

January 19, 2016

## CARE REAFFIRMS BANK FACILITY RATINGS AND ASSIGNS SHORT TERM RATING TO PROPOSED CP/STD PROGRAMME OF HDFC LTD.

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long term Bank Facilities	9,891 (reduced from 11,422 )	<b>CARE AAA (Triple A)</b>	<b>Reaffirmed</b>
Short term Bank Facilities	6,402 (increased from 4,511)	<b>CARE A1+ (A One Plus)</b>	<b>Reaffirmed</b>
Proposed Commercial Paper (CP)/ Short Term Debt issue	50,000 (Rs. Fifty Thousand crore only)	<b>CARE A1+ (A One Plus)</b>	<b>Assigned</b>
<b>Total</b>	<b>66,292</b> <b>(Rupees Sixty Six Thousand Two Hundred &amp; Ninety Two Crore only)</b>		

### Rating Rationale

The ratings factor in the market leadership of Housing Development Finance Corporation Ltd (HDFC) in the housing finance industry, long-standing track record of operations, adequate capitalisation levels & strong resource raising ability, low operating costs, technology efficiency and good asset quality. The ratings also consider HDFC's vast marketing as well as distribution network and its ability to raise resources. HDFC's ability to maintain spreads in a competitive environment and support its subsidiaries would be the key rating sensitivities.

### Background

HDFC was incorporated in 1977 as the first specialised mortgage finance company in India. With over three decades of successful operations, HDFC offers a whole gamut of products like loans to individuals, loans to corporates, construction finance, and lease rental discounting. The financial conglomerate has subsidiaries and associates in insurance (general and life), asset management, education finance, venture funds and banking services. The company has a pan-India presence through 392 outlets (including 113 offices of its distribution subsidiary – HDFC Sales Private Limited) as on September 30, 2015. In addition, HDFC covers over several locations through outreach programmes.

During FY15, HDFC reported standalone Profit After Tax (PAT) of Rs.5,990 crore (after deduction of deferred tax liability on special reserve) on total income of Rs.27,471 crore as compared to PAT of Rs.5,440 crore on total income of Rs.24,198 crore during FY14. Stable spreads, lower operating and credit costs have led to 10.1% y-o-y growth in profits (post the impact of DTL created on special reserve) during FY15.

During H1 FY16, HDFC Ltd. reported PAT of Rs.2,966 crore [H1FY15: Rs.2,702 crore] on total income of Rs.14,549 crore [H1FY15: Rs.13,132 crore].

HDFC's outstanding loan portfolio grew by around 15.8% (y-o-y) during FY15 to Rs.2,28,181 crore (net off loans sold) as on March 31, 2015 and to Rs.2,37,991 crore as on September 30, 2015. HDFC Ltd. reported Capital Adequacy Ratio (CAR) (after deducting investment in HDFC Bank from Tier I capital) of 16.1% as on September 30, 2015 [March 31, 2015: 16.1%] with Tier I CAR: being 12.8% [March 31, 2015: 12.5%]. As on September 30, 2015, HDFC's gearing levels stood at 6.43x [March 31, 2015: 6.74x].

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

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<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

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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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