

PNB Gilts Limited

February 19, 2018

Summary of rated instruments

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Commercial Paper programme	500.00	500.00	[ICRA]A1+;
Total	500.00	500.00	

Rating action

ICRA has [ICRA]A1+ (ICRA A one plus) rating outstanding for the Rs. 500 crore Commercial Paper programme of PNB Gilts Limited (PNB Gilts). ICRA maintains that the rating of PNB Gilts 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 impact on the short term rating of [ICRA]A1+ for the commercial paper programme of PNB Gilts.

Being a primary dealer (PD), majority of the assets of PNB Gilts are constituted by liquid government securities, which coupled with its ability to borrow under Liquidity Adjustment Facility (LAF) of Reserve bank of India (RBI) against these securities impart superior liquidity to PNB Gilts. As on December 31, 2017, 82% of the assets of PNB Gilts consisted of liquid assets like government securities, treasury bills, fixed deposits and liquid mutual funds. With sizeable network of ~Rs 869.90 crore, ICRA expects PNB gilts to remain self-sufficient for its capital requirements.

Key rating drivers

For the rating drivers Please click [here](#) for previous rating rationale.

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

Links to applicable criteria:

[ICRA Rating Methodology for Primary Dealers](#)

¹@ - denotes rating watch with negative implications

About the Company:

PNB Gilts Ltd was incorporated in the year 1996 as a wholly owned subsidiary of Punjab National Bank with an initial paid up capital of Rs. 50 crore. In the year 1998, the company received the certificate from RBI to carry on the business of a Non-Banking Finance Company. In July 2000, the company came with an Initial Public Offer (IPO), thereby reducing the shareholding of Punjab National Bank to 74.07%. For FY2017, company's total turnover ratio stood at 104 times for treasury bills and 511 times for government-dated securities as against the minimum RBI stipulation of 10 times and 5 times respectively for the year. During FY2017, PNB Gilts reported a net profit of Rs. 167.17 crore on average net worth of Rs. 814.79 crore as compared to net profit of Rs. 34.50 crore on average net worth of Rs. 724.64 crore during FY2016. During 9MFY2018, company reported net profit of Rs.25.66 crore as compared to net profits of Rs.155.39 crore during 9MFY2017.

Key financial indicators*

	FY2016	FY2017	9MFY2017	9MFY2018
Income from Operations	342.92	499.93	439.63	306.09
Total Revenue	343.40	500.54	439.71	306.24
Finance Cost	275.62	225.72	190.20	253.03
Other Expenses	16.33	18.29	12.80	14.57
Profit Before Tax (PBT)	51.47	256.54	236.70	38.64
Tax	16.98	89.37	81.31	12.97
Profit After Tax (PAT)	34.50	167.17	155.39	25.67
Net Worth	731.68	898.85	886.62	869.80
Borrowing	4,920.68	3,513.93	NA	NA
Stock in Trade	4,960.58	3,885.35	NA	NA
Investments	640.47	442.54	NA	NA
Total Assets	5,769.82	4,565.51	3,577.07	7,197.91
PAT/ATA	0.66%	3.24%	5.24%	0.50%
PAT/Net Worth	4.71%	18.60%	23.37%	3.93%
Stock in Trade/Total Assets	85.97%	85.10%	NA	NA
Gearing	6.73	3.91	NA	NA

Amount is Rs. crore

Source: PNB Gilts; ICRA research

*Note: The figures are audited for FY2016 and FY2017 but unaudited for 9MFY2017 and 9MFY2018 respectively

All ratios are as per ICRA calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

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	FY2018 August 2017	FY2017	FY2016	FY2015
1	Commercial Paper Programme	Short Term	500	NA	[ICRA]A1+	[ICRA]A1+;	NA	NA	NA

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
NA	Commercial Paper	-	-	7-365 days	500.00	[ICRA]A1+

Source: PNB Gilts

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