

DECEMBER 06, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO BANK FACILITIES OF HDFC LTD.

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	8058.31 (reduced from 12,916.55)	CARE AAA (Triple A)	Reaffirmed
Short term Bank Facilities	10,586.47 (enhanced from 10,209.95)	CARE A1+ (A One Plus)	Reaffirmed
Total	18,644.78 (Rupees Eighteen Thousand Six Hundred and Forty Four Crore and Seventy Eight Lakh Only)		

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 had a pan-India presence through 401 outlets (including 116 offices of its distribution subsidiary – HDFC Sales Private Limited) as on March 31, 2016. In addition, HDFC covers over several locations through outreach programmes.

In March 2016 HDFC sold 9% of its equity shares in HDFC Life to Standard Life (Mauritius Holdings) 2006 Limited. The total consideration was Rs.1,706 crore. The profit on sale of this investment was Rs.1,513 crore.

In August 2016, HDFC announced the merger of HDFC Life with Max Life Insurance Co Ltd. As part of the proposed transaction, Max Life would be merged with Max Financial Services Limited, which is a listed entity. Subsequently, the merged entity demerges the life insurance undertaking into HDFC Life. This facilitates the listing of HDFC Life. Post completion of the proposed transaction HDFC life would no longer be a subsidiary of HDFC Ltd as its shareholding would come down to 42.5% in the merged entity.

Further in its General Insurance venture HDFC finalised sale of 22.9% to ERGO which got completed in June 2016. Post this transaction HDFC holds 50.7% and ERGO 48.7% of the equity of HDFC ERGO. HDFC ERGO board also approved acquisition of a 100% stake in L&T General Insurance Company Limited for a consideration of Rs.551 crore, subject to the receipt of requisite approvals.

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

HDFC's outstanding loan portfolio grew by around 13.6% (y-o-y) during FY16 to Rs.2,59,224 crore (net off loans sold) as on March 31, 2016 [P.Y.: Rs.2,28,181 crore]. Of the total loan book (net of loans sold), loans to individuals constituted around 69% [P.Y.: 68%] with the rest mainly comprising loans to the corporate bodies/ developers. The share of individual loans in the total portfolio has gradually increased from 63% as on March 31, 2011 to 69% as on March 31, 2016.

During FY16, interest income growth decelerated to 8.5% [P.Y.: 12.6%] on account of both slowdown in portfolio growth and decline in margins. However, the company reported a higher 18.4% y-o-y growth in PAT during FY16 [FY15: 10.1%]. Higher PAT has been mainly contributed by profit on sale of investments. During Q4 FY16, HDFC Ltd. partially sold its stake in HDFC Life to Standard Life Mauritius Holdings resulting into profit of Rs.1513.41 crore.

HDFC Ltd. reported Capital Adequacy Ratio (CAR) (after deducting investment in HDFC Bank & DTL on special reserve from Tier I capital) of 16.6% as on March 31, 2016 [March 31, 2015: 16.1%] with Tier I CAR: being 13.2% [March 31, 2015: 12.5%]. As on March 31, 2016, HDFC's gearing levels stood at 6.96x [March 31, 2015: 6.74x]. HDFC continues to have one of the most stable asset quality parameters in the housing finance industry. As on March 31, 2016, it reported Gross NPA ratio of 0.70% [March 31, 2015: 0.67%]. NNPA and NNPA/ networth ratios as on March 31, 2016 stood at 0.49% [March 31, 2015: 0.46%] and 3.71% [March 31, 2015: 3.38%]. However, considering the provisions for contingencies, its NNPA ratio continues to be nil.

As on September 30, 2016, HDFC reported Total CAR and Tier I CAR of 16.5% and 13.3% respectively. Whereas, as on September 30, 2016, HDFC's gearing levels stood at 6.9x. During H1FY17, HDFC reported net profit of Rs.3697 crore on the total income of Rs.16496 crore. As on September 30, 2016, HDFC Ltd ROTA stood at 2.57%. As on September 30, 2016, HDFC's GNPA and NNPA ratio stood at 0.76% and 0.52% respectively. NNPA/ networth as on September 30, 2016 stood at 3.87%.

Analyst Contact

Name: Anuj Jain

Tel: 022-6144 3535

Email: anuj.jain@careratings.com

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

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.

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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.

CONTACT**Head Office Mumbai****Mr. Amod Khanorkar**

Mobile: + 91 98190 84000

E-mail: amod.khanorkar@careratings.com**Mr. Saikat Roy**

Mobile: + 91 98209 98779

E-mail: saikat.roy@careratings.com**CREDIT ANALYSIS & RESEARCH LIMITED**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com**AHMEDABAD****Mr. Mehul Pandya**

32, Titanium, Prahaladnagar Corporate Road,

Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com**BENGALURU****Mr. Deepak Prajapati**

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,

No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: deepak.prajapati@careratings.com**CHANDIGARH****Mr. Sajan Goyal**

SCF No. 54-55,

First Floor, Phase 11,

Sector 65, Mohali - 160062

Chandigarh

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com**CHENNAI****Mr. V Pradeep Kumar**

Unit No. O-509/C, Spencer Plaza, 5th Floor,

No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com**COIMBATORE****Mr. V Pradeep Kumar**

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com**HYDERABAD****Mr. Ramesh Bob**

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,

Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**JAIPUR****Mr. Nikhil Soni**

304, Pashupati Akshat Heights, Plot No. D-91,

Madho Singh Road, Near Collectorate Circle,

Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**KOLKATA****Ms. Priti Agarwal**

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)

10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com**NEW DELHI****Ms. Swati Agrawal**

13th Floor, E-1 Block, Videocon Tower,

Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com**PUNE****Mr. Pratim Banerjee**

9th Floor, Pride Kumar Senate,

Plot No. 970, Bhamburda, Senapati Bapat Road,

Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691