DECEMBER 19, 2016

CARE REAFFIRMS RATING ASSIGNED TO VARIOUS FACILITIES / INSTRUMENTS OF HDB FINANCIAL SERVICES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	16,500	**CARE AAA; Stable (Triple A; Outlook: Stable)**	**Reaffirmed**
Non-convertible Debentures	20,000	**CARE AAA; Stable (Triple A; Outlook: Stable)**	**Reaffirmed**
Subordinate Debt	2,000	**CARE AAA; Stable (Triple A; Outlook: Stable)**	**Reaffirmed**
Short-term Debt	4,000	**CARE A1+ (A One Plus)**	**Reaffirmed**
Total	**42,500 (Forty Two Thousand Five Hundred crore only)**		

Rating Rationale

The ratings factor in the strengths that HDB Financial Services Ltd (HDBFS) derives from its parent, HDFC Bank Ltd (HBL-rated **CARE AAA; Outlook: Stable**) in the form of financial and operational support. The ratings are also supported by good financial performance and comfortable asset quality & capitalization. The ratings also take into consideration the comfortable liquidity position, diversified resource profile, experienced management. Parent support from HBL, credit profile of HBL, asset quality, capital adequacy and profitability of HDBFS are key rating sensitivities.

Background

HDB Financial Services Ltd (HDBFS) is a subsidiary of HDFC Bank (HBL) with shareholding of 97.12% as on March 31, 2016. 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 (CV) and Construction Equipment (CE) financing, gold loan, personal loans, etc. The company operates through network of 929 operational branches (as on March 31, 2016), located in 623 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 FY16 (refers to the period April 1 to March 31), HDBFS reported a PAT of Rs.534.41 crore on a total income of Rs.3,302.02 crore as compared with PAT of Rs.349.45 crore on a total income of Rs.2,527.26 crore in FY15. As on March 31, 2016, gross loan portfolio stood at Rs.24,410 crore while its tangible net-worth stood at Rs.3,450 crore. The gross and the net NPA ratios stood at 1.23% and 0.73% respectively as on March 31, 2016. The overall CAR remained comfortable at 19.23% with Tier-I CAR at 13.44% as of March 31, 2016.

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

In H1FY17, HDBFS reported a PAT of Rs.283.73 crore on a total income of Rs.2,060.38 crore. The Gross and the Net NPA ratios stood at 1.56% and 0.91% respectively as on September 30, 2016. The overall CAR remained comfortable at 18.02% with Tier-I CAR at 12.12% as on September 30, 2016.

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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.

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