Can Fin Homes Limited

July 27, 2017

Ratings

Instruments	Amount (Rs. Crore)	Ratings[1]	Rating Action
Secured Redeemable Non-Convertible Debenture	2,500.00* (enhanced from 2240.00)	CARE AAA; Stable [Triple A; Outlook: Stable]	Reaffirmed
Secured Redeemable Non-Convertible Debenture	2,500.00#	CARE AAA; Stable [Triple A; Outlook: Stable]	Reaffirmed
Total	**5000.00 (Rupees Five Thousand crore only)**		

Details of instruments/facilities in Annexure-1
**Rs.2140 crore is outstanding as on July 24, 2017. An amount of Rs. 100 crore raised and redeemed;*
 # Rs. 2062 crore outstanding as on July 24, 2017

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 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.

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. 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

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

Low risk portfolio dominated by housing loans to the salaried class

CFHL mainly focuses on housing loans to salaried class which constituted of 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.

Healthy asset quality

Gross NPA moderately increased to Rs. 27.91 crore (PY: Rs. 19.76 crore) in FY17 (refers to the period April 1 to March 31), and gross NPA level increased marginally to 0.21% as on March 31, 2017 from 0.19% as on March 31, 2016, and net NPA has remained nil.

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 as the share of low cost NCDs increased. This along with improvement 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.

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.

Key Rating Weaknesses:

Moderate size and regional concentration

Although the total asset of the company has grown by 25% from Rs.10756 crore as on March 31, 2016 to Rs.13458 crore as of March 31, 2017, the company continues to be moderately sized housing finance company in India. The company operates mainly in the Southern India with 88 of the total 134 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 (rated AAA(negative)+ /A1+by CRISIL and AAA(negative) /A1+ by ICRA) 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. The 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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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	Sep 2015	8.69- 8.80%	Sep 2020	2240.00	CARE AAA; Stable
Debentures-Non Convertible Debentures	-	-	-	260.00	CARE AAA; Stable
Debentures-Non Convertible Debentures	Nov 2016	8.00-9.00%	Nov 2021	2062.00	CARE AAA; Stable
Debentures-Non Convertible Debentures	-	-	-	438.00	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 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	250.00	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)
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 (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 (01-Mar-17) 2)CARE AAA (11-Aug-16)	-	-

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