

India Ratings Upgrades PNB Housing Finance’s NCDs and Bank Loans to ‘IND AAA/Stable; Rates Additional NCDs

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India Ratings and Research (Ind-Ra) has upgraded PNB Housing Finance Limited’s (PNBHF) non-convertible debentures (NCDs) and bank loan facilities to ‘IND AAA’ from ‘IND AA+’, with a Stable Outlook, and rated additional NCDs. The detailed instrument-wise rating actions are as follows:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (billion)	Rating assigned along with Outlook/Watch	Rating Action
Bank loan facilities	-	-	-	INR65	IND AAA/Stable	Upgraded
Non-convertible debentures#	-	-	-	INR34.55	IND AAA/Stable	Upgraded
Non-convertible debentures#	-	-	-	INR15	IND AAA/Stable	Assigned

#Details in Annexure

Analytical Approach

Ind-Ra believes the lifting of the proposed restriction on overlapping business lines between banks and their subsidiaries by the Reserve Bank of India on 1 October 2025 reduces the divestment risk and strengthens the expectation of continued strategic and financial support from the parent.

Accordingly, Ind-Ra has changed its rating approach from solely taking a standalone view of PNBHF to incorporating the availability of financial support from Punjab National Bank (PNB, [IND AAA/Stable](#); holds 28% stake in PNBHF), particularly in terms of timely liquidity and capital infusion, if required. PNB’s ratings are driven by its systemically important position and the likelihood of the bank continuously receiving financial support from the government of India (GoI). The rating also considers PNBHF’s standalone credit profile.

Detailed Rationale of the Rating Action

The upgrade reflects Ind-Ra’s expectation of PNBHF receiving timely support in terms of liquidity and equity from PNB (as per the bank guidelines), with PNB maintaining its stake in PNBHF and sharing the brand name.

The rating also reflects PNBHF’s position among India’s top housing financiers, having seen multiple business cycles. Moreover, PNBHF has demonstrated consistent improvement in profitability and asset quality and has achieved granularisation of the loan book. It has raised funding at competitive rates and maintained adequate liquidity buffers. Ind-Ra expects the entity’s credit cost to remain modest in the near to medium, given the tightened underwriting norms and retail & granular nature of its loan book. However, the performance of its affordable housing finance portfolio, which is at a nascent stage with high growth, remains a monitorable.

List of Key Rating Drivers

Strengths

- Support from PNB
- Significant player in housing finance space
- Improvement in profitability
- Robust capital buffers
- Improvement in asset quality
- Diversified resource profile

Weaknesses

- Performance of affordable and emerging housing portfolio to be monitored

Detailed Description of Key Rating Drivers

Support from PNB: The rating reflects Ind-Ra's expectation of timely liquidity and capital support for PNBHF from its promoter PNB. PNB considers PNBHF a strategically important associate in the mortgage space, serving as a key extension of its retail credit franchise. PNB has demonstrated its commitment by subscribing to PNBHF's entitlement in the FY24 rights issue and having its representative as a non-executive nominee director of PNBHF. Ind-Ra also expects PNB to maintain its shareholding in the company and continue sharing its brand name with PNBHF.

Significant Player in Housing Finance Space: PNBHF is the one of the largest players in the housing finance space, with an asset under management of (AUM) of INR839 billion as on 30 September 2025 (FY25: INR804 billion; FY24: INR712 billion) and an operational track record of over three decades. It has witnessed multiple business cycles and has a pan-India presence with 356 branches. With the last equity infusion of around INR25 billion in FY24 and adequate internal accruals, the company is favourably placed to increase the franchisee. It entered an affordable housing finance business in January 2023 and plans to grow this book (exceeded INR60 billion in September 2025), which is yield accretive, despite having high operating costs. PNBHF has also completely granularised its portfolio with the complete run down of the wholesale book. However, it can start the wholesale business at a reduced ticket size in select geographies in the medium term.

Improvement in Profitability: PNBHF has demonstrated a consistent improvement in profitability, with return on assets (RoA) rising to 2.76% in 1HFY26 (FY25: 2.52%; FY24: 2.20%; FY23: 1.60%). Ind-Ra expects the increasing share of affordable housing and emerging in the loan portfolio to enhance PNBHF's overall yield, thereby strengthening its profitability metrics. The cost of funds is likely to decline further, supported by a diversified funding mix and a high proportion (66%) of floating-rate borrowings. Furthermore, stable operating expenses-to-average assets at 1% in 1HFY26 (FY25: 1%; FY24: 0.89%; FY23: 0.81%) and provision reversals with written-off recoveries have contributed positively to the bottom line.

Robust Capital Buffers: PNBHF's tangible net worth reached INR178.6 billion in 1HFY26 (FY25: INR166.2 billion; FY24: INR148 billion, FY23: INR107.9 billion) with stable internal accruals and last equity infusion of INR25 billion in FY24. Leverage (debt/tangible equity) remained stable at 3.6x in 1HFY26 (FY25: 3.7x, FY24: 3.7x, FY23: 5.0x). PNBHF is well poised to grow the book in the retail segment. The management has guided for 17%-18% yoy growth in the retail loan book in FY26 and aims for a leverage ratio of 4x-4.5x in the next two years, supported by internal accruals. Ind-Ra believes the leverage is reasonable for a housing finance company operating in a retail space with control on the asset quality. Even under a stress case scenario, which assumes an increase in credit cost, the capital buffers are reasonable.

Improvement in Asset Quality: There has been a significant reduction in PNBHF's credit costs in 1HFY26 to negative 0.44% (FY25: negative 0.23%; FY24: 0.28%; FY23: 1.2%), due to a recovery from the written-off pool, release of expected credit loss because of a foreclosure in a corporate loan account and a reduction in the overall headline gross non-performing assets (NPAs) to 1.04% (1.08%; 1.5%; 3.8%). There has been nil corporate gross NPAs in 1HFY26 (FY25: nil, FY24: 3.31%, FY23: 22.2%). The steep reduction in corporate gross NPAs was due to the sale to asset reconstruction companies and write-offs. The company has a remaining written-off pool of around INR10 billion: INR6.75 billion in corporates and the balance in retail at end-1HFY26. Its provisioning on stage 3 assets (1HFY26: 34%) and total provision

of 1.2% seem adequate, given the retail nature of the book. Since the overhang of corporate book stress was over, Ind-Ra believes PNBHF's credit cost trajectory would be more predictable and its operating buffers would be sufficient to cushion the impact of credit cost. PNBHF's ability to manage the affordable housing book remains monitorable.

Diversified Resource Profile: PNBHF has a diversified resource profile, with the ability to raise funds from banks and the capital markets. As it is an associate of PNB, it has raised funds at competitive rates from a diverse set of lenders. It also has a deposit-taking licence, and deposits comprised 28% of the total funding mix as of September 2025. PNBHF has banking lines from multiple banks comprising public, private and foreign banks. The proportion of loans from the National Housing Bank (NHB; '[IND AAA/Stable](#)') stood at 13.9% in 1HFY26 (FY25: 13.6%, FY24: 9.2%; FY23: 6%). With its focus on the affordable housing business, PNBHF would raise a higher amount of funds from NHB under the various schemes. The low-cost funding from NHB enables it to diversify its funding profile and reduce the overall cost of funds. PNBHF has also raised funds through commercial papers and external commercial borrowings. It can expand its presence in the bond market as the rates have stabilised. Securitisation is always an avenue available for raising funds for PNBHF. Moreover, The incremental borrowings mobilised are long term in nature, and thus, help in improving the company's asset-liability profile. Although the company is diversifying its funding mix, during stress periods, it can rely on the group funding.

Performance of Affordable and Emerging Housing Portfolio to be Monitored: PNBHF has started affordable and emerging housing finance segment recently, and this portfolio has yet to see multiple cycles. This portfolio targets a modest customer profile and is originated from Tier 2 cities and deeper geographies. The ability of this class of customers to absorb income shocks is limited, and hence Ind-Ra believes that their credit cost behaviour would be different from the prime segment. However, pricing in this segment should be sufficient to take care of the credit risk. Given the unseasoned nature of this book, the repayment behaviour is a key monitorable.

Liquidity

Adequate: As of 30 September 2025, PNBHF's asset-liability profile (on a behavioural basis excluding net interest flows, inflows from the line of credit from financial institutions and pending disbursements) had a cumulative negative gap of INR32 billion in the six months to one year bucket. The prepayment in the asset-liability profile is based on the prepayment trend observed over the past two-to-three years. At 2QFYE26, PNBHF's liquidity and unutilised bank lines were sufficient to cover the next two months of principal repayments without factoring in its collections. Also, being a part of PNB, PNBHF has access to funding and can raise funds by securitising its assets.

At end-September 2025, the company's total liquidity (including liquid investment, unutilised bank lines and credit line from PNB) stood at INR122.2 billion and it had around three months of advances of INR40 billion, against the scheduled debt repayments of INR82.3 billion during October- December 2025. PNBHF plans to maintain matched asset-liability profile in the near-term buckets and keep adequate liquidity to support its fixed obligations over the short term.

Rating Sensitivities

Positive: Not applicable

Negative: Developments that could, individually or collectively, lead to a negative rating action include:

- a downgrade in PNB's ratings or significant decline in its shareholding
- PNBHF's declining strategic importance to PNB
- inability to expand franchisee on account of competitive headwinds or otherwise
- significant increase in the credit cost diluting the operating buffers
- leverage (debt/tangible equity) exceeding 5x on a sustained basis and dilution in the liquidity buffer

Any Other Information

Not applicable

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on PNBHF, either due to their nature or the way in which they are being managed by the entity. For more information on Ind-Ra’s ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

About the Company

PNBHF is a deposit-accepting housing finance company registered under NHB and the Companies Act, 1956. It provides housing loans to individuals for the purchase, construction, repair, and upgrade of houses. It also provides loans against property, loans for commercial property, and loans for purchase of residential plots, and real estate development loans. There have been no new sanctions of real estate development loans since April 2019. PNBHF has 356 branches/outreaches mainly located across metro, Tier I and Tier II cities across India. It had dedicated 198 branches for affordable business as on 30 September 2025.

Key Financial Indicators

Particulars	1HFY26	FY25	FY24
Total adjusted assets (INR million)*	856,626	822,903	722,175
Total adjusted equity (INR million)*	178,636	166,275	147,787
Profit after tax (INR million)	11,582	19,490	15,274
Return on average assets (%)	2.76	2.52	2.2
Tier 1 capital (%)	29.2	28.4	27.9
Debt/ average tangible equity (%)*	3.6	3.7	3.7
Source: PNBHF; Ind-Ra			
*adjusted for deferred tax assets and intangible assets			

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook			
	Rating Type	Rated Limits (billion)	Rating with Outlook/watch	21 November 2024	5 August 2024	2 January 2024	27 February 2023
Non-convertible debentures	Long-term	INR49.55	IND AAA/Stable	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	IND AA/Stable
Bank loan facilities	Long-term	INR65	IND AAA/Stable	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	-
Commercial paper	Short-term	INR 15	-	WD	IND A1+	-	-

Bank wise Facilities Details

The details are as reported by the issuer as on (17 Nov 2025)

#	Bank Name	Instrument Description	Rated Amount (INR million)	Rating
1	State Bank of India	Term Loan	19503.1	IND AAA/Stable

2	SIDBI	Term Loan	3851.9	IND AAA/Stable
3	National Housing Bank	Term Loan	21103.5	IND AAA/Stable
4	National Housing Bank	Term Loan	11821.8	IND AAA/Stable
5	NA	Bank Loan(Unutilised)	8719.7	IND AAA/Stable

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Bank loan facilities	Low
Non-convertible debentures	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity- indicators>.

Annexure

Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Outlook
NCDs	INE572E09320	18 January 2016	8.42	17 January 2026	INR2.1	IND AAA/Stable
NCDs	INE572E09346	28 April 2016	8.39	28 April 2026	INR2.9	IND AAA/Stable
NCDs	INE572E07167	7 August 2024	8.28	30 December 2026	INR 3.5	IND AAA/Stable
NCDs	INE572E07183	14 October 2024	8.15	29 July 2027	INR3.0	IND AAA/Stable
NCDs	INE572E07191	29 November 2024	8.15	29 November 2027	INR2.8	IND AAA/Stable
NCDs	INE572E07209	7 January 2025	8.104	20 April 2028	INR4.0	IND AAA/Stable
NCDs	INE572E07217	6 February 2025	8.05	6 February 2030	INR3.0	IND AAA/Stable
NCDs	INE572E07225	20 May 2025	7.53	20 May 2030	INR4.0	IND AAA/Stable
NCDs	INE572E07233	23 July 2025	7.43	23 July 2030	INR4.0	IND AAA/Stable
		Utilised			INR29.30	
		Unutilised			INR20.25	IND AAA/Stable
		Total			INR49.55	

Source: PNBHF

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Financial Institutions Rating Criteria

Non-Bank Finance Companies Criteria

Rating FI Subsidiaries and Holding Companies

The Rating Process

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