MARCH 02, 2015

CARE REAFFIRMS RATING ASSIGNED TO THE ENHANCED AMOUNT OF SHORT-TERM DEBT ISSUE OF HDB FINANCIAL SERVICES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Short-term Debt	2,500	**CARE A1+ (A One Plus)**	Reaffirmed and enhanced from Rs.1,250 crore

Rating Rationale

The ratings factor in the strengths that HDB Financial Services Ltd (HDBFS) derives from its parent, HDFC Bank Ltd (HBL) in the form of financial and operational support and direct brand linkages. The ratings are supported by good business growth, improving profitability and increasing share of secured loan in the loan portfolio. The ratings also take in-to consideration the comfortable asset quality, adequate capitalization, diversified resource profile and comfortable liquidity position. Management control and support provided by HBL to HDBFS is the key rating sensitivity. The asset quality, capital adequacy and profitability are other key rating sensitivities.

Background

HDB Financial Services Ltd (HDBFS) is a subsidiary of HDFC Bank (HBL) with shareholding of 97.32%. HDBFS was incorporated in June 2007 and commenced its lending operations in March 2008. HDBFS continues to benefit from HBLs experience in the financial sector. The operations of the company are handled by Mr. G Ramesh, Managing Director, who is assisted by a team of qualified and experienced professionals. In addition, HDBFS has the advantage of leveraging on the expertise of senior management of HBL which has representation on the board of HDBFS.
HDBFS is a loan company which offers various retail loans like Loan against property (LAP), Commercial Vehicle / Construction Equipment (CV/ CE) financing, gold loan, personal loans, etc. The company operates through its present network of 275 operational branches (as on March 31, 2014), located in 201 cities. The company also operates BPO services on behalf of HBL. The company is also a corporate agent for HDFC Standard Life Insurance Company and HDFC Ergo General Insurance to distribute their insurance products.

During FY14 (refers to the period April 1 to March 31), HDBFS reported a PAT of Rs.209.24 crore on a total income of Rs.1,688.27 crore. As on March 31, 2014, gross loan portfolio stood at Rs.13,387 crore while its tangible net-worth amounted to Rs.1,568 crore. The gross and the net NPA ratios stood at 0.81% and 0.42% respectively as on March 31, 2014. The overall CAR remained comfortable at 18.40% with Tier-I CAR at 11.43% as of March 31, 2014.

The PAT for 9MFY15 stood at Rs.221.4 crore on an income of Rs.1,805.4 crore. The AUM stood at Rs.17,465 crore as on December 31, 2014. Asset quality slightly deteriorated compared with FY14-end with Gross and Net NPA at 1.02% and 0.52% respectively as on December 31, 2014.

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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.

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

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