Can Fin Homes Limited

October 5, 2017

Ratings

Instruments	Amount (Rs. Crore)	Ratings[1]	Rating Action
Secured Redeemable Non-Convertible Debenture	2,500.00*	CARE AAA; Stable [Triple A; Outlook: Stable]	Reaffirmed
Secured Redeemable Non-Convertible Debenture	2,500.00#	CARE AAA; Stable [Triple A; Outlook: Stable]	Reaffirmed
Tier II Bonds (Subordinated Bonds)	300.00	CARE AAA; Stable [Triple A; Outlook: Stable]	Reaffirmed
Proposed Secured Redeemable Non-Convertible Debenture	3000.00	CARE AAA; Stable [Triple A; Outlook: Stable]	Assigned
Commercial Paper	4500.00	CARE A1+ [A One Plus]	Assigned
Secured Redeemable Non-Convertible Debenture^	- (250.00)	-	Withdrawn
Total	**12,800.00 (Rupees Twelve Thousand Eight hundred crore only)**		

Details of instruments/facilities in Annexure-1
**Rs.2140 crore is outstanding as on July 31, 2017. An amount of Rs. 100 crore raised and redeemed;*
 # Rs. 2462 crore outstanding as on July 31, 2017;
^Withdrawn as the instrument has been fully redeemed there is no amount outstanding against the said instrument.

Detailed Rationale & Key Rating Drivers

The rating assigned to the instruments of Can Fin Homes Limited (CFHL) continues to factor in the consistent improvement in income and profits levels, bolstered by strong growth in its portfolio year on year, helping sustain the healthy financial performance of the company, while maintaining healthy asset quality and adequate capitalization. The rating continues to draw comfort from the strong parentage of Canara Bank (holding 30% stake in the company as on March 31, 2017) extending operational, financial and management support. During FY17, the parent Canara Bank has divested its stake in CFHL by 13.45% owing to regulatory compliance. However, the rating factors in the intent of promoter to hold strategic control and continued support.

The rating continues to take into account the low risk portfolio of the CFHL dominated by loans to salaried class, diversified resource profile and comfortable liquidity profile. These credit strengths outweigh factors such as moderate business size, regional concentration and moderate profitability levels. The rating also takes note of the muted growth in disbursement in Q1FY18 attributed primarily to the ambiguity associated with the implementation of RERA Act impacting real estate sale and in turn demand for housing loan.

Continued support and majority ownership of Canara Bank and CFHL maintaining asset quality are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Strong parentage with established track record

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

CFHL is promoted by Canara Bank which holds the majority stake in the company. Canara Bank being its sponsor, the company enjoys managerial, operational as well as financial support in the form of long-term loans from the parent. During FY17, Canara bank had disinvested 13.45% equity shares of the Company. The disinvested portion of 13.45% was purchased by M/s. Caladium Investments Pte. Ltd., Singapore, an affiliate of GIC, Singapore's Sovereign Wealth Fund. However, the rating factors in the intent of promoter to hold strategic control and continued support

Low risk portfolio dominated by housing loans to the salaried class

CFHL mainly focuses on housing loans to salaried class which constituted 75% of the total outstanding loan portfolio as on March 31, 2017. The company maintains conservative sanctioning norms for housing loans. Builder loan constitute only 0.12% of the total outstanding loan book as on March 31, 2017. As on June 30, 3017, builder loans comprised only 0.09% of the portfolio.

Healthy asset quality

The asset quality continues to be healthy as reflected in the gross NPA of 0.21% as on Mar 31, 2017 (PY: 0.19%) and net NPA remaining nil. During Q1FY18, GNPA moderated to 0.38% and net NPA to 0.19%.

Moderate profitability

CFHL reported growth of 25% in interest income on housing loans which was supported by a healthy growth in disbursements. NIM improved during FY17 to 3.48% (PY: 3.14%) on account of decrease in cost of borrowings supported by increasing share of low cost NCDs. This, along with the stabilization in operational efficiency, resulted in significant improvement in PAT margin from 14.50% in FY16 to 17.38% in FY17. The company reported PAT of Rs.235 crore for FY17 as compared with Rs.157 crore for FY16 showing 50% growth. ROTA stood improved to 1.94% in FY17 from 1.64% for FY15. During Q1FY18, CHFL reported a PAT of Rs. 71 crore on a total income of Rs. 369 crore, registering a 43% growth in PAT on y-o-y basis.

Adequate capitalisation levels

CAR stood at 18.50% (Tier I CAR: 16.01%) as on March 31, 2017 as against 20.69% (Tier I CAR: 17.64%) as on March 31, 2016, against the 12% stipulation by NHB. The moderation in CAR is on account of growth in loan portfolio. CAR improved to 19.17% (Tier I CAR at 16.70%) as on June 30, 2017 on account of accretion of profits. The company has plans of rights issue to support portfolio growth and maintain the Capitalization levels at 18% and leverage not exceeding 12x.

Key Rating Weaknesses:

Moderate size and regional concentration

CHFL has consistently grown with an asset size of Rs.13458 crore as of March 31, 2017. The company has been expanding its geographical presence, in the Tier II cities, and has increased the number of branches to 130 as on June30, 2017. However, company operates mainly in the Southern India with 90 out of the total 130 branches located in the five states (Tamil Nadu, Telangana, Andhra Pradesh, Kerala and Karnataka) of South India.

Analytical approach: Standalone

Applicable Criteria

CARE's Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Financial Sector
Housing Finance Companies

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

30% as on March 31, 2017 (PY: 43.45%). During FY17, Canara bank had disinvested 13.45% equity shares of the Company. The disinvested portion of 13.45% was purchased by M/s. Caladium Investments Pte. Ltd., Singapore, an affiliate of GIC, Singapore's Sovereign Wealth Fund. The other major shareholder is Chattisgarh Investments Ltd having a stake of 10.03% as on March 31, 2017 Company is engaged in the business of providing housing finance to individuals for construction, purchase, repair and up gradation of houses. As on March 31, 2017, CHFL's advances stood at Rs.13,313 crores. CAR stood at 18.50 % as on March 31, 2017 as against 20.69% as on March 31, 2016. Company reported Gross NPA ratio of 0.21% and Net NPA at nil as on March 31, 2017 as against Gross NPA ratio of 0.19% and Net NPA at nil as on March 31, 2016.

(In Rs. Crore)

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	1,084	1,353
PAT	157	235
Interest coverage (times)	1.34	1.42
Total Assets	10,756	13,458
Net NPA (%)	Nil	Nil
ROTA (%)	1.65	1.94

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

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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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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
NCD	6/2/2015	8.80%	6/2/2018	200	CARE AAA; Stable
NCD	28/04/2015	8.69%	28/04/2018	200	CARE AAA; Stable

NCD	28/05/2015	8.70%	28/06/2018	100	CARE AAA; Stable
NCD	7/2/2015	8.80%	7/2/2018	200	CARE AAA; Stable
NCD	8/7/2015	8.71%	8/7/2018	200	CARE AAA; Stable
NCD	10/8/2015	8.44%	10/8/2018	100	CARE AAA; Stable
NCD	30/10/2015	8.41%	30/01/2019	150	CARE AAA; Stable
NCD	24/11/2015	8.45%	22/02/2019	100	CARE AAA; Stable
NCD	22/12/2015	8.55%	22/03/2019	100	CARE AAA; Stable
NCD	07/012016	8.60%	4/6/2019	125	CARE AAA; Stable
NCD	17/02/2016	8.85%	5/19/2019	165	CARE AAA; Stable
NCD	9/10/2015	8.69%	9/10/2020	100	CARE AAA; Stable
NCD	22/04/2016	8.37%	22/03/2019	300	CARE AAA; Stable
NCD	27/05/2016	8.55%	27/08/2019	100	CARE AAA; Stable
NCD	16/09/2016	7.85%	16/12/2019	300	CARE AAA; Stable
NCD	24/10/2016	7.73%	24/01/2020	440	CARE AAA; Stable
NCD	15/11/2016	7.77%	15/11/2021	122	CARE AAA; Stable
NCD	1/12/2017	7.57%	4/12/2020	400	CARE AAA; Stable
NCD	2/27/2017	7.68%	5/27/2020	200	CARE AAA; Stable
NCD	5/18/2017	7.89%	5/18/2022	600	CARE AAA; Stable
NCD	7/26/2017	7.32%	10/26/2020	400	CARE AAA; Stable
NCD- Proposed	-	-	-	298	CARE AAA; Stable
NCD- Proposed	-	-	-	3000	CARE AAA; Stable
Subordinated debt	3/12/2014	8.94%	3/12/2024	100	CARE AAA; Stable
Subordinated Debt	-	-	-	200	CARE AAA; Stable
Commercial Paper	-	-	-	4500	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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Debentures-Non Convertible Debentures	LT	-	-	-	1)CARE AAA; Stable (01-Mar-17) 2)CARE AAA (11-Aug-16)	1)CARE AAA (13-Oct-15)	1)CARE AAA (15-Oct-14)
2.	Bonds-Tier II Bonds	LT	300.00	CARE AAA; Stable	-	1)CARE AAA; Stable (01-Mar-17) 2)CARE AAA (11-Aug-16)	1)CARE AAA (13-Oct-15)	1)CARE AAA (15-Oct-14)
3.	Debentures-Non Convertible Debentures	LT	2500.00	CARE AAA; Stable	1)CARE AAA; Stable (27-Jul-17)	1)CARE AAA; Stable (01-Mar-17) 2)CARE AAA (11-Aug-16)	1)CARE AAA (13-Oct-15)	1)CARE AAA (15-Oct-14)
4.	Debentures-Non Convertible Debentures	LT	2500.00	CARE AAA; Stable	1)CARE AAA; Stable (27-Jul-17)	1)CARE AAA; Stable (01-Mar-17) 2)CARE AAA (11-Aug-16)	-	-
5.	Debentures-Non Convertible Debentures	LT	3000.00	CARE AAA; Stable	-	-	-	-
6.	Commercial Paper	ST	4500.00	CARE A1+	-	-	-	-

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