

April 27, 2012

**PROPOSED MERGER OF FIRST BLUE HOME FINANCE LTD. AND DHFL HOLDINGS PVT. LTD.
WITH DEWAN HOUSING FINANCE LTD.**

Dewan Housing Finance Ltd.			
Instruments / Facilities	Amount (Rs cr)	Ratings¹	Remarks
Long term Bank facilities	15,814.04	CARE AA+ (Double A Plus)	Reaffirmed
Fixed Deposits	1,000	CARE AA+ (FD) (Double A Plus (Fixed Deposits))	Reaffirmed
Non Convertible Debentures	2,605	CARE AA+ (Double A Plus)	Reaffirmed
Subordinated Debt	980	CARE AA (Double A)	Reaffirmed
Perpetual Debt	300	CARE AA- (Double A Minus)	Reaffirmed
DHFL Holdings Pvt. Ltd.			
Short-term Non Convertible Debentures	335	'In-principle CARE A1+ (SO) [In-principle A One Plus (Structured Obligation)] ¹ *#	Reaffirmed
First Blue Home Finance Ltd.			
Long term Bank facilities	2,885	CARE AA+ (Double A Plus)	Reaffirmed
Non Convertible Debentures	1,200	CARE AA+ (Double A Plus)	Reaffirmed
Subordinated Debt	225	CARE AA (Double A)	Reaffirmed

****'In principle' rating assigned based on indicative terms of the proposed transaction. Final rating would be assigned subject to implementation of the structure as envisaged and execution of various documents to the satisfaction of CARE.***

The rating factors in the credit enhancement for servicing the proposed NCD issue, in the form of compulsorily exercisable put option on Dewan Housing Finance Corporation Ltd. (DHFL).

Dewan Housing Finance Ltd. (DHFL) has announced the merger of First Blue Home Finance Ltd (FBHFL) and DHFL Holdings Pvt. Ltd. (DHPL) into DHFL. The proposed scheme of amalgamation of FBHFL and DHPL with DHFL has received approval from the shareholders of both the companies (DHFL and FBHFL) and is pending approval from Honourable High Court.

CARE has reaffirmed the aforementioned ratings of DHFL, FBHFL and DHPL after considering the impact analysis of the proposed merger on the financial profile of the companies. A proforma consolidation of financials of the companies indicates marginal rise in overall gearing levels, however, no significant impact on financial profile and asset quality is expected. The acquisition may result in operational synergies in medium term and enable DHFL to be present in various segments of the home loan market in India by providing it access to untapped geographical regions and also the opportunity to cross sell its products.

Going forward DHFL's ability to generate operational efficiencies from the merger and maintain profitability, adequate capitalization levels and managing asset-liability mismatches are the key rating sensitivities.

The rating continues to draw comfort from DHFL's long-standing track record in housing finance business, its expertise in catering to middle and lower-middle class housing finance segment, consistent growth and comfortable profitability parameters.

About DHFL

DHFL was incorporated in 1984. Mr Kapil Wadhawan is its chairman and managing director. With more than two decades of experience, DHFL is among the oldest private sector Housing Finance Companies (HFC) in India. It is the third-largest HFC with a total asset size of around Rs.16,674 crore as on March 31, 2011.

¹ Complete definitions of the ratings assigned are available at www.careratings.com and in various CARE publications.

DHFL reported a PAT of Rs.265 crore on a total income of Rs.1,451 crore during FY11(refers to the period April 01, 2010 to March 31, 2011) as compared to a PAT of Rs.151 crore on a total income of Rs.993 crore during FY10.

About DHPL

DHPL is a subsidiary of Dewan Housing Finance Ltd. The company was primarily set up to acquire 67.5% equity stake in First Blue Home Finance Limited (Formerly Deutsche Postbank Home Finance Limited) (DPHFL) by the DHFL group. The investment in FBHFL is housed in the books of DHPL. DHFL had infused equity of Rs.229 crore in this company (equity holding: 99.9%).

About FBHFL

FBHFL (formerly Deutsche Postbank Home Finance Ltd.) was incorporated in India on March 2, 1995. With the recent 100% stake sale by erstwhile BHW Holding AG, to a consortium led by Dewan Housing Finance Corporation Ltd, the company has become a subsidiary of DHFL (67.54% stake). FBHFL presently operates through a network of 40 branches and satellite offices throughout India. The top 5 states of Karnataka, Delhi, Maharashtra, Andhra Pradesh and Haryana collectively constituted around 67% of the company's total outstanding portfolio as on March 31, 2011.

Note: - Shri. V. K. Chopra, who is an Independent Director on the Board of DHFL, is a member of the Rating Committee in CARE. Shri. Chopra did not participate in the rating process or in the meeting of the Rating Committee when the rating of DHFL and FBHFL was discussed.

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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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