

## PNB Housing Finance Ltd : Good Issue

**IPO Note: Offer Price at a PE of 32 against Industry PE of 23, Expensive Ranking\*\*\***



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### Issue details

Price band (Rs)	Rs.750-775
IPO Opening Date	25/10/16
IPO Closing Date	27/10/16
Issue Size	Rs.3000 Cr.

### Recommendation

Total revenue grew at a CAGR of 59.42% from Rs.666.30 Cr for the FY13 to Rs.2999.54 Cr for the FY16. Net profit after tax grew from Rs.92.82 Cr. for the FY13 to Rs.327.56 crore for the FY16. In the last three years net profit grew at a CAGR of 52.26% from FY13 to FY16. For the first quarter of current fiscal it has reported net profit of Rs. 96.02 cr. on a turnover of Rs. 863.43 cr. If we annualize this and attribute to the enhanced equity at Rs. 161.62 cr. post IPO due to fresh issue, then the asking price is at a P/E of 32 plus against industry composite of 23 plus. Among the listed peer in the housing Finance industry are HDFC, LIC Housing Finance, DHFL and Gruh Finance trades at their TTM P/E of 27.98, 18.39, 12.87 and 46.91 respectively. Offer at a PE of 32+ looks expensive. **Company has been reporting consistent growth in top and bottom line. Based on future prospects for housing finance industry, investors may consider investment only for long term or enter after listing at lower level.**

### Highlights

- PNB Housing Finance Ltd, a subsidiary of Punjab National Bank offers housing loans to individuals and corporate bodies
- The company has Pan India presence in more than 40 locations through a network of 48 branches
- Fifth largest HFC in India and the fastest growing HFC among the leading HFCs in India
- Strong distribution network with deep penetration of key Indian urban centers
- Diversified product offering with specific focus on self-employed customers
- Prudent credit underwriting, monitoring and collection processes
- Managed by experienced and qualified professionals with strong industry expertise
- Consistent growth in top and bottom line at a CAGR of 59% and 52% for last three years

### Company Introduction

Incorporated in 1988, PNB Housing Finance Ltd, a subsidiary of Punjab National Bank offers housing loans to individuals and corporate bodies for the construction, purchase, repair, and upgradation of houses, as well as loans for commercial space, purchase of residential plots, loan against properties, and loans for real estate developers. Company's target customers for housing loans are salaried customers, whose main source of income is salary from their employment, and self-employed customers, whose main source of income is their profession or their business. They also offer housing loans in the form of construction finance loans to real estate developers of residential housing.



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[www.pnbhousing.com](http://www.pnbhousing.com)

### Financial Summary (Rs. In Crore)

Particulars	Qtr. Ended June 16	FY2016	FY2015	FY2014
Total Income	863.43	2699.54	1780.38	1120.32
Net Profit	96.02	327.56	194.07	129.69
EPS (Rs)**	5.94*	20.26	12.01	8.02

\*EPS not annualize

\*\*EPS on enhanced equity after IPO

Source: RHP and ACE Equity

### RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

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The company has Pan India presence in more than 40 locations through a network of 48 branches. Company's 16 hubs are located at New Delhi, Bengaluru, Chandigarh, Chennai, Noida, Jaipur, Dehradun, Lucknow, Kolkata, Cochin, Coimbatore, Mumbai, Pune, Ahmedabad, Indore and Hyderabad which support branch operations. The company provides doorstep service for its products via Direct Sales Team (DST) channel. Other than the DST channel, company's Home Loan and Loan against Property business is also sourced via Direct Marketing Associates (DMA) and Digital Medium.

### NPA for FY 15 and FY16

As of June 30, 2016, gross NPAs, as a percentage of total loan portfolio, were 0.27% and net NPAs, as a percentage of total loan portfolio, were 0.19%. Gross NPAs, as a percentage of total loan portfolio, were 0.20% as of March 31, 2015, which was the lowest among the leading HFCs in India

### The object of the issue

Company intends to utilize the Net Proceeds towards the following:

- Augment the capital base to meet their future capital requirements
- General corporate purpose
- Enhance visibility and brand name among existing and potential customers.

### IPO Issue Proceed

For listing gains and augment the capital base to meet their future capital requirements, the company is coming out with its maiden IPO via offer for fresh issue mode for 3.87 crore (Approx.) equity shares of Rs. 10 each via book building route with a price band of Rs. 750-775 to mobilize Rs. 3000 crore (based on upper price band). Issue opens for subscription on 25.10.16 and will close on 27.10.16. Minimum application is to be made for 19 shares and in multiples thereon, thereafter. Post allotment shares will be listed on BSE and NSE. After the IPO, its equity capital will be stood at Rs.161.62 crore.