PNB Housing Finance Limited

February 19, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Non-Convertible Debenture	2,900.00	2,900.00	[ICRA]AA+(stable); outstanding
Tier II Bonds	200.00	200.00	[ICRA]AA+(stable); outstanding
Total	**3,100.00**	**3,100.00**	

*Instrument details in annexure-1

Rating action

ICRA has rating of [ICRA]AA+ (ICRA double A plus) with a stable outlook outstanding for the Rs. 2,900 crore NCD programme and Rs. 200 crore Tier II bonds of PNB Housing Finance Limited (PNBHFL). ICRA maintains that the rating of PNBHFL is unlikely to be impacted because of recent developments at its promoter entity, i.e. Punjab National Bank (PNB) rated ([ICRA]AA+(hyb)@[1]/[ICRA]A1+).

Rationale

ICRA expects that the recent developments at PNB, whereby PNB has disclosed to the stock exchanges that it has detected fraudulent transactions amounting to USD 1.77 billion (~Rs. 11,300 crore); is unlikely to have any material impact on the credit profile of PNBHFL.

While rating of PNBHFL factors in shareholding of PNB (PNB held 32.96% stake in PNBHFL as on December 31, 2017), with adequate capitalisation with CRAR of **17.39%** and average gearing of 7.24 times (21.62% and 8.72 times respectively as on March 31, 2017) and steady asset quality indicators, ICRA does not expect PNBHFL to be dependent on PNB for any capital and liquidity support. Nevertheless, given that the brand name is shared by PNB and PNBHFL and hence the reputational risk, any significant impact of the event on PNBHFLs funding and liquidity profile would be key monitorable.

Key rating drivers

For Key Rating Drivers please refer to previous rating rationale by clicking here

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below**.**

Links to applicable criteria:

ICRA rating methodology for Housing Finance Companies

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[1] @ - denotes rating watch with negative implications

About the Company

Incorporated in 1988, PNBHFL is a deposit accepting housing finance company. The company's shareholding pattern changed after it raised funds through an IPO in November 2016). The shareholding of PNB reduced to 32.96% from 51%, of Quality Investment Holdings (QIH) earlier Destimoney Enterprises Limited (Carlyle Group) reduced to 37.5% from 49% as on December 31, 2017. PNBHFL offers home loans, loans against property, builder loans and lease rental discounting. The company's portfolio mix as on December 31, 2017 included housing loans (57.2%), construction finance loans (12.5%) and non-housing loans (30.3%) aggregating to Rs 55,296 crore. During 9MFY2018, PNBHFL reported a PAT of Rs.610 crore vis-à-vis PAT of Rs 371 crore in 9MFY2017. It had an adequate capitalization profile with a CRAR of 17.39% and asset quality characterized by GNPA and NNPA of 0.42% and 0.33% as on December 31, 2017.

Key Financial Indicators

Amounts in Rs. crore	FY2016	FY2017	9MFY2018
Assets Under Management	27,555	41,492	57,668
Average Yield	11.25%	10.76%	9.99%
Avg. Cost of borrowings	9.07%	8.55%	7.49%
Spread	2.18%	2.21%	2.50%
PAT	326	524	610
GNPA	0.22%	0.22%	0.42%
NNPA	0.14%	0.15%	0.33%
Average Gearing ratio (times)	10.77	8.72	7.24
CRAR	12.70%	21.62%	17.39%

Source: Company Financials

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years:

Sr. No.	Name of Instrument	Current Rating (FY2018)				Chronology of Rating History for the past 3 years			
		Type	Rated amount (Rs. crore)	Amount Outstanding (Rs. Crore)	Feb 2018	FY2017	FY2016	FY2015	
						Mar/Apr 2016	Mar 2016	Sept 2015	Oct 2014
1	NCD Programme	Long Term	2,900	1,725	[ICRA]AA+	[ICRA]AA+(stable)	[ICRA]AA+(stable)	[ICRA]AAA (stable)	[ICRA]AA+ (Positive)
2	Lower tier-II bonds programme	Long-term	200	200	[ICRA]AA+	[ICRA]AA+(stable)	[ICRA]AA+(stable)	[ICRA]AAA (stable)	[ICRA]AA+ (Positive)

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance /Sanction	Coupon rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE572E09239	NCD	31-Jan-14	9.48%	31-Jan-24	300.00	[ICRA]AA+(stable)
INE572E09221	NCD	31-Jan-14	9.53%	31-Jan-19	300.00	[ICRA]AA+(stable)
INE572E09296	NCD	09-Oct-15	8.23%	09-Apr-19	1,125.00	[ICRA]AA+(stable)
NA	NCD: redeemed/to be placed	NA	NA	NA	1,175.00	[ICRA]AA+(stable)
Sub-total (A)					**2,900.00**	
NA	Sub-debt/ tier-II bonds	24-Nov-14	8.70%	24-Nov-14	200.00	[ICRA]AA+(stable)
Sub-total (B)					**200.00**	
Total (A)+(B)					**3,100.00**	

Source: Company

ANALYST CONTACTS

Karthik Srinivasan
+91 22 61143444
karthiks@icraindia.com

Supreeta Nijjar
+91 124 4545324
supreetan@icraindia.com

Rajat Mehta
+91 124 4545377
rajat.mehta@icraindia.com

Saagar Malhotra
+91 124 4545308
saagar.malhotra@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
naznin.prodhani@icraindia.com

Helpline for business queries:

+91-124-2866928 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Corporate Office
Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002
Tel: +91 124 4545300
Email: info@icraindia.com
Website: www.icra.in

Registered Office
1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001
Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87
Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,
Bangalore + (91 80) 2559 7401/4049
Ahmedabad+ (91 79) 2658 4924/5049/2008
Hyderabad + (91 40) 2373 5061/7251
Pune + (91 20) 6606 9999