

## **HFCs**

The Indian Housing Finance industry has been growing at a compounded annual growth rate of over 20% over the past five years. Some of the major factors which have contributed to this growth are growing levels of urbanization and improving affordability on account of rising disposable incomes. Over the years HFCs have been gradually expanding their market share because of their niche market penetration and domain expertise.

CARE's evaluation of HFCs covers both quantitative as well a qualitative analysis. As part of the quantitative analysis CARE looks at various parameters such as capital adequacy, asset quality, diversity of the funding profile, asset-liability management of the HFC etc. CARE also studies the distribution of the loan portfolio of the Housing Finance companies on various parameters such as borrower composition, loan to value ratios, income to installment ratios etc to assess the risks as well as evolving trends in the HFC's lending practices. On the qualitative front CARE examines the management's expertise and track record, risk management systems, size and market presence.

## **The Benefits**

An issuer may derive multiple advantages from rating of its debt instruments like lower cost of funds, access to new markets and investors on the strength of a higher rating, better asset-liability management on account of wider acceptance of well-rated longer tenor debt instruments (this is especially relevant for HFCs given their long tenor lending profile), broad-basing of funding profile etc.