

## Manipal Housing Finance Syndicate Limited

January 23, 2017

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	274.74 (Enhanced from 266.03)	CARE BBB+; Stable [Triple B Plus; Outlook: stable]	Reaffirmed
<b>Total Facilities</b>	<b>274.74</b> <b>(Rupees Two Hundred and Seventy Four crore and Seventy Four Lakh only)</b>		
Fixed Deposits Programme	18.00 (enhanced from 12.00)	CARE BBB+ [FD]; Stable [Triple B Plus(Fixed Deposit); Outlook: Stable]	Reaffirmed
<b>Total</b>	<b>18.00</b> <b>(Rupees Eighteen crore only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale

The rating continues to factor in the majority ownership of Manipal Housing Finance Syndicate Limited (MHL) by the Manipal group in association with the Syndicate Bank, comfortable capitalization levels, moderate asset quality and moderate business performance in FY16 (refers to the period April 01 to march 31). However, the rating is constrained by the geographical concentration and small size of operations. Continued operational, equity and managerial support from the parent, the ability to sustain growth and maintain asset quality are the key rating sensitivities.

### Detailed description of the key rating drivers

The company is jointly promoted by The Manipal Group and Syndicate Bank with a total joint holding of 73.05% stake in the entity. Parent group's support has been mainly in the form of equity infusion and management support in the company. The company enjoys financial support in the form of long term loans from Syndicate Bank.

The capitalization of the company improved to 21.93% (Tier I CAR: 20.26%) as on March 31, 2016. The improvement in CAR is owing to the regulatory changes of lowering the risk weights of certain category of housing loans and profit accretion in FY16.

With portfolio loan outstanding of Rs.340.5 crore, the company is one of the small sized housing finance company, which has presence only in south India and major business comes from the state of Karnataka. MHL witnessed a moderate growth in total disbursements during FY16 to Rs.161.14 crore as compared with Rs.143.7 crore during FY15 on account of increase in disbursements of mortgage loans and modest increase in disbursements of home loans. The company continued to maintain a small jewel loan portfolio, and the disbursement in jewel loan was Rs.45.9 crore during FY16 (PY: Rs.53.2 crore).

The Gross NPA% and Net NPA% stood at 1.33% and 0.10% as on March 31, 2016, as against the Gross NPA% and Net NPA% of 1.38% and 0.30% as on March 31, 2015. The company has grown its loan book consistently while controlling its asset quality.

### Analytical approach:

For Analytical purposes the standalone financials of Manipal Housing Finance Syndicate Limited were considered

### Applicable Criteria

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

[CARE's Policy on Default Recognition](#)

[Financial Sector](#)

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

## Housing Finance Companies

### About the Company

Manipal Housing Finance Syndicate Limited (MHL) was promoted in 1986 as a Public Limited Company by the Manipal Group in association with Syndicate Bank (rated 'CARE AA+/CARE A1+'; Outlook: Negative). Manipal Group holds 66% stake, while Syndicate Bank holds around 7.05% stake in the company. MHL is a Housing Finance Company registered with National Housing Bank (NHB) and engaged in the business of offering long term financial assistance for purchase, construction, repairs and renovation of residential units largely to individuals. As on September 30, 2016, the company operates six housing loan branches and 30 jewel loan branches. The day-to-day affairs of the company are handled by Mr T Sunil Pai (Executive Director) who is assisted by Dr K K Ammannaya, General Manager. The ED and GM are assisted by managers who head various functions like Accounts, Systems, Recovery, Credit, Legal etc.

MHL reported profit after tax (PAT) of Rs.5.5 crore on a total income of Rs.42.3 crore during FY16 as compared with PAT of Rs.4.8 crore on a total income of Rs.44.9 crore during FY15. It reported PAT of Rs.3.2 crore on a total income of Rs.22.1 crore during H1FY17.

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto: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
Fund Based-Long Term	-	-	July 2029	274.74	CARE BBB+; Stable
Fixed Deposit	-	-	-	18.00	CARE BBB+ (FD); 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 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fixed Deposit	LT	18.00	CARE BBB+ (FD); Stable	1)CARE BBB+ (FD); Stable (12-Jan-17)	1)CARE BBB+ (FD) (15-Dec-15)	1)CARE BBB+ (FD) (24-Feb-15)	1)CARE BBB+ (FD) (02-Jan-14)
2.	Fund Based-Long Term	LT	274.74	CARE BBB+; Stable	1)CARE BBB+; Stable (12-Jan-17)	1)CARE BBB+ (15-Dec-15)	1)CARE BBB+ (24-Feb-15)	1)CARE BBB+ (02-Jan-14)

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