PNB Housing Finance Ltd — Apr 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat **One-line:** PNBHFL has achieved a fundamental milestone by bringing GNPA below 1% while demonstrating that its "Roshni" (Affordable) and Emerging Market engines can sustain 18-20% growth even as legacy recoveries propped up a stellar 2.89% ROA.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Strong Beat	FY26 PAT of ₹2,291 Cr beats implied expectations; Q4 ROA of 2.89% significantly above 2.5% guidance.	✅
Earnings Quality	Moderate	26% QoQ PAT growth was heavily aided by ₹167 Cr in write-off recoveries, resulting in a -78 bps credit cost.	⚠️
Guidance Confidence	Strong	FY27 guidance of ₹1 Lakh Cr+ AUM (18-20% growth) is backed by record Q4 disbursements of ₹9,355 Cr.	✅
Management Credibility	Strong	Successfully hit the <1% GNPA target promised in prior quarters; transparent on yield/spread methodology differences.	✅
Business Quality Signal	Improving	High-yield segments (Affordable/Emerging) now 40% of retail assets (vs 37% YoY); Corporate restart is "calibrated."	✅
Key Q&A Exchange	Q11: NIM vs Spread	NIM rose 6 bps while Spread fell 10 bps; mgmt explained this as a timing/averaging methodology quirk.	⚠️
The Street's Primary Anxiety	Yield Compression	Analysts worried about 75 bps drop in Affordable incremental yields; mgmt cited competition and segment re-mix.	⚠️
Capital Cycle Stage	Early Expansion	Re-entering Corporate lending (3% cap) while harvesting retail efficiency through the "Infinity" digital platform.	✅
Margin Trajectory	Improving	NIMs expanded to 3.69% despite yield pressure, aided by a 15 bps reduction in Cost of Borrowing.	↑
Pricing Power	Eroding (Prime)	Prime yields fell to 8.92%; BT-out pressure (8.6% of book) forces PNBHFL to compete on price in the Prime segment.	⚠️
FCF Conversion & Quality	Weak (Distorted)	Negative credit costs and high loan growth mean cash from operations is deeply negative (standard for high-growth HFCs).	⚠️
Competitive Moat Signals	Stable	393 branches with 229 focused on Roshni (Affordable) provides a localized distribution edge against larger banks.	→
Balance Sheet Strength	Strong	CRAR at 27.26%; Debt/Equity remains conservative allowing for the planned AUM expansion to ₹1 Lakh Cr.	✅
Working Capital Efficiency	Stable	Collection efficiency maintained at 99.4%; bounce rates stable despite year-end taxation pressures on customers.	→
Mgmt Guidance Track Record	Reliable	Consistent delivery on asset quality and segment mix-shift targets over the last four quarters.	✅
Key Vulnerability	Recovery Depletion	Remaining corporate write-off pool is only ₹500 Cr; once exhausted, ROA will face a 30-40 bps headwind as credit costs normalize.	⚠️
Management Tone	Confident	Resolute on "Growth with Quality" and the sustainability of 18-20% retail growth.	✅

Key Takeaways (Positives & Negatives): * **Positives:** The business has successfully transitioned to a Retail-first model, with Retail GNPA at an all-time low of 0.57%. The digital "Infinity" app is now handling 900+ logins/day, materially reducing TAT and OpEx (1.08% ATA). The liability franchise is strengthening, with CoB dropping to 7.35%, providing a buffer as interest rates soften. * **Negatives:** Incremental yields in the high-margin Affordable segment saw a sharp contraction (11.35% vs 12.10% last quarter), suggesting aggressive pricing to regain volume. The ROA is currently "over-earning" due to massive write-off recoveries (□332 Cr in FY26), which masks the true cost of credit. * **Street Concern:** Analysts are focused on the sustainability of margins as PNBHFL re-enters Construction Finance (CF). Management's response is a strict 3% book cap in Year 1, rising to 8-9% by Year 3, using a "separate policy" to avoid legacy pitfalls. * **Forward-looking Watchpoint:** Monitor the "Micro-LAP" launch in Q1 FY27; this higher-yield product (14-16%) is essential to offset the yield compression seen in the standard Affordable segment.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (Q4FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
NII Growth (%)	11.0%	↑	↑	↑	Driven by 15% growth in Loan Assets and lower finance costs.
NIM (AUM basis %)	3.69%	↓ (vs 3.73% FY25)	↑ (vs 3.63%)	↑	Improved 6 bps QoQ due to lower Cost of Borrowing (CoB).
Cost of Funds %	7.35%	↓ (vs 7.84%)	↓ (vs 7.50%)	↑	Benefit from bank repricing and policy rate cuts.
Loans Growth (% YoY)	15.0%	↑	↑	↑	Total Loan Asset at □87,347 Cr; Retail grew 16% YoY.
GNPA %	0.93%	↑	↑	↑	Achieved sub-1% milestone; Retail GNPA at 0.57%.
NNPA %	0.57%	↑	↑	↑	Down from 0.68% in Q3; robust provisioning and recoveries.
Credit Cost (%)	-0.78%	↑	↑	↑	Negative due to □167 Cr recovery from written-off pools.
Collection Efficiency %	99.4%	↓ (vs 99.8% YoY)	→	→	Maintained stable performance despite seasonal tax pressure.
Capital Adequacy %	27.26%	↓ (vs 29.46% Q3)	↓	→	Remained strong; Tier-1 at 26.89%.
PAT (□Cr)	656	↑ 19%	↑ 26%	↑	Strongest quarterly performance; recovery-led earnings.
Fee Income Growth %	17.0%	↑	↑	↑	Improvement driven by 50% QoQ growth in disbursements.
Revenue (Interest Inc)	2,054	↑ 8%	↑ 2%	→	Volume growth offsetting yield moderation.
ROCE (%)	Not in document	-	-	-	Not reported for HFC.
Cash Flow (OCF)	Negative	-	-	-	Standard for lending; book expanded by □5,144 Cr in Qtr.
Net Debt / Equity	3.85x	↑	↑	→	Derived from B/S: □74,084 Cr liab / □19,219 Cr equity.
Working Capital	1.08% (OpEx/ ATA)	↓	↓	↑	OpEx controlled; scale benefits kicking in.

2B. SEGMENT BREAKDOWN

Segment	Loan Asset (□Cr)	YoY Growth	Incremental Yield	Trend	vs Co. Avg	Key Development
Affordable	8,153	41.0%	11.35%	↓	+188 bps	Sequential disbursement growth of 59%; yields hit by competition.
Emerging Mkts	26,820	20.5%	9.23%	↓	-24 bps	GNPA improved to 1.09% (from 1.22% QoQ).
Prime	51,953	9.4%	8.92%	↓	-55 bps	High BT-out pressure; Yields bottomed out per mgmt.
Corporate	401	Not in doc	12.00%	↑	+253 bps	Restarted with □335 Cr disbursement; Mumbai/Pune focus.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Feasibility	Historical Delivery	Risk Flag
Guidance	Loan Book	> ₹1,00,000 Cr in FY27	Needs ~₹12,653 Cr net addition. Feasible at 18-20% growth.	Consistently met retail growth targets in FY26.	Low
Guidance	NIM	3.55% - 3.65%	Requires maintaining 2.1%+ spread as yields stabilize.	Q4 at 3.69%; guidance is slightly conservative.	Low
Guidance	ROA	2.4% - 2.5%	Requires ₹200-250 Cr further recoveries to offset normalization.	FY26 delivered 2.66%; Q4 at 2.89%.	Moderate
Guidance	Retail Growth	18% - 20% YoY	Needs monthly disbursement run-rate of ~₹2,800 Cr+.	Q4 run-rate was ₹3,006 Cr/month. Achievable.	Low
Strategy	Corporate Mix	3% of book in FY27	Approx ₹3,000 Cr. Needs ₹750 Cr/qtr disbursement.	Restarted with ₹335 Cr in Q4. Run-rate needs to double.	High
Strategy	Digitization	100% DSA onboarding to Infinity	Q1-Q2 FY27 completion.	In-house sales team already 100% on app.	Low
Balance	Debt Diversification	Increase NHB/ECB share	Subject to credit rating upgrades (expected in 1-2 qtrs).	CoB improved 29 bps in FY26.	Moderate

4. ANALYST Q&A

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
1	4.0	Sucrit Patil / Eyesight	Strategy	Mgmt Comm	What are the key priorities to expand reach and use digital platforms?	Mgmt emphasized the "Infinity" app and end-to-end digital processing as the primary tool to increase field productivity. This shift targets 18-20% AUM growth without proportional increases in headcount/OpEx.	None	4.5	Clear and quantified
4	4.5	Viral Shah / IIFL	Corporate	Business Overview	Can you give color on the □335 Cr corporate disbursement?	Management confirmed this was a single reputed project in Mumbai with an expected yield of 11.5% to 12%. This restart provides a high-yield offset to Prime segment compression but reintroduces developer risk.	None	4.0	Specific timeline given
5	3.5	Viral Shah / IIFL	Margin	Financials	Is there scope for higher margins given the mix change and corporate re-entry?	Management expects yields to improve from Q1 FY27 as the mix of Affordable/ Corporate increases, but remains range-bound due to liquidity headwinds. Margin expansion is now dependent on asset-side re-pricing rather than further CoF drops.	None	3.5	Vague but consistent
8	4.5	Kunal Shah / Citi	Affordable Yields	Financials	Affordable yields are down 75 bps while disbursements picked up—is	Mgmt cited intense pricing competition in Q4 and the drop in repo rates as the	None	4.0	Follow-up forced clarity

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
					this the new operating level?	primary drivers for lower incremental yields. This implies that volume growth in Affordable is being "bought" at the expense of segment margins.			
9	4.5	Kunal Shah / Citi	Recoveries	Financials	How much recovery is expected in FY27?	Management is targeting ₹200 to ₹250 Crore in total recoveries for the next fiscal year. This quantification allows investors to model the "glide path" of ROA as negative credit costs subside.	None	5.0	Specific timeline given
11	4.0	Prithviraj Patil / Investec	NIM	Financials	Why did NIM improve while Spread fell?	Management explained that Spread uses daily conventions while NIM uses monthly averaging, causing a temporary divergence in Q4. Investors should expect these to converge in Q1, potentially leading to a slight NIM contraction.	None	4.5	Clear and quantified
13	4.0	Avinash Singh / Emkay	New Products	Mgmt Comm	Will you be launching new products like Micro LAP (₹8-12 Lakh)?	Management confirmed the launch of Micro-Housing and Micro-LAP in Q1 FY27, targeting yields of 14% to 16%. This is a crucial pivot to	None	4.5	Specific timeline given

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
						defend NIMs against the compression in standard Affordable lending.			
14	4.5	Gaurav Khandelwal / JPM	Affordable Growth	Business Overview	Affordable disbursements were flat YoY—why is it slower than Prime?	Mgmt explained that Prime growth is actually "replenishing" run-offs, whereas Affordable had temporary challenges in mid-year that are now corrected. This suggests that the 50% growth target for Affordable in FY27 is back-ended.	None	3.0	Deflected — industry issue
16	4.0	Nischint Chawathe / Kotak	Yield Bottoming	Financials	What gives you confidence that yields have bottomed?	Mgmt believes the lack of repo rate cuts and stabilizing Balance Transfer (BT) out ratios (improved from 8.95% in Q3) will protect the book. If BT-out continues to stabilize, PNBHFL will have less pressure to offer "retention rates" to Prime customers.	None	4.0	Directional with evidence

PATTERN FLAGS & SENTIMENT * **Yield Stabilization vs. Competition:** Analysts repeatedly probed the 75 bps drop in incremental Affordable yields. Management's posture was defensive but realistic, acknowledging "intense competition" while pivoting to new, higher-yield Micro-LAP products to protect the blended margin. The concern remains live for the next two quarters. * **Asset Quality and Methodology:** There was friction regarding the Prime segment's 30+ DPD increase. Management successfully neutralized this by explaining a methodology change (including SICR) and providing a like-for-like improvement (2.72% vs 3.31%). This transparency bolstered credibility. * **Recovery-Led ROA:** Multiple questions addressed the negative credit cost. Management was confident, providing a clear ₹200-250 Cr recovery target for FY27. This indicates they have a "buffer" for at least four more quarters before true credit costs hit the P&L.

Analyst Sentiment Verdict: Analysts were **impressed but cautious**. The GNPA milestone and strong Q4 disbursements were praised, but the "quality" of the PAT beat (driven by write-off recoveries) and the yield compression in the Affordable segment created an undercurrent of skepticism regarding long-term NIM sustainability. Credibility improved as the new CEO delivered on the sub-1% GNPA promise.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Opening) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | ROA | 2.66% FY26 delivered | FY27 guidance 2.4-2.5% | Guidance is a "step down" from Q4 exit. | High; implies normalization of credit costs. | | NIM | 3.69% Q4 exit | Convergence with spread expected. | Q4 NIM is an "aberration" due to methodology. | Moderate; NIM may dip to ~3.6% in Q1. |

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3 FY26)	This Quarter (Q4 FY26)	Direction
GNPA Milestone	1.04%	0.93%	↑ Improving
Corporate Status	Dormant	Active (□335 Cr Disbursed)	↑ Risk/Yield
Spread	2.22%	2.12%	↓ Compression
ROA (Qtr)	2.40%	2.89%	↑ Recovery-led
Segment Mix	39% (Affordable/Emerging)	40% (Affordable/Emerging)	↑ Improving
Incremental CoB	7.20%	7.23%	↓ Slight Increase
Credit Cost	-0.19%	-0.78%	↑ (More negative)
Digital Adoption	Pilot stage (Infinity)	100% In-house adoption	↑ Improving TAT
Yield Outlook	Cautious	"Bottomed out"	→ Neutral