August 25, 2026

PNB Housing Finance Limited: Rating upgraded to [ICRA]AAA (Stable)

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Long-term bank facilities programme	10,000.00	10,000.00	[ICRA]AAA (Stable); upgraded from [ICRA]AA+ (Stable)	RBI
Non-convertible debentures (NCDs)	500.00	500.00	[ICRA]AAA (Stable); upgraded from [ICRA]AA+ (Stable)	SEBI
Total	**10,500.00**	**10,500.00**		

**Instrument details are provided in Annexure I*

 # The Securities and Exchange Board of India's (SEBI) grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments that fall under the regulatory purview of financial sector regulators (FSRs) other than SEBI

Rationale

The rating upgrade factors in the strengthening of PNB Housing Finance Limited's (PNBHFL) credit profile over the last few years, supported by the improvement in its asset quality, and its transition towards a granular retail-focussed mortgage franchise. PNBHFL has an established track record in the mortgage finance industry and is one of the largest housing finance companies in India with assets under management (AUM) of Rs. 93,021 crore as on June 30, 2026. The company has demonstrated sustained growth in its core housing portfolio while maintaining adequate profitability. Further, its reported asset quality has improved over the years with the gross stage 3 assets (GS3) declining to 0.9% as of June 2026 from 1.1% as of March 2025 (1.5% as of March 2024, 3.8% as of March 2023). The rating also considers PNBHFL's comfortable capitalisation levels, diversified funding profile, and adequate liquidity position. It had a net worth of Rs. 19,794 crore, a capital adequacy ratio (CAR) of 28.3% and a managed gearing[1] of 3.9 times as on June 30, 2026.

The rating continues to factor in the continued support from Punjab National Bank (PNB; rated [ICRA]AAA (Stable)/[ICRA]A1+/[ICRA]AA+ (Stable) for Basel III Tier I bonds), given its stated intent to remain the company's sole promoter and provide financial and other forms of support, when required, to the extent allowed within the regulatory guidance/framework. PNB is expected to maintain its current stake of ~28% in PNBHFL's equity. The company also benefits from the shared brand name, which helps it leverage its franchise and raise funds, supporting its financial flexibility.

However, the performance of the affordable housing finance (AHF) segment shall remain monitorable as this portfolio has grown at sharp rates in the recent past, leading to limited portfolio seasoning in relation to the contractual tenure of the loans. In addition, the company has recently recommenced the construction finance segment, with the portfolio currently remaining small; however, its scalability and asset quality performance will continue to be monitorable as the book seasons.

The Stable outlook on the rating reflects ICRA's expectation that PNBHFL would be able to maintain a steady credit profile as it continues to scale up its operations while maintaining prudent capitalisation. The company is expected to keep benefiting from its association and support from PNB as a promoter.

[1] *Managed gearing = (On-book debt + Off-book portfolio)/Net worth*

Key rating drivers and their description

Credit strengths

Established player in mortgage lending market with healthy asset quality profile – PNBHFL is an established player with a long track record of operations in the housing finance industry and a presence in 21 states/Union Territories (UTs) in India. It is led by an experienced management team and board with an established track record and expertise in banking, insurance, retail lending, technology and economic policy. With a loan book of Rs. 89,670 crore (AUM of Rs. 93,021 crore) as on June 30, 2026, PNBHFL registered a year-on-year (YoY) growth of ~15% in Q1 FY2027. ICRA expects the company to continue scaling up its operations by 15-20% p.a. over the near-to-medium term with primary focus on the retail segment while increasing the share of the AHF and emerging market (EM) segments. ICRA also takes note of the improvement in PNBHFL's reported asset quality over the last few years with the GS3 remaining healthy at 0.9% as on June 30, 2026 (1.1% as on March 31, 2025; 1.5% as on March 31, 2024; 3.8% as of March 2023). This was driven by recoveries, moderation in slippages and the growth in the loan portfolio. However, the long-term performance of the relatively newer verticals i.e. AHF and construction finance, remains monitorable.

Shared brand name and benefits with PNB as the promoter – The common brand name and parentage of PNB support the company's financial flexibility and deposit mobilisation. PNBHFL pays a royalty fee to its promoter for using the brand name as the bank's stake in the company declined below 30%, following the rights issue in FY2024. However, PNB's stated intent to remain the sole promoter and maintain its current stake of ~28% provides comfort. As a promoter, PNB remains committed to providing support to PNBHFL including capital, if needed, subject to board and regulatory approvals. Further, the company's board included two directors from PNB as on June 30, 2026.

Comfortable capitalisation profile – PNBHFL's reported capital-to-risk weighted assets ratio (CRAR) of 28.3% (Tier I capital of 27.9%) as on June 30, 2026 [CRAR: 27.3% (Tier I: 26.9%) as on March 31, 2026] was well above the regulatory requirement. With the Rs. 2,494-crore fresh equity capital raised in FY2024, its managed gearing remained comfortable at 3.9 times as of June 2026 (3.9 times as of March 2026). In ICRA's opinion, the company is well capitalised to meet its near-to-medium term growth plans with the managed gearing staying below 6.0 times.

Adequate earnings profile – PNBHFL reported a profit after tax (PAT) of Rs. 2,291 crore in FY2026, translating into a return on managed assets (RoMA) of 2.5% and a return on net worth (RoNW) of 12.7% against Rs. 1,936 crore, 2.3% and 12.2%, respectively, in FY2025. Recoveries from written-off loans and provision reversals, leading to negative credit costs, contributed to the improved profitability in FY2025 and FY2026. PNBHFL reported a PAT of Rs. 557 crore in Q1 FY2027, with RoMA of 2.3% and RoNW of 11.4%. ICRA takes note of the company's plans to expand its AHF, EM and construction finance segments to improve its margins. However, considering the competitive landscape in mortgage finance, sustaining the margins while managing operational efficiency and credit costs, especially in the newer business verticals, shall be monitorable from an earnings perspective.

Credit challenges

Limited seasoning of affordable housing segment; performance of the corporate book remains a monitorable – A significant portion of the affordable housing portfolio was sourced over the last few years, leading to limited portfolio seasoning in relation to the contractual tenure of the loans. This segment has grown rapidly over the past few years and constituted around 10% of the retail loan book as of June 2026 (3% as of March 2024). The affordable housing segment increased at a 2-year compound annual growth rate (CAGR) of 113% during FY2024-FY2026, substantially higher than the 2-year CAGR of 13% for the overall AUM during the same period. Given that the affordable housing growth rate is expected to remain high, portfolio seasoning is likely to be low and the asset quality would be monitorable.

Further, the company recommenced lending under the construction finance segment from Q4 FY2026; however, the portfolio remains nascent, accounting for only 0.5% of the on-book portfolio as of June 2026. While PNBHFL plans to keep the construction finance exposure below 10% of AUM, the performance of this book remains a key monitorable considering the wholesale nature of these exposures.

Environmental and social risks

Environmental – While housing finance companies (HFCs) like PNBHFL do not face material physical climate risks, they are exposed to environmental risks indirectly through their portfolio of assets. If the borrowers, to whom such HFCs have an exposure, face livelihood disruptions because of physical climate adversities, it could translate into credit risks for the HFCs. However, such risk is not material for PNBHFL as it benefits from portfolio diversification.

Social – With regard to social risks, data security and customer privacy are among the key sources of vulnerability for HFCs as material lapses could be detrimental to their reputation and invite regulatory censure.

Liquidity position: Adequate

The company's liquidity coverage ratio of 146% for the quarter ended June 30, 2026 was well above the regulatory requirement. Nonetheless, it remains exposed to asset-liability related mismatches, given the inherent risk in the segment due to the relatively higher tenure of the assets vis-à-vis the liabilities. Scheduled inflows from advances, as per the asset-liability management (ALM) statement as on June 30, 2026, stood at Rs. 14,967 crore for the next one year against scheduled debt obligations of Rs. 23,625 crore during this period. PNBHFL held Rs. 2,788 crore of free on-book liquidity (excluding SLR investments of Rs. 2,624 crore against deposits) and had undrawn sanctions and working capital lines of Rs. 5,553 crore as on June 30, 2026, which support its liquidity profile. The liquidity profile is also aided by its diversified funding mix and track record of raising funds from various sources, including deposits.

Rating sensitivities

Positive factors – Not applicable

Negative factors – A significant deterioration in PNBHFL's asset quality or gearing level would lead to a rating downgrade. Weakening in the credit profile of PNB, a change in the bank's support philosophy towards the company or a stake sale could also adversely impact the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	[Non-banking Finance Companies (NBFCs)]
Parent/Group support	The rating factors in ICRA's expectation that PNB would be willing to extend support to PNBHFL, if needed, given its importance as well as the shared brand name
Consolidation/Standalone	Consolidated

About the company

Incorporated in 1988, PNBHFL is a deposit-accepting housing finance company. PNB, the promoter of the company, held a 28% stake as on June 30, 2026. PNBHFL offers home loans, loan against property and construction finance, and its operations are geographically diversified with its portfolio spread across 21 states/UTs. As on June 30, 2026, it reported AUM of Rs. 93,021 crore (Rs. 90,921 crore in March 2026).

Key financial indicators (audited; consolidated)

PNB Housing Finance Limited	FY2025	FY2026	Q1 FY2027*
Total income	7,692	8,505	2,265
PAT	1,936	2,291	557
Total managed assets	88,514	98,118	99,520
Return on managed assets	2.3%	2.5%	2.3%
Managed gearing (times)	4.0	3.9	3.9
Gross stage 3	1.1%	0.9%	0.9%
CRAR	29.4%	27.3%	28.3%

*Source: Company, ICRA Research; *As per limited review financials and ICRA's estimates; All ratios as per ICRA's calculations; Amount in Rs. crore*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2027)				Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	Aug-25-2026	Date	Rating	Date	Rating	Date	Rating
Long-term others – Fund based	Long term	10,000.00	[ICRA]AAA (Stable)	Nov-27-2025	[ICRA]AA+ (Stable)	Nov-28-2024	[ICRA]AA+ (Stable)	-	-
NCD programme	Long term	500.00	[ICRA]AAA (Stable)	Nov-27-2025	[ICRA]AA+ (Stable)	Nov-28-2024	[ICRA]AA+ (Stable)	Apr-11-2023	[ICRA]AA (Stable)
						May-10-2024	[ICRA]AA+ (Stable)	Aug-22-2023	[ICRA]AA (Positive)
								Sep-04-2023	[ICRA]AA (Positive)
								Mar-28-2024	[ICRA]AA+ (Stable)
Tier II bonds	Long term	-	-	Nov-27-2025	[ICRA]AA+ (Stable)	Nov-28-2024	[ICRA]AA+ (Stable)	Apr-11-2023	[ICRA]AA (Stable)
						May-10-2024	[ICRA]AA+ (Stable)	Aug-22-2023	[ICRA]AA (Positive)
								Sep-04-2023	[ICRA]AA (Positive)
								Mar-28-2024	[ICRA]AA+ (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
NCD programme	Simple
Long-term bank facilities programme (others)	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	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook	Financial sector regulator#
INE572E07126	**NCD**	Sep-06-2023	8.52%	Sep-06-2028	400	[ICRA]AAA (Stable)	SEBI
Not issued	**NCD**	NA	NA	NA	100	[ICRA]AAA (Stable)	SEBI
Not applicable	**Long-term bank facilities (others)**	NA	NA	NA	10,000	[ICRA]AAA (Stable)	RBI

Source: Company

 # SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments that fall under the regulatory purview of FSRs other than SEBI

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company name	PNBHFL ownership	Consolidation approach
PHFL Home Loans and Services Ltd.	100.00%	Full consolidation

Source: PNBHFL's annual report for FY2025

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