

## Can Fin Homes Limited

September 14, 2020

### Ratings

Instrument	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Commercial Paper (CP) issue*	4500 (Rs. Four thousand five hundred crore only)	CARE A1+ (A One Plus)	Removed from credit watch with developing implications; Rating Reaffirmed

*Details of instruments/facilities in Annexure-1*

\*Rs.1850 crore outstanding as on September 04, 2020.

### Detailed Rationale & Key Rating Drivers and Detailed description of the key rating drivers

The rating of commercial paper (CP) issue of Can Fin Homes Limited (CFHL) was earlier placed under credit watch with developing implications due to ongoing amalgamation process of Syndicate Bank with Canara Bank (principal shareholder of CFHL). Post conclusion of the merger and assessment of the combined financials and business risk profile, rating watch on Canara Bank was resolved. Accordingly, watch on commercial paper of CFHL has been removed.

The rating of CP continues to factor in adequate liquidity position of the company and financial flexibility which CFHL enjoys on back of strong parentage of Canara Bank. Excluding pre-closures and unavailed bank lines, there is negative cumulative mismatch in upto 1 year bracket as per ALM submitted by company as on June 30, 2020 due to nature of operations of Housing Finance Companies (HFCs). Nevertheless, historically, company has been maintaining adequate unutilized and documented bank lines.

CARE is undertaking the detailed rating exercise and the detailed rationale will be released by CARE in due course.

The earlier detailed press release on Can Fin Homes Limited is available here: [click here](#)

Detailed rating rationale is available on [www.careratings.com](http://www.careratings.com)

### Key Rating Sensitivities:

**Positive:** Factors that could lead to positive rating action/upgrade

Not applicable

**Negative:** Factors that could lead to negative rating action/downgrade

Significant deterioration in liquidity or access to funding.

### Liquidity: Adequate

As per ALM statement submitted by company as on June 30, 2020, CFHL's liquidity profile is characterized by positive cumulative mismatches in all time buckets considering pre-closures as well as unutilized limits available from banks. As on July 31, 2020, company had unavailed bank limits of Rs. 3319 crore (including OD limits of Rs. 2149 crore) besides cash and bank balance of Rs.7.1 crore and FD of Rs.18.6 crore. Company has not availed moratorium on their repayments under RBI's Covid-19 regulatory package.

**Analytical approach:** Standalone along with factoring in the parentage in Canara Bank from whom Canfin derives managerial and financial support. Canara Bank extends Board level guidance with three directors including MD &CEO of Canara Bank in its Board.

### Applicable Criteria

[Consolidation and factoring linkages in rating](#)

[Financial Ratios - Financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Housing Finance Companies](#)

[Definition of Default](#)

### About the Company

Can Fin Homes Limited (CFHL) was incorporated in 1987 by Canara Bank in association with financial institutions including HDFC and UTI. CFHL is the first Bank sponsored Housing Finance Company in India with Canara Bank holding a stake of 29.99% as on June 30, 2020. Company is engaged in the business of providing housing finance to individuals for construction, purchase, repair and upgradation of houses. Company operates mainly in the Southern India with 112 out of 198 the total branches and 69.2% of the total advances from southern states as on March 31, 2020. As on June 30, 2020, CHFL's advances stood at

<sup>2</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

Rs.20,843 crore. Housing loans account for major share (around 90.2% as on June 30, 2020) of CFHL’s portfolio, and overall loans to salaried class form the major share of around 70.8% as on June 30, 2020.

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	1731	2030
PAT	297	374
Interest coverage (times)	1.40	1.39
Total Assets	18705	21010
Net NPA (%)	0.43	0.54
ROTA (%)	1.72	1.89

A: Audited

**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	ISIN No.	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Commercial Paper	-	-	-	7-365 days	4500.00	CARE A1+

**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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (05-Oct-17)
2.	Bonds-Tier II Bonds	LT	300.00	CARE AAA (Under Credit watch with Developing Implications)	-	1)CARE AAA (Under Credit watch with Developing Implications) (22-Jan-20) 2)CARE AAA (Under Credit watch with Developing Implications) (11-Sep-19) 3)CARE AAA; Stable (30-Aug-19)	1)CARE AAA; Stable (01-Oct-18)	1)CARE AAA (Under Credit watch with Developing Implications) (15-Mar-18) 2)CARE AAA; Stable (05-Oct-17)
3.	Debentures-Non Convertible Debentures	LT	2500.00	CARE AAA (Under Credit watch with	-	1)CARE AAA (Under Credit watch with	1)CARE AAA; Stable (01-Oct-18)	1)CARE AAA (Under Credit watch with

				Developing Implications)		Developing Implications) (22-Jan-20) 2)CARE AAA (Under Credit watch with Developing Implications) (11-Sep-19) 3)CARE AAA; Stable (30-Aug-19)		Developing Implications) (15-Mar-18) 2)CARE AAA; Stable (05-Oct-17) 3)CARE AAA; Stable (27-Jul-17)
4.	Debentures-Non Convertible Debentures	LT	2500.00	CARE AAA (Under Credit watch with Developing Implications)	-	1)CARE AAA (Under Credit watch with Developing Implications) (22-Jan-20) 2)CARE AAA (Under Credit watch with Developing Implications) (11-Sep-19) 3)CARE AAA; Stable (30-Aug-19)	1)CARE AAA; Stable (01-Oct-18)	1)CARE AAA (Under Credit watch with Developing Implications) (15-Mar-18) 2)CARE AAA; Stable (05-Oct-17) 3)CARE AAA; Stable (27-Jul-17)
5.	Debentures-Non Convertible Debentures	LT	3000.00	CARE AAA (Under Credit watch with Developing Implications)	-	1)CARE AAA (Under Credit watch with Developing Implications) (22-Jan-20) 2)CARE AAA (Under Credit watch with Developing Implications) (11-Sep-19) 3)CARE AAA; Stable (30-Aug-19)	1)CARE AAA; Stable (01-Oct-18)	1)CARE AAA (Under Credit watch with Developing Implications) (15-Mar-18) 2)CARE AAA; Stable (05-Oct-17)
6.	Commercial Paper	ST	4500.00	CARE A1+	-	1)CARE A1+ (Under Credit watch with Developing Implications) (22-Jan-20) 2)CARE A1+ (Under Credit watch with Developing Implications) (11-Sep-19) 3)CARE A1+ (30-Aug-19)	1)CARE A1+ (01-Oct-18)	1)CARE A1+ (Under Credit watch with Developing Implications) (15-Mar-18) 2)CARE A1+ (05-Oct-17)

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities-**Not stipulated.

**Annexure 4: Complexity level of various instruments rated for this company**

Sr No	Name of instrument	Complexity level
1	Commercial Paper	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. 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:

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