September 27, 2019

Can Fin Homes Limited: Ratings placed on Watch with Developing Implications; rated amount enhanced

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Bank facilities – long term	11,100.00	14,100.00	[ICRA]AA+ & / Placed on Rating Watch with Developing Implications; Rated amount enhanced
Non-Convertible Debenture (NCD) Programme	7,100.00	7,100.00	[ICRA]AA+ & / Placed on Rating Watch with Developing Implications
Bank facilities – short term	900.00	900.00	[ICRA]A1+ / Rating outstanding
Sub-ordinated Debt programme	300.00	300.00	[ICRA]AA+ & / Placed on Rating Watch with Developing Implications
Commercial Paper	4,500.00	4,500.00	[ICRA]A1+ / Rating outstanding
Fixed Deposits	-	-	MAAA & / Placed on Rating Watch with Developing Implications
Total	**23,900.00**	**26,900.00**	

& Rating placed on Watch with Developing Implications

Rationale

Following the announcement dated August 30, 2019 by the Government of India towards merger of 10 public sector banks (PSBs) into four entities with a proposed capital infusion of Rs. 59,807 crore into 11 banks[1] and measures to improve the corporate, governance standards in banks, ICRA has placed the ratings outstanding on the bonds programme of Canara Bank[2] on Rating Watch with Developing Implications. Canara Bank is the principal shareholder holding about 30% stake in Can Fin Homes Limited (CFHL) as on June 30, 2019; entailing management support, board level guidance and financial flexibility to CFHL being an associate of Canara Bank. ICRA also takes note of Canara Bank's announcement relating to its intent to divest its entire stake in CFHL and initiation of process towards the same by way of inviting expression of interest. ICRA will continue to monitor the developments in this regard and the impact of the same on the eventual credit profile of CFHL and take suitable rating actions accordingly.

Key rating drivers and their description - NA

For the previous rationale of Can Fin Homes Limited dated May 2019 – Please click here

Liquidity Position: Adequate

The company has an adverse ALM profile given the long term nature of the asset class with tenure of home loans ranging from 12-20 years and relatively short term borrowings creating negative mismatches. As on June 30, 2019, the company's cumulative mismatches in the <1 year bucket was -21.2% (excluding unutilized lines and future interest on advances and borrowings) of its total assets. However, ICRA draws comfort from CFHPL's unutilized sanctions to the

[1] *GoI subsequently announced a capital infusion of Rs. 4,557 crore in IDBI Bank Limited ((rated [ICRA]A(Negative) for Tier II bonds)*

[2] Rating rationale on Canara Bank dated September 19, 2019

extent of Rs.3,450.0 crore as on September 18, 2019 which supports its liquidity profile against repayment obligations over the next three months are in the range of Rs.1,890.0 crore (over and above expected inflows from advances of Rs.283 crore in Q3 FY2020. CFHL's established relationships with diverse base of lenders and expected support from principal shareholder Canara Bank provides liquidity cushion.

Rating Sensitivities

Positive Triggers: ICRA could upgrade CFHL's rating in the event of a material and favourable shareholding change or steady business scale up while reporting improvement in capitalization profile and maintaining good asset quality with GNPA <1% which is sustained over the longer term.

Negative Triggers: ICRA could downgrade the ratings in case of significant deterioration in asset quality, capitalization levels increasing beyond 11x or weakening of its liquidity profile or deterioration in the credit profile of Canara Bank or material unfavourable shareholding change.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Rating Methodology for Housing Finance Companies
Parent/Group Support	The rating factors ICRA's expectations that Canara Bank (rated [ICRA]AA+ (hyb) (Stable) / [ICRA]AA- (hyb) (Stable) / [ICRA]A1+) would be willing to extend support to CFHL, should there be a need, given its importance and also the shared common name.
Consolidation / Standalone	Rating is based on standalone financial statements of the company.

About the company:

Can Fin Homes Limited (CFHL) – promoted by Canara Bank, HDFC Limited and UTI in 1987 – is a deposit taking housing finance company registered with National Housing Bank. Headquartered in Bangalore, the company has presence in 21 states and union territories. CFHL mainly focuses on housing loans to individuals which accounted for about 89.4% of its portfolio as on June 30, 2019. CFHL operates through a nation-wide network of around 154 branches, 21 affordable housing loan centres and 14 satellite offices as on June 30, 2019. CFHL's portfolio stood at Rs.19,003 crore as on June 30, 2019 of which sizeable share is sourced from the Southern region – mainly Karnataka. The company primarily operates in the affordable housing category with the average ticket size of the loans being at around Rs.18.0 lakh. CFHL's employee base stood at about 792 as on March 31, 2019. Canara Bank held 30.0% equity stake in the company as on June 30, 2019.

During FY2019, CFHL reported net profit of Rs.296.7 crore on advances of Rs.18,381 crore as against net profit of Rs.286.2 crore on advances of Rs.15,644 crore in FY2018 (as per IndAS). For Q1 FY2020, the company reported net profit of Rs.81.0 crore on advances of Rs.19,003 crore (as per IndAS).

Key Financial Indicators

Fiscal	FY 2017	FY 2018 (iGAAP)	FY2018 (IndAS)	FY2019 (IndAS)
Total Income (Rs. Crore)	1,353.1	1,547.1	1,522.0	1,731.4
Profit after Tax (Rs. Crore)	235.3	301.8	286.2	296.7
Net worth (Rs. Crore)	1,076.3	1,346.5	1,487.0	1,782.2
Total Managed Portfolio (Rs. Crore)	13,313.1	15,743.0	15,644.0	18,284.5
Total Managed Assets (Rs. Crore)	13,378.5	15,801.0	15,729.5	18,779.8
Return on Managed Assets (%)	1.9%	2.1%	2.0%	1.7%
Return on Net worth (%)	24.1%	24.9%	22.3%	18.2%
Gearing (times)	11.2	10.5	9.5	9.5
Gross NPA (%)	0.2%	0.4%	0.4%	0.6%
Net NPA (%)	0.0%	0.2%	0.2%	0.4%
Capital Adequacy Ratio (%)	18.5%	19.1%	19.1%	19.6%

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

	Instrument	Current Rating (FY2020)					Chronology of Rating History for the past 3 years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating		FY2019	FY2018	FY2017		
					27-Sep 2019	06-May 2019	22-Oct 2018	03-Oct 2017	01-Mar 2017	22-Sep 2016	11-Jul 2016
1	Bank lines – LT	LT	11,100.00	14,100.00	[ICRA]AA+ &	[ICRA]AA+ (Stable)	[ICRA]AAA (Negative)	[ICRA]AAA (Negative)	[ICRA]AAA (Negative)	[ICRA]AAA (Negative)	[ICRA]AAA (Negative)
2	Sub-debt	LT	300.00	100.00	[ICRA]AA+ &	[ICRA]AA+ (Stable)	[ICRA]AAA (Negative)	[ICRA]AAA (Negative)	[ICRA]AAA (Negative)	[ICRA]AAA (Negative)	[ICRA]AAA (Negative)
3	NCD	LT	7,100.00	4,002.00	[ICRA]AA+ &	[ICRA]AA+ (Stable)	[ICRA]AAA (Negative)	[ICRA]AAA (Negative)	[ICRA]AAA (Negative)	[ICRA]AAA (Negative)	[ICRA]AAA (Negative)
4	Bank lines – ST	ST	900.00	900.00	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
5	Commercial Papers	ST	4,500.00	4,500.00	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
6	Fixed Deposits	MT	-	-	MAAA &	MAAA (Stable)	MAAA (Negative)	MAAA (Negative)	MAAA (Negative)	MAAA (Negative)	MAAA (Negative)

& Placed on Rating Watch with Developing Implications

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
Bank Facilities	Fund Based	-	-	-	1,708.00	[ICRA]AA+ &
Bank Facilities	Unallocated	-	-	-	12,392.00	[ICRA]AA+ &
Bank Facilities	Short Term	-	-	-	900.00	[ICRA]A1+
INE477A07100	NCD	10-09-2015	8.69%	10-09-2020	100.00	[ICRA]AA+ &
INE477A07126	NCD	30-10-2015	8.41%	30-01-2019	150.00	[ICRA]AA+ &
INE477A07134	NCD	24-11-2015	8.45%	22-02-2019	100.00	[ICRA]AA+ &
INE477A07142	NCD	22-12-2015	8.55%	22-03-2019	100.00	[ICRA]AA+ &
INE477A07159	NCD	07-01-2016	8.60%	06-04-2019	125.00	[ICRA]AA+ &
INE477A07167	NCD	17-02-2016	8.85%	17-05-2019	165.00	[ICRA]AA+ &
INE477A07175	NCD	22-04-2016	8.37%	22-03-2019	300.00	[ICRA]AA+ &
INE477A07183	NCD	27-05-2016	8.55%	27-08-2019	100.00	[ICRA]AA+ &
INE477A07191	NCD	16-09-2016	7.85%	16-12-2019	300.00	[ICRA]AA+ &
INE477A07209	NCD	24-10-2016	7.73%	24-01-2020	440.00	[ICRA]AA+ &
INE477A07217	NCD	15-11-2016	7.77%	15-11-2021	122.00	[ICRA]AA+ &
INE477A07225	NCD	12-01-2017	7.57%	12-04-2020	400.00	[ICRA]AA+ &
INE477A07233	NCD	27-02-2017	7.68%	27-05-2020	200.00	[ICRA]AA+ &
INE477A07241	NCD	18-05-2017	7.89%	18-05-2022	600.00	[ICRA]AA+ &
INE477A07258	NCD	26-07-2017	7.32%	26-10-2020	400.00	[ICRA]AA+ &
INE477A07266	NCD	17-10-2017	7.44%	17-01-2021	200.00	[ICRA]AA+ &
INE477A07274	NCD	29-11-2017	7.64%	28-02-2021	200.00	[ICRA]AA+ &
Unallocated	NCD	-	-	-	3,098.00	[ICRA]AA+ &
INE477A08025	Sub-debt	12-03-2014	8.94%	12-03-2024	100.00	[ICRA]AA+ &
Unallocated	Sub-debt	-	-	-	200.00	[ICRA]AA+ &
-	Commercial Paper	-	-	7-365 days	4,500.00	[ICRA]A1+
-	Fixed deposit	-	-	-	-	MAAA &

Source: Can Fin Homes Limited

Annexure - 2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
NA	NA	NA

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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