



Press Release
NATIONAL HOUSING BANK
July 01, 2025
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
BOND	10000.00	ACUITE AAA Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	10000.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE AAA**' (read as **ACUITE triple A**) on the Rs. 10000.00 crore Proposed Bonds of National Housing Bank (NHB). The outlook is '**Stable**'.

Rationale for Rating

The rating is driven by NHB's position as the Apex level institution and development agency for housing finance and sovereign support with 100% ownership with the GoI. Given the strategic importance of NHB, GoI has a track record of extending funding support to NHB in the form of regular allocation of affordable housing funds and allowing NHB to raise funds through tax-free bonds. Acuite expects that, GoI will continue to provide support to NHB, mainly on account of latter's systemic importance by being the supervisor and the sole agency for refinancing HFCs' loans in India. The rating further takes into consideration the consistent growth in loan book along with a robust financial profile because of the comfortable capital-structure and strong liquidity position. NHB also maintains a healthy asset quality which is denoted by a GNPA of 0.69% in FY-24 and a NNPA of Nil. However, the rating is constrained by the modest earnings profile and the concentration of loans in the loanbook.

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 2019, the regulatory powers of NHB over HFCs were transferred to RBI. GoI currently holds 100% of the stake in NHB. NHB provides refinance support to SCBs, HFCs, RRBs, other development cooperative societies, and development banks in the housing finance sector.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered NHB standalone while factoring in the strong linkages between the GoI and NHB where GoI has 100% ownership of NHB and benefits in relation to representation on the board from various ministries.

Key Rating Drivers

Strength

Ownership benefit from GOI

NHB's 100% sovereign ownership and strong linkage with GoI is expected 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. Moreover, it is expected that GoI will continue to provide support to NHB, mainly on account of latter's systemic importance by being the supervisor and the sole agency for refinancing HFCs' loans in India.

Strategic Importance

Given the housing finance segment has a shortage of financing options among low-income segments, NHB plays a role of being a significant public policy institution in adopting a multi-pronged approach to tackle this problem. The bank has a strategic importance to the GoI in implementing its government schemes, like the Pradhan Mantri Awas Yojna Urban (PMAY-U) which is a credit linked subsidy scheme (CLSS). This helps the government to promote affordable housing for the weaker sections of society by providing concessional loan

assistance to mortgage lenders for better home ownership among low-income households, which has directly improved the flow of credit to low-income segments of society. The promotion of financial inclusion amongst the low-income society is linked to NHB being identified as the central nodal agency by the GoI to execute the CLSS vertical of PMAY.

Comfortable asset quality

NHB's asset quality indicators have remained comfortable, with funds primarily extended to banks and HFCs with strong creditworthiness. There were no further slippages in the portfolio after FY2020 and the reported asset quality remains comfortable with GNPA of 0.69% as on June 30, 2024 (0.77% as on June 30 2023; 2.07% as on June 30, 2022). Moreover, the GNPA of 0.69% is primarily attributable to one account of Dewan Housing Finance Limited (DHFL) which has been fully provisioned for by the bank. Going forward, NHB's asset quality is expected to remain comfortable. As per the NHB Act, NHB has mandates from scheduled banks, regional rural banks, and urban cooperative banks for direct debits from their current accounts with the RBI if there is a delay or default in the payment of refinance instalments. Moreover, as NHB functions as a supervisor of HFCs, its asset quality and collection efficiency in this segment is far superior.

Weakness

Moderate earnings profile

As NHB plays a developmental role in the growth of the housing finance sector in India and is the primary agency for providing refinance for housing loans to HFCs and various other PLIs, it operates with lower NIMs. Its NIM improved to 2.49% in FY2024 from 2.13% in FY2023 because of higher yields. This, along with the enhanced operating efficiency, aided in some improvement in the overall earnings is depicted through an RoAA of 1.57% and an RoCE of 12.04% in FY2024 (1.40% and 10.22%, respectively, in FY2023). Going forward, NHB is expected to continue reporting profitability in line with the historical averages.

Relatively higher credit concentration

NHB has a concentrated lending portfolio with the top 20 borrowers accounting for 89% of the total advances in FY2024. The wholesale nature of the loans exposes NHB to lumpy slippages in the asset quality and could consequently impair the profitability ratios. Nevertheless, with a large proportion of the loan book consisting of exposures to higher-rated banks and HFCs, the risk is mitigated to some extent.

Substantial Contingent Liabilities

The bank has significant contingent liabilities of Rs. 1,479 Cr as of FY24 (FY23 Rs1,469 Cr). These contingent liabilities mostly relate to arbitration/court cases. NHB has actively pursued the resolution of these disputes and claims. It is expected that the GoI will provide additional support in case NHB's contingent liabilities are to materialise.

ESG Factors Relevant for Rating

The National Housing Bank was established under the National Housing Bank Act, 1987, and hence the provisions relating to CSR under the Companies Act, 2013 are not applicable. However, as a voluntary act, the Bank contributed Rs 1,50,00,000/- (Rupees One crore Fifty Lakh) under Social Outreach Activities which included Rs 8.44 lakh towards Chetna Sansthan(Lucknow) for purchase of equipment and materials to help in skill development, rehabilitation, and vocational training of DIVYANGJAN children, Rs.3.25 lakh towards 3 Government schools in Bhopal (Jahangirabad, Naveen and Amrawat Kalan) for purchase of 4 water coolers, Rs 8.18 lakh towards Financial Assistance to Punuruthan Samrasata Gurukulam Madhymic Asharam Shala (Mumbai) for purchasing of Ayurvedic Lab Equipments for School and Rs. 130.13 lakh to Prime Minister's National Relief Fund. (PMNRF) during FY 2023-24.

Rating Sensitivity

Factors likely to lead to Rating Actions

- Rebate in the support from the GoI
- Contraction in the shareholding from the GoI
- Slippages of large accounts

All Covenants

Currently not available, since these are Proposed Bonds.

Liquidity Position

Adequate

The bank's liquidity position is supported by sovereign ownership and stable asset liability profile. NHB has adequately matched its asset liability profile as on June 30, 2024.

Outlook:

Stable

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY24 (Actual)	FY23 (Actual)
Interest Income	Rs. Cr.	5,926.81	4,550.83
Interest Expense	Rs. Cr.	3,896.34	2,971.89
Profit After Tax (PAT)	Rs. Cr.	1,663.60	1,261.76
Deposits	Rs. Cr.	50,437.70	51,472.02
Investments	Rs. Cr.	9,714.86	6731.58
Capital Adequacy	(%)	16.38	15.17
Return on Average Assets (RoAA)	(%)	1.57	1.40
Gross NPA	(%)	0.69	0.77
Net NPA	(%)	Nil	Nil

Status of non-cooperation with previous CRA (if applicable):

None

Any other information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>
- State Government Ratings : <https://www.acuite.in/view-rating-criteria-26.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Bond	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10000.00	Simple	ACUITE AAA Stable Assigned

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About Acuité Ratings & Research

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