

LIC Housing Finance Ltd.

July 20, 2017

Rating

Instrument/Facilities	Amount (Rs. crore)	Ratings	Rating Action
Proposed Non-Convertible Debenture issue	25,000	CARE AAA; Stable (Triple A; Outlook: Stable)	Assigned
Total	25,000 (Rupees Twenty Five Thousand crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating factors in the support that LIC Housing Finance Ltd. (LICHF) derives from Life Insurance Corporation of India (LIC) (largest life insurer in India) which holds 40.31% stake in the company as well as LIC's demonstrated financial, managerial, operational and marketing support to LICHF. The rating also takes into account LICHF's long-standing track record and market position, liquidity position supported by strong resource raising capability, adequate capitalisation and comfortable asset quality parameters. Continued support from the promoter & its shareholding, profitability and asset quality are LICHF's the key rating sensitivities.

Detailed description of the key rating drivers

Key rating strengths

Strong promoter support

LICHF has strong promoter support with Life Insurance Corporation of India (LIC), India's largest life insurer, holding 40.31% stake in the company. The rating derives strength from managerial, operational, marketing as well as demonstrated financial support extended by LIC to LICHF. The parent support is expected to continue given the 40.31% holding by LIC. Furthermore, the shared brand name and logo indicates the strategic importance of the company to LIC.

Long-standing track record and market position

Established in 1989, LICHF has a long and profitable track record of operations of over two decades. The company is also the second-largest market player in the housing finance industry having a loan portfolio of over Rs.144,534 crore of as on March 31, 2017. In addition, the risk is diversified on account high proportion loan portfolio (around 96%) comprising individual mortgage loans (including LAP, LDR & other Non-core) with corporate lending portfolio constituting a low proportion (around 3.81%).

Adequate capitalisation and moderate gearing

LICHF has adequate capitalisation levels. Over the years, the parent (LIC) has been periodically infusing funds via equity and debt route. The capitalisation levels of the company are further supported by healthy internal accruals. As on March 31, 2017, LICHF reported CAR at 15.64% [P.Y.: 17.04%] and Tier I CAR: 13.35% [13.86%]. Going forward, continued parent support and strong resource raising ability are expected to enable the company in raising capital to meet its future business growth. As on March 31, 2017, the company reported gearing level of 11.41x [P.Y.: 12.13x].

Comfortable asset quality

The asset quality of LICHF has been comfortable over the last few years. As on March 31, 2017, LICHF's reported Gross NPA ratio of 0.43% [P.Y.: 0.45%] and Net NPA ratio of 0.14% [P.Y.:0.22%]. Its Net NPA to net worth ratio stood at 1.85% [P.Y.:2.96%].

Healthy business volumes & profitability parameters

LICHF is the second-largest housing finance company in India with total loan portfolio of Rs.144,534 crore of as on March 31, 2017. The loan book has grown at a CAGR of 15.3% during FY15 to FY17 (refers to the period April 1 to March 31). The portfolio composition of LICHF continues to remain stable with individual housing loans constituting 83.6%, LAP (individual) 12.6% and remaining 3.8% being builder loans.

The company continues to report stable profitability parameters on the back of healthy portfolio growth and stable margins. During FY17, LICHF reported NIM and ROTA of 2.59% [P.Y.: 2.42%] and 1.37% [P.Y.: 1.37%], respectively.

Moderate liquidity position & diversified resources profile

As on March 31, 2017, LICHF's liquidity profile shows negative cumulative mismatches in short to medium-term buckets. However, the company has standby lines of credit amounting to Rs.10,765 crore which shall enable it to meet liquidity mismatches. In addition, the strong resource raising capability considering parentage of LIC provides comfort. In sync with the industry trend, the share of market borrowings in LICHF's resources profile increased due to competitive interest rates in debt market. As on March 31, 2017, the share of market borrowings in total borrowings profile increased to 87.4% [P.Y.: 84.0%], while bank borrowings declined to 9.1% [P.Y.: 12.7%].

Analytical approach: CARE has analyzed standalone credit profile of LICHF along with LICHF linkage with its parent LIC.

Applicable Criteria

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

[CARE Policy on Default Recognition](#)

[Rating Methodology: Housing Finance Companies](#)

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

[Financial ratios - Financial Sector](#)

About the Company

LIC Housing Finance Ltd. (LICHF) was promoted by Life Insurance Corporation of India (LIC) with the objective of venturing into the housing finance business. LICHF is the second largest housing finance player in India with outstanding mortgage loan portfolio of more than Rs.144,534 crore of as on March 31, 2017. LIC, the largest life insurance company of India, continues to be the largest shareholder in LICHF, with around 40.31% shareholding as on March 31, 2017. Loan portfolio of LICHF mainly constitutes individual mortgage loans (including LAP, LDR & other Non-core) constituting 96.19% of the total portfolio.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income (Interest Income)	12,279	13,877
PAT	1,661	1,931
Interest coverage (times)	1.28	1.29
Total Assets	130,498	150,901
Net NPA (%)	0.22	0.14
ROTA (%)	1.37	1.37

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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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

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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
Non-convertible Debentures (Proposed)	-	-	-	25000	CARE AAA; Stable

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.	Debentures-Non Convertible Debentures	LT	1,150.00	CARE AAA; Stable	-	1)CARE AAA; Stable (29-Dec-16) 2)CARE AAA (28-Oct-16)	1)CARE AAA (16-Oct-15)	1)CARE AAA (04-Dec-14) 2)CARE AAA (14-Oct-14)
2.	Debentures-Non Convertible Debentures	LT	1,722.00	CARE AAA; Stable	-	1)CARE AAA; Stable (29-Dec-16) 2)CARE AAA (28-Oct-16)	1)CARE AAA (16-Oct-15)	1)CARE AAA (04-Dec-14) 2)CARE AAA (14-Oct-14)
3.	Debentures-Non Convertible Debentures	LT	1,154.00	CARE AAA; Stable	-	1)CARE AAA; Stable (29-Dec-16) 2)CARE AAA (28-Oct-16)	1)CARE AAA (16-Oct-15)	1)CARE AAA (04-Dec-14) 2)CARE AAA (14-Oct-14)
4.	Bonds-Lower Tier II	LT	500.00	CARE AAA; Stable	-	1)CARE AAA; Stable (29-Dec-16) 2)CARE AAA (28-Oct-16)	1)CARE AAA (16-Oct-15)	1)CARE AAA (14-Oct-14)
5.	Bonds-Upper Tier II	LT	500.00	CARE AAA; Stable	-	1)CARE AAA; Stable (29-Dec-16) 2)CARE AAA (28-Oct-16)	1)CARE AAA (16-Oct-15)	1)CARE AAA (14-Oct-14)
6.	Bonds-Upper Tier II	LT	500.00	CARE AAA;	-	1)CARE AAA; Stable	1)CARE AAA (16-Oct-15)	1)CARE AAA (14-Oct-14)

				Stable		(29-Dec-16) 2)CARE AAA (28-Oct-16)		
7.	Bonds-Lower Tier II	LT	250.00	CARE AAA; Stable	-	1)CARE AAA; Stable (29-Dec-16) 2)CARE AAA (28-Oct-16)	1)CARE AAA (16-Oct-15)	1)CARE AAA (14-Oct-14)
8.	Debentures-Non Convertible Debentures	LT	33,765.00	CARE AAA; Stable	-	1)CARE AAA; Stable (29-Dec-16) 2)CARE AAA (28-Oct-16)	1)CARE AAA (16-Oct-15)	1)CARE AAA (04-Dec-14) 2)CARE AAA (14-Oct-14)
9.	Bonds-Upper Tier II	LT	600.00	CARE AAA; Stable	-	1)CARE AAA; Stable (29-Dec-16) 2)CARE AAA (28-Oct-16)	1)CARE AAA (16-Oct-15)	1)CARE AAA (14-Oct-14)
10.	Debentures-Non Convertible Debentures	LT	15,000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (29-Dec-16) 2)CARE AAA (28-Oct-16)	1)CARE AAA (16-Oct-15)	1)CARE AAA (04-Dec-14)
11.	Debentures-Non Convertible Debentures	LT	18,000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (29-Dec-16) 2)CARE AAA (28-Oct-16)	1)CARE AAA (16-Oct-15)	-
12.	Debentures-Non Convertible Debentures	LT	25,000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (29-Dec-16) 2)CARE AAA (28-Oct-16) 3)CARE AAA (08-Aug-16)	-	-
13.	Debentures-Non Convertible Debentures	LT	25,000.00	CARE AAA; Stable	-	-	-	-

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