Can Fin Homes Limited

March 01, 2017

Ratings

Facilities	Amount (Rs. Crore)	Ratings[1]	Remarks
Secured Redeemable Non-Convertible Debenture	250 (Rupees Two Hundred Fifty crore only)	CARE AAA; Stable [Triple A; Outlook: Stable]	Reaffirmed
Secured Redeemable Non-Convertible Debenture	2,240 (Rupees Two Thousand Two Hundred Forty crore only)	CARE AAA; Stable [Triple A; Outlook: Stable]	Reaffirmed
Secured Redeemable Non-Convertible Debenture	2,500 (Rupees Two Thousand Five Hundred crore only)	CARE AAA; Stable [Triple A; Outlook: Stable]	Reaffirmed
Tier II Bonds (Subordinated Bond)	300 (Rupees Three Hundred crore only)	CARE AAA; Stable [Triple A; Outlook: Stable]	Reaffirmed

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating continues to factor in healthy financial performance of Can Fin Homes Limited's (CFHL's) as evidenced in consistent improvement in income and profits levels supported by strong growth in its portfolio over the last 3 years while maintaining healthy asset quality and improvement in capital adequacy. The rating continues to draw comfort from the strong parentage of Canara Bank (holding 43.45% stake in the company) extending operational, financial and management support. In a recent development, the parent Canara Bank has announced its proposal to dilute its stake in CFHL to 30%. 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.

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

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. In a

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

recent development, the parent Canara Bank has announced its proposal to dilute its stake in CFHL to 30%. 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 of 80% of the total outstanding loan portfolio as on March 31, 2016. The company maintains conservative sanctioning norms for housing loans. Builder loan and mortgage loan constitute only 0.27% and 5.78% of the total outstanding loan book as on March 31, 2016.

Healthy asset quality

Gross NPA moderately increased to Rs.19.76 crore (PY: Rs.14.35 crore) in FY16 (refers to the period April 1 to March 31), and with increase in advances by 29% in FY16, gross NPA level increased marginally to 0.19% as on March 31, 2016 from 0.17% as on March 31, 2015, and net NPA has remained nil for the past 5 years. Asset quality parameters remained stable with marginal improvement as on December 31, 2016, with Gross NPA at 0.24% as against 0.27% as on December 31, 2015.

Moderate profitability

CFHL reported growth of 33% in interest income on housing loans which was supported by a healthy growth in disbursements. NIM improved during FY16 to 3.14% (PY: 2.49%) on account of decrease in cost of borrowings as the share of low cost NCDs increased from 8.81% in FY15 to 23.11% in FY16. This along with improvement in operational efficiency, resulted in significant improvement in PAT margin from 10.55% in FY15 to 14.50% in FY16. The company reported PAT of Rs.157.09 crore for FY16 as compared with Rs.86.2 crore for FY15 showing 82% growth. ROTA stood improved to 1.64% in FY16 from 1.21% for FY15.

During 9MFY16, the company reported a PAT of Rs. 164.39 crore on a total income of Rs. 991.64 crore.

Adequate capitalisation levels

CAR improved from 18.39% (Tier I CAR: 15.35%) as on March 31, 2015, to 20.69% (Tier I CAR: 17.64%) as on March 31, 2015, against the 12% stipulation by NHB. The improvement in CAR is owing to high profit levels registered by the company and the regulatory changes of lowering the risk weights of certain category of housing loans.Capital adequacy ratio stood at 18.76% as on December 31, 2016 compared to 20.69% in March 31, 2016, on account of growth in loan portfolio

Key Rating Weaknesses:

Moderate size and regional concentration

Although the total asset of the company has grown by 29% from Rs.8,334.3 crores as on March 31, 2015 to Rs.10,794.60 crore as of March 31, 2016, the company continues to be moderately sized housing finance company in India. The company operates mainly in the Southern India with 81 of the total 120 branches located in the four states (Tamil Nadu, Andhra Pradesh (AP), Kerala and Karnataka) of South India. As on March 31, 2016, CHFL's advances stood at Rs.10,643 crore with 76% of the total advances from southern states. As on December 31, 2016, the total assets of the company increased to Rs. 12,847 crore as against Rs. 10,014 crore as on December 31, 2015 registering a growth of 28.29%

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

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 43.45% as on March 31, 2016. The other major shareholder is Chhattisgarh Investments Limited having a stake of 13.44% as on March 31, 2016. The company is engaged in the business of providing housing finance to individuals for construction, purchase, repair and upgradation of houses. The company operates mainly in the Southern India with 81 of the total 120 branches located in south India as on June 30, 2016. As on March 31, 2016, CHFL's advances stood at Rs.10,643 crore with 76% of the total advances from southern states.

CFHL reported profit after tax (PAT) of Rs.157.1crore on a total income of Rs.1,083.4 crore during FY16 as compared with Rs.86.2 crore on a total income of Rs.817.0 crore during FY15. It reported PAT of Rs.164.4 crore on a total income of Rs. 991.6 crore during 9MFY17.

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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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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
Debentures-Non Convertible Debentures	Jan 2014	10.05%	Jan 2017	250.00	CARE AAA; Stable
Bonds-Tier II Bonds	Dec 2014	8.94%	Dec 2024	300.00	CARE AAA; Stable
Debentures-Non Convertible Debentures	Sep 2015	8.69- 8.80%	Sep 2020	2240.00	CARE AAA; Stable
Debentures-Non Convertible Debentures	Nov 2016	8.00-9.00%	Nov 2021	2500.00	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 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Debentures-Non Convertible Debentures	LT	250.00	CARE AAA; Stable	1)CARE AAA (11-Aug-16)	1)CARE AAA (13-Oct-15)	1)CARE AAA (15-Oct-14)	1)CARE AA+ (05-Feb-14) 2)CARE AA+ (30-Jul-13)
2.	Bonds-Tier II Bonds	LT	300.00	CARE AAA; Stable	1)CARE AAA (11-Aug-16)	1)CARE AAA (13-Oct-15)	1)CARE AAA (15-Oct-14)	-
3.	Debentures-Non Convertible Debentures	LT	2240.00	CARE AAA; Stable	1)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 (11-Aug-16)	-	-	-

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