

India Infoline Housing Finance Limited

February 09, 2018

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term NCD	500.00 (Rs. Five hundred crore only)	CARE AA; Positive [Double A; Outlook: Positive]	Reaffirmed
Long-term NCD	400.00 (Rs. Four hundred crore only)	CARE AA; Stable [Double A; Outlook: Positive]	Reaffirmed
Total	900.00 (Rs. Nine hundred crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings has taken note of the recent announcement of reorganization of IIFL group's finance, wealth and capital business into three separate entities viz. IIFL Finance, IIFL Wealth and IIFL Securities. The reorganization is subject to regulatory and shareholders' approval.

The rating of India Infoline Housing Finance Ltd. (IIHFL) takes into account the importance of the housing finance business for the India Infoline Finance Limited (IIFL Finance) with its increasing size and profitability. The rating continues to derive group support in terms of strong brand linkages, large retail distribution network and integrated treasury operations. IIHFL also has an experienced management team, adequate capital adequacy position, diversified resource profile, comfortable asset quality and liquidity profile. The rating also factors in IIHFL's limited track record. Continued support from the parent, asset quality, capital adequacy and maintaining profitability while scaling up operations in a competitive environment are the key rating sensitivities

Outlook: Positive

The outlook continues to remain 'Positive' on account of expectation of continued improvement in granularity of loan portfolio thereby leading to risk diversification while maintaining profitability and asset quality. The outlook may be revised to 'Stable' if the portfolio composition's granularity does not improve as anticipated by CARE.

Detailed description of the key rating drivers

Key Rating Strengths

Parent Support

- **Integrated treasury and resource operations support:** IIFL Finance and IIHFL have an integrated treasury team which is a key strength. IIFL Finance has relationships with a number of banks / financial institutions and has managed to get funding at very competitive rates.
- **Access to parent's established branch network:** IIHFL and IIFL Finance both have the advantage of accessing the strong branch network of IIFL group.
- **Shared brand name:** IIHFL benefits from the strong brand name of India Infoline in the financial sector.

Experienced management team: The key management personnel of IIHFL are drawn from senior management of India Infoline group. Promoters of IIHL, Mr. Nirmal Jain and R.Venkataraman are on the board of IIHFL. Each business vertical and corporate function has been assigned to a professional having an in depth experience in their respective fields. Mr. MonuRatra became the CEO of IIHFL in August 2014 who brings with him experience of working with Indiabulls Housing Finance, ICICI Group and HDFC. Mr. S Sridhar, former Chairman of National Housing Bank (NHB) and Central Bank of India, is the Non-Executive Chairman. Mr. Kranti Sinha, former CEO of LIC Housing Finance Limited continues to be the Independent Director of IIHFL.

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

Adequate capital adequacy position: As on March 31, 2017, IIHFL reported a CAR of 17.58% (FY16-16.75%) with a Tier I CAR of 14.36% (FY16-11.06%). The parent company has infused Rs.385 crore of equity capital in FY17. Capitalization of the parent company, IIFL was comfortable with consolidated tangible net-worth of Rs.3,339 crore and gearing level at 5.44 times as on March 31, 2017.

As on December 31, 2017, IIHFL's capitalization level was adequate with CAR ratio of 18.42% and Tier-I ratio of 13.96%.

Diversified resource and liquidity profile: The borrowing mix of IIHFL comprises non-convertible debentures, bank funding, redeemable preference shares, and commercial paper. ALM profile as on March 31, 2017 shows cumulative mismatches. However it is backed by sanctioned and undrawn bank lines of 471 crore.

Comfortable asset quality: Gross NPA increased from Rs.33.77 crore as on March 31, 2016 to Rs.51.92 crore as on March 31, 2017. However, due to strong growth in the loan book, Gross NPA ratio was 0.63% in FY17 as against 0.64% in FY16. Net NPA to net worth ratio declined from 3.34% at the end of FY16 to 2.39% as on March 31, 2017. At the end of 9MFY18, IIHFL reported Gross NPA and Net NPA of Rs.81.85 crore and Rs.32.77 crore respectively, resulting in a Gross NPA ratio of 0.80%, Net NPA ratio of 0.32% and Net NPA to Net worth ratio of 3.02%

Key Rating Weaknesses

Limited track record: IIHFL received its NHB registration in February 2009. The on-book loan portfolio of IIHFL grew from Rs.1,970 crore as on March 31, 2015 to Rs. 8,192 crore as on March 31, 2017. Since, IIHFL has increased its loan portfolio significantly in the past three years only; it remains less seasoned. At the end of 9MFY18, IIHFL reported on-book portfolio of Rs.10,224 crore.

Analytical approach:

CARE has analyzed the standalone and consolidated financial statements of IIHFL and IIFL owing to financial and operational linkages between the parent and its subsidiaries and common management.

Applicable Criteria

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

[CARE Policy on Default Recognition](#)

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

[Rating Methodology- Housing Finance Companies](#)

[Financial ratios - Financial Sector](#)

About India Infoline Housing Finance Limited (IIHFL)

IIHFL, a subsidiary of India Infoline Finance Ltd. (IIFL), is National Housing Bank (NHB) registered Housing Finance Company (HFC). IIHFL caters to a vast segment of retail and corporate customers through its loan offering - this includes home loans, construction finance and loans against property, with the key focus area being housing loans to individuals against the security of residential collaterals. The company has built its portfolio only in the past few years and asset under management (AUM) of the company stood at Rs.9,769 crore as on March 31, 2017 (PY: Rs.5,540 crore). The company is headed by Mr. Monu Ratra, the Chief Executive Officer. As on March 31, 2017, 55+ branches of the India Infoline Group network were dedicated for the IIHFL business. Post Reorganization India Infoline Finance Ltd. will continue to hold 100% shareholding in IIHFL.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	569.60	904.98
PAT	72.06	83.56
Interest coverage (times)	1.34	1.22
Total Assets	5,442.91	8,491.04
Net NPA (%)	0.31	0.27
ROTA (%)	1.82	1.07

A: Audited

*Total assets are Net of Intangibles and Differed Tax Assets

About India Infoline Finance Ltd.

India Infoline Finance Ltd. (IIFL) is systemically important RBI registered non deposit taking NBFC focusing on mortgage loans, gold loans and capital market finance, medical equipment financing Unsecured SME loans and commercial vehicle financing. As on December 31, 2017, IIFL Holdings Limited and CDC group held 83.9% and 15.3%* of the company. The parent company IIFL along with its subsidiaries is engaged in the businesses of Non-Banking Finance, Housing Finance, Wealth Management, Equities, Commodities and Currency Broking, Investment Banking, Insurance and other Financial Products Distribution.

IIFL's consolidated Assets Under Management stood at Rs.27,288crore as on December 31, 2017. IIFL operates through a network of 1,242 branches. IIFL has wholly owned subsidiary, India Infoline Housing Finance Ltd. (housing finance company registered with NHB), engaged in retail mortgage finance.

During FY17, IIFL ventured into the microfinance segment with the acquisition of Bengaluru-based microlender Samasta Microfinance Ltd (NBFC-MFI) registered with RBI. As on December 31, 2017, AUM of Samasta Microfinance Ltd was Rs.574 crore. Post reorganization, IIFL will continue to hold 97.4% of shareholding in Samasta Microfinance Ltd.

Brief Financials (Rs. crore) - IIFL Consolidated	FY16 (A)	FY17 (A)
Total income	2,732	3,165
PAT	339	423
Interest coverage (times)	1.32	1.36
Total Assets	19,172	23,331
Net NPA (%)	0.54^	0.58*
ROTA (%) [#]	1.72	1.79

^150dp; *120dpd

*Total assets are Net of Intangibles and Deferred Tax Assets

[#]Calculated on Total Average Adjusted Assets.

Status of non-cooperation with previous CRA: NA

Any other information: NA

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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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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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
Debentures-Non Convertible Debentures	27-Dec-13	11.52%	26-Dec-18	500.00	CARE AA; Positive
Debentures-Non Convertible Debentures	24-Jul-15	10.50%	26-Jul-21	10.00	CARE AA; Positive
Debentures-Non Convertible Debentures	24-Jul-15	10.50%	26-Jul-21	7.00	CARE AA; Positive
Debentures-Non Convertible Debentures	3-Nov-16	8.90%	3-Nov-21	5.00	CARE AA; Positive
Debentures-Non Convertible Debentures	-	-	-	378.00	CARE AA; Positive

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	-	-	-	-	-	1)Withdrawn (05-May-14)
2.	Debentures-Non Convertible Debentures	LT	500.00	CARE AA; Positive	1)CARE AA; Positive (11-Jul-17)	1)CARE AA (18-Nov-16)	1)CARE AA (29-Oct-15)	1)CARE AA (21-Jul-14)
3.	Debentures-Non Convertible Debentures	LT	400.00	CARE AA; Positive	1)CARE AA; Positive (11-Jul-17)	1)CARE AA (18-Nov-16)	1)CARE AA (29-Oct-15)	1)CARE AA (20-Nov-14)

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