ICRA

GIC Housing Finance Limited

Instrument	Amount (Rs. Crore)	Rating Action
		June 2016
Long term bank facilities	8500 (enhanced from Rs 7000 crore)	[ICRA]AA+(stable), Assigned/Outstanding
Short Term Bank facilities	400	[ICRA]A1+, Outstanding
Non Convertible Debentures	550	[ICRA]AA+(stable), Outstanding
Commercial Paper Programme	800	[ICRA]A1+, Outstanding

The rating of [ICRA]AA+ (pronounced ICRA double A plus)[1] has been assigned to Rs. 8500 crore (enhanced from Rs 7000 crore) long term bank lines programme of GIC Housing Finance Limited (GICHF). The outlook on the rating is stable. ICRA also has ratings of [ICRA]AA+ (stable) outstanding on the Rs 550 crore of Non Convertible Debenture Programme, [ICRA]A1+ (pronounced ICRA A one plus) outstanding on Rs 400 crore Short Term Bank Lines and Rs. 800 crore Commercial Paper Programme of GICHF.

The ratings take into account the strong support from its promoter and largest shareholder, General Insurance Corporation of India (GIC), which together with its erstwhile subsidiaries, viz. The New India Insurance Company Ltd., United India Insurance Company Ltd., The Oriental Insurance Company Ltd. and National Insurance Company Ltd., collectively hold 42.25%[2] stake in the company. Given GIC's ownership and brand sharing with GICHF, ICRA views GICHF as a strategically important entity for GIC and expects GICHF to continue to receive management, operational and financial support from the parent. The ratings factor in the improvement in scale of operations of the company while maintaining its focus on relatively low risk salaried individual segment (constituting around 75% of the portfolio as on March 2016), comfortable capitalisation profile (CRAR of 17.40% as on March 2016) and gearing[3] of 9.57 times as on March 2016, well within the regulatory norm of 16 times. ICRA expects the capitalisation of the company to remain comfortable over medium term, supported by the healthy internal accruals (Returns on networth of 17.89% for FY2016); expected support from the promoters as and when required provides additional comfort. The ratings also factor in GICHF's good profitability indicators (return on assets of 1.69% for FY2016), supported by its ability to raise funds at competitive rates and low operating expenses. While the Net NPA remains NIL on account of full provisioning, ICRA, has taken note of the marginal rise in Gross NPAs and an intense competition in the Housing Finance segment.

GICHF's portfolio witnessed a steady growth of 20% over FY2016 growing to Rs. 7912 crore as on March 2016 from Rs. 6598 crore as on March 2015, supported by expansion of branch network to 60 branches as on March 2016 from 56 branches as on March 2015. GICHF portfolio is skewed towards the salaried customers benefitting from the customer base of the state and central government undertakings. Nevertheless, in recent years, the share of salaried customers is trending down on account of increasing proportion of Loans Against Property (LAP) given to the self-employed borrower category in the portfolio. The portfolio continues to remain dominated by the Home loans (about 84% of the portfolio as on March 2016) with LAP product constituting about 16% of the total portfolio as on March 2016. Despite increase in proportion of LAP portfolio which is considered a relatively riskier segment, comfort is taken from the prudent credit appraisal and lending policies with conservative LTV and FOIR norms. Moreover, it does not undertake assessment of income in case of any loans and lends based on only the reported income of the borrowers. The company has witnessed some deterioration in asset quality with Gross NPA% increasing to 1.82% as on March 2016 from 1.79% as on March 2015 and 1.66% as on March 2014. GICHF has fully provided for the NPAs, the Net NPA was NIL as on March 2016.

[1] For complete rating scale and definitions please refer to ICRA's Website www.icra.in or other ICRA Rating Publications
[2] As on March 2016
[3] Gearing = (Total long term and Short Term Borrowings / (Shareholder's Equity + Reserves and Surplus))

To match with long tenure of the assets, significant portion of GICHF's borrowings are in the form of long term bank lines, resulting in a comfortable liquidity profile. The regulatory capital adequacy of the company stood at 17.40% as on March 2016. While the company has planned for sufficiency of capital over the next 3 years to support a strong growth, in ICRA's opinion, with improving internal accruals and strong parentage, capital would not be a constraint for growth.

GICHF reported an increase in total interest income by ~20% to Rs 857.28 crore for FY2016 as against Rs 715.98 crore for FY2015 while the total interest expense grew by ~18% to Rs 600.65 crore in FY2016 from Rs. 508.93 crore in FY2015. NIMs for FY2016 saw an expansion of 10bps from 3.38% in FY2015 to 3.48% in FY2016 on account of lowering of cost of funds for the company. The operating expenses as a percentage of Average Total Asset (ATA) remained stable at 0.93% in FY2016 vis-à-vis 0.95% in FY2015 while provisions as a percentage of ATA stood at around 0.21% for FY2016 vis-à-vis 0.20% in FY2015. Consequently, GICHF reported a net profit of Rs 124.50 crore for FY2016 as against a net profit of Rs 102.96 crore in FY2015.

Company Profile

GIC Housing Finance Limited, was promoted in December 1989 by General Insurance Corporation of India and its erstwhile subsidiaries namely, National Insurance Company Limited, The New India Assurance Company Limited, The Oriental Insurance Company Limited and United India Insurance Company Limited together with UTI, ICICI, IFCI, HDFC and SBI, all of them contributing to the initial share capital. The corporate office of the company is in Mumbai with a nation-wide network of 60 branches as on March 2016. The company has a lending book of close to Rs. 7912 crore and balance sheet size of Rs. 8021.38 crore as on March 2016. For FY2016, the company has reported Profit after tax (PAT) of Rs. 124.50 crore (1.69% of Average Total Assets (ATA)) and Return on Average Networth (RONW) of 17.89%.

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