

PNB Housing Finance Ltd — May 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat **One-line:** PNBHFL has successfully transitioned from a legacy cleanup story to a high-growth retail compounding machine, with the "Roshni" (Affordable) segment exceeding ₹5,000 Cr and asset quality hitting a multi-year best.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Retail growth at 18.2% (vs 17% guidance); PAT up 28% YoY.	☐
Earnings Quality	High (Core driven)	NII up 16% YoY; credit cost negative for full year due to ₹336 Cr recoveries.	☐
Guidance Confidence	Strong	FY26 retail growth guided at 18%; Affordable book target raised to ₹9,500 Cr.	☐
Management Credibility	Strong	Delivered on all FY25 targets: Affordable >₹5,000 Cr, GNPA ~1%, ROA >2.5%.	☐
Business Quality Signal	Improving	Pivot to high-yield segments (EM/Affordable) now represents 26% of retail book.	☐
Key Q&A Exchange	Q#7 - NIMs	Mgmt confirmed structural ability to hit 4%+ NIMs by FY27 via mix shift and Corporate 2.0.	☐
The Street's Primary Anxiety	Repo Rate Cuts	Anxiety over NIM compression during rate cuts; Mgmt cited 10bps CoB drop for every 25bps cut.	☐
Capital Cycle Stage	Harvesting & Expansion	Aggressive branch rollout (51 in Q4) while extracting record recoveries.	☐
Margin / Return Ratio Trajectory	Improving	ROA rose to 2.55% (vs 2.2% FY24); NNPA at record low 0.70%.	☐
Pricing Power	Stable	Defended margins despite seasonal yield compression in Affordable (11.7% in Q4).	☐
FCF Conversion & Quality	Strong	Massive write-off pool (₹1,400 Cr remaining) acts as a structural P&L buffer.	☐
Competitive Moat Signals	Widening	NHB funding (₹5,000 Cr) and US\$350M ECB provide structural cost advantage.	☐
Balance Sheet Strength	Strong	CRAR at 29.38%; Corporate book is now effectively clean (Nil NPA).	☐
Working Capital Efficiency	Improving	LMS/Deposit core platforms upgraded; 26% of cases are STP (Straight Through Processed).	☐
Mgmt Guidance Track Record	Reliable	Over-delivered on growth (18.2% vs 17%) and asset quality guidance.	☐
Key Vulnerability / Red Flag	Yield Seasonality	Affordable incremental yields dipped 41bps QoQ (11.7% vs 12.1%) due to Q4 competition.	☐
Management Tone	Confident	Extremely bullish on "Corporate 2.0" and reaching ₹1 Lakh Cr retail book by FY27.	☐

Sentiment Verdict: ☐Positive

Key Takeaways (Positives & Negatives): * **Positives:** The transformation is complete. PNBHFL is now a retail-centric entity with 18.2% growth outperforming its 17% guidance. The "Roshni" segment has reached critical mass (₹5,070 Cr), growing 183% YoY. Asset quality is pristine; the negative credit cost for the full year is a result of a highly disciplined recovery engine that still has a ₹1,400 Cr pool to mine. The liability franchise is structurally superior, evidenced by a 15bps reduction in borrowing costs (7.86%) despite a high-interest environment. * **Negatives:** Operating expenses are rising (up 18% YoY) as the company front-loads the cost of 51 new branches. While NIM expanded to 3.75%, management cautioned this was partly due to interest on tax refunds and "float" from March disbursements—expect a normalization to 3.6-3.65% in FY26. * **Street Concern:** Analysts pressed on the 41bps sequential dip in Affordable yields. Management's response: This was a tactical trade-off for volume in Q4 and is expected to rebound to 12.65% in FY26. * **Watchpoint:** The execution of "Corporate 2.0" (Construction Finance). PNBHFL is re-entering this space with a ₹1,500-2,000 Cr disbursement target for FY26. Underwriting discipline here is the only thing that can derail the current re-rating.

2. BUSINESS PERFORMANCE

2A. KEY METRICS (Consolidated)

DATA SOURCE: PPT figures used as primary source. Discrepancy noted: PPT lists Q4 Retail GNPA as 1.09%, Concall says "close to 1%".

Metric	Current Qtr (Q4FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
NII Growth (%)	16.2%	-	5.5%	↑	Driven by retail growth and mix shift to high-yield Affordable/EM.
NIM (AUM basis %)	3.75%	+10 bps	+5 bps	↑	Includes one-off tax refund interest; normalized guidance is 3.6-3.65%.
Cost of Funds %	7.84%	-14 bps	+1 bps	→	Sequential 1bp uptick due to higher deposit costs; annual cost down 15bps.
Loans Growth (% YoY)	18.2%	(Retail)	5.8%	↑	Highest retail growth in 23 quarters; total assets crossed ₹75,000 Cr.
Deposits (₹Cr)	17,642	-0.6%	-	→	Core deposit platform phase 2 launched to improve servicing/renewals.
GNPA %	1.08%	-42 bps	-11 bps	↑	Improvement driven by retail recoveries and resolution of corporate Stage 2.
NNPA %	0.69%	-26 bps	-12 bps	↑	Reflects high provision coverage and active resolution of stressed cases.
Slippage Ratio %	Not in doc	-	-	→	Management noted "early warning signals are encouraging."
Credit Cost (%)	-0.32%	-28 bps	-13 bps	↑	Negative due to ₹155 Cr written-off recoveries in Q4 (Retail+Corp).
Collection Efficiency %	99.8%	+60 bps	+30 bps	↑	Robust performance despite the aggressive growth in informal segments.
Capital Adequacy %	29.38%	+88 bps	+58 bps	↑	Massive buffer for growth; Tier 1 at 28.39%.
PAT (₹Cr)	550	25.3%	14.0%	↑	Record quarterly profit; led to full-year ROA of 2.55%.
Fee Income Growth %	9.0%	-	39.0%	↑	Strong sequential jump in processing fees and insurance commissions.

2B. SEGMENT BREAKDOWN

Segment	Disbursement (₹ Cr)	YoY Growth	Yield (%)*	Trend	vs Co Avg	Key Development
Prime	4,141	6.8%	9.37%	→	Lower	Yields down 2bps QoQ; focused on self-employed salaried mix.
Emerging Mkts	1,422	39.8%	9.78%	→	Higher	Yields down 2bps QoQ; 41bps premium over Prime business.
Affordable	1,291	100.2%	11.73%	↓	Highest	Incremental yields compressed 41bps QoQ due to Q4 competition.
Corporate	0	N/A	N/A	→	N/A	Full cleanup; Nil NPA. Restarting disbursements in Q1FY26.

*Incremental Yields

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Retail Growth	18% for FY26	Feasible; currently delivering 18.2%.	Beat (17% guide vs 18.2% act).	Low
Guidance	Affordable Book	₹9,500 Cr by Mar-26	Requires ~₹370 Cr net growth per month (vs ~₹410 Cr in Q4). High feasibility.	Over-delivered (₹5k Cr target met).	Low
Guidance	NIMs	3.6% - 3.65% (FY26)	Mgmt indicated mix shift will offset rate cut pressure. Feasible.	Improved 5bps QoQ.	Low
Guidance	ROA	2.5% - 2.6% (FY26)	Feasible given negative credit costs and operating leverage.	Beat (2.2% FY24 vs 2.55% FY25).	Low
Strategy	Corporate 2.0	₹1,500 - 2,000 Cr disb	Requires ₹400-500 Cr per quarter; starting from zero.	Restart delayed from H2FY25.	Moderate
Guidance	Branch Network	500 locations by FY27	Needs ~72 new branches p.a. vs 51 opened in Q4 alone.	Met (356 branches vs 355 target).	Low
Strategy	Yield (Afford.)	12.65% (FY26)	Requires 92bps increase from Q4 levels; relies on Tier 3/4 expansion.	Missed QoQ (seasonal dip).	Moderate

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.5	Renish, ICICI	Yield Strategy	Financials	"Why did Affordable yields drop 40bps sequentially?"	Mgmt explained the dip was a tactical choice for volume and seasonal competition in Q4. This implies FY26 NIMs will rely on the successful rebound to the 12.65% yield target.	None	4.0	Clear and quantified
2	4.0	Abhijit, Motilal	BT-In/Out	Business Overview	"What proportion of Affordable disbursements came from Balance Transfer (BT-in)?"	Mgmt clarified BT-in for Affordable is 12% of disbursements, while overall book BT-in is 8% vs 6% BT-out. This confirms the quality of growth as 88% of Affordable sourcing is organic "new" demand.	None	4.5	Specific, quantified
3	5.0	Nishant Shah, MLP	Rate Sensitivity	Financials	"How do you protect margins during a 100bps rate cut cycle?"	Mgmt indicated that while policy cuts will be passed on, the mix shift toward EM/ Affordable and the restart of Corporate loans will act as a structural hedge. This suggests PNBHFL is better positioned for rate cuts than pure Prime HFCs.	None	4.0	Directional with evidence
4	4.5							3.0	

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
		Viral Shah, IIFL	Rating/ Stake	Management Commentary	"What gives you confidence in a rating upgrade despite the potential PNB stake reduction?"	CEO cited the 5 consecutive quarters of improving metrics and expects an upgrade by end-FY26 post the mandatory "cooling period". An upgrade would provide a 10-15bps CoB tailwind.	Stake reduction timing		Vague but consistent
5	4.0	Harsh Shah, Reera	Credit Cost	Financials	"How will you offset the negative delta when recovery income stops in FY27?"	Mgmt plans to expand NIMs from 3.7% to 4.1% by FY27 via segment mix, which will cover the normalization of credit cost to ~25bps. This provides a clear roadmap for ROA sustainability.	None	4.0	Clear and quantified
6	4.0	Harshit, Premji Invest	Liability Mix	Financials	"How much of the bank loan book is repo-linked?"	CFO clarified that 40% of term loans (approx 16% of total debt) are repo-linked and will reprice with a 2-3 month lag. This provides transparency on the immediate P&L impact of RBI actions.	None	5.0	Specific, quantified

PATTERN FLAGS & SENTIMENT

Analysts focused on the **Sustainability of NIMs** in a declining rate environment and the **Sequential Dip in Affordable Yields**. Management was proactive, pivoting the conversation toward "Mix Shift" and "Operating Leverage" rather than just defending pricing. There was a notable lack of concern regarding asset quality, which marks a major sentiment shift from prior years.

Analyst Sentiment Verdict: Analysts are broadly convinced by the retail growth story (18.2% vs 17% guide). The primary skepticism remains on whether the company can aggressively hike Affordable yields back to 12.65% while maintaining volume. Management's credibility is at a multi-year high, having delivered on the ₹5,000 Cr "Roshni" milestone.

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
Affordable Yield	Targeted 13% earlier	Revision to 12.65% for FY26	Yield target lowered due to competitive intensity and mix.	Low; volume is compensating.
Corporate 2.0	Start in H2 FY25	No disbursements yet	Pushed to Q1 FY26 for "right sizing" of tickets.	Low; indicates caution.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3FY25)	This Quarter (Q4FY25)	Direction
Retail GNPA	1.19%	1.08%	↑ Improving
Affordable Book Size	₹3,838 Cr	₹5,070 Cr	↑ Improving
NIM (Reported)	3.70%	3.75%	↑ Improving*
Affordable Yield	12.14%	11.73%	↓ Deteriorating
Branch Network	305 locations	356 locations	↑ Improving
Credit Cost (Qtrly)	-0.19%	-0.32%	↑ Improving
Divident Policy	NIL	₹5 per share recommended	↑ Improving
Capital Adequacy	28.8%	29.38%	↑ Improving

**Note: Q4 NIM includes a one-off tax refund interest component; FY26 guidance suggests a slight normalization.*

Investor Note: The thesis has moved from "Recovery" to "Growth Alpha." The stock now offers a rare combination of 18%+ retail growth and negative credit costs. The key valuation trigger from here is a credit rating upgrade (AA+ to AAA) which management expects by FY26-end. Any dip in the stock due to "repo-rate sensitivity" fears should be viewed as an entry point, as the company's mix-shift to the Affordable segment (growing at 100%+ YoY) structurally insulates its NIMs better than its peers.