

## PNB Housing Finance Limited

July 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	15,600.00	CARE AA+; Stable	Reaffirmed
Long-term / short-term bank facilities	16,400.00	CARE AA+; Stable / CARE A1+	Reaffirmed
Bonds	1,136.00 (Reduced from 1,266.00)	CARE AA+; Stable	Reaffirmed
Bonds	2,000.00	CARE AA+; Stable	Reaffirmed
Long-term instruments	200.00	CARE AA+; Stable	Reaffirmed
Non-convertible debentures	4,735.00	CARE AA+; Stable	Reaffirmed
Tier II bonds	300.00	CARE AA+; Stable	Reaffirmed
Tier II bonds	1,000.00	CARE AA+; Stable	Reaffirmed
Fixed deposit	25,000.00	CARE AA+; Stable	Reaffirmed
Commercial paper	10,000.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Detailed Rationale and key rating drivers

Reaffirmation of ratings to PNB Housing Finance Limited (PNBHFL) derive strengths from its strong market position as the third-largest housing finance company (HFC) in the country (on Loan Asset basis as on March 31, 2024), a well-diversified resource profile, and comfortable asset quality as reflected in gross non-performing assets (GNPA) ratio of 1.5% as on March 31, 2024 as against 3.83% as on March 31, 2023. Ratings continue consider brand linkages with Punjab National Bank (PNB) (rated at CARE AAA; Stable); promoter of PNBHFL and consistent support derived from promoters.

CARE Ratings Limited (CARE Ratings) notes that PNBHFL is increasing its focus on the affordable segment under the product name ROSHNI, which remains at nascent stage. As on March 31, 2024, the loan asset against affordable stood at ₹1,790 crore, which is ~2.5% of the company's total loan asset. As on March 31, 2024, 160 branches are operational for ROSHNI in 13 Indian states and is expected to contribute 14%-16% of loan book in the next three years. The company started a new vertical called emerging markets segment, which is a higher yield generating product, lesser than affordable segment yield, but higher than prime yield with an average ticket size of 25 lakh. Going forward, the performance of affordable portfolio and emerging market segment remains a key rating monitorable.

However, rating strengths are partially offset by moderate-yet-improving profitability profile of the company with return on total assets (ROTA) of 2.17% for FY24 on the back of modest net interest margins (NIMs). However, CARE Ratings expects that profitability will improve further with PNBHFL's focus on scaling up its affordable portfolio.

### Rating sensitivities: Factors likely to lead to rating actions

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications.

**Positive factors – Factors that could lead to positive rating action/upgrade:**

- Significant improvement in scale of operations along with improvement in the profitability indicators, with ROTA of more than 2.5% on sustained basis.
- Significant improvement in asset quality on sustained basis.

**Negative factors – Factors that could lead to negative rating action/downgrade:**

- Deteriorating capitalisation profile with overall capital adequacy ratio (CAR) falling below 20%.
- Deteriorating asset quality parameters with an increase in GNPA beyond 3% on a sustained basis.
- Declining profitability parameters, with ROTA of less than 1.5% on a sustained basis.
- Increasing construction finance portfolio above 10% of overall asset under management (AUM).

**Analytical approach:** Consolidated; PNBHFL and its subsidiary, PHFL Home Loans and Services Private Limited due to managerial and operational linkages.

**Outlook:** Stable

The outlook is 'Stable' considering CARE Ratings Limited (CARE Ratings) expectation that the company will demonstrate profitable business growth complemented by healthy resource-raising ability and strong internal accrual.

**Detailed description of key rating drivers:****Key strengths****Long-standing track record and market position**

Established in 1988, PNBHFL has a long and profitable track record of operations of over three decades. It stands as the third-largest HFC in India, with loan asset of ₹ 65,356 crore as on March 31, 2024. In recent years, Company has strategically focused on expanding its retail book while significantly reducing its corporate book.

As on March 31, 2024, the retail loan book, which includes individual housing loans and non-housing loans, comprised 97% of the total portfolio, while the corporate book has shrunk to just 3% of overall portfolio.

In FY23, PNBHFL launched a dedicated vertical for affordable housing segment, initiating disbursements in Q4 FY23 under the product name 'Roshni'. The average ticket size targeted under the Roshni segment is around ₹15 lakh (on sanction) and with increased focus on this segment, PNBHFL intends to expand its team and distribution network, particularly in Tier-2 and Tier-3 cities, to better serve the growing demand in these areas. As on March 31, 2024, the affordable loan book stood at ₹1,790 crore supported by network of 160 branches.

Going Forward, PNBHFL anticipates a shift in its business composition, expecting approximately 17% year on year growth in its retail book, including affordable segment, by the end of FY25. The affordable housing finance segment is expected to gain increased traction, accounting for around 15-17% of incremental disbursements. CARE Ratings notes that PNBHFL might resume disbursing funds for its corporate book in the upcoming quarters.

**Regular track record of support from promoters and brand linkages with PNB (promoter of PNBHFL)**

PNBHFL is promoted by PNB. The other major investor is the Carlyle group. Both entities participated in the latest round of rights issue of ₹2,494 crore in May 2023. With PNB investing ₹500 crore, its shareholding reduced to 28.1% as on March 31, 2024, from 32.5%, as on March 31, 2023. CARE Ratings notes that PNB cannot hold more than 30% stake in PNB Housing Finance Limited due to RBI guidelines, however, PNB intends to hold more than 26% to maintain its Promoter status.

PNBHFL shares its brand name with PNB and benefits in terms of financial flexibility for fund raising and deposit mobilisation. PNBHFL also received support from its promoter in the form of board representation, with the current managing director (MD) of PNB, Atul Goel and Dilip Kumar Jain (CGM at PNB) serving as non-executive nominee directors.

The Carlyle group holds 32.7% of shareholding as on March 31, 2024, in PNBHFL and had invested ₹844 crore in the latest rights issue.

**Diversified resource profile**

PNBHFL has demonstrated a robust ability to raise resources to support its business growth. In the last few years, the company has utilised market instruments, including non-convertible debentures (NCDs) and commercial paper (CP), deposits, external commercial borrowings (ECBs) and loans from multiple banks and financial institutions, including National Housing Bank (NHB). As of March 2024, total borrowings of PNBHFL stood at ₹55,057 crore (excluding off balance sheet) as against ₹53,655 crore as on March 31, 2023.

As on March 31, 2024, PNBHFL's funding profile (borrowings) consisted of deposits (32.3%), loans from banks (40.2%), NCDs (9.6%), CPs (6%), NHB (9.2%) and external commercial borrowings (ECBs; 2.6%).

Going forward, the resource profile is expected to remain well diversified.

**Moderate asset quality profile, despite improving**

PNBHFL witnessed improvement in its asset quality from 8.13% as on March 31, 2022, to 1.5% as on March 31, 2024, driven by improving collection efficiency, write offs and resolution of its corporate accounts.

Asset quality for the corporate segment improved with GNPA ratio reducing from 37.13% as on March 31, 2022, to 22.25% as on March 31, 2023, and 3.31% as on March 31, 2024, driven by write offs and resolutions. On the retail side, the company has reduced its exposure to the self-employed segment, which in turn, marginally improved asset quality. The company has also been able to recover through SARFAESI, post the lifting of Supreme Court order in October 2021. Retail GNPA improved to 1.45% as on March 31, 2024, from 3.89% as on March 31, 2022.

All loans in housing and non-housing segments are backed by adequate security, which provides further support to the asset quality. The average ticket size of the loan in prime and affordable housing segment is around ₹29 lakh and ₹15 lakh (on sanction) respectively, whereas for non-housing loan (NHL), it is around ₹31 lakhs. Currently, the company is maintaining an overall provision coverage ratio of 37%.

Going forward, CARE Ratings expects the company to maintain its overall GNPA ratio below 2% on a sustainable basis, which will remain a key rating sensitivity.

## Key Weaknesses

### Moderate profitability profile, although improving

PNBHFL maintains a moderate profitability profile, with an improving trend. In FY24, NIMs remain largely stable at 3.6% (vs 3.5% in FY23) with the effect of slight moderation in spreads getting largely mitigated by reduced gearing. Further, due to its relatively large size and corresponding economies of scale, operating expenses to average total asset ratio remained low at 0.95%, although increased from 0.70% in FY22, as the company is expanding its affordable portfolio.

With the growing share of affordable and emerging market portfolio, yields and NIMs are expected to improve. Going forward, CARE Ratings expects profitability to further improve with ROTA remaining above 2% on a sustainable basis.

### Liquidity: Adequate

Per the asset liability maturity (ALM) statement dated March 31, 2024, PNBHFL's liquidity profile is adequate, however, there are negative cumulative mismatches in 2-3 months bucket and onwards due to repayments of commercial papers amounting to ₹3,350 crore. To address negative mismatches, the company has undrawn bank lines of ₹4,075 crore, which all are from various banks. In addition to this, the Company has short term unutilised CC/OD and WCDL lines of ₹1,692 crore. As on March 31, 2024, the company has debt repayments of ₹14,023 crore for the next six months, against this it had cash & cash equivalent of ₹2,499 crore and sanctioned and unutilised bank lines of ₹4,075 crore and short-term lines of ₹1,692 crore. PNBHFL has also been getting timely support from its promoter PNB and investors, the Carlyle group in the past in the form of equity infusion done through rights issue held in May, 2023. Going forward also, continued support from promoter is expected, as required.

### Environment, social, and governance (ESG) risks

Given that PNBHFL is engaged in the lending business, it is exposed to environmental risks indirectly through their portfolio of assets. If entities on whom PNBHFL has an exposure faces environmental or regulatory risk, it could translate to credit risks for PNBHFL.

PNBHFL has undertaken programmes under Environment and Water Conservation in MP, Rajasthan, UP, Haryana and Maharashtra. The company supported solar Electrification in 23 government schools in Haryana and UP. It has been promoting quality education through infrastructure development, such as upgrading Aganwadi Centers and government school, and e-learning infrastructure development among others.

### Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Withdrawal Policy](#)

[Housing Finance Companies](#)

[Short Term Instruments](#)

[Consolidation](#)

## About the company and industry

### Industry classification

Macro-economic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Housing finance company

Established in 1988, PNBHFL is a deposit-taking HFC registered with the NHB. It is engaged in retail loans (housing loans for construction, purchase, repair and up-gradation of houses, loan against property [LAP] and non-residential premise loans and LRD loans to individuals) and wholesale loans, such as corporate term loans, construction finance and lease rental discounting (LRD). It is the third-largest HFC in India with reported outstanding AUM of ₹71,243 crore as on March 31, 2024.

PNB is the promoter of PNBHFL with 28.1% shareholding in the company as on March 31, 2024, and Quality Investments Holdings (QIH), part of the Carlyle group, holding 32.7% stake as on March 31, 2024.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total income	6,190	6,518	7,045
PAT	836	1,046	1,508
Interest coverage (times)	1.27	1.35	1.46
Total assets	65,229	66,715	72,212
Net NPA (%)	5.06	2.76	0.95
ROTA (%)	1.23	1.58	2.17

A: Audited UA: Unaudited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fixed Deposit		-	-	-	25000	CARE AA+; Stable
Fund-based-Long Term		-	-	31-Mar-30	15600	CARE AA+; Stable
Fund-based-LT/ST		-	-	17-Jun-24	16400	CARE AA+; Stable / CARE A1+
Commercial Paper	INE572E14JC2	26-Apr-24	7.31%	26-Jul-24	525	CARE A1+
Commercial Paper	INE572E14JD0	29-Apr-24	7.31%	29-Jul-24	500	CARE A1+
Commercial Paper	INE572E14JE8	28-May-24	7.42%	27-Aug-24	1400	CARE A1+
Commercial Paper	INE572E14JF5	10-Jun-24	7.32%	10-Sep-24	600	CARE A1+
Commercial Paper	INE572E14JG3	26-Jun-24	7.32%	24-Sep-24	1000	CARE A1+
Commercial Paper	Proposed				5975	CARE A1+
Long Term Bonds – Tier-II	INE572E09320	18-Jan-16	8.42%	17-Jan-26	210	CARE AA+; Stable
Long Term Bonds – Tier-II	INE572E09346	28-Apr-16	8.39%	28-Apr-26	290	CARE AA+; Stable
Long Term Bonds – Tier-II	INE572E09627	07-Jan-19	9.40%	05-Jan-29	39.7	CARE AA+; Stable
Long Term Bonds	INE572E07068	07-Nov-19	8.75%	05-Nov-25	2500	CARE AA+; Stable
Long Term Bonds	INE572E07076	25-Jun-21	6.50%	25-Jun-24	0	Withdrawn
Long Term Bonds	INE572E07084	27-Sep-21	6.50%	27-Sep-24	325	CARE AA+; Stable
Non-convertible debentures	INE572E07100	28-Jun-23	8.60%	26-Jun-26	222	CARE AA+; Stable
Non-convertible debentures	INE572E07118	28-Jun-23	8.53%	27-Dec-24	150	CARE AA+; Stable
Non-convertible debentures	INE572E07126	06-Sep-23	8.52%	06-Sep-28	400	CARE AA+; Stable
Non-convertible debentures	INE572E07134	14-Sep-23	8.43%	14-Mar-25	650	CARE AA+; Stable
Non-convertible debentures	INE572E07142	22-Dec-23	8.13%	22-Dec-33	29	CARE AA+; Stable
Proposed-Tier II	Proposed				760.3	CARE AA+; Stable
Proposed-subordinate debt	Proposed				200	CARE AA+; Stable
Proposed-Bonds	Proposed				311	CARE AA+; Stable
Proposed-NCD	Proposed				3,284	CARE AA+; Stable

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Bonds	LT	-	-	-	-	1)Withdrawn (30-Jun-22)	1)CARE AA; Stable (02-Jul-21)
2	Debt-Subordinate Debt	LT	200.00	CARE AA+; Stable	-	1)CARE AA+; Stable (29-Mar-24) 2)CARE AA; Positive (29-Jun-23)	1)CARE AA; Stable (30-Jun-22)	1)CARE AA; Stable (02-Jul-21)
3	Bonds	LT	-	-	-	-	1)Withdrawn (30-Jun-22)	1)CARE AA; Stable (02-Jul-21)
4	Bonds	LT	-	-	-	-	1)Withdrawn (30-Jun-22)	1)CARE AA; Stable (02-Jul-21)
5	Bonds	LT	-	-	-	-	1)Withdrawn (30-Jun-22)	1)CARE AA; Stable (02-Jul-21)
6	Bonds-Non Convertible Bonds	LT	-	-	-	-	1)Withdrawn (30-Jun-22)	1)CARE AA; Stable (02-Jul-21)
7	Bonds	LT	-	-	-	-	1)Withdrawn (30-Jun-22)	1)CARE AA; Stable (02-Jul-21)
8	Commercial Paper-Commercial Paper (Standalone)	ST	10000.00	CARE A1+	-	1)CARE A1+ (29-Mar-24) 2)CARE A1+ (29-Jun-23)	1)CARE A1+ (30-Jun-22)	1)CARE A1+ (02-Jul-21)
9	Fund-based-Long Term	LT	15600.00	CARE AA+; Stable	-	1)CARE AA+; Stable (29-Mar-24) 2)CARE AA; Positive (29-Jun-23)	1)CARE AA; Stable (30-Jun-22)	1)CARE AA; Stable (02-Jul-21)
10	Bonds	LT	-	-	-	-	1)Withdrawn (30-Jun-22)	1)CARE AA; Stable (02-Jul-21)

11	Fixed Deposit	LT	25000.00	CARE AA+; Stable	-	1)CARE AA+; Stable (29-Mar-24) 2)CARE AA; Positive (29-Jun-23)	1)CARE AA; Stable (30-Jun-22) 2)CARE AA; Stable (22-Jun-22)	1)CARE AA (FD); Stable (02-Jul-21)
12	Bonds-Tier II Bonds	LT	300.00	CARE AA+; Stable	-	1)CARE AA+; Stable (29-Mar-24) 2)CARE AA; Positive (29-Jun-23)	1)CARE AA; Stable (30-Jun-22)	1)CARE AA; Stable (02-Jul-21)
13	Bonds-Non Convertible Bonds	LT	-	-	-	-	1)Withdrawn (30-Jun-22)	1)CARE AA; Stable (02-Jul-21)
14	Bonds-Tier II Bonds	LT	-	-	-	1)Withdrawn (29-Mar-24) 2)CARE AA; Positive (29-Jun-23)	1)CARE AA; Stable (30-Jun-22)	1)CARE AA; Stable (02-Jul-21)
15	Bonds	LT	1136.00	CARE AA+; Stable	-	1)CARE AA+; Stable (29-Mar-24) 2)CARE AA; Positive (29-Jun-23)	1)CARE AA; Stable (30-Jun-22)	1)CARE AA; Stable (02-Jul-21)
16	Fund-based-LT/ST	LT/ST	16400.00	CARE AA+; Stable / CARE A1+	-	1)CARE AA+; Stable / CARE A1+ (29-Mar-24) 2)CARE AA; Positive / CARE A1+ (29-Jun-23)	1)CARE AA; Stable / CARE A1+ (30-Jun-22)	1)CARE AA; Stable / CARE A1+ (02-Jul-21)
17	Bonds	LT	2000.00	CARE AA+; Stable	-	1)CARE AA+; Stable (29-Mar-24) 2)CARE AA; Positive (29-Jun-23)	1)CARE AA; Stable (30-Jun-22)	1)CARE AA; Stable (02-Jul-21)
18	Bonds-Tier II Bonds	LT	1000.00	CARE AA+; Stable	-	1)CARE AA+; Stable (29-Mar-24) 2)CARE AA; Positive (29-Jun-23)	1)CARE AA; Stable (30-Jun-22)	1)CARE AA; Stable (02-Jul-21)



19	Debentures-Non Convertible Debentures	LT	4735.00	CARE AA+; Stable	-	1)CARE AA+; Stable (29-Mar-24) 2)CARE AA; Positive (29-Jun-23)	1)CARE AA; Stable (30-Jun-22)	1)CARE AA; Stable (02-Jul-21)
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LT: Long term; ST: Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable

#### Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Bonds-Tier II Bonds	Complex
2	Bonds	Simple
3	Commercial Paper-Commercial Paper (Standalone)	Simple
4	Debentures-Non Convertible Debentures	Simple
5	Debt-Subordinate Debt	Complex
6	Fixed Deposit	Simple
7	Fund-based-Long Term	Simple
8	Fund-based-LT/ST	Simple

#### Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

#### Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	PHFL Home Loans & Services Limited	Full consolidation	Wholly owned subsidiary

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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### About us:

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