

Capital First Home Finance Ltd

April 11, 2017

Ratings

Instrument/Facilities	Amount (Rs. crore)	Ratings	Remarks
Commercial Paper (CP) issue	200 (enhanced from 100) (Rupees Two Hundred Crore Only)	CARE A1+ (A One Plus)	Reaffirmed

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+**), 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 portfolio. Continued parentage and support of CFL, capital adequacy, asset quality and profitability are the key rating sensitivities.

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 capitalisation

CFHFL reported CAR of 24.11% as on March 31, 2016 [P.Y.: 18.68%] with Tier I capital being 23.63% [P.Y.: 18.24%]. During Q2FY16, there was an accretion of Rs.30 crore in the company's network on account of merger of Capital First Investment Advisory Ltd. (CFIAL), a 100% subsidiary of CFL, with CFHFL which has resulted into an improvement in capitalisation levels. A significant portion of CFHFL comprises of Tier I capital which provides the company significant headroom for funding future growth. CFHFL reported CAR of 20.42% as on December 31, 2016 with Tier I capital being 19.87%.

Credit weakness

Limited track record & small size of operations

CFHFL started disbursing loans since September 2013 and had a portfolio size of Rs.399 crore as on March 31, 2016. Given the limited track record of the company, the ability of the company to sustain profitable growth and healthy asset quality is yet to be seen.

Advances profile & asset quality

The company's loan portfolio stood at Rs.399 crore as on March 31, 2016 [P.Y.: Rs.229 crore]. Of the total portfolio outstanding, roughly 51% constituted home loans as on March 31, 2016 [P.Y.: 75%] with the remaining 49% being LAP [P.Y.: 25%]. Geographically, the home loans portfolio of the company is primarily originated from Maharashtra, Gujarat, Delhi and Andhra Pradesh which collectively constituted 66% of portfolio.

Given that the company's operations are in infancy, its asset quality is unseasoned. While the company had nil NPAs as on March 31, 2015, it witnessed some asset quality slippages during FY16 (refers to the period April 1 to March 31). As on March 31, 2016, the company reported GNPA and NNPA of 0.41% and 0.33%, respectively, while net NPA/ network stood at 1.57%.

During 9MFY17, CFHFL has GNPA and NNPA ratio of 1.28% and 1.00% respectively.

Analytical approach: consolidated

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE Policy on Default Recognition](#)

[Rating Methodology- Housing Finance Companies](#)

[Financial ratios - Financial Sector](#)

About the CAPITAL FIRST HOME FINANCE LTD

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. During FY16, the company's loan portfolio increased by 74.5% y-o-y to Rs.399 crore as on March 31, 2016. Consequently, the company witnessed more than two -fold growth in the earnings to Rs.40.19 crore during FY16 [P.Y: Rs.16.96 crore]. CFHFL registered NIM and ROTA of 2.26% and 1.58%, respectively, during FY16.

During 9MFY17, CFHFL reported PAT Rs.9.38 crore on the total income of Rs.49.26 crore . Further during 9MFY17, CFHFL has ROTA of 2.23%.

About the Capital First Ltd

Capital First Ltd (CFL), is a systemically important NBFC primarily engaged in the business of loan against property (46.5% of AUM), loan to builders, NBFC & MFI (15.5%), business loans (13.3%), two wheeler loans (8.5%), consumer durable loans (7.6%), personal loan & auto loans (5.5%) and home loans (3.0%). Between September-November 2012, Warburg Pincus acquired 70.3% stake in CFL. Warburg Pincus through its affiliates holds 65.2% stake in the company out of which Cloverdell Investment Ltd. holds the majority stake of 63.83% at the end of March 2016. CFL has three wholly owned domestic subsidiaries namely, Capital First Commodities Limited, Capital First Home Finance Limited (loan portfolio of Rs.399 crore) and Capital First Securities Limited. CFL merged its subsidiary Capital First Investment Advisory Limited with Capital First Home Finance Limited vide court order of July 2015. At the end of FY16, CFL had assets under management (AUM) of Rs.15,961 crore with retail portfolio accounting for 84% of AUM. The on-books portfolio stood at Rs.12,445 crore. CFL had a presence in 222 towns with an employee base of 1,412 as on March 31, 2016. The company is headed by Mr. V. Vaidyanathan, the Chairman and Managing Director of CFL.

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.

Analyst Contact:

Name: Anuj Jain

Tel: 022-67543451

Mobile: + 91-9892209428

Email: anuj.jain@careratings.com

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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:

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Commercial Paper	-	-	7-364 days	200	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	461.01	CARE AA+; Stable	-	1)CARE AA+; Stable (30-Dec-16) 2)CARE AA+ (20-Jul-16) 3)CARE AA+ (28-Apr-16)	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	200.00	CARE A1+	-	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 (30-Dec-16) 2)CARE AA+ (11-Aug-16)	-	-

CONTACT**Head Office Mumbai****Mr. Amod Khanorkar**

Mobile: + 91 98190 84000

E-mail: amod.khanorkar@careratings.com**Mr. Saikat Roy**

Mobile: + 91 98209 98779

E-mail: saikat.roy@careratings.com**CREDIT ANALYSIS & RESEARCH LIMITED**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com**AHMEDABAD****Mr. Mehul Pandya**32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com**BENGALURU****Mr. Deepak Prajapati**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: deepak.prajapati@careratings.com**CHANDIGARH****Mr. Sajan Goyal**SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com**COIMBATORE****Mr. V Pradeep Kumar**T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com**HYDERABAD****Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**JAIPUR****Mr. Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com**NEW DELHI****Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com**PUNE****Mr. Pratim Banerjee**9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691