

MARCH 09, 2016

CARE ASSIGNS 'CARE AA+ (SO)' RATING TO THE LONG TERM NCD OF DHFL VYSYA HOUSING FINANCE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Instruments- Non-convertible debentures	100	CARE AA+ (SO) [[Double A Plus] (Structured Obligation)]	Assigned
Total Facilities	100 (Rupees Hundred Crore only)		

* backed by letter of comfort from Dewan Housing Finance Corporation Limited (DHFL).

Rating Rationale

The above rating of DHFL Vysya Housing Finance Limited (DVHFL) is based on the credit enhancement in the form of 'Letter of Comfort' from Dewan Housing Finance Corporation Limited, rated 'CARE AAA' (Triple A), in favour of the Bankers of DHFL Vysya Housing Finance Limited.

The rating factors in consistent track record spanning three decades across business cycles and expertise of Dewan Housing Finance Corporation Limited's (DHFL) in lending to the niche borrower segment of lower-middle income group while maintaining asset quality. The growing credit demand in this market segment coupled with the Government's thrust in providing affordable housing throughout the country would help DHFL further strengthen its business position in this segment. The rating also factors in DHFL's experienced management, comfortable capital adequacy, diversified resource profile, and stable financial profile. Capitalisation levels, asset quality and liquidity profile are DHFL's key rating sensitivities.

Background

DVHFL was incorporated under the name Vysya Bank Housing Finance Limited on November 26 1990 with Vysya Bank (now ING Vysya Bank Ltd) holding a majority shareholding of 85.91% in the company. On July 2, 2003, Dewan Housing Finance Corporation Limited (DHFL) took over the shareholding of ING Vysya Bank. Subsequently, the company was renamed as DHFL Vysya Housing Finance Limited. Until March 31 2012, DVHFL was a subsidiary of DHFL which held 58.20% in the company. Thereafter to meet the NHB guidelines, shareholding by DHFL was reduced to 9.47% and the promoter group (comprising Mr Kapil Wadhwan and affiliated entities) took over 85.06% stake in the company. On March 21 2014, the promoter group has consolidated their shareholding in the company into Wadhawan Global Capital Private Limited (now holding 83.89% stake) which is now the holding company of DVHFL. The company is engaged in the business of providing housing loans to retail customers, corporates, firms and societies for construction, purchase, upgradation, renovation and repairs of residential property. The company operates through 31 branches and 26 service centres majorly spread across south India. During FY15 (refers to the period April 1 to March 31), the company opened three new branches and fifteen new service centres.

About DHFL

Incorporated in 1984, DHFL is the third largest housing finance company in India with total asset size of Rs.62,817 crore as on September 30, 2015. The company's target segment is primarily salaried individuals in lower and middle-income groups in Tier II and III cities. It had a loan portfolio of Rs.56,312 crore as on September 30, 2015. The company operated through a pan- India network of 188 branches and 150 service centres as on March 31, 2015. DHFL also has international presence through representative offices located in London and Dubai which cater to the housing needs of non-resident Indians. As on March 31, 2015, around 61% of DHFL's loan portfolio was located in western India, 20% in southern India with the remaining being in northern and eastern India.

During FY13, both First Blue Home Finance Ltd. (FBHFL) and DHFL Holdings Pvt. Ltd. were merged with DHFL which enabled DHFL to grow its loan book size significantly. During FY14, DHFL acquired 50% shareholding in DHFL Pramerica Life Insurance Company Ltd., 24% shareholding is held by DHFL promoter group while remaining 26% is held by Prudential International Insurance Holdings, Ltd. (a fully owned subsidiary of Prudential Financial, Inc. (PFI)). Dewan Group has a

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

presence in the housing finance business through its group companies namely Aadhar Housing Finance Pvt. Ltd. and DHFL Vysya Housing Finance Ltd.

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

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating 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.

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