



Ghar Ki Baat

Ref: PNBHFL/SE/EQ/FY25/102

Date: November 22, 2024

The BSE Limited
Listing Department,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400001
Scrip Code: 540173

The National Stock Exchange of India Limited
Listing Department
“Exchange Plaza”
Bandra Kurla Complex,
Bandra (E), Mumbai – 400051
Symbol: PNBHOUSING

Dear Sir(s),

Sub: Intimation of Credit Rating of Bank Loans, affirmation of existing ratings ‘IND AA+/Stable’ by India Ratings and Research Private Limited

This is to inform that India Ratings and Research Private Limited (‘India Ratings’) has affirmed existing ratings of Company’s Non–Convertible Debentures (NCDs) and Bank Loans. The details of the ratings are as under:

Instrument Type	Size of Issue (billion)	Rating assigned along with Outlook/watch	Rating Action
NCDs*	INR 34.55	IND AA+/Stable	Affirmed
Commercial paper^	INR 15	WD	Withdrawn
Bank loan	INR 15	IND AA+/Stable	Assigned
Bank loan	INR 50	IND AA+/Stable	Affirmed

^ Ind-Ra has withdrawn the CP rating on the issuer’s request with a mail confirmation that there is no amount outstanding against the rated limits. This is consistent with India Ratings Policy on Withdrawal of Ratings.

*Details of NCDs are provided in Annexure – 1.

Detailed rationale

The ratings factor the significant presence of PNB Housing Finance Limited in the mortgage space that has seen multiple business cycles. The ratings also factor in the granularisation of the loan book, with 98% of the book being retail, and almost complete rundown of the corporate book. Ind-Ra expects its credit costs to be modest, given the retail and granular nature of the loan book.

The INR 25 billion equity infusion in the form of rights issue offers the necessary growth capital to expand the franchisee in the granular mortgage space. However, the performance of the affordable housing portfolio, which is at a nascent stage, remains a monitorable.

For detailed rating rationale the letter of India Ratings is attached herewith as an Annexure - 2.

The above intimation and document are also available on the website of the Company at <https://www.pnbhousing.com/>.

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CIN: L65922DL1988PLC033856

Internal



This intimation is pursuant to Regulation 30, 51(2) and 55 read with Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with the SEBI Circular no. SEBI/HO/CFD/CFD-PoD-1/P/CIR/2023/123 dated July 13, 2023.

Kindly take the above intimation and documents on record.

Thanking You,

Yours faithfully,
For **PNB Housing Finance Limited**

Veena G Kamath
Company Secretary

Encl: As above.

Sl. No.	ISIN	Name of the Credit Rating Agency	Credit rating assigned	Outlook (Stable/ Positive/ Negative/ No Outlook)	Rating Action (New/Upgrade/ Downgrade/ Re-Affirm/Other)	Specify other rating action	Date of Credit rating	Verification status of Credit Rating Agencies	Date of verification
1	INE572E09320	Ind-Ra	IND AA+	Stable	Affirmed	NA	January 2, 2024	Verified	November 21, 2024
2	INE572E09346	Ind-Ra	IND AA+	Stable	Affirmed	NA	January 2, 2024	Verified	November 21, 2024
3	INE572E07167	Ind-Ra	IND AA+	Stable	Affirmed	NA	August 5, 2024	Verified	November 21, 2024
4	INE572E07183	Ind-Ra	IND AA+	Stable	Affirmed	NA	August 5, 2024	Verified	November 21, 2024

India Ratings Rates PNB Housing Finance's Bank Loans and Affirms Existing Ratings at 'IND AA+'/Stable; Withdraws CP Rating

Nov 21, 2024 | Housing Finance Company

India Ratings and Research (Ind-Ra) has taken the following rating actions on PNB Housing Finance Limited's (PNBHF) debt instruments:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (billion)	Rating assigned along with Outlook/watch	Rating Action
Non-convertible debentures*	-	-	-	INR34.55	IND AA+/Stable	Affirmed
Commercial paper^	-	-	Up to 1 year	INR15	WD	Withdrawn
Bank loan	-	-	-	INR 15	IND AA+/Stable	Assigned
Bank loan	-	-	-	INR50	IND AA+/Stable	Affirmed

^ Ind-Ra has withdrawn the CP rating on the issuer's request with a mail confirmation that there is no amount outstanding against the rated limits. This is consistent with Ind-Ra's Policy on Withdrawal of Ratings.

*Details in Annexure

Analytical Approach

Ind-Ra continues to take a standalone view of PNBHF to arrive at the ratings.

Detailed Rationale of the Rating Action

The ratings factor the significant presence of PNBHF in the mortgage space that has seen multiple business cycles. The ratings also factor in the granularisation of the loan book, with 98% of the book being retail, and almost complete rundown of the corporate book. Ind-Ra expects its credit costs to be modest, given the retail and granular nature of the loan book. The INR25 billion equity infusion in the form of rights issue offers the necessary growth capital to expand the franchisee in the granular mortgage space. However, the performance of the affordable housing portfolio, which is at a nascent stage, remains a monitorable.

List of Key Rating Drivers

Strengths

- Significant player in housing finance space
- Completion of granularisation of loan book
- Robust capital buffers
- Improvement in asset quality
- Diversified resource profile

Weaknesses

- Low-ticket granular mortgage portfolio to be monitored

Detailed Description of Key Rating Drivers

Significant Player in Housing Finance Space: PNBHF is the one of the largest players in the housing finance space, with an assets under management of (AUM) of INR747 billion in 2QFY25 (FY24: INR712 billion; FYE23: INR666 billion;) and an operational track record of more than three decades. It has witnessed multiple business cycles and has a pan-India presence with 303 branches. With the equity infusion of around INR25 billion in FY24, the company is favourably placed to increase the franchisee. It entered an affordable housing finance business in January 2023 and plans to grow this book (crossed INR30 billion in October 2024), which is yield accretive despite having high operating costs.

Completion of Granularisation of Loan Book: PNBHF has reduced the proportion of wholesale book in the portfolio (2QFY25: 2% of AUM; FY24: 3%; FY23: 6%) due to the sell down of loans, accelerated repayment, and write-offs and sale of non-performing assets (NPAs) to asset reconstruction companies (ARCs). Ind-Ra derives comfort from the fact that the corporate book would be capped at 10% of the AUM with wholesale lending starting in next few months in select geographies, ticket size and builders. At FYE24, its loan book comprised home loans (70%), loan against property (23%), non-residential premises loan (4%) and wholesale (3%). The management focuses on home loans over loan against property and targeting salaried customers over self-employed. Ind-Ra believes this could reduce volatility in credit cost. PNBHF has ventured into emerging segment loans and affordable housing, which is a growing segment and lends additional granularity to the loan book; however, the asset quality needs to be monitored.

Robust Capital Buffers: After its INR25 billion equity infusion, PNBHF's tangible net worth increased to INR148 billion at FYE24 (FYE23: INR108 billion; FYE22: INR94 billion) and leverage (debt/tangible equity) reduced to 3.7x (5.0x; 5.7x). The leverage remained stable at 3.6x in 2QFY25. PNBHF is well poised to grow the book in the retail segment. The management has guided for 17%-18% yoy growth in the retail loan book in FY25 and aims at increasing the leverage to 6.0x-6.5x in the next two-to-three years. Ind-Ra believes the leverage of 6.5x is reasonable for a housing finance company operating in a retail space with a control on the asset quality. Even under a stress case scenario, which assumes an increase in credit cost, the capital buffers are reasonable.

Improvement in Asset Quality: There has been a significant reduction in PNBHF's credit costs (FY24: 0.28%; FY23: 1.2%; FY22: 1%), due to a reduction in headline gross NPAs, which declined to 1.24% in 2QFY25 (FY24: 1.5%; FY23: 3.8%; FY22: 8%). There has been an improvement in its retail NPAs (2QFY25: 1.3%; FY24: 1.4%; FY23: 2.6%; FY22: 3.9%) as well as corporate NPAs (nil; 3.3%; 22.2%; 37%). The steep reduction in corporate gross NPAs was due to the sale to ARCs and write-offs. During FY23 and 1HFY24, INR9.7 billion of corporate NPAs were sold to the ARCs. Around INR7 billion of NPAs were written off during the 12 months ended September 2023. The sale of a large NPA with a principal outstanding of INR7.8 billion in 2QFY24 on a cash basis with no haircut, resulted in a writeback of provisions to the extent of INR2 billion. There were also some write-offs in its retail NPAs in 2QFY24, supporting the reduction in the NPA.

Its provisioning on stage 3 assets (FY24: 37%) and stage 1&2 assets (1.4%) seems adequate, given the retail nature of the book. Furthermore, the provisioning on stage 3 assets for corporate book was 67.4% in FY24. The restructured pool of assets are out of moratorium; and this book is unlikely to cause any asset quality stress. Since the overhang of corporate book stress is over, the credit cost trajectory for PNBHF would be more predictable and Ind-Ra believes that operating buffers would be sufficient to cushion the impact of credit cost. PNBHF's ability to manage the affordable housing book remains monitorable.

Diversified Resource Profile: PNBHF has a fairly diversified resource profile with the ability to raise funds from banks and the capital markets. It also has a deposit-taking licence, and deposits comprised 31% of the total funding mix as of September 2024. The proportion of retail deposits (up to INR5 million) was 90% in the deposit mix, while the renewal rate, as per the management, was 34%. PNBHF has banking lines from multiple banks comprising public, private and foreign banks. With its focus on the affordable housing business, PNBHF would be raising higher amount of funds through the National Housing Bank ('[IND AAA/Stable](#)') under the various schemes. The proportion of loans from the National Housing Bank stood at 8% in 2QFY25 (FY24: 9%; FY23: 6%). PNBHF has also raised funds through commercial papers. It can expand its presence in the bond market as the rates have stabilised. Securitisation is always an avenue available for raising funds for PNBHF.

Low-ticket Granular Mortgage Portfolio to be Monitored: PNBHF's profitability continues to improve, with return on assets to 2.5% at 1HFY25 (FY24: 2.2%, FY23: 1.6%; FY22: 1.2%), due to continued healthy net interest margins of 3.5% (as per Ind-Ra's calculations) (3.5%, 3.4%; 2.5%), as the company was able to transfer the increase in the cost of funding.

The credit costs eased due to the improvement in its asset quality. PNBHF has been able to raise funding at competitive rates from the bond market and banks. It was in a favourable position to negotiate spreads with banks after the equity infusion.

PNBHF has started expanding in emerging market loans and affordable housing segment which provide a positive impact to the yields; however, these are operating cost heavy segments and can lead to higher credit cost. Overall, PNBHF's profitability hinges on better control on delinquencies, a successful ramp-up of small ticket business and a sustainable reduction in its operating costs

Liquidity

Adequate: As of September 2024, PNBHF's asset-liability profile (on a behavioural basis excluding net interest flows, inflows from the line of credit from financial institutions and pending disbursements) had a cumulative negative gap of INR54 billion in the six months-to-one-year bucket. However, as of September 2024, PNBHF had unutilised bank lines of INR56 billion and can also securitise assets to raise resources. The prepayment in the asset-liability profile is based on the prepayment trend observed over the past two-to-three years. At 2QFYE25, PNBHF's liquidity and unutilised bank lines were sufficient to cover the next two-to-three months of principal repayments without factoring in its collections. PNBHF plans to maintain matched asset-liability profile in the near-term buckets and keep adequate liquidity to support its fixed obligations over the short term.

Rating Sensitivities

Positive: A substantial proportion of granular stable funding in the borrowing mix, a sizeable expansion in the franchisee, gaining the market leadership, and expanding its presence across multiple geographies while maintaining its credit costs will be positive for the ratings.

Negative: Future developments that could, individually or collectively, lead to a negative rating action include:

- the inability to expand its franchisee on account of competitive headwinds or otherwise,
- elevated delinquency levels such that the gross NPA exceeding 5%, on a sustained basis,
- significant deterioration in PNBHF's liquidity buffer, on a sustained basis.

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on PNBHF, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

About the Company

PNBHF is a deposit-accepting housing finance company registered under the National Housing Bank and the Companies Act, 1956. PNBHF provides housing loans to individuals for purchase, construction, repair, and upgrade of houses. It also provides loans against property, loans for commercial property, and loans for purchase of residential plots, and real estate development loans (no new sanctions of real estate development loans since April 2019). PNBHF has 303 branches/outreaches mainly located across metro, Tier I and Tier II cities across the country. It has dedicated 160 branches for affordable business as on 30 September 2024.

Key Financial Indicators

Particulars	FY24	FY23
Total adjusted assets (INR million)*	722,175	666,426
Total adjusted equity (INR million)*	147,787	107,902
Profit after tax (INR million)	15,274	10,562
Return on average assets (%)	2.2	1.6
Tier 1 capital (%)	27.9	22.4

Source: PNBHF; Ind-Ra

*adjusted for deferred tax assets and intangible assets

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook			
	Rating Type	Rated Limits (billion)	Rating with Outlook/watch	5 August 2024	2 January 2024	27 February 2023	1 March 2022
Non-convertible debentures	Long-term	INR34.55	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	IND AA/Stable	IND AA/Negative
Bank loan	Long-term	INR65	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	-	-
Commercial paper	Short-term	INR 15	WD	IND A1+	-	-	-

Bank wise Facilities Details

The details are as reported by the issuer as on (21 Nov 2024)

#	Bank Name	Instrument Description	Rated Amount (INR million)	Rating
1	National Housing Bank	Term loan	24275.4	IND AA+/Stable
2	NA	Unutilized Amount	40724.6	IND AA+/Stable

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Non-convertible debentures	Low
Bank loans	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Annexure

NCDs

Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Outlook
NCDs	INE572E09320	18 January 2016	8.42	17 January 2026	INR2.1	IND AA+/Stable
NCDs	INE572E09346	28 April 2016	8.39	28 April 2026	INR2.9	IND AA+/Stable
NCDs	INE572E07167	7 August 2024	8.28	30 December 2026	INR 3.5	IND AA+/Stable
NCDs	INE572E07183	14 October 2024	8.15	29 July 2027	INR 3.0	IND AA+/Stable
		Utilised			INR 11.5	
		Unutilised			INR23.05	IND AA+/Stable
		Total			INR34.55	

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About India Ratings and Research: India Ratings and Research (Ind-Ra) is committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

India Ratings is a 100% owned subsidiary of the Fitch Group.

For more information, visit www.indiaratings.co.in.

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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APPLICABLE CRITERIA AND POLICIES

Non-Bank Finance Companies Criteria

Evaluating Corporate Governance

Financial Institutions Rating Criteria

The Rating Process

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