

Sundaram Home Finance Limited

June 28, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE AA+; Stable and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A1+ and Withdrawn
Non-Convertible Debentures (series XIII)	-	-	Withdrawn
Non-Convertible Debentures (series XIV)	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Ltd. has reaffirmed and withdrawn the outstanding ratings of 'CARE AA+; Stable' and 'CARE A1+' assigned to the bank facilities of Sundaram Home Finance Limited (SHFL) with immediate effect. The above action has been taken at the request of SHFL and 'No Objection Certificate' received from the banks that have extended the facilities rated by CARE Ratings Ltd.

CARE Ratings Ltd. has withdrawn the rating assigned to the non-convertible debentures (NCD) issues of SHFL with immediate effect, as the company has repaid in full/not utilized the aforementioned issues and there is no amount outstanding under the said issues.

Analytical approach : Standalone approach, also factoring in the linkages with parent.

Detailed description of the key rating drivers:

Key strengths

Strong parentage

SHFL is a wholly owned subsidiary of SFL (Sundaram Finance Limited). SFL has an established track record of operations of over 60 years and is a prominent player in the business of commercial vehicle financing in India. SFL has also invested in several joint ventures (JV)/ subsidiaries catering to various kinds of financial services such as insurance, mutual fund, fund services, distribution, etc. SHFL also benefits from access to the group's established branch infrastructure and clientele of SFL. Sundaram Direct, the marketing division of SFL aides in raising deposits and sourcing customers. The management information system (MIS) and information technology (IT) solutions are provided by Sundaram Infotech, the IT division of Sundaram Finance Group. The board of SHFL consists of eight directors, with five directors in common with SFL including two independent directors.

Comfortable capital adequacy Levels

SHFL has been able to maintain its capital adequacy above 20% over the last few years. SHFL reported total capital adequacy ratio (CAR) of 20.28% as on March 2024 (PY: 23.49%) against the regulatory requirement of 15%. Tier-I CAR stood at 19.68% (PY: 22.83%). The overall gearing was 6.23x as on March 31, 2024, compared with 5.65x as on March 31, 2023.

Good profitability

During FY24, SHFL reported a profit after tax (PAT) of ₹236 crore on a total income of ₹1,412 crore as against a PAT of ₹215 crore on a total income of ₹1,140 crore in FY23. Net interest margin (NIM) stood at 3.84% during FY24 as against 3.22% in FY23.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Opex/average assets slightly increased and stood at 1.99% (PY: 1.60%). Credit cost decreased to 0.19% in FY24 from 0.58% in FY23. With increase in opex, return on total assets (ROTA) moderated to 1.88% in FY24 from 1.97% in FY23.

Diversified resource profile

SHFL has well-diversified resource profile with the company raising funds through NCD, NHB refinance, fixed deposits, bank loans and commercial paper (CP), etc. NCD (including sub-debt) is a major source of funding constituting 34.10% of the total borrowings as on March 31, 2024 (32.60 % as on March 31, 2023). NHB refinance, public deposits, bank borrowings (including securitisation) and CP stood at 16.41%, 19.90%, 27.04%, and 2.55%, respectively, of the total borrowings as on March 31, 2024. The weighted average cost of borrowings stood at 7.8% as on March 31, 2024.

Key weaknesses

Regional concentration

SHFL reported a loan portfolio growth of 17% in FY24. The loan portfolio stood at ₹12,812 crore as on March 31, 2024, against ₹10,888 crore as on March 31, 2023. Disbursements increased by 30% y-o-y from ₹3,901 crore in FY23 to ₹5,054 crore in FY24. Majority of the loan portfolio is concentrated in the five states (Tamil Nadu, Andhra Pradesh [AP], Telangana, Kerala, and Karnataka) of south India. The company's highest exposure is in the state of Tamil Nadu which constituted 37% of the total AUM as on March 31, 2024 (39% as on March 31, 2023). The states of Andhra Pradesh (Including Telangana), Kerala and Karnataka constituted 24%, 11% and 14% of total AUM, respectively, as on March 31, 2024. The 'Rest of India' region accounted for 11% (PY: 7%) of the company's outstanding portfolio as on March 31, 2024.

Moderate asset quality metrics with improvement in FY24

Asset quality metrics improved in FY24 with GNPA and NNPA of 1.16% and 0.50% as on March 31, 2024, as against 2.26% and 1.14% as on March 31, 2023, with a provision coverage of 57% for March 31, 2024. On absolute terms, GNPA reduced to ₹151 crore as on March 31, 2024 from ₹251 crore as on March 31, 2023. The reduction in NPA was due to combination of lower slippages, improved recoveries and write-offs of ₹24 crore during FY24. NNPA to net worth stood at 3.55% as on March 31, 2024, as against 7.11% as on March 31, 2023. The company also has restructured portfolio to the tune of ₹336 crore as on March 31, 2024 (2.63% of loan portfolio; PY: 3.95% of loan portfolio). Out of the restructured portfolio, ₹303 crore remained standard as on March 31, 2024. 1+DPD portfolio has improved from 8.26% as on March 31, 2023 to 6.59 % as on March 31, 2024. As the loans in both housing and non-housing segments are backed by adequate collateral, ultimate credit losses are minimal.

Assumptions/Covenants – Na

Environment, social, and governance (ESG) risks - Na

Applicable criteria

[Policy on withdrawal of Ratings](#)

[Policy on default recognition](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios - Financial Sector](#)

[Rating Methodology for Housing Finance Companies \(HFCs\)](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Financial Services	Financial Services	Finance	Housing Finance Company

Sundaram Home Finance Ltd (SHFL) is a Housing Finance Company (HFC) incorporated by Sundaram Finance Ltd (SFL) along with equity participation from International Finance Corporation (IFC), Washington and FMO Netherlands in 1999. In FY08, SFL, the company sponsor and holding company, entered a strategic alliance with Union de Credit pour le Basement (UCB), a wholly owned subsidiary of BNP Paribas, France, because of which, UCB acquired 49.90% stake in the company. Subsequently, the company was renamed Sundaram BNP Paribas Home Finance Ltd (SHFL), effective from November 28, 2007. During September 2019, SFL had acquired the stake from BNP Paribas Personal Finance S.A, and the company became wholly-owned subsidiary of SFL. Subsequently, the company was renamed Sundaram Home Finance Ltd (SHFL) effective from November 18, 2019.

SHFL, based out of Chennai, is registered with National Housing Bank (NHB), with focus on providing both housing as well as non-housing loans majorly to individuals in southern states like Tamil Nadu, Andhra Pradesh, Telangana, Kerala and Karnataka. Apart from these, SHFL also caters to few cities in 'Rest of India' in the states of Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Gujarat, West Bengal and Pondicherry. Housing loans account for 65% of SHFL's loan portfolio as on March 31, 2024. company operates through 138 branches (as at the end of March 2024) across these regions.

SFL is one of the largest non-banking finance companies (NBFCs) in the country with assets under management (AUM) of ₹43,987 crore as on March 31, 2024, with primary focus on financing of commercial vehicles and cars in the retail segment. For FY24, SFL reported net profit of ₹1,454 crore over total income of ₹5,401 crore.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	957	1140	1412
PAT	168	215	236
Interest coverage (times)	1.40	1.45	1.37
Total Assets	10193	11677	13,351
Net NPA (%)	1.57	1.14	0.50
ROTA (%)	1.68	1.97	1.88

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instrument / facility: Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn
Fund-based - ST-Bank Overdraft		-	-	-	0.00	Withdrawn
Debentures-Non Convertible Debentures (Series XIV)	INE667F07IA7	June 15, 2021	Linked to 3M T – bill	June 14,2024	0.00	Withdrawn
Debentures-Non Convertible Debentures Proposed (Series XIII)	-	-	-	-	0.00	Withdrawn

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Debt-Subordinate Debt	LT	-	-	-	1)Withdrawn (29-Jun-23)	1)CARE AA+; Stable (04-Jul-22)	1)CARE AA+; Stable (05-Jul-21)
2	Fund-based - LT-Cash Credit	LT	-	-	CARE AA+; Stable	1)CARE AA+; Stable (29-Jun-23)	1)CARE AA+; Stable (04-Jul-22)	1)CARE AA+; Stable (05-Jul-21)
3	Fund-based – ST-Bank Overdraft	ST	-	-	CARE A1+	1)CARE A1+ (29-Jun-23)	1)CARE A1+ (04-Jul-22)	1)CARE A1+ (05-Jul-21)
4	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdra wn (05-Jul-21)
5	Debentures-Non Convertible Debentures	LT	-	-	-	1)CARE AA+; Stable (29-Jun-23)	1)CARE AA+; Stable (04-Jul-22)	1)CARE AA+; Stable (05-Jul-21)

6	Debentures-Non Convertible Debentures	LT	-	-	-	1)CARE AA+; Stable (29-Jun-23)	1)CARE AA+; Stable (04-Jul-22)	1)CARE AA+; Stable (05-Jul-21)
7	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (05-Jul-21)

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities : Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - ST-Bank Overdraft	Simple
3	Debentures – Non Convertible Debentures	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:

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