

PNB Housing Finance

A weak quarter

PNB Housing Finance's (PNBHF) Q3FY26 earnings were lower than our estimates due to lower-than-expected NIMs, partially offset by lower credit costs (-19bps). Loan growth moderated further to 14.3% YoY, driven by higher run-offs in retail portfolio and subdued overall demand. The new MD & CEO, Mr. Ajai Kumar Shukla, has indicated revival of the corporate loan book up to ~8-10% of loan book in the medium term, to aid margins, along with emerging and affordable portfolio. However, the gradual normalization of credit costs and seasoning of the emerging and affordable portfolio are likely to put pressure on return ratios. We revise our FY26E-FY28E earnings estimates marginally to factor in lower margins and maintain ADD with a revised RI-based TP of INR 1,050 (implying 1.3x Sep-27 ABVPS).

- **Recalibration of affordable portfolio, higher BT-outs drive lower than expected performance:** PNBHF's disbursements grew by +15.6% YoY, with de-growth in affordable portfolio by ~15% YoY due to recalibration in select geographies. Repayment rates in the retail segment increased further to 19% (Q1FY26: 16%) due to higher BT-outs. PNBHF has kept the benchmark lending rate unchanged in Q3, with a 10bps rate cut in Jul-25. NIMs moderated QoQ to 3.63% (QFY26: 3.67%) due to lower disbursement yields and suboptimal portfolio mix in Q3, partly aided by lower cost of funds (7.5%).
- **Credit costs remain negative; normalization yet to play out:** Asset quality improved sequentially, with GS-III/NS-III at 1.0%/0.7% and GS-II at 2.0%. Credit costs are likely to remain negative in FY26 on the back of a large written-off pool (INR 10bn). However, the seasoning of the emerging and affordable portfolio, along with run-down of these recoveries, is likely to drive credit costs higher (~20bps during FY27-FY28E).
- **Strategy remains toward higher-yielding loans; transition toward steady-state profitability key monitorable:** The new MD & CEO has indicated continued focus on emerging and affordable portfolio (~45-50% of retail loans by Mar-28), along with revival of the corporate loan book. However, higher run-off rates in the declining interest rate environment, uptick in credit costs with seasoning of emerging/affordable portfolio and lower recoveries from written-off pool are likely to weigh on profitability. Maintain ADD.

Financial summary (Consolidated)

| Y/E Mar (INR bn) | Q3FY26 | Q3FY25 | YoY (%) | Q2FY26 | QoQ (%) | FY25 | FY26E | FY27E | FY28E |
|---------------------|--------|--------|---------|--------|---------|------|-------|-------|-------|
| NII | 7.7 | 6.9 | 11.0 | 7.5 | 2.1 | 27.2 | 30.7 | 37.7 | 44.0 |
| PPOP | 6.3 | 5.8 | 8.4 | 6.5 | (2.9) | 23.3 | 26.1 | 32.4 | 38.2 |
| PAT | 5.2 | 4.8 | 7.7 | 5.8 | (10.5) | 19.4 | 21.9 | 23.4 | 27.6 |
| EPS (INR) | 19.9 | 18.5 | 7.6 | 22.3 | (10.6) | 74.5 | 84.4 | 90.0 | 106.3 |
| ROAE (%) | | | | | | 12.2 | 12.3 | 11.7 | 12.3 |
| ROAA (%) | | | | | | 2.5 | 2.5 | 2.3 | 2.3 |
| ABVPS (INR) | | | | | | 629 | 706 | 780 | 871 |
| P/ABV (x) | | | | | | 1.4 | 1.2 | 1.1 | 1.0 |
| P/E (x) | | | | | | 11.5 | 10.2 | 9.6 | 8.1 |

Change in estimates

| INR bn | FY26E | | | FY27E | | | FY28E | | |
|-------------|-------|-------|--------|-------|-------|--------|-------|-------|---------|
| | Old | New | Chg | Old | New | Chg | Old | New | Chg |
| AUM | 917 | 910 | -0.8% | 1,063 | 1,056 | -0.6% | 1,241 | 1,218 | -1.9% |
| NIM (%) | 3.5 | 3.5 | -5 bps | 3.7 | 3.7 | -2 bps | 3.8 | 3.7 | -11 bps |
| NII | 31.4 | 30.7 | -2.1% | 38.4 | 37.7 | -1.9% | 45.9 | 44.0 | -4.0% |
| PPOP | 26.8 | 26.1 | -2.4% | 33.0 | 32.4 | -2.1% | 40.0 | 38.2 | -4.6% |
| PAT | 22.3 | 21.9 | -1.6% | 24.0 | 23.4 | -2.3% | 29.1 | 27.6 | -4.9% |
| ABVPS (INR) | 704.5 | 705.8 | 0.2% | 782.4 | 780.4 | -0.3% | 879.5 | 870.8 | -1.0% |

Source: Company, HSIE Research

ADD

| | |
|-------------------------|-----------|
| CMP (as on 22 Jan 2026) | INR 860 |
| Target Price | INR 1,050 |
| NIFTY | 25,290 |

| KEY CHANGES | OLD | NEW |
|--------------|-----------|-----------|
| Rating | ADD | ADD |
| Price Target | INR 1,140 | INR 1,050 |
| EPS % | FY26E | FY27E |
| | -1.6% | -2.3% |

KEY STOCK DATA

| | |
|------------------------------|---------------|
| Bloomberg code | PNBHOU5I IN |
| No. of Shares (mn) | 261 |
| MCap (INR bn) / (\$ mn) | 224/2,445 |
| 6m avg traded value (INR mn) | 1,688 |
| 52 Week high / low | INR 1,142/746 |

STOCK PERFORMANCE (%)

| | 3M | 6M | 12M |
|--------------|-------|--------|--------|
| Absolute (%) | (1.8) | (20.8) | (5.6) |
| Relative (%) | 0.8 | (21.0) | (13.3) |

SHAREHOLDING PATTERN (%)

| | Sep-25 | Dec-25 |
|-----------------|--------|--------|
| Promoters | 28.0 | 28.0 |
| FIs & Local MFs | 40.7 | 43.0 |
| FPIs | 18.6 | 17.2 |
| Public & Others | 12.7 | 11.7 |
| Pledged Shares | 0.0 | 0.0 |

Source: BSE

Pledged shares as % of total shares

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Gujarat State Petronet

Decline in volume impacts profitability

Our ADD rating on Gujarat State Petronet with a revised TP of INR 310/sh is premised on volume growth of ~3% CAGR over FY25-27E and successful completion of group restructuring. Q3FY26 EBITDA at INR 1.65bn (-14.0% YoY, -4.4% QoQ) and APAT at INR 1.14bn (-15.7% YoY, -70.1% QoQ) were below our estimates due to higher-than-expected gas transmission charges and operating expenses. Gas transportation charges increased to INR 534mn (+119.7% YoY, +14.6% QoQ) and other income came in at INR 433mn (+5.0% YoY, -85.9% QoQ).

- **Volume:** Gas transmission volume in Q3 declined to 27.5mmscmd (-5.3% YoY, -3.5% QoQ) due to lower demand from power sector. In terms of sector-wise volumes—consumption by refining was at 6.3mmscmd (-0.5% YoY, +5.8% QoQ), power at 1.3mmscmd (-59.4% YoY, -51.8% QoQ), CGD at 10.5mmscmd (+3.0% YoY, -0.9% QoQ), fertilizers and others at 4.3mmscmd (+6.0% YoY, flat QoQ), and 5.1mmscmd (-4.0% YoY, +2.1% QoQ) respectively.
- **Tariffs:** Calculated blended transmission tariff for the quarter stood at INR 22.62/mmbtu (-2.0% YoY, +1.6% QoQ).
- **Change in estimates and valuation:** We reduce our EPS estimates for FY26/27E by 10% each as we factor in the lower-than-expected Q3FY26 volume growth posted by Gujarat Gas and lower transmission volumes for GSPL. We have revised the target price to INR 310 (from INR 320 earlier) as we adjust the value of investments in Gujarat Gas to INR 209/sh based on its current market price. We value the transmission business using discounted cash flow at INR 66/sh. To this, we add INR 244/sh as the value of its investments in Gujarat Gas, Sabarmati Gas, etc., to arrive at a target price of INR 310/sh. The stock is trading at 11.2x Dec-26E EPS.

Standalone financial summary

| YE March (INR bn) | Q3 FY26 | Q2 FY26 | QoQ (%) | Q3 FY25 | YoY (%) | FY24* | FY25* | FY26E* | FY27E* | FY28E* |
|----------------------|------------|------------|------------|------------|------------|-------|-------|--------|--------|--------|
| Revenue | 2.7 | 2.7 | (0.7) | 2.6 | 4.5 | 173 | 174 | 161 | 179 | 194 |
| EBITDA | 1.7 | 1.7 | (4.4) | 1.9 | (14.0) | 34 | 27 | 29 | 33 | 39 |
| APAT | 1.1 | 3.8 | (70.1) | 1.4 | (15.7) | 17 | 11 | 13 | 14 | 17 |
| AEPS (INR) | 2.0 | 6.8 | (70.1) | 2.4 | (15.7) | 29.4 | 19.7 | 22.6 | 24.7 | 29.3 |
| P/E (x) | 2.7 | 2.7 | (0.7) | 2.6 | 4.5 | 10.3 | 15.3 | 13.3 | 12.2 | 10.3 |
| EV / EBITDA (x) | | | | | | 5.7 | 6.9 | 6.2 | 5.1 | 4.3 |
| RoE (%) | | | | | | 16.4 | 9.9 | 10.4 | 10.2 | 10.9 |

Source: Company, HSIE Research | *Consolidated

ADD

| | |
|-------------------------|---------|
| CMP (as on 22 Jan 2026) | INR 302 |
| Target Price | INR 310 |
| NIFTY | 25,290 |

| KEY CHANGES | OLD | NEW |
|--------------|---------|---------|
| Rating | ADD | ADD |
| Price Target | INR 320 | INR 310 |
| | FY26E | FY27E |
| EPS change % | -9.7% | -10.0% |

KEY STOCK DATA

| | |
|------------------------------|-------------|
| Bloomberg code | GUJS IN |
| No. of Shares (mn) | 564 |
| MCap (INR bn) / (\$ mn) | 171/1,863 |
| 6m avg traded value (INR mn) | 254 |
| 52 Week high / low | INR 373/261 |

STOCK PERFORMANCE (%)

| | 3M | 6M | 12M |
|--------------|-------|-------|--------|
| Absolute (%) | (3.0) | (8.9) | (15.9) |
| Relative (%) | (0.5) | (9.1) | (23.7) |

SHAREHOLDING PATTERN (%)

| | Sep-25 | Dec-25 |
|-----------------|--------|--------|
| Promoters | 37.63 | 37.63 |
| FIs & Local MFs | 24.73 | 25.20 |
| FPIs | 15.67 | 15.49 |
| Public & Others | 21.96 | 21.68 |
| Pledged Shares | 0.0 | 0.0 |

Source: BSE

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