



Rating Rationale

DHFL Vysya Housing Finance Limited

18 March , 2017

Brickwork Ratings reaffirms the rating for the Long Term Secured Non-Convertible Debenture issue up to ₹ 100 Crores of DHFL Vysya Housing Finance Limited ('DVHFL' or 'the Company')

Particulars

Issue#	Limit (₹ Cr)	Tenure	Outstanding amount as of March 14, 2017 (₹ Cr)	Rating History (March 2016)	Rating *
Secured NCD	100	Long Term	99.40	BWR AA+ (SO) Outlook: Stable	BWR AA+ (SO) Outlook: Stable (Reaffirmed)

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

details of this issue are provided below

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results of the Company up to FY16, 9MFY17 provisional financials, projected financials, publicly available information, and information/clarifications provided by the Company's management.

The rating has factored, inter alia, the strong support of the Promoter group in the form of "Letter of Comfort" issued by Dewan Housing Finance Corporation Limited (DHFL), (Rated: BWR AAA) in favour of the investors of DVHFL, strong track record of DHFL group in housing finance business, growing loan book, comfortable asset quality, robust capitalization, adequate credit appraisal, loan monitoring & recovery policy and favourable environment for affordable housing sector. The rating is however, constrained by the moderate size of business and the competition from banks and HFCs, in general.



Rating Outlook: Stable

BWR believes DVHFL's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating derives strength from the credit enhancement of the DHFL and any change in its rating will also reflect on the rating of DVHFL. BWR has taken cognizance of the proposed merger of another associate company Aadhar Housing Finance Limited [also rated BWR AA+ (SO)] of DHFL into DVHFL, which is also into housing finance, and expects that it would be overall beneficial for the merged entity in terms of the operational synergies and efficiency. Any major volatility in profitability or deterioration in asset quality with impact on capitalization may lead to revision in the rating or the outlook.

About the Company

DHFL Vysya Housing Finance Limited (DVHFL) is a deposit accepting housing finance company registered under National Housing Bank (NHB), with corporate and registered office in Bengaluru, and is engaged in providing housing finance to the lower and middle income segment with major concentration in Southern India. It was incorporated under the name Vysya Bank Housing Finance Limited in November 1990 with Vysya Bank (erstwhile ING Vysya Bank Limited) holding a majority shareholding of 85.91% in the company. In July 2003, Dewan Housing Finance Corporation Limited (DHFL) took over the shareholding of ING Vysya Bank and the Company became a subsidiary of DHFL with its name changed to DHFL Vysya Housing Finance Limited. DVHFL is now an Associate Company of DHFL after reduction of DHFL's shareholding to 9.47% to comply with the NHB guidelines and as of December 31, 2015, Wadhawan Global Capital Private Limited, holding Company of DHFL, held 83.89% stake in the equity of the Company, Wadhawan family members held 1.44%, ICICI Bank Limited held 4.20% and others around 1%.

Mr. Kapil Wadhawan (Chairman and Managing Director of DHFL) is currently the Chairman and Mr. R Nambirajan is the Managing Director of DVHFL. Besides them the Company has two Independent Directors, Mr. Bikram Sen and Mr. G P Kohli and an Additional Director Mr. V Sridar. The Company also has well-qualified and experienced professionals looking after credit risk, marketing, audit and other support functions.



The Company is providing loans for varying purposes from construction/purchase of a house/flat, renovation, repairs, upgradation / extension to purchase of a plot for construction at a later stage. The Company's Loan Portfolio Outstanding has increased from ₹ 1,319 Crores as of March 31, 2015 to ₹ 1,468 Crores as of March 31, 2016 and further to ₹ 1,680 Crores as of December 31, 2016. As of December 31, 2016, Gross NPA stood at 1.09% (0.74% as of March 31, 2015 and 1.15% as of March 31, 2016) with Provision coverage ratio of 42.28%. There have been significant recoveries of NPA during 9MFY17 which resulted in slight improvement in GNPA%. Its capital adequacy in the form of CRAR stood at 21.41% as of December 31, 2016 which is well above the NHB's minimum stipulated requirement of 12% for HFCs with Tier I CRAR at 20.47%. The company has informed that in all secured borrowings programs, the asset cover provided by them is 1.0x only. For long term, the Company has a comfortable liquidity position with minor mismatch in short & medium term. The Company stipulates floating rates of interest for its loans, and hence, can pass on the varying cost of its borrowings to its customers.

Company's Financial Performance

For FY16, Total Income from Operations for the Company stood at ₹ 192.9 Crores compared to ₹ 178.8 Crores in FY15, a growth of 8%, while Net Income from Operations (Total Income from Operations net of Total Finance cost) increased from ₹ 61.2 Crores in FY15 to ₹ 61.6 Crores in FY16. Net Interest Margin for FY16 remained in the 3 to 4% range. PAT stood at ₹ 26.7 Crores for FY16 marginally lower than ₹ 28.4 Crores for FY15 due to proportionally higher increase in finance cost and increased gearing.

For 9MFY16, on a provisional basis, the Company reported Total Income from Operations of ₹ 158.2 Crores.

Rating History for the last three years:

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
					2016 (07 Mar 2016)	2015	2014
1	Secured NCD	Long Term	100	BWR AA+ (SO) Outlook: Stable	BWR AA+ (SO) Outlook: Stable	NA	NA

Instrument Details

Instrument	Issue Date	Amount (₹ Cr)	Coupon	Maturity Date	ISIN Particulars	Rating
Secured NCD	5-May-2016	20.00	9.40%	5-May-2026	INE883F07025	BWR AA+ (SO) Outlook: Stable
	5-May-2016	30.00	9.40%	5-May-2023	INE883F07017	
	5-Jul-2016	2.00	9.60%	5-Jul-2021	INE883F07033	
	8-Jul-2016	2.00	9.35%	8-Jul-2026	INE883F07041	
	13-Jul-2016	1.20	9.40%	13-Jul-2026	INE883F07058	
	19-Jul-2016	2.00	9.28%	18-Jul-2026	INE883F07066	
	5-Aug-2016	1.20	9.15%	5-Aug-2026	INE883F07074	
	17-Aug-2016	2.00	9.35%	17-Aug-2021	INE883F07082	
	25-Aug-2016	1.00	9.35%	25-Aug-2021	INE883F07090	
	20-Oct-2016	2.00	9.37%	20-Oct-2021	INE883F07108	
	25-Oct-2016	1.00	9.36%	25-Oct-2021	INE883F07116	
	27-Oct-2016	2.00	9.36%	27-Oct-2021	INE883F07132	
	27-Oct-2016	4.00	9.36%	27-Oct-2023	INE883F07124	
	21-Nov-2016	18.00	9.40%	21-Nov-2023	INE883F07140	
	21-Nov-2016	2.00	9.40%	21-Nov-2023	INE883F07140	
22-Nov-2016	9.00	9.40%	22-Nov-2023	INE883F07157		

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Banks & Financial Institutions](#)
- [Rating based on Group Support](#)
- [Structured Obligation \(SO\) Instruments](#)

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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