



Reliance Home Finance Limited

Instrument	Amount (in INR Crore)	Rating Action (February 2015)
Short Term Debt Programme	500	[ICRA]A1+ reaffirmed

ICRA has reaffirmed the [ICRA]A1+ (pronounced ICRA A one plus) rating to Reliance Home Finance Limited's (RHFL) Rs 500 crores short term debt programme. The rating factors in Reliance Home Finance Ltd's (RHFL) association with Reliance ADA group – one of India's largest business groups and its parentage of Reliance Capital Ltd (rated at [ICRA]A1+) which has a significant presence in financial vertical businesses like Asset Management, Life Insurance, General Insurance, Commercial & Home Finance, Equity Broking, Distribution of Financial Products and Proprietary Investments. In ICRA's view, RHFL is of strategic importance to Reliance Capital Ltd (RCL) for undertaking its home loan lending activities and is expected to receive RCL's full managerial and financial support. While RHFL's own track record is limited, RCL has been engaged in commercial lending business since May 2007 and the same team and systems have been deployed at RHFL. Going forward, RHFL's rating would be sensitive to its ability to scale up its business operations while maintaining a comfortable asset quality and liquidity profile.

Reliance Capital Ltd started its commercial lending operations in May 2007 and exhibited an aggressive growth initially in scaling up its portfolio before consolidating against the backdrop of challenging operating environment in FY09. However, with improvement in the lending environment, RCL reiterated its focus in the lending business by ramping up fresh disbursement in the secured lending space FY11 onwards. Over the past 12-18 months, while the overall credit book size (including home finance book) has not grown much (~Rs. 14,048 crore on book; ~Rs. 18,700 crore on AUM basis), the disbursement levels have improved to ~Rs 2500 crore per quarter as compared to the earlier Rs 2000 crore per quarter. The company has been using securitization as a tool to improve profitability metrics while keeping overall leverage at moderate levels. Also, the granularity of the book has improved with more thrust on SME advances in the small ticket size segment, affordable housing as well as micro-finance advances. As on Sep'14, Reliance Capital's consolidated consumer financing book was to the tune of Rs 14,048 crore (including Reliance Home Finance's home loan book), constituted ~20% by Loan Against Property, ~17% by home loans, ~23% by SME advances, ~15% by commercial vehicle, commercial equipment and auto loans, ~9% by Construction Finance the remaining 16% by Trade Advances & Inventory Funding, Infrastructure Advances, micro finance and other smaller advances. Going forward, ICRA expects the mix to further shift in favour of SME advances which the company plans to push aggressively over the medium term. As on date, entire commercial finance book is secure in nature.

RHFL's sales team, credit appraisal systems and operational procedures are same as that of the RCL's mortgage based lending business. As on Sep-14, RHFL had a loan portfolio of ~Rs. 3233 crore. RHFL's portfolio is largely in the home loan segment with it accounting for almost 63% of the total portfolio while the balance being accounted by Loan against Property and Construction Finance. Going forward, the company plans to make deeper forays into the affordable housing segment (ticket size lower than Rs 25 lacs), as a result of which incremental asset mix between home loan and Loan Against Property would be skewed further. As a result, average ticket sizes at portfolio level are expected to come down from current levels. Reported asset quality remained comfortable with Gross NPA % and Net NPA % being 1.50% and 1.20% respectively as on Sep-14 as compared to 1.66% and 1.29% respectively as on Mar-14.

RHFL's profitability improved during FY2014 due to an improvement in yields with an increase in proportion of high yielding LAP in the total book and a decline in the Cost of Funds. NIMs of the company improved to ~4.00% in FY2014 from ~3.55% in FY2013. Also, the Operating Cost to Income ratio of the company remained comfortable at ~50% during FY2014 as compared to ~57% during FY2013. RHFL reported a net profit after tax of Rs. 43.39 crore in FY2014 on a total income base of Rs. 428.83 crore as compared to Rs. 27.48 crores in FY2013 on a total income base of Rs. 360 crore.



Company Profile

Reliance Home Finance Ltd

RHFL is a wholly owned subsidiary of Reliance Capital Ltd and was incorporated in FY09. RHFL is registered as a Housing Finance Company with National Housing Bank and is engaged in mortgaged based lending operations. RHFL has been able to report a net profit after tax of Rs. 43.39 crore in FY2014 on a total income base of Rs. 428.83 crore as compared to Rs. 27.48 crore in FY2013 on a total income base of Rs. 360. crore.

Reliance Capital Limited

RCL is a part of the Reliance group. RCL supports its group companies in form of equity or debt apart from managing a proprietary investments book. RCL's subsidiaries are engaged in the business of managing a Mutual fund (which is the third largest mutual fund in the country with average assets under management of ~Rs. 126,069 crore during the Q3FY2015), general & life insurance business and online equity broking.

RCL started its commercial finance business with a focus on secured lending and currently, mortgage, auto, commercial vehicles and business loans form bulk of the portfolio. On standalone basis, RCL reported a net profit of Rs. 409 crore on a total income base of Rs. 3254 crore in FY2014 as compared to a net profit of Rs. 662 crore on a total income base of Rs 3868 crore in FY13. The company reported a net profit of Rs. 276 crore on a total income base of Rs. 2625 crore in 9MFY2015 as compared to a net profit of Rs. 244 crore on a total income base of Rs. 2446 crore in 9MFY2014.

February 2015

For further details please contact:

Analyst Contacts:

Mr. Karthik Srinivasan (Tel No +91 22 6169 3368)

karthiks@icraindia.com

Relationship Contacts:

Mr. L. Shivakumar, (Tel. No. +91-22-2433 1084)

shivakumar@icraindia.com

© Copyright, 2015, ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**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: **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: **9821086490**

Email: shivakumar@icraindia.com

1802, 18th Floor, Tower 3,
Indiabulls Finance Centre,
Senapati Bapat Marg,
Elphinstone, Mumbai 400013,
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: **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: **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: **989986490**

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: **989986490**

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 99, CTS 3909, Range Hills
Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: jayantac@icraindia.com

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