

PNB Housing Finance Ltd

May 29, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bonds/Non-Convertible Debentures [^]	6501 (enhanced from 6000) (Rs. Six Thousand Five Hundred One crore only)	CARE AAA; Stable (Triple A); Outlook: Stable	Reaffirmed
Long term Tier-II Bonds/Subordinated Debt [^]	499 (Reduced from 1000) (Rs. Four Hundred Ninety Nine crore only)	CARE AAA; Stable (Triple A); Outlook: Stable	Reaffirmed
Long term Bonds/Non-Convertible Debentures	4000 (Rs. Four Thousand crore only)	CARE AAA; Stable (Triple A); Outlook: Stable	Reaffirmed

Details of instruments/facilities in Annexure-1

[^] Rs. 501 crore being reduced from Subordinate Debt/Tier-II Bonds and transferred to Long term Bonds/Non-Convertible Debentures

Detailed Rationale & Key Rating Drivers

The ratings assigned to PNB Housing Finance Ltd (PNBHFL) derive strength from strong management team, consistent growth in loan portfolio, healthy asset quality, diversified resource profile, adequate capitalization levels, moderate liquidity position and stable profitability margins of the company. The ratings continue to draw comfort from the strong promoters in Punjab National Bank [PNB, rated 'CARE AA+' for lower tier II bonds]) and the brand linkages with PNB. Continued branding of PNB, the ability of the company to maintain its profitability, asset quality and liquidity position remain the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Strong promoters and management

PNBHFL has strong promoters in PNB. Although, as the company has grown, the reliance on PNB in the form of management and funding support has reduced. The company's operations are managed by an independent team comprising of professionals with strong domain knowledge and extensive experience in the mortgage business. PNBHFL, however, continues to leverage its brand linkages with PNB.

Strong Growth in loan portfolio while maintaining good asset quality resulting in stable profitability

The company has exhibited strong growth in its AUM which has exhibited a CAGR of 58% over the period FY15-17 from Rs. 10,591 crore as on March 31, 2014 to Rs. 41,492 crore as on March 31, 2017. This has translated into higher income and profitability for the company. PNBHFL has reported total income and PAT of Rs. 3908 crore and PAT of Rs. 524 crore during FY17 as against total income of Rs. 2699 crore and PAT of Rs. 326 crore during FY16. Despite the aggressive growth in loan portfolio PNBHFL has been able to maintain healthy asset quality parameters with Gross NPA ratio of 0.22% (P.Y.:0.22%) and Net NPA ratio of 0.15% (P.Y.: 0.14%) as on March 31, 2017. However, with portfolio being largely unseasoned, the impact of seasoning is yet to be seen.

Diversified resource profile and adequate capitalization

PNBHFL has been able to achieve the strong growth on account of its strong resource (both equity and debt) raising capacity to fund business growth. PNB and QIH (Quality Investments Holdings) had provided the financial support upto FY16 to fund the growth of the company. However, given the growth plans of the company, fresh capital of Rs. 3000 crore was raised in Q3FY17 resulting in improvement in capitalization levels. PNBHFL reported CAR and Tier-I CAR of 21.62% and 16.48% as at the end of the period March 31, 2017 (P.Y. 12.70% and 9.04% respectively). Also, the company has raised funds through various market instruments, public deposits as well as loans from various banks and financial institutions including National Housing Board. PNBHFL has raised funds in form of ECBs from Asian Development Bank and Bond and ECBs from International Finance Corporation.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Moderate liquidity profile

Given that the borrowings of housing finance companies are of shorter tenure in comparison with the loan portfolio, asset-liability mismatches are inherent in the housing finance business. Liquidity profile of the company remains moderate. PNBHFL has short term investments of Rs. 2318 crore, balance in current accounts to the tune of Rs.151 crore, unutilized lines from Banks of 569 crore, long term investments (SLR maintained against deposits) aggregating Rs. 961 crore as on March 31, 2017.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short-term Instruments](#)

[Sector Methodology – Housing Finance Companies](#)

[Financial Sector Ratios](#)

About the Company

PNBHFL (CIN: L65922DL1988PLC033856) was promoted by PNB as a 100% subsidiary, in the year 1988, with the objective of venturing into housing finance business. In December 2009, PNB entered into a strategic financial partnership with QIH (Quality Investments Holdings) earlier Destimoney Enterprises Limited (DEL) and PNB divested 26% stake in PNBHFL to QIH. In accordance with terms of Share Subscription Agreement, QIH further brought Rs.137.32 crore into the company in the form of compulsory convertible debentures in June 2010 which was converted into equity shares by September 30, 2012. Since then, PNB's equity share holding in the company was 51% and QIH's 49%. The company raised an amount of Rs. 3000 crore through the IPO issue in November 2016, post which the shareholding of PNB has naturally diluted to 39.08% as on March 31, 2017.

PNBHFL is a deposit- accepting housing finance company registered under National Housing Bank. It is engaged in providing housing loans and loan against property (LAP) to individuals for construction, purchase, repair and up-gradation of houses. It also provides wholesale loans viz corporate term loans, construction finance and lease rental discounting (LRD).

PNBHFL is the fifth largest housing finance company in India and reported an outstanding Assets Under Management (AUM) of Rs. 41,492 crore (including securitized loan portfolio of Rs.2961 crore) as on March 31, 2017 (Rs. 27,555 crore as on March 31, 2016) with housing loan portfolio of Rs. 22,880 crore, Non-Housing Loans (LAP, LRD, Corporate Term Loans) of Rs. 11,269 crore and Construction Finance Loans of Rs.4382 crore as on March 31, 2017.

PNBHFL reported Profit after Tax (PAT) of Rs. 524 crore on a total income of Rs. 3908 crore during FY17 (refers to the period April 01 to March 31), as compared with a PAT of 326 crore on a total income of Rs. 2699 crore during FY16.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact:

Name: Gaurav Dixit

Tel: 011-45333235

Mobile: 9717070079

Email: gaurav.dixit@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

S.No.	Bonds / Debenture	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Rating assigned along with Rating Outlook
1	Secured Redeemable Bonds	18-Jun-15	8.59%	18-Jun-20	700	CARE AAA; Stable
2	Secured Redeemable Bonds	28-Jul-15	8.56%	28-Jul-20	700	
3	Secured Redeemable Bonds	9-Oct-15	8.23%	9-Apr-19	1125	
4	Secured Redeemable Bonds	9-Nov-15	8.19%	9-Nov-20	500	
5	Secured Redeemable Bonds	12-Jan-16	8.36%	12-Jul-19	780	
6	Secured Redeemable Bonds	3-Feb-16	8.33%	3-Jul-21	500	
7	Secured Redeemable Bonds	1-Jun-16	8.33%	1-Sep-21	300	
8	Secured Redeemable Bonds	1-Jul-16	8.47%	1-Jul-21	1464	
9	Secured Redeemable Bonds	1-Jul-16	8.65%	28-Jun-19	753	
10	Unsecured Redeemable Bonds – Tier-II	26-Jul-16	8.57%	26-Jul-26	499	
11	Secured Redeemable Bonds	19-Sep-16	7.95%	18-Oct-19	800	
12	Secured Redeemable Bonds	31-Jan-17	7.46%	30-Apr-20	1025	
13	Secured Redeemable Bonds	08-May-17	7.80%	07-May-21	320	
14	Proposed Secured NCD/Bonds*				295	CARE AAA; Stable
15	Proposed Secured NCD/Bonds**				1839	CARE AAA; Stable
A.	Total Long term Bonds/Non-Convertible Debentures *				10,501	CARE AAA; Stable
B.	Total Long term Tier-II Bonds/Subordinated Debt				499	CARE AAA; Stable

*Out of the Instrument (Long term Bonds/Non-Convertible Debentures) aggregating Rs. 4000 crore

*Out of the Instrument (Long term Bonds/Non-Convertible Debentures) aggregating Rs. 6501 crore

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015

1.	Bonds	LT	150.00	CARE AAA; Stable	-	1)CARE AAA; Stable (07-Feb-17) 2)CARE AAA (19-Aug-16)	1)CARE AAA (02-Jul-15)	1)CARE AAA (10-Sep-14)
2.	Debt-Subordinate Debt	LT	100.00	CARE AAA; Stable	-	1)CARE AAA; Stable (07-Feb-17) 2)CARE AAA (19-Aug-16)	1)CARE AAA (02-Jul-15)	1)CARE AAA (10-Sep-14)
3.	Debt-Subordinate Debt	LT	200.00	CARE AAA; Stable	-	1)CARE AAA; Stable (07-Feb-17) 2)CARE AAA (19-Aug-16)	1)CARE AAA (02-Jul-15)	1)CARE AAA (10-Sep-14)
4.	Bonds	LT	125.00	CARE AAA; Stable	-	1)CARE AAA; Stable (07-Feb-17) 2)CARE AAA (19-Aug-16)	1)CARE AAA (02-Jul-15)	1)CARE AAA (10-Sep-14)
5.	Bonds	LT	200.00	CARE AAA; Stable	-	1)CARE AAA; Stable (07-Feb-17) 2)CARE AAA (19-Aug-16)	1)CARE AAA (02-Jul-15)	1)CARE AAA (10-Sep-14)
6.	Bonds	LT	200.00	CARE AAA; Stable	-	1)CARE AAA; Stable (07-Feb-17) 2)CARE AAA (19-Aug-16)	1)CARE AAA (02-Jul-15)	1)CARE AAA (10-Sep-14)
7.	Bonds	LT	500.00	CARE AAA; Stable	-	1)CARE AAA; Stable (07-Feb-17) 2)CARE AAA (19-Aug-16)	1)CARE AAA (02-Jul-15)	1)CARE AAA (10-Sep-14)
8.	Debentures-Non Convertible Debentures	LT	1000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (07-Feb-17) 2)CARE AAA (19-Aug-16)	1)CARE AAA (02-Jul-15)	1)CARE AAA (10-Sep-14)
9.	Debentures-Non Convertible Debentures	LT	1500.00	CARE AAA; Stable	-	1)CARE AAA; Stable (07-Feb-17) 2)CARE AAA (19-Aug-16)	1)CARE AAA (02-Jul-15)	1)CARE AAA (10-Sep-14)
10.	Commercial Paper	ST	6500.00	CARE A1+	-	1)CARE A1+ (07-Feb-17) 2)CARE A1+ (19-Aug-16) 3)CARE A1+ (07-Jun-16)	1)CARE A1+ (02-Jul-15)	1)CARE A1+ (24-Mar-15)
11.	Fund-based - LT-Term Loan	LT	2500.00	CARE AAA; Stable	-	1)CARE AAA; Stable (07-Feb-17) 2)CARE AAA (19-Aug-16)	1)CARE AAA (02-Jul-15)	-
12.	Debentures-Non Convertible Debentures	LT	4000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (07-Feb-17)	1)CARE AAA (02-Jul-15)	-

						2)CARE AAA (19-Aug-16)		
13.	Fixed Deposit	LT	8500.00	CARE AAA (FD); Stable	-	1)CARE AAA (FD); Stable (07-Feb-17) 2)CARE AAA (FD) (19-Aug-16) 3)CARE AAA (FD) (07-Jun-16)	1)CARE AAA (FD) (02-Jul-15)	-
14.	Bonds-Tier II Bonds	LT	500.00	CARE AAA; Stable	-	1)CARE AAA; Stable (07-Feb-17) 2)CARE AAA (19-Aug-16)	1)CARE AAA (02-Jul-15)	-
15.	Debentures-Non Convertible Debentures	LT	6501.00	CARE AAA; Stable	-	1)CARE AAA; Stable (07-Feb-17) 2)CARE AAA (19-Aug-16) 3)CARE AAA (07-Jun-16)	-	-
16.	Bonds-Tier II Bonds	LT	499.00	CARE AAA; Stable	-	1)CARE AAA; Stable (07-Feb-17) 2)CARE AAA (19-Aug-16) 3)CARE AAA (07-Jun-16)	-	-

CONTACT**Head Office Mumbai****Mr. Mehul Pandya**

Cell: +91-98242 56265

E-mail: mehul.pandya@careratings.com**Mr. Saikat Roy**

Cell: + 9198209 98779

E-mail: saikat.roy@careratings.com**CREDIT ANALYSIS & RESEARCH LIMITED**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com**AHMEDABAD****Mr. Deepak Prajapati**32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-9099028864

Tel: +91-79-4026 5656

E-mail: deepak.prajapati@careratings.com**BENGALURU****Mr. Deepak Prajapati**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: deepak.prajapati@careratings.com**CHANDIGARH****Mr. Sajan Goyal**SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com**COIMBATORE****Mr. V Pradeep Kumar**T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com**HYDERABAD****Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**JAIPUR****Mr. Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com**NEW DELHI****Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com**PUNE****Mr. Pratim Banerjee**9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691