

January 30, 2026

## PNB Gilts Limited: Rating reaffirmed

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Commercial paper programme	1,000.00	1,000.00	[ICRA]A1+; reaffirmed
Inter-corporate deposits	1,000.00	1,000.00	[ICRA]A1+; reaffirmed
<b>Total</b>	<b>2,000.00</b>	<b>2,000.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The rating continues to factor in for PNB Gilts Limited's superior liquidity profile, reflected by the significant share of liquid Government securities (G-Secs) in the overall assets, and its access to call money and repo borrowings from the market, apart from access to a standing liquidity facility (SLF) from the Reserve Bank of India (RBI). The share of non-statutory liquidity ratio (SLR) securities has also remained restricted to highly rated corporate bonds. Further, PNB Gilts has adequate safeguards, as mentioned in the business policy document, to monitor interest rate, liquidity and credit risks. Given its sizeable net worth, the company also has a satisfactory cushion to withstand the impact of any adverse interest rate movements, resulting in a strong capitalisation profile. PNB Gilts has strong parentage in the form of Punjab National Bank (PNB; rated [ICRA]AAA (Stable)/[ICRA]A1+ for its Basel III Tier II bonds).

ICRA notes the susceptibility of PNB Gilts' profitability and capitalisation profile to interest rate movements, given its business and the high share of debt securities in the overall assets. It kept its leverage above the peer average during the last few years, which increased its vulnerability to market risks. This resulted in trading losses for the company during FY2022-FY2023. With changes in its portfolio mix and duration, PNB Gilts reported trading gains during FY2024-FY2025, boosting its profitability and net worth. Further, the decline in bond yields helped it report sizeable trading gains in Q1 FY2026. However, rising bond yields thereafter resulted in trading losses during Q2-Q3 FY2026, erasing the gains made in Q1 FY2026. This reflects the vulnerability of the company's profitability to interest rate movements and the corresponding strategies adopted by it.

With respect to net interest income (NII), PNB Gilts witnessed an improvement in FY2025 and H1 FY2026 as the shorter-tenure low-yielding securities, which were purchased earlier, matured and the average investment book increased. This, along with the reduction in the cost of funds upon the cut in repo rates, boosted its NII. With bond yields expected to stay elevated in the near term, trading opportunities are expected to remain limited. Hence, NII would be the key driver of profitability in the near term.

While PNB Gilts' income remains less diverse and its earnings profile continues to be susceptible to adverse interest rate movements, as the portfolio largely comprises debt securities, its ability to adhere to its risk management policies, as described by the business policy, will remain critical for the overall profitability. This, along with continued linkages with the parent, and the ability to withstand any adverse regulatory changes for primary dealers (PDs) will remain key monitorable factors.

## Key rating drivers and their description

### Credit strengths

**Subsidiary of PNB with strong linkages** – Strong managerial linkages exist between PNB Gilts and PNB, which holds a 74.07% stake. The company's board of directors and key management personnel consist of members who had previously served at PNB and currently include the bank's Executive Director. PNB's liquidity support is reflected in the sanctioned bank limits of Rs. 1,900 crore. Further, given the shared brand name, ICRA expects support from the parent to be forthcoming if required.

Regarding adherence to the operational guidelines set by the RBI for PDs, PNB Gilts achieved a success ratio<sup>1</sup> of 61.43% in the Treasury bills (T-bills) market in H1 FY2026 (50.34% in H1 FY2025 and 44.14% in H1 FY2024), above the regulatory requirement of 40%. It achieved an outright turnover ratio<sup>2</sup> of 3% for dated G-Secs in H1 FY2026 (6.67% in FY2025), above the regulatory requirement of 2.5% (2% for FY2025) of the average dated G-Sec outright market turnover during the previous three financial years.

**Strong capitalisation profile** – PNB Gilts' capital adequacy remains strong with its capital-to-risk weighted assets ratio (CRAR) at 43.57% as on September 30, 2025 (42.68% as of March 2025 and 41.75% as of September 2024), well above the regulatory minimum of 15% for PDs. The daily average leverage was 14.94 times in H1 FY2026 (14.13 times in FY2025).

Given the susceptibility of the profitability and capital profile to interest rate movements, PNB Gilts has a board-approved one day value at risk (VaR) limit of 7.5% of its net owned funds (NOF) for its consolidated fixed income portfolio. The company remained within this limit in H1 FY2026 and FY2025.

The sizeable net worth provides PNB Gilts with a comfortable cushion to absorb any significant shocks in the interest rates. As on September 30, 2025, the company had a net worth of ~Rs. 1,642 crore (NOF of ~Rs. 1,629 crore) and the price value of basis point (PVBP)<sup>3</sup> stood at Rs. 3.2 crore, indicating its ability to absorb adverse movements of 336 basis points (bps) in interest rates while maintaining the CRAR above the regulatory requirement.

**Superior liquidity** – The company has a large portfolio of highly liquid G-Secs (Central/state government and Government of India (GoI) T-bills). On a daily average basis, investment in G-Secs comprised ~85% of the total assets in H1 FY2026 (~85% in FY2025). Other assets include investments in highly rated corporate bonds. PNB Gilts' corporate debt investment portfolio has also remained well diversified across highly rated corporates and limited in relation to its NOF. The corporate debt investments can be partly funded through call/notice money (subject to daily average of 225% of NOF at the end of the previous fiscal), commercial paper, inter-corporate deposits (150% of NOF at the end of the previous fiscal) or bank lines. These investments can also be sold to generate liquidity, if required. With funds parked in highly liquid investments, PNB Gilts' overall liquidity remains superior.

PNB Gilts' liquidity is also supported by its access to the money market for call and repo borrowings (including AMC repo<sup>4</sup>). Though the company's liabilities are largely short term in nature compared to the long tenure of the assets, the liquid nature of the assets mitigates the asset-liability risk.

**Adequate internal prudential norms and risk management systems** – PNB Gilts faces significant risks because of adverse interest rate movements as well as the exposure to credit risk in non-SLR debt instruments. In this regard, prudent risk management policies and adherence to the same are critical for a PD. ICRA takes comfort from the strong risk management policies as described by the business policy document approved by the company's board with well-defined norms for investments, leverage, portfolio mix, funding, PVBP, VaR limits, stop-loss limits, mark-to-market (MTM) loss limits and profit-booking limits apart from proper monitoring and adherence to these policies. In addition, as stated by the management, the

<sup>1</sup> **Success ratio** – Bids accepted/Bidding commitment

<sup>2</sup> **Outright turnover ratio** – Total company's purchase and sales during the year in the Central G-secs secondary market/Average dated G-Sec outright market turnover during the previous three financial years

<sup>3</sup> **PVBP** measures the gain/loss on the entire portfolio for a 1 bps (0.01%) movement in the interest rate

<sup>4</sup> **Repo borrowings limit** provided by asset management companies (AMCs) against corporate securities

oversight by the parent in terms of risk management and compliance has increased, which indicates a higher level of integration with the parent's policies.

During the last few years, the leverage limit had increased as per the board-approved policy, adding to the volatility in the profit. Further, the company uses VaR and stress testing tools to monitor and measure the impact of interest rate movements on its portfolio to assess the market risk and ensure that it is within the board-approved limits. The actual VaR largely remained within the approved limits in H1 FY2026 and FY2025.

As per the risk management policy, investment in non-SLR securities is allowed only for entities rated AAA to AA (with reducing limits for lower rating levels) and A1+, which mitigates any credit risk. The revised policy now allows investment in A+ rated securities, but only for debt capital management (DCM) services being offered to clients. AAA/A1+ rated entities accounted for around 95% of the total non-SLR portfolio by value as on September 30, 2025.

### Credit challenges

**Low diversity in revenue stream** – PNB Gilts' revenue stream is relatively less diversified compared to other PDs, with interest income and trading income accounting for almost 97% of its total revenue in H1 FY2026 (97% in FY2025 and 92% in FY2024). Underwriting and other income was Rs. 5 crore in H1 FY2026 (Rs. 10 crore in FY2025 and Rs. 12 crore in FY2024) because of the lower devolvement of G-Secs on PDs. Going forward, other income will remain linked to the quantum of government borrowing as well as the extent of underwriting commission.

**Profitability impacted by rise in long-term yields** – As PNB Gilts' total portfolio mainly comprises debt securities, its profitability is highly dependent on interest rate movements and the ability to predict the same correctly. This is reflected in the sizeable variation in trading income (including MTM gains/losses) during the past few fiscals because of the movement in bond yields (trading profit of Rs. 17 crore in H1 FY2026 against trading profit of Rs. 142 crore in H1 FY2025, Rs. 155 crore in FY2025, and Rs. 50 crore in FY2024 and loss of Rs. 303 crore and Rs. 234 crore in FY2023 and FY2022, respectively).

Apart from trading income, the profitability remains dependent on the NII, which is driven by the interest rate environment. The NII rose to Rs. 176 crore in H1 FY2026 (Rs. 105 crore in H1 FY2025 and Rs. 200 crore in FY2025) on account of the increase in the investment book and the maturity of low-yielding short-tenured G-Secs. Hence, trading income and NII will remain susceptible to the volatility in interest rates. Given the improvement in the yield on assets compared to the cost of funds, the NII for H2 FY2026 is expected to remain healthy, keeping the overall net interest margin stable for FY2026. With yields expected to stay elevated in the near term, opportunities for trading opportunities are likely to remain limited, and profitability will continue to be primarily driven by interest income.

**Vulnerability to any adverse development in regulatory framework for PDs** – The RBI is the regulatory authority for PDs and has prescribed operational guidelines for underwriting commitments for G-Secs, bidding commitments and success ratios for T-bills, the achievement of minimum turnover ratios and funding support in the form of liquidity adjustment facility (LAF)/SLF. Therefore, any significant change in the regulatory framework for PDs, which adversely impacts the company's operational and financial profile, can affect its funding costs and profitability.

### Environmental and social risks

As the corporate investments by PDs are generally driven by market opportunities and are not based on lending decisions, a sizeable share largely relates to sovereign entities and service-oriented businesses. Accordingly, the direct exposure of PDs to environmental risks is not material. As for exposure to social risks, the most relevant risk pertains to the ability to attract and retain specialised talent, for which PDs compete with other financial sector companies. Other types of social risks emanating from concerns around responsible production, employee health or safety, labour relations issues, product mis-selling, etc, do not apply to PDs.

## Liquidity position: Superior

As PNB Gilts is a PD, the majority of its investments are in highly liquid G-Secs. On a daily average basis, investments in G-Secs comprised ~85% of the total assets in H1 FY2026 (85% in FY2025) while the rest were in highly rated corporate debt securities, which can be liquidated if required. The liquidity is also supported by the company's access to the money market for call and repo borrowings, in addition to the RBI's SLF funding. ICRA expects support from the parent to be forthcoming, if required, to aid the company's liquidity profile.

## Rating sensitivities

**Positive factors** – Not applicable

**Negative factors** – The rating can be downgraded in case of a dilution in the linkages with PNB and/or if sustained losses result in considerable erosion of the net worth. Moreover, any regulatory change adversely impacting the PD business will remain a key negative trigger.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Rating Methodology for Primary Dealers</a>
Parent/Group support	Parent/Group company – PNB The rating factors in the operational, managerial and liquidity support provided by the promoter – PNB
Consolidation/Standalone	To arrive at the rating, ICRA has considered the standalone financials of the company

## About the company

PNB Gilts Limited is one of the seven standalone PDs in the Indian G-Secs market. It was incorporated as a wholly-owned subsidiary of PNB and undertakes most of its operations in G-Secs. The range of products and services offered by the company includes T-bills, Central Government dated securities, state government securities, public sector unit (PSU) bonds, inter-corporate deposits, gilt accounts, money market instruments and investment/trading in equity and equity derivatives. In addition, it offers advisory services to clients for managing their G-Sec portfolios. In July 2000, the company launched an initial public offering (IPO), thereby reducing PNB's stake to 74.07%.

The company reported a net profit of Rs. 115 crore in H1 FY2026 on total interest income of Rs. 845 crore compared to a profit of Rs. 168 crore on total interest income of Rs. 796 crore in H1 FY2025. PNB Gilts achieved a success ratio (ratio of bids accepted to bidding commitment) of 61.43% in the T-bills market in H1 FY2026 (50.34% in H1 FY2025), significantly above the regulatory requirement of 40%.

## Key financial indicators

PNB Gilts Limited	FY2024	FY2025	H1 FY2026
Profit after tax (PAT)	69	233	115
Net worth	1,330	1,545	1,642
Total assets	24,540	24,703	27,326
PAT/Net worth (RoNW)	5.19%	15.08%	13.97%#
Leverage ratio (daily average; times)	15.62	14.13	14.94

Source: PNB Gilts, ICRA Research; Amount in Rs. crore; # Annualised

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated	Date & rating in FY2026	FY2025		FY2024		FY2023	
		(Rs. crore)	Jan-30-2026	Date	Rating	Date	Rating	Date	Rating
Commercial paper	Short Term	1,000.00	[ICRA]A1+	Jan-29-2025	[ICRA]A1+	Jan-19-2024	[ICRA]A1+	Jan-23-2023	[ICRA]A1+
Inter-corporate deposits	Short Term	1,000.00	[ICRA]A1+	Jan-29-2025	[ICRA]A1+	Jan-19-2024	[ICRA]A1+	Jan-23-2023	[ICRA]A1+

ST – Short term

### Complexity level of the rated instrument

Instrument	Complexity indicator
Commercial paper	Simple
Inter-corporate deposits	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

**Annexure I: Instrument details**

ISIN	Instrument name	Date of issuance/ Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
Yet to be placed	Commercial paper	Yet to be placed	-	-	1,000.00	[ICRA]A1+
NA	Inter-corporate deposits*	Jan-07-2026	5.85	Feb-02-2026	50.00	[ICRA]A1+
NA	Inter-corporate deposits	Unutilised	-	-	950.00	[ICRA]A1+

Source: PNB Gilts; \*Outstanding as on Jan 28, 2026

**Annexure II: List of entities considered for consolidated analysis**

Not applicable

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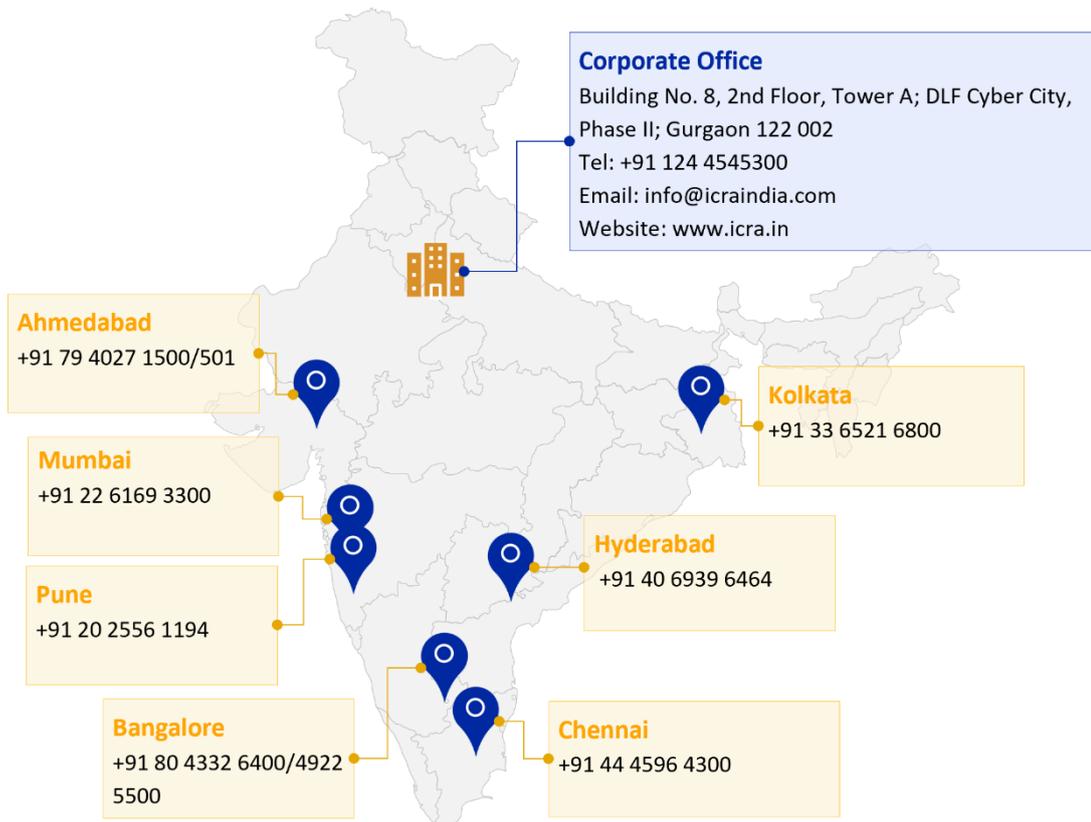
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### Branches



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