

Capital First Home Finance Limited

October 27, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Non-convertible Debentures	300.00 (Rupees Three hundred crore only)	CARE AA+; Stable [Double A Plus; Outlook: Stable]	Assigned

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings of Capital First Home Finance Ltd. (CFHFL) factor in the strong parentage of Capital First Ltd. (CFL, rated CARE AA+; Stable), which holds 100% stake in CFHFL. CFHFL benefits from synergies with CFL in the form of integrated treasury operations, common brand name, managerial & infrastructure support. The ratings also factor in CFHFL's comfortable capitalisation levels and liquidity profile supported by the group's resource raising capability. The ratings further take into account CFHFL's limited track record and relatively unseasoned loan portfolio. Continued parentage and support of CFL, capital adequacy, asset quality and profitability are the key rating sensitivities.

Outlook: Stable

Detailed description of the key rating drivers

Key Rating Strengths

Parent Support

CFHFL's credit profile derives strength from its parentage (CFHFL is a 100% subsidiary of CFL) and the resultant support in the form of capital, management and operational support. By virtue of parent-subsidiary relationship, CFHFL benefits from synergies arising out of shared branch network and brand name as well as integrated group treasury which enables the fund raising at competitive rates.

Comfortable capitalization & Liquidity profile

CFHFL reported capital adequacy ratio (CAR) of 13.69% as on June 30, 2017 [20.33% as on March 31, 2017] with Tier I capital being 13.10% [19.73% as on March 31, 2017]. Also, in the month of July 2017, CFL has invested fresh equity capital of Rs.100 crores in CFHFL which would improve the capital adequacy. The company shares a common treasury with its parent, CFL, which should help in raising resources and mitigate any liquidity risk that might arise.

Key Rating Weaknesses

Limited track record & small size of operations

CFHFL started disbursing loans since September 2013 and had a portfolio size of Rs.948 crore as on June 30, 2017. Given the limited track record of the company, the ability of the company to sustain profitability and healthy asset quality is yet to be seen.

Analytical approach: CARE has analysed the standalone financials of Capital First Home Finance Limited (CFHFL). CARE has also considered the consolidated financial statements of Capital First Limited (CFL) and its subsidiaries including CFHFL owing to common management and significant financial & operational linkages between the entities.

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)
[CARE Policy on Default Recognition](#)
[Rating Methodology: Factoring Linkages in Ratings](#)
[Rating Methodology- Housing Finance Companies](#)
[Financial ratios - Financial Sector](#)

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

About Capital First Home Finance Limited

CFHFL is a wholly-owned subsidiary of Capital First Ltd. CFHFL got a fresh certificate of incorporation on January 3, 2013, and is registered with the NHB as a housing finance company offering housing loans and loan against property. The company's asset under management (AUM) increased from Rs.699 crore as on March31, 2017 to Rs. 948 crore as on June 30, 2017. Of the total portfolio outstanding, roughly 60% constituted home loans as on June 30, 2017 [62% as on March 31, 2017] with the remaining 40% being LAP [38% as on March 31, 2017]. Geographically, the home loans portfolio of the company is primarily originated from North and South region which collectively constituted around 77% of portfolio. As on June 30, 2017, CFHFL's NIM and ROTA were 4.03% and 1.02% respectively.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)	Q1FY18 (A)
Total income	40.19	71.21	23.92
PAT	6.24	6.44	2.21
Interest coverage (times)	1.37	1.24	1.22
Total Assets (On balance sheet)	494.39	727.94	952.63
Net NPA (%)	0.33	0.65	0.14
ROTA (%) (Adjusted)	1.58	0.98	1.02

A: Audited

About Capital First Limited

Capital First Ltd (CFL), is a systemically important NBFC primarily engaged in the business of loan against property (42.1% of AUM), business loans (17.6%), consumer durable loans (9.8%), two wheeler loans (8.9%), wholesale loans (7.4%), cross sell & personal loan (6.9%), home loans (4.5) and auto loans (2.4%) on a consolidated AUM basis as on June 30, 2017. CFL had assets under management (AUM) of Rs.21,513 crore with retail portfolio accounting for 92.6% of AUM as on June 30, 2017. CFL had a presence in 222 towns with an employee base of 1,924. The company is headed by Mr. V. Vaidyanathan, the Chairman and Managing Director of CFL.

CFL has three wholly owned domestic subsidiaries namely, Capital First Home Finance Limited (loan portfolio of Rs.948 crore), Capital First Securities Limited and Capital First Commodities Limited.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)	Q1FY18 (A)
Total income	1,889	2,801	820
PAT	166	241	67
Interest coverage (times)	1.28	1.31	1.32
Total Assets (On balance sheet)	14,460	17,566	19,945
Net NPA (%)	0.54^	0.31*	1.04@
ROTA (%) (Adjusted)	1.04	1.20	1.43

A: Audited; ^ on 150 dpd; *on 120dpd; @ on 90+dpd

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non Convertible Debenture	29-Sep-17	8.25%	29-Sep-22	100.00	CARE AA+; Stable
Non Convertible Debenture	-	-	-	100.00	CARE AA+; Stable
Non Convertible Debenture	-	-	-	300.00	CARE AA+; Stable
Commercial Paper	-	-	7 days – 1 year	400.00	CARE A1+;

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based-Long Term	LT	861.01	CARE AA+; Stable	1)CARE AA+; Stable (11-Jul-17)	1)CARE AA+; Stable (30-Dec-16) 2)CARE AA+ (20-Jul-16) 3)CARE AA+ (30-Apr-15) 4)CARE AA+ (10-Apr-15)	1)CARE AA+ (12-Jan-16) 2)CARE AA+ (23-Oct-15) 3)CARE AA+ (30-Apr-15) 4)CARE AA+ (10-Apr-15)	1)CARE AA+ (17-Feb-15) 2)CARE AA+ (16-Oct-14)
2.	Commercial Paper	ST	400.00	CARE A1+	1)CARE A1+ (18-Oct-17) 2)CARE A1+ (11-Jul-17) 3)CARE A1+ (11-Apr-17)	1)CARE A1+ (30-Dec-16) 2)CARE A1+ (20-Jul-16)	1)CARE A1+ (23-Oct-15)	1)CARE A1+ (17-Feb-15)
3.	Fund-based-Short Term	ST	-	-	-	-	1)Withdrawn (12-Jan-16) 2)CARE A1+ (23-Oct-15) 3)CARE A1+ (30-Apr-15)	-
4.	Debentures-Non Convertible Debentures	LT	100.00	CARE AA+; Stable	1)CARE AA+; Stable (18-Oct-17) 2)CARE AA+; Stable (19-Sep-17) 3)CARE AA+; Stable (11-Jul-17)	1)CARE AA+; Stable (30-Dec-16) 2)CARE AA+ (11-Aug-16)	-	-
5.	Debentures-Non Convertible Debentures	LT	100.00	CARE AA+; Stable	1)CARE AA+; Stable (18-Oct-17) 2)CARE AA+; Stable (19-Sep-17)	-	-	-
6.	Debentures-Non Convertible Debentures	LT	300.00	CARE AA+; Stable	-	-	-	-

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