

PNB Housing Finance Ltd — Rating update 1d Credit Rating Summary

Section	Details
Agency	CARE Ratings (CareEdge)
Rating Change	AA+ → AAA (Upgraded in May 2026; Reaffirmed in July 2026; 1 notch move)
Outlook (Current vs Previous)	Stable vs Positive (Previous outlook reflected the upgrade potential now realized)
Key Drivers of Change	Asset Quality Turnaround: GNPA plummeted to 0.93% (FY26) from 8.1% (FY22) via corporate resolutions and retail focus. Promoter Commitment: PNB (AAA) maintains 27.75% stake with stated "unconditional support" and brand linkage. Capital Strength: Comfortable CAR of 27.26% and moderate gearing of 3.72x supporting growth. Portfolio Pivot: Successful shift to 99.5% retail portfolio, reducing high-risk corporate exposure to just 0.5%.
Rated Instruments	• Bank Facilities: ₹35,000 Cr (AAA; Stable / A1+) • Fixed Deposits: ₹25,000 Cr (AAA; Stable) • Commercial Paper: ₹10,000 Cr (A1+) • NCDs/Bonds: ₹10,278 Cr (AAA; Stable)
Key Observations	• Market Rank: 3rd largest HFC in India with AUM of ₹90,921 Cr (13% YoY growth). • Affordable Pivot: 'Roshni' segment reached ₹8,153 Cr, but is unseasoned and carries higher Opex. • Profitability Hook: FY26 PAT of ₹2,291 Cr (2.6% RoTA) aided by negative credit costs (₹332 Cr recovery). • ALM Concern: Negative cumulative mismatches in 6-month to 5-year buckets due to increased short-term funding. • Liquidity: Strong LCR of 145% with ₹6,118 Cr in cash/liquid investments. • Divergence: Historical NHB inspection found ₹33.6 Cr asset classification divergence, but impact is now negligible.
Investor Impact	• Margins: Competitive pressure on yields likely; high RoTA of 2.6% is inflated by one-time recoveries. • Growth: Rapid scale-up in affordable housing (Roshni) is the key growth engine but poses credit risk as the book seasons. • Dilution Risk: Low; strong capital base and PNB's commitment to stay >26% limits near-term equity raises. • Cost of Funds: AAA rating will lower borrowing costs, offsetting some yield compression.
Agency / Cross Analysis	Same Agency: CARE upgraded PNBHFL from AA+ to AAA within the last year. This reflects a fundamental shift from "Recovery Story" to "Blue Chip Stability." The upgrade is driven by the finality of corporate book cleanup and consistent RoTA >2.0%. Conclusion: Significant Improvement. The rating now matches the parent (PNB), reflecting maximum possible credit strength.
Final Inference	Real Fundamental Improvement. The AAA rating is a "seal of approval" on the retail-only strategy. For equity investors, the focus shifts from <i>solvency</i> to <i>execution</i> —specifically maintaining asset quality in the new unseasoned affordable housing book.