PNB Housing Finance Ltd — FY 2025 Annual Report Analysis

Annual Report Analysis (Consolidated)

Investor Snapshot

#	Analytical point	Sentiment
1	**PNB Housing has successfully pivoted to a near-pure retail model, with retail assets now comprising 98.73% of the loan book, effectively de-risking the balance sheet from corporate lumpy defaults.**	Positive
2	**Revenue grew 8.97% to ₹7,685 Cr, supported by a 183% YoY surge in the "Roshni" affordable housing vertical, which has become a high-alpha growth engine for the firm.**	Positive
3	**Financing margins expanded from 28% to 33%, driven by a strategic shift toward higher-yield emerging markets and a 41 bps improvement in overall yields.**	Positive
4	**Net Profit rose 28% to ₹1,936 Cr, though earnings quality is tempered by ₹324.84 Cr in non-cash "interest-only strip" gains, representing front-loaded future profits.**	Neutral
5	***The company faces significant refinancing risk with ₹16,380.64 Cr (36.6% of non-deposit debt) maturing within 12 months, necessitating a stable interest rate environment for successful rollovers.***	Negative
6	***Cash Flow from Operations remains deeply negative at -₹8,057 Cr, as aggressive loan disbursements of ₹10,531 Cr outpace internal accruals, leaving dividends and capex entirely debt-funded.***	Negative
7	***Operational efficiency is hindered by IT execution lapses, with 96% of intangible developments (₹11.02 Cr) currently overdue, potentially delaying critical digital transformation initiatives.***	Negative
8	**Asset quality has reached best-in-class levels for retail HFCs, with Stage 3 Loans (Gross NPA) falling 17.07% to ₹815.62 Cr and retail GNPA improving to 1.08%.**	Positive
9	***Governance is characterized by high parent dependency, with PNB term loans accounting for 67% of revenue (₹5,149.99 Cr), creating a structural concentration risk despite a 77% independent board.***	Negative
10	***Aggressive year-end cash management is evident through a 56% spike in book overdrafts to ₹1,821 Cr and a 38.34% growth in unbilled receivables, which warrants close monitoring.***	Negative
11	**The outlook is centered on a "₹1 Trillion" AUM target and a foray into unsecured lending, which offers ROE expansion potential toward 15% but introduces new credit risk variables.**	Neutral
12	**Investment View: ACCUMULATE based on strong retail momentum and capital adequacy (CRAR 29.38%); monitor retail GNPA stability and PNB credit line availability.**	Positive

Final research summary: PNB housing finance LTD (FY 2025)

1. Business overview

- **Business Segments:** Structurally reorganized into three distinct verticals: Prime (74% of Retail AUM), Emerging Markets (19% of Retail AUM), and Affordable/Roshni (7% of Retail AUM).
- **Revenue Drivers:** Growth is driven by a 15.92% expansion in **Gross Loans** to ₹75,764.68 Cr, with a strategic pivot toward retaining loans on-balance sheet to capture long-term interest income.
- **Cost Drivers:** Primary costs include **Finance Costs** (Interest Expense) at ₹4,552 Cr and Employee Costs which rose to 5.53% of revenue. Physical branch expansion and digital transformation (Salesforce CRM) are increasing structural fixed costs.

- **Industry Position:** Transitioned from a monolithic mortgage player to a segmented retail specialist; Retail now accounts for 98.73% of Loan Assets.
- **Expansion Plans:** Aggressive growth strategy targeting a Retail Loan Asset base of ₹1,00,000 Cr by FY27 (The "₹1 Trillion" Vision).
- **Capacity Additions:** Significant physical expansion with 200 dedicated *Roshni* branches now active; Leasehold improvements carrying value rose from ₹1.53 Cr to ₹10.63 Cr.
- **Segment Performance:** *Emerging Markets* vertical grew 21% YoY with yields 41 bps higher than Prime; *Roshni* vertical grew 183% YoY, crossing ₹5,000 Cr AUM.
- **Geographical Presence:** Expanding into the "Bharat" heartland via Tier 1/2 outskirts and 200 dedicated affordable housing branches.

2. Management commentary & outlook

- Management has shifted from a defensive "Balance Sheet Repair" stance in FY24 to an aggressive "Growth & Product Expansion" strategy for FY25 and beyond.
- The "₹1 Trillion" Vision targets a Retail Loan Asset base of ₹1,00,000 Cr by FY27, implying a required CAGR of ~11-12%.
- A major strategic pivot is the proposed alteration of the Object Clause to allow **unsecured loans**, initially for insurance premium financing but opening doors for cross-selling.
- Digital maturity is a key focus, with Salesforce CRM implementation leading to 16% automation of service requests and 50-60% improvement in lead-to-login ratios.
- Management is signaling a cautious re-entry into the Construction Finance business (currently 1.27% of assets) after years of reduction.
- The declaration of a ₹5/share dividend signals the end of the capital conservation phase and confidence in the 29.38% CRAR.
- Dependency on Punjab National Bank (PNB) remains structural, evidenced by requests for a ₹10,000 Cr borrowing limit and ₹2,000 Cr FD limit from the parent.
- Management Tone: The narrative exhibits high confidence, bordering on aggressive. Language has moved from "de-risking" to "unlocking opportunities." The successful scaling of the *Roshni* vertical has provided a mandate for higher-yield experimentation. The tone suggests the "legacy ghosts" are buried and the platform is ready for aggressive market share acquisition.

3. Financial analysis

3.1 Financial statements

P&L statement (□Cr)

Line item	Mar 2025	Mar 2024
Revenue	7,685	7,053
Sales Growth %	8.97	8.05
Interest	4,552	4,263
Expenses	598	789
Manufacturing Cost %	1.24	1.23
Employee Cost %	5.53	4.83
Other Cost %	1.02	5.12
Financing Profit	2,535	2,001
Financing Margin %	33	28
Other Income	6	4
Exceptional items	0	-0.25
Other income normal	6.50	4.45
Depreciation	56	51
Profit before tax	2,486	1,954
Tax %	22	23
Net Profit	1,936	1,508
Exceptional items AT	0	0
Profit excl Excep	1,936	1,508
Profit for PE	1,936	1,508
Profit for EPS	1,936	1,508
Profit Growth %	28	44
EPS (□)	74.49	58.06
Dividend Payout %	7	0

Balance sheet (□Cr)

Line item	Mar 2025	Mar 2024
Equity Capital	260	260
Reserves	16,603	14,715
Borrowing	62,310	55,017
Other Liabilities	3,348	2,414
Trade Payables	18	20
Advance from Customers	87	73
Other liability items	3,243	2,321
Total Liabilities	82,520	72,405
Fixed Assets	239	207
Building	278.17	261.95
Equipments	37.64	33.72
Computers	66.22	53.31
Furniture n fittings	20.71	19.18
Vehicles	0.31	0.31
Intangible Assets	0	0
Other fixed assets	87.56	72.53
Gross Block	490.61	441
Accumulated Depreciation	251.43	234.22
CWIP	16	15
Investments	3,381	4,346
Other Assets	78,884	67,837
Trade receivables	50	51
Cash Equivalents	3,600	2,607
Loans n Advances	18	195
Other asset items	75,217	64,983
Total Assets	82,520	72,405

Cash flow statement (□Cr)

Line item	Mar 2025	Mar 2024
Cash from Operating Activity	-8,057	-4,662
Profit from operations	7,472	6,711
Receivables	1	-39
Payables	-2	-11
Loans Advances	-10,531	-6,491
Operating investments	0	0
Other WC items	-125	-294
Working capital changes	-10,656	-6,834
Interest paid	-4,478	-4,181
Direct taxes	-394	-358
Cash from Investing Activity	757	-1,186
Fixed assets purchased	-49	-39
Fixed assets sold	1	0
Capital WIP	0	0
Investments purchased	0	-1,147
Investments sold	806	0
Cash from Financing Activity	7,404	4,179
Proceeds from shares	7	2,468
Proceeds from debentures	2,230	1,451
Redemption of debentures	-1,605	-1,399
Proceeds from borrowings	50,712	31,940
Repayment of borrowings	-43,741	-30,794
Proceeds from deposits	0	545
Dividends paid	0	0
Financial liabilities	-38	-33
Other financing items	-162	0
Net Cash Flow	104	-1,669
Free Cash Flow	-8,106	-4,701
CFO/OP	-108	-69

3.2 Financial analysis summary

- **Revenue** grew by 8.97% to □7,685 Cr, driven by a 15.92% expansion in Gross Loans to □75,764.68 Cr, although loan assignments declined 21.29% to □4,631.88 Cr, signaling a pivot toward retaining loans for long-term interest income.
- **Financing Margin** improved significantly to 33% from 28%, translating into a 28% growth in Net Profit to □1,936 Cr; however, the use of the Effective Interest Rate (EIR) method and upfront recognition of interest

spreads on assigned loans (₹324.84 Cr Interest-only strip) creates a front-loading effect on PAT not yet realized in CFO.

- **Finance Cost** rose to ₹4,552 Cr, linked to a 13.25% increase in Total Debt to ₹62,310 Cr, while Cash Flow shows massive churn with Proceeds from borrowings of ₹50,712 Cr and Repayment of borrowings of ₹43,741 Cr.
- **Employee Cost** as a percentage of Revenue increased to 5.53%, while ESOP tax benefits dropped from ₹14.08 Cr to ₹2.45 Cr, suggesting a narrowing gap between exercise and market prices, impacting Net Profit through higher effective tax realizations.
- **Depreciation** increased to ₹56 Cr, supported by a rise in Gross Block to ₹490.61 Cr, with leasehold improvement carrying value spiking from ₹1.53 Cr to ₹10.63 Cr, signaling aggressive physical branch expansion.
- **Working Capital** remains a significant cash consumer, with CFO at -₹8,057 Cr primarily due to Loans Advances disbursements of -₹10,531 Cr; Unbilled Trade Receivables jumped 38.34% to ₹36.73 Cr, indicating potential lags in fee collection.
- **Balance Sheet** quality shows improvement as Stage 3 Loans (Gross NPA) fell 17.07% to ₹815.62 Cr, yet a "Qualitative SICR" move of ₹356.31 Cr from Stage 1 to Stage 2 suggests management is proactively identifying early stress in restructured accounts.
- **Total Debt** of ₹62,310 Cr carries significant rollover risk, with ₹16,380.64 Cr (36.6% of non-deposit debt) maturing within one year, while External Commercial Borrowings rose sharply to ₹3,637.21 Cr.
- **Other Liabilities** include a massive Book Overdraft of ₹1,821.39 Cr (56% YoY increase), representing cheques issued but not yet presented, which artificially inflates CFO by delaying actual cash outflows at year-end.
- **CWIP** and Intangible Assets under development show execution risks, as ₹11.02 Cr of the ₹11.47 Cr in intangible developments are "Overdue," signaling potential delays in digital transformation projects.
- **Net Worth** increased to ₹16,863 Cr, keeping the Debt/Equity ratio stable at 3.69 despite the ₹7,293 Cr increase in Borrowing, providing a necessary capital buffer for loan growth.
- **CFO/PAT** ratio of -4.16 highlights the capital-intensive nature of the HFC model where Net Profit is reinvested into the loan book, resulting in a negative Free Cash Flow of -₹8,106 Cr.
- **ROE** improved to 11.48% from 10.07%, driven by higher PAT Margin of 25.19%, though Asset Turnover remains low at 0.09, reflecting the long-term nature of housing assets.
- **Related Party Transactions** show high dependency on the promoter, with secured term loans from Punjab National Bank nearly doubling to ₹5,149.99 Cr, providing critical liquidity but increasing concentration risk.
- **Other Expenses** analysis reveals that Depreciation on Leasehold Improvements spiked as the company expanded its physical footprint, while Other Liabilities are dominated by the Book Overdraft of ₹1,821.39 Cr, which suggests aggressive year-end cash management.
- PNB Housing Finance demonstrated strong **Net Profit** growth and improving asset quality, yet the financial character of the year is defined by a strategic shift toward on-balance sheet loan retention, expanding the Balance Sheet and improving Financing Margins at the cost of significantly negative CFO and heavy reliance on short-term debt refinancing.

3.3 Contingent liabilities & commitments

- **Capital Commitments (Net):** ₹4.67 Cr (Projects in progress).
- **Overdue CWIP Projects:** ₹1.48 Cr (Significant increase from ₹0.09 Cr).
- **Overdue Intangible Developments:** ₹11.02 Cr (Execution risk in IT/Software).

- **Litigation/Tax Disputes:** The company follows a policy of not recognizing contingent liabilities unless the probability of outflow is high; specific detailed tables for tax/legal disputes were not provided in the summary notes.

3.9 Earnings quality & forensic checks

#	Check	Impact	Status	Notes detail
1	PAT vs CFO trend	Profit ↓ — earnings overstate cash; □1,936 Cr PAT vs -□8,057 Cr CFO due to loan book growth.	—	CFO/OP is -108% as lending outflows (□10,531 Cr) exceed operating profits.
2	Receivables & channel-stuffing signal	Revenue ↑↓ — collection lag; unbilled receivables rose 38.3% vs 8.9% revenue growth.	—	Note 5.1: Unbilled receivables growth significantly outpaces total revenue growth.
3	Revenue timing (unbilled/interest strip)	Profit ↑ — front-loading; □324.84 Cr interest-strip recognizes future spread as current income.	—	Note 2.16: Upfront PV recognition of future interest spread on assigned loans.
4	Revenue from related parties %	Neutral — funding dependency; PNB provides □5,149 Cr in loans but revenue is retail-centric.	—	Note 18.2: High dependency on promoter for liquidity, though not a direct revenue source.
5	Inventory vs revenue growth	Neutral — N/A for NBFC; financial assets (loans) grew 15.9% vs 8.9% revenue.	—	Note 6.2: Loan book growth driven by retail expansion and corporate cleaning.
6	Inventory valuation method change	Neutral — N/A for NBFC; no change in financial asset measurement (Amortised Cost).	—	Policy follows EIR method for loans at amortised cost consistently.
7	Exceptional items in operating profit	Neutral — no impact; zero exceptional items reported in FY25.	—	P&L Statement shows no non-recurring items impacting the current year profit.
8	Depreciation rate vs useful life policy	Profit ↑ — conservative policy; assets <□5,000 fully depreciated in year of purchase.	—	Note 2.5: Conservative accounting prevents inflation of asset base with low-value items.
9	Provision reversals boosting PAT	Profit ↑ — asset cleaning; Corporate Stage 3 reduced to zero via ARC sales.	—	Note 8.3: Reduction in NPAs achieved through sales to ARCs rather than organic recovery.
10	Tax rate consistency	Profit ↓ — non-cash earnings; □53 Cr deferred tax charge on assigned loan spreads.	—	Note 10: Deferred tax confirms a portion of profit is non-cash interest spread.
11	CWIP age and stalling projects	Profit ↓ — impairment risk; 96% of intangible developments (□11.02 Cr) are overdue.	—	Note 12.2: Significant execution risk in IT/ Software projects stalled beyond timelines.
12	Deferred tax asset recognition adequacy	Neutral — adequate; DTL recognized on assignment gains ensures future tax matching.	—	Deferred tax charge of □53.09 Cr related to interest spread on assigned loans.
13	RPT quantum and trend	Neutral — liquidity support; loans from PNB doubled to □5,149 Cr for growth.	—	Note 18.2: Critical liquidity support from parent; RPT liabilities increased 124%.
14	Dividend paid vs FCF adequacy	Profit ↓ — capital drain; □135 Cr dividend (7%) paid despite -□8,106 Cr FCF.	—	Cash Flow: Dividend payout initiated despite heavy negative free cash flow.
15	Auditor KAM: ECL Modeling	Profit ↑↓ — Subjectivity in management overlays for Probability of Default (PD).	—	Use of "Management Overlay" to adjust PDs indicates statistical models may not capture all risks.
16	Auditor KAM: Derecognition	Profit ↑ — Front-loading of assignment gains via Interest-only strip valuation.	—	Upfront recognition of PV of interest spreads creates non-cash profit.
17	Book Overdraft Spike	Profit ↑ — Aggressive year-end cash management via unpresented cheques.	—	Book Overdraft rose 56% to □1,821.39 Cr, artificially managing reported bank balances.

4. Management & governance

A. Auditor Report & Key Audit Matters * **Audit Opinion Type:** Unqualified. * **Key Audit Matters (KAMs):** * ***Expected Credit Loss (ECL) Modeling:*** Auditor flagged the complexity of "Multinomial Logistic Regression" and the high degree of subjectivity in "Management Overlays" used to adjust Probability of Default (PD) for stressed accounts. * ***Derecognition of Financial Assets:*** Auditor focused on the upfront recognition of interest spreads on assigned loans. This involves significant judgment regarding "True Sale" criteria and the valuation of the non-cash "Interest-only strip." * **Material Weaknesses:** Significant spike in ***Overdue Intangible Assets under development*** (□11.02 Cr vs □4.25 Cr), signaling potential execution lapses in IT governance.

B. Related Party Transactions | Party | Relationship | Nature | Amount (□Cr) | Concern | | :--- | :--- | :--- | ---: | :--- | | Punjab National Bank | Promoter | Term Loans (Secured) | 5,149.99 | High liquidity dependency | | Punjab National Bank | Promoter | Deposits (Unsecured) | 249.13 | Concentration risk | | PNB Gilts Limited | Promoter Group | Proposed G-Sec Trading Limit | 1,000.00 | Group trading volume | | KMP/Senior Officers | Management | Loans Outstanding | 5.47 | Marginal increase | | Punjab National Bank | Promoter | Amount Payable (Assignment) | 54.67 | Operational linkage | | Related Parties (Other) | Various | Other Liabilities | 61.12 | 124% YoY increase |

- **RPT Risk Checks:** % of Revenue: 67.01% (PNB Term Loans / Revenue).
- **Dependency Risk:** The doubling of secured term loans from PNB indicates increasing reliance on parent-led liquidity.

C. Shareholding | Category | Mar 2025 (%) | Mar 2024 (%) | | :--- | ---: | ---: | | Promoter (PNB) | 28.11 | 28.13 | | FII | 24.80 | 24.69 | | DII | 8.10 | 7.84 | | Public | 6.30 | 6.65 | | Others (Carlyle/Quality Inv) | 32.69 | 32.69 |

- **Pledged Shares:** 0.00%.

D. Board Composition + KMP Compensation * **Total Directors:** 9 | **Independent %:** 77.78% | **Women Directors:** 1. * **KMP Compensation:** Specific breakdown for MD & CEO and CFO not disclosed in consolidated notes. Total Employee Benefit Expenses rose to □598 Cr. The 124% spike in "Other liabilities due to related parties" (□61.12 Cr) may mask shared service costs or KMP-related payouts.

F. Capital Allocation & Capex | Action | FY current (□Cr) | FY prior (□Cr) | Signal | | :--- | ---: | ---: | :--- | | Dividends | 130.00 | 0.00 | — | | Capex (Fixed Assets) | 49.00 | 39.00 | — | | Net Debt Change | 7,293.00 | 660.00 | — | | Interest Payments | 4,478.00 | 4,181.00 | — | | Overdue IT Projects | 11.02 | 4.25 | — |

- **CAPEX Analytical Notes:**
  - **CFO Coverage of Capex:** N/M (CFO is -□8,057 Cr). Capex and Dividends are funded by fresh borrowings.
  - **Nature of Capex:** Shift toward physical expansion (Leasehold improvements) and digital transformation (Salesforce CRM).
  - **Deployment Efficiency:** Revenue grew 8.97% while Gross Block grew 11.25%, suggesting a slight lag in asset turnover.
  - **Key Takeaways: Overdue intangible developments (□11.02 Cr)** suggest the digital transformation is facing launch delays.

H. Risks * ***Liquidity/Rollover:*** □16,380.64 Cr debt maturing within 12 months. Impact: Requires constant market access; 50bps rate spike = ~□82 Cr PBT hit. (Severity: High) * ***Asset Quality:*** Qualitative SICR moved □356.31 Cr to Stage 2. Impact: Signals latent stress in restructured accounts. (Severity: Medium) * ***IT Execution:*** 96% of Intangible Dev. (□11.02 Cr) is "Overdue". Impact: Delays in digital onboarding could spike Opex. (Severity: Medium) * ***Concentration:*** Promoter (PNB) provides □5,149.99 Cr in term loans. Impact: Withdrawal of parent support would trigger a liquidity crisis. (Severity: High) * ***Non-Cash Income:*** □324.84 Cr Interest-only strip asset. Impact: Reversal risk if prepayments accelerate. (Severity: Medium)

5. Scorecard & verdict

Part a: scorecard

Dimension	Rating (1–5)	Delta	Key evidence	One-line rationale
Business quality	4	→	Retail AUM 98.73%; Roshni growth 183%	Strong pivot to granular retail with high-yield emerging/affordable segments.
Financial health	3	→	D/E 3.69x; Interest Coverage 1.55x	Stable leverage but high reliance on short-term refinancing and parent liquidity.
Earnings quality	2	↓	CFO -₹8,057 Cr; Interest-strip ₹324 Cr	Significant non-cash income and front-loading of profits via loan assignments.
Management & governance	3	→	77% Independent Board; No KMP pay disclosure	Generally compliant but lacks granular KMP pay transparency and has high parent dependency.
Capital allocation & visibility	3	↑	Dividend resumed; ₹1 Trillion target	Clear growth roadmap but dividends funded by debt amid negative FCF.

Business positives (for this company this year) * **Asset Quality Improvement:** Stage 3 Loans (Gross NPA) fell 17.07% to ₹815.62 Cr, reaching best-in-class levels for retail HFCs. * **High-Yield Segment Traction:** The *Roshni* (Affordable) vertical grew 183% YoY to ₹5,070 Cr, providing a high-alpha growth engine. * **Margin Expansion:** Financing Margin improved from 28% to 33%, driven by the shift toward higher-yield Emerging Markets (+41 bps yield). * **Strategic Granularity:** Retail now accounts for 98.73% of Loan Assets, effectively de-risking the balance sheet from corporate lumpy defaults. * **Capital Adequacy:** CRAR remains robust at 29.38%, allowing for the resumption of a ₹5/share dividend.

Business negatives / concerns (for this company this year) * **Cash Flow Stress:** CFO remains deeply negative at -₹8,057 Cr, with dividends and capex entirely funded by fresh borrowings. * **Refinancing Risk:** ₹16,380.64 Cr (36.6% of non-deposit debt) matures within 12 months, necessitating a perfect refinancing environment. * **IT Execution Lapses:** 96% of intangible developments (₹11.02 Cr) are overdue, signaling delays in critical digital transformation projects. * **Parent Dependency:** Secured term loans from PNB nearly doubled to ₹5,149.99 Cr, creating a structural concentration risk. * **Earnings Quality:** ₹324.84 Cr of profit is tied to a non-cash "Interest-only strip," representing future gains recognized upfront.

OVERALL SCORECARD SUMMARY PNB Housing Finance has successfully completed its balance sheet cleanup, evidenced by the reduction of corporate NPAs to zero and a robust 29.38% CRAR. However, the transition to an aggressive growth phase is currently being funded by significant debt expansion and parent-led liquidity, resulting in deeply negative free cash flows. While business quality is improving through retail granularity, earnings quality remains moderate due to front-loaded assignment gains and aggressive year-end cash management (book overdrafts). The trajectory is stable-to-improving, contingent on the successful execution of the "₹1 Trillion" vision without compromising credit standards in the new unsecured lending foray.

Part b: governance check matrix

#	Check	Status
1	Audit opinion clean?	—
2	Promoter pledge = 0?	—
3	KMP pay < 5% of PAT?	—
4	RPT quantum < 5% of revenue?	—
5	Board > 50% independent?	—
6	At least 1 woman director?	—
7	No statutory dues outstanding?	—
8	No fraud reported?	—
9	Audit trail enabled?	—
10	Frequent Auditor change	—

Final line: "Total: 7/10 — Governance Rating: 3"

Part c: investor verdict

Thesis: PNB Housing is a "reborn" retail HFC leveraging its parent's liquidity to capture high-yield "Bharat" markets, though earnings quality is currently masked by non-cash accounting gains.

Overall stance: ACCUMULATE

Rationale: Strong retail growth momentum and best-in-class NPA levels outweigh the temporary cash flow strain of a growing loan book. Re-evaluate when: Retail GNPA exceeds 1.5% or PNB reduces its credit line by >20%. BULL CASE: Successful scaling of *Roshni* to 15% of AUM leads to ROE expansion toward 15%. BEAR CASE: A sharp rise in interest rates triggers a liquidity crunch given the 36.6% short-term debt maturity profile. Key monitorable: Unbilled Receivables growth: 38.34% → watch for stabilization below revenue growth.

7. Year-over-year analysis

7.1 Changes

Metric / theme	Summary a status	Summary b status	Forensic takeaway
Capital Allocation	Rights Issue of ₹2,493.76 Cr used to repair the balance sheet; 0% dividend payout.	Resumption of dividends (₹5/ share) despite negative free cash flow of -₹8,106 Cr.	Management has pivoted from capital conservation to rewarding shareholders using borrowed funds rather than organic cash flow.
Margin Trajectory	Financing Margin at 28% with a focus on cleaning up legacy corporate stress.	Financing Margin expanded to 33% driven by the high-yield "Roshni" and Emerging Markets verticals.	Profitability is increasingly reliant on higher-risk, high-yield segments to offset the lack of interest spread expansion.
Working Capital Anomalies	Trade Receivables were negligible; focus was on reducing Stage 3 assets via ARC sales.	Book Overdraft spiked 56% to ₹1,821 Cr and unbilled receivables rose 38.3%.	The surge in book overdrafts and unbilled income suggests aggressive year-end window dressing to manage reported liquidity and revenue.
Management Tone	Defensive and reconstructive, focusing on "de-risking" and "balance sheet repair."	Aggressive and expansionary, targeting a "₹1 Trillion Vision" and seeking entry into unsecured lending.	The shift in language indicates a return to high-risk appetite and a potential departure from the conservative retail-only mandate.
IT Governance	Critical deficiency reported: No audit trail enabled at the database level.	96% of intangible IT developments (₹11.02 Cr) are now classified as "overdue."	Governance concerns have shifted from data integrity risks to significant execution lapses in the digital transformation roadmap.

7.2 Persistent patterns

- **Deeply Negative CFO:** The company continues to report massive cash outflows from operations (-₹4,662 Cr to -₹8,057 Cr), highlighting a **structural dependency on continuous external refinancing to sustain loan growth.**
- **High Promoter Dependency:** Borrowing limits and secured term loans from Punjab National Bank remain exceptionally high, representing a **critical concentration risk where liquidity is tethered to the parent's support.**
- **ECL Subjectivity:** Both periods feature "Management Overlays" as a Key Audit Matter, indicating that **reported earnings are consistently influenced by subjective adjustments rather than purely objective credit models.**
- **Retail-First Granularization:** The strategy to maintain a 95%+ retail AUM mix is a sustained trend, effectively **insulating the balance sheet from the lumpy corporate defaults that historically impaired capital.**
- **Short-Term Refinancing Pressure:** A significant portion of debt (36.6% of non-deposit debt in the current year) consistently matures within 12 months, creating **persistent vulnerability to interest rate spikes and credit market tightening.**
- **Front-Loaded Income Recognition:** The use of "Interest-only strips" and EIR methods continues to **pull future interest spreads into current period profits, creating a persistent gap between accounting PAT and actual cash realization.**