Aadhar Housing Finance Limited

(Erstwhile DHFL Vysya Housing Finance Limited)

March 17, 2020

Ratings

Facilities/ Instruments	**Amount (Rs. crore)**	**Rating**	**Rating Action**
Long term Bank Facilities	8088.24 (enhanced from Rs. 6764.64 crore) (Rs. Eight thousand and eighty right crore and twenty four lakhs only)	**CARE AA; Stable [Double A; Outlook:Stable]**	**Re-affirmed**
Non-Convertible Debenture	1676.40 (reduced from Rs. 3000 crore) (Rs. One Thousand six hundred seventy six crore and forty lakhs)	**CARE AA; Stable [Double A; Outlook:Stable]**	**Re-affirmed**

Details of instruments/facilities in Annexure-1

Detailed Rationale of AHFL

The ratings factor in AHFL's experienced management team, track record in affordable housing segment with maintenance of healthy profitability, diversified geographical presence, comfortable gearing and capitalization levels, moderate seasoning of the portfolio, focus on retail franchisee and comfortable asset quality with slight moderation in 9MFY20. The rating remains constraint due to the vulnerability to economic downturn of the target borrower segment comprising of lower income group.

Rating Sensitivities

Positive Factors

- Continuous capital infusion as per plan by the parent company
- Improvement in the profitability levels

Negative Factors

- Increase in the gearing levels beyond the envisaged level committed by the management
- Moderation in the asset quality parameters on a sustained basis

Detailed description of the key rating drivers of AHFL

Key Rating Strengths

Experienced management

The operations of the company are led by Mr. Deo Tripathi (MD & CEO) who has vast experience of 40 years in the financial services sector in companies such as Union Bank of India and Dewan Housing Finance Limited. Mr. Rajesh Vishwanathan is the CFO of AHFL. Mr. Vishwanathan is a Chartered Accountant from Institute of Chartered Accountant. He has overall experience of over 25 years and has worked with companies like Capital Float, Bajaj Allianz Life Insurance & Bajaj Finance Ltd.

Comfortable gearing and capitalization levels

The gearing of the company stood moderate at 9.57 times as on March 31, 2019 with Tangible Net Worth at Rs.859 crore. The Capital Adequacy Ratio (CAR) stood at 18.28% and Tier I CAR stood at 15.57% as on March 31, 2018. The company maintains a cushion of 6.28% above the regulatory requirement of 12%. Post the acquisition of 98% stake by BCP Topco VII Pte. Ltd along with primary capital infusion of Rs. 800 crore as on June 11, 2019, the gearing of the company stood comfortable at 4.8 times with tangible net worth of Rs. 1659 crore and borrowings of Rs. 7975 crore.
As on December 31, 2019, the gearing stood at 4.60 times (3.60 times net of liquidity buffers) with tangible net worth of Rs. 1834 crore and borrowing of Rs. 8426 crore. The commercial paper borrowings stood at Nil as on December 31, 2019 as compared to 1% as on March 31, 2019.

Good growth in loan portfolio and profitability

AHFL's loan portfolio increased 12% on a y-o-y basis to Rs.8124 crore as on March 31, 2019 from Rs.7273 crore as on March 31, 2018. The AUM of the company stood at Rs. 10,016 crore as on March 31, 2019. Of the total loan portfolio in FY19, home loans comprised 81%, LAP accounted for 18% and the remaining 1% being exposure towards small developers. Expansion in business operations and growth in loan book has resulted in total income rising by 54% to Rs.1240 crore in FY19. Operating expenses as percentage of adjusted assets increased to 2.29% in FY19 from 2.17% in FY18 due to rise in the employee expenses by 59% in FY19 on account of rise in employee base and rise in the other expenses by 35% in FY19. Net interest margin and ROTA stood at 4.23 % (FY18: 3.77%) and 1.88% (FY18: 1.55%) respectively.

During 9MFY20, the company reported Profit after tax (PAT) of Rs. 191 crore on total income of Rs. 1023 crore as compared to PAT of Rs.136 crore on total income of Rs. 904 crore in 9MFY19. The ROTA stood at 2.51 times in 9MFY20. The total AUM stood at Rs. 11255 crore with on book outstanding at Rs. 8918 crore. The company made a total disbursement of Rs. 2517 crore during 9MFY20.

Diversified geographical presence

AHFL has a diversified presence across India in total 20 states and union territories as on March 31, 2019. The top 5 states as per the loan outstanding in FY19 are Uttar Pradesh (16%), Maharashtra (14%), Madhya Pradesh (12%), Tamil Nadu (8%) and Rajasthan (8%).

Moderate track record and seasoning of the portfolio

AHFL commenced its operations in 1990 (erstwhile Aadhar which merged in DHFL Vysya (now AHFL) in November 2017 had commenced its operations in 2011). However, the growth in portfolio of DHFL Vysya had been slower as compared to AHFL. Prior to merger, both the entities had similar size of portfolio which indicated that AHFL has grown at faster pace with moderate seasoning of the portfolio.

Comfortable asset quality with slight moderation

The asset quality of AHFL has remained comfortable. The Gross NPA % of loans outstanding stood at 1.23% and Net NPA at 0.90% as on March 31, 2019 (March 31, 2018: Gross NPA% -1.17% and Net NPA -0.78%.). The company's retail advances constitute ~99.1% of the total loan book. The GNPA on retail AUM as on 31st March 2019 is 0.58% of the retail managed assets same as 31st March 2018.The Company has adopted Expected Credit Loss model for reporting the NPA from FY19 as per the IND AS.

As on December 31, 2019, there has been slight moderation in the asset quality as Gross NPA as a % of total loan outstanding stood at 1.91% and Net NPA at 1.21% as compared to Gross NPA % of loans outstanding at 1.23% and Net NPA at 0.90% as on March 31, 2019. The Gross NPA on retail AUM stood at 0.95% as on December 31, 2019.

Key rating weakness

Target customer segment comprises low income group, which may be vulnerable to economic downturns

The target segment of AHFL is low income group which may be vulnerable to economic downturns, consequently impacting the asset quality. However, strong credit appraisal processes and policies provide comfort.

Prospects

In the past, healthy portfolio growth, stable margins and operating efficiencies as well as low credit costs have contributed to healthy profitability parameters of HFCs. While some of the players are witnessing rising NPA levels in their loans against property (LAP) and non-housing loans portfolio; the fact that individual housing loans (excluding LAP) account for bulk of the total mortgage finance portfolios of HFCs, the overall delinquencies are still low. Given the potential in the housing segment especially affordable housing, the growth in this segment is expected to be healthy in the medium term.

Liquidity Profile: Adequate - The liquidity profile of the AHFL as on December 31,2019 was adequate with positive cumulative mismatches across all time buckets including the undrawn lines of credit. The company has contractual repayment of debt obligations of Rs. 1568 crore upto one year against which there is contractual inflows of advances of Rs. 1033 crore upto one year. The company maintained liquidity to the tune of Rs. 1816 crore as on December 31, 2019 which consists of Rs. 209 crore of cash and bank balance, Rs. 1287 crore of fixed deposits and Rs. 320 crore of investments in mutual funds to take care of the mismatches.

Analytical approach: The ratings are based on AHFL's standalone performance along with factoring the change in ownership to Blackstone Group.

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Non-Banking Financial Companies
Financial ratios – Financial Sector
Rating Methodology: Factoring Linkages in Ratings

About Blackstone Group

Blackstone was founded in 1985 by Stephen A. Schwarzman, Chairman and Chief Executive Officer, and Peter G. Peterson, who retired as Senior Chairman in 2008. The company invests in both buyouts and corporate partnering deals and has invested in over 80 companies since inception. As on 2019, the firm has an AUM of around USD 571 billion globally across various business segments. Blackstone Private Equity has been active in India since 2006 with USD 6.9 billion committed across 29 investments. As regards Corporate Private Equity, Blackstone India invests out of BCP VII, a $18.0 billion global fund and BCP Asia.

About AHFL

Aadhar Housing Finance Limited (AHFL) is a housing finance company engaged in providing housing finance to the lower income segment of the society. AHFL was set up in May 2010 and commenced operations in February 2011. DHFL Vysya was incorporated in 1990. As on June 11, 2019, BCP Topco Vii Pte. Ltd holds 98% stake in AHFL and the remaining is held by ICICI Bank Ltd. AHFL now spans across 20 states with around 311 branches with a loan book of Rs.8124 crore (as on March 31, 2019). The company has a total employee base of 2219 and it sources its business through a network of Direct Selling Teams (DSTs) and Direct Selling Agents (DSAs) as on March 31, 2019.

Brief Financials (Rs. Crore)	FY18 (A)	FY19(A)
Total income	806	1240
PAT	115	162
Loans outstanding	7273	8124
Interest coverage (times)	1.35	1.34
Total Assets	7785	9461
ROTA (%)	1.79	1.88
Net NPA (%)	0.78	0.90

A: Audited

Details of instruments/facilities in Annexure-1

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

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 - LT-Term Loan	-	-	-	94.65	**CARE AA; Stable**
Fund-based - LT-Term Loan	-	-	-	11.99	**CARE AA; Stable**
Fund-based - LT-Term Loan	-	-	-	134.45	**CARE AA; Stable**
Fund-based - LT-Term Loan	-	-	-	3.75	**CARE AA; Stable**
Fund-based - LT-Term Loan	-	-	-	218.73	**CARE AA; Stable**
Fund-based - LT-Term Loan	-	-	-	225	**CARE AA; Stable**
Fund-based - LT-Term Loan	-	-	-	157.34	**CARE AA; Stable**
Fund-based - LT-Term Loan	-	-	-	336.36	**CARE AA; Stable**
Fund-based - LT-Term Loan	-	-	-	90.72	**CARE AA; Stable**
Fund-based - LT-Term Loan	-	-	-	3401.65	**CARE AA; Stable**
Fund-based - LT-Term Loan				3413.6	**CARE AA; Stable**
Debentures-Non Convertible Debentures	29-Sep-18	N.A	29-Sep-21	676.4	**CARE AA; Stable**
Debentures-Non Convertible Debentures	29-Sep-18	9.60%	29-Sep-21		
Debentures-Non Convertible Debentures	29-Sep-18	9.25%	29-Sep-23		
Debentures-Non Convertible Debentures	29-Sep-18	9.65%	29-Sep-23		
Debentures-Non Convertible Debentures	29-Sep-18	9.35%	29-Sep-28		
Debentures-Non Convertible Debentures	29-Sep-18	9.75%	29-Sep-28		
Proposed Debentures-Non Convertible Debentures	-	-	-	1000	**CARE AA; 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	90.72	CARE AA; Stable	1) CARE AA; Stable (27-Jun-19)	1) CARE AA (credit watch with developing implications) (22-Mar-19) 2)CARE AA (SO) (credit watch with developing implications) (13-Feb-19) 3)CARE AA+ (SO); Stable (06-Jul-18)	1) CARE AA+ (SO); Stable (21-Dec-17) 2)CARE AA+ (SO); Stable (12-Jul-17)	1)CARE AA+ (SO) (30-Dec-16) 2)CARE AA+ (SO) (15-Jul-16)
2.	Commercial Paper	ST	-	-	-	-	1)Withdrawn (19-Jan-18) 2)CAREA1+ (21-Dec-17) 3)CARE A1+ (12-Jul-17)	1)Provisional CARE A1+ (SO) (08-Jul-16)
3.	Fund-based - LT-Term Loan	LT	94.65	CARE AA; Stable	1) CARE AA; Stable (27-Jun-19)	1) CARE AA (credit watch with developing implications) (22-Mar-19) 2) CARE AA (SO) (credit watch with developing implications) (13-Feb-19) 3)CARE AA+ (SO); Stable (06-Jul-18)	1)CARE AA+ (SO); Stable (21-Dec-17) 2)CARE AA+ (SO); Stable (12-Jul-17)	1)CARE AA+ (SO) (30-Dec-16) 2)CARE AA+ (SO) (15-Jul-16)
4.	Fund-based - LT-Term Loan	LT	11.99	CARE AA ; Stable	1) CARE AA; Stable (27-Jun-19)	1) CARE AA (credit watch with developing implications) (22-Mar-19) 2)CARE AA (SO) (credit watch with developing implications) (13-Feb-19)	1)CARE AA+ (SO); Stable (21-Dec-17) 2)CARE AA+ (SO); Stable (12-Jul-17)	1)CARE AA+ (SO) (30-Dec-16) 2)CARE AA+ (SO) (15-Jul-16)

						3)CARE AA+ (SO); Stable (06-Jul-18)		
5.	Fund-based - LT-Term Loan	LT	134.45	CARE AA; Stable	1) CARE AA; Stable (27-Jun-19)	1) CARE AA (credit watch with developing implications) (22-Mar-19) 2)CARE AA (SO) (credit watch with developing implications) (13-Feb-19) 3)CARE AA+ (SO); Stable (06-Jul-18)	1) CARE AA+ (SO); Stable (21-Dec-17) 2)CARE AA+ (SO); Stable (12-Jul-17)	1)CARE AA+ (SO) (30-Dec-16) 2)CARE AA+ (SO) (15-Jul-16)
6.	Fund-based - LT-Term Loan	LT	3.75	CARE AA; Stable	1) CARE AA; Stable (27-Jun-19)	1)CARE AA (credit watch with developing implications) (22-Mar-19) 2)CARE AA (SO) (credit watch with developing implications) (13-Feb-19) 3)CARE AA+ (SO); Stable (06-Jul-18)	1) CARE AA+ (SO); Stable (21-Dec-17) 2)CARE AA+ (SO); Stable (12-Jul-17)	1)CARE AA+ (SO) (30-Dec-16) 2)CARE AA+ (SO) (15-Jul-16)
7.	Fund-based - LT-Term Loan	LT	218.73	CARE AA; Stable	1) CARE AA; Stable (27-Jun-19)	1) CARE AA (credit watch with developing implications) (22-Mar-19) 2)CARE AA (SO) (credit watch with developing implications) (13-Feb-19) 3)CARE AA+ (SO); Stable (06-Jul-18)	1) CARE AA+ (SO); Stable (21-Dec-17) 2)CARE AA+ (SO); Stable (12-Jul-17)	1)CARE AA+ (SO) (30-Dec-16) 2)CARE AA+ (SO) (15-Jul-16)
8.	Fund-based - LT-Term Loan	LT	25.36	-	-	-	1)Withdrawn (19-Jan-18) 2) CARE AA-; Stable (21-Dec-17) 3)CARE AA-; Stable (12-Jul-17)	1)CARE AA-; Stable (30-Dec-16) 2)CARE AA- (15-Jul-16)

9.	Fund-based - LT-Term Loan	LT	225.00	CARE AA; Stable	1) CARE AA; Stable (27-Jun-19)	1) CARE AA (credit watch with developing implications) (22-Mar-19) 2)CARE AA (SO) (credit watch with developing implications) (13-Feb-19) 3)CARE AA+ (SO); Stable (06-Jul-18)	1) Provisional CARE AA+ (SO); Stable (21-Dec-17) 2)Provisional CARE AA+ (SO); Stable (12-Jul-17)	1)Provisional CARE AA+ (SO) (30-Dec-16) 2)Provisional CARE AA+ (SO) (15-Jul-16) 3)Provisional CARE AA+ (SO) (12-Apr-16)
10.	Debentures-Non Convertible Debentures	LT	100.00	CARE AA; Stable	1) CARE AA; Stable (27-Jun-19)	1) CARE AA (credit watch with developing implications) (22-Mar-19) 2)CARE AA (SO) (credit watch with developing implications) (13-Feb-19) 3)CARE AA+ (SO); Stable (06-Jul-18)	1) CARE AA+ (SO); Stable (21-Dec-17) 2)CARE AA+ (SO); Stable (12-Jul-17)	1)CARE AA+ (SO) (08-Jul-16)
11.	Fund-based - LT-Term Loan	LT	157.34	CARE AA; Stable	1) CARE AA; Stable (27-Jun-19)	1) CARE AA (credit watch with developing implications) (22-Mar-19) 2) CARE AA (SO) (credit watch with developing implications) (13-Feb-19) 3)CARE AA+ (SO); Stable (06-Jul-18)	1) CARE AA+ (SO); Stable (21-Dec-17) 2)CARE AA+ (SO); Stable (12-Jul-17)	1)CARE AA+ (SO) (30-Dec-16) 2)CARE AA+ (SO) (15-Jul-16) 3)CARE AA+ (SO) (12-Apr-16)
12.	Fund-based - LT-Term Loan	LT	336.36	CARE AA; Stable	1) CARE AA; Stable (27-Jun-19)	1) CARE AA (credit watch with developing implications) (22-Mar-19) 2) CARE AA (SO) (credit watch with developing implications)	1)CARE AA+ (SO); Stable (21-Dec-17) 2)CARE AA+ (SO); Stable (12-Jul-17)	1)CARE AA+ (SO) (07-Mar-17)

						(13-Feb-19) 3)CARE AA+ (SO); Stable (06-Jul-18)		
13.	Debentures-Non Convertible Debentures	LT	200.00	CARE AA; Stable	1) CARE AA; Stable (27-Jun-19)	1) CARE AA (credit watch with developing implications) (22-Mar-19) 2) CARE AA (SO) (credit watch with developing implications) (13-Feb-19) 3)CARE AA+ (SO); Stable (06-Jul-18)	1) CARE AA+ (SO); Stable (21-Dec-17) 2)Provisional CARE AA+ (SO); Stable (14-Jul-17)	-
14.	Debentures-Non Convertible Debentures	LT	1400.00	CARE AA; Stable	1) CARE AA; Stable (27-Jun-19)	1) CARE AA (credit watch with developing implications) (22-Mar-19) 2) CARE AA (SO) (credit watch with developing implications) (13-Feb-19) 2)CARE AA+ (SO); Stable (06-Jul-18)	1) CARE AA+ (SO); Stable (21-Dec-17)	-
15.	Debt-Subordinate Debt	LT	150.00	CARE AA-; Stable	1) CARE AA-; Stable (27-Jun-19)	1) CARE AA- (credit watch with developing implications) (22-Mar-19) 2)CARE AA- (SO) (credit watch with developing implications) (13-Feb-19) 3)CARE AA (SO); Stable (06-Jul-18)	1)CARE AA+ (SO); Stable (21-Dec-17)	-
16.	Fund-based - LT-Term Loan	LT	3401.65	CARE AA; Stable	1) CARE AA; Stable (27-Jun-19)	1) CARE AA (credit watch with developing implications) (22-Mar-19)	1)CARE AA+ (SO); Stable (21-Dec-17)	-

						2)CARE AA (SO) (credit watch with developing implications) (13-Feb-19) 3)CARE AA+ (SO); Stable (27-Jul-18) 4)CARE AA+ (SO); Stable (06-Jul-18)		
17	Debentures-Non Convertible Debentures	LT	1676.4	CARE AA; Stable	1) CARE AA; Stable (27-Jun-19)	1) CARE AA (credit watch with developing implications) (22-Mar-19) 2) CARE AA (SO) (credit watch with developing implications) (13-Feb-19) 3)CARE AA+ (SO); Stable (09-Jul-18)	-	-
18	Fund-based – Long Term	LT	3413.6	CARE AA; Stable	1) CARE AA; Stable (27-Jun-19)	1) CARE AA (credit watch with developing implications) (22-Mar-19) 2) CARE AA (credit watch with developing implications) (13-Feb-19) 3)CARE AA+ (SO); Stable (27-Jul-18)	-	-
19	Debentures-Non Convertible Debentures	LT	500	CARE AA; Stable	1) CARE AA; Stable (27-Jun-19)	1) CARE AA (credit watch with developing implications) (22-Mar-19) 2) CARE AA (credit watch with developing implications) (13-Feb-19) 3)CARE AA; Stable	-	-

						(04-Dec-18)		

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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