



Investment Idea

PNB Housing Finance Limited (PNBHFL)



PNB Housing Finance Limited (PNBHFL) is an India-based housing finance company. The Company provides housing loans to individuals and corporate bodies for construction, purchase, and repair and up gradation of houses. It also provides loans for commercial space, loan against property and loan for purchase of residential plots. It provides home loans, which include home purchase loans, home extension loans, home construction loans, home improvement loans, residential plot loans and loans for non-resident Indians (NRIs). The Company also provides non-home loans, which include commercial property loans, loan against property (LAP), loan for purchase of non-residential premises (NRP) and lease rental discounting (LRD). The Company also offers construction finance to the real estate developers. In addition, PNBHFL offers fixed deposit products for retail investors. The Company has around 38 branches supported by around 16 underwriting hubs

Key Triggers:

- 1. Stable Q1FY21 Result:** PNBHousing reported 1QFY21 PAT of INR2.6b (v/s est. of INR600m). The beat was driven by stronger PPOp and significantly lower credit cost. v Moratorium rate on the loan book declined to 39% in Phase 2 from 56% in Phase 1. AUM remained sequentially stable at INR835b. yield on loans was stable at 10.6%, cost of funds declined 30bp YoY, leading to a similar improvement in spreads to 2.6%. The share of moratorium granted to retail customers declined from 49% to 29% QoQ, while that for the overall book declined from 56% to 39% QoQ. Opex declined ~25% both QoQ and YoY. Management guided to 5–10% YoY reduction in FY21.
- 2. Long standing track record and market position :** PNBHFL has a long and profitable track record of operations of over three decades. PNBHFL is the fourth largest HFC in the country with asset under management (AUM) of Rs.83,346 crore as on March 31, 2020. PNBHFL has seen CAGR of 26% in its AUM over the last 3 years till March 31, 2020. As on March-20, retail loan book i.e. Individual Housing loans(IHL; 58%), Retail Loan Against Property (LAP; 20%) and Retail Non-Residential Premise loans (NRPL) (4%) together comprised 82% of AUM while the wholesale loan book constituting (Construction Finance – 12%, Corporate Term Loans- 4%, LRD – 2%) formed the remaining 18% of AUM. There has been a concerted effort by the management to reduce its corporate loan book (resulting in corporate book share reducing from 21% of AUM as on Mar-19 to 18% as on Mar-20). Also, during FY20, PNBHFL sold high risk weighted corporate finance book worth Rs.2,307 crore.

August 27, 2020

NBFC

CMP (Rs.)	282
Target Price (Rs.)	395
NIFTY	11450
52 Week H/L	713/146
Market Cap (Cr.)	1159
P/E (ttm)	7.8
EPS (ttm)	34
P/BV (ttm)	0.58
Book Value (ttm)	472.5
Industry	Finance- Housing

Shareholding Pattern (%)

	June, 20	March, 20
Promoters	32.65	32.65
Non Promoter- Non Public	0.00	0.00
Public	67.35	67.35
Total	100	100

Source: BSE

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3. Wide network Base: PNB Housing has established a wide network of branches through which it offers its financial services (both loans and deposits) seamlessly to customers across India. The Company operates sales and distribution functions through its wholly-owned subsidiary, PHFL Home Loans and Services Limited. The Company is increasingly focusing on digital channels to further widen its reach, improve operational efficiency and enhance customer experience.

Growth drivers:

1. The company received sanction to sell down INR3.5b worth of corporate accounts to banks.
2. Comfort from brand linkages with PNB

Valuation & View:

PNB Housing, one of India's leading HFCs, has been serving the aspirations of prospective homeowners for the past 32 years. It is also the second largest deposit-taking HFC in India. At the current market price of Rs. 282, the stock is trading at ttm P/BV value of 0.58 times only which lower than its 10 years average P/BV. **Hence, we maintain our positive view with the target price of Rs 395 in medium to long term perspective.**

Risk & concerns:

1. Significant deterioration in asset quality profile
2. High concentration in wholesale lending book

Peer Comparison:

Company	CMP	P/BV	P/E	Market cap
PNB Housing	267.7	0.6	7.8	4502
Canfin Homes	392	2.3	13.5	5232
LIC Housing	298	0.8	5.7	15041

TRENDS:	10Yr	7Yr	5Yr	3Yr	TTM
Sales Growth	42%	44%	37%	29%	-5%
OPM	86%	86%	86%	85%	80%
PAT Growth	29%	33%	29%	9%	-16%
Avg. PE	20.1	20.1	20.1	14.3	7.8



Chart comparison with Sensex



Source: Ace Equity

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