

January 06, 2015

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE LT DEBT AND SUBORDINATED DEBT AND ASSIGNS 'CARE PP-MLD AA+' RATING TO THE PRINCIPAL PROTECTED MARKET LINKED DEBENTURE OF RELIANCE HOME FINANCE LTD.

Ratings

Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Debt Programme	3,500	CARE AA+ (Double A Plus)	Reaffirmed
Subordinated Debt	200	CARE AA (Double A)	Reaffirmed
Principal Protected Market Linked Debenture	150	CARE PP-MLD AA+ (PP- MLD Double A Plus)	Assigned

Rating Rationale

The ratings are based on strong parentage (Reliance Home Finance Ltd. (RHFL) is a wholly-owned subsidiary of Reliance Capital Ltd (RCL) - rated CARE AAA), management support, access to operational systems and direct brand linkage with RCL, strategic importance of the mortgage finance business in the overall business framework of the parent as well as the high financial flexibility enjoyed by RHFL by virtue of its business synergies with RCL. The rating also takes into account comfortable capital adequacy, adequate profitability, comfortable liquidity profile and moderate asset quality of RHFL. The ratings are constrained by RHFL's moderate size and limited seasoning of its mortgage finance portfolio. Continued parentage support, asset quality, profitability and liquidity profile are the key rating sensitivities.

Background

RHFL was incorporated in June, 2008 and is the wholly-owned subsidiary of Reliance Capital Ltd. (RCL). The top management team as well as the operational executive team of RHFL has been carved out of the parent resulting in strong linkages and seamless functioning of both the entities. The company primarily concentrates on housing loans to individuals. RHFL had a loan portfolio of Rs.3,230 crore and assets under management (AUM) of Rs.3,936 crore as on September 30, 2014. Out of outstanding loan portfolio, home loans, LAP and construction finance accounted for 64%, 12% and 24% of the portfolio, respectively. During FY14 (refers to period from April 1, 2013 to March 31, 2014) the loan portfolio (on-balance sheet) increased by 14% and stood at Rs.3,124 crore as on March 31, 2014. RHFL reported Profit after Tax (PAT) of Rs.43 crore on total income of Rs.429 crore during FY14 as compared to PAT of Rs.27 crore on total income of Rs.361 crore during FY13. The Capital Adequacy Ratio (CAR) of RHFL stood at 23.2% as on September 30, 2014. The asset quality parameters of RHFL were moderate with Gross NPA ratio of 1.8% and Net NPA ratio of 1.5% as on September 30, 2014. The Net NPA to Net worth ratio stood at 10.6% as on September 30, 2014. During H1FY15, RHFL reported PAT of Rs.24 crore on a total income of Rs.229 crore.

Note: Shri V. K. Chopra, who is a Director on the board of Reliance Capital Pension Fund Ltd, a subsidiary of Reliance Capital Ltd, is a member of the Rating Committee in CARE. Mr Chopra did not participate in the rating process or in the meeting of the Rating Committee when the rating of RHFL was discussed.

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

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****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.

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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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