

Housing Development Finance Corporation Ltd
 February 21, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating	Rating Action
Long Term Bank Facilities	24,906.82 (enhanced from 11,804.83)	CARE AAA; Stable (Triple A, Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	39,009.39 (reduced from 43,921.09)	CARE A1+ (A One Plus)	Reaffirmed
Total	63,916.21 (enhanced from 55,725.91) (Rupees sixty three thousand nine hundred and sixteen crore and twenty one lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings continue to factor in the market leadership of Housing Development Finance Corporation Ltd. (HDFC) in the Indian housing finance industry, long-standing track record of operations, adequate capitalisation levels & strong resource raising ability, strict underwriting standards and risk management procedures and good asset quality. The ratings also consider HDFC's vast marketing as well as distribution network and its ability to raise resources at competitive rates. The ratings also take into account HDFC's strong business franchise of subsidiaries/ associates in Banking, Asset Management, Life Insurance, General Insurance, Educational loans and Real Estate funding. The ratings draw comfort from underlying potential value in some of its investments. HDFC's ability to maintain spreads in a competitive environment, asset quality, capital adequacy and support extended to its subsidiaries would be the key rating sensitivities.

Rating sensitivities*Negative Factors*

- Weakening credit profile of HDFC Ltd and/or its subsidiaries/associates
- Material deterioration in asset quality of HDFC Ltd
- Increase in gearing (Debt/Net-worth) beyond 7x levels.

Detailed description of the key rating drivers**Key Rating Strengths****Market leadership in the housing finance industry complemented by strong domestic franchise**

HDFC is the market leader in the housing finance industry in India. The company has a strong distribution network comprising 546 outlets. In addition, HDFC covers several locations in the country through outreach programmes. HDFC has an international presence, which primarily caters to the non-resident Indians. HDFC's outstanding loan portfolio grew by around 12% (net of provisions and loans sold) (y-o-y) during FY19 to Rs.4,00,760 crore as on March 31, 2019. The average size of individual loans stood at Rs.27 lakh during the year, which was marginally higher than Rs.26.4 lakh in the previous year.

Strong track record with the experienced management

Established in 1977, the company has a strong track record in the housing finance sector with a stable and experienced management. The average tenure of the senior management in HDFC is over 25 years. Mr. Deepak Parekh is the Chairman of HDFC Ltd. The day to day affairs are handled by Mr. Keki Mistry, (Vice Chairman & CEO), Ms. Renu Sud Karnad (Managing Director) and Mr. V. Srinivasa Rangan (Executive Director) who are assisted by an experienced team.

Healthy capitalization levels

HDFC continues to maintain healthy capitalization levels supported by its strong capital raising ability. It reported Capital Adequacy Ratio (CAR) of 19.1% as on March 31, 2019 [P.Y.: 19.2%] with Tier I CAR: being 17.5% [P.Y.: 17.3%]. Total CAR and Tier I CAR continue to well above regulatory requirement of 12% and 6% respectively. During FY19 there was conversion of Rs.5,384 crore warrants into shares. (of which Rs.5,308 crore was received during the year). As on March 31, 2019, HDFC's gearing levels stood at 4.72x [P.Y.: 4.90x].

Strict underwriting standards and risk management procedures help maintain asset quality

A long track record and experience has helped HDFC build strict underwriting standards and risk management procedures. The quality of standards and risk management system help the company to maintain a healthy asset quality, thereby, leading to lower credit costs for the company over the years. HDFC continues to have one of the most stable asset quality parameters in the housing finance industry. As on March 31, 2019, it reported Gross NPA ratio of 1.18% [P.Y.: 1.11%]. GNPA's

in individual and non-individual loan book stood at 0.70% [P.Y.: 0.64%] and 2.34% [P.Y.: 2.18%] of the respective portfolios as on March 31, 2019. NNPA and NNPA/ net worth as on March 31, 2019 stood at 0.84% [P.Y.: 0.80%] and 4.41% [P.Y.: 4.66%], respectively.

Strong resources profile

HDFC has strong and well-diversified resource profile. As on March 31, 2019, market borrowings by way of debentures and securities constituted 50% [P.Y.: 57%] of the total borrowings, deposits constituted 29% [P.Y.: 29%] and term loans constituted 21% [P.Y.:14%].

Consistent healthy financial metrics

HDFC's outstanding loan portfolio grew by around 12% (net of provisions and loans sold) (y-o-y) during FY19 to Rs.4,00,760 crore as on March 31, 2019. Of the gross loan book, loans to individuals constituted around 74% [P.Y.:73%] with the rest mainly comprising loans to the corporate bodies/ developers.

HDFC registered growth of 18% in net interest income in FY19. HDFC Ltd ROTA stood at 2.25% (including the impact of profit on sale of investments) during FY19.

Strong business franchise of subsidiaries/associates

HDFC's subsidiaries/associates are important players in the banking industry, Asset Management business, Life & General Insurance sector. HDFC bank is the largest private sector bank. HDFC Asset Management ranked first in the industry on the basis of average assets under management, as at March 31, 2019. HDFC Life Insurance and HDFC Ergo General Insurance are amongst the leading insurers in life and general insurance segment, respectively.

Analytical approach: Standalone

Applicable Criteria

[Rating Outlook and Credit Watch](#)

[CARE Policy on Default Recognition](#)

[Rating Methodology- Housing Finance Companies](#)

[Financial ratios - Financial Sector](#)

Liquidity profile: Strong

Overall liquidity profile of HDFC is comfortable as the company has proven ability to raise resources both, in domestic and international markets. As a part of liquidity management, HDFC has been carrying overnight liquidity in the form of bank balances, liquid fund schemes of mutual funds, deposits with banks, and investments in Government Securities. As on September 30, 2019, the total outstanding is approximately Rs.39,180 crore. In addition, the company has a rollover rate of around 67% in retail deposits. As on September 30, 2019, total CP outstanding comprises around 11% of total borrowings. As per cash flow statement dated September 30, 2019, company is expecting inflows of Rs.99,000 crore (excluding cash & bank balances & liquid MFs) until December '19 against outflows worth Rs.63,023 (assuming no CP rollover), thereby generating a positive gap of Rs.35,977 crore. The unaccounted gains of listed equity including the Corporation's subsidiary and associate companies stood at Rs.2.44 lakh crore as on September 30, 2019.

About the Company

HDFC was incorporated in 1977 as the first mortgage finance company in India. With over four decades of successful operations, HDFC offers a whole gamut of products like loans to individuals, loans to corporates, construction finance, and lease rental discounting. The financial conglomerate has subsidiaries and associates in insurance (general and life), asset management, education finance, venture funds and banking services. The company had presence through 546 outlets (including 188 offices of its distribution subsidiary – HDFC Sales Private Limited) as on March 31, 2019. In addition, HDFC covers several locations through outreach programmes. Distribution channels form an integral part of the distribution network with home loans being distributed through HSPL, HDFC Bank Ltd. and third party DSAs.

Brief Financials As per Ind AS (Rs. crore)	FY18 (A)	FY19 (A)
Revenue from Operations	40,689	43,348
Reported PAT	10,959	9,632
Interest coverage (times)	1.56	1.47
Total Assets	3,98,910	4,58,778
Net NPA (%)	0.80	0.84
ROTA (%)	NM	2.25

A: Audited

NM-Not Meaningful as Ind-AS financials (total assets figure) for FY17 is not available.

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
Term Loan-Short Term	-	-	Upto 1 year	39,009.39	CARE A1+
Term Loan-Long Term	-	-	Upto 14 years	24,906.82	CARE AAA; 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.	Issuer Rating-Issuer Ratings	Issuer rating	-	CARE AAA (Is); Stable	1) CARE AAA (Is); Stable (09-Sep-19)	1) CARE AAA (Is); Stable (31-Aug-18)	1) CARE AAA (Is); Stable (29-Sep-17)	1) CARE AAA (Is) (16-Sep-16)
2.	Term Loan-Short Term	ST	39,009.39	CARE A1+	1) CARE A1+ (29-Nov-19) 2) CARE A1+ (09-Sep-19) 3) CARE A1+ (07-June-19)	1) CARE A1+ (28-Feb-19) 2) CARE A1+ (5-Dec-18) 3) CARE A1+ (31-Aug-18) 4) CARE A1+ (29-May-18)	1) CARE A1+ (15-Feb-18) 2) CARE A1+ (06-Dec-17) 3) CARE A1+ (29-Sep-17) 4) CARE A1+ (10-Jul-17) 5) CARE A1+ (04-May-17)	1) CARE A1+ (06-Dec-16) 2) CARE A1+ (16-Sep-16) 3) CARE A1+ (13-Jun-16)
3.	Term Loan-Long Term	LT	24,906.82	CARE AAA; Stable	1) CARE AAA; Stable (29-Nov-19) 2) CARE AAA; Stable (09-Sep-19) 3) CARE AAA; Stable (07-June-19)	1) CARE AAA; Stable (28-Feb-19) 2) CARE AAA; Stable (5-Dec-18) 3) CARE AAA; Stable (31-Aug-18) 4) CARE AAA; Stable (29-May-18)	1) CARE AAA; Stable (15-Feb-18) 2) CARE AAA; Stable (06-Dec-17) 3) CARE AAA; Stable (29-Sep-17) 4) CARE AAA; Stable (10-Jul-17) 5) CARE AAA; Stable (04-May-17)	1) CARE AAA (06-Dec-16) 2) CARE AAA (16-Sep-16) 3) CARE AAA (13-Jun-16)
4.	Commercial Paper	ST	75,000.00	CARE A1+	1) CARE A1+ (09-Sep-19)	1) CARE A1+ (31-Aug-18)	1) CARE A1+ (29-Sep-17)	1) CARE A1+ (16-Sep-16)

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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