

## India Mortgage Guarantee Corporation Private Limited

Instrument	Rating	Rating Action
Issuer Rating	IrAA (Stable)	Reaffirmed

ICRA has reaffirmed the issuer rating of IrAA (pronounced IR double A) to India Mortgage Guarantee Corporation Private Limited (IMGC). This is the high-credit-quality rating assigned by ICRA. The rated entity carries low credit risk. The rating is only an opinion on the general creditworthiness of the rated entity and not specific to any particular debt instrument. The outlook of the rating is 'Stable'.

The rating factors in the strong profile of the company's shareholders National Housing Bank (NHB) (rated by ICRA at [ICRA]AAA for its long term bonds), Genworth Financial Mauritius Holding Limited<sup>1</sup> (Genworth), International Finance Corporation (IFC) and Asian Development Bank (ADB), and the benefits IMGC derives from NHB's in-depth understanding of the domestic housing finance market and participants, along with Genworth's operating expertise in managing mortgage guarantee businesses internationally.

The rating also factors in the strong capitalisation level at present and the commitment from IMGC's shareholders to keep it well capitalized following an annual capitalization assessment process as per which, based on portfolio performance, estimated future stress losses and projected growth, IMGC will budget for any additional capital in advance. ICRA has taken note of the downgrade of Genworth Holdings Inc's senior unsecured debt rating by Moody's Investors Service, from Ba1 to Ba3. However, ICRA expects IMGC to continue to receive support from Genworth in the form of capital as and when required. IMGC is also expected to continue to leverage on Genworth's expertise in the mortgage insurance business internationally.

The rating is however constrained by the nascent stage of mortgage guarantee business in India as indicated by the moderate ramp-up in the business volumes—relative to the projections-- of the company (with cumulative loans guaranteed amounting to Rs. 628 crore as on March 31, 2016) and consequently its lower profitability. As the company scales up its operations it would need to continue to efficiently manage portfolio risks and also ensure that the premium charged are in-line with the underlying risk. Additionally, it is vital that the company avoids adverse selection of loans against which mortgage guarantees are issued. Maintaining and actively addressing these factors will be important from a ratings standpoint.

### About India Mortgage Guarantee Corporation Private Limited

IMGC is a joint venture between National Housing Bank (NHB) (rated by ICRA at [ICRA]AAA/[ICRA]A1+), Genworth Financial Mauritius Holding Limited (Genworth), International Finance Corporation (IFC) and Asian Development Bank (ADB), with shareholdings of 38%, 36%, 13% and 13% respectively. IMGC has been setup to carry out the business of Mortgage Guaranty in India. Reserve Bank of India (RBI) regulations for Mortgage Guarantee Companies (MGC) stipulates that an MGC cannot be a subsidiary of any company and that no shareholder can have a controlling stake in the company. The capital contribution by the shareholders in the company as on March 31, 2016 aggregates to Rs. 230 crore.

IMGC commenced its operations in March 2014 underwriting a securitization pool originated by Dewan Housing Finance, and subsequently in FY 2015 completed underwriting transactions of contracts originated by Reliance Home Finance Limited and Home First Finance Company. In 2015-16, IMGC also completed underwriting transactions of contracts originated by ICICI Bank. As on March 31, 2016 IMGC has cumulatively guaranteed loans amounting to Rs. 628 crore against which the Guarantee in Force was Rs. 84.4 crore. For the year ended March 31, 2016, IMGC reported a net loss of Rs. 13.7 crore over an asset base of Rs. 168.4 crore as compared with a net loss of Rs. 8.5 over an asset base of Rs.161.3 crore for 2014-15. As on March 31, 2016 the company had a net worth of Rs. 152.4 crore.

### About National Housing Bank

The National Housing Bank (NHB) was established in July 9, 1988, under an Act of the Parliament—viz., the National Housing Bank Act, 1987 (the Act)—to function as a principal agency to promote Housing Finance Institutions and to provide financial and other support to such institutions. NHB, a wholly owned subsidiary of RBI, is also the regulator and supervisor for Housing Finance Companies. NHB has been contributing towards

<sup>1</sup> Genworth Financial Mauritius Holding Limited is ultimately owned by Genworth Holdings Inc, which is rated by Moody's Investors Service at Ba3/Stable for its long term debt

the development of the housing finance sector through its initiatives in residential mortgage backed securitization programme and various training programmes. For the year 2014-15<sup>2</sup>, NHB reported a net profit of Rs. 747 crore over an asset base of Rs. 50,285 crore, as compared with a net profit of Rs. 487 crore over an asset base of Rs. 45,050 crore for the year 2013-14. NHB reported gross NPA% of 0.50% and net NPA% of 0.32% as on June 30, 2015. NHB's capital adequacy was 15.75% as on June 30, 2015.

#### **About Genworth Financial Inc**

Genworth Financial Inc. is a US based insurance provider, which is ultimately owned by Genworth Holdings Inc, rated by Moody's Investors Service at Ba3/Stable. The group has a presence in more than 25 countries offering Mortgage Insurance, Life Insurance and Investment and annuity products. For the financial year ended December 31, 2015, the group had consolidated revenues of USD 8.55 billion and a Loss after tax of USD 0.61 billion, including profit after tax attributable to non-controlling interests.

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<sup>2</sup> 01 July 2014 – 30 June 2015

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