

July 27, 2020

Dewan Housing Finance Corporation Limited: Rating reaffirmed; rated amount reduced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial paper programme	850.00	100.00	[ICRA]D; reaffirmed and rated amount reduced
Total	850.00	100.00	

*Instrument details are provided in Annexure-1

Rationale

At present, Dewan Housing Finance Corporation Limited (DHFL) is in default on its debt obligations and is undergoing insolvency proceedings. Under the insolvency process, the company is restricted from making any payments towards its debt obligations. Pursuant to an order dated December 03, 2019 of the National Company Law Tribunal (NCLT), Mumbai Bench, the Corporate Insolvency Resolution Process (CIRP) has been initiated by the Reserve Bank of India (RBI) against the company as per the provisions of the Insolvency and Bankruptcy Code, 2016 (Code). The RBI has superseded DHFL's board of directors and appointed an Administrator, who is assisted by an Advisory Committee. DHFL is in the process of inviting bids from interested parties under the resolution process. The initial deadline of April 16, 2020 for submitting bids has been extended to August 07, 2020 in light of the Covid-19 pandemic.

Key rating drivers and their description

Credit strengths – Not applicable

Credit challenges

Weak financial profile and delays in debt servicing – As per the audited financial results for FY2020, the company reported a loss of Rs. 13,575 crore. The auditors, in their report, have made multiple observations of financial significance and the company is being investigated for suspected irregularities. At present, DHFL is in default on its debt obligations and is undergoing insolvency proceedings. Under the insolvency process, the company is restricted from making any payments towards its debt obligations.

Liquidity position: Poor

At present, DHFL is in default on its debt obligations and is undergoing insolvency proceedings. Under the insolvency process, the company is restricted from making any payments towards its debt obligations.

Rating sensitivities

Positive triggers – ICRA could upgrade the rating in case of the successful implementation of a resolution plan and an improvement in the company's ability to service its debt obligations in a timely and sustainable manner.

Negative triggers – Not applicable

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA's Credit Rating Methodology for Housing Finance Companies ICRA's Policy on Default Recognition
Parent/Group Support	Not applicable
Consolidation/Standalone	Standalone

About the company

Dewan Housing Finance Corporation Limited was incorporated as Dewan Housing and Leasing Company Limited in 1984 with a focus on the housing finance business catering to the lower-middle-income borrower segment. Its name was changed to Dewan Housing Development Finance Limited in 1984 and subsequently to Dewan Housing Finance Corporation Limited in 1992. With the merger of First Blue Home Finance Limited with DHFL in FY2013, DHFL extended its offerings to the higher ticket size segment of more than Rs. 10 lakh. DHFL focuses on the low-and-middle-income customer segment.

Key financial indicators (audited)

As per	Ind-AS	Ind-AS
For the period ended	FY2019	FY2020
Total income	12,902.52	9,343.12
Profit after tax	(1,017.07)	(13,575.15)
Net worth	8,102.06	(5,537.94)
Total assets	10,6475.25	85,837.83
% PAT / Average total assets	(0.96%)	(14.12%)

Amounts in Rs. crore; Source: Company & ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2021) Type	Current Rating (FY2021)		Chronology of Rating History for the Past 3 Years										
		Amount Rated	Amount Outstanding	FY2020					FY2019					FY2018
				27-Jul-20	05-Jun-19	13-May-19	30-Apr-19	03-Apr-19	25-Feb-19	03-Feb-19	04-Dec-18	25-Sep-18	09-May-18	03-Oct-17
Commercial paper programme	Short term	100	100	[ICR A]D	[ICR A]D	[ICRA]A4@	[ICRA]A3+@	[ICRA]A2+@	[ICRA]A2+@	[ICRA]A1+@	[ICR A]A1+	[ICR A]A1+	[ICR A]A1+	[ICRA]A1+

Amount in Rs. crore

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	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Commercial paper programme	-	-	7-365 days	100	[ICRA]D

Source: Company

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