

PNB Housing Finance

BSE SENSEX	S&P CNX
37,559	11,302
Bloomberg	PNBHOUSI IN
Equity Shares (m)	167
M.Cap.(INRb)/(USD\$)	116.9 / 1.7
52-Week Range (INR)	1429 / 679
1, 6, 12 Rel. Per (%)	-20/-32/-54
12M Avg Val (INR M)	344
Free float (%)	67.2

Financials & Valuations (INR b)

Y/E March	2019	2020E	2021E
NII	16.3	18.1	20.3
PPP	19.2	20.8	23.4
PAT	11.9	12.3	13.5
EPS (INR)	71.1	73.2	80.4
BV/Sh. (INR)	440	502	570
RoAA (%)	1.6	1.4	1.4
RoE (%)	17.8	15.6	15.0
Payout (%)	15.2	15.0	15.0
P/E (x)	9.8	9.5	8.7
P/BV (x)	1.6	1.4	1.2
Div. Yield (%)	1.3	1.3	1.4

CMP: INR698
TP: INR875 (+25%)
Buy

Disbursement growth moderates further, spreads stable sequentially

- PAT grew 51% YoY to INR3.8b (37% beat) in 4QFY19, driven by better-than-expected margins and lower provision cost.
- PNBHF continued to calibrate disbursements in 4QFY19 – **disbursements declined 8% QoQ/2% YoY to INR86b, largely due to scale-back in LRD segment.** AUM growth was healthy at 6% QoQ/36% YoY to INR847b, despite a moderation in disbursement growth, as the repayment rate declined sharply.
- Spreads (rep) were stable QoQ (-40bp YoY) at 2.6% owing to a reduction in cost of funds by 15bp QoQ to 8.06%. **PNBHF continues to maintain adequate liquidity on the balance sheet (INR70b, equivalent to 1.5 months of outflows).**
- Asset quality was healthy, with a GNPL ratio of 48bp (largely stable). However, PNBHF reduced its ECL stage 3 provisions by 180bp QoQ to 20.95%, leading to credit costs of INR100m in 4QFY19 versus our estimate of INR720m. **Over the past year, stage 3 provisions have declined from 28% to 21%, while stage 1/2 provisions have increased from 41bp to 49bp, supporting overall profitability.** Management reported five exposures aggregating INR9b in corporate loans, where it has taken proactive or remedial actions. Asset cover on these exposures is healthy, and thus, management does not expect meaningful haircuts.

Valuation view: Post the strong disbursement CAGR of 55%+ over FY13-18, growth has moderated sharply to ~9% YoY in FY19. The liquidity crisis, coupled with increasing stress in corporate segment, warrants caution. With asset leverage already at 11x and a cautious outlook in the underlying business, disbursement growth is likely to remain moderate over the near-to-medium term. Reduction in the repayment rates is likely to support AUM growth (~15%). We factor in NIM compression of 20bp and a rise in credit cost by 5-10bp. **We cut our earnings estimates 3-6% for FY20/21. Maintain Buy with a TP of INR875 (1.5x FY21E).**

PNBHF: Quarterly performance

(INR Million)

	FY18				FY19				FY18	FY19
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	10,898	11,972	13,356	14,241	15,238	16,121	17,641	18,929	50,467	67,929
Interest Expenses	7,505	8,348	9,257	10,256	10,998	12,289	14,103	14,275	35,366	51,664
Net Interest Income	3,394	3,624	4,099	3,985	4,241	3,832	3,538	4,654	15,101	16,265
YoY Growth (%)	62.2	58.7	55.0	19.8	25.0	5.8	-13.7	16.8	45.9	7.7
Other income	704	773	806	2,144	1,245	1,962	3,144	2,553	4,426	8,904
Total Income	4,097	4,396	4,906	6,129	5,486	5,794	6,682	7,207	19,528	25,169
YoY Growth (%)	60.8	53.9	50.6	54.0	33.9	31.8	36.2	17.6	54.5	28.9
Operating Expenses	962	881	1,066	1,508	1,293	1,422	1,565	1,655	4,416	5,935
YoY Growth (%)	20.6	-12.6	22.6	67.9	34.4	61.5	46.8	9.8	23.6	34.4
Operating Profits	3,136	3,516	3,840	4,621	4,193	4,372	5,117	5,552	15,112	19,233
YoY Growth (%)	79.0	90.3	60.8	49.9	33.7	24.4	33.3	20.1	66.6	27.3
Provisions	681	756	482	847	440	647	701	101	2,766	1,890
Profit before Tax	2,454	2,760	3,358	3,774	3,753	3,725	4,416	5,451	12,346	17,344
Tax Provisions	754	859	1,064	1,258	1,195	1,195	1,386	1,653	3,934	5,429
Profit after tax	1,701	1,901	2,295	2,516	2,558	2,530	3,030	3,798	8,411	11,915
YoY Growth (%)	77.3	38.1	66.5	65.1	50.4	33.1	32.0	51.0	60.6	41.7
Loans growth (%)	42.4	51.2	61.1	48.0	45.2	37.0	27.9	29.8	48.0	45.2
Cost to Income Ratio (%)	23.5	20.0	21.7	24.6	23.6	24.5	23.4	23.0	22.6	23.6
Tax Rate (%)	30.7	31.1	31.7	33.3	31.8	32.1	31.4	30.3	31.9	31.3

E: MOFSL Estimates

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 Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

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

Y/e March	4QFY19E	4QFY19A	Var (%)	Comments
Interest Income	19,120	18,929	-1	
Interest Expenses	15,458	14,275	-8	
Net Interest Income	3,662	4,654	27	NII beat due to lower cost of funds
YoY Growth (%)	-24.3	16.8		
Other income	2,810	2,553	-9	
Total income	6,472	7,207	11	
YoY Growth (%)	17.0	17.6		
Operating Expenses	1,666	1,655	-1	
YoY Growth (%)	0.2	9.8		
Operating Profits	4,806	5,552	16	PPoP beat due to higher NII
YoY Growth (%)	24.2	20.1		
Provisions	723	101	-86	
Profit before Tax	4,083	5,451	33	
Tax Provisions	1,303	1,653	27	
Profit after tax	2,781	3,798	37	PAT beat due to higher NII and lower credit costs
YoY Growth (%)	26.1	51.0		
Cost to Income Ratio (%)	25.7	23.0		
Tax Rate (%)	31.9	30.3		

Source: MOFSL, Company

AUM grew 36% YoY to
INR847b

Disbursements calibrated, loan mix largely stable

- PNBHF continued to calibrate disbursements in 4QFY19 – **disbursements declined 8% QoQ/2% YoY to INR86b, largely due to scale-back in LRD segment.**
- As a result, AUM grew 6% QoQ/36% YoY to INR847b. While the overall loan mix was largely stable, we note of a sequential reduction in the LRD book from INR40b to INR32b. The share of core home loans remained largely stable at 58%.
- PNBHF sold down INR22b of loans during the quarter, recording an upfront income of INR940m (down ~20% YoY).

Calc. spreads up 50bp QoQ
to 2.5%

Calculated spreads expand on a sequential basis

- On a calculated basis, yield on loans improved 20bp QoQ to 10.46%, while cost of funds declined 55bp QoQ to 7.96%. However, the company is raising incremental money at 8.4-8.5%.
- During the quarter, PNBHF reduced its share of NCDs (from 30% to 28%) and CPs (from 11% to 9.6%) and consequently increased the share of bank loans, NHB refinance and assignments.
- **The company continues to maintain adequate liquidity on the balance sheet (INR70b, equivalent to 1.5 months of outflows).**

Asset quality stable with
GNPL ratio of 48bp

Opex under control; asset quality stable

- **Opex increased 10% YoY to INR1.7b, in line with our estimate. This resulted in the C/I ratio declining by 160bp YoY to 23%.**
- PNBHF continues to maintain robust asset quality. The GNPL ratio stood at 48bp (stable sequentially).
- The company also has floating provisions amounting to INR1.57b on the balance sheet, in addition to INR4.38b of ECL provisions.

Valuation and view

- Post the strong disbursement CAGR of 55%+ over FY13-18, growth has moderated sharply to ~9% YoY in FY19. The liquidity crisis, coupled with increasing stress in corporate segment, warrants caution. With asset leverage

already at 11x and a cautious outlook in the underlying business, disbursement growth is likely to remain moderate over the near-to-medium term.

- Reduction in the repayment rates is likely to support AUM growth (~15%). With increasing asset leverage on the balance sheet and the change in the portfolio mix, we factor in NIM compression of 20bp over FY19-21. While asset quality remains healthy, there has been a rise in stress in the underlying segment. We, thus, bake in 5-10bp higher credit cost over FY19-21. We cut our earnings estimate by 5-8% for FY20/21, despite a 10% beat to our FY19 profit estimates.
- In FY19, PNBHF started its sell-down programme on a regular basis – the assigned pool is now worth INR100b+. This has helped the company in generating liquidity and boosting margins. Booking of income related to assignment transaction (16%+ of PBT) will lead to volatility in reported profitability.
- With AUM growth slowing down and stress in the underlying segment, we cut multiples from 2x to 1.5x BV. **Buy with a TP of INR875.**

Exhibit 2: We cut our estimates to factor in lower growth

INR b	Old Est.		New Est.		Change (%)	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
NII	18.4	22.0	18.1	20.3	-1.8	-7.7
Other Income	10.4	11.9	9.3	10.5	-10.4	-11.5
Total Income	28.8	33.9	27.4	30.8	-4.9	-9.0
Operating Expenses	6.9	8.1	6.6	7.4	-4.3	-8.2
Operating Profits	21.9	25.8	20.8	23.4	-5.1	-9.3
Provisions	3.4	4.6	2.8	3.6		
PBT	18.5	21.1	18.0	19.8	-2.7	-6.3
Tax	5.9	6.8	5.8	6.3	-2.7	-6.3
PAT	12.6	14.4	12.3	13.5	-2.7	-6.3
ROAA (%)	1.3	1.3	1.4	1.4		
RoAE (%)	16.3	16.3	15.6	15.0		

Source: MOFSL, Company



Conference call highlights

Business Updates

- **Five corporate accounts (5 projects) are not performing as per management's estimates – currently classified as standard. The company has built a specialized team to look into it. These accounts are in NCR, MMR and South India. The total exposure in these accounts is INR9.08b, of which INR6b is more concerning.**
- Recovered INR1.13b from three accounts in FY19, with a minimal write-off of INR20m.
- Loans under subvention schemes amount to only INR6b.
- **Sold down low-yielding corporate loans worth INR16b to banks (not a direct assignment).**
- The assigned portfolio is 100% retail.
- West – 40%; South (primarily Bangalore) – 37%; North – 23%.
- **Exposure to Supertech – INR2.2b (pari-passu) and Lodha – INR12b (old relationship since 2011; Odpd)**
- Net PAT impact of INR1.5-1.6b due to upfronting of assignment income.

Liquidity/margins

- NHB sanction of INR35b in 3Q was drawn down fully in 4Q.
- INR70b of liquidity on the balance sheet. Another INR20b of undrawn lines.
- ECB cost (fully hedged) is 8.6%.

Others

- Over 1.5lac depositor accounts. 50% of deposits get renewed upon maturity.
- Corporate loan sanctions in FY19 were down 37% YoY.
- C/I ratio is slightly elevated due to ESOP cost accounting under Ind-AS (ESOP expense in 4Q = INR110m).
- Takes 100 days for an increase in PLR to flow through the entire balance sheet.
- Took a small rate hike in March, which would show up in the numbers in June.
- 4-5 corporate cases amounting to INR5b would be pari-passu.

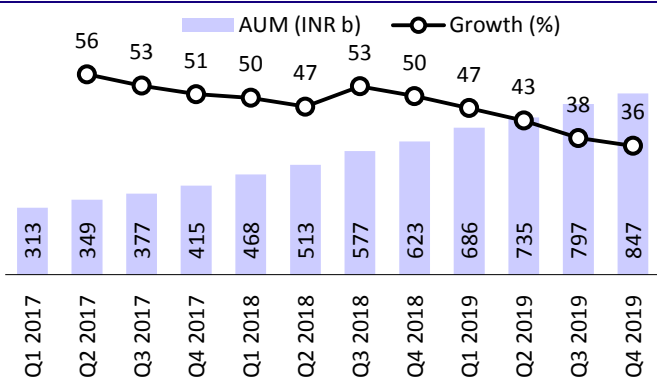
Exhibit 3: Quarterly snapshot

	FY18				FY19				Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	QoQ	YoY
Profit and Loss (INR m)										
Net Interest Income	3,394	3,624	4,099	3,985	4,241	3,832	3,538	4,654	32	17
Other Income	704	773	806	2,144	1,245	1,962	3,144	2,553	-19	19
Total Income	4,097	4,396	4,906	6,129	5,486	5,794	6,682	7,207	8	18
Operating Expenses	962	881	1,066	1,508	1,293	1,422	1,565	1,655	6	10
Employee	321	297	368	456	506	809	811	913	13	100
Others	641	584	698	1,052	787	613	754	742	-2	-29
Operating Profits	3,136	3,516	3,840	4,621	4,193	4,372	5,117	5,552	8	20
Provisions	681	756	482	847	440	647	701	101	-86	-88
PBT	2,454	2,760	3,358	3,774	3,753	3,725	4,416	5,451	23	44
Taxes	754	859	1,064	1,258	1,195	1,195	1,386	1,653	19	31
PAT	1,701	1,901	2,295	2,516	2,558	2,530	3,030	3,798	25	51
Asset Quality										
GNPA	1,892	1,657	2,322	1,881	2,748	3,006	3,324	3,775	14	101
NNPA	1,452	1,267	1,714	1,425	2,109	2,338	2,617	2,813	8	97
Gross NPAs (%)	0.4	0.3	0.4	0.3	0.4	0.4	0.5	0.5		
Net NPAs (%)	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4		
PCR (Calculated, %)	23.3	23.5	26.2	24.2	23.3	22.2	21.3	25.5		
Ratios (%)										
Cost to Income	23.5	20.0	21.7	24.6	23.6	24.5	23.4	23.0		
Provision to operating profit	21.7	21.5	12.5	18.3	10.5	14.8	13.7	1.8		
Tax Rate	30.7	31.1	31.7	33.3	31.8	32.1	31.4	30.3		
RoA - reported (YTD)	1.5	1.7	1.6	1.6	1.5	1.5	1.5	1.6		
RoE - reported (YTD)	11.9	13.6	13.9	14.2	15.8	15.5	16.2	17.4		
Margins Reported (%)										
Yield on earning assets	10.6	10.3	10.3	10.1	10.1	9.9	10.3	10.5		
Cost of Funds	8.0	7.9	7.7	7.8	7.7	7.9	8.5	8.0		
Spreads	2.6	2.4	2.5	2.3	2.4	1.9	1.8	2.5		
NIMs	3.1	3.0	3.0	2.7	2.6	2.2	1.8	2.3		
Business Details (INR b)										
Loan mix (%)										
Individual home loan	59	59	57	56	56	58	57	58		
Construction Finance	11	12	12	14	13	12	13	13		
LAP	16	16	16	17	16	16	16	17		
LRD	6	5	6	5	6	5	5	4		
Corp term loan	5	4	5	5	5	5	5	4		
NRPL	3	4	3	4	4	4	4	3		
Total Borrowing Mix (%)										
- NCD	40.9	45.8	43.2	37.5	34.8	33.4	30.1	28.0		
- CP	16.4	15.2	17.3	17.5	15.7	11.7	11.0	9.6		
- Public deposit	25.3	23.1	21.0	19.5	18.0	17.7	16.7	17.2		
- ECB	3.8	3.3	2.9	2.5	2.4	2.3	6.1	5.7		
- Bank term loans	6.8	7.1	10.5	7.7	16.3	20.0	17.3	18.2		
- NHB Refinance	6.7	5.7	5.1	6.5	5.8	5.4	7.2	8.5		

Source: MOFSL, Company

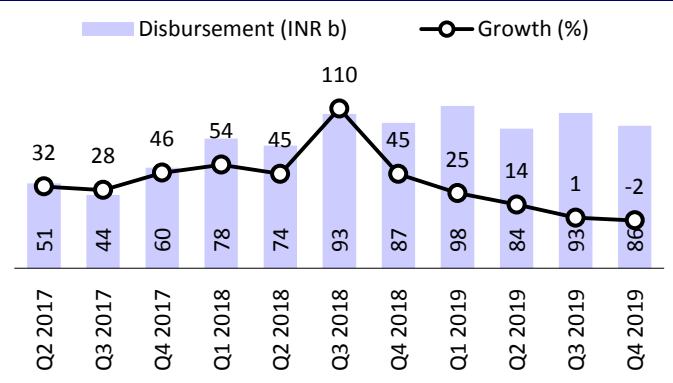
Story in charts

Exhibit 4: AUM growth remains robust



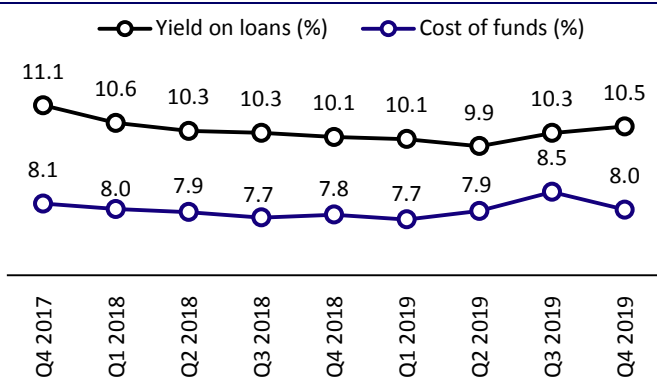
Source: Company, MOFSL

Exhibit 5: Disbursements down 2% YoY



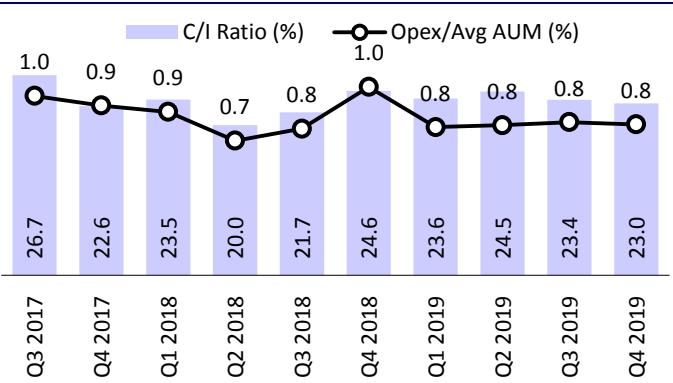
Source: Company, MOFSL

Exhibit 6: Sharp decline in cost of funds (calc.)



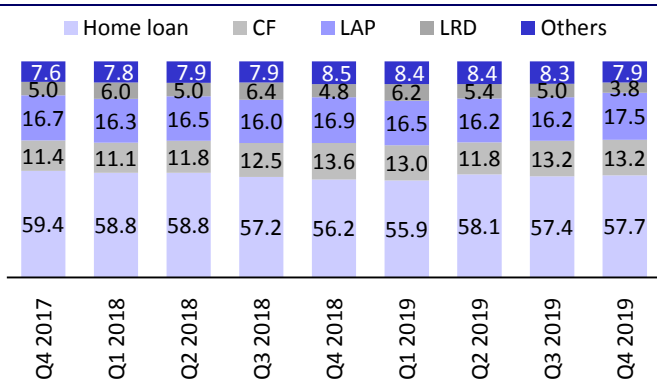
Source: Company, MOFSL

Exhibit 7: C/I ratio declined 160bp on a YoY basis



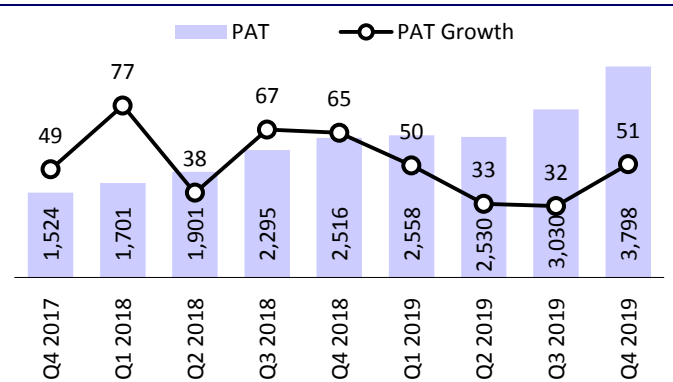
Source: Company, MOFSL

Exhibit 8: Loan mix trend (%)



Source: Company, MOFSL

Exhibit 9: PAT growth of 51% YoY



Source: Company, MOFSL

Exhibit 10: Financials - Valuation matrix

	Rating	CMP (INR)	Mcap (USDb)	EPS (INR)		P/E (x)		BV (INR)		P/BV (x)		RoA (%)		RoE (%)	
				FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
ICICIBC*	Buy	381	35.2	5.2	21.2	53.2	13.1	166	181	1.7	1.5	0.4	1.3	3.2	12.4
HDFCB	Buy	2,291	89.8	79.3	94.4	28.9	24.3	548	624	4.2	3.7	1.8	1.9	16.5	16.1
AXSB	Buy	730	27.0	18.2	40.0	40.1	18.2	259	301	2.8	2.4	0.6	1.2	7.2	14.3
KMB*	Neutral	1,389	38.2	37.7	44.1	36.8	31.5	303	346	4.6	4.0	1.7	1.8	12.2	13.2
YES	Buy	170	5.3	7.5	14.1	22.9	12.1	116	138	1.5	1.2	0.5	0.8	6.5	11.0
IIB	Buy	1,477	12.8	53.8	99.4	27.5	14.9	427	541	3.5	2.7	1.4	2.2	13.1	20.6
FB	Buy	97	2.8	6.3	8.0	15.5	12.2	67	73	1.5	1.3	0.8	0.9	9.8	11.4
DCBB	Buy	215	0.9	10.5	14.0	20.5	15.4	96	110	2.2	2.0	1.0	1.1	12.0	14.1
SIB	Buy	15	0.4	1.7	2.7	9.2	5.7	29	31	0.5	0.5	0.3	0.5	5.6	8.6
Equitas	Buy	123	0.6	6.4	9.5	19.2	12.9	73	80	1.7	1.5	1.4	1.6	9.2	12.4
RBL	Buy	662	4.0	20.3	25.2	32.6	26.2	177	245	3.7	2.7	1.2	1.3	12.2	12.4
Private Aggregate															
SBIN (cons)*	Buy	299	38.0	6.8	27.1	38.9		247	269	1.1		0.1	0.5	1.9	10.3
PNB	Neutral	84	4.6	-14.6	5.8	-5.8	14.6	112	117	0.8	0.7	-0.6	0.3	-11.2	4.8
BOI	Neutral	84	2.1	-22.0	3.2	-3.8	26.6	121	122	0.7	0.7	-0.9	0.2	-14.1	2.4
BOB	Buy	111	4.2	7.8	14.8	14.2	7.5	164	177	0.7	0.6	0.3	0.5	4.7	8.4
CBK	Neutral	257	2.7	17.0	42.3	15.1	6.1	448	484	0.6	0.5	0.2	0.4	3.5	8.2
UNBK	Neutral	82	1.4	4.5	12.8	18.3	6.4	236	246	0.3	0.3	0.1	0.3	2.1	5.5
Public Aggregate															
Banks Aggregate															
HDFC*	Buy	1,916	46.3	40.9	48.4	21.5	18.2	307	342	2.9	2.6	1.7	1.8	14.9	14.9
LICHF	Buy	476	3.5	48.1	54.3	9.9	8.8	320	364	1.5	1.3	1.3	1.3	16.0	15.9
IHFL	Under Review	680	4.1	95.9	101.9	7.1	6.7	396	442	1.7	1.5	3.4	3.5	25.7	24.3
PNBHF	Buy	698	1.7	65.0	75.3	10.7	9.3	434	493	1.6	1.4	1.5	1.3	15.9	16.3
REPCO	Buy	401	0.4	38.4	43.3	10.4	9.2	243	284	1.6	1.4	2.3	2.3	17.1	16.5
Housing Finance															
SHTF	Buy	1,031	3.3	113.1	129.7	9.1	7.9	698	812	1.5	1.3	2.5	2.6	17.6	17.2
MMFS	Buy	379	3.3	25.3	29.5	15.0	12.9	170	191	2.2	2.0	2.5	2.3	15.8	16.3
BAF	Neutral	2,970	24.0	67.5	86.2	44.0	34.5	329	405	9.0	7.3	3.8	3.7	22.6	23.5
CIFC	Under Review	1,320	2.9	76.8	88.6	17.2	14.9	392	472	3.4	2.8	2.4	2.3	21.4	20.5
SCUF	Buy	1,493	1.4	149.9	165.5	10.0	9.0	969	1,116	1.5	1.3	3.5	3.5	16.7	15.9
LTFH	Buy	121	3.4	11.2	13.1	10.8	9.2	68	80	1.8	1.5	2.3	2.3	18.0	17.7
MUTH	Neutral	567	3.2	49.1	55.2	11.5	10.3	228	267	2.5	2.1	5.7	5.7	23.2	22.3
INDOSTAR	Buy	359	0.5	24.7	39.2	14.5	9.2	335	377	1.1	1.0	2.1	2.3	8.7	11.0
MAS	Buy	540	0.5	28.1	33.0	19.2	16.4	165	193	3.3	2.8	4.5	4.2	18.3	18.4

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

Source: MOFSL, Company

Financials and valuations

Income statement								(INR Million)
Y/E March	2015	2016	2017	2018	2019	2020E	2021E	2022E
Interest Income	16,708	25,461	36,401	50,467	67,929	83,084	96,941	112,022
Interest Expended	12,648	18,603	26,437	35,366	51,664	65,020	76,620	89,063
Net Interest Income	4,060	6,858	9,964	15,101	16,265	18,064	20,322	22,959
Change (%)	59.6	68.9	45.3	51.6	7.7	11.1	12.5	13.0
Other Operating Income	1,095	1,534	2,678	4,426	8,904	9,293	10,492	11,870
Net Income	5,155	8,393	12,642	19,528	25,169	27,357	30,813	34,830
Change (%)	61.8	62.8	50.6	54.5	28.9	8.7	12.6	13.0
Operating Expenses	1,830	2,521	3,573	4,416	5,935	6,553	7,415	8,401
Operating Income	3,326	5,872	9,069	15,112	19,234	20,804	23,398	26,429
Change (%)	58.8	76.6	54.5	66.6	27.3	8.2	12.5	13.0
Provisions/write offs	381	832	1,029	2,766	1,890	2,769	3,590	4,604
Reported PBT	2,945	5,040	8,040	12,346	17,344	18,035	19,808	21,825
Tax	1,004	1,766	2,803	3,934	5,429	5,771	6,338	6,984
Tax Rate (%)	34.1	35.0	34.9	31.9	31.3	32.0	32.0	32.0
Reported PAT	1,941	3,273	5,237	8,412	11,915	12,264	13,469	14,841
Change (%)	49.6	68.7	60.0	60.6	41.7	2.9	9.8	10.2
Proposed Dividend	290	486	1,196	1,799	1,809	1,840	2,020	2,226

Balance sheet								(INR Million)
Y/E March	2015	2016	2017	2018	2019	2020E	2021E	2022E
Capital	1,038	1,269	1,656	1,666	1,675	1,675	1,675	1,675
Reserves & Surplus	14,749	20,190	52,921	58,920	71,956	82,380	93,829	106,444
Net Worth	15,787	21,459	54,577	60,586	73,630	84,054	95,503	108,118
Borrowings	164,808	260,137	354,971	547,893	742,881	814,491	926,863	1,057,827
Change (%)	63.1	57.8	36.5	54.3	35.6	9.6	13.8	14.1
Other liabilities	9,695	14,809	19,579	21,666	22,179	27,724	33,268	39,922
Total Liabilities	190,290	296,405	429,127	630,145	838,690	926,269	1,055,635	1,205,867
Loans	168,006	271,813	385,452	571,648	742,879	839,681	955,529	1,090,543
Change (%)	59.0	61.8	41.8	48.3	30.0	13.0	13.8	14.1
Investments	15,860	16,223	32,796	24,130	45,607	50,167	55,184	60,703
Change (%)	145.7	2.3	102.2	-26.4	89.0	10.0	10.0	10.0
Net Fixed Assets	577	622	604	858	1,083	1,354	1,692	2,115
Other assets	5,847	7,747	10,275	33,509	49,122	35,067	43,230	52,507
Total Assets	190,290	296,405	429,127	630,145	838,690	926,269	1,055,635	1,205,867

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	2015	2016	2017	2018	2019	2020E	2021E	2022E
Spreads Analysis (%)								
Avg yield on loans	11.7	11.2	10.6	10.5	10.3	10.5	10.8	11.0
Avg. cost of funds	9.5	8.8	8.6	7.8	8.0	8.4	8.8	9.0
Interest Spread	1.8	2.0	1.7	2.1	1.8	1.6	1.4	1.4
Net Interest Margin	2.7	2.9	2.8	3.0	2.3	2.2	2.1	2.1
Profitability Ratios (%)								
RoE	15.4	17.6	13.8	14.6	17.8	15.6	15.0	14.6
RoA	1.27	1.35	1.44	1.59	1.62	1.39	1.36	1.31
Int. Expended/Int.Earned	75.7	73.1	72.6	70.1	76.1	78.3	79.0	79.5
Other Inc./Net Income	21.2	18.3	21.2	22.7	35.4	34.0	34.0	34.1
Efficiency Ratios (%)								
Op. Exps./Net Income	35.5	30.0	28.3	22.6	23.6	24.0	24.1	24.1
Empl. Cost/Op. Exps.	36.6	29.9	28.3	32.6	51.2	48.7	47.3	46.0
Asset Quality (%)								
Gross NPAs	341	598	858	1,861	3,549	7,263	12,301	19,468
Gross NPAs to Adv.	0.2	0.2	0.2	0.3	0.5	0.9	1.3	1.8
Net NPAs	114	381	590	1,425	2,805	5,810	9,841	15,574
Net NPAs to Adv.	0.1	0.1	0.2	0.2	0.4	0.7	1.0	1.4
VALUATION								
Book Value (INR)	152.0	169.1	329.5	363.7	439.7	501.9	570.3	645.6
BVPS Growth YoY	6.9	11.2	94.9	10.4	20.9	14.2	13.6	13.2
Price-BV (x)			2.1	1.9	1.6	1.4	1.2	1.1
EPS (INR)	18.7	25.8	31.6	50.5	71.1	73.2	80.4	88.6
EPS Growth YoY	-5.3	38.0	22.6	59.7	40.9	2.9	9.8	10.2
Price-Earnings (x)			22.1	13.8	9.8	9.5	8.7	7.9
Dividend per share (INR)	3.0	3.4	6.0	9.0	9.0	9.2	10.1	11.1
Dividend yield (%)			0.9	1.3	1.3	1.3	1.4	1.6

E: MOFSL 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 (INR847b as of FY19). 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 102 branches across 62 cities in India. PNBHF was incorporated in 1988 as a subsidiary of Punjab National Bank (PNB).

Exhibit 1: Sensex rebased

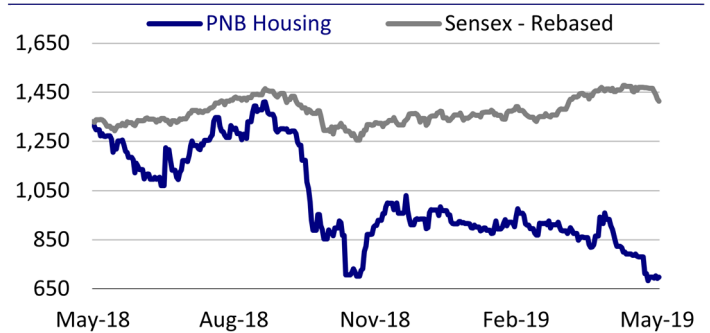


Exhibit 2: Shareholding pattern (%)

	Mar-19	Dec-18	Mar-18
Promoter	32.8	32.8	33.0
Public	8.9	9.8	7.6
Others	19.9	19.2	16.3
Total	38.4	38.2	43.1

Note: FII Includes depository receipts

Exhibit 4: Top management

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

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	3.8
Reliance Capital Trustee Co Ltd.A/C Reliance Equity	1.3
SBI Magnum Midcap Fund	1.1

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

Exhibit 7: MOFSL forecast v/s consensus

EPS (INR)	MOFSL forecast	Consensus forecast	Variation (%)
FY20	73.2	78.3	-6.6
FY21	80.4	97.2	-17.3

Explanation of Investment Rating

Investment Rating

BUY	Expected return (over 12-month) >=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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