

22 April 2026

India | Equity Research | Results Update

## PNB Housing Finance

NBFCs

### Strong FY26 finish sets stage for robust FY27

PNB Housing Finance (PNBHF)'s Q4FY26 results demonstrated a sustained operational turnaround, with RoE touching 14% while the company successfully navigated a period of leadership transition. While the Oct'25 management rejig initially spurred concerns around the sustainability of business momentum, PNBHF validated its resilience in FY26 with superior execution and a robust franchise. New leadership (Mr. Ajai Shukla taking charge as MD & CEO in Dec'25) has ensured business continuity and upheld the core strategy of scaling the affordable and near-prime segments (~48% of Q4FY26 retail disbursements)—alongside a strategic re-entry into developer financing with an INR 3bn disbursement. With its operational building blocks now firmly in place, PNBHF is targeting gross loan growth at >20% in FY27.

### FY26: A year of foundation; FY27: A year to reap benefits

After successfully strengthening its retail asset franchise during FY24–25, PNBHF has shifted its focus towards enhancing profitability. This strategic pivot is already yielding results; in Mar'26, the company achieved its highest quarterly RoE since FY21—at ~14%—while record quarterly disbursements surpassed INR 90bn. We believe, Mr. Shukla, new MD & CEO brings strong domain expertise (>30 years in mortgage industry); importantly, his earlier assignments in heading critical verticals like sales, credit and risk instil greater confidence in PNBHF likely sustaining its business momentum over FY27–28E.

We upgrade the stock to **BUY** (earlier Add) with a revised TP of INR 1,350 (prior: INR 990), valuing the stock at 1.5x P/B Sep'27E (prior: 1.2x P/B FY27E). This optimism is driven by a sustained improvement across most business parameters, with record-high quarterly disbursements in Q4FY26 and robust asset quality (GNPL <1% as on Mar'26), reflecting the strength of the business franchise and new management's successful integration with business teams. Notably, asset quality remains industry leading; early-stage delinquencies (30+ DPD) for loans booked in the last 12 and 24 months stand at a negligible 8bps and 35bps, respectively. With ~88% of Q4FY26 originations having credit scores of above 700, PNBHF's strategic shift towards high-quality customers is likely to help it maintain manageable credit costs and ensure near-term portfolio stability.

### Financial Summary

Y/E March (INR mn)	FY25A	FY26A	FY27E	FY28E
Net Interest Income (NII)	27,223	30,709	37,047	45,018
PAT (INR mn)	19,361	22,912	26,296	28,574
EPS (INR)	74.5	87.9	100.9	109.7
% Chg YoY	28.3	18.1	14.8	8.7
P/E (x)	13.1	11.1	9.7	8.9
P/BV (x)	1.5	1.3	1.2	1.0
Gross Stage - 3 (%)	1.1	0.9	1.0	1.0
RoAA (%)	2.5	2.6	2.6	2.4
RoAE (%)	12.2	12.7	12.8	12.3

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#### Market Data

Market Cap (INR)	255bn
Market Cap (USD)	2,730mn
Bloomberg Code	PNBHOUSI IN
Reuters Code	PNBH NS
52-week Range (INR)	1,142 /730
Free Float (%)	72.0
ADTV-3M (mn) (USD)	10.9

Price Performance (%)	3m	6m	12m
Absolute	5.2	11.8	(2.7)
Relative to Sensex	8.4	17.9	(2.6)

ESG Score	2024	2025	Change
ESG score	78.4	78.3	(0.1)
Environment	61.9	65.9	4.0
Social	78.1	79.6	1.5
Governance	84.6	81.9	(2.7)

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY27E	FY28E
PAT	15	8

#### Previous Reports

04-04-2026: [NBFC Q4FY26 Preview](#)

23-01-2026: [Q3FY26 results review](#)

## New MD & CEO lays clear roadmap: FY27 loan growth guidance of 18–20% and RoA of 2.4–2.5%

PNBHF has delivered strong financial performance across growth and asset quality under the new MD & CEO (Mr. Shukla). An equally strong guidance has also been laid out for FY27. PNBHF expects its loan book to cross INR 1trn, implying 18–20% growth, NIM in the range of 3.55–3.65% (3.69% in Q4FY26), credit cost to remain negative at 15–20bps (aided by continued write-off recoveries at INR 2–2.5bn in FY27), and RoA of 2.4–2.5%, as affordable and emerging's shares increase in overall AUM mix.

AUM crossed the INR 900bn milestone, is at INR 909.2bn – registering growth of 6% QoQ/13% YoY driven by strong growth in affordable segment, which grew 14% QoQ/61% YoY. Total disbursement grew strongly at 50% QoQ/36% YoY and stood at INR 93.6bn with a calibrated re-entry into corporate lending. Management targets ~50% YoY growth in affordable business in FY27 on lower base and is gearing up to launch a new micro-housing and micro-LAP product in Q1FY27 – in the 14–16% yield bracket, to be rolled out through existing affordable branches.

Corporate book is expected to remain calibrated at ~3% of book in FY27. While growth would appear high on a low-base, management highlighted that it would scale in a calibrated manner with a focus on top 7-8 cities (Pune, Mumbai, Bangalore, Chennai, Hyderabad, Delhi).

## Strong Q4FY26 financial performance led by healthy disbursements, margin expansion and better recoveries

PNBHF's Q4FY26 financial performance reflects management's superior execution with all-round improvement. Reported PAT stood at INR 6.6bn, up 26% QoQ/16% YoY; thereby, translating into RoA of 2.9%, up >40bps QoQ. PNBHF continued to benefit from higher recoveries leading to provision write-back of INR 1.8bn in Q4FY26 (of which INR 1bn was on account of recovery from sale of SR) – resulting in net negative credit cost at 80bps QoQ vs. negative 20bps QoQ. Overall, GNPA fell to <1% vs. 1.04% QoQ, while NNPA fell 10bp QoQ to 57bps vs. 68bps QoQ with PCR improving sharply to 39% vs. 35% QoQ.

Strong AUM growth at 6% QoQ and 6bps QoQ NIM expansion to 3.69% drove NII 5% QoQ during Q4FY26. Spread during Q4FY26 moderated by 10bps QoQ to 2.12% on account of a 25bps QoQ asset-yield contraction to 9.47%; cost of borrowing improved by only 15bps QoQ to 7.35%. While incremental cost of borrowings increased marginally by 4bps QoQ to 7.23%, it continued to be lower than book cost and the same augurs well for further improvement in cost of funds going forward.

Total loan assets grew by 6% QoQ/16% YoY – growth was largely driven by affordable segment, which grew by 61% YoY, followed by emerging market at 21% YoY; growth in prime housing remained sluggish at 9% YoY. With its strategic re-entry into developer financing, corporate loans (0.5% of total loan assets) book grew by 47% QoQ during Q4FY26. Disbursements too remained strong in Q4FY26, at INR 90.3bn, up >50% QoQ with an improvement across verticals.

Higher disbursements also drove strong fees and other income, which rose 29% QoQ. While PPop grew 8% QoQ/5% YoY, the company continued to invest in franchise build-up, as reflected in 27 new branches opening during Q4FY26. The cost-to-income ratio improved by 100bps QoQ, aided by the fact that the preceding quarter included a one-time impact of INR 60mn related to new labour codes.

### Yields likely to bottom out; BT-out pressure eases in Q4

Management believes that yields have now bottomed out and should start improving from Q1FY27 driven by: 1) incremental yield and book yield now converging; 2) higher mix of affordable/emerging/corporate business; 3) BT-out pressure easing, with overall BT-out at 8.6% in Q4 vs. 8.95% in Q3 improving 30–35bps QoQ.

Reported spread declined ~10bps QoQ to 2.12% vs. 2.22% QoQ while NIMs improved ~6bps QoQ to 3.69% vs. 3.63% in this quarter. Cost of borrowings improved ~15bps QoQ to 7.35% and management believes that there is still some scope for improvement. PNBHF derives comfort from its ongoing conversation with credit rating agencies regarding a rating upgrade – currently AAA from Ind Ratings and AA+ from CRISIL/ICRA/CARE. Overall, management expects NIMs to remain in the range of 3.55–3.65% over FY27.

### Affordable segment to remain key growth driver in FY27; Q4FY26 asset quality improves

Since its entry into the affordable housing segment, PNBHF has successfully scaled up this product despite intense competition and has notably maintained robust asset quality. As on Mar'26, total AUM stood at INR 81.5bn, registering growth of 14% QoQ and 61% YoY. Q4FY26 disbursement bounced back sharply at INR 12.5bn registering 59% QoQ growth - highest in last 8 quarters

While scaling the book, it has been managing concentration risk judiciously, with share of its top-5 states falling to 72% vs. 75% YoY. All asset quality metrics showed improvement, with GNPA falling ~4bps QoQ to 0.62%, bounce rate declining by ~50bps to 11.5% and 30+ DPD sharply slipping ~9bps QoQ to 1.33% vs. 1.42% a quarter ago. Management also highlighted that early indicators of April bounce rates are in line with March, suggesting no near-term material stress from the ongoing geopolitical situation.

Management reiterated a likely increase of Affordable + Emerging in the current mix, from ~40% to ~50%, in the medium term driven by strong growth in both the segments. This will likely further improve NIMs and offset credit cost (once its normalised post recovery) in coming years.

### Eighth consecutive quarter of provision write-back; FY27 recoveries guided at INR 2–2.5bn

Management has successfully maintained asset quality, even while reviving retail loan growth and despite a recent leadership transition. Over the past ten quarters, GNPL has consistently improved, recently falling below 1%—a decrease of 11bps QoQ and 15bps YoY. Strategic shift towards better quality customers (88% of loans booked in Q4FY26 having bureau score of >700 in Q4FY26) and a dedicated team to focus on X-bucket, pre-NPA and NPA resolutions are key enablers for industry-leading asset quality outcome.

Provision write-back continues to drive profitability – Q4FY26 reported net negative credit cost of 0.78% (vs. -0.19% QoQ) was the sharpest of the year, driven by INR 1.67bn of write-off recovery (retail INR 0.24bn + corporate INR 1.43bn). Management has guided for INR 2–2.5bn of write-off recovery in FY27, implying provision release at 15–20bps. Total residual written-off pool stands at ~INR 5bn in corporate and ~INR 3.25bn in retail, as on Mar'26, improving visibility on sustained higher recoveries beyond FY27 as well.

**Key risks:** 1) Slower-than-expected pace of recoveries leading to higher-than-expected credit cost; and 2) lower-than-guided loan growth and margins for FY27.

**Exhibit 1: Q4FY26 result review**

INR mn	Q4FY25	Q3FY26	Q4FY26	% YoY	% QoQ
<b>Income statement</b>					
Interest income	19,059	20,194	20,540	7.8	1.7
Net gain on fair value changes	65	51	55	(14.6)	8.9
Interest expenses	11,781	12,528	12,461	5.8	(0.5)
<b>Net interest income</b>	<b>7,343</b>	<b>7,716</b>	<b>8,134</b>	<b>10.8</b>	<b>5.4</b>
Other Income	1,244	962	1,124	(9.6)	16.8
<b>Total Income (net of interest expenses)</b>	<b>8,587</b>	<b>8,678</b>	<b>9,258</b>	<b>7.8</b>	<b>6.7</b>
Employee expenses	1,051	1,339	1,256	19.5	(6.2)
Depreciation and amortization	143	162	192	34.0	18.4
Fees and Commission expenses	45	34	41	(9.1)	22.0
Other operating expenses	884	865	986	11.5	13.9
<b>Total Operating Expense</b>	<b>2,124</b>	<b>2,399</b>	<b>2,474</b>	<b>16.5</b>	<b>3.1</b>
<b>Pre-provisioning profit (PPoP)</b>	<b>6,464</b>	<b>6,279</b>	<b>6,784</b>	<b>5.0</b>	<b>8.0</b>
Provisions and write offs	-648	-405	-1,762	171.8	334.8
<b>PBT</b>	<b>7,112</b>	<b>6,684</b>	<b>8,546</b>	<b>20.2</b>	<b>27.9</b>
Tax expenses	1,608	1,481	1,988	23.6	34.2
<b>PAT</b>	<b>5,504</b>	<b>5,204</b>	<b>6,558</b>	<b>19.2</b>	<b>26.0</b>
<b>EPS (INR)</b>	<b>21.2</b>	<b>20.0</b>	<b>25.2</b>	<b>18.8</b>	<b>26.0</b>
<b>Key ratios</b>					
<b>AUM (INR mn)</b>	<b>803,970</b>	<b>860,480</b>	<b>909,210</b>	<b>13.1</b>	<b>5.7</b>
<b>Disbursements (INR mn)</b>	<b>68,540</b>	<b>62,170</b>	<b>93,550</b>	<b>36.5</b>	<b>50.5</b>
Yield (%) - Reported	10.0	9.7	9.5	-56 bps	-25 bps
Cost of Borrowing (%) - Reported	7.8	7.5	7.4	-49 bps	-15 bps
Spreads (%) - Reported	2.2	2.2	2.1	-7 bps	-10 bps
<b>NIM (%) - Reported</b>	<b>3.8</b>	<b>3.6</b>	<b>3.7</b>	<b>-6 bps</b>	<b>6 bps</b>
Op cost as % of avg AUM (Cal)	1.1	1.1	1.1	3 bps	-2 bps
Cost to income (%)	24.7	27.6	26.7	199 bps	-93 bps
<b>GNPL (% of on-book loans)</b>	<b>1.08</b>	<b>1.04</b>	<b>0.93</b>	<b>-15 bps</b>	<b>-11 bps</b>
NNPL (% of on-book loans)	0.69	0.68	0.57	-12 bps	-11 bps
Provision coverage ratio (%)	36.1	34.6	38.7	259 bps	409 bps
Credit cost as a % of avg AUM [annualized]	-0.36	-0.20	-0.84	-49 bps	-64 bps
<b>RoA (%)</b>	<b>2.8</b>	<b>2.4</b>	<b>2.9</b>	<b>9 bps</b>	<b>49 bps</b>
<b>RoE (%)</b>	<b>13.3</b>	<b>11.4</b>	<b>13.9</b>	<b>65 bps</b>	<b>249 bps</b>

Source: Company data, I-Sec research

## Q4FY26 conference call takeaways

### Industry

- Housing sector continues to benefit from strong demand from tier-2/3 cities
- **Ongoing geo-political conflict may have impact on all sectors, including housing; overall impact may not be significant**
- **Crude oil prices may keep inflation and interest rate elevated impacting asset quality marginally**

### Guidance

- Loan book to cross >INR 1,000bn in FY27
- Retail AUM growth target 18-20% in coming years with affordable being highest in growth (~50% on lower base)
- NIM to be in the range of 3.55–3.65% driven by increase in affordable and emerging mix
- RoA guidance of 2.4–2.5%
- **Credit cost will likely continue to benign due to recoveries from written pool and likely be in the range of negative 15bps to 20bps**

### Margins and cost of borrowings

- **Spreads moderated ~10bps sequentially to 2.12% on account of softening of yield by 25bps to 9.47% due to lower incremental yield vs book yield**
- Cost of borrowings
  - **Cost of borrowings improved ~15bps QoQ to 7.35%; there is still scope of improvement in cost of borrowings here in case of potential credit rating upgrades**
  - Also looking to diversify funding mix with more access to debt markets and increase in bank names
- NIMs improved ~6bps to ~3.69% vs. ~3.63% QoQ, largely on account of methodology and marginal reduction in borrowing cost. NIMs should normalise from the next quarter and will likely converge with spreads
- **Yields have likely bottomed out and management expects it to improve ~5 to 10bps as book yield and incremental yield have coincided**

### Asset quality

- Achieved significant milestone on asset quality with GNPA reduced to <1% levels and now GNPA stands at 0.93%
- **Recoveries from written-off pool of INR 3.3bn in FY26 resulted in negative credit cost of 0.45% for the year**
- **Strong recovery from written-off pool in Q4FY26 continues; INR 0.24bn in retail and INR 1.43bn in corporate driving negative reported credit cost of ~0.78% in this quarter (highest negative credit cost in last 8 quarters)**
- Retail properties sold ~689 vs. ~535 last year, helping in recoveries
- Written-off pool of INR 5bn in corporate book and INR 3.25bn in retail book, which would support in negative credit cost
- **In FY27, expects ~INR 2-2.5bn recoveries**
- **No specific reason for uptick in 30+DPD in prime segment, Q3 was below normal levels. Current 30+ DPD is ~3.31% for prime segment**

- Bounce rates in Apr'26 more or less similar to Mar'26; No significant jump of bounce rates. Some set of government employees in company's analysis had some issue in paying, but most of them paid within next day so no major jump in rates

#### AUM and Disbursements

- **AUM scaled > INR 900bn milestone reaching INR 909.2bn, as of Mar'26, reflecting strong 6% QoQ/13% YoY growth**
- **Facilitated ~5,000 subsidies under PMAY scheme, a significant milestone towards affordable housing**
- Retail disbursements touched all-time high of INR 90.2bn this quarter, which grew 45% QoQ/32% YoY
- **Revived Corporate segment with INR 3.3bn disbursed during Q4 FY26**
- Growth will likely come from affordable + emerging business, followed by prime business. Prime business sequential growth would be lower than affordable and emerging going forward
- **More engagement on ground, visiting branches and more engagement with partners help to improve disbursement growth**
- **BT-out for Q4 is 8.6% (Q4 actually improved from Q3, which was ~8.9%) and for FY26 BT-out rate is 8.1%**

#### Affordable housing and emerging business

- Affordable and emerging markets contributed 47% of retail disbursement
- Digital journey started in Jan'26 for onboarding in affordable segment vs. previous manual stamp and wet signing process
- Target to grow ~50% in affordable segment on a lower base
- **Would look to add MLAP/Micro housing segment with yield of 14-16% and will likely be launched in Q1FY27 only**
- **Focus remains in affordable business and book quality is also good. Current mix of ~40% in Affordable + Emerging, which management targets to be in the range of ~50% in coming years. This should further help in NIM improvement and offset credit cost**

#### Corporate lending business

- **Revived corporate segment, with INR 3.3bn disbursed during Q4 FY26; this is one large account from Mumbai and the company expects to target top cities only in this segment**
- Corporate book would not be >3% of overall book for this year – the company wants to go into this business in calibrated way
- Yields to sustain at 11.75–12% and will likely not breach this range; as beyond this, they would have to shift to Tier-B builders – which they do not wish to
- Incremental yields on corporate book of 11.5% to 12%
- Fair value gain on SR realized and cash recovery has come from corporate account

#### Operating expenses and branch network

- **Added 35 branches in Q4FY26, taking the total network to 393 branches, with the affordable and emerging markets segment accounting for 80% of the total branch network**
- Digital initiatives would help onboard customers faster and speed up processing of loans, so there would be end-to-end digital process from sourcing to onboarding.

## Q3FY26 conference call takeaways

### Industry

- RBI announced additional 25bps repo rate cut, bringing it down to 25bps, taking the total rate cut to 125bps in CY25. This was one of the fastest easing cycles in recent years.
- Rate cut further strengthens home buying affordability for customers as decline in EMI is likely to support demand momentum.
- Housing prices were up 10-15% over CY25, and hence, rate cut provides a cushion to affordability.
- Overall, housing market is positioned for a strong CY26.

### Margins

- **Margin guidance remains unchanged at 360-370bps.**
- **Yield declines QoQ due to the following reasons:**
  - Reduction in corporate book impacted yields by 10bps for the quarter (one large corporate account was closed in Q2 with exposure of INR 3.4bn).
  - Rest 12-15bps on account of disbursement yield being lower than book yield.
- New disbursement yields were lower than portfolio yield, but this was offset by reduction in cost of borrowings.
- **Impact was also due to lower disbursement yield and higher run-offs.**
- **No change in PLR in Q3FY26 or Jan'26-TD.**
- It follows risk-based pricing method.
- **Margin levers going ahead (which could offset credit cost normalisation after 4-5 quarters)**
  - Starting construction finance
  - Starting small developer finance with ATS of INR 250-300mn and 11-12% yield range
  - Cost of borrowings declines in case of any rating upgrade in 1-2 quarters.

### Asset quality

- **20-25bps could be normalised credit cost post ending of write-back due to recoveries.**
- **Long-term GNPA target of 100-110bps.**
- **W/off pool o/s - INR 620mn corporate and INR 350mn retail.**
- Recovered INR 490mn from w/off pool during the quarter.
- Credit cost at negative 19bps for Q3.
- Expect credit cost write-back to continue for another 4-5 quarters due to recoveries from write-off.
- Corporate account, which is reported as fraud, had o/s of INR 23.7mn and was written-off in FY23. However, there were some developments in this account recently, and hence, it was reported as a fraud in Q3.
- **Some uptick in delinquencies in affordable, but these were expected as business matures and remains well below industry benchmark.**

### AUM and disbursements

- **Retail loan book growth guidance of 17-18% (no change) with focus on affordable and emerging.**
- **Continues to reinforce its focus on scaling affordable and emerging business market segment.**
- Affordable and emerging combined loan up 31% YoY.
- Affordable and emerging market segment at 39% of book **and expect this share to reach 45-50% in medium term.**
- Do not see any disruption in growth going ahead, due to any change in underwriting policies etc. post the new MD taking over.
- Total loan book at INR 822bn and retail book at INR 819bn as of Q3.

### Affordable housing business

- **Affordable housing could continue to deliver growth of 25-30%.**
- Ticket size will slightly come down as now it is also focusing on PMAY-related disbursements, which have relatively lower ATS.
- PMAY 2.0 has just started and the subsidy which the customer has received is in the range of INR 70-80mn.
- Earlier, TN was the biggest market for affordable, but post ordinance, it also started exploring other geographies and tightened the underwriting policy for TN. Now with ordinance being taken back in Dec'25 as things have normalised, it will loosen its underwriting policy in TN as well, which will be with a relatively lower ATS book.

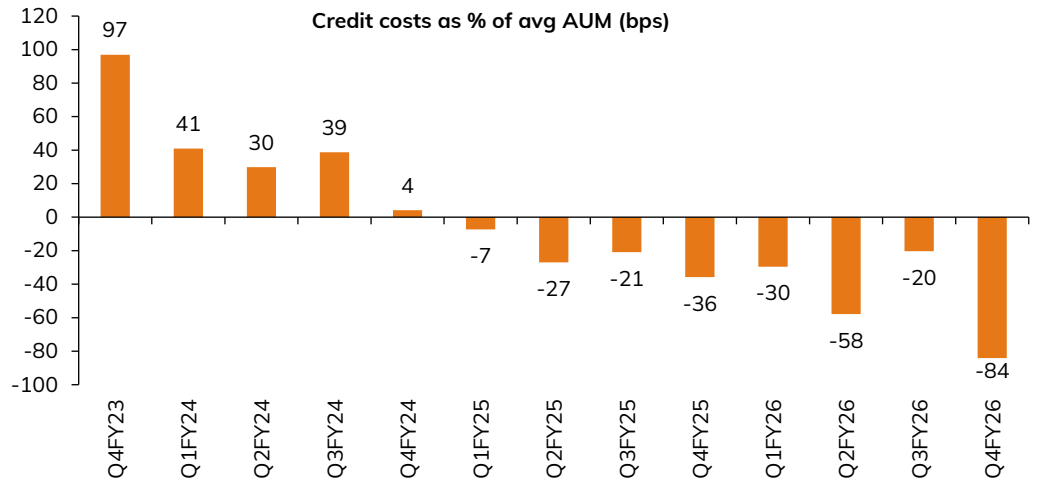
### Corporate lending business

- It will also start construction finance lending business.
- It will also look to start emerging developer construction finance with ATS of INR 250-300mn.
- Emerging developer finance yield will start from 11% and go up to 14%.
- Yield target for developer financing would be 12-12.5% on overall basis.
- **Maximum exposure towards construction finance and small developer finance will not exceed 8-10% of the book at any point of time. In next 2-3 years, it will not exceed 5-7% of the book.**

### Operating expenses

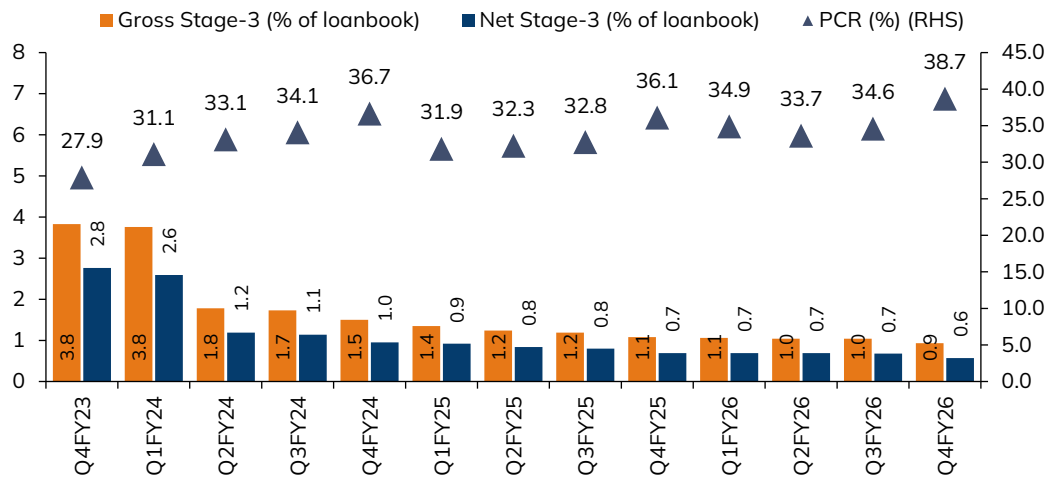
- **100-110bps (non-annualised) opex to ATA guidance (unchanged).**
- Targets 50 new branches in FY27 (majority would be affordable in tier 3-4).
- It will add 30-35 branches by Q4-end (majority would be affordable in tier 3-4).

**Exhibit 2: Credit cost (calc) has been negative supported by provision write-back**



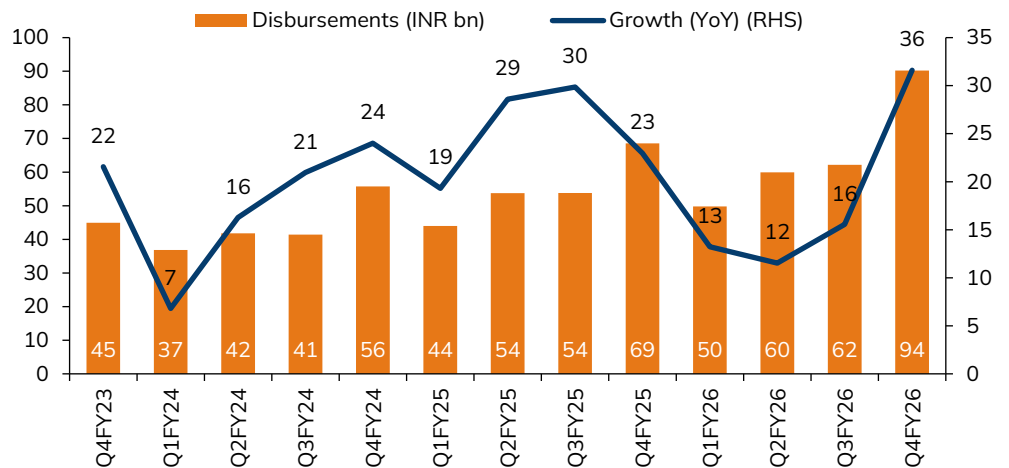
Source: Company data, I-Sec research

**Exhibit 3: Consistent improvement in GNPA and now below 1% levels**



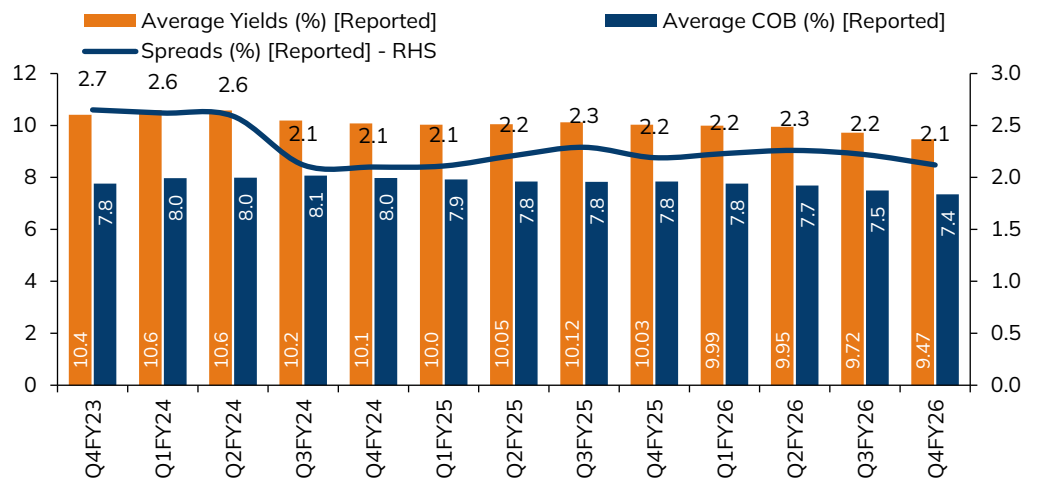
Source: Company data, I-Sec research

**Exhibit 4: Strong disbursements growth of 36% YoY driven by affordable and emerging segment**



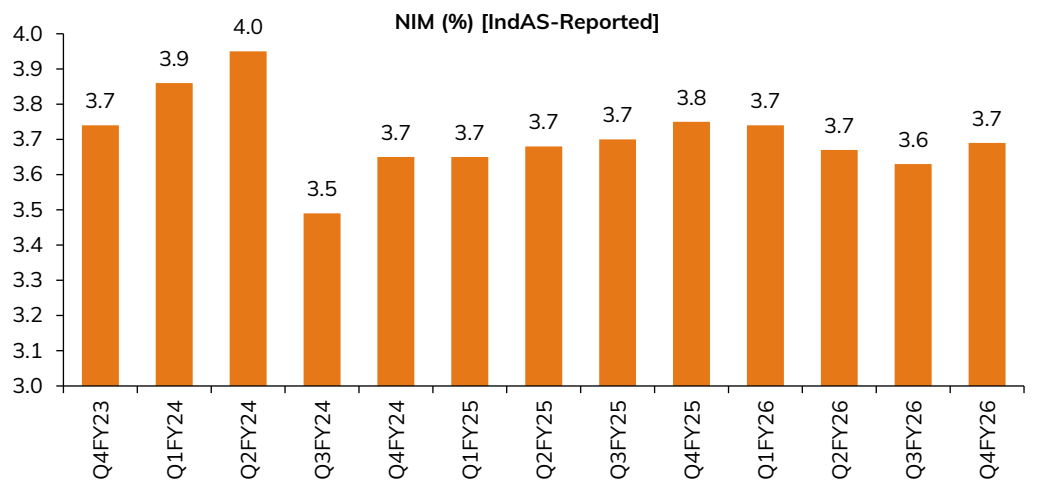
Source: Company data, I-Sec research

**Exhibit 5: Spreads compress due to lower yields, partially offset by lower borrowing cost**



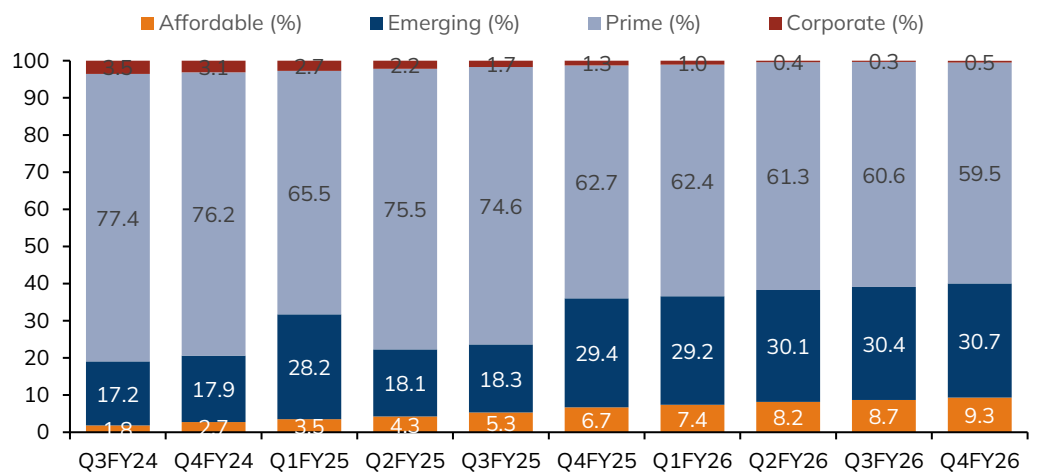
Source: Company data, I-Sec research

**Exhibit 6: Reported NIM inched up QoQ by 6bps and stood at 3.69%**



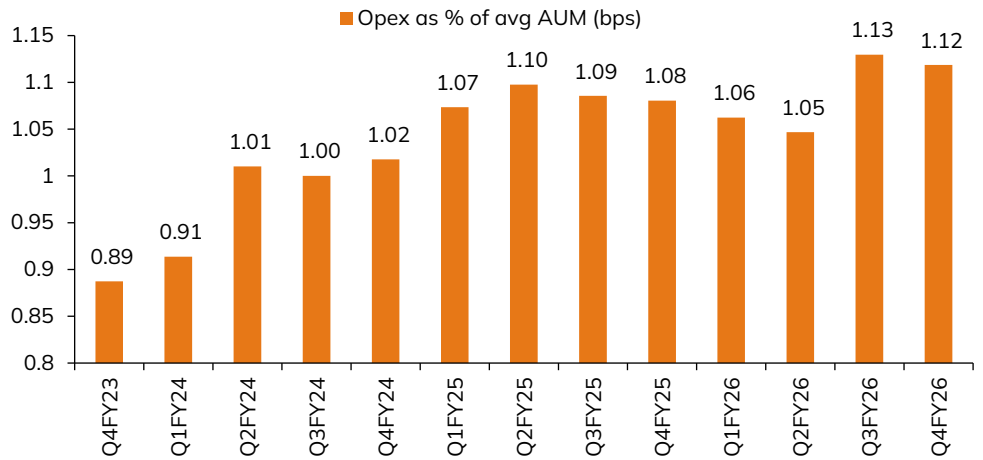
Source: Company data, I-Sec research

**Exhibit 7: Affordable +Emerging to grow faster than other segments and likely to reach ~50% of total AUM mix vs ~40% currently**



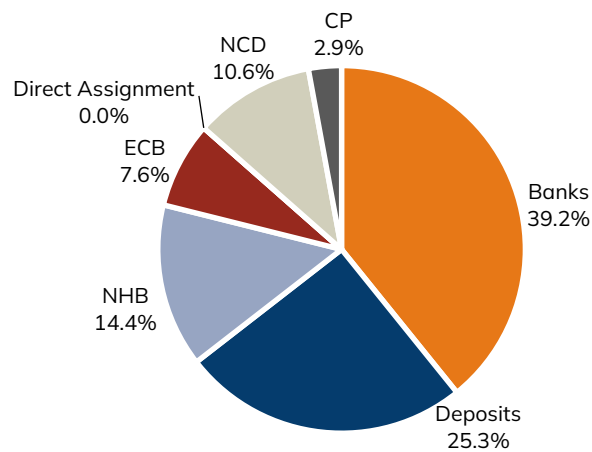
Source: Company data, I-Sec research

**Exhibit 8: Opex to AUM (calculated) expected to remain rangebound at 1-1.1% levels**



Source: Company data, I-Sec research

**Exhibit 9: Well-diversified borrowing mix**



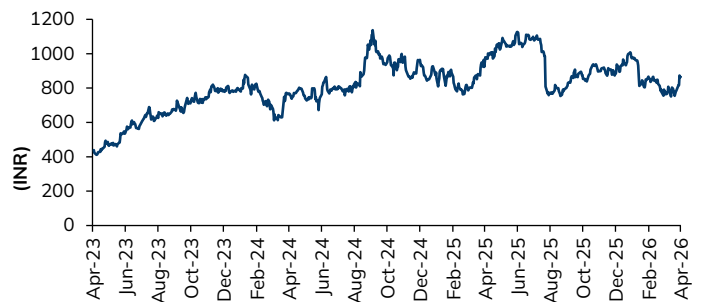
Source: Company data, I-Sec research

**Exhibit 10: Shareholding pattern**

%	Sep'25	Dec'25	Mar'26
Promoters	28.0	28.0	28.0
Institutional investors	59.3	60.2	60.7
MFs and other	28.9	30.0	31.1
Banks/ FIs	4.2	5.1	5.1
Insurance Cos.	7.6	8.0	7.9
FIIIs	18.6	17.2	16.6
Others	12.7	11.7	11.3

Source: Bloomberg, I-Sec research

**Exhibit 11: Price chart**



Source: Bloomberg, I-Sec research

## Financial Summary

### Exhibit 12: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26A	FY27E	FY28E
Interest Income	72,737	80,712	92,422	110,016
Net gain on fair value changes	273	389	375	383
Interest Expenses	(45,514)	(50,002)	(55,375)	(64,998)
<b>Net Interest Income (NII)</b>	<b>27,223</b>	<b>30,709</b>	<b>37,047</b>	<b>45,018</b>
Other Income	4,179	4,339	5,584	6,707
<b>Total Income (net of interest expenses)</b>	<b>31,402</b>	<b>35,048</b>	<b>42,631</b>	<b>51,725</b>
Employee benefit expenses	(4,215)	(4,867)	(5,597)	(6,437)
Depreciation and amortization	(559)	(665)	(671)	(692)
Fee and commission expenses	(138)	(113)	(207)	(250)
Other operating expenses	(3,218)	(3,559)	(4,093)	(4,789)
<b>Total Operating Expense</b>	<b>(8,130)</b>	<b>(9,203)</b>	<b>(10,569)</b>	<b>(12,167)</b>
<b>Pre Provisioning Profits (PPoP)</b>	<b>23,272</b>	<b>25,845</b>	<b>32,062</b>	<b>39,558</b>
Provisions and write offs	1,585	3,862	2,030	(2,511)
<b>Profit before tax (PBT)</b>	<b>24,858</b>	<b>29,706</b>	<b>34,093</b>	<b>37,047</b>
Total tax expenses	(5,496)	(6,794)	(7,797)	(8,472)
<b>Profit after tax (PAT)</b>	<b>19,361</b>	<b>22,912</b>	<b>26,296</b>	<b>28,574</b>

Source Company data, I-Sec research

### Exhibit 13: Balance sheet

(INR mn, year ending March)

	FY25A	FY26A	FY27E	FY28E
Share capital	2,599	2,606	2,606	2,606
Reserves & surplus	166,032	189,586	215,751	244,195
<b>Shareholders' funds</b>	<b>168,631</b>	<b>192,191</b>	<b>218,357</b>	<b>246,801</b>
Borrowings	623,100	708,689	838,276	997,850
Provisions & Other Liabilities	33,275	34,095	37,469	41,180
Current Liabilities and short-term provisions	197	145	153	160
<b>Total Liabilities and Stakeholder's Equity</b>	<b>825,204</b>	<b>935,121</b>	<b>1,094,254</b>	<b>1,285,991</b>
<b>Cash and balance with RBI</b>	<b>40,335</b>	<b>39,795</b>	<b>40,000</b>	<b>40,000</b>
Fixed assets	2,259	2,460	2,632	2,816
<b>Loans</b>	<b>746,453</b>	<b>864,334</b>	<b>1,021,828</b>	<b>1,212,001</b>
<b>Investments</b>	<b>33,809</b>	<b>27,788</b>	<b>29,178</b>	<b>30,636</b>
Deferred tax assets (net)	1,712	240	264	290
Other Assets	635	504	353	247
<b>Total Assets</b>	<b>825,204</b>	<b>935,121</b>	<b>1,094,254</b>	<b>1,285,991</b>

Source Company data, I-Sec research

## Exhibit 14: Key Ratios

(Year ending March)

	FY25A	FY26A	FY27E	FY28E
<b>AUM and Disbursements (INR mn)</b>				
AUM	803,970	909,210	1,064,404	1,249,485
On-book Loans	746,453	864,334	1,021,828	1,212,001
Off-book Loans	57,517	44,876	42,576	37,485
Disbursements	219,380	265,470	327,944	397,962
Repayments	114,009	147,590	170,450	207,789
Growth (%):				
<b>Total AUM (%)</b>	<b>12.8</b>	<b>13.1</b>	<b>17.1</b>	<b>17.4</b>
Disbursements (%)	(24.8)	(21.0)	(23.5)	(21.4)
Repayments (%)	0.8	29.5	15.5	21.9
Loan book (on balance sheet) (%)	16.4	15.8	18.2	18.6
Total Assets (%)	14.0	13.3	17.0	17.5
Net Interest Income (NII) (%)	9.7	12.8	20.6	21.5
Non-interest income (%)	39.5	1.1	31.9	21.4
Total Income (net of interest expenses) (%)	12.3	11.6	21.6	21.3
Operating Expenses (%)	21.2	13.2	14.8	15.1
Employee Cost (%)	24.9	15.5	15.0	15.0
Non-Employee Cost (%)	19.2	10.6	15.0	17.0
Pre provisioning operating profits (PPoP) (%)	9.5	11.1	24.1	23.4
Provisions (%)	(192.6)	143.6	(47.4)	(223.7)
PBT (%)	27.2	19.5	14.8	8.7
PAT (%)	28.4	18.3	14.8	8.7
EPS (%)	28.3	18.1	14.8	8.7
<b>Yields, interest costs and spreads (%)</b>				
NIM on loan assets (%)	3.9	3.8	3.9	4.0
<b>NIM on IEA (%)</b>	<b>3.4</b>	<b>3.4</b>	<b>3.6</b>	<b>3.8</b>
NIM on AUM (%)	3.6	3.6	3.8	3.9
Yield on loan assets (%)	10.5	10.0	9.8	9.9
Yield on IEA (%)	9.1	9.0	9.0	9.2
Yield on AUM (%)	9.6	9.4	9.4	9.5
Cost of borrowings (%)	7.8	7.5	7.2	7.1
Interest Spreads (%)	2.7	2.5	2.6	2.8
<b>Operating efficiencies</b>				
Non interest income as % of total income	35.4	36.1	37.8	38.6
<b>Cost to income ratio</b>	<b>25.9</b>	<b>26.3</b>	<b>24.8</b>	<b>23.5</b>
Op.costs/avg assets (%)	1.0	1.0	1.0	1.0
Op.costs/avg AUM (%)	1.1	1.1	1.1	1.1
Salaries as % of non-interest costs (%)	51.8	52.9	53.0	52.9
<b>Capital Structure</b>				
Average gearing ratio (x)	3.7	3.7	3.8	4.0
Leverage (x)	4.9	4.9	5.0	5.2
CAR (%)	29.4	27.3	32.3	31.3
Tier 1 CAR (%)	28.4	26.9	32.0	30.9
Tier 2 CAR (%)	1.0	0.4	0.4	0.4

Source Company data, I-Sec research

	FY25A	FY26A	FY27E	FY28E
<b>Asset quality and provisioning</b>				
GNPA (%)	1.1	0.9	1.0	1.0
NNPA (%)	0.7	0.6	0.6	0.6
GNPA (INR mn)	8,160	8,090	10,218	12,120
NNPA (INR mn)	5,232	4,883	6,131	7,030
Coverage ratio (%)	35.9	39.6	40.0	42.0
Credit Costs as a % of avg AUM (bps)	(21)	(45)	(21)	22
Credit Costs as a % of avg on book loans (bps)	(23)	(48)	(22)	22
<b>Return ratios</b>				
RoAA (%)	2.5	2.6	2.6	2.4
RoAE (%)	12.2	12.7	12.8	12.3
ROAAUM (%)	2.6	2.7	2.7	2.5
Dividend Payout ratio (%)	6.7	9.1	0.5	0.5
<b>Valuation Ratios</b>				
No of shares	260	261	261	261
No of shares (fully diluted)	260	261	261	261
ESOP Outstanding	-	-	-	-
EPS (INR)	74.5	87.9	100.9	109.7
EPS fully diluted (INR)	74.5	87.9	100.9	109.7
Price to Earnings (x)	13.1	11.1	9.7	8.9
Price to Earnings (fully diluted) (x)	13.1	11.1	9.7	8.9
Book Value (fully diluted)	649	738	838	947
Adjusted book value	634	724	821	927
Price to Book	1.5	1.3	1.2	1.0
Price to Adjusted Book	1.5	1.4	1.2	1.1
DPS (INR)	5.0	8.0	0.5	0.5
Dividend yield (%)	0.5	0.8	0.1	0.1

Source Company data, I-Sec research

## Exhibit 15: Key Metrics

(Year ending March)

	FY25A	FY26A	FY27E	FY28E
<b>DuPont Analysis</b>				
Average Assets (INR mn)	774,626	880,162	1,014,687	1,190,122
Average Loans (INR mn)	693,768	805,393	943,081	1,116,914
Average Equity (INR mn)	159,188	180,411	205,274	232,579
Interest earned (%)	9.4	9.2	9.1	9.2
Net gain on fair value changes (%)	0.0	0.0	0.0	0.0
Interest expended (%)	5.9	5.7	5.5	5.5
<b>Gross Interest Spread (%)</b>	<b>3.5</b>	<b>3.5</b>	<b>3.7</b>	<b>3.8</b>
Credit cost (%)	(0.2)	(0.4)	(0.2)	0.2
<b>Net Interest Spread (%)</b>	<b>3.7</b>	<b>3.9</b>	<b>3.9</b>	<b>3.6</b>
Operating cost (%)	1.0	1.0	1.0	1.0
<b>Lending spread (%)</b>	<b>2.7</b>	<b>2.9</b>	<b>2.8</b>	<b>2.6</b>
Non interest income (%)	0.5	0.4	0.5	0.5
<b>Operating Spread (%)</b>	<b>3.2</b>	<b>3.3</b>	<b>3.3</b>	<b>3.1</b>
Tax rate (%)	22.1	22.9	22.9	22.9
<b>ROAA (%)</b>	<b>2.5</b>	<b>2.6</b>	<b>2.6</b>	<b>2.4</b>
Effective leverage (AA/ AE)	4.9	4.9	4.9	5.1
<b>RoAE (%)</b>	<b>12.2</b>	<b>12.7</b>	<b>12.8</b>	<b>12.3</b>

Source Company data, I-Sec research

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