

May 13, 2014

CARE REAFFIRMS THE RATING ASSIGNED TO THE ENHANCED BANK FACILITIES OF SUNDARAM BNP PARIBAS HOME FINANCE LIMITED

Rating

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	835 (enhanced from 775)	CARE AA+ (Double A Plus)	Reaffirmed
Total Facilities	835		

Rating Rationale

The rating factors in the strong parentage of Sundaram BNP Paribas Home Finance Ltd (SHFL) in the form of Sundaram Finance Limited and BNP Paribas Personal Finance [100% subsidiary of BNP Paribas (SA) France], comfortable capital adequacy level and steady profitability indicators. The rating also takes note of the moderation in asset quality of SHFL during FY13 (refers to the period April 1 to March 31), in trend with the industry, which has however improved marginally as on March 31, 2014.

The rating is, however, constrained by the company's relatively moderate size despite the sharp growth in the portfolio witnessed in the recent years and geographical concentration of its portfolio within Southern India.

Going forward, the ability of SHFL to expand its operations while protecting its spreads, maintain/ improve the credit quality of its portfolio, maintain adequate capitalisation levels and manage its liquidity profile effectively will be the key rating sensitivities.

Background

SHFL was incorporated as Sundaram Home Finance Limited by Sundaram Finance Ltd (SFL), with equity participation from International Finance Corporation (IFC), Washington, and FMO Netherlands in 1999. During FY07, SFL acquired the stake of IFC and FMO, and consequently owned 100% stake in the company. In FY08, SFL and BNP Paribas Personal Finance [erstwhile Union de Crédit pour le Bâtiment (UCB)] a wholly-owned subsidiary of BNP Paribas (SA) France, entered into an agreement, as a result of which, BNP Paribas Personal Finance acquired 49.9% stake in SHFL. Subsequently, the company was renamed Sundaram BNP Paribas Home Finance Limited, effective from November 2007.

Based in Chennai, SHFL is focused on providing both housing as well as non-housing loans in the southern states of Tamil Nadu, Andhra Pradesh, Kerala and Karnataka. The company has also recently created a region 'Beyond South' (renamed as 'Rest of India') to cater to the cities such as Kolkata, Bhopal, Nasik, Kolhapur and Bhubaneswar.

For FY14 (provisional), SHFL reported a PAT of Rs.151 crore over total income of Rs.888 crore. As on March 31, 2014, total CAR stood at 18.56% with Gross NPA ratio of 1.53% and Net NPA ratio of 0.46%.

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