



Ghar Ki Baat

April 25, 2020

The BSE Limited,
Listing Department,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001
Scrip Code: 540173

National Stock Exchange of India Limited,
Listing Department
“Exchange Plaza”
Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051
Symbol: PNBHOUSING

Dear Sirs,

Sub: Revision in Outlook for Bank borrowings, NCDs and Fixed Deposits by CARE

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that Credit Rating Agency, CARE has re-affirmed the credit rating of Bank Borrowings, NCDs and Fixed Deposits at AA+. The rating agency has however revised the Outlook from ‘Stable’ to ‘Negative’.

As per CARE;

“The reaffirmation of ratings for PNB Housing Finance Ltd (PNBHFL) continues to derive strength from its experienced management team, brand linkages with Punjab National Bank (PNB); promoter of PNBHFL, strong market position as the fourth largest Housing Finance Company (HFC) in the country (by assets as on December 31, 2019), well diversified resource profile as demonstrated by its ability to raise funds despite the tight liquidity environment seen since Sept-18 and adequate liquidity.

The rating also takes into consideration the moderation in the loan book growth of the company and adequate albeit moderating profitability profile on account of higher provisioning costs during 9M FY20. Additionally, the ratings are constrained by elongated liquidity tightening cycle and consequently its adverse impact on overall real estate sector that has resulted in increased vulnerability of PNBHFL’s corporate loan book and subsequent deterioration in its asset quality metrics with reported GNPA at 1.75% as on Dec-19 as against 0.48% as on March 31, 2019. In view of the current challenging economic environment that is expected to be further exacerbated due to nationwide lockdown amid outbreak of Covid19, the asset quality concerns are expected to remain high.

Also, PNBHFL would need to raise substantial capital in order to bring down its on-book gearing levels (~9x as on Dec-19) which has become especially important in view of the increased portfolio vulnerability of the wholesale book. The CARE adjusted overall gearing was 9.06x as on Dec-192 as against 10.53x as on Mar-19. As per the capital raising plan shared by the management, PNBHFL intends to raise upto Rs.1,700 crore of capital in the near term that would be crucial for sustaining the growth in its loan book and reduce its leverage levels. However, given the prolonged weak market sentiment, the ability of PNBHFL to raise capital in a timely manner remains to be seen.

The ability of the company to raise capital and improve its capital structure, reduce the share of builder funding in its overall loan book, control slippages and improve its asset quality, sustain the growth in loan book and maintain profitability, while maintaining adequate liquidity position would be the key rating sensitivities.

CARE also takes note of the recent measures announced by RBI in light of the Covid-19 pandemic to provide durable liquidity and protect asset quality. Announcements with respect to Targeted Long Term Repo Operation 2.0 (TLTRO 2.0) for NBFCs and MFIs, special refinance facility by NHB to address sectoral credit needs, extension of date of commencement of commercial operations (DCCO) of project loans for commercial real estate by one year and asset classification standstill for all accounts where moratorium is granted are expected to provide some relief to the liquidity profile and asset quality ratios.”

The Press release of CARE dated April 24, 2020 containing rationale and key rating drivers is enclosed herewith. This is for your information and records.

Thanking You,
For PNB Housing Finance Limited

Sanjay Jain
Company Secretary & Head Compliance

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CIN: L65922DL1988PLC033856

PNB Housing Finance Limited

April 24, 2020

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	15,600 (Rs. Fifteen Thousand and Six Hundred crore only)	CARE AA+; Negative (Double A Plus; Outlook: Negative)	Reaffirmed and Outlook revised from Stable to Negative
Long-term/Short-term Bank Facilities	6400 (Rs. Six thousand and Four Hundred crore only)	CARE AA+; Negative / CARE A1+ (Double A Plus; Outlook: Negative / A One Plus)	Reaffirmed and Outlook revised from Stable to Negative
Total Bank Facilities	22,000 (Rs. Twenty Two Thousand crore only)		
Fixed Deposit programme	18,500 (Rs. Eighteen Thousand Five Hundred crore only)	CARE AA+ (FD); Negative [Double A Plus (Fixed Deposit)]; Outlook: Negative)	Reaffirmed and Outlook revised from Stable to Negative
Long term Bonds/Non- Convertible Debentures	150 (Rupees One Hundred Fifty Crore only)	CARE AA+; Negative (Double A Plus; Outlook: Negative)	Reaffirmed and Outlook revised from Stable to Negative
Long term Bonds/Non- Convertible Debentures	125 (Rupees One Hundred Twenty Five Crore Only)	CARE AA+; Negative (Double A Plus; Outlook: Negative)	Reaffirmed and Outlook revised from Stable to Negative
Long term Bonds/Non- Convertible Debentures	200 (Rupees Two Hundred Crore Only)	CARE AA+; Negative (Double A Plus; Outlook: Negative)	Reaffirmed and Outlook revised from Stable to Negative
Long term Bonds/Non- Convertible Debentures	500 (Rupees Five Hundred Crore only)	CARE AA+; Negative (Double A Plus; Outlook: Negative)	Reaffirmed and Outlook revised from Stable to Negative
Long term Bonds/Non- Convertible Debentures	1000 (Rupees Thousand Crore Only)	CARE AA+; Negative (Double A Plus; Outlook: Negative)	Reaffirmed and Outlook revised from Stable to Negative
Long term Bonds/Non- Convertible Debentures	600 (Rupees Six Hundred crore only)	CARE AA+; Negative (Double A Plus; Outlook: Negative)	Reaffirmed and Outlook revised from Stable to Negative
Long term Bonds/Non- Convertible Debentures	2,875 (Rupees Two Hundred Seventy Five crore only)	CARE AA+; Negative (Double A Plus; Outlook: Negative)	Reaffirmed and Outlook revised from Stable to Negative
Long term Bonds/Non- Convertible Debentures	6,501 (Rupees Six Thousand Five Hundred One crore only)	CARE AA+; Negative (Double A Plus; Outlook: Negative)	Reaffirmed and Outlook revised from Stable to Negative
Long term Bonds/Non- Convertible Debentures	8,500 (Rupees Eight Thousand Five Hundred Crore only)	CARE AA+; Negative (Double A Plus; Outlook: Negative)	Reaffirmed and Outlook revised from Stable to Negative
Long term Bonds/Non- Convertible Debentures	7,000 (Rupees Seven Thousand Crore only)	CARE AA+; Negative (Double A Plus; Outlook: Negative)	Reaffirmed and Outlook revised from Stable to Negative
Long term Bonds/Non- Convertible Debentures	5,000 (Rupees Five Thousand Crore only)	CARE AA+; Negative (Double A Plus; Outlook: Negative)	Reaffirmed and Outlook revised from Stable to Negative
Long Term Tier-II Bonds/Subordinated Debt	1,000 (Rupees One Thousand Crore only)	CARE AA+; Negative (Double A Plus; Outlook: Negative)	Reaffirmed and Outlook revised from Stable to Negative
Long Term Tier-II Bonds/Subordinated Debt	200 (Rupees Two Hundred Crore	CARE AA+; Negative (Double A Plus; Outlook:	Reaffirmed and Outlook revised from Stable to

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

	Only)	Negative)	Negative
Long Term Tier-II Bonds/Subordinated Debt	500 (Rupees Five Hundred Crore only)	CARE AA+; Negative (Double A Plus; Outlook: Negative)	Reaffirmed and Outlook revised from Stable to Negative
Long term Tier-II Bonds/Subordinated Debt	499 (Rupees Four Hundred Ninety Nine crore only)	CARE AA+; Negative (Double A Plus; Outlook: Negative)	Reaffirmed and Outlook revised from Stable to Negative
Commercial Paper (CP) issue	25,000 (Rupees Twenty Five Thousand Crore only)	CARE A1+ (A One Plus)	Reaffirmed

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of ratings for PNB Housing Finance Ltd (PNBHFL) continues to derive strength from its experienced management team, brand linkages with Punjab National Bank (PNB); promoter of PNBHFL, strong market position as the fourth largest Housing Finance Company (HFC) in the country (by assets as on December 31, 2019), well diversified resource profile as demonstrated by its ability to raise funds despite the tight liquidity environment seen since Sept-18 and adequate liquidity.

The rating also takes into consideration the moderation in the loan book growth of the company and adequate albeit moderating profitability profile on account of higher provisioning costs during 9M FY20. Additionally, the ratings are constrained by elongated liquidity tightening cycle and consequently its adverse impact on overall real estate sector that has resulted in increased vulnerability of PNBHFL's corporate loan book and subsequent deterioration in its asset quality metrics with reported GNPA at 1.75% as on Dec-19 as against 0.48% as on March 31, 2019. In view of the current challenging economic environment that is expected to be further exacerbated due to nationwide lockdown amid outbreak of Covid19, the asset quality concerns are expected to remain high

Also, PNBHFL would need to raise substantial capital in order to bring down its on-book gearing levels (~9x as on Dec-19) which has become especially important in view of the increased portfolio vulnerability of the wholesale book. The CARE adjusted overall gearing was 9.06x as on Dec-19² as against 10.53x as on Mar-19. As per the capital raising plan shared by the management, PNBHFL intends to raise upto Rs.1,700 crore of capital in the near term that would be crucial for sustaining the growth in its loan book and reduce its leverage levels. However, given the prolonged weak market sentiment, the ability of PNBHFL to raise capital in a timely manner remains to be seen.

The ability of the company to raise capital and improve its capital structure, reduce the share of builder funding in its overall loan book, control slippages and improve its asset quality, sustain the growth in loan book and maintain profitability, while maintaining adequate liquidity position would be the key rating sensitivities.

CARE also takes note of the recent measures announced by RBI in light of the Covid-19 pandemic to provide durable liquidity and protect asset quality. Announcements with respect to Targeted Long Term Repo Operation 2.0 (TLTRO 2.0) for NBFCs and MFIs, special refinance facility by NHB to address sectoral credit needs, extension of date of commencement of commercial operations (DCCO) of project loans for commercial real estate by one year and asset classification standstill for all accounts where moratorium is granted are expected to provide some relief to the liquidity profile and asset quality ratios.

Key Rating sensitivities:

Positive:

- Improvement in the asset quality metrics with reported GNPA falling below 1.25%
- Ability of the company to reduce and maintain its on-book gearing at 7 times on a sustained basis

Negative:

- Delay in equity raising
- Deterioration in asset quality profile with GNPA rising above 2.5%
- Deterioration in liquidity profile with mismatches arising in near to medium term bucket

² Tangible Net-worth = Net Worth – DTA – Intangible Assets – Unamortized expenses

Outlook: Negative

The outlook has been revised to 'Negative' from 'Stable' on account of deterioration in company's asset quality with absolute GNPA at Rs 1213 crore as on December 31, 2019 translating in GNPA ratio of 1.75%, up from 0.48% as on March 31, 2019. The protracted weakness in asset quality was mainly due to increasing stress levels in the underlying assets, especially in the company's corporate portfolio, in recent years, driven primarily by the slowdown in the economy. The wholesale loan book form around 18% of AUM as on Dec-19, reduced from 21% as on March-19. In view of the Reserve Bank of India (RBI)'s move to allow banks, NBFCs and HFCs to offer three month moratorium to borrowers, there could be an impact on collections of the company in the near term which could lead to further weakness in asset quality of the company.

CARE also takes note of the delay in planned equity infusion of the company. As per management, PNBHFL intends to raise upto Rs.1,700 crore of capital in the near term that would be crucial for sustaining the growth in its loan book and reduce its leverage levels. However, given the prolonged weak market sentiment, the ability of PNBHFL to raise capital in a timely manner remains to a rating sensitivity. On the liquidity front, currently the company's liquidity remains adequate with cash and cash equivalents of Rs.12,785 crore as on April 3, 2020 (including balance in current account, fixed deposits, liquid mutual funds and investment in bonds of Rs.6,670 crore, unutilized bank/overdraft lines of Rs.5,465 crore) to meet the debt obligations of PNBHFL till June-20. Also, scheduled inflows on advances, though affected by current situation would provide some cushion to the liquidity profile. But with lower than expected scheduled inflows coupled with scheduled liability related outflows, the liquidity profile could moderate if the current challenging environment gets prolonged.

Detailed description of the key rating drivers**Key Rating Strengths*****Comfort from brand linkages with PNB (promoter of PNBHFL) and experienced management team of PNBHFL***

PNB is the promoter of PNBHFL with 32.65% shareholding as on March 31, 2020. PNBHFL also shares the brand linkages with PNB and benefits in terms of financial flexibility for fund raising as well as lending operations; however as the company has grown, its reliance on PNB in the form of management and funding support has reduced. In January 2020, PNB confirmed its stated objective to continue to hold a minimum 26% shareholding in PNBHFL and continue to remain its promoter.

PNBHFL's operations are managed by an independent management team comprising of professionals with strong domain knowledge and extensive experience in the mortgage business. The company is led by Mr. Sanjaya Gupta (Managing Director) who has a rich experience of over 32 years in housing finance industry. Under his leadership, PNBHFL launched the business process re-engineering initiative namely 'Kshitiij' which has improved the operational efficiency and helped PNBHFL emerged as one of the largest HFCs in the country.

Long standing track record and market position

Established in 1988, PNBHFL has a long and profitable track record of operations of over three decades. PNBHFL is the fourth largest HFC in the country with asset under management (AUM) of Rs.86,297 crore as on Dec 31, 2019. PNBHFL has seen CAGR of 43% in its AUM over the last 3 years till March 31, 2019. As on Dec 31, 2019, PNBHFL had 105 branches and 23 hubs with presence in 64 unique cities. This includes 3 new branches, which were made operational during 9M FY20. The company also services the customers through its 27 outreach locations. As on Dec-19, within AUM, retail loan book i.e. Individual Housing loans(IHL; 59%), Retail Loan Against Property (LAP; 19%) and Retail Non-Residential Premise loans (NRPL) (4%) together comprised 82% of AUM while the wholesale loan book constituting (Construction Finance – 12%, Corporate Term Loans- 4%, LRD – 2%) formed the remaining 18% of AUM. The on-balance sheet loan book was Rs.69,194 crore (Rs.75,933 crore as on June-19) (80% of AUM) and balance was in the form of assigned loan book (IHL and LAP). There has been a concerted effort by the management to reduce its corporate loan book (resulting in Corporate book share reducing from 22% of AUM as on Dec-18 to 18% as on Dec-19). During 9 M FY20, PNBHFL sold LRD book worth Rs.1,963 crore.

Healthy financial performance during FY19 albeit moderation in profitability in 9MFY20 owing to higher provisioning

During FY19, PNBHFL saw 36% growth in AUM from Rs.62,252 crore as on March 31, 2018 to Rs.84,722 crore as on March 31, 2019. In view of the protracted challenging economic conditions, the company's growth rate has moderated with AUM up by 1.9% in nine months to Rs.86,297 crore as on Dec-19. During the fiscal 2019, PNBHFL reported a growth of 40% in its total income to Rs.7,683 crore which was supported by growth of 36% in its AUM. As a result, it reported net profit after tax (PAT) of Rs.1,192 crore in FY19 as against Rs.841 crore in FY18 at consolidated level. The profitability of PNBHFL was stable as reflected by an Adj. Return on Total Assets (ROTA) of 1.48% in FY19 (as against 1.49% in FY18).

During 9M FY20, PNBHFL reported PAT of Rs.888 crore on total income (net of interest expense) of Rs.2,043 crore. The overall profits were up 10% Y-o-Y and company's adjusted RoTA³ (annualized) moderated to 1.24% on the back of higher provisioning costs. For the nine months ending December 31, 2019, the provisioning expenses stood at Rs 497 crore, as against Rs.179 crore during the corresponding period last year owing to rising asset quality concerns. The operating expenses of PNBHFL remain under control with Adj. Opex/ATA for 9MFY20 at 0.57% (annualized) as against 0.73% for FY19 overall. Going forward, PNBHFL's ability to sustain its interest spreads by controlling its funding cost / pass on the increase in funding cost to the borrowers (given rising interest rate for HFCs) while continuing to be competitive and maintaining its asset quality and control its credit costs will be critical for its profitability profile.

Also, there is decline in the share price of PNBHFL in last few days that affects its financial flexibility.

Diversified resource profile

PNBHFL has demonstrated strong resource raising capacity to fund business growth. It has raised funds through various market instruments, public deposits, external commercial borrowings as well as loans from various banks and financial institutions including NHB, Asian Development Bank and International Finance Corporation. Recently, PNBHFL signed an agreement with Japan International Cooperation Agency (JICA) to raise USD 75 million with co-financing of USD 25 million by Citibank (Citi) to finance mortgage loans in affordable housing segment. During 9M FY20, total borrowings of the PNBHFL degrew 2.5% to Rs.70,559 crore. As on Dec 31, 2019, PNBHFL's funding profile (borrowings) comprised of loans from banks (22.9%), NCDs (22.3%), deposits (18.8%), National Housing Bank (NHB) finance (7.4%), external commercial borrowings (ECBs; 6.1%) and Commercial Paper (3.0%). Besides, PNBHFL has also raised funds through off balance sheet transactions (direct assignment) which accounted for 19.5% of overall funding mix. The share of shorter tenure CP borrowings in the overall funding mix has been brought down to 3.0% as on Dec-19 as against 9.6% as on Mar-19. PNBHFL intends to maintain these at similar levels on an ongoing basis. Further, RBI announcement on TLTRO 2.0 and the special refinance facility via NHB is expected to provide support to PNBHFL's resource and liquidity profile

Key Rating Weakness

Vulnerability owing to corporate book exposure to real estate sector with high credit concentration and deterioration in asset quality

The asset quality of PNBHFL deteriorated with absolute gross NPA and Net NPA at Rs.1,213 crore and Rs.868 crore respectively as on Dec-19 increased from Rs.355 crore and Rs.281 crore respectively as on March 31, 2019. As a result, the asset quality ratios, GNPA and NNPA, moderated to 1.75% and 1.25% respectively as on Dec-19 up from 0.48% and 0.38% respectively as on March 31, 2019

The networth coverage for net NPA also weakened with Net NPA to CARE adjusted tangible net-worth ratio at around 11% as on December 31, 2019 up from 4% as on March 31, 2019. The increase in NPA (Stage 3 assets) during 9MFY20 has been on account of slippages in both the retail as well as wholesale segment. The increase in NPA in wholesale segment was primarily on account of slippage of three large accounts totaling to Rs.604 crore from Stage 2 to Stage 3. As on Dec 31, 2019, PNBHFL was carrying total provision including ECL and contingent provision of Rs.1,053 crore (1.5% of the on-book loan portfolio). The wholesale loan book (i.e. construction finance and corporate loans to builders excluding LRDs) stood at Rs.13,859 crore as on Dec-19 (16% of AUM or 20% of on-book loan portfolio as on Dec 31, 2019). The vulnerability of wholesale loan book of the HFCs including PNBHFL has increased given weakness in real estate sector and deteriorating credit profile of real estate developers following the prolonged tight liquidity environment. Consequently, NPA (Stage 3 assets) for the wholesale loan book increased to 4.17% as on Dec-19 from 0.17% as on March-19.

Any further elongation of liquidity crisis amid current covid outbreak could further impact the ability of real estate players to complete the projects on time and generate adequate cash flows to service the debt which could result in additional slippages and provisioning requirement, thus impacting the asset quality, profitability and capitalization levels of PNBHFL. Also, risk of retail loan against property (LAP and NRPL; 19% and 4% of AUM respectively as on Dec-19) portfolio of HFCs including PNBHFL is expected to be higher than retail housing finance business given the exposure to largely self-employed segment who are more vulnerable to economic cycles.

CARE takes note of the fact that extension of date of commencement of commercial operations (DCCO) of project loans for commercial real estate by one year and NPA classification relaxation during the three month moratorium period for accounts that have availed moratorium is expected to provide some relief to PNBHFL on the asset front. However the improvement of the asset quality performance in these segments in medium term will be critical for the credit profile of the company going ahead.

³ RoTA=PAT/CARE Adjusted Average Total Assets (adjusted for DTA, Intangible Assets, Unamortized expenses and off balance sheet book)

High credit concentration in wholesale lending book; albeit intent to reduce the share of corporate book and ticket size of exposures

There is high credit concentration in the wholesale loan book of PNBHFL with top 20 groups contributing to nearly 62% of the overall wholesale AUM of Rs.15,393 crore (CF, CTL and LRD) as on December 31, 2019. However, with corporate real estate sector in prolonged slowdown, PNBHFL has shifted its focus away from corporate loans as reflected in its disbursement pattern wherein nearly 91% disbursements in 9MFY20 being in retail segment as against 71% in 9MFY19. Consequently, there has been a net reduction in wholesale loan book from Rs.17,922 crore (21% of AUM) as on Mar-19 to Rs.15,393 crore (18% of AUM) as on Dec-19. PNBHFL intends to bring down its share of overall wholesale book down to 13-14% of the AUM (from 21% as on Mar-19). During 9 M FY20, PNBHFL sold LRD book worth Rs.1,963 crore.

Also, PNBHFL is in the process of devising a policy to restrict the ticket size of its exposures to much lower levels from the current norms that allow exposure to a single entity and group to the extent of 15% and 25% of the tangible net-worth respectively (in line with NHB guidelines).

Need to raise substantial capital to improve capital structure, cushion for any impact on asset quality due to corporate book exposure and sustain growth

PNBHFL had raised capital of Rs.3,000 crore from the IPO issue in November 2016. Since then there has been a substantial growth in loan book of PNBHFL and consequently the CARE adjusted on-book leverage levels of the company (overall debt/tangible net worth) have stood at a high of 9.06x as on Dec-19 (down from 10.53 times as on March 31, 2019). Although there has been some improvement in gearing levels in the recent quarters with an increase in tangible net worth from Rs.6,874 crore as on March-19 to Rs.7,790 crore as on Dec-19 on account of positive internal accruals coupled with decrease in borrowings to Rs.70,559 crore as on Dec-19 from Rs.72,362 crore as on March-19 with slower pace of business growth.

While the gearing levels high, they are well within the regulatory maximum of 16 times. Also the company's capital adequacy has improved with Tier 1 and CRAR and 14.09% and 17.06% respectively as on Dec-19, improved from 11.0% and 13.98% respectively as on March 31, 2019 due to accrual of profits, increase in share of assigned portfolio and sale of higher risk weighted LRD loans (CRAR has been computed basis Net-worth stated as per IGAAP which is lower than the Net-worth as per BS; computed as per INDAS).

PNBHFL is required to raise substantial capital to fund its growth plans and reduce its leverage to provide cushion in view of the increased vulnerability of the corporate loan book and rising funding costs for housing finance sector in general. PNBHFL has stated its intent to reduce the share of corporate book and raise capital of upto Rs.1700 crore in near term and resort to assignment of loans to reduce its gearing levels within reasonable limits of around 7x-7.5x. Given, weak market sentiment, the ability of PNBHFL to raise capital in a timely manner and thereby sustain the growth would be crucial for its credit profile.

Liquidity: Adequate

As per Asset Liability Maturity statement dated Dec 31, 2019, the liquidity profile of PNBHFL is adequate with no cumulative mismatches in short term buckets i.e. upto one 1 year. Although, given the predominantly housing finance portfolio that is longer tenured, mismatches are seen in greater than 5 year bucket. PNBHFL's liquidity remains supported by liquid cash and bank balance, fixed deposits and investments in liquid funds. PNBHFL also maintains long term investments (SLR investments) to the extent of 12.50% of the public deposits outstanding in the preceding quarter. Further, PNBHFL has rollover of deposits and avenue of securitization available to generate additional liquidity which critical in the current scenario.

As per the latest liquidity information shared by PNBHFL, the company had liquid cash and bank balance and investments of Rs.12,785 crore as on April 3, 2020 (including balance in current account, fixed deposits, liquid mutual funds and investment in bonds of Rs.6,670 crore, un-availed bank lines of Rs.2,810 crore, un-availed overdraft lines of Rs.2,655 crore and un-availed securitization lines of Rs.650 crore) as on April 03, 2020 which are sufficient to take care of short term debt obligations of upto 3 months. Also, scheduled inflows on advances, though affected by current situation would provide some cushion to the liquidity profile. But, with lower than expected scheduled inflows from loan book coupled be scheduled outflow of liabilities, the liquidity profile can moderate in the short to medium term.

Analytical approach: Consolidated; PNBHFL and its subsidiary PHFL Home Loans and Services Pvt. Ltd.

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

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

[Short Term Instruments](#)

[Rating Methodology - Non Banking Finance Companies \(NBFCs\)](#)

[Financial Ratios – Financial Sector](#)

[Rating Methodology - Housing Finance Companies \(HFCs\)](#)

About the Company

PNBHFL (CIN: L65922DL1988PLC033856), established in 1988, is a deposit- accepting housing finance company registered with National Housing Bank. 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 viz. corporate term loans, construction finance and lease rental discounting (LRD). It is the fourth largest housing finance company in India and reported an outstanding Assets Under Management (AUM) of Rs.86,297 crore as on Dec 31, 2019. During FY18, PNBHFL has also floated a subsidiary PHFL Home Loans and Services Pvt Ltd which houses the sales / loan origination staff of PNBHFL. PNB is the promoter in PNBHFL with 32.65% holding in the company as on March 31, 2020 with QIH (Quality Investments Holdings) part of Carlyle Group being the largest investor in the company holding 32.22% stake. Foreign Portfolio Investors (FPIs) and Mutual Funds (MFs) hold 21.80% and 3.78% stake respectively in the company.

Brief Financials (Rs. crore)	FY18 (A)	FY18 (A)	FY19
	IGAAP	INDAS	INDAS
Total operating income	5,517	5,489	7,683
PAT	829	841	1,192
Interest coverage (times)	1.36	1.35	1.34
Total Assets [^]	63,169	62,385	83,199
Net NPA (%)	0.25	0.25	0.38
Adj. ROTA (%) [*]	1.46	1.49	1.48

A: Audited

[^]CARE adjusted Total assets (adjusted for intangible assets, deferred tax assets and unamortized expenses)

^{*}Ratio has been computed based on average of annual opening and closing balances

^{**}Adj. ratios computed based on incl. of securitized/assigned (off-book portfolio)

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Annexure-1: Details of Instruments/Facilities

S.no	Name of the instrument	ISIN Number	Issue Date	Maturity	Coupon Rate	Issue Size Amt (Rs. Cr)	Rating assigned along with Rating Outlook
1.	Fund-based – Long term bank facilities	-	-	24-May-2024	-	15600.00	CARE AA+; Negative
2.	Fund-based-LT/ST bank facilities	-	-	-	-	6400.00	CARE AA+; Negative/ CARE A1+
3.	Commercial Paper	-	-	< 1 year	-	25000.00	CARE A1+
4.	Fixed Deposit Programme	-	-	-	-	18500.00	CARE AA+ (FD); Negative
5.	Long Term Bonds	INE572E09080	16-Jan-2008	16-Jan-2021	9.20%	30.00	CARE AA+; Negative
6.	Long Term Bonds	INE572E09098	16-Jan-2008	16-Jan-2022	9.20%	30.00	CARE AA+; Negative
7.	Long Term Bonds	INE572E09106	16-Jan-2008	16-Jan-2023	9.20%	30.00	CARE AA+; Negative
8.	Long Term Bonds	INE572E09148	26-Jul-2011	26-Jul-2021	9.50%	200.00	CARE AA+; Negative
9.	Long Term Bonds	INE572E09155	12-Sep-2011	12-Sep-2021	9.55%	200.00	CARE AA+; Negative
10.	Long Term Bonds	INE572E09163	29-Jun-2012	29-Jun-2022	9.25%	300.00	CARE AA+; Negative
11.	Long Term Bonds	INE572E09171	14-Sep-2012	14-Sep-2022	9.15%	200.00	CARE AA+; Negative
12.	Long Term Bonds	INE572E09189	21-Dec-2012	21-Dec-2022	9%	200.00	CARE AA+; Negative
13.	Long Term Bonds – Tier-II	INE572E09197	21-Dec-2012	21-Dec-2022	9.10%	200.00	CARE AA+; Negative
14.	Long Term Bonds	INE572E09205	16-May-2013	16-May-2023	8.58%	600.00	CARE AA+; Negative

S.no	Name of the instrument	ISIN Number	Issue Date	Maturity	Coupon Rate	Issue Size Amt (Rs. Cr)	Rating assigned along with Rating Outlook
15.	Long Term Bonds	INE572E09270	17-Jun-2015	17-Jun-2020	8.59%	700.00	CARE AA+; Negative
16.	Long Term Bonds	INE572E09288	28-Jul-2015	28-Jul-2020	8.56%	700.00	CARE AA+; Negative
17.	Long Term Bonds	INE572E09304	9-Nov-2015	9-Nov-2020	8.19%	500.00	CARE AA+; Negative
18.	Long Term Bonds – Tier-II	INE572E09320	18-Jan-2016	17-Jan-2026	8.42%	210.00	CARE AA+; Negative
19.	Long Term Bonds	INE572E09338	3-Feb-2016	3-Jul-2021	8.33%	500.00	CARE AA+; Negative
20.	Long Term Bonds – Tier-II	INE572E09346	28-Apr-2016	28-Apr-2026	8.39%	290.00	CARE AA+; Negative
21.	Long Term Bonds	INE572E09353	1-Jun-2016	1-Sep-2021	8.33%	300.00	CARE AA+; Negative
22.	Long Term Bonds	INE572E09361	1-Jul-2016	1-Jul-2021	8.47%	1,464.00	CARE AA+; Negative
23.	Long Term Bonds – Tier-II	INE572E09387	26-Jul-2016	26-Jul-2023	8.57%	499.00	CARE AA+; Negative
24.	Long Term Bonds	INE572E09403	29-Sep-2016	29-Mar-2022	7.91%	250.00	CARE AA+; Negative
25.	Long Term Bonds	INE572E09411	31-Jan-2017	30-Apr-2020	7.46%	1,025.00	CARE AA+; Negative
26.	Long Term Bonds	INE572E09429	8-May-2017	7-May-2021	7.80%	320.00	CARE AA+; Negative
27.	Long Term Bonds	INE572E09437	26-May-2017	25-Sep-2020	7.77%	305.00	CARE AA+; Negative
28.	Long Term Bonds	INE572E09452	15-Jun-2017	15-Dec-2020	7.63%	500.00	CARE AA+; Negative
29.	Long Term Bonds	INE572E09460	14-Jul-2017	14-Jul-2020	7.63%	950.00	CARE AA+; Negative
30.	Long Term Bonds	INE572E09478	27-Jul-2017	15-Sep-2020	7.50%	800.00	CARE AA+; Negative
31.	Long Term Bonds	INE572E09478	27-Jul-2017	15-Sep-2020	7.50%	200.00	CARE AA+; Negative
32.	Long Term Bonds	INE572E09486	27-Jul-2017	27-Jul-2022	7.59%	700.00	CARE AA+; Negative
33.	Long Term Bonds	INE572E09494	27-Jul-2017	3-Aug-2020	7.50%	200.00	CARE AA+; Negative
34.	Long Term Bonds	INE572E09551	31-Oct-2017	31-Dec-2020	7.53%	500.00	CARE AA+; Negative
35.	Long Term Bonds	INE572E09569	15-Nov-2017	15-Mar-2021	7.58%	520.00	CARE AA+; Negative
36.	Long Term Bonds	INE572E09585	31-Jan-2018	6-Apr-2021	8.12%	189.00	CARE AA+; Negative
37.	Long Term Bonds	INE572E09593	5-Jun-2018	5-Jun-2020	8.60% (IRR-ZCB)	300.00	CARE AA+; Negative
38.	Long Term Bonds	INE572E09288	25-Jul-2018	28-Jul-2020	8.56%	95.00	CARE AA+; Negative
39.	Long Term Bonds	INE572E09288	8-Aug-2018	28-Jul-2020	8.56%	91.00	CARE AA+; Negative
40.	Long Term Bonds	INE572E09288	20-Aug-18	28-Jul-20	8.56%	95.00	CARE AA+; Negative
41.	Long Term Bonds	INE572E09601	30-Aug-18	30-Aug-21	8.75%	105.00	CARE AA+; Negative
42.	Long Term Bonds	INE572E09619	30-Aug-18	30-Aug-22	9.00%	355.00	CARE AA+; Negative
43.	Long Term Bonds – Tier-II	INE572E09627	7-Jan-19	5-Jan-29	9.40%	39.70	CARE AA+; Negative
44.	Long Term Bonds	INE572E07050	28-Feb-19	28-May-20	8.77%	235.00	CARE AA+; Negative
45.	Long Term Bonds	INE572E07068	7-Nov-19	5-Nov-25	8.75%	2500.00	CARE AA+; Negative
46.	Proposed bonds					17,222.00	CARE AA+; Negative

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Bonds	LT	150.00	CARE AA+; Negative	-	1)CARE AA+; Stable (05-Jul-19) 2)CARE AAA (Under Credit watch with Developing Implications) (29-Apr-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (18-Jul-17)
2.	Debt-Subordinate Debt	LT	-	-	-	-	-	1)Withdrawn (18-Jul-17)
3.	Debt-Subordinate Debt	LT	200.00	CARE AA+; Negative	-	1)CARE AA+; Stable (05-Jul-19) 2)CARE AAA (Under Credit watch with Developing Implications) (29-Apr-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (18-Jul-17)
4.	Bonds	LT	125.00	CARE AA+; Negative	-	1)CARE AA+; Stable (05-Jul-19) 2)CARE AAA (Under Credit watch with Developing Implications) (29-Apr-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (18-Jul-17)
5.	Bonds	LT	-	-	-	-	-	1)Withdrawn (18-Jul-17)
6.	Bonds	LT	200.00	CARE AA+; Negative	-	1)CARE AA+; Stable (05-Jul-19) 2)CARE AAA (Under Credit watch with Developing Implications) (29-Apr-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (18-Jul-17)
7.	Bonds	LT	500.00	CARE AA+; Negative	-	1)CARE AA+; Stable (05-Jul-19) 2)CARE AAA (Under Credit watch with Developing Implications)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (18-Jul-17)

						(29-Apr-19)		
8.	Bonds-Non Convertible Bonds	LT	1000.00	CARE AA+; Negative	-	1)CARE AA+; Stable (05-Jul-19) 2)CARE AAA (Under Credit watch with Developing Implications) (29-Apr-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (18-Jul-17)
9.	Bonds	LT	600.00	CARE AA+; Negative	-	1)CARE AA+; Stable (05-Jul-19) 2)CARE AAA (Under Credit watch with Developing Implications) (29-Apr-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (18-Jul-17)
10.	Commercial Paper	ST	25000.00	CARE A1+	-	1)CARE A1+ (10-Sep-19) 2)CARE A1+ (05-Jul-19) 3)CARE A1+ (29-Apr-19)	1)CARE A1+ (06-Jul-18) 2)CARE A1+ (29-May-18)	1)CARE A1+ (29-Aug-17) 2)CARE A1+ (18-Jul-17)
11.	Fund-based-Long Term	LT	15600.00	CARE AA+; Negative	-	1)CARE AA+; Stable (10-Sep-19) 2)CARE AA+; Stable (05-Jul-19) 3)CARE AAA (Under Credit watch with Developing Implications) (29-Apr-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (08-Jan-18) 2)CARE AAA; Stable (18-Jul-17)
12.	Bonds	LT	2875.00	CARE AA+; Negative	-	1)CARE AA+; Stable (05-Jul-19) 2)CARE AAA (Under Credit watch with Developing Implications) (29-Apr-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (18-Jul-17) 2)CARE AAA; Stable (29-May-17)
13.	Fixed Deposit	LT	18500.00	CARE AA+ (FD); Negative	-	1)CARE AA+ (FD); Stable (05-Jul-19) 2)CARE AAA (FD) (Under Credit watch with Developing Implications) (29-Apr-19)	1)CARE AAA (FD); Stable (06-Jul-18)	1)CARE AAA (FD); Stable (18-Jul-17)
14.	Bonds-Tier II Bonds	LT	500.00	CARE AA+;	-	1)CARE AA+; Stable	1)CARE AAA; Stable	1)CARE AAA; Stable

				Negative		(05-Jul-19) 2)CARE AAA (Under Credit watch with Developing Implications) (29-Apr-19)	(06-Jul-18)	(18-Jul-17)
15.	Bonds-Non Convertible Bonds	LT	6501.00	CARE AA+; Negative	-	1)CARE AA+; Stable (05-Jul-19) 2)CARE AAA (Under Credit watch with Developing Implications) (29-Apr-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (18-Jul-17) 2)CARE AAA; Stable (29-May-17)
16.	Bonds-Tier II Bonds	LT	499.00	CARE AA+; Negative	-	1)CARE AA+; Stable (05-Jul-19) 2)CARE AAA (Under Credit watch with Developing Implications) (29-Apr-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (18-Jul-17) 2)CARE AAA; Stable (29-May-17)
17.	Bonds	LT	8500.00	CARE AA+; Negative	-	1)CARE AA+; Stable (05-Jul-19) 2)CARE AAA (Under Credit watch with Developing Implications) (29-Apr-19)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (29-Aug-17) 2)CARE AAA; Stable (18-Jul-17)
18.	Fund-based-LT/ST	LT/ST	6400.00	CARE AA+; Negative / CARE A1+	-	1)CARE AA+; Stable / CARE A1+ (10-Sep-19) 2)CARE AA+; Stable / CARE A1+ (05-Jul-19) 3)CARE AAA / CARE A1+ (Under Credit watch with Developing Implications) (29-Apr-19)	1)CARE AAA; Stable / CARE A1+ (06-Jul-18)	1)CARE AAA; Stable / CARE A1+ (08-Jan-18) 2)CARE AAA; Stable / CARE A1+ (18-Jul-17)
19.	Bonds	LT	7000.00	CARE AA+; Negative	-	1)CARE AA+; Stable (05-Jul-19) 2)CARE AAA (Under Credit watch with Developing Implications)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (08-Jan-18)

						(29-Apr-19)		
20.	Bonds-Tier II Bonds	LT	1000.00	CARE AA+; Negative	-	1)CARE AA+; Stable (05-Jul-19) 2)CARE AAA (Under Credit watch with Developing Implications) (29-Apr-19)	1)CARE AAA; Stable (06-Jul-18)	-
21.	Bonds	LT	-	-	-	-	1)Withdrawn (06-Jul-18)	-
22.	Debentures-Non Convertible Debentures	LT	5000.00	CARE AA+; Negative	-	1)CARE AA+; Stable (05-Jul-19) 2)CARE AAA (Under Credit watch with Developing Implications) (29-Apr-19)	1)CARE AAA; Stable (06-Jul-18)	-
23.	Bonds-Non Convertible Bonds	LT	-	-	-	1)Withdrawn (05-Jul-19)	-	-

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