PNB Housing Finance Ltd — Oct 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline (Operational) / Strong Beat (Profitability) **One-line:** PNBHFL is functioning as a resilient "auto-pilot" machine with strong retail momentum and improving spreads, but the lingering CEO vacancy and a visible spike in Affordable-segment delinquencies introduce execution and credit-quality "watch-list" items.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat (PAT)	PAT of ₹582 Cr (+24% YoY) beat estimates, though aided by ₹70 Cr ECL reversal.	🟢
Earnings Quality	Moderate (One-offs)	Core NII grew 14% YoY, but PAT was bolstered by a ₹70 Cr corporate provision reversal and ₹59 Cr written-off recoveries.	🟡
Guidance Confidence	Neutral	Maintained 17-18% growth and 3.6-3.7% NIM guidance, but CEO search is still "in progress" after 90 days.	🟡
Management Credibility	Neutral	Operational teams delivered growth, but the lack of a named successor for Girish Kousgi 1.5 months post-announcement creates a vacuum.	🟡
Business Quality Signal	Stable	Retail book is now 99.6% of total; GNPA improved to 1.04%; Corporate book is now negligible (₹332 Cr).	🟢
Key Q&A Exchange	Q#2 - CEO Vacancy	Management was evasive on the timeline and internal vs. external preference for the new CEO.	🔴
The Street's Primary Anxiety	CEO Transition & Delinquency	Fear that the Affordable (Roshni) book is seeing early stress (GNPA 0.51% vs 0.33% QoQ).	🔴
Capital Cycle Stage	Harvesting & Pivot	Harvesting legacy corporate recoveries while pivoting back to "Corporate 2.0" (granular developer loans).	🟢
Margin / Return Ratio Trajectory	Improving	ROA reached 2.73% (annualized), driven by higher-yield segments and negative credit costs.	🟢
Pricing Power	Stable	Spread improved to 2.26% (vs 2.23% QoQ) despite a 10bps PLR cut.	🟢
FCF Conversion & Quality	Not in document	Full cash flow statement not provided in documents.	⚪
Competitive Moat Signals	Stable	Deepening Tier 3/4 presence (198 Affordable branches) remains a key differentiator.	🟢
Balance Sheet Strength	Strong	CRAR at 29.8%; Net NPA at 0.69%; Corporate book nearly extinguished.	🟢
Working Capital Efficiency	Stable	Collection efficiency at 99.9% (vs 99.2% in Q1).	🟢
Mgmt Guidance Track Record	Reliable	Consistent delivery on "Roshni" scale-up and legacy corporate book cleanup.	🟢
Key Vulnerability / Red Flag	Affordable Slippages	Roshni GNPA jumped 18bps QoQ; 30+ DPD jumped 49bps to 1.40%.	🔴
Management Tone	Professional/ Measured	Management (Jatul Anand) appeared focused on continuity, while Valli Sekar was defensive regarding Affordable stress.	🟡

Sentiment Verdict: □Positive (Operational) | □Neutral (Governance) **Key Takeaways (Positives & Negatives):** * **Positives:** The transformation to a retail HFC is complete (99.6% of book). The "Corporate 1.0" drag is gone, evidenced by a □330 Cr foreclosure that released □70 Cr in provisions. Operating leverage is kicking in, with PPOP growing 16% YoY and RoA hitting a record 2.73%. * **Negatives:** Management stability remains the primary overhang; the "resilience" claim is tested by the lack of a new CEO 45+ days into the notice period. More importantly, the high-yield "Roshni" segment is showing its first signs of seasoning stress, with 30+ DPD rising to 1.40%. * **Street Concern:** Analysts are hyper-focused on the "Who and When" of the CEO appointment. Management responded that the Board is following a "transparent search," but the delay suggests potential friction or a difficult search for top-tier private-sector talent. * **Watchpoint:** Monitoring the 30+ DPD trajectory in the Roshni book. If this exceeds 2.5% in H2, the high-yield thesis will be undermined by credit costs.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT figures used as primary source. Concall used for Mgmt Commentary.

Metric	Current Qtr (Q2FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
NII Growth (%)	14.0%	+1,400 bps	+100 bps	↑	Driven by 17% retail loan growth and spread expansion.
NIM (AUM basis %)	3.67%	Not in doc	-7 bps	↓	Compressed due to lower investment yields; core NIM guided at 3.6-3.7%.
Cost of Funds %	7.69%	-15 bps	-7 bps	↑	Benefit from repo rate cuts and bank negotiations; incremental CoF at 7.42%.
Loans Growth (% YoY)	15.0%	+200 bps	+200 bps	↑	Total book □79,771 Cr. Retail growth at 17% is the core driver.
GNPA %	1.04%	-20 bps	-2 bps	↑	Overall improvement, though Affordable segment GNPA rose to 0.51%.
NNPA %	0.69%	-15 bps	→	→	Maintained at 0.69% despite segment shifts.
Slippage Ratio %	Not in doc	-	-	-	Not explicitly stated; □59 Cr recovery from written-off pool offset slippages.
Credit Cost (%)	-0.53%	-29 bps	-26 bps	↑	Negative due to □70 Cr ECL reversal and □60 Cr written-off recoveries.
Collection Efficiency %	99.9%	→	+70 bps	↑	Strong rebound from Q1 (99.2%) despite monsoon headwinds.
Capital Adequacy %	29.8%	+10 bps	+110 bps	↑	Significant buffer to support 17-18% growth targets.
PAT (□Cr)	582	+24%	+9%	↑	Record quarterly profit; includes non-recurring credit cost reversals.
Fee Income Growth %	7.0%	-	-	→	Other income (including fees) grew 7% YoY to □186 Cr.
30+ DPD (%)	3.0%	-	→	→	Group-level 30+ stable at ~3%; Roshni segment 30+ rose to 1.4%.
ROA (%)	2.73%	+53 bps	+8 bps	↑	Aided by negative credit costs; core sustainable RoA likely ~2.2-2.3%.

2B. SEGMENT BREAKDOWN

Segment	Asset Book (□Cr)	YoY Growth	Incremental Yield	Trend	vs Co Avg	Key Development
Affordable (Roshni)	6,531	121%	12.13%	↑	+218 bps	GNPA rose to 0.51% due to seasoning and monsoon.
Emerging	23,994	21%	9.47%	→	-48 bps	Now 30% of total book; yields down 14bps QoQ.
Prime	48,914	8.3%	9.12%	↓	-83 bps	Mature segment; yields facing pressure from competitive BT-outs.
Corporate	332	-89%	N/A	↓	N/A	Foreclosure of □330 Cr account; re-entry planned with □150-200 Cr tickets.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Retail Growth	17% - 18% YoY	**Feasible:** Current run-rate is exactly 17%.	Delivered	Low
Guidance	NIM	3.6% - 3.7%	**Feasible:** Currently at 3.67%; higher-yield Roshni mix supports this.	Delivered	Low
Guidance	Roshni Yields	12.25% (Next Qtrs)	**Feasible:** Currently 12.13%; shifting to self-employed (43%) supports this.	Delivered	Low
Strategy	CEO Transition	Search "In Progress"	**High Risk:** 1.5 months post-resignation; vacancy creates strategic drift.	N/A	High
Strategy	Branch Expansion	40-50 branches/yr	**Feasible:** Targeting 250 Affordable branches by FY26-end (currently 198).	Delivered	Low
Strategy	Corporate 2.0	Re-entry (H2FY26)	**Moderate Risk:** Shifting from Zero to □150-200 Cr tickets requires new underwriting.	New Initiative	Moderate
Balance	Recoveries	□1,000 Cr pool left	**Feasible:** Recovering ~□60 Cr/qtr; 4-6 qtr runway remains.	Delivered	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	5.0	Devang Shah	CEO Search	Governance	"What is the update on the new CEO? What has the company done in the last 90 days?"	Management stated that the search process has "traveled the distance" and disclosures will be made to exchanges at the appropriate time. The lack of a firm timeline or even a "shortlist" status suggests the search is taking longer than the Board's internal 90-day clock.	Exact status (shortlisted vs interviewing) or internal/ external preference.	2.0	Deflected — key signal
2	4.5	Renish / ICICI	NIM Trajectory	Financials	"How do you see NIM panning out? Have we bottomed out in Q2?"	CFO expects NIM to remain range-bound between 3.6% and 3.7% in H2 despite cost of fund benefits, as higher-yielding Roshni mix is offset by competitive pricing in Prime. Stability in NIMs ensures ROA remains above 2.2% on a core basis.	None	4.0	Directional with evidence
3	4.0	Renish / ICICI	Affordable Stress	Business Overview	"What led to the spike in Affordable	Valli Sekar attributed the spike (GNPA 0.51%) to	None	3.5	Vague but consistent

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
					delinquency this quarter?"	portfolio seasoning (₹2,500 Cr book >2 years old) and monsoon-related cyclicality in self-construction. This is a crucial watchpoint to see if delinquency plateaus or continues rising with seasoning.			
4	3.5	Prithviraj Patil	Credit Cost	Financials	"What is the 1+ DPD on the affordable portfolio?"	CFO confirmed 1+ DPD in Roshni is ~2.5%. This provides a clearer "early warning" indicator than the 30+ DPD and suggests the stress is currently manageable.	None	5.0	Specific, quantified
5	3.0	Harshit / Premji	Disbursement Efficiency	Business Overview	"Why hasn't disbursement per branch increased in Affordable despite expansion?"	Management explained that 40 new branches are in the ramp-up phase and haven't reached "optimum" productivity levels (Ganga/ Yamuna/ Kaveri tiers). As these branches mature, operating	None	4.0	Directional with evidence

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						leverage should improve PAT margins in FY27.			
6	4.0	Harshit / Premji	Corporate 2.0	Strategy	"What are the plans for re-entry into Corporate? Have we halted it?"	Jatul Anand confirmed Corporate re-entry is active with revamped policies and a target ticket size of □150-200 Cr. This is a strategic pivot; success here is required to maintain 18% AUM growth if Retail slows.	None	4.0	Directional with evidence
7	4.5	Abhijit Tibrewal	Pricing Strategy	Financials	"Why did you only take a 10bps PLR cut while peers took more?"	Management is monitoring cost of borrowing benefits (down 15bps since Q4) and will time future cuts with monetary policy changes. Slow pass-through of lower costs is currently padding the spread (2.26%).	None	4.0	Directional with evidence
8	3.5	Abhijit Tibrewal	Corporate Reversal	Financials	"How much was the ECL release on the foreclosed corporate account?"	Management confirmed a □70 Cr reversal from a □330 Cr standard account. This	None	5.0	Clear and quantified

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						non-recurring gain significantly inflated Q2 PAT; backing this out shows core PAT growth was more modest.			
9	3.0	Sravan / Sincere	Strategy Continuity	Management Commentary	"Will the new CEO stick with the current strategies or bring shocks?"	Jatul Anand asserted the strategy is Board-driven and "auto-mode" until March 2027. This limits the "key man" risk associated with Girish Kousgi's departure.	None	3.0	Vague but consistent
10	3.0	Kunal Shah / Citi	Branch Consolidation	Business Overview	"Why are branch counts lower in Prime? Is there an exit from locations?"	Management stated that 2-3 branches were consolidated for operational efficiency, but the net target for Affordable branches (250) remains. This is part of BAU (Business as Usual) efficiency pruning.	None	4.0	Directional with evidence

PATTERN FLAGS & SENTIMENT Analysts are grappling with a "Tale of Two Cities": excellent headline profitability vs. underlying volatility in the CEO office and Affordable credit metrics. The recurring theme in the CEO-search questions was frustration with the timeline, which management met with a defensive "appropriate disclosure" stance. However, the operational managers (Jatul and Valli) displayed high confidence in segment execution, which partially offset the governance anxiety.

Analyst Sentiment Verdict: Skeptical on Governance, Reassured on Operations. The primary friction point remains the leadership vacuum, but the successful "cleanup" of the corporate book and strong retail growth are keeping the "fundamental" thesis alive. The Street is willing to wait another quarter for a CEO name, but any further delay will likely result in a de-rating.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Opening) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | **Credit Cost** | Guided for sustainable improvement. | PAT was heavily aided by a □70 Cr one-off reversal. | Core profitability is lower than the headline beat suggests. | Low (if recoveries continue). | | **Affordable Quality** | "Portfolio remains strong." | Roshni 30+ DPD rose from 0.91% to 1.40% QoQ. | Seasoning is hitting the book faster/harder than initially implied. | Moderate. |

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1FY26)	This Quarter (Q2FY26)	Direction
MD & CEO Status	Resignation announced; notice started.	Still Vacant; Search "travelled distance."	↓ Deteriorating
Affordable GNPA	0.33%	0.51%	↓ Deteriorating
Affordable 30+ DPD	0.91%	1.40%	↓ Deteriorating
Corporate Book	□687 Cr	□332 Cr (99.6% Retail)	↑ Improving
Net Interest Margin	3.74%	3.67%	↓ Deteriorating
ROA (Annualized)	2.57%	2.73%	↑ Improving
Spread	2.23%	2.26%	↑ Improving
Cost of Borrowing	7.76%	7.69%	↑ Improving
Roshni Strategy	Scaling focus.	Scaling + "Course Correction" in some mkts.	□Shift

- **Thesis Implication:** The core retail machine is robust and generating record profits, but the quality of that profit is temporarily inflated by one-off corporate reversals. The "thesis-breaker" watchpoint has shifted from "Legacy Corporate Stress" to "Affordable Segment Seasoning." The machine is on auto-pilot, but it needs a captain soon to navigate the re-entry into Corporate lending and manage the seasoning of the Roshni book.