

Robust Growth

27th Oct, 2017

CMP: Rs.1421
Target Price: Rs.1526
Recommendation: HOLD

Stock Info

| | |
|-------------------|-------------|
| BSE Group | B |
| BSE Code | 540173 |
| NSE Symbol | PNBHOUSING |
| Bloomberg | PNBHOUSI IN |
| Reuters | - |
| BSE Sensex | 33,147 |
| NSE Nifty | 10,349 |

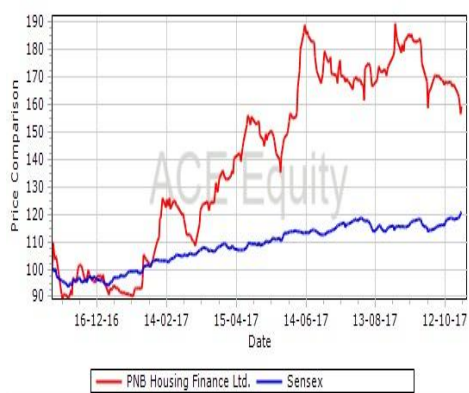
Market Info

| | |
|--------------------------|--------------|
| Market Capital | Rs 23,746 cr |
| Equity Capital | Rs 167 cr |
| Avg. Trading Vol. | 5,94,390 |
| 52 Wk High/ Low | Rs 1717/791 |
| Face Value | Rs 10 |

Shareholding Pattern (%) (Sept 2017)

| | |
|------------------------------|-------|
| Promoters | 38.86 |
| Domestic Institutions | 4.72 |
| Foreign Institutions | 14.09 |
| Public & Others | 42.33 |

Price Vs Sensex Chart



PNB Housing Finance Ltd. reported strong growth this quarter. Net profit increased to Rs 208 Cr registering robust growth of 51% YoY & 12% sequentially. Net Interest Income registered a growth of 69% to Rs 386 crore from Rs 228 crore YoY.

NIMs & Disbursements:

NIM for the quarter came in at 3.15% increasing by 44 Bps from 2.71% YoY. Company's disbursements increased by 44% to Rs 7,385 crore during Q2 FY17-18 from Rs 5107 crore during Q2 FY16-17. Disbursements towards housing loan accounted for 70.6% and non-housing loan at 29.4%. Disbursement for Q1 FY17-18 was Rs. 7,794 crore. Management is conservative while lending in construction finance.

Deposits & Borrowings:

The Deposit portfolio grew by 33% to Rs 10,405 crore as on 30th Sept, 2017 from Rs. 7,831 crore as on 30th Sept, 2016. Cost of borrowing decreased by 94 bps to 7.77% vs 8.71% YoY. Borrowings for this quarter were Rs.45072 cr vs. Rs.39564 cr QoQ. Borrowings portfolio was majorly funded by NCDs (45.8%), Deposits(23.1%), Commercial paper (15.2%).

Asset quality:

Gross Non-Performing Assets (NPA) stood at 0.34% of the Loan Assets as on 30th Sept, 2017 against 0.26% as on 30th Sept, 2016. Net NPA stood at 0.26% of the Loan Assets as on 30th Sept, 2017 against 0.18% as on 30th Sept, 2016. Of the 5 large accounts that had been slipped to NPA is Q1FY18, the company was able to recover back from 4 accounts.

Expansion:

Company has added 7 new branches taking the total to 73 and company also services the customers through 29 outreach locations. The Company will continue to grow on the back of branch network expansion. It has plans of opening 23 branches in FY18 out of which 10 branches have already been opened in H1FY18. Cost to income ratio for the company decreased to 17.86%.

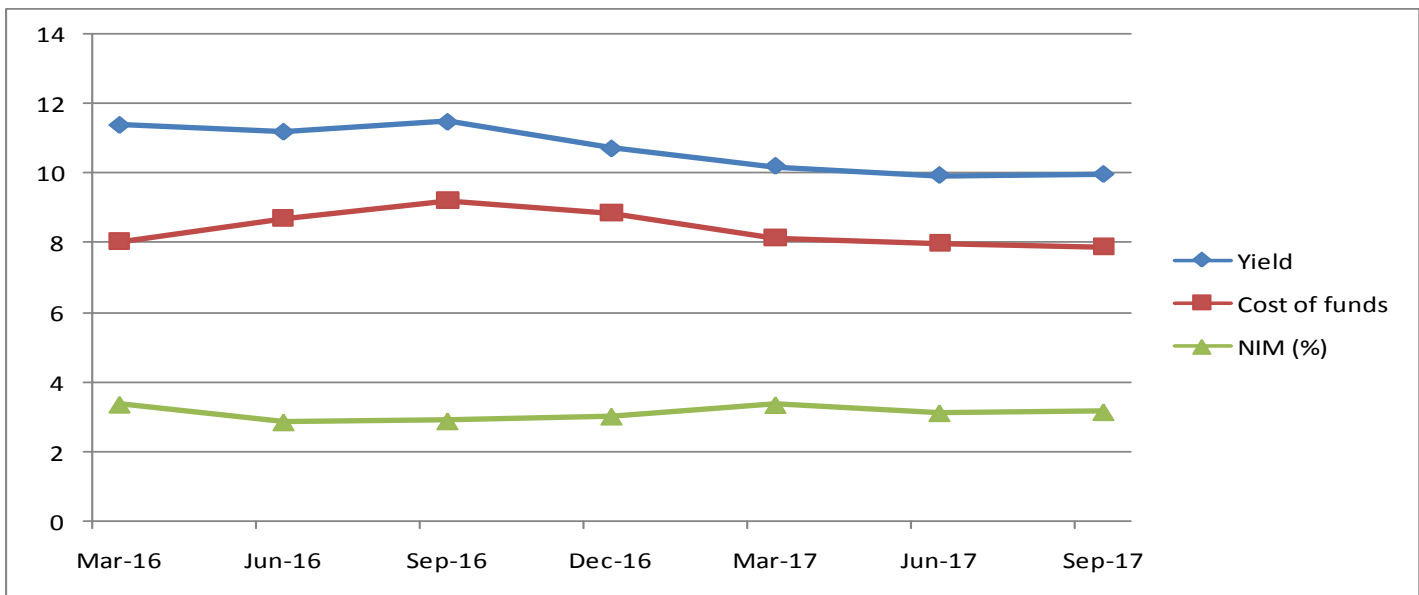
Valuation:

We have pegged a multiple of 3.5(x) to FY 19E ABV & arrived at a fair value of Rs 1526 per share. At CMP of Rs 1421 the stock is available at its FY 19E P/ABV of 3.3(x). We have "HOLD" rating on the stock.

| (Rs Cr) | FY17 | FY18E | FY19E |
|----------------------------|--------------|--------------|--------------|
| Net interest income | 996 | 1,372 | 1,778 |
| Operating Profit | 1,264 | 1,744 | 2,262 |
| PAT | 524 | 761 | 1,011 |
| EPS (Rs) | 31.6 | 45.9 | 61.0 |
| EPS Growth (%) | 23.0% | 45.3% | 32.9% |
| RoE (%) | 13.6 | 12.8 | 14.8 |
| P/E (x) | 48.9 | 33.6 | 25.3 |
| ABV | 337 | 376 | 436 |
| P/ABV (x) | 4.0 | 3.8 | 3.3 |

Q2 FY18 Earnings Snapshot:

| Reported Quarterly Results (Rs. cr) | | | | | |
|-------------------------------------|---------|--------|--------|---------|--------|
| Particulars | Q2 FY18 | Q2FY17 | YoY(%) | Q1 FY18 | QoQ(%) |
| Income: | | | | | |
| Interest Income | 1316 | 913 | 44.1 | 1192 | 10.4 |
| Fees & Other operating Income | 0.07 | 57 | -99.9 | 0.12 | -41.7 |
| Income from operations | 1316 | 970 | 35.6 | 1192 | 10.4 |
| | | | | | |
| Expenditure: | | | | | |
| Finance cost | 836 | 685 | 22.1 | 753 | 11.0 |
| Employee benefit expenses | 33 | 27 | 24.5 | 29 | 14.4 |
| Other expenses | 72 | 70 | 3.0 | 74 | -3.2 |
| Depreciation expense | 5 | 5 | 15.1 | 5 | 3.3 |
| Provisions and write - offs | 50 | -23 | -323.4 | 48 | 4.6 |
| Total Expenditure | 996 | 763 | 30.6 | 909 | 9.6 |
| | | | | | |
| Profit before Other Income | 319 | 207 | 54.2 | 283 | 12.8 |
| Other Income | 0.07 | 0.08 | | 0.12 | |
| Profit Before Tax | 319 | 207 | 54.1 | 283 | 12.8 |
| Tax Expenses | 111 | 70 | 60.0 | 98 | 13.2 |
| Net Profit After Tax | 208 | 138 | 51.1 | 185 | 12.6 |
| EPS | 12.5 | 10.9 | 15.1 | 11.1 | 12.6 |
| | | | | | |
| Disbursement | 7385 | 5107 | 44.6 | 7794 | -5.2 |
| Borrowings | 45072 | 29855 | 51.0 | 39564 | 13.9 |
| | | | | | |
| (%) | | | | | |
| GNPA | 0.34 | 0.26 | 30.8 | 0.43 | -20.9 |
| NNPA | 0.26 | 0.18 | 44.4 | 0.33 | -21.2 |
| NIM | 3.15 | 2.76 | 14.1 | 3.12 | 1.0 |


Income Statement

| Year to 31st March (Rs.Cr) | FY17 | FY18E | FY19E |
|----------------------------|--------------|--------------|--------------|
| Interest Income | 3,640 | 4,947 | 6,638 |
| Interest Expenses | 2,644 | 3,575 | 4,860 |
| Net Interest Income | 996 | 1,372 | 1,778 |
| Other Income | 102 | 140 | 181 |
| Fee-based Income | 166 | 233 | 302 |
| Operating Income | 1,264 | 1,744 | 2,262 |
| Operating Expenses | 357 | 447 | 536 |
| Gross Profits | 907 | 1,298 | 1,726 |
| Provisions | 103 | 162 | 217 |
| Profit Before Taxes | 804 | 1,136 | 1,509 |
| Taxes | 280 | 375 | 498 |
| Profit After Taxes | 524 | 761 | 1,011 |

Balance Sheet

| As on 31st March (Rs. cr) | FY17 | FY18E | FY19E |
|--------------------------------|---------------|---------------|---------------|
| LIABILITIES | | | |
| Capital | 166 | 166 | 166 |
| Reserves & Surplus | 5,412 | 6,173 | 7,184 |
| Networth | 5,577 | 6,338 | 7,349 |
| Borrowings | 35,497 | 50,687 | 66,480 |
| Other liabilities & provisions | 1,885 | 2,282 | 2,735 |
| Total Liabilities | 42,960 | 59,308 | 76,564 |
| ASSETS | | | |
| Advances | 38,531 | 53,984 | 70,177 |
| Fixed assets | 60 | 73 | 87 |
| Other assets | 4368 | 5251 | 6300 |
| Total Assets | 42,960 | 59,308 | 76,564 |

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