PNB Housing Finance Ltd — Aug 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline / Slight Miss **One-line:** The thesis remains intact as PNBHFL successfully pivoted Affordable (Roshni) yields upward (+50 bps QoQ) and maintained asset quality (<1% GNPA), despite a sharp NIM contraction (19 bps) driven by a one-time accounting transition and the normalization of "artificial" Q4 gains.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline	AUM growth (15% YoY) is on track for the □1 Lakh Cr FY27 target; NIMs hit the guided floor of 3.50%.	□
Earnings Quality	Moderate	PAT of □557 Cr was supported by □67 Cr in written-off recoveries; without this, credit costs would have turned positive.	□
Guidance Confidence	Strong	Management reiterated 18-20% AUM growth and 50-60% Affordable growth despite the slow Q1 start.	□
Management Credibility	Strong	Transparently explained the 7 bps NIM "artificial lift" from Q4 and the transition to cheque-realization accounting.	□
Business Quality Signal	Stable	Yields improved across all segments QoQ, reversing the erosion seen in the prior quarter.	□
Key Q&A Exchange	Q7: NIM True-up	Mgmt admitted Q4 NIM was overstated by 7 bps due to day-count conventions; 3.50% is the new sustainable baseline.	□
The Street's Primary Anxiety	Affordable Execution	Anxiety over slow Q1 Affordable growth; mgmt cited leadership transition (new CBO) and green shoots in July.	□
Capital Cycle Stage	Early Expansion	Aggressive branch leveraging (co-locating Affordable in Prime branches) and rollout of high-yield Micro-LAP.	□
Margin Trajectory	Bottoming	NIM moderated to 3.50% but yields are rising; management expects expansion in H2 FY27.	↑
Pricing Power	Stabilizing	Reversal in yield compression: Affordable incremental yields rose to 11.85% (vs 11.35% in Q4).	□
FCF Conversion & Quality	Distorted	Negative CFO is inherent to the expansion phase as the loan book grew by □2,323 Cr in the quarter.	□
Competitive Moat Signals	Improving	Digital "Infinity" app now handles 70% of onboarding; e-Sign adoption (2,600+ cases) is reducing TAT.	□
Balance Sheet Strength	Strong	CRAR at 28.26%; Tier-1 at 27.87% provides significant runway for the □1 Lakh Cr AUM goal.	□
Working Capital Efficiency	Stable	Collection efficiency remained high at 99.1% (vs 99.4% QoQ) despite Q1 seasonality.	→
Mgmt Guidance Track Record	Reliable	Consistent delivery on asset quality (<1% GNPA) and the strategy to increase Affordable/Emerging mix (now 41%).	□
Key Vulnerability	Leadership Churn	The Affordable segment is under its second CBO in a year; execution consistency in Roshni is the primary risk.	□
Management Tone	Resilient	Confident that July momentum and Micro-LAP rollout will offset the Q1 accounting drag.	□

Key Takeaways (Positives & Negatives): * **Positives:** The business successfully reversed the yield compression trend; incremental yields in the Affordable segment rose 50 bps QoQ to 11.85%. Asset quality remains best-in-class for the segment with GNPA at 0.95% and Corporate NPA at zero. The digital transition is maturing, with 100% of fresh disbursements now on the SFDC platform. * **Negatives:** NIMs compressed sharply by 19 bps to 3.50%, though 7 bps was a correction of Q4 methodology and 12 bps was leverage-driven. The Affordable segment grew disbursements by only 11% YoY (cheque handover basis), lagging the 60% full-year target. * **Street Concern:** Analysts were concerned that the shift to "cheque realization" accounting masked a slowdown. Management clarified that on a like-for-like (cheque handover) basis, total disbursements actually grew 56% YoY, implying strong underlying demand. * **Forward-looking Watchpoint:** The H2 FY27 NIM trajectory. With Micro-LAP (14-16% yield) launching and the credit rating upgrade from CARE (and pending ICRA/CRISIL) set to lower CoB, the "bottoming out" thesis for margins will be tested in Q3.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *Note: Q1 FY27 figures reflect the transition to "cheque realization" accounting.*

Metric	Current Qtr (Q1 FY27)	YoY Change	QoQ Change	Trend	Mgmt Commentary
NII Growth (%)	6.0%	↓	↓	↓	Volume growth (15% AUM) offset by NIM contraction.
NIM (AUM basis %)	3.50%	↓	↓	↓	19 bps drop due to leverage (12 bps) and Q4 true-up (7 bps).
Cost of Funds %	7.36%	↓	↑	→	Stable QoQ; incremental CoB rose 18 bps to 7.23%.
Loans Growth (% YoY)	15.0%	→	→	→	Total Loan Asset □89,670 Cr; Retail up 16% YoY.
GNPA %	0.95%	↑	↑	↓	Slight seasonal uptick from 0.93% (Q4); remains <1%.
NNPA %	0.58%	↑	↑	↓	Marginal increase from 0.57% in Q4.
Credit Cost (%)	-0.12%	↑	↑	↓	Remained negative due to □67 Cr recovery; Q4 was -0.78%.
Collection Efficiency %	99.1%	↓	↓	→	Seasonal dip (Q4 was 99.4%); management cited stability.
Capital Adequacy %	28.26%	↑	↑	↑	Strengthened from 27.26% (Q4) due to internal accruals.
PAT (□Cr)	557	↑ 4%	↓ 15%	↓	Impacted by NIM compression and lower recoveries vs Q4.
Fee Income Growth %	17.0%	→	↓	→	Not directly impacted by accounting change; aligned with sanctions.
Revenue (Interest Inc)	2,054	↑ 8%	→	→	Stable volume growth; yield improvement started in June.
ROCE (%)	Not in document	-	-	-	N/A for HFC.
Cash Flow (OCF)	Negative	-	-	-	Book expanded by □2,323 Cr; CFO remains negative.
Net Debt / Equity	3.75x	↓	↓	↑	Improved from 3.85x (Q4); Avg leverage rose 3.6x to 3.75x.
Working Capital	0.99% (OpEx/ ATA)	↓	↓	↑	Efficiency gain; OpEx to ATA dropped below 1%.

2B. SEGMENT BREAKDOWN

Segment	Loan Asset (□Cr)	YoY Growth	Incremental Yield	Trend	vs Co. Avg	Key Development
Affordable	8,556	49.0%	11.85%	↑	+237 bps	Yields rose 50 bps QoQ; new leadership (CBO) appointed.
Emerging Mkts	27,676	22.0%	9.31%	↑	-17 bps	Reversal of yield erosion; AUM mix increased to 31%.
Prime	52,780	9.0%	9.00%	↑	-48 bps	BT-out stabilized; yields bottomed at 8.92% in Q4.
Corporate	493	N/A	12.00%	→	+252 bps	Disbursed □215 Cr; focus on high-yield Emerging Developers.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Feasibility	Historical Delivery	Risk Flag
Guidance	AUM Growth	18% - 20% for FY27	Needs ~₹3,400 Cr net growth/qtr. Q1 was ₹2,323 Cr. Back-ended but feasible.	Met FY26 target; Q1 start is seasonally slow.	Low
Guidance	NIM	3.5% baseline; expansion H2	Requires yield maintenance and rating-led CoB drop. Feasible.	Q4 was an outlier; Q1 hit the 3.5% floor.	Moderate
Guidance	Affordable Growth	50% - 60% YoY	Needs ₹3,500 Cr+ net addition. Q1 AUM up only ₹403 Cr QoQ. High hill to climb.	Missed Q1 internal run-rate; relies on July turnaround.	High
Guidance	ROA	~2.4% for FY27	Current 2.37%. Needs sustained negative credit cost.	Q4 was 2.89% (recovery aided).	Moderate
Strategy	Corporate Mix	3% of book (FY27)	Approx ₹3,000 Cr AUM. Currently ₹493 Cr. Needs aggressive ramp.	Started with ₹215 Cr disbursement in Q1.	High
Strategy	New Products	Micro-LAP Launch	targeting 14-16% yield in H2 FY27.	Product policy formulated; rollout in Q2.	Low
Strategy	Digital	Infinity App Adoption	70% of business now through app.	Rapid adoption from pilot (Q4) to 70% (Q1).	Low
Balance	Credit Rating	2 Upgrades Pending	ICRA/CRISIL under review after CARE upgrade.	CARE upgrade achieved; others lagging.	Moderate

4. ANALYST Q&A

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
1	4.5	Viral Shah / IIFL	Margins	Financials	How should we look at yields and cost of fund trajectory from here?	Management believes yields and CoF have both bottomed out, with expansion expected from H2 FY27 as the high-yield mix reaches 45%. This implies NIM stability in Q2 with an upward bias late in the year.	None	4.0	Directional with evidence
2	4.0	Viral Shah / IIFL	Growth	Business Overview	Should we expect the gross disbursement number to sustain?	Management expects Q2 to beat both gross and net Q1 numbers, noting that July already showed strong green shoots. Stronger Q2 volumes will validate the 18-20% AUM growth thesis after a slow Q1.	None	4.5	Clear and quantified
3	3.5	Viral Shah / IIFL	Micro-Housing	Strategy	How are you building the micro-housing book?	Management is leveraging existing Affordable branches for micro-housing to contain OpEx, with material P&L impact expected from H2 FY27. This de-risks the expansion by avoiding new branch overheads.	None	4.0	Specific timeline given
4	4.5	Sameer Bhise / Dymon	NIM	Financials	Why was the leverage impact on NIM so sharp?	CFO Vinay Gupta explained that average leverage rose from 3.6x to 3.75x, and high Q4 disbursements led to higher borrowing costs in Q1. This clarifies that the margin dip was a timing issue rather than a structural deterioration.	None	4.5	Clear and quantified

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
5	4.0	Sameer Bhise / Dymon	Accounting	Financials	Is the gap in reported vs gross disbursement entirely due to Affordable?	Management clarified the gap is across all segments as the company migrated to cheque realization accounting company-wide. This normalizes the comparison across Prime and Affordable portfolios.	None	4.0	Specific timeline given
6	4.5	Sameer Bhise / Dymon	Credit Cost	Financials	Should credit cost turn positive in the second half?	Management expects credit cost to remain negative for the full year due to a remaining ₹340 Cr retail written-off recovery pool. This provides a ~₹50-60 Cr/qtr buffer to ROA for the rest of FY27.	None	5.0	Specific timeline given
7	5.0	Abhijit Tibrewal / Motilal	NIM True-up	Financials	Can you explain the 7 bps NIM true-up?	Management admitted Q4 NIM had an "artificial lift" due to monthly vs daily day-count annualization; Q1 now reflects a clean methodology. This reset prevents analysts from using the 3.69% Q4 NIM as a sustainable baseline.	None	5.0	Specific timeline given
8	4.0	Abhijit Tibrewal / Motilal	CoB	Financials	Won't the 18 bps rise in incremental CoB hurt margins?	Management plans to offset the higher borrowing costs through yield improvements in Affordable and the restart of Construction Finance. NIM expansion is now dependent on asset-side pricing power.	None	3.5	Vague but consistent

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9	4.0	Renish / ICICI Sec	Recoveries	Financials	Why was the ECL provision increase higher than the recovery?	Management noted □10-12 Cr in regular OTS (One-Time Settlement) hits in the Prime/ Emerging legacy pool. This reveals that legacy clean-up is still consuming some of the recovery gains.	None	4.5	Clear and quantified
10	4.5	Renish / ICICI Sec	Yields	Financials	Why hasn't the mix shift reflected in yields over the last year?	CFO explained that the repo-rate environment and intense competition previously forced yields down despite the mix shift. The current quarter is the first where yield improvement is finally visible (+8 to +50 bps).	None	4.0	Follow-up forced clarity
11	4.0	Sanket Chheda / DAM	Leadership	Governance	Any changes in the team besides the new CBO?	Management has strengthened the N-2 level in Affordable and Emerging segments with veterans of 20-25 years. This addresses concerns about execution churn in the critical Roshni vertical.	None	4.0	Directional with evidence
12	4.5	Kunal Shah / Citi	Growth vs Mix	Strategy	Prime is growing faster than Affordable; how will the mix reach 45%?	Management indicated a pivot toward self-employed and non-home loans in Prime to protect yields while expecting July's "promising" Affordable volumes to rebalance the mix. This confirms they are prioritizing yield over pure HL volume in Prime.	None	3.5	Vague but consistent

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
13	4.0	Kunal Shah / Citi	Spreads	Financials	Are incremental spreads lower than book spreads?	Management contested this, noting incremental spreads are stable at 2.1% and will improve as Affordable yields (up 50 bps) flow through. The thesis rests on the lag effect of these new high-yield sanctions.	None	4.5	Clear and quantified
14	3.5	Gaurav / JPM	Prime Yields	Financials	What is the like-for-like Prime yield change without the mix shift?	Management admitted Prime yields would have been stable/flat without the shift to self-employed; the 8 bps rise was entirely mix-driven. This highlights the lack of pricing power in the salaried Prime segment.	None	4.5	Clear and quantified
15	4.0	Gaurav / JPM	Fraud Recovery	Governance	How should we think about the □420 Cr legacy fraud recovery?	Management has not factored this into FY27 guidance as the legal process takes time, though classification as "fraud" often expedites borrower discussion. Any recovery here would be a pure ROA upside surprise.	None	3.0	Deflected — key signal
16	3.0	Nischint / Kotak	BT-in	Business Overview	What is the share of BT-in sourcing?	BT-in dropped to 4.4% (from 5% YoY), particularly in Affordable (3.4% vs 10.5% YoY). This indicates PNBHFL is successfully finding new-to-credit customers rather than just swapping books.	None	4.5	Clear and quantified

PATTERN FLAGS & SENTIMENT * **The NIM Reset:** The primary anxiety was the sharp 19 bps NIM contraction. Management's posture was highly transparent, decomposing the 7 bps "artificial" Q4 gain and the 12 bps leverage/borrowing timing impact. By resetting the baseline to 3.50%, they have successfully managed Street expectations for a "bottomed out" margin, with future expansion tied to asset-side pricing. * **Affordable Leadership and Execution:** Multiple analysts probed the slow Q1 Affordable volumes and the leadership change. Management was confident, pointing to the new CBO's impact in July and the "green shoots" in co-locating Affordable business in Prime branches. The sentiment here is "wait and see"—the next two quarters are critical to prove that the Roshni vertical can scale without further leadership churn. * **Analyst Sentiment Verdict:** Analysts were **skeptical but appreciative of the transparency**. The accounting shift and NIM "true-up" initially caused alarm, but the management's ability to show yield improvements (+50 bps in Affordable) helped salvage the narrative. The focus has shifted from "asset quality risks" (which are now considered resolved with <1% GNPA) to "execution consistency" in the Affordable segment. Management credibility remains high due to their proactive disclosure of methodology changes.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Opening) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | NIM Baseline | 3.69% (Q4 exit) | Q4 exit was "artificial" | Baseline is actually 3.50%. | Moderate; expansion will be slower than modeled. | | Prime Yields | Growing Prime segment | Growth is only possible via mix-shift | Salaried Prime HL is seeing zero pricing power. | Low; managed via segment re-mix. | | Affordable Growth | 50-60% target | Q1 was slow (11% handover basis) | Target requires a massive back-ended surge. | High; execution risk in Roshni. |

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q4 FY26)	This Quarter (Q1 FY27)	Direction
NIM (Reported)	3.69%	3.50%	↓ Compression (Methodology correction)
Affordable Incremental Yield	11.35%	11.85%	↑ Improving (Thesis-critical reversal)
Disbursement Accounting	Cheque Handover	Cheque Realization	↓ Reported volumes (One-time drag)
Leadership	Valli Sekar (Ex-CBO)	Satish Singh (New CBO)	□Transition Risk
Leverage (Average)	3.6x	3.75x	↓ Deteriorating (Borrowing cost drag)
Recovery Pool (Retail)	□500 Cr (Estimated)	□340 Cr	↓ Depleting (ROA buffer shrinking)
Digital Sourcing	Pilot stage	70% Adoption (Infinity)	↑ Improving efficiency
Credit Cost	-0.78%	-0.12%	↓ Normalizing toward zero
AUM Mix (Affordable/ Emerging)	40%	41%	↑ Improving
CFO / PAT	Distorted	Deeply Negative	□WC investment for AUM growth