

Rating Rationale

September 29, 2022 | Mumbai

National Housing Bank

'CRISIL AAA/Stable' assigned to Deposits Under Affordable Housing Fund

Rating Action

Total Bank Loan Facilities Rated	Rs.8000 Crore
Short Term Rating	CRISIL A1+ (Reaffirmed)

Rs.10126.26 Crore Deposits Under Affordable Housing Fund	CRISIL AAA/Stable (Assigned)
Deposits Under Affordable Housing Fund Aggregating Rs.20000 Crore	CRISIL AAA/Stable (Reaffirmed)
Rs.9000 Crore Deposits under Rural Housing Fund and under Urban Housing Fund ^{&}	CRISIL AAA/Stable (Reaffirmed)
Rs.146.6 Crore Fixed Deposits	CRISIL AAA/Stable (Reaffirmed)
Bonds Aggregating Rs.4640.13 Crore	CRISIL AAA/Stable (Reaffirmed)
Non Convertible Debentures Aggregating Rs.21000 Crore	CRISIL AAA/Stable (Reaffirmed)
Rs.8000 Crore Commercial Paper	CRISIL A1+ (Reaffirmed)

[&]Rs 6,000 crore under Rural Housing Fund and Rs 3,000 crore under Urban Housing Fund

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has assigned its 'CRISIL AAA/Stable' rating to Rs 10,126.26 crore of deposits under affordable housing fund of National Housing Bank (NHB) and reaffirmed its ratings on the existing debt instruments and bank facilities at 'CRISIL AAA/Stable/CRISIL A1+'.

The ratings continue to reflect the support receives from the Government of India (GoI) on account of the institution's key policy role in India's housing finance sector. The ratings also factor in robust asset quality and healthy capitalisation. These strengths are partially offset by an average earnings profile, given the institution's developmental role in the housing finance sector.

Analytical Approach

For arriving at the ratings, CRISIL Ratings has considered the standalone business and financial risk profiles of NHB, and has factored in support from GoI. This is given the 100% shareholding of by the Government of India, and the key policy and supervisory role it plays in the Indian Housing Finance Sector.

Key Rating Drivers & Detailed Description

Strengths:

- Expectation of continued support from GoI**

NHB, a financial institution and 100% owned by government of India, carries out supervisory, refinancing, developmental role, and also play a key policy role in implementing government policy, for the housing industry. It provides long-term credit to licensed HFCs, scheduled banks, and other primary lending institutions. It is also one of the nodal agencies for the Credit Linked Subsidy Scheme (CLSS), under the GoI's flagship programme for housing, Pradhan Mantri Awas Yojana (PMAY).

- Robust asset protection mechanism**

NHB reported gross non-performing assets (GNPAs) of 2.07% and nil net NPAs as on June 30, 2022, against 2.92% and nil respectively, a year earlier. The NPAs increased in FY20 primarily due to slippages in two accounts in the refinance portfolio. NHB has fully provided against these. It has obtained mandates from scheduled banks, regional rural banks, and urban cooperative banks for direct debit to their current accounts with the RBI if there is a delay or default in payment of refinance instalments. Additionally, it obtains a negative lien on their assets. Moreover, funds are primarily extended to HFCs with strong credit worthiness.

- Healthy capitalisation**

The capital to risk-weighted assets ratio (CRAR) was 16.02% as on June 30, 2022, against 12.14% as on June 30, 2021 (12.74% as on June 30, 2020). The improvement in CRAR in fiscal 2022 was on account of improvement in profitability and reduction in risk weighted assets (RWA). The improvement in profitability was on account of write-backs and reduction in the RWA was on account of de-growth in the loan book in fiscal 2022. Further, the networth is healthy and net NPAs are nil, leading to high coverage for asset-side risks. Capitalisation is also supported by steady accrual, which is entirely retained in the absence of any dividend payout.

Weakness

- Average earnings profile, given NHB's developmental role in the housing finance sector**

The interest margin is low as lending has been at competitive rates, while borrowing has been increasingly at market rates. The net interest margin (NIM) was 1.4% for fiscal 2022 compared with 1.4% for the previous fiscal. Profitability, as measured by return on assets* (RoA; yearly average), was muted for last couple of fiscals as NHB reported return of assets of 0.7% for fiscal 2021 and 0.2% for fiscal 2020. The profitability was impacted on account of higher provisions related to couple of large accounts sipping into NPA. However, NHB received recovery of Rs 968 crore in one of accounts resulting in write back of provisions. Resultantly, its RoA improved to 2.3% and reported a PAT of Rs 1920 crore for fiscal 2022.

Liquidity: Superior

The ALM profile showed cumulative positive mismatches in all buckets of up to one year, as on June 30, 2022. Liquidity is sufficient with Rs 6,718 crore cash and liquid investments (in the form of government securities and bank deposits), and unutilised bank lines of Rs 9,350 crore as on August 30, 2022, against debt obligation of Rs 5,253 crore till February 2023.

Outlook: Stable

CRISIL Ratings believes NHB will continue to receive strong funding and operational support from Gol because of its public policy and supervisory role in India's housing sector. The asset protection mechanism available to NHB should continue, and the institution will likely maintain comfortable capitalisation over the medium term.

Rating Sensitivity Factors

Downward factors

- * Decline in Gol shareholding below to 50% and/or;
- * Diminution of support extended by government of India.

About the Bank

NHB, the apex institution in the housing finance sector, extends refinance support to HFCs, scheduled banks, regional rural banks, small finance banks, state apex cooperative housing finance societies, and state cooperative agriculture and rural development banks. Additionally, it manages the Rural Housing Fund; commercial banks deposit the shortfall in their priority sector advances to the fund. NHB also manages the Urban Housing Fund (as per Union Budget for fiscal 2014) and Affordable Housing Fund. Moreover, it is supervisor to the HFC sector and plays a key policy role in supporting Gol's flagship programme for the development of the housing sector. NHB also advises state governments in formulating state housing policies.

Established in 1988 under the National Housing Bank Act, 1987, NHB began operations with an initial capital of Rs 100 crore. The RBI has divested its entire stake in NHB to the government for Rs 1,450 crore. With this divestment, the government now holds 100% stake with effect from March 2019. In July 2019, the government has transferred the functions of NHB for regulating HFCs to the RBI. NHB, a financial institution, will continue to carry out supervisory and refinancing and will also play a key policy role in the housing industry. Outstanding loans under refinance support were Rs 73,933 crore as on June 30, 2022.

Profit after tax (PAT) was Rs 1920 crore on total income (net of interest expense) of Rs 1633 crore in fiscal ended June 2022, as against a PAT of Rs 663 crore on total income (net of interest expense) of Rs 1304 crore, in the corresponding period of the previous fiscal.

Key Financial Indicators

As on/for the period ended June 30	Unit	2022	2021
Total assets	Rs crore	79644	90483
Total income (net of interest expense)	Rs crore	1653	1304
PAT	Rs crore	1920	663
Capital adequacy ratio	%	16.0	12.1
Gross NPAs	%	2.1	2.9
Adjusted gearing	Times	5.3	8.0
Return on assets*	%	2.3	0.7

*As per CRISIL Calculations

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Cr)	Complexity level	Outstanding rating with Outlook
INE557F08FJ5	Non-convertible debentures	13-May-20	5.80%	15-May-23	2000	Simple	CRISIL AAA/Stable
INE557F08FI7	Non-convertible debentures	15-Apr-20	6.55%	17-Apr-23	2000	Simple	CRISIL AAA/Stable
INE557F08FG1	Non-convertible debentures	18-Dec-19	7.05%	18-Dec-24	1720	Simple	CRISIL AAA/Stable
INE557F08FH9	Non-convertible debentures	21-Jan-20	6.88%	21-Jan-25	1950	Simple	CRISIL AAA/Stable
INE557F08FK3	Non-convertible	01-Jun-20	5.32%	01-Sep-23	3000	Simple	CRISIL AAA/Stable

	debentures						
INE557F08FL1	Non-convertible debentures	11-Feb-21	5.35%	12-Feb-24	1985	Simple	CRISIL AAA/Stable
INE557F08FM9	Non-convertible debentures	25-Feb-21	5.44%	02-Apr-24	550	Simple	CRISIL AAA/Stable
INE557F09278	Non-convertible debentures	10-Sep-01	9.75%	10-Sep-25	97	Simple	CRISIL AAA/Stable
INE557F09286	Non-convertible debentures	10-Sep-01	9.75%	10-Sep-25		Simple	CRISIL AAA/Stable
INE557F08FN7	Non-convertible debentures	07-Jun-22	7.34%	07-Aug-25	1000	Simple	CRISIL AAA/Stable
NA	Non-convertible debentures @	NA	NA	NA	6698	NA	CRISIL AAA/Stable
INE557F 07017	Bonds	14-Dec-12	7.19%	14-Dec-22	126	Simple	CRISIL AAA/Stable
INE557F 07025	Bonds	01-Jan-13	7.17%	01-Jan-23	110	Simple	CRISIL AAA/Stable
INE557F07033	Bonds	06-Feb-13	6.87%	06-Feb-23	125	Simple	CRISIL AAA/Stable
INE557F 07058	Bonds	22-Mar-13	6.89%	22-Mar-23	82.9	Simple	CRISIL AAA/Stable
INE557F 07041	Bonds	26-Mar-13	6.82%	26-Mar-23	196.23	Simple	CRISIL AAA/Stable
INE557F 07066	Bonds	30-Aug-13	8.01%	30-Aug-23	17	Simple	CRISIL AAA/Stable
INE557F 07074	Bonds	30-Aug-13	8.46%	30-Aug-28	883	Simple	CRISIL AAA/Stable
INE557F07082	Bonds	13-Jan-14	8.26%	13-Jan-24	2100	Simple	CRISIL AAA/Stable
INE557F07090	Bonds	13-Jan-14	8.63%	13-Jan-29			
INE557F07108	Bonds	13-Jan-14	8.76%	13-Jan-34			
INE557F07116	Bonds	13-Jan-14	8.51%	13-Jan-24			
INE557F07124	Bonds	13-Jan-14	8.88%	13-Jan-29			
INE557F07132	Bonds	13-Jan-14	9.01%	13-Jan-34			
INE557F07140	Bonds	14-Jan-14	8.25%	26-Mar-24	1000	Simple	CRISIL AAA/Stable
INE557F07157	Bonds	14-Jan-14	8.68%	26-Mar-29			
INE557F07165	Bonds	14-Jan-14	8.65%	26-Mar-34			
INE557F07173	Bonds	14-Jan-14	8.50%	26-Mar-24			
INE557F07181	Bonds	14-Jan-14	8.93%	26-Mar-29			
INE557F07199	Bonds	14-Jan-14	8.90%	26-Mar-34			
NA	Proposed short-term bank loan facility	NA	NA	NA	8000	NA	CRISIL A1+
NA	Fixed deposit programme	NA	NA	NA	146.6	NA	CRISIL AAA/Stable
NA	Deposits under Affordable Housing Fund	NA	NA	NA	10126.26	NA	CRISIL AAA/Stable
NA	Deposits under Affordable	NA	NA	NA	20000	NA	CRISIL AAA/Stable

	Housing Fund						
NA	Deposits under Rural Housing Fund and Urban Housing Fund*	NA	NA	NA	9000	NA	CRISIL AAA/Stable
NA	Commercial paper	NA	NA	7 to 365 Days	8000	Simple	CRISIL A1+

*Rs 6,000 crore under RHF and Rs 3,000 crore under UHF

@Yet to be issued

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2022 (History)		2021		2020		2019		Start of 2019
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	ST	8000.0	CRISIL A1+	20-06-22	CRISIL A1+	01-12-21	CRISIL A1+	26-05-20	CRISIL A1+	20-09-19	CRISIL A1+	CRISIL A1+ / CRISIL AAA/Stable
			--	--	08-04-21	CRISIL A1+	08-05-20	CRISIL A1+	18-03-19	CRISIL A1+	--	
			--	--		--	31-03-20	CRISIL A1+		--	--	
Bond	LT	4640.13	CRISIL AAA/Stable	20-06-22	CRISIL AAA/Stable	01-12-21	CRISIL AAA/Stable	26-05-20	CRISIL AAA/Stable	20-09-19	CRISIL AAA/Stable	CRISIL AAA/Stable
			--	--	08-04-21	CRISIL AAA/Stable	08-05-20	CRISIL AAA/Stable	18-03-19	CRISIL AAA/Stable	--	
			--	--		--	31-03-20	CRISIL AAA/Stable		--	--	
Commercial Paper	ST	8000.0	CRISIL A1+	20-06-22	CRISIL A1+	01-12-21	CRISIL A1+	26-05-20	CRISIL A1+	20-09-19	CRISIL A1+	CRISIL A1+
			--	--	08-04-21	CRISIL A1+	08-05-20	CRISIL A1+	18-03-19	CRISIL A1+	--	
			--	--		--	31-03-20	CRISIL A1+		--	--	
Fixed Deposits	LT	146.6	CRISIL AAA/Stable	20-06-22	CRISIL AAA/Stable	01-12-21	F AAA/Stable	26-05-20	F AAA/Stable	20-09-19	F AAA/Stable	F AAA/Stable
			--	--	08-04-21	F AAA/Stable	08-05-20	F AAA/Stable	18-03-19	F AAA/Stable	--	
			--	--		--	31-03-20	F AAA/Stable		--	--	
Long-Term Borrowing Programme	LT		--	--		--		--	18-03-19	Withdrawn	CRISIL AAA/Stable	
Non Convertible Debentures	LT	21000.0	CRISIL AAA/Stable	20-06-22	CRISIL AAA/Stable	01-12-21	CRISIL AAA/Stable	26-05-20	CRISIL AAA/Stable	20-09-19	CRISIL AAA/Stable	CRISIL AAA/Stable
			--	--	08-04-21	CRISIL AAA/Stable	08-05-20	CRISIL AAA/Stable	18-03-19	CRISIL AAA/Stable	--	
			--	--		--	31-03-20	CRISIL AAA/Stable		--	--	
Deposits under Rural Housing Fund and under Urban Housing Fund	LT	9000.0	CRISIL AAA/Stable	20-06-22	CRISIL AAA/Stable	01-12-21	CRISIL AAA/Stable	26-05-20	CRISIL AAA/Stable	20-09-19	CRISIL AAA/Stable	CRISIL AAA/Stable
			--	--	08-04-21	CRISIL AAA/Stable	08-05-20	CRISIL AAA/Stable	18-03-19	CRISIL AAA/Stable	--	
			--	--		--	31-03-20	CRISIL AAA/Stable		--	--	
DEPOSITS UNDER AFFORDABLE HOUSING FUND	LT	30126.26	CRISIL AAA/Stable	20-06-22	CRISIL AAA/Stable	01-12-21	CRISIL AAA/Stable	26-05-20	CRISIL AAA/Stable		--	--
			--	--	08-04-21	CRISIL AAA/Stable	08-05-20	CRISIL AAA/Stable		--	--	

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Rating
Proposed Short Term Bank Loan Facility	8000	CRISIL A1+

Criteria Details

Links to related criteria

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating Criteria for Banks and Financial Institutions](#)

[Rating Criteria for Finance Companies](#)

[CRISILs criteria for rating fixed deposit programmes](#)

[CRISILs Criteria for rating short term debt](#)

[Criteria for Notching up Stand Alone Ratings of Entities Based on Government Support](#)

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