2,338	11	84
Gross NPAs (%)	0.4	0.3	0.4	0.3	0.4	0.4		
Net NPAs (%)	0.3	0.3	0.3	0.3	0.3	0.4		
PCR (Calculated, %)	23.3	23.5	21.4	24.2	23.3	16.7		
<b>Ratios (%)</b>								
Cost to Income	23.5	20.0	24.1	30.0	23.6	24.5		
Provision to operating profit	21.7	21.5	14.4	11.5	10.5	14.8		
Tax Rate	30.7	31.1	34.9	35.7	31.8	32.1		
RoA - reported (YTD)	1.5	1.7	1.6	1.5	1.5	1.5		
RoE - reported (YTD)	11.9	13.6	13.9	14.0	15.8	15.5		
<b>Margins Reported (%)</b>								
Yield on earning assets	10.6	10.3	10.5	10.5	10.1	9.9		
Cost of Funds	8.0	7.9	7.7	7.7	7.7	7.9		
Spreads	2.6	2.4	2.8	2.7	2.4	1.9		
NIMs	3.1	3.0	3.3	3.0	2.6	2.2		
<b>Business Details (INR b)</b>								
<b>Loan mix (%)</b>								
Individual home loan	59	59	57	56	56	58		
Construction Finance	11	12	12	14	13	12		
LAP	16	16	16	17	16	16		
LRD	6	5	6	5	6	5		
Corp term loan	5	4	5	5	5	5		
NRPL	3	4	3	4	4	4		
<b>Total Borrowing Mix (%)</b>								
- NCD	40.9	45.8	43.2	37.5	34.8	33.4		
- CP	16.4	15.2	17.3	17.5	15.7	11.7		
- Public deposit	25.3	23.1	21.0	19.5	18.0	17.7		
- ECB	3.8	3.3	2.9	2.5	2.4	2.3		
- Bank term loans	6.8	7.1	10.5	7.7	16.3	20.0		
- NHB Refinance	6.7	5.7	5.1	6.5	5.8	5.4		

Source: MOSL, Company

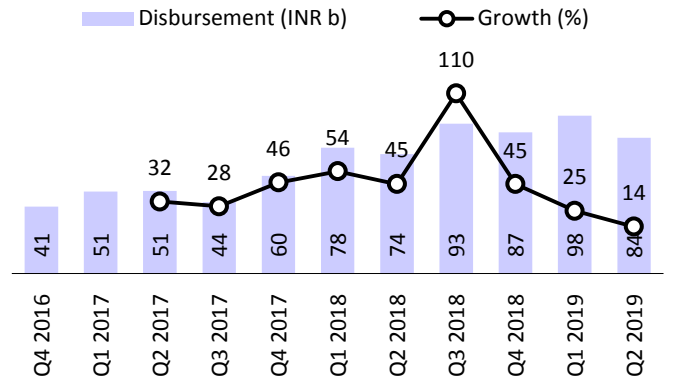
## Story in charts

**Exhibit 4: AUM growth remains robust**



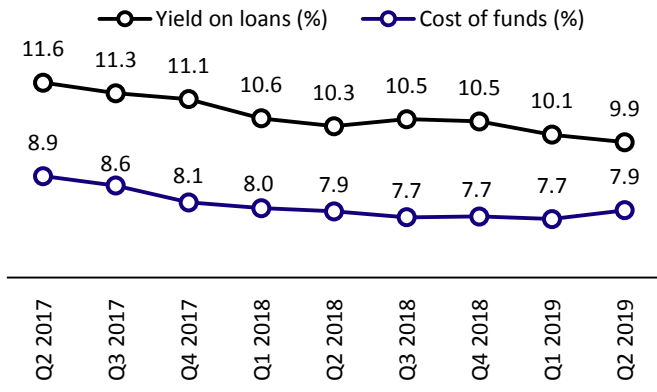
Source: Company, MOSL

**Exhibit 5: Disbursements up 14% YoY**



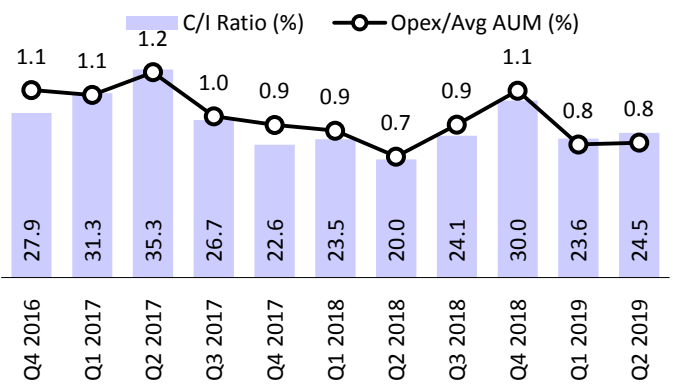
Source: Company, MOSL

**Exhibit 6: Targeted spread of 200-210bp (%)**



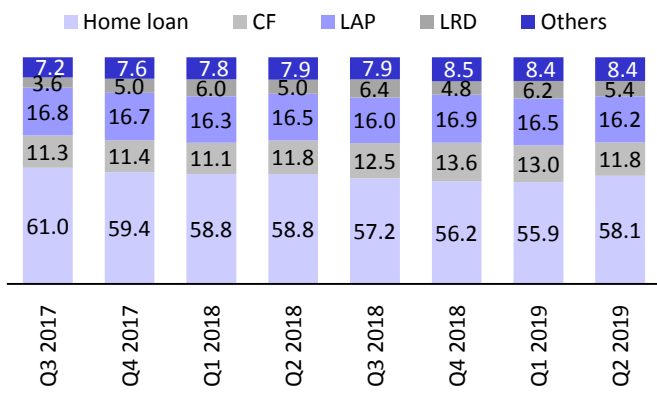
Source: Company, MOSL

**Exhibit 7: C/I ratio increased on a YoY basis (%)**



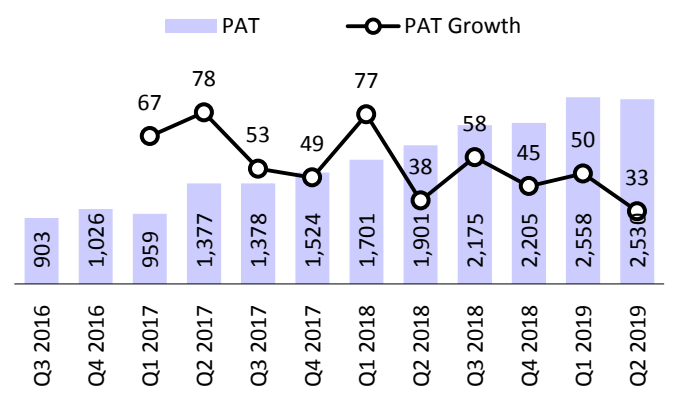
Source: Company, MOSL

**Exhibit 8: Loan mix trend (%)**



Source: Company, MOSL

**Exhibit 9: PAT growth of 33% YoY**



Source: Company, MOSL

## Exhibit 10: Financials - Valuation matrix

	Rating	CMP (INR)	Mcap (USDb)	P/E (x)			P/BV (x)			RoA (%)			RoE (%)		
				FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
ICICIBC*	Buy	350	31.2	23.6	31.0	12.5	1.6	1.5	1.4	0.8	0.5	1.2	6.8	4.9	11.5
AXSB	Buy	624	21.4	561.8	34.8	16.5	2.5	2.4	2.1	0.0	0.6	1.1	0.5	7.0	13.4
KMB*	Neutral	1,130	29.5	34.7	30.3	24.6	4.3	3.7	3.3	1.7	1.6	1.7	12.5	11.8	13.2
YES	Buy	210	6.6	11.4	10.5	8.5	1.9	1.6	1.4	1.6	1.3	1.3	17.7	16.7	17.9
IIB	Buy	1,492	12.7	24.8	22.1	15.1	3.8	3.4	2.7	1.8	1.7	2.1	16.5	16.2	20.0
FB	Buy	80	2.2	16.9	13.9	9.3	1.3	1.2	1.1	0.7	0.8	0.9	8.3	9.0	12.2
DCBB	Neutral	160	0.7	20.1	16.7	13.4	1.8	1.7	1.5	0.9	0.9	0.9	10.9	10.9	12.3
SIB	Buy	15	0.4	7.9	10.2	5.3	0.5	0.5	0.5	0.4	0.3	0.5	6.6	4.9	9.1
Equitas	Buy	108	0.5	116.1	20.8	14.7	1.6	1.5	1.4	0.3	1.1	1.2	1.4	7.5	9.8
RBL	Buy	533	3.1	35.2	25.9	18.6	3.3	3.0	2.7	1.1	1.2	1.3	11.6	12.3	15.2
<b>Private Aggregate</b>															
SBIN (cons)*	Buy	295	34.8	-49.3	54.3	9.3	1.1	1.1	1.0	-0.2	0.1	0.6	-3.5	1.0	11.3
PNB	Neutral	70	2.9	-1.4	-3.8	8.1	0.5	0.6	0.6	-1.7	-0.7	0.3	-29.5	-13.6	6.7
BOI	Neutral	86	2.0	-2.0	16.9	10.4	0.5	0.5	0.4	-1.0	0.1	0.2	-17.8	2.5	4.0
BOB	Buy	111	4.0	-11.4	11.7	7.0	0.7	0.7	0.6	-0.3	0.3	0.5	-5.8	5.7	8.9
CBK	Neutral	246	2.4	-3.9	12.8	5.6	0.6	0.5	0.5	-0.7	0.2	0.5	-12.2	3.9	8.5
UNBK	Neutral	80	1.2	-1.4	-18.4	22.4	0.4	0.4	0.3	-1.1	-0.1	0.1	-23.7	-2.1	1.6
INBK	Buy	255	1.6	9.7	10.4	6.0	0.7	0.7	0.6	0.5	0.4	0.7	8.3	7.3	11.6
<b>Public Aggregate</b>															
<b>Banks Aggregate</b>															
HDFC*	Buy	1,796	41.8	21.9	16.8	15.6	3.6	2.5	2.2	1.9	1.9	1.7	18.6	16.3	15.1
LICHF	Buy	421	3.0	12.5	9.3	7.7	1.5	1.3	1.1	1.1	1.3	1.5	13.3	14.9	15.8
IHFL	Buy	834	5.1	9.2	8.5	7.2	2.4	2.1	1.9	3.4	3.2	3.2	27.9	26.3	27.4
PNBHF	Buy	873	2.0	17.5	13.9	11.1	2.2	2.0	1.7	1.6	1.4	1.3	13.9	15.2	16.8
GRHF	Neutral	295	3.0	59.5	45.0	41.2	16.7	13.6	11.3	2.5	2.8	2.7	31.8	33.3	30.0
REPCO	Buy	390	0.3	11.8	10.1	9.0	1.9	1.6	1.4	2.2	2.3	2.3	16.9	17.2	16.5
<b>Housing Finance</b>															
SHTF	Buy	1,243	3.9	18.0	11.4	9.7	2.1	1.8	1.5	1.9	2.3	2.3	12.7	16.9	17.1
MMFS	Buy	419	3.6	24.0	18.4	15.9	2.7	2.4	2.2	2.3	2.5	2.4	12.5	13.9	14.5
BAF	Neutral	2,360	18.7	54.4	36.0	29.1	8.8	7.2	5.9	3.3	3.7	3.6	20.4	22.0	22.4
CIFC	Buy	1,313	2.8	21.1	16.8	15.0	4.1	3.3	2.8	2.7	2.4	2.2	20.9	21.8	20.3
SCUF	Buy	1,578	1.4	15.7	11.2	10.0	1.9	1.7	1.5	2.8	3.3	3.3	12.7	15.9	15.5
LTFH	Buy	135	3.6	19.9	11.7	10.0	2.4	2.0	1.7	1.7	2.3	2.3	14.2	18.8	18.7
MUTH	Neutral	440	2.4	10.2	8.7	7.9	2.3	1.9	1.6	5.5	6.0	5.9	24.1	23.8	22.4
MAS	Buy	492	0.4	25.7	19.5	15.9	3.7	3.2	2.8	4.1	4.2	4.1	20.7	17.8	18.9
CAFL	Buy	477	0.6	14.4	10.8	8.6	1.8	1.6	1.4	1.6	1.6	1.6	13.4	15.7	17.1
<b>Asset Finance</b>															

\*Multiples adj. for value of key ventures/Investments; For ICICI Bank and HDFC Ltd BV is adjusted for investments in subsidiaries

Source: MOSL, Company

## Financials and valuations

Income statement						(INR Million)		
Y/E March	2014	2015	2016	2017	2018	2019E	2020E	2021E
Interest Income	10,559	16,708	25,461	36,401	50,824	66,440	89,001	113,862
Interest Expended	8,016	12,648	18,603	26,437	35,308	50,919	69,488	89,927
<b>Net Interest Income</b>	<b>2,543</b>	<b>4,060</b>	<b>6,858</b>	<b>9,964</b>	<b>15,516</b>	<b>15,520</b>	<b>19,513</b>	<b>23,934</b>
Change (%)	47.3	59.6	68.9	45.3	55.7	0.0	25.7	22.7
Other Operating Income	644	1,095	1,534	2,678	4,346	7,931	9,428	11,761
<b>Net Income</b>	<b>3,187</b>	<b>5,155</b>	<b>8,393</b>	<b>12,642</b>	<b>19,862</b>	<b>23,451</b>	<b>28,942</b>	<b>35,695</b>
Change (%)	56.0	61.8	62.8	50.6	57.1	18.1	23.4	23.3
Operating Expenses	1,093	1,830	2,521	3,573	5,082	5,740	6,888	8,096
<b>Operating Income</b>	<b>2,094</b>	<b>3,326</b>	<b>5,872</b>	<b>9,069</b>	<b>14,779</b>	<b>17,712</b>	<b>22,054</b>	<b>27,599</b>
Change (%)	48.3	58.8	76.6	54.5	63.0	19.8	24.5	25.1
Provisions/write offs	304	381	832	1,029	1,988	2,284	2,926	3,713
<b>Reported PBT</b>	<b>1,790</b>	<b>2,945</b>	<b>5,040</b>	<b>8,040</b>	<b>12,791</b>	<b>15,428</b>	<b>19,128</b>	<b>23,886</b>
Tax	493	1,004	1,766	2,803	4,484	4,937	6,121	7,644
Tax Rate (%)	28	34	35	35	35	32	32	32
<b>Reported PAT</b>	<b>1,297</b>	<b>1,941</b>	<b>3,273</b>	<b>5,237</b>	<b>8,307</b>	<b>10,491</b>	<b>13,007</b>	<b>16,242</b>
Change (%)	39.7	49.6	68.7	60.0	58.6	26.3	24.0	24.9
Proposed Dividend	176	290	486	1,196	1,799	2,266	2,810	3,508

Balance sheet						(INR Million)		
Y/E March	2014	2015	2016	2017	2018	2019E	2020E	2021E
Capital	657	1,038	1,269	1,656	1,675	1,675	1,675	1,675
Reserves & Surplus	8,684	14,749	20,190	52,921	62,434	70,659	80,856	93,590
<b>Net Worth</b>	<b>9,341</b>	<b>15,787</b>	<b>21,459</b>	<b>54,577</b>	<b>64,109</b>	<b>72,333</b>	<b>82,531</b>	<b>95,265</b>
<b>Borrowings</b>	<b>101,077</b>	<b>164,808</b>	<b>260,137</b>	<b>354,971</b>	<b>540,722</b>	<b>716,544</b>	<b>918,466</b>	<b>1,172,863</b>
Change (%)	51.0	63.1	57.8	36.5	52.3	32.5	28.2	27.7
Other liabilities	4,978	9,695	14,809	19,579	32,609	40,761	50,952	61,142
<b>Total Liabilities</b>	<b>115,396</b>	<b>190,290</b>	<b>296,405</b>	<b>429,127</b>	<b>637,439</b>	<b>829,639</b>	<b>1,051,949</b>	<b>1,329,270</b>
<b>Loans</b>	<b>105,660</b>	<b>168,006</b>	<b>271,813</b>	<b>385,452</b>	<b>570,300</b>	<b>734,917</b>	<b>937,211</b>	<b>1,184,710</b>
Change (%)	60.1	59.0	61.8	41.8	48.0	28.9	27.5	26.4
<b>Investments</b>	<b>6,455</b>	<b>15,860</b>	<b>16,223</b>	<b>32,796</b>	<b>23,801</b>	<b>33,322</b>	<b>43,318</b>	<b>56,313</b>
Change (%)	-16.9	145.7	2.3	102.2	-27.4	40.0	30.0	30.0
Net Fixed Assets	288	577	622	604	857	1,071	1,338	1,673
Other assets	2,993	5,847	7,747	10,275	42,482	60,329	70,082	86,573
<b>Total Assets</b>	<b>115,396</b>	<b>190,290</b>	<b>296,405</b>	<b>429,127</b>	<b>637,439</b>	<b>829,639</b>	<b>1,051,949</b>	<b>1,329,270</b>

E: MOSL Estimates



## Financials and valuations

<b>Ratios</b>								
<b>Y/E March</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
<b>Spreads Analysis (%)</b>								
Avg yield on loans	11.7	11.7	11.2	10.6	10.3	9.9	10.4	10.5
Avg. cost of funds	9.5	9.5	8.8	8.6	7.9	8.1	8.5	8.6
Interest Spread	1.8	1.8	2.0	1.7	2.2	1.7	1.7	1.7
Net Interest Margin	2.7	2.7	2.9	2.8	3.1	2.3	2.2	2.2
<b>Profitability Ratios (%)</b>								
RoE	16.7	15.4	17.6	13.8	14.0	15.4	16.8	18.3
RoA	1.35	1.27	1.35	1.44	1.56	1.43	1.38	1.36
Int. Expended/Int.Earned	75.9	75.7	73.1	72.6	69.5	76.6	78.1	79.0
Other Inc./Net Income	20.2	21.2	18.3	21.2	21.9	33.8	32.6	32.9
<b>Efficiency Ratios (%)</b>								
Op. Exps./Net Income	34.3	35.5	30.0	28.3	25.6	24.5	23.8	22.7
Empl. Cost/Op. Exps.	37.0	36.6	29.9	28.3	26.9	39.2	39.2	39.4
<b>Asset Quality (%)</b>								
Gross NPAs	337	341	598	858	1,861	3,346	5,258	7,698
Gross NPAs to Adv.	0.3	0.2	0.2	0.2	0.3	0.5	0.6	0.6
Net NPAs	164	114	381	590	1,425	2,342	3,681	5,389
Net NPAs to Adv.	0.2	0.1	0.1	0.2	0.2	0.3	0.4	0.5
<b>VALUATION</b>								
Book Value (INR)	142.2	152.0	169.1	329.5	382.8	431.9	492.8	568.9
BVPS Growth YoY	15.0	6.9	11.2	94.9	16.2	12.8	14.1	15.4
<b>Price-BV (x)</b>					<b>2.3</b>	<b>2.0</b>	<b>1.8</b>	<b>1.5</b>
EPS (INR)	19.7	18.7	25.8	31.6	49.6	62.6	77.7	97.0
EPS Growth YoY	6.4	-5.3	38.0	22.6	56.9	26.3	24.0	24.9
<b>Price-Earnings (x)</b>					<b>17.6</b>	<b>13.9</b>	<b>11.2</b>	<b>9.0</b>
Dividend per share (INR)	3.0	3.0	3.4	6.0	9.0	11.3	14.0	17.5
<b>Dividend yield (%)</b>					<b>1.0</b>	<b>1.3</b>	<b>1.6</b>	<b>2.0</b>

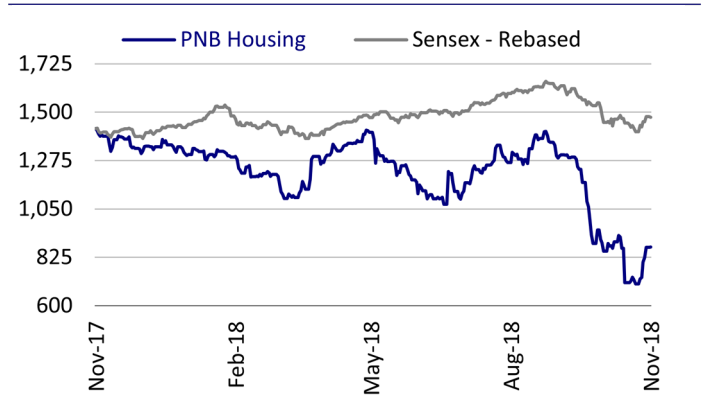
E: MOSL Estimates

## Corporate profile: PNB Housing Finance

### Company description

PNBHF is the fifth largest housing finance company (HFC) in India in terms of loan book size (INR623b as of FY18). It has a diverse product suite offering retail home loans, loans against property (LAP), corporate term loans, non-residential property loans, construction finance, and lease rental discounting (LRD). It conducts operations from a network of 85 branches and 21 hubs across 48 cities in India. PNBHF was incorporated in 1988 as a subsidiary of Punjab National Bank (PNB).

### Exhibit 1: Sensex rebased



### Exhibit 2: Shareholding pattern (%)

	Sep-18	Jun-18	Sep-17
Promoter	32.8	32.8	38.9
Public	10.8	10.4	4.7
Others	18.0	18.2	14.1
Total	38.3	38.7	42.3

Note: FII Includes depository receipts

### Exhibit 3: Top holders

Holder Name	% Holding
Quality Investment Holdings	32.4
General Atlantic Singapore Fund FII Pte Ltd	9.9
Aditya Birla Sun Life Trustee Private Limited A/C	3.5
Motilal Oswal Multicap 35 Fund	1.7
Reliance Capital Trustee Co Ltd.A/C Reliance Equity Hybrid Fund	1.7

### Exhibit 4: Top management

Name	Designation
Sunil Mehta	Non-Executive Chairman
Sanjaya Gupta	Managing Director
Kapish Jain	Chief Financial Officer

### Exhibit 5: Directors

Name	Name
Shubhalakshmi Panse	Ashwani Kumar Gupta
Sunil Kaul	Shubhalakshmi Panse
S K Jain	Nilesh S Vikamsey
R Chandrasekaran	L V Prabhakar
Gourav Vallabh	

\*Independent

### Exhibit 6: Auditors

Name	Type
Preeti Pahwa & Associates	Secretarial Audit
B R Maheswari & Co LLP	Statutory

### Exhibit 7: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY19	62.6	64.6	-3.1
FY20	77.7	83.4	-6.8
FY21	97.0	104.4	-7.1

## NOTES

Explanation of Investment Rating	
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

\*In case the recommendation given by the Research Analyst becomes inconsistent with the investment rating legend, the Research Analyst shall within 28 days of the inconsistency, take appropriate measures to make the recommendation consistent with the investment rating legend.

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Disclosure of Interest Statement	PNB Housing Finance
Analyst ownership of the stock	No

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