

JUNE 18, 2014

CARE REAFFIRMS THE RATING ASSIGNED TO FACILITIES/INSTRUMENTS OF HDB FINANCIAL SERVICES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	11,000	CARE AAA (Triple A)	Reaffirmed and enhanced from Rs.8,000 crore
Non-Convertible Debenture	8,000	CARE AAA (Triple A)	Reaffirmed
Subordinate Debt	2,000	CARE AAA (Triple A)	Reaffirmed and enhanced from Rs.1,500 crore
Short term Debt	1,250	CARE A1+ (A One Plus)	Reaffirmed and enhanced from Rs.750 crore

Rating Rationale

The ratings factor in the strengths that HDB Financial Services Ltd (HDBFS) derives from its parent, HDFC Bank Ltd (HBL) in the form of financial and operational support and direct brand linkages. The ratings are supported by good business growth, improving profitability and increasing share of secured loan in the loan portfolio. The ratings also take in-consideration the comfortable asset quality, adequate capitalization, diversified resource profile and comfortable liquidity position. Management control and support provided by HBL to HDBFS is the key rating sensitivity. The asset quality, capital adequacy and profitability are other key rating sensitivities.

Background

HDB Financial Services Ltd (HDBFS) is a subsidiary of HDFC Bank (HBL) with shareholding of 97.32%. HDBFS was incorporated in June 2007 and commenced its lending operations in March 2008. HDBFS continues to benefit from HBLs experience in the financial sector. The operations of the company are handled by Mr G Ramesh, Managing Director, who is assisted by a team of qualified and experienced professionals. In addition, HDBFS has the advantage of leveraging on expertise of senior management of HBL which has representation on the board of HDBFS.

HDBFS is a loan company which offers various retail loans (Loan against property (LAP), CV/ CE financing, gold loan, personal loans, etc.). The company operates through its present network of 275 operational branches (as on March 31, 2014), located in 201 cities. The company also operates BPO services on behalf of HBL. The company is also a corporate agent for HDFC Standard Life Insurance Company and HDFC Ergo General Insurance.

During FY14 (refers to the period April 1 to March 31), HDBFS reported a PAT of Rs.209.24 crore on a total income of Rs.1,688.27 crore. As on March 31, 2014, gross loan portfolio stood at Rs.13,387 crore while its tangible net-worth amounted to Rs.1,568 crore. The gross and the net NPA ratios stood at 0.81% and 0.42% respectively as on March 31, 2014. The overall CAR remained comfortable at 18.40% with Tier-I CAR at 11.43% as of March 31, 2014.

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