



DHFL Vysya Housing Finance Limited

Instrument	Rated Amount	Rating Action
Bank Loan Ratings	Rs.150 cr.	Rating reaffirmed at [ICRA]A+ (stable), Rated amount reduced from Rs 240 crore
Short Term Debt /Commercial Paper Programme	Rs 50 crore	[ICRA]A1+ reaffirmed

ICRA has reaffirmed the [ICRA]A+(stable) rating assigned to the Rs 150 crore long term bank lines and [ICRA]A1+ rating assigned to the Rs. 50 crore short term debt/Commercial Paper programme of DHFL Vysya Housing Finance Limited . (DVHousing)

The reaffirmation in rating factors in DVHousing's long track record of operating in small ticket housing loan segment and its ability to maintain asset quality indicators(Gross NPA% of 0.70% as on March 31, 2014) and report good profitability indicators (ROA of 2.33% and ROE of 22.78% in 2013-14) . The rating continues to factor in operational, funding and capital support that DV Housing receives from DHFL (rated [ICRA] A1+ for its short term debt programme). The highest rating in the short term also derives strength from Letter of Comfort provided by DHFL and a commitment by DV Housing to maintain adequate back-up liquidity lines against the rated Short Term Debt/ Commercial Paper Programme. The rating however remains constrained on the company's small size of operations (portfolio size: Rs.1126 crore on March 31, 2014) and geographically concentrated nature of operations (77% of the portfolio was concentrated in the states of AP, Tamil Nadu and Karnataka as on March 31, 2014. ICRA has noted the increase in share of relatively riskier non housing loans(mainly builder loans and LAP) in the overall portfolio mix of DVhousing from 10% as on March 31, 2012 to 14% as on March 31, 2014 and ability of the company to maintain asset quality indicators would remain the key rating sensitivity. As for capitalisation, the company reported gearing of 7.8 times as on March 31, 2014. As the pace of incremental capital generation and growth are likely to be similar, capitalisation levels are expected to remain at similar levels going forward as well. The rating also factors in the company's adequate funding profile with large share of funding from NHB (42% of overall borrowings as on March 31, 2014) which has helped the company has been able to manage its asset liability maturity profile better vis-a-vis peer HFCs. ICRA expects the company to continue to maintain a similar borrowing mix which would support its liquidity profile going forward as well. The recent RBI guidelines, covering incentives for issuance of long term bonds by banks for financing of affordable housing and regulatory incentives could improve fund flow/reduce cost of funds for the company as onlending to HFCs(for loans upto Rs 10 lakh ticket size,average ticket size for DV Housing is around Rs 7 lakh) is included in the credit eligible for regulatory incentives. The company may also tap funding from NHB under RHF/UHF (at rates of 7.1%) and is likely to report reasonable returns despite the interest spread caps of 2.5%.

Rise in share of non housing book led to an increase in portfolio yields from 13.20% in 2012-13 to 13.40% in 2013-14. However higher increase in cost of funds led to a decline in lending Spreads from 2.80% to 2.49% in 2013-14. Nevertheless, decline in gearing levels led to an improvement in net interest margins of the company from 3.18% to 3.75% in 2013-14. Some decline in Non-interest income in 2013-14 , stable operating expenses (1.11%) and credit provisions led to stable profitability indicators for 2013-14 (ROA of 2.33% , ROE of 23%). With the share of non housing loans expected to increase further to around 20% of the overall portfolio over the medium term incremental spreads of the company are likely to be in the around 2.2-2.5% which could translate to ROE of 18-20% in 2014-15 provided the company is able to maintain its asset quality indicators.



About The Company

DHFL Vysya Housing Finance Ltd. (DV Housing) was incorporated on November, 1990 in its earlier name Vysya Bank Housing Finance Ltd. DV Housing mainly targets customers in LMI (Lower-Middle-Income) segment and has a good track record in lending to a “niche segment” of traders of Vysya community which it has acquired from the erstwhile Vysya Bank Housing Finance Ltd. DV Housing has its corporate office in Bangalore and has total of 28 branches in the states of Karnataka, Andhra Pradesh, Tamil Nadu, Maharashtra and Uttar Pradesh. In FY2014 the company reported a PAT of Rs 26.2 crore on an asset base of Rs 1232 crore vis-à-vis PAT of Rs 21.57 crore on an asset base of Rs 1025 crore in 2012-13

Shareholding Pattern as on March 31,2014

	Mar-14
Wadhawan Housing Finance Company	83.89%
Dewan Housing Finance Corporation Ltd	9.47%
Kapilkumar Wadhawan	0.45%
Dheeraj Rajeshkumar Wadhawan	0.45%
Aruna Rajeshkumar Wadhawan	0.54%
Total Promoters' stake	94.80%
Non- promoters	5.22%
ICICI Bank	4.20%
Others	1.22%

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