

## Rating Rationale

### Brickwork Ratings has reaffirmed the ratings of various NCD/ debt issues of Reliance Home Finance Limited

On an Annual Review, Brickwork Ratings (BWR) has reaffirmed the **Ratings<sup>1</sup>** for the outstanding NCD/Debt issues of Reliance Home Finance Limited ('RHFL' or 'the Company') as detailed below:

Issue	Issue Size (₹ Cr)	O/S (31-May-16) (₹ Cr)	Tenure	Rating History (June 2015)	Rating
Secured NCD	1000	532	<b>Long Term</b>	BWR AA+ Outlook: Stable	<b>BWR AA+ Outlook: Stable (Reaffirmed)</b>
Unsecured Subordinated Tier II NCD	400	273	<b>Long Term</b>	BWR AA+ Outlook: Stable	<b>BWR AA+ Outlook: Stable (Reaffirmed)</b>

Instruments with this rating are considered to have **high degree** of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.

BWR has relied upon the audited financial results of the Company up to FY16, available information and information/clarifications provided by the Company's management.

The rating has factored, inter alia, RHFL's strong parentage (Reliance Capital Limited-rated BWR AAA), experienced management in place, comfortable capital adequacy, Financial and Operational flexibility in terms of synergies with RCL and healthy Net Interest Margin. The rating is, however, constrained by the leveraged balance sheet, inherent risks associated with Housing Finance industry in India and the competitive landscape for HFCs.

### Background

Reliance Home Finance Limited (RHFL) is a Housing Finance Company, incorporated in June, 2008 and registered with National Housing Bank. RHFL is a wholly owned subsidiary of Reliance Capital Limited (RCL), which is a listed company belonging to Reliance Group. RCL has interests in asset management and mutual funds, life and general insurance, commercial finance and Home Finance, equities and commodities broking, wealth management services, distribution of financial products; asset reconstruction; proprietary investments and other activities in financial services. RHFL's mortgage finance business is considered to be strategically important in the overall business framework of the parent company RCL.

### Business Operations & Volume

RHFL's product offering includes Home Loans, Loan Against Property and Construction Finance. Asset Under Management (AUM) has increased from ₹ 5,771 Cr as of March 31, 2015 to ₹ 7,357 Cr as of March 31, 2016 which is 27% increment y-o-y, with loan disbursement of ₹ 3,922

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

Cr during FY16. The Company has also undertaken securitization of its mortgage book, and the outstanding securitized portfolio amounted to ₹ 566 Cr as of March 31, 2016.

### Asset Quality

Asset quality in terms of Gross NPA as a percentage of Loan Portfolio Outstanding was at 0.97% as of March 31, 2016 compared to 1.04% as of March 31, 2015. Net NPA was at 0.74% compared to 0.81%. Provisioning for the sub-standard assets are done as per the guidelines of NHB and Provision Coverage Ratio was 23.64%.

### Capital Adequacy

Tangible Net worth of the Company has increased from ₹ 533 Cr as of March 31, 2015 to ₹ 620 Cr as of March 31, 2016 due to retained profit for the financial year. It has a healthy capital adequacy with Total CRAR at around 16.35% (15.17% as of FY15 end), which is well above the NHB's minimum stipulated requirement of 12%. Tier I CRAR was at 10.51% (11.10% as of FY15 end).

### Liquidity

As of March 31, 2016, Company's borrowings aggregated ₹ 6,557 Crores. For short to medium term, the Company has a comfortable liquidity position. HFCs, in general, will have long-term mis-matches, which they need to manage appropriately. The company stipulates floating rates of interest for its loans, and hence, can pass on the varying cost of its borrowings to its customers.

### Financial Performance

As per audited financial statements for FY16 of RHFL, Total Operating Income stood at ₹ 796 Cr compared to ₹ 501 Cr for FY15, a y-o-y growth of ~59%, while Net Income from Operations increased from ₹ 184 Cr to ₹ 260 Cr, a growth of ~41%. Net Interest Margin (NIM) was 4.4% for FY16. The Company reported PAT of ₹ 87 Cr in FY16 compared to ₹ 69 Cr in FY15.

### Rating Outlook

The outlook is expected to be stable over the current year and it draws comfort from being a Reliance Group Company. Going forward the ability of the Company to grow profitably, prudently manage its asset quality, maintain healthy capitalization level and cope with the changing and competitive nature of the finance industry would be the key rating sensitivities.

<b>Analyst Contact</b>	<b>Relationship Contact</b>
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone</b>	<b>Media Contact</b>
<b>1-860-425-2742</b>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>

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