

DHFL Vysya Housing Finance Limited

July 12, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	25.36 (Reduced from 72.06)	CARE AA-; Stable (Double A Minus; Outlook: Stable)	Reaffirmed
Short-term Instrument	50.00	CARE A1+ (A One Plus)	Reaffirmed
Total Facilities	75.36 (Rupees Seventy five crore and Thirty Six lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings continue to draw strength from strong promoter group and support DHFL Vysya Housing Finance Limited (DVHFL) enjoys from the flagship company of the group DHFL (rated CARE AAA; Stable), experienced management and established track record with stable system and processes, low risk portfolio dominated by housing loans to salaried class and low ticket size, comfortable capitalization levels, stable growth of loan portfolio, stable asset quality parameters notwithstanding moderation in FY17 (refers to the period April 1 to March 31) and good profitability. The ratings are constrained by relatively small size of operations and regional concentration of its loan book. The rating also takes note of the advanced stages of merger with Aadhar Housing Finance Limited.

Maintaining asset quality, sustaining business growth and profitability are the key rating sensitivities.

Detailed description of the key rating drivers

Strong promoter group and support extended to DVHFL

DHFL has a track record of over 30 years in the Housing Finance business and is one of the largest HFCs in India. DHFL, since inception, has been focusing on the niche market segment of low and middle income group in Tier II and Tier III cities, primarily to salaried individuals.

Experienced Management:

DVHFL has an established operational track record for over two decades supported by stable systems and processes. The company is headed by a four-member board of directors which includes Mr Kapil Wadhawan, Chairman, Mr G P Kohli, Mr Bikram Sen, with extensive experience in BFSI. In June 2017, Mr R Nambirajan has retired and upon his retirement Ms Komal Nair, President takes care of the day to day affairs of the company.

Low risk portfolio dominated by housing loans to salaried class

The company mainly caters to housing requirements of salaried customers which is a relatively safer segment. As on March 31, 2017, salaried class individual housing loans comprised 72% (PY: 71%) of the total outstanding loan portfolio.

Stable income growth and good profitability

The company showed a revenue growth of 10.24% in FY17 supported by growth of 23.16% in its loan portfolio, with a significant growth from the rural housing portfolio. Despite 61 bps decline in the cost of borrowings, the interest expense increased on account of increased borrowings. The yield on advances also declined to 11.88% in FY17, on account of increase in rural housing portfolio with NHB refinancing. Resultantly, NIM fell by 25 bps to 3.10%.

PAT fell to Rs.23.2 crore in FY17 as against Rs.26.7 crore in FY16 on account of increase in operating expenses. There was a one-time increase in employee expenses in FY17, on account of change in policy to provide leave encashment for all employees in line with the policy followed by AHFL. As a result ROTA decreased to 1.33% in FY17 from 1.80% in FY16.

Healthy capitalization levels:

DVHFL capital adequacy was at comfortable levels with CAR at 19.37% (Tier I CAR at 18.41%) as on March 31, 2017. (PY: CAR: 23.12% Tier I CAR: 22.13%). The decrease in CAR was on account of substantial growth in loan portfolio growth by 23.16%.

Good resource raising ability:

Company is mainly dependent on Bank loans and loans from NHB to fund its asset growth. All the loans from the Banks are on floating interest rates. As on March 31, 2017, 60.11% of DVHFL's borrowings comprised of loans from banks. The company has also availed loans from NHB which comprised 30.27% of its borrowings as on March 31, 2017. DVHFL has also raised NCD amounting to Rs.99.40 crore, constituting around 6% of the total borrowings.

Stable asset quality parameters:

Though the asset quality of DVHFL has marginally weakened during FY17, it continues to remain comfortable with gross NPA ratio at 1.42% as on March 31, 2017 as compared to 1.15% as on March 31, 2016. Net NPA declined to 0.97% as on March 31, 2017 from 0.77% as on March 31, 2016.

Comfortable liquidity profile

As of March 31, 2017, company had negative cumulative mismatch of Rs.68 crore in the 'up to one year' tenor bucket. However, as on March 31, 2017, the company had current account balance of Rs.29.95 crore, short term deposits of Rs.33.27 crore and unutilized limits sanctioned from Banks upto Rs.65 crore. Also the prepayments which stood at 12% of the total loan outstanding provided additional comfort to the liquidity profile.

Small size of operations and regional concentration of portfolio

DVHFL continues to be small sized HFC in comparison with its peers despite increase in total advances from Rs.1467.57 crore as on March 31, 2016 to Rs.1807.60 crore as on March 31, 2017. The company is predominantly a south India-based housing finance company with 45 of 50 branches located in the southern states of India. About 72% of the loan portfolio is concentrated in the five states of South India as on March 31, 2017.

Analytical approach: Standalone

Applicable Criteria

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

[CARE's Policy on Default Recognition](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[Financial Sector- Financial Ratios](#)

[Housing Finance Companies - Rating Methodology](#)

[Criteria for Short-term Instruments](#)

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 in the company. 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 Pvt Ltd. (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 50 branches including the nine new branches opened during the year and 21 service centers majorly spread across south India. DHFL will be merging with AHFL and the merger has been approved by the Board of Directors and IFC. The company has received the NHB approval for merger in February 2017. The merger is currently awaiting the approval from National Company Law Tribunal.

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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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/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	March 2032	94.65	CARE AA+ (SO); Stable
Fund-based - LT-Term Loan	-	-	March 2022	11.99	CARE AA+ (SO); Stable
Fund-based - LT-Term Loan	-	-	March 2030	134.45	CARE AA+ (SO); Stable
Fund-based - LT-Term Loan	-	-	November 2020	3.75	CARE AA+ (SO); Stable
Fund-based - LT-Term Loan	-	-	March 2035	218.73	CARE AA+ (SO); Stable
Fund-based - LT-Term Loan	-	-	June 2019	25.36	CARE AA-; Stable
Fund-based - LT-Term Loan	-	-	-	225.00	Provisional CARE AA+ (SO); Stable
Fund-based - LT-Term Loan	-	-	February 2021	90.72	CARE AA+ (SO); Stable
Fund-based - LT-Term Loan	-	-	March 2031	157.34	CARE AA+ (SO); Stable
Fund-based - LT-Term Loan	-	-	October 2032	336.36	CARE AA+ (SO); Stable
Debentures-Non Convertible Debentures	-	-	-	200.00	Provisional CARE AA+ (SO); Stable
Debentures-Non Convertible Debentures	July 05,2016	9.60%	July 05,2021	2.00	CARE AA+ (SO); Stable
Debentures-Non Convertible Debentures	August 17,2016	9.35%	August 17,2021	2.00	CARE AA+ (SO); Stable
Debentures-Non Convertible Debentures	October 20,2016	9.37%	October 20,2021	2.00	CARE AA+ (SO); Stable
Debentures-Non Convertible Debentures	October 25,2016	9.36%	October 25,2021	1.00	CARE AA+ (SO); Stable
Debentures-Non Convertible Debentures	May 05,2016	9.40%	May 05,2023	30.00	CARE AA+ (SO); Stable
Debentures-Non Convertible Debentures	November 21,2016	9.40%	November 21,2023	20.00	CARE AA+ (SO); Stable
Debentures-Non	November	9.40%	November	9.00	CARE AA+ (SO); Stable

Convertible Debentures	22,2016		22,2023		
Debentures-Non Convertible Debentures	May 05,2016	9.40%	May 05,2026	20.00	CARE AA+ (SO); Stable
Debentures-Non Convertible Debentures	July 08,2016	9.35%	July 08,2026	2.00	CARE AA+ (SO); Stable
Debentures-Non Convertible Debentures	July 13,2016	9.40%	July 13,2026	1.20	CARE AA+ (SO); Stable
Debentures-Non Convertible Debentures	July 19,2016	9.28%	July 18,2026	2.00	CARE AA+ (SO); Stable
Debentures-Non Convertible Debentures	August 05,2016	9.15%	August 05,2026	1.20	CARE AA+ (SO); Stable
Debentures-Non Convertible Debentures	August 25,2016	9.35%	August 25,2021	1.00	CARE AA+ (SO); Stable
Debentures-Non Convertible Debentures	October 27,2016	9.36%	October 27,2021	2.00	CARE AA+ (SO); Stable
Debentures-Non Convertible Debentures	October 27,2016	9.36%	October 27,2023	4.00	CARE AA+ (SO); Stable
Debentures-Non Convertible Debentures	-	-	-	0.60	CARE AA+ (SO); Stable
Short term Instrument	-	-	-	50.00	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 - LT-Term Loan	LT	90.72	CARE AA+ (SO); Stable	-	1)CARE AA+ (SO) (30-Dec-16) 2)CARE AA+ (SO) (15-Jul-16)	1)CARE AA+ (SO) (24-Sep-15) 2)CARE AA+ (SO) (24-Jul-15)	1)CARE AA+ (SO) (11-Dec-14) 2)CARE AA+ (SO) (10-Jul-14) 3)CARE AA (SO) (29-May-14)
2.	Short- term Instrument	ST	50.00	CARE A1+	-	1)Provisional CARE A1+ (SO) (08-Jul-16)	1)Provisional CARE A1+ (SO) (24-Jul-15)	1)CARE A1+ (SO) (In Principle) (11-Dec-14) 2)CARE A1+ (SO) (In Principle) (10-Jul-14)
3.	Fund-based - LT-Term Loan	LT	94.65	CARE AA+ (SO); Stable	-	1)CARE AA+ (SO) (30-Dec-16) 2)CARE AA+ (SO) (15-Jul-16)	1)CARE AA+ (SO) (24-Sep-15) 2)CARE AA+ (SO) (24-Jul-15)	1)CARE AA+ (SO) (11-Dec-14) 2)CARE AA+ (SO) (10-Jul-14) 3)CARE AA (SO) (29-May-14)
4.	Fund-based - LT-Term Loan	LT	11.99	CARE AA+ (SO); Stable	-	1)CARE AA+ (SO)	1)CARE AA+ (SO)	1)CARE AA+ (SO)

						(30-Dec-16) 2)CARE AA+ (SO) (15-Jul-16)	(24-Sep-15) 2)CARE AA+ (SO) (24-Jul-15)	(11-Dec-14) 2)CARE AA+ (SO) (10-Jul-14) 3)CARE AA (SO) (29-May-14)
5.	Fund-based - LT-Term Loan	LT	134.45	CARE AA+ (SO); Stable	-	1)CARE AA+ (SO) (30-Dec-16) 2)CARE AA+ (SO) (15-Jul-16)	1)CARE AA+ (SO) (24-Sep-15) 2)CARE AA+ (SO) (24-Jul-15)	1)CARE AA+ (SO) (11-Dec-14) 2)CARE AA+ (SO) (In Principle) (10-Jul-14) 3)CARE AA (SO) (In Principle) (29-May-14)
6.	Fund-based - LT-Term Loan	LT	3.75	CARE AA+ (SO); Stable	-	1)CARE AA+ (SO) (30-Dec-16) 2)CARE AA+ (SO) (15-Jul-16)	1)CARE AA+ (SO) (24-Sep-15) 2)CARE AA+ (SO) (24-Jul-15)	1)CARE AA+ (SO) (11-Dec-14) 2)CARE AA+ (SO) (10-Jul-14) 3)CARE AA (SO) (29-May-14)
7.	Fund-based - LT-Term Loan	LT	218.73	CARE AA+ (SO); Stable	-	1)CARE AA+ (SO) (30-Dec-16) 2)CARE AA+ (SO) (15-Jul-16)	1)CARE AA+ (SO) (24-Sep-15) 2)CARE AA+ (SO) (24-Jul-15) 3)CARE AA+ (SO) (In Principle) (15-Apr-15)	1)CARE AA+ (SO) (In Principle) (11-Dec-14)
8.	Fund-based - LT-Term Loan	LT	25.36	CARE AA-; Stable	-	1)CARE AA-; Stable (30-Dec-16) 2)CARE AA- (15-Jul-16)	1)CARE AA- (24-Sep-15) 2)CARE AA- (24-Jul-15) 3)CARE AA- (15-Apr-15)	-
9.	Fund-based - LT-Term Loan	LT	225.00	Provisional CARE AA+ (SO); Stable	-	1)Provisional CARE AA+ (SO) (30-Dec-16) 2)Provisional CARE AA+ (SO) (15-Jul-16) 3)Provisional CARE AA+ (SO) (12-Apr-16)	1)Provisional CARE AA+ (SO) (24-Sep-15) 2)Provisional CARE AA+ (SO) (24-Jul-15)	-
10.	Debentures-Non Convertible Debentures	LT	100.00	CARE AA+ (SO); Stable	-	1)CARE AA+ (SO) (08-Jul-16)	1)CARE AA+ (SO) (09-Mar-16)	-

							2)Provisional CARE AA+ (SO) (21-Jan-16)	
11.	Fund-based - LT-Term Loan	LT	157.34	CARE AA+ (SO); Stable	-	1)CARE AA+ (SO) (30-Dec-16) 2)CARE AA+ (SO) (15-Jul-16) 3)CARE AA+ (SO) (12-Apr-16)	-	-
12.	Fund-based - LT-Term Loan	LT	336.36	CARE AA+ (SO); Stable	-	1)CARE AA+ (SO) (07-Mar-17)	-	-

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