July 07, 2025

PNB Housing Finance Limited: Provisional [ICRA]AAA(SO) assigned to PTCs backed by home loan receivables issued by India Residential Mortgage Trust 2025 02

Summary of rating action

Trust name	Instrument*	Rated amount (Rs. crore)	Rating action
India Residential Mortgage Trust 2025 02	Series A PTC	255.00	Provisional [ICRA]AAA (SO); Assigned

**Instrument details are provided in Annexure I*

Rating in the absence of pending actions/documents	No rating would have been assigned as it would not be meaningful

Rationale

The pass-through certificates (PTCs) are backed by a pool of home loan receivables originated by PNB Housing Finance Limited {PNBHFL / Originator, rated [ICRA]AA+ (Stable)} with an aggregate principal outstanding of Rs. 286.11 crore (pool receivables of Rs. 520.98 crore). PNBHFL will also be servicer of the rated transaction.

The provisional rating is based on the strength of the cash flows from the selected pool of contracts, the credit enhancement available in the structure as well as the integrity of the legal structure. The provisional rating is subject to the fulfilment of all the conditions under the structure and ICRA's review of the documentation pertaining to the transaction.

Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises promised interest payment to Series A PTC. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) but is promised on the final maturity date. Any surplus excess interest spread (EIS), after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of Series A PTC principal.

The credit enhancement available in the structure is in the form of (i) subordination of 10.87% of the initial pool principal for Series A PTC (in the form of first loss tranche) (ii) a credit collateral (CC; in form of second loss credit facility) of 5.00% of the initial pool principal amounting to Rs. 14.31 crore, to be provided by RMBS Development Company Limited (RDCL) (iii) the estimated EIS of ~31% of the initial pool principal for Series A PTC (based on indicative yield; actual number will be finalised after yield discovery on the NSE EBP Platform).

Key rating drivers and their description

Credit strengths

Established player in mortgage lending markets - PNBHFL is an established player with a long track record of operations in the housing finance industry and a presence in 20 states/Union Territories (UTs) in India along with an experienced management team. The company has adequate processes for servicing of the loan accounts with demonstrated track record of over three decades of regular collections and recovery across a wide geography.

Granular pool supported by presence of credit enhancement - The pool is granular, consisting of 1,164 contracts, with top 10 contracts forming less than ~1.6% share in the pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of the credit guarantee, subordination and EIS would absorb some amount of the losses in the pool and provide support in meeting the PTC payouts.

No overdue contracts in the pool - The pool has been filtered in such a manner that there were no overdue contracts as on the cut-off date. Further, more than 99% of the contracts in the pool have never been delinquent during the past 12 months in loan cycle, which is a credit positive.

High share of salaried borrowers – The current pool has high share (~83% share in the pool principal) which are salaried borrowers. This reduces the risks to some extent, given the more certain nature of the cash flows generated by such borrowers vis-à-vis self-employed borrowers.

Credit Challenges

Exposed to interest rate risk – The transaction is exposed to interest rate risk as the yield all the contracts in the pool is floating and linked to originator's internal benchmark rate whereas the yield on the PTCs is fixed.

Risks associated with lending business – The pools' performance would remain exposed to macro-economic shocks, business disruptions and natural calamities that may impact the income-generating capability of the borrowers and their ability to make timely repayments of their loans.

Key rating assumptions

ICRA's cash flow modelling for rating securitisation transactions involves the simulation of potential losses, delinquencies and prepayments in the pool. The losses and prepayments are assumed to follow a log-normal distribution. The assumptions for the losses and the coefficient of variation are considered on the basis of the values observed from the analysis of the past performance of the Originator's loan portfolio as well as the characteristics of the specific pool being evaluated. The resulting collections from the pool, after incorporating the impact of the losses and prepayments, are accounted for in ICRA's cash flow model, in accordance with the cash flow waterfall of the transaction.

For the current pool, ICRA has estimated the shortfall in the pool principal collection during its tenure at 2.00% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 6.0% to 20.0% per annum. Various possible scenarios have been simulated at stressed loss levels and prepayment rates and the incidences of default to the investor as well as the extent of losses are measured after factoring in the credit enhancement to arrive at the final rating for the instrument.

Liquidity position: Superior

The liquidity for Series A PTCs is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be more than 10 times the estimated loss in the pool.

Rating sensitivities

Positive factors – Not applicable

Negative factors – The rating could be downgraded on the sustained weak collection performance of the underlying pool of contracts (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and credit enhancement utilisation levels. The rating could also be downgraded on a deterioration in the credit profile of RDCL. Weakening in the credit profile of the servicer could also exert pressure on the rating.

Analytical approach

The rating action is based on the analysis of the performance of PNBHFL's portfolio till March 2025, the key characteristics and composition of the current pool, the performance expected over the balance tenure of the pool, and the credit enhancement cover available in the transaction.

Analytical approach	Comments
Applicable rating methodologies	Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned rating is provisional and would be converted into final upon the execution of:

1. Trust deed
2. Assignment agreement
3. Power of Attorney
4. Legal opinion
5. Trustee letter
6. Any other documents executed for the transaction

Validity of the provisional rating

The Trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional rating would be withdrawn for the transaction even if the instrument has been issued.

Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the rating, the provisional rating will be withdrawn in accordance with ICRA's Policy on Provisional Ratings available at www.icra.in.

About the originator

Incorporated in 1988, PNBHFL is a deposit-accepting housing finance company. As of March 31, 2025, Punjab National Bank (PNB) and the Carlyle Group held a stake of 28.1% and 10.4%. The company offers home loans (including nascent stage of operations in affordable segment), LAP and builder loans. PNBHFL is geographically diversified with a portfolio spread across 20 states/UTs through 356 branches/outreaches. As on March 31, 2025, it reported total managed assets of Rs. 88,350 crore (Rs. 79,618 crore in March 31, 2024)

Key financial indicators (Consolidated)

Particular	FY2023 (audited)	FY2024 (audited)	FY2025 (audited)
Total revenue (Rs. crore)	6,530	7,057	7,692
Profit after tax (Rs. crore)	1,046	1,508	1,936
Total managed assets (Rs. crore)	75,730	79,618	88,271
Gross Stage 3 (%)	3.8%	1.5%	1.1%
CRAR (%)	24.4%	29.3%	29.4%

Source: Company data; ICRA Research

About the credit collateral provider

Credit collateral for the transaction will be provided in the form of second loss credit facility by RMBS Development Company Limited (RDCL). RDCL was incorporated in March 2024. The company is a non-deposit taking NBFC registered with the Reserve Bank of India since January 2025 and classified as NBFC (Middle Layer) as per scale-based regulation. Its core function is to act as a market intermediary for the promotion and development of the residential mortgage-backed securities (RMBS) market. RDCL reported a net worth of Rs. 509.7 crore as on March 31, 2025.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Trust name	Current rating (FY2026)			Chronology of rating history for the past 3 years		
	Instrument	Amount rated (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023
			July 07, 2025	-	-	-
India Residential Mortgage Trust 2025 02	Series A PTC	255.00	**Provisional [ICRA]AAA(SO)**	-	-	-

Complexity level of the rated instrument

Instrument	Complexity indicator
Series A PTC	Moderately complex

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	Trust name	Instrument type	Date of issuance / sanction	Coupon rate (p.a.p.m.)	Maturity date	Amount rated (Rs. crore)	Current rating
NA	**India Residential Mortgage Trust 2025 02**	Series A PTC	July 04, 2025	*	June 20, 2045	255.00	Provisional [ICRA]AAA(SO)

*Source: Company; * Coupon rate will be finalised after yield discovery on the NSE EBP Platform*

Annexure II: List of entities considered for consolidated analysis

Not applicable

ANALYST CONTACTS

Manushree Saggar
+91 124 4545316
manushrees@icraindia.com

Sachin Joglekar
+91 22 6114 3470
sachin.joglekar@icraindia.com

Gaurav Mashalkar
+91 22 6114 3431
gaurav.mashalkar@icraindia.com

Ritu Rita
+91 22 6114 3409
ritu.rita@icraindia.com

Swapnali Chavan
+91 22 6114 3412
swapnali.chavan@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches

© Copyright, 2025 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.