

Housing Development Finance Corporation Limited

Instrument	Amount Rated (in Rs Cr)	Rating Action
		May 2016
Short Term Debt Programme	75,000 (enhanced from 50,000)	[ICRA]A1+ assigned/outstanding
Bank Lines	35,000	[ICRA]AAA (Stable)/[ICRA]A1+ outstanding
Issuer Rating	N.A	IrAAA (Stable) outstanding
Non-Convertible Debentures	35,000	[ICRA]AAA (Stable) outstanding
Non-Convertible Debentures	75,921.8	[ICRA]AAA (Stable) outstanding
Non-Convertible Debentures	35,000	[ICRA]AAA (Stable) outstanding
Non-Convertible Debentures ¹	5,000.0	[ICRA]AAA (Stable) outstanding
Subordinated Debt Programme	5,975.0	[ICRA]AAA (Stable) outstanding
Fixed Deposit Programme	N.A	MAAA (Stable) outstanding

ICRA has assigned the rating of [ICRA]A1+ (pronounced ICRA A One Plus) to the Rs. 75,000 crore (enhanced from Rs. 50,000 crore) Short Term Debt Programme of Housing Development Finance Corporation Limited (HDFC). ICRA also has an outstanding rating of [ICRA]AAA (pronounced ICRA Triple A) with stable outlook on the Rs. 1,45,921.8 crore Non Convertible Debenture programme, Rs. 5,000 crore of Non Convertible Debenture programme with warrants and Rs. 5,975 crore Subordinated Debt programme and a rating of [ICRA]AAA(Stable)/[ICRA]A1+ on Rs. 35,000 crore Bank Lines of Housing Development Finance Corporation Limited (HDFC)². ICRA also has Issuer Rating of IrAAA (pronounced I R Triple A) with stable outlook outstanding on HDFC and the rating of MAAA (pronounced M Triple A) with stable outlook outstanding on the Fixed Deposit Programme of HDFC.

The ratings factor in HDFC's strong franchise with demonstrated ability to grow in a competitive mortgage finance market, consistent profitable operations on the back of strong interest margins supported by low provisions on account of sound asset quality and robust solvency indicators. The ratings also take into account the strong capital adequacy, access to diverse sources of funds and comfortable liquidity position. Going forward, in ICRA's view, HDFC's focus to grow its book while maintaining healthy interest spread, competitive operating cost structure and a tight control on asset quality would be beneficial to the earnings and solvency profile of the company.

The overall loan book (net of loans sold) of the company has witnessed a Y-o-Y growth of 14% as at March 31, 2016 while the individual loan segment witnessed a Y-o-Y growth of 18% as at March 31, 2016. In terms of mix, as on March 2016, the individual loan segment contributed ~73% of the overall portfolio (~71% as on March 2015) while 27% comprised of non-individual loans/ICDs, primarily corporate loans, construction finance loans to builders and lease rental discounting. The gross NPAs of HDFC remained comfortable at 0.70% as on March 31, 2016 as compared to 0.67% as on March 31, 2015 with the gross NPAs in 'Individual Loan Segment' remaining flat at 0.51% as on March 2016 and that in case of the 'Non-Individual Loan Segment' increasing to 1.12% as on March 2016 as compared to 1.01% as on March 2015. On the back of excess provisions held by the company, the Net NPA continued to remain Nil as on March 2016.

During FY2016, the company reported a growth of ~13% in its total Income to Rs. 30,905 crore from Rs 27,401 crore in FY2015. This includes a gain of Rs. 1,513 crore on 9% stake sale in HDFC Life to Standard Life (Mauritius Holdings) 2006 Limited. The expenses of the company also increased during FY2016 which was partly due to one-time additional provision of Rs. 450 crore towards standard assets and other contingencies. With revenue growth outpacing growth in expenses, the company reported a PAT of Rs. 7,093 crore in FY2016 as compared to Rs. 5,990 crore in FY2015. The capitalisation of the company remained comfortable with reported CRAR of 16.6% (Tier I: 13.2%) as on March 31, 2016.

¹ With Warrants

² For complete rating scale and definitions please refer to ICRA's Website www.icra.in or other ICRA Rating Publications

Company Profile

HDFC is India's premier housing finance entity in existence for 39 years. With a presence in banking, insurance and asset management, the HDFC group is an important part of the Indian financial services sector. During FY2016, HDFC reported a total income of Rs 30,905 crore and had an asset base of Rs. 288,753 crore as compared to a total income of Rs. 27,401 crore and an asset base of Rs. 253,952 crore in FY2015. The company's Profit after Tax (PAT) stood at Rs. 7,093 crore during FY2016 as compared to Rs. 5,990 crore during FY2015.

For a more detailed rationale, please refer to ICRA's release for Housing Development Finance Corporation Ltd. published in October 2015

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For further details please contact:

Analyst Contacts:

Mr. Karthik Srinivasan (Tel No +91 22 6114 3444)
karthiks@icraindia.com

Relationship Contacts:

Mr. L. Shivakumar, (Tel. No. +91 22 6114 3406)
shivakumar@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500