

CMP: Rs 715

Rating: Hold

Target Price: Rs 770

(NR-Not Rated)

Stock Info

INDEX	
BSE	540173
NSE	PNBHOUSING
Bloomberg	PNBHOU SI IN
Reuters	PNBH.BO
Sector	NBFC
Face Value (Rs)	10
Equity Capital (Rs cr.)	167
Mkt Cap (Rs cr.)	11,964
52w H/L (Rs)	1428/655
Weekly Avg Vol (BSE+NSE)	139,240

Shareholding Pattern

	%
(As on June, 2019)	
Promoters	32.7
DII	7.8
FII	21.4
Public & Others	38.1

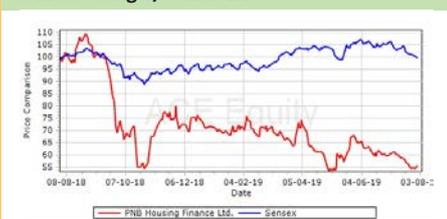
Source: NSE, Arihant Research

Stock Performance (%)

	3m	6m	12m
PNB Housing	-	-21.6	-45.0
SENSEX	-4.0	3.4	-0.3

Source: ACE Equity, Arihant Research

PNB Housing v/s SENSEX



Source: ACE Equity, Arihant Research

PNB Housing Finance (PNBHFL) reported muted performance during Q1FY20. Profit for the quarter grew by 11% YoY to Rs 284 cr, impacted due to lower disbursements and higher credit cost. NII for the quarter grew by 45% YoY/2.6% QOQ to Rs 625 cr while margins compressed by 4bps QoQ. Disbursements during the quarter declined by 22% YoY to Rs 7634 cr, primarily due to company's cautious approach towards wholesale loan book which resulted into corporate disbursement de-growth of 81% YoY. PNB housing finance maintained excess liquidity of Rs 5000 cr in form of cash and liquid investments as on 30th Jun 2019. AUM growth was strong at 29% YoY to Rs 88,333 cr driven by retail housing and construction finance portfolio. Asset quality took a hit with stage 3 assets at 0.85% vs. 0.48% QoQ. Asset quality deterioration was mainly due to a corporate loan of Rs 150 cr slipped during the quarter and seasonality effect. We have a Hold rating on the stock with a target price of Rs 770 per share.

Key Concall Highlights:

- In the corporate segment (4% of AUM), the company has been disbursing mainly to repeated customers and marquee developers. 98% of disbursements during the quarter were to repeated customers.
- Of the 5 developer account which was marked as stressed in the last quarter, one account from NCR region slipped into NPA during Q1FY20. This account has a security cover of ~2.5x. In the other 4 accounts, the company has some visibility to get the projects moving. ECL provision against these accounts is 21% vs 17% in Q4FY19.
- Yields during the quarter: Home loans segment: 9.38%, Construction finance residential purposes: 11.73%, non-housing loan: 10.55%.
- The company securitized Rs 2318 cr worth of home and LAP loans during the quarter. The company plans to do more securitization this year compared to last year.
- NHB circular regarding subvention scheme, the company's total exposure to such schemes is Rs 600 cr, less than a 1% of the loan book.
- The board has approved a capital raising plan of Rs 2000 cr, preferably from right issue. Post this capital infusion; the company expects to achieve a gearing ratio of 7.6-8x.

Valuation

We believe the liquidity stress and headwinds in the real estate sector to continue over the medium term. However, PNBHFL's cautious stance on lending towards corporates and continued focus on maintaining excess liquidity provides comfort. We have pegged a multiple of 1.3(x) to FY 21E ABV & arrived at a fair value of Rs 770 per share. At CMP of Rs 715 the stock is trading at FY21E P/ABV of 1.2(x). We have a "Hold" rating on the stock.

Financial Snapshot:

(Rs Cr)	FY19	FY 20 E	FY 21 E
Net interest income	2,064	2,424	3,012
Operating Profit	1,923	2,198	2,666
PAT	1,192	1,321	1,570
EPS (Rs)	71	79	94
P/E (x)	10.0	9.1	7.6
ABV	433	506	592
P/ABV (x)	1.7	1.4	1.2

Q1FY20 Financial Snapshot:

Reported Quarterly Results (Rs. Cr)					
Particulars	Q1FY20	Q1FY19	YoY(%)	Q4FY19	QoQ(%)
Income:					
Interest Income	1979	1524		1893	
Fees & Other operating Income	93	116		108.0	
Net gain on fair value changes	39	9		50	
Income on derecognized (assigned) loans	119	0		94	
Income from operations	2231	1648	35.4	2145	4.0
NII	625	433	44.5	610	2.6
Expenditure:					
Finance cost	1513	1100	37.5	1428	6.0
Employee benefit expenses	68	51	34.4	91	-25.5
Fees and commission expenses	4	18	-80.7	8	-55.7
Other expenses	54	54	0.0	57	-5.6
Depreciation expense	16	7	144.8	9	78.3
Provisions and write - offs	164	44	273.2	10	1525.7
Total Expenditure	1819	1273	42.9	1603	13.4
Profit before Other Income	412	375	9.9	542	-24.0
Other Income	2	2		3	
Profit Before Tax	414	377	9.9	542	-23.6
Tax Expenses	130	120	8.5	165	-21.6
Net Profit After Tax	284	257	10.5	380	-25.1
EPS(basic)	23	15		18	
Disbursements (During the quarter)	7634	9767	-21.8	8562	-10.8
(%)					
GNPA	0.85	0.43		0.48	
NNPA	0.67	0.33		0.38	
NIM	3.14	2.74		3.18	
Total CRAR (%)	15.13	14.87		13.98	

Rs in bn	Q1FY20	Q4FY19	QoQ
AUM Break-up			
Housing loans	632.7	601.5	5%
- Retail Housing Loans	520.4	491.4	6%
- Construction Finance	112.4	110.1	2%
Non- Housing loans	250.6	245.7	2%
- Corporate loan	37.6	33.9	11%
- LRD	22.6	33.9	-33%
- Non-residential premise loan	32.6	33.9	-4%
- LAP	157.9	144.0	10%
Total AUM	883.3	847.2	4%

Income Statement			
Year to 31st March (Rs.Cr)	FY19	FY 20E	FY 21E
Interest Income	7,230	9,399	12,219
Interest Expenses	5,166	6,975	9,207
NII	2,064	2,424	3,012
Non-Interest Income	453	544	653
Fee-based Income			
Operating Income	2,517	2,968	3,665
Operating Expenses	594	770	999
Gross Profits	1,923	2,198	2,666
Provisions	189	255	357
Profit Before Provision and Tax	1,734	1,943	2,309
Tax	543	622	739
Tax Rate (%)	31	32	32
Profit After Taxes	1,192	1,321	1,570
Profit Growth (%)	42%	11%	19%

Balance Sheet			
As on 31st March (Rs. cr)	FY19	FY 20E	FY 21E
LIABILITIES			
Capital	167	167	167
Reserves & Surplus	7,376	8,698	10,268
Net worth	7,544	8,865	10,435
Borrowings(Long term + Short term)	71,859	84,793	99,208
Other liabilities & provisions	4,467	4,989	5,635
Total Liabilities	83,870	98,648	115,279
ASSETS			
Investments	4,561	4,789	5,028
Cash	4,034	4,437	4,881
Advances	74,288	88,403	104,316
Fixed assets	108	114	119
Other assets	879	905	934
Total Assets	83,870	98,648	115,279

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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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