



Canfin Homes Limited

	Amount	Rating Action
Long Term Bank Lines	Rs. 3875 Crore (Reduced from Rs. 4575 Crore)	[ICRA]AAA/Stable
Short Term Bank Lines	Rs. 900 Crore (Enhanced from Rs. 300 Crore)	[ICRA]A1+
Subordinated Debt Programme	Rs. 300 Crore	[ICRA]AAA/Stable
Non Convertible Debt Programme	Rs. 2500 Crore	[ICRA]AAA/Stable
Commercial Paper Programme	Rs. 2500 crore	[ICRA]A1+
Fixed Deposits Programme	-	MAAA (Stable)

ICRA has reaffirmed the rating of [ICRA]AAA(Stable) (pronounced ICRA triple A with stable outlook) assigned earlier to the Long Term Bank lines of the company for an amount of Rs. 3,875 crore (reduced from Rs. 4,575 crore), Rs. 2500 crore Non Convertible Debenture Programme, Rs. 300 crore Subordinated Debt Programme of Canfin Homes Limited (CFHL). ICRA has also reaffirmed the rating of fixed deposits programme of CFHL at MAAA(stable) (pronounced M triple A with a stable outlook) and [ICRA]A1+ (pronounced ICRA A one plus) to the Rs. 2,500 crore Commercial Paper programme of the company.

The highest credit quality rating for CFHL factors in its strong ownership (Canara bank rated [ICRA]AAA(stable) by ICRA was the largest shareholder with 43.46% stake as on September 30, 2015), and the management, capital and funding support CFHL receives from its sponsor Canara Bank, its focus on relatively low risk 'salaried home loans' segment (85% of portfolio as on Sept-15 was towards individual housing loans (average ticket size of approximately Rs. 18 lakhs) of which more than 75% was towards salaried segment) and good loan underwriting and appraisal norms which have enabled the company to maintain good asset quality indicators (Gross NPA% of 0.29% as on September 30, 2015) and expanding geographically (branch network increased from 83 as on Mar-14 to 110 as on September 30, 2015).

As for funding, the company has diversified its funding mix over last 18 months, by increasing the share of debt market instruments in its resource profile (share of debt market funding increased from 5% in Mar-14 to 37% in Sept-15). CFHL's liquidity profile was adequate supported by access to long-tenure borrowings (average maturity of 7-8 years) to match the duration of its assets (average maturity of around 10 years) as well as access to unutilised bank lines to plug the mismatches. As for capitalisation, capital infusion of Rs. 276 crore through rights issue in February 2015 enabled the company to maintain its capitalisation indicators despite high pace of growth (Gearing levels of 9.66 times as on September 30, 2015). Going forward, the company plans to grow its portfolio at a Compounded Annual Growth Rate (CAGR) of 30-35% over the medium term, and would require Rs. 300-500 crore external capitals to meet its growth plans (40-60% of the present net worth). Given CFHLs strong parentage, CFHLs ability to recapitalise is high. Overall, ability of the company to maintain its asset quality and prudent capitalisation levels on a growing book would remain a key rating sensitivity.

CFHL's profitability indicators were good (Return on Equity (ROE) of 14% in 2014-15 and 16.5% in H1FY16), supported by rising share of higher yielding non housing loans (15% as on September 30, 2015), and moderate operating expenses (0.77% in 2014-15 and 0.95% for H1FY16). Going forward, interest spreads for CFHL are likely to be around 2.1-2.3%, leading to net interest margins in the range of 2.7-3.0%. Operating expenses for the company are likely to remain at around 0.8-0.9% leading to profitability indicators (PAT/ATA) of around 1.6-1.7% and ROE of 14-16% provided the company is able to maintain its asset quality indicators.

* Includes both CP and NCDs



About the Company

CFHL was promoted by Canara Bank, HDFC and UTI in 1987. Canara Bank held 43.45% equity stake in the company as on September 30, 2015 with the balance shareholding fairly diversified amongst corporate and retail shareholders. CFHL operates through a nation-wide network of around 110 branches and 26 satellite offices as on September 30, 2015. CFHL reported a Profit after Tax (PAT) of Rs. 86.24 crore on an asset base of Rs. 8,334 crore for FY15 vis-a-vis PAT of Rs 75.71 crore on an asset base of Rs. 5,912 crore for FY14. CFHL reported a Profit after Tax (PAT) of Rs. 67.48 crore on an asset base of Rs. 9.412 crore for H1FY16 vis-a-vis PAT of Rs 37.41 crore on an asset base of Rs. 6,395 crore for H1FY15. CFHL reported Gross NPA% of 0.29% as on September 30, 2015 and Capital Adequacy Ratio of 17.23% as on September 30, 2015.

November 2015

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