PNB Housing Finance Ltd

Weak Q3, outlook stays positive

Reco/View: **Positive**	CMP: **Rs. 859**	Price Target: **Rs. 1,050**

pnb Housing Finance Limited
Ghar Ki Baat

VIEWPOINT

Result Update - Q3FY2026

SECTOR

NBFC

COMPANY DETAILS

Market cap:	Rs. 22,383 cr
52-week high/low:	Rs. 1142/746
NSE volume: (No of shares)	18.0 lakh
BSE code:	540173
NSE code:	PNBHOUSING
Free float: (No of shares)	18.72 cr

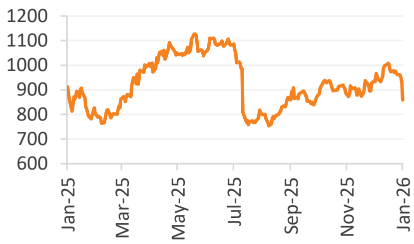
Source: NSE, BSE, Mirae Asset Sharekhan Research

SHAREHOLDING (%)

Promoters	28
FII	17
DII	43
Others	12

Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE CHART



Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-8.2	-1.9	-21.0	-5.7
Relative to Sensex	-4.4	0.6	-21.1	-13.4

Source: Mirae Asset Sharekhan Research, Bloomberg

Quick Snapshot

- NII rose 11.0% y-o-y and 2.1% q-o-q (in line). NIM compressed to 3.73% (down 11 bps y-o-y, 3 bps q-o-q) on lower yields.
- PAT hit Rs. 520 crore (+7.7% y-o-y, -10.5% q-o-q), missing estimates by 5.8% due to high Opex and sluggish other income. Credit costs were negative (Rs. 41 crore).
- Retail loans grew 15.9% y-o-y; disbursements rose 15.6%. GNPA improved to 1.04% (-15 bps y-o-y).
- We maintain a Positive view with a PT of Rs. 1,050 (1.2x FY28E BV). Stock trades at 1.0x FY28E BVPS.

Result overview

- NII was in line with expectation, growing by 11% y-o-y and 2.1% q-o-q to Rs. 767 crore. However, NIM shrunk to 3.73%, down 11 bps y-o-y and 3 bps q-o-q, as asset yields fell more sharply than the cost of funds. Reported yields dropped to 9.72% in Q3FY26 (from 9.95% in Q2FY26), pressured by a contracting corporate loan book and recent repo rate cuts. Cost of borrowing also improved, falling to 7.50% from 7.69% in the previous quarter.
- PPOP missed estimates, growing 8.4% y-o-y but contracting 2.9% q-o-q. Other income reached Rs. 101 crore, reflecting a 7.0% y-o-y increase, yet it saw a significant 10.5% q-o-q decline. Meanwhile, opex exceeded expectations, rising 16.7% y-o-y and 10.5% q-o-q.
- Credit costs remained benign, recording a negative Rs. 41 crore. However, this tailwind was offset by elevated opex and muted non-interest income, causing PAT to miss estimates by 5.8%. Consequently, PAT reached Rs. 520 crore, a 7.7% rise y-o-y but a 10.5% decline q-o-q. Thus, RoA dropped 2 bps y-o-y and 33 bps q-o-q to 2.4%.
- Asset quality improved y-o-y, as GNPA reduced by 15 bps to 1.04% though it was stable sequentially.
- Retail loans grew 15.9% y-o-y and 3.1% q-o-q. Total AUM saw a moderated growth of 12.0% y-o-y and 2.6% q-o-q to Rs. 86,048 crore due to lower growth in the prime segment and a decline in the corporate loan book. The company's key focused affordable and emerging segments grew by 86% and 20% y-o-y and 9.3% and 4.2% q-o-q. Affordable portfolio reached at Rs. 7,140 crore.
- Disbursements grew 15.6% y-o-y and 3.7% q-o-q to Rs. 6,217 crore driven by emerging segments (up by 95% y-o-y and 1.3% q-o-q).

Our Call

Q3FY2026 numbers were weak. However, we remain constructive on the company's medium to long-term outlook. We estimate an 18% loan CAGR (FY25-FY28) led by affordable and emerging segments and PAT CAGR of 15%. NIMs are poised to improve in FY27 and FY28 from current level due high margin) segments, beginning of corporate loans and lower funding costs due to improvement in credit ratings. Asset quality is expected to be steady. Following the leadership transition, execution remains central to our positive stance. We fine tune our estimates. Overall, the stocks trades on attractive valuation of 1.0x FY28E BV. Hence, we maintain our positive view with revised PT of Rs. 1050 (valuing the stock at 1.2x FY28E BV).

Key Risks

- Lower interest rates can lead to higher balance transfers which can put pressure on AUM growth.
- Margin pressure due to high competition in the lower interest rate regime.

Valuation Rs cr

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Net Interest Income	2,481	2,722	3,056	3,660	4,376
Net profit	1,508	1,936	2,224	2,410	2,909
EPS (Rs)	58.2	74.3	86.1	93.3	112.6
P/E (x)	14.8	11.6	10.0	9.2	7.6
P/BV (x)	1.5	1.3	1.2	1.1	1.0
RoE (%)	11.6	12.2	12.5	12.1	13.2
RoA (%)	2.2	2.5	2.5	2.3	2.4

Source: Company; Mirae Asset Sharekhan estimates

Concall Highlights

AUM & disbursement growth

- Management reiterated growth guidance for retail loan portfolio in the range of 17-18%, with a higher focus on the Emerging and Affordable segments.
- Share of the Affordable and Emerging Market segments is expected to grow from 39% now to 45-50%.
- Company plans to cap its exposure in construction finance and emerging developer portfolios at 8% to 10% of the total loan book, with an expectation of 20-25 bps credit cost for FY27.
- Industry is experiencing an increase in balance transfers (BT-outs) from 15-16% to ~19%, driven by rate softening and repo rate cuts, which is an industry-wide challenge.
- Management focuses on small ticket sizes of Rs. 25-30 lakh and which offers higher yield of 11-12%

NII & NIM Growth

- NIM guidance remains stable at 3.6-3.7%, with potential for expansion next year once new segments like construction finance and developer finance start delivering.
- PNBHF reported a stable NIM of 3.63% for Q3 FY26, aligning with its guidance, though slightly down from 3.67% in Q2FY26. The 9.72% reported yield for Q3 FY26 is considered the "new normal" going forward.
- The yield declined to 9.72% in Q3FY26 from 9.95% in Q2FY26.
- Cost of borrowings improved by 19 bps to 7.50% q-o-q in Q3FY26, driven by bank negotiations and repo rate cuts.
- Credit rating has improved so NIM would be supported due to lower cost of borrowings.

Opex & Cost/Income

- PNBHF plans to add 40 to 50 new branches annually, with 35 to 40 branches being added in Q4FY26 to become operational in Q1FY27, and an additional 50 branches expected in FY27, totalling 70-80 new branches across this and next year.
- Operating expenses in Q3FY26 included a one-time expense of INR6 crores for implementing the New Labour Code.

Return Ratios

- RoA to remain stable at 2.5-2.6%, supported by continued recoveries from the write-off pool for the next 4-5 quarters and improved yields from new business segments.

Results — Rs cr

Particulars	Q3FY26	Q3FY25	Y-o-Y %	Q2FY26	Q-o-Q %
Interest Income	2,019	1,848	9.2%	2,017	0.1%
Interest Expenses	1,253	1,158	8.2%	1,267	-1.1%
NII	**767**	**691**	**11.0%**	**750**	**2.1%**
Other Income	101	95	7.0%	113	-10.5%
Total Income	**868**	**785**	**10.5%**	**864**	**0.5%**
Opex	240	206	16.7%	217	10.5%
PPOP	**628**	**580**	**8.4%**	**646**	**-2.9%**
P&C	-41	-36	12.2%	-113	-64.2%
PBT	**668**	**616**	**8.6%**	**760**	**-12.0%**
Tax	148	132	11.9%	178	-16.8%
PAT	**520**	**483**	**7.7%**	**582**	**-10.5%**
Disbursements	**6,217**	**5,380**	**15.6%**	**5,995**	**3.7%**
AUM	**86,048**	**76,840**	**12.0%**	**83,879**	**2.6%**

Source: Company; Mirae Asset Sharekhan Research

Key Metrics Detail

Particulars	Q3FY26	Q3FY25	y-o-y (bps)	Q2FY26	q-o-q (bps)
NII as % of Loan	3.73%	3.84%	-11	3.76%	-3
Fee income % of Loan	0.49%	0.53%	-3	0.57%	-7
OpEx as % of Loan	1.17%	1.14%	2	1.09%	8
Prov as % of Loan	-0.20%	-0.20%	0	-0.57%	37
Tax Rate as a % of Loan	0.72%	0.74%	-2	0.89%	-17

Source: Company; Mirae Asset Sharekhan Research

Asset Quality Trend

Particulars	Q3FY26	Q3FY25	y-o-y (bps)	Q2FY26	q-o-q (bps)
GNPA	1.04%	1.19%	-15.0	1.04%	0.0
NNPA	0.68%	0.80%	-12.0	0.69%	-1.0

Source: Company; Mirae Asset Sharekhan Research

Additional Data

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Punjab National Bank	28.04
2	Aditya Birla Sunlife AMC	3.47
3	L&T Mutual Fund	2.99
4	Vanguard Group	2.85
5	SBI Life	2.69
6	Kotak Mahindra AMC	2.28
7	PI Opportunities	2.22
8	Nippon Life AMC	2.13
9	Canara Robeco	2.02
10	HDFC AMC	1.97

Source: Bloomberg

Key management personnel

Name	Designation
Ajai Kumar Shukla	MD & CEO
Vinay Gupta	CFO & ED
D. Surendran	Chairperson

Source: Company Website

SOMIL RAMESH MEHTA

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Date: 2026.01.22 19:56:01 +05'30'

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