

June 09, 2022

Can Fin Homes Limited: Migration of the rating outstanding on the medium-term rating scale to the long-term rating scale

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term loans	11,900	11,900	[ICRA]AA+ (Stable); outstanding
Bank facilities – Short term	2,600	2,600	[ICRA]A1+; outstanding
Long-term/short-term fund based	500	500	[ICRA]AA+ (Stable)/ [ICRA]A1+; outstanding
Short-term loan [^]	(500) [^]	(500) [^]	[ICRA]A1+; outstanding
Non-convertible debenture (NCD) programme	3,820	3,820	[ICRA]AA+ (Stable); outstanding
Subordinated debt programme	300	300	[ICRA]AA+ (Stable); outstanding
Commercial paper	4,500	4,500	[ICRA]A1+; outstanding
Fixed deposits	-	-	[ICRA]AA+ (Stable); migrated from MAAA (Stable)
Total	23,620.00	23,620.00	

*Instrument details are provided in Annexure-1; [^] Sub limit of Long term/ short term fund based

Rationale

In compliance with the circular [SEBI/HO/MIRSD/MIRSD_CRADT/P/CIR/2021/594] issued by the Securities and Exchange Board of India (SEBI) on July 16, 2021 and the subsequent circular SEBI/HO/MIRSD/MIRSD_CRADT /P/CIR/2022/43 of April 1, 2022, for standardizing the rating scales used by the Credit Rating Agencies, ICRA has discontinued the medium-term rating scale which was being used to assign ratings to the fixed deposit programmes of entities.

Accordingly, ICRA has migrated the rating currently outstanding for the fixed deposits programme of Can Fin Homes Limited (CFHL) from the medium-term rating scale to the long-term rating scale. The medium-term rating scale of ICRA was a 14-point scale, while the long-term rating scale is a 20-point scale. The migration of the rating has resulted in a change in the rating symbol; however, this is to be construed only as a recalibration of the rating from one scale to another, and not as a reflection of a change in the credit risk of the fixed deposit programme.

Please refer to the following link for the previous detailed rationale that captures the Key rating drivers and their description, Liquidity position, Rating sensitivities, Key financial indicators: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA Credit Rating Methodology for Non-Banking Finance Companies Impact of Implicit support expected from Parent or Group on an entity's credit rating Migration of Ratings to the Long-Term Rating Scale from the Medium-Term Rating Scale
Parent/Group Support	The ratings factor in ICRA's expectations that Canara Bank would be willing to extend support to CFHL, if needed, given its importance as well as the shared brand name.
Consolidation/Standalone	The ratings are based on the standalone financial statements of the company.

About the company

CFHL – promoted by Canara Bank, HDFC Limited and UTI in 1987 – is a deposit-taking HFC registered with NHB. Headquartered in Bengaluru, the company has a presence in 21 states and Union Territories. CFHL reported a loan book of Rs. 26,711 crore as on March 31, 2022. It primarily operates in the affordable housing category. The average ticket size of the loans is less than Rs. 25 lakh with a median tenure of 16 to 20 years and a fixed obligation to income ratio (FOIR) of less than 50%.

CFHL reported a net profit (profit after tax; PAT) of Rs. 471 crore in FY2022 on a loan book of Rs. 26,711 crore as on March 31, 2022 against a PAT of Rs. 456 crore in FY2021 on a loan book of Rs. 22,105 crore as on March 31, 2021.

Status of non-cooperation with previous CRA: Not applicable

Any other information:

ICRA has taken note of the reporting of fraud of Rs. 3.93 crore by CFHL, which came to light after an inspection conducted by Canara Bank (sponsor bank of CFHL) following a whistle blower complaint to the National Housing Bank (NHB). The quantum of reported fraud amount is negligible in comparison to CFHL's overall loan book, however, ICRA shall continue to monitor further developments, if any, which could adversely impact its credit profile.

Rating history for past three years

Instrument	Type	Current Rating (FY2022)				Chronology of Rating History for the Past 3 Years						
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2023	Date & Rating in FY2022				Date & Rating in FY2021		Date & Rating in FY2020	
					Jun-09-2022	Mar-15-2022	Nov-18-2021	Aug-20-2021	Nov-20-2020	Oct-22-2020	Sep-27-2019	May-6-2019
1	Term loans	Long term	11,900	7,193.64	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ &	[ICRA]AA+ &	[ICRA]AA+ (Stable)
2	Bank lines – ST	Short term	2,600^	2,600^	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
3	Long-term/short-term fund based	Long term/short term	500	500^	[ICRA]AA+ (Stable)/ [ICRA] A1+	[ICRA]AA+ (Stable)/ [ICRA] A1+						
4	Short-term loan	Short term	(500)	(500)^	[ICRA]A1+	[ICRA]A1+						
5	Sub-debt	Long term	300	100	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ &	[ICRA]AA+ &	[ICRA]AA+ (Stable)

Instrument	Current Rating (FY2022)				Chronology of Rating History for the Past 3 Years							
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2023	Date & Rating in FY2022				Date & Rating in FY2021		Date & Rating in FY2020	
				Jun-09-2022	Mar-15-2022	Nov-18-2021	Aug-20-2021	Nov-20-2020	Oct-22-2020	Sep-27-2019	May-6-2019	
6	NCD	Long term	3,820	722	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ &	[ICRA]AA+ &	[ICRA]AA+ (Stable)
7	Commercial papers	Short term	4,500	3,400*	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
8	Fixed deposits	Long term	-	-	[ICRA]AA+ (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA &	MAAA &	MAAA (Stable)

& - Rating under Watch with Developing Implications; ^ Reflects sanctioned amount

*CP amount outstanding on December 31, 2021

Complexity level of the rated instrument

Instrument	Complexity Indicator
Term loans	Simple
ST – Bank facilities	Simple
Long-term/short-term fund based	Simple
Short-term fund based	Simple
NCD programme	Simple
Subordinated debt programme	Simple
Commercial paper	Very Simple
Fixed deposits	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN	Instrument	Date of sanction/ issuance	Coupon Rate	Maturity Date	Amount (Rs. crore)	Rating
NA	TL 1	Aug-21-17	6.70%	10 years	750.00	[ICRA] AA+(Stable)
NA	TL 2	Apr-12-16	6.14%	10 years	336.81	[ICRA] AA+(Stable)
NA	TL 3	Apr-23-18	6.30%	10 years	725.00	[ICRA] AA+(Stable)
NA	TL 4	Dec-31-18	6.09%	10 years	674.99	[ICRA] AA+(Stable)
NA	TL 5	Sep-13-19	6.14% & 6.65%	10 years	775.00	[ICRA] AA+(Stable)
NA	TL 6	Mar-09-21	6.65%	10 years	461.57	[ICRA] AA+(Stable)
NA	TL 7	Jan-21-22	NA	10 years	125.00	[ICRA] AA+(Stable)
NA	TL 8	Jan-20-18	5.65%	7 years	128.57	[ICRA] AA+(Stable)
NA	TL 9	May-16-18	4.46%	7 years	118.39	[ICRA] AA+(Stable)
NA	TL 10	Mar-22-19	5.50%	6 Years	250.00	[ICRA] AA+(Stable)
NA	TL 11	Nov-29-19	5.5% & 5.25%	6 Years	744.86	[ICRA] AA+(Stable)
NA	TL 12	Jul-27-20	5.70% & 5.75%	4 years	628.56	[ICRA] AA+(Stable)
NA	TL 13	Jan-12-21	NA	5 years	608.68	[ICRA] AA+(Stable)
NA	TL 14	Feb-08-18	5.99%	7 years	107.12	[ICRA] AA+(Stable)
NA	TL 15	Feb-08-18	5.99%	7 years	107.12	[ICRA] AA+(Stable)
NA	TL 16	Jun-11-19	5.99%	7 years	151.77	[ICRA] AA+(Stable)
NA	TL 17	Jul-20-19	5.99%	7 years	54.63	[ICRA] AA+(Stable)
NA	TL 18	Dec-27-19	5.99%	7 years	71.42	[ICRA] AA+(Stable)
NA	TL 19	Sep-21-20	5.99%	7 years	205.35	[ICRA] AA+(Stable)
NA	TL 20	Sep-19-20	5.55%	3 years	813.33	[ICRA] AA+(Stable)
NA	TL 21	Sep-19-20	5.55%	10 years	5.00	[ICRA] AA+(Stable)
NA	TL 22	Feb-10-22	NA	9.75 years	125.00	[ICRA] AA+(Stable)
NA	<i>Unallocated</i>				3,931.87	[ICRA] AA+(Stable)
NA	CC/WCDL – 1	Dec-2021	MCLR + 5 bps	1 year	500	[ICRA]AA+ (Stable)/ [ICRA] A1+
NA	(STL – 1)	Dec-2021	MCLR + 5 bps	1 year	(500) ¹	[ICRA] A1+
NA	STL – 2	Nov-2021	To be decided at availment	1 year	1,000	[ICRA] A1+
NA	OD /WCDL – 3	Aug-29-2018	6.90%, 6.20%	NA	1,000.00	[ICRA]A1+
NA	OD – 4	NA	7.05%	NA	100.00	[ICRA]A1+
NA	STL – 5	Mar-5-2021	6.00%	Mar-4-36 ²	500.00	[ICRA]A1+
INE477A07217	NCD	Nov-15-2016	7.77%	Nov-15-2021	122	[ICRA]AA+ (Stable)
INE477A07241	NCD	May-18-2017	7.89%	May-18-2022	600	[ICRA]AA+ (Stable)
Unallocated	NCD	NA	NA	NA	3,098	[ICRA]AA+ (Stable)
INE477A08025	Sub-debt	Mar-12-2014	8.94%	Mar-12-2024	100	[ICRA]AA+ (Stable)
Unallocated	Sub-debt	NA	NA	NA	200	[ICRA]AA+ (Stable)

¹ Sub-limit of CC/WCDL

² Payable within 1 year from date of disbursement

ISIN	Instrument	Date of sanction/ issuance	Coupon Rate	Maturity Date	Amount (Rs. crore)	Rating
INE477A14BV9	CP programme	7-Apr-22	5.10%	8-Mar-23	500	[ICRA] A1+
INE477A14BU1	CP programme	7-Apr-22	4.99%	10-Jan-23	500	[ICRA] A1+
INE477A14BT3	CP programme	8-Feb-22	5.20%	27-Oct-22	500	[ICRA] A1+
INE477A14BS5	CP programme	21-Jan-22	4.66%	28-Jul-22	250	[ICRA] A1+
INE477A14BR7	CP programme	5-Jan-22	4.80%	25-Jul-22	295	[ICRA] A1+
INE477A14BP1	CP programme	23-Nov-21	4.86%	31-Aug-22	250	[ICRA] A1+
INE477A14BO4	CP programme	1-Oct-21	4.77%	27-Sep-22	500	[ICRA] A1+
INE477A14BM8	CP programme	15-Sep-21	4.18%	2-May-22	350	[ICRA] A1+
INE477A14BL0	CP programme	30-Aug-21	4.19%	20-Jun-22	350	[ICRA] A1+
Not issued	CP programme	NA	NA	NA	1,005	[ICRA] A1+
NA	Fixed Deposit	-	-	-	-	[ICRA]AA+ (Stable)

Source: Company

Amounts for term loans outstanding as on March 31, 2022

Amounts for OD/WCDL/STL are sanctioned amounts as on March 31, 2022

CP outstanding as on March 31, 2022

Annexure-2: List of entities considered for consolidated analysis: Not applicable

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