

CMP : Rs 893

Rating : Accumulate

Target : Rs 998

STOCK INFO

INDEX	
BSE	540173
NSE	PNBHOUSING
Bloomberg	PNBHOSI IN
Reuters	PNBH.BO
Sector	NBFC
Face Value (Rs)	10
Equity Capital (Rs cr.)	167
Mkt Cap (Rs cr.)	14,977
52w H/L (Rs)	1444/694
Monthly Avg Vol (BSE+NSE)	140,490

SHAREHOLDING PATTERN

	%
<i>(as on December, 2018)</i>	
Promoters	32.8
FII	19.2
DII	9.8
Public & Other	38.2

Source: ACE Equity, Arihant Research

STOCK PERFORMANCE(%)	3m	6m	12m
Yes Bank	24.5	-29.9	-32.1
SENSEX	6.9	-2.3	-0.1

Source: ACE Equity, Arihant Research

Yes Bank v/s SENSEX



Source: ACE Equity, Arihant Research

PNB Housing Finance Ltd. reported mixed set of numbers in Q3FY19. Net profit increased to Rs 303 cr in Q3FY19 as against Rs 229 cr in the corresponding quarter of the previous year, registering a growth of 32% YoY. NII for the quarter de-grew by 14% YoY and 7.7% QoQ lagely due to spike in cost of funds leading to pressure on spreads.

NIM for the quarter expanded by 4 bps at 3.06%, however on QoQ basis it was lower by 34 bps. The key negative in the quarter is loan spreads which declined 34 bps QoQ to 2.56%. This was because of ~40bps QoQ increase in cost of funds partially offset by ~74bps increase in loan yield. Due to the recent liquidity crisis and tough market conditions, disbursement recorded a slower growth rate, which grew marginally by 1% at Rs. 9345 cr, however company has managed liquidity well. AUM is at Rs 79,737 cr as on 31st Dec 2018 from Rs 57,668 cr as on 31st Dec, 2017 registering a growth of 38% during the period. The Housing Loans consists of 70% and Non Housing 30% of the AUM.

Deposits & Borrowings

Company has reduced its funding from CP to 11.03% from 17.48% as of FY18 however, there was increase in share of bank funding to 17.32% compared with 7.73% as of FY18 end. NCDs form 30.05%, Deposits 16.74%, ECBs 6.1%, and NHB Refinance 7.22% of total borrowings. The average cost of borrowing stood at 8.21%.

Asset quality

Asset quality remains best-in-class with GNPA ratio of 47 bps (broadly stable) while NNPA's ratio stood at 0.37%. The company also has made floating provisions amounting to Rs. 157 cr, in addition to Rs. 436 cr of ECL provisions.

Valuation

We believe PNB housing finance continues to deliver a strong growth in its loan book with maintaining best in class asset quality and company managed recent liquidity situation well without any compromise on a growth. These are the key positives whereas amongst the concerns, some spike in cost of funds has put a pressure on margins. We have pegged a multiple of 2(x) to FY 20E ABV & arrived at a fair value of Rs 998 per share. At CMP of Rs 893 the stock is available at its FY 20E P/ABV of 1.8(x). We have an "ACCUMULATE" rating on the stock.

Financial Snapshot:

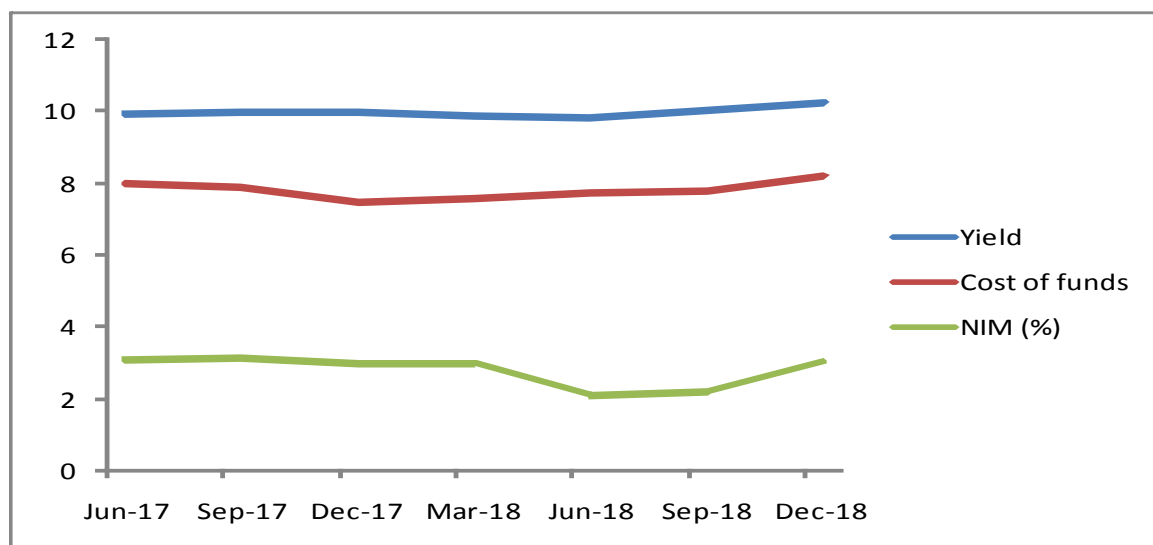
(Rs Cr)	FY 18	FY19E	FY 20 E
Net interest income	1,552	1,708	2,220
Operating Profit	1,478	1,766	2,235
PAT	831	1,006	1,289
EPS (Rs)	50	60	77
EPS Growth (%)		21%	28%
ABV	370	426	499
P/ABV (x)	2.4	2.1	1.8

Q3FY19 Concall Highlights:

1. Company has maintained additional liquidity of Rs. 6000 cr as on Dec -18.
2. Company raised Rs. 22,500 cr during the quarter through ECB, Deposits & Securitization.
3. Housing loans constitute 70% of loans, within that individual housing loans are 57% and wholesale will remain 20-30% of the portfolio and focusing on 'A' category players.
4. Average ticket size for individual is Rs 31 lakh.

Q3FY19 Quarterly Snapshot (As per Ind-AS):

Reported Quarterly Results (Rs. Cr)					
Particulars	Q3FY19	Q3 FY18	YoY(%)	Q2FY19	QoQ(%)
Income:					
Interest Income	1764	1336	32.1	1612	9.4
Fees & Other operating Income	110	79		116	
Net gain on fair value changes	52	2		18	
Income on derecognised (assigned) loans	152	0		62	
Income from operations	2078	1416	46.7	1808	14.9
Expenditure:					
Finance cost	1410	926	52.3	1229	14.8
Employee benefit expenses	81	37	120.4	81	0.3
Fees and commission expenses	13	20	-34.0	16	-16.7
Other expenses	55	43	26.6	38	44.9
Depreciation expense	8	7	11.8	8	-3.9
Provisions and write - offs	70	48	45.5	65	8.4
Total Expenditure	1637	1081	51.5	1436	14.0
Profit before Other Income	441	336	31.4	373	18.4
Other Income	1	0		0.00	
Profit Before Tax	442	336	31.5	373	18.5
Tax Expenses	139	106	30.3	119	16.0
Net Profit After Tax	303	229	32.1	253	19.7
Disbursements (During the quarter)	9345	9276	0.7	8405	11.2
Borrowings	69166	50751	36.3	63627	8.7
(%)					
GNPA	0.47	0.42		0.45	
NNPA	0.37	0.33		0.35	
NIM	3.06	3.02		2.72	
Total CRAR (%)	14.49	17.39		14.85	
Tier 1 (%)	11.37	13.33		11.38	
Tier 2 (%)	3.12	4.06		3.47	



Income Statement			
Year to 31st March (Rs.Cr)	FY18	FY19E	FY 20E
Interest Income	5,082	6,658	8,655
Interest Expenses	3,531	4,950	6,435
NII	1,552	1,708	2,220
Non-Interest Income	435	845	1,099
Fee-based Income			
Operating Income	1,986	2,553	3,319
Operating Expenses	508	787	1,084
Gross Profits	1,478	1,766	2,235
Provisions	199	219	252
Profit Before Provision and Tax	1,279	1,547	1,983
Tax	448	542	694
Tax Rate (%)	35	35	35
Profit After Taxes	831	1,006	1,289
Profit Growth (%)		21%	28%

Balance Sheet			
As on 31st March (Rs. cr)	FY18	FY19E	FY 20E
LIABILITIES			
Capital	167	167	167
Reserves & Surplus	6,140	7,146	8,435
Netwoth	6,307	7,313	8,602
Borrowings(Long term + Short term)	50,631	69,744	89,830
Other liabilities & provisions	6,864	7,551	8,643
Total Liabilities	63,802	84,607	107,075
ASSETS			
Investments	2,380	2,856	3,428
Cash	2,817	3,751	4,126
Advances	54,203	73,151	94,169
Fixed assets	86	87	104
Other assets	4,316	4,761	5,248
Total Assets	63,802	84,607	107,075

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Stock Rating Scale

	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	<-5%

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