India Ratings & Research
A Fitch Group Company

Correction: India Ratings Affirms National Housing Bank’s Bonds at ‘IND AAA’/Stable

Feb 04, 2026 | National Housing Bank | Other Financial Services

This announcement rectifies the version published on 30 January 2026 to correctly state the maturity date of bonds (ISIN: INE557F08GD6;INE557F08GE4) in line with the data on National Securities Depository Limited in the annexure table. The amended version is as follows:

Details of Instruments

India Ratings and Research (Ind-Ra) has affirmed National Housing Bank’s (NHB) debt instruments as follows:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (billion)	Rating Assigned along with Outlook/Watch	Rating Action
Bonds*	-	-	-	INR300	IND AAA/Stable	Affirmed
Other fixed deposit	-	-	-	INR100	IND AAA/Stable	Affirmed

*Details in annexure

Analytical Approach

The ratings continue to factor in NHB’s systemic importance to the government of India (GoI) with its key role as a policymaker and supervisor for housing finance companies (HFCs) in India.

Detailed Rationale of the Rating Action

The affirmation reflects NHB’s continued strong financial performance in 1QFY26, led by a rise in its net interest income, adequate liquidity profile and stable asset quality. Furthermore, Ind-Ra expects NHB's linkages with the GoI to remain strong over the long term.

List of Key Rating Drivers

Strengths
- Sovereign support
- Strategic importance
- Strong asset quality; no incremental slippages
- Stable margins
- Adequate capitalisation

Weaknesses
- Concentration in lending portfolio

Detailed Description of Key Rating Drivers

Sovereign Support: Ind-Ra expects NHB's 100% sovereign ownership and strong linkage with the GoI to continue even in the medium- to long-run. The GoI has a track record of extending funding support to NHB in the form of regular allocation of affordable housing funds from which NHB can borrow and lend further at competitive rates. The GoI, in the past, allowed NHB to raise funds through tax-free bonds. Ind-Ra expects the GoI to continue to provide support to NHB, mainly on account latter's systemic importance by being the supervisor and the sole agency for refinancing HFCs' loans in India.

Strategic Importance: Ind-Ra contemplates that in the backdrop of a severe housing shortage among low-income segments, NHB has emerged as a significant public policy institution in adopting a multi-pronged approach to tackle this problem. As a backstop institution, NHB provides concessional loan assistance to mortgage lenders for better home ownership among low-income households, thereby strengthening credit access and advancing financial inclusion. Furthermore, NHB serves as the nodal agency for Pradhan Mantri Awas Yojana and is also permitted to raise funds through the tri-party repo market, further enhancing its ability to support affordable housing initiatives.

Following the Union Budget announcement for FY24, the Urban Infrastructure Development Fund (UIDF) was established to support the creation of urban infrastructure in Tier-2 and Tier-3 cities. In line with this, the Reserve Bank of India (RBI) allocated INR100 billion for FY24 on 31 May 2023, and another INR100 billion for FY25 on 29 August 2024, though the latter allocation was subsequently reduced by INR70 billion, with the RBI indicating that this reduced portion will be restored through a fresh allocation in FY26. The fund is financed by the scheduled commercial banks that fall short of meeting their priority sector lending targets, as determined by the RBI. At end-1HFY26, the total receipts under UIDF amounted to INR19.99 billion, contributing to the development of essential urban infrastructure.

Strong Asset Quality; No Incremental Slippages: Ind-Ra expects NHB's asset quality to remain strong and stable over the near- to-medium term, supported by its predominantly high-quality lending portfolio to well-rated banks and HFCs. NHB's outstanding loan book stood at INR992.18 billion in 1QFY26 (1QFY25: INR964.74 billion; FY25: INR1,079.13 billion), with no incremental slippages during the period. This, along with partial NPA recoveries, further strengthened the asset quality in 1QFY26. The gross NPA ratio improved to 0.62% in 1QFY26 (1QFY25: 0.67%; FY25: 0.60%). At end-1QFY26, the net receivables amounting to INR4.6 billion relate to the NPA resolution of Dewan Housing Finance Corporation Limited under the plan submitted by Piramal Housing Finance Limited. In addition, NHB has reversed the NPA related to Punjab and Maharashtra Co-operative Bank (PMC Bank), which has been amalgamated with USFB. USFB is likely to repay bullet dues of INR1.49 billion to NHB in FY27.

Stable Margins: Ind-Ra notes that NHB being a policy institution will continue to have low and stable margins. NHB's margins cannot be compared with those of commercial banks. NHB's net profit margin remained steady at 1.71% in 1QFY26 (1QFY25: 1.72%; FY25: 1.68%), supported by loan book expansion and minimal slippages. The bank's operating margin (pre-impairment operating profit/average total assets) also remained stable at 2.30% in 1QFY26 (1QFY25: 2.27%; FY25: 2.37%), driven primarily by its stronger net profitability.

Adequate Capitalisation: Ind-Ra expects NHB's capitalisation to remain comfortably above the regulatory requirements, providing sufficient headroom for growth as well as protection against any unforeseen slippages. The bank's capital to risk-weighted assets ratio (CRAR) improved to 47.0% in 1QFY26 (1QFY25: 41.95%; FY25: 43.43%). Also, its profitability strengthened, with the net profit rising to INR4.90 billion in 1QFY26 (1QFY25: INR4.72 billion; FY25: INR19.08 billion). Correspondingly, the Tier-1 capital ratio increased to 46.90% in 1QFY26 (1QFY25: 41%; FY25: 42.49%), underscoring NHB's robust capital position.

Concentration in Lending Portfolio: Ind-Ra expects NHB's lending portfolio to remain concentrated as the top 20 borrowers accounted for 84.01% of the total advances in 1QFY26 (1QFY25: 82.82%; FY25: 84.23%). Although these borrowers largely comprise well-rated banks and HFCs, any slippage by even one of them into the substandard category could significantly weaken asset quality ratios and, in turn, adversely impact profitability and capital adequacy.

Liquidity

Superior: As per the asset liability management (ALM) statement dated 30 September 2025, NHB has two negative mismatches up to a one-year bucket; however, cumulative position has been positive. As on 30 September 2025, NHB had maintained a liquidity of INR154.66 billion, providing adequate coverage for any potential shortfalls. Given its strong credit profile and well-established relationships with lenders, NHB is well-positioned to raise funds from the domestic market to address contingencies if required. Furthermore, the institution has not defaulted on any debt securities, borrowings, or other obligations and has consistently met all debt servicing commitments for both principal and interest, on time during the quarter.

The unutilised bank lines and liquid investments provide comfort on the negative ALM mismatches in two buckets. NHB has short-term bank lines of INR114 billion. The average utilisation of the bank lines during the 12 months ended December 2025 was 17.11%. Also, considering the high credit worthiness and well-established relationship of the company with lenders, it can continue to mobilise sufficient funds from domestic market to meet contingencies, if required. Furthermore, the stock of liquid instruments such as T-Bills and G-Sec investments of the NHB together stood at INR35.64 billion as on 30 September 2025 this provides comfort on asset-liability mismatches.

At FYE25, NHB reported significant contingent liabilities of INR15.81 billion (FY24: INR14.79 billion), primarily comprising claims from from long-standing litigation with SBI and related proceedings before the Hon'ble Special Court. Thus, NHB's contingent liabilities reflect substantial unresolved claims, interest components, and dependencies on pending final adjudication by the Hon'ble Supreme Court. While these are not recognised as debt, their resolution depends on judicial and regulatory outcomes, which could affect the company's financial flexibility if crystallised. Ind-Ra believes the GoI's continued support will be critical for maintaining NHB's financial position in the event these contingent liabilities devolve in the near term.

Rating Sensitivities

Positive: Not applicable

Negative: A negative rating action could result from a dilution in NHB's role as a public policy institution for promoting housing finance in India or the GoI's significant reduction in NHB's stake to the extent of any weakening of linkages.

Any Other Information

Not applicable

About the Company

NHB was established in 1988 under an act of Parliament, with the status of an apex financial institution for housing finance in India and a setup to refinance, regulate and supervise HFCs and develop the domestic housing finance market in the country. However, in July 2019, the regulatory powers of NHB over HFCs were transferred to the Reserve Bank of India.

Key Financial Indicators

Particulars	1QFY26	FY25	FY24
Total assets (INR billion)	NA^	1,182.58	1,121.53
Tangible equity (INR billion)	NA^	14.5	14.5
Net income (INR billion)	4.90	19.09	16.64
Return on average assets (%)	1.71	1.68	1.59
Gross NPA (%)	0.62	0.60	0.69
CET - 1 ratio (%)	42.16	41.05	15.13
Capital to risk weighted assets ratio (%)	47.0	43.43	16.38*

Source: NHB, Ind-Ra
National Housing Bank still follows July-June financial year. 1QFY26 numbers are for July-September 2025 period.
*Till 30 June 2024, NHB has followed Basel-I risk framework for networth and CRAR calculation. From 1 July 2024, NHB has transitioned to Basel-3 as per RBI's Master Directions no: RBI/DoR/2023-24/105 dated 21 September 2023. From FY25 onwards CRAR have been calculated as per new Basel-3 method.
^First quarter figures not available

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Rating Type	Rated Limits (billion)	Current Rating/Outlook	Historical Rating/Outlook					
				5 February 2025	9 December 2024	26 September 2024	20 October 2023	28 September 2023	30 September 2022
Issuer rating*	Long-term	-	-	-	-	-	WD	IND AAA/Stable	IND AAA/Stable/IND A1+
Bonds	Long-term	INR300	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	-	IND AAA/Stable	IND AAA/Stable
Other fixed deposits	Long-term	INR100	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	-	IND AAA/Stable	IND AAA/Stable

*Short-Term Issuer Rating was withdrawn on 10 March 2023

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Bonds	Low
Other fixed deposit	Low

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

Annexure

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/ Outlook
Special series priority sector bonds#	INE557F09278	28 March 2002	9.75	10 September 2025	INR0.052	WD
Special series priority sector bonds#	INE557F09286	26 June 2002	9.75	10 September 2025	INR0.054	WD
Bonds	INE557F08FQ0	25 April 2023	7.42	5 May 2026	INR16	IND AAA/Stable
Bonds	INE557F08FX6	26 April 2024	7.51	4 April 2031	INR30	IND AAA/Stable
Bonds	INE557F08GB0	19 December 2024	7.2	3 October 2031	INR39	IND AAA/Stable

Bonds	INE557F08GC8	27 January 2025	7.29	4 July 2031	INR34.80	IND AAA/Stable
Bonds	INE557F08GD6	28 February 2025	7.35	2 January 2032	INR48	IND AAA/Stable
Bonds	INE557F08GE4	25 April 2025	6.88	2 April 2032	INR50	IND AAA/Stable
Bonds	Unutilised	-	-	-	INR82.2	IND AAA/Stable
Total$					**INR300**	

Source: NHB
#Paid in full
$ Total does not include withdrawn ISIN

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Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance companies, urban local bodies, and structured finance and project finance companies.

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