

MARCH 24, 2015

CARE ASSIGNS RATING OF 'CARE A1+' TO THE COMMERCIAL PAPER OF PNB HOUSING FINANCE LIMITED

Rating

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Commercial Paper	2000.0	CARE A1+ [A One Plus]	Assigned

Rating Rationale

Rating assigned to the short term instrument of PNB Housing Finance Ltd (PNBHFL) draws comfort from the strong parentage of Punjab National Bank (PNB, rated CARE AAA), with support in form of branding, equity capital support and management support. The rating also derives strength from strong growth in loan portfolio, healthy asset quality, diversified resource profile, adequate capitalization levels, comfortable liquidity position and stable profitability margins of the company.

Continued support and majority ownership of PNB in PNBHFL, maintaining profitability, capitalization and asset quality are the key rating sensitivities.

Background

PNBHFL 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 Destimoney Enterprises Private Limited (DEPL) and PNB divested 26% stake in PNBHFL to DEPL. In accordance with terms of Share Subscription Agreement, DEPL 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 Sep 30, 2012. Since then, PNB's holding in the company is 51% and DEPL's 49%. In February 2015, DEPL has been acquired by US-based Carlyle group.

PNBHFL is engaged in providing housing loans to individuals and corporate bodies for construction, purchase, repair and upgradation of houses. It also provides loans for commercial space, loan against property and loan for purchase of residential plots. Further, it provides investment options under various deposit schemes. As on March 31, 2014, PNBHFL had 32 operational branches spread across the country with employee strength of 479 employees. The company has reported an outstanding loan portfolio of Rs.15,758 crore as on December 31, 2014 (Rs.10,591 crore as on March 31, 2014) with housing loan portfolio of Rs.9,815 crore as on December 31, 2014.

PNBHFL implemented business process transformation and reengineering project named "Kshitij", under which PNBHFL overhauled credit policies, operational policies and recovery policies and is in the process of acquiring new software system. This has helped the company in improving in its operations, front-end and back-end processes, human resource, technology and physical infrastructure.

During FY14, total operating income of PNBHFL registered a growth by 69% to Rs.1116 crore in FY14 with increase in its loan portfolio from Rs.6620 crore as on March 31, 2013 to Rs.10591 crore as on March 31, 2014. CAR stood at 13.39% as on March 31, 2014. Gross NPA ratio and Net NPA ratio remained comfortable at 0.32% and 0.16% as on March 31, 2014.

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

For 9MFY15, the company has reported loan portfolio of Rs.15,758 crore with Gross and Net NPA ratios of 0.25% and 0.11% as on December 31, 2014.

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

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating 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.

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