

RATING RATIONALE

30 July 2021

Indiabulls Housing Finance Limited

Brickwork Ratings assigns/reaffirms the ratings for the various debt issues of Indiabulls Housing Finance Limited.

Particulars:

Facility/Instrument**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Mar 2021)	Present
Retail NCD Issue - Public Issue#	-	2000	Long Term	-	BWR AA+ Negative Assigned
Secured NCD (Public Issue)	6,801.14	6,801.14	Long Term	BWR AA+ Negative	BWR AA+ Negative Reaffirmed
Subordinated debt (Public Issue)	198.86	198.86			
Secured NCD	27,000	27,000			
Subordinated Debt	3,000	3,000			
Perpetual Debt	150	150	Perpetual	BWR AA Negative	BWR AA Negative Reaffirmed
Commercial Paper	3,000	3,000	Short Term	BWR A1+	BWR A1+ Reaffirmed
Total	40,150	42,150	Rupees Forty Two Thousand and One Hundred Fifty Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for the definition of the ratings

** Details of NCD/Bonds are provided in Annexure-I

#Includes secured NCD and/or unsecured subordinated debt

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) assigns '**BWR AA+/Negative**' for the public issue of NCDs of Rs 2000 Crs, reaffirms '**BWR AA+/AA'/Negative**' for the various long term debt issuances and reaffirms short term rating of '**BWR A1+**' for the commercial paper issue of Indiabulls Housing Finance Limited (IBHFL or the company), as tabulated above.

The rating assignment/reaffirmation factors in the company's established market position in the housing finance sector, comfortable capitalisation with a moderate gearing level, strong liquidity and a diversified resource profile. However, the rating is constrained by the moderate asset quality and average profitability on account of the decreasing asset base and pressure on operating income.

The outlook continues to be Negative, given the continued stress on asset quality due to the impact of COVID-19 on the domestic economy, pressure on profitability due to expected slippages in the developer loan book and resultant provision requirements. The company's ability to revive growth, improve its asset quality and earnings profile through successfully building on the co-lending business model and avert any further deterioration in the portfolio performance over the near term will remain key rating monitorables.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: N.A.

KEY RATING DRIVERS

Credit Strengths:-

- **Established market position:** IBHFL has an established position in retail mortgage finance as one of the largest HFCs in India with a consolidated AUM of Rs 80,741 Crs and an outstanding loan portfolio of Rs 66,047 Crs as on 31 Mar 2021. The AUM and loan portfolio have grown at a CAGR of 24% and 21%, respectively from March, 2014 to March 2019. However, in the last two years, the AUM and the loan book have shrunk, given the funding challenges faced by HFCs from the second half of FY 2019, high reliance on securitisation and the company's decision to reduce its exposure to developer loans, which is expected to result in a further moderation in its own book.
- **Comfortable capitalisation levels:** As on 31 March 2021, IBHFL's total capital to risk weighted assets ratio (CRAR) stood comfortably at 30.72%, with the Tier I CAR of 24.01%, which is well above NHB's stipulated minimum requirement of a total CAR of 14% by 31 Mar 2021 and 15% by 31 Mar 2022. As on 31 March 202, IBHFL's net worth stood at Rs 16,040, against total debt of Rs 65,343, resulting in a gearing of 4.07x and net gearing of 3.3x. It has an asset risk cover with net-worth coverage for net non-performing assets (NPAs) at 12.48 times as on 31 March 2021.
- **Diversified resource profile:** IBHFL has a diversified resource profile with ongoing relations with 25 banks/mutual funds for a sell-down. The borrowing profile is well diversified, with bank borrowings contributing to 32%, NCDs contributing to 42%, ECBs contributing 5%, and the remaining 22% contributed by the securitisation of loans. IBHFL has raised Rs 34,016 Crs funding in FY21 (i.e., from April 2020 to March 2021) including undrawn available sanction lines and equity of Rs 2671 Crs. Company has further raised Rs 13,289 Crs in Q1FY22 including undrawn available sanction lines. IBHFL has also raised quasi equity of Rs 1,091 Crs (USD 150 Mn) through secured foreign currency convertible bonds (FCCB), indicating IBHFL's ability to raise long-term funds from the market.

- **Strong liquidity:** IBHFL has strong liquidity, with the ALM profile dated 31 March 2021 demonstrating cumulative positive mismatch across various buckets and with a positive mismatch of Rs 13,517 Crs at the end of one year. The company also had cash & liquid investments and undrawn available sanctions of Rs.12,276 Crs as on 31 March 2021 against total debt repayment of Rs 11,831 Crs upto December 2021. Its reliance on commercial paper funding has reduced to nil and entirely depends on long-term funds.

Credit Risks:-

- **Moderate asset quality:** Asset quality has witnessed some stress in the past few quarters, with gross non-performing asset (GNPA) and net non-performing asset (NNPA) increasing to 2.66% and 1.59% respectively, as on 31-March-2021, when compared with 1.84% and 1.24%, respectively, as on 31-March-2020 and 0.88% and 0.69%, respectively, as on 31-March-2019, mainly due to high slippages in the non-housing loan book and shrinkage in the asset base. IBHFL has total provisions of ₹ 2,458 Crs on its balance sheet which is equivalent to 3.7% of its loan book.

BWR expects that the asset quality will continue to be stressed, given the impact of COVID-19 on the domestic economy, especially on the real estate sector, and the resultant impact on the credit profile of the underlying borrowers of developer loan portfolios. To partially offset the increasing risk on the asset quality, the company is down-selling the developer loan portfolio. However, BWR continues to derive comfort from the credit appraisal system, company's risk management policies, its focus on reducing exposure through refinance and prepayments, and demonstrated ability to recover dues from borrowers.

- **Decline in profitability:** IBHFL's profitability has declined in the last two years with the ROA and ROE decreasing to 1.30% and 7.50%, respectively, for FY21 compared with an ROA and ROE of 1.90% and 17.60%, respectively, for FY20 and ROA and ROE of 3.00% and 24.00%, respectively, for FY19. This was mainly due to falling revenues on the back of shrinking loan book and falling NIMs as the company is selling down the high yielding developer loan portfolio coupled with higher credit costs in the non-housing loan portfolio. IBHFL's ability to raise funds from diverse sources and reduce its cost of borrowing and timely refinance of developer loans to reduce the credit costs will be key rating monitorable.
- **Challenging operating environment for HFCs:** Currently, HFCs in India are facing liquidity and funding challenges, resulting in subdued growth/degrowth and potential ALM mismatches in the short term. This is also expected to adversely affect the borrowing profile and profitability of NBFCs. Furthermore, the company operates in a highly competitive space, and thereby its ability to demonstrate profitable growth while maintaining asset quality over the medium term will be critical. While the company has raised long-term funds in the recent past, its ability to raise adequate funding at competitive rates over the medium term will be a key monitorable.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the consolidated financial profile of IBHFL, alongwith its subsidiary Indiabulls Commercial Credit Ltd (ICCL), and has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive: IBHFL's ability to reduce its exposure to the real estate sector by the timely refinancing of loans to ease the pressure on asset quality, successful transition to the co-lending model, revive growth in its own book and improve profitability will be key rating monitorable.

Negative: A material deterioration in the asset quality, liquidity position and profitability will be key rating sensitivities.

LIQUIDITY POSITION: Strong

IBHFL has strong liquidity, with the ALM profile dated 31 March 2021 demonstrating cumulative positive mismatch across various buckets and with a positive mismatch of Rs 13,517 Crs at the end of one year. The company also had cash & liquid investments and undrawn available sanctions of Rs.12,276 Crs as on 31 March 2021 against total debt repayment of Rs 11,831 Crs upto December 2021. Its reliance on commercial paper funding has reduced to nil and entirely depends on long-term funds.

Coronavirus disease (COVID-19): Coronavirus disease (COVID-19), declared a pandemic by the World Health Organisation (WHO), has become a full-blown crisis globally, including in India. BWR is actively engaging with its clients on a continuous basis and taking updates on the impact on its operations and liquidity situation. BWR will take appropriate rating actions as and when it deems necessary and will publish the same.

COMPANY PROFILE

Indiabulls Housing Finance Ltd (IBHFL), incorporated in 2005, is registered with and regulated by National Housing Bank (NHB) and is engaged in the business of mortgage-backed finance - housing loans and loan against property, and corporate mortgage loan - lease rental discounting and residential construction finance. The company is promoted by Mr. Sameer Gehlaut, who has a 21.7% shareholding as on 31 Mar 2021, directly or through other fully owned entities. The company is listed on the BSE/NSE. IBHFL is the flagship company of Indiabulls Group, a leading business house with businesses spread across many sectors, including housing finance, real estate and financial services.

Mr. Subhash Sheoratan Mundra is the non-executive chairman of the board of IBHFL. Mr. Sameer Gehlaut is the founder and non-executive director, Mr. Gagan Banga is the vice chairman, managing director and CEO, and Mr. Ashwini Kumar Hooda is the deputy managing director of IBHFL. Besides them, the board consists of two executive directors and six independent directors. The company also has well-qualified and experienced professionals looking after credit, risk, marketing, audit and other support functions.

KEY FINANCIAL INDICATORS (Consolidated)

Key Parameters	Units	2019	2020	2021
Result Type		Audited	Audited	Audited
Consolidated AUM	Rs in Crs	1,20,525	93,021	80,741
Loan Portfolio	Rs in Crs	92,298	73,064	66,047
Net Interest Income	Rs in Crs	6,382	4,711	3,091
PAT	Rs in Crs	4,091	2,200	1,202
Tangible Net worth	Rs in Crs	16,403	15,462	16,040
Total CRAR	%	26.49	27.09	30.72
GNPA	%	0.88	1.84	2.66
NNPA	%	0.69	1.24	1.59

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: Nil

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: Nil

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]

S. No	Name of Instrument (NCD/Bank Loan /Non-Fund Based facilitates/ Commercial Paper etc.)	Current Rating (2021)			Chronology of Rating History for the past 3 years (Rating Assigned and Press Release date) along with outlook/ Watch, if applicable		
		Type(Long Term/Short Term)	Amount Outstanding (Rs. Crores)	Rating	Date(s) & Rating(S) assigned in 2020	Date(s) & Rating(s) assigned in 2019	Date(s) & Rating(s) assigned in 2018
1				2021	14 Sep 2020	18 Oct 2019	2 May 2018
	NCDS - Public Issue	Long Term	2,000.00	BWR AA+ Negative	-	-	-
	Non convertible Debentures (NCDs)	Long Term	33,801.40	BWR AA+ Negative	BWR AA+ Negative	BWR AA+ Credit watch with developing implications	BWR AAA Stable
	Subordinated Debt (NCDs)	Long Term	3,198.86	BWR AA+	BWR AA+ Negative	BWR AA+	BWR AAA Stable

				Negative		Credit watch with developing implications	
	Perpetual Debt	Long Term	150	BWR AA Negative	BWR AA Negative	BWR AA Credit watch with developing implications	BWR AA+ Stable
	Commercial Paper	Short Term	3000	BWR A1+	BWR A1+	-	-
2				29 Mar 2021	23 Mar 2020	16 Aug 2019	
	Non convertible Debentures (NCDs)	Long Term	33,801.40	BWR AA+ Negative	BWR AA+ Negative	BWR AAA Credit watch with developing implications	
	Subordinated Debt (NCDs)	Long Term	3,198.86	BWR AA+ Negative	BWR AA+ Negative	BWR AAA Credit watch with developing implications	
	Perpetual Debt	Long Term	150	BWR AA Negative	BWR AA Negative	BWR AA+ Credit watch with developing implications	
	Commercial Paper	Short Term	-	BWR A1+	-	-	
3						17 Apr 2019	
	Non convertible Debentures (NCDs)	Long Term	33,801.40			BWR AAA Credit watch with developing implications	
	Subordinated Debt (NCDs)	Long Term	3,198.86			BWR AAA Credit watch with developing implications	
	Perpetual Debt	Long Term	150			BWR AA+ Credit watch with developing implications	
	Commercial Paper	Short Term	-			-	

COMPLEXITY LEVELS OF THE INSTRUMENTS: Simple

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Banks and Financial Institutions](#)
- [Commercial paper](#)

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Indiabulls Housing Finance Ltd ANNEXURE I

INSTRUMENT (NCD) DETAILS

Instrument	Issue date	Amount (Rs in Crs)	Maturity date	ISIN	Coupon rate (%)
NCD	11-Aug-16	10	11-Aug-21	INE148I07FS0	8.80%
NCD	7-Sep-11	500.00	7-Sep-21	INE894F07360	10.65%
Retail-NCD	26-Sep-16	3,389.63	26-Sep-21	INE148I07GE8	8.75%
Retail-NCD	26-Sep-16	1,311.23	26-Sep-21	INE148I07GF5	8.90%
Retail-NCD	26-Sep-16	7.44	26-Sep-21	INE148I07GH1	0.00%
NCD	22-Nov-11	100.00	22-Nov-21	INE148I07076	10.70%
Sub-Debt	31-Jan-12	36.20	31-Jan-22	INE894F08038	11.85%
Sub-Debt	22-Feb-12	20.00	22-Feb-22	INE894F08053	11.85%
NCD	27-Feb-12	500.00	27-Feb-22	INE894F07519	10.15%
NCD	21-Mar-17	600.00	21-Mar-22	INE148I07GW0	8.82%
NCD	22-Mar-17	160.00	22-Mar-22	INE148I07GX8	8.82%
NCD	30-Mar-17	350.00	30-Mar-22	INE148I07HC0	8.82%
Sub-Debt	30-Mar-12	15.00	30-Mar-22	INE894F08061	11.00%
NCD	3-Apr-12	125.00	3-Apr-22	INE148I07100	10.75%
NCD	6-Apr-17	1,000.00	6-Apr-22	INE148I07HF3	8.82%

Sub-Debt	5-Jun-12	15.00	5-Jun-22	INE894F08079	10.65%
NCD	28-Jun-12	800.00	28-Jun-22	INE894F07550	10.70%
NCD	6-Jul-12	20.00	6-Jul-22	INE894F07543	10.70%
Sub-Debt	9-Oct-12	35.00	9-Oct-22	INE148I08025	10.30%
Sub-Debt	22-Oct-12	40.00	22-Oct-22	INE148I08033	10.30%
Sub-Debt	31-Oct-12	25.00	31-Oct-22	INE148I08041	10.30%
NCD	6-Nov-12	15.00	6-Nov-22	INE148I07142	10.00%
Sub-Debt	15-Nov-12	1.10	15-Nov-22	INE894F08129	10.65%
NCD	19-Nov-12	15.00	19-Nov-22	INE148I07159	10.00%
NCD	20-Nov-15	10.00	20-Nov-22	INE148I07DK2	9.10%
Sub-Debt	4-Dec-12	20.00	4-Dec-22	INE148I08058	10.20%
NCD	18-Dec-12	15.00	18-Dec-22	INE148I07183	10.00%
NCD	31-Dec-12	35.00	31-Dec-22	INE148I07191	10.00%
NCD	31-Dec-12	15.00	31-Dec-22	INE894F07667	10.00%
Sub-Debt	14-Jan-13	25.00	14-Jan-23	INE148I08066	10.10%
NCD	16-Jan-13	35.00	16-Jan-23	INE894F07717	10.20%
Sub-Debt	30-Jan-13	10.00	30-Jan-23	INE148I08074	10.65%
Sub-Debt	18-Feb-13	25.00	18-Feb-23	INE148I08082	10.10%
NCD	26-Feb-13	25.00	26-Feb-23	INE148I07209	10.00%
Sub-Debt	6-Mar-13	20.00	6-Mar-23	INE148I08090	10.10%
NCD	19-Mar-13	100.00	19-Mar-23	INE148I07241	10.00%
NCD	25-Mar-13	5.00	25-Mar-23	INE148I07266	10.00%
Sub-Debt	28-Mar-13	25.00	28-Mar-23	INE148I08108	10.10%
NCD	30-Apr-20	200.00	28-Apr-23	INE148I07JT0	9.10%
NCD	18-May-20	1,030.00	18-May-23	INE148I07JU8	9.10%
Sub-Debt	23-May-13	20.00	23-May-23	INE148I08116	9.80%
Sub-Debt	3-Jun-13	125.00	3-Jun-23	INE148I08124	9.90%
NCD	29-Aug-13	1,000.00	29-Aug-23	INE148I07357	11.00%
Sub-Debt	23-Sep-13	25.00	23-Sep-23	INE148I08132	10.10%
Sub-Debt	27-Sep-13	25.00	27-Sep-23	INE148I08140	10.85%
NCD	8-Oct-13	25.00	8-Oct-23	INE148I07373	10.25%
Sub-Debt	24-Oct-13	5.00	24-Oct-23	INE148I08157	10.85%
NCD	21-Nov-13	400.00	21-Nov-23	INE148I07381	10.55%
Sub-Debt	23-Dec-13	20.00	23-Dec-23	INE148I08165	10.80%

NCD	24-Dec-13	25.00	24-Dec-23	INE148I07415	10.20%
NCD	5-Jun-14	25.00	5-Jun-24	INE148I07639	10.15%
NCD	30-Jun-14	25.00	30-Jun-24	INE148I07746	10.15%
Sub-Debt	17-Jul-14	10.00	17-Jul-24	INE148I08173	10.85%
Sub-Debt	8-Sep-17	100.00	6-Sep-24	INE148I08280	8.35%
NCD	16-Dec-14	25.00	16-Dec-24	INE148I07AV5	9.20%
NCD	31-Dec-14	25.00	31-Dec-24	INE148I07BA7	9.20%
Sub-Debt	17-Mar-15	5.00	17-Mar-25	INE148I08181	9.70%
NCD	19-May-15	25.00	19-May-25	INE148I07BV3	9.00%
NCD	26-Jun-15	1,000.00	26-Jun-25	INE148I07CN8	9.50%
Sub-Debt	21-Jul-15	8.15	21-Jul-25	INE148I08199	10.10%
Sub-Debt	3-Aug-15	165.00	3-Aug-25	INE148I08207	10.00%
NCD	20-Nov-15	170.00	20-Nov-25	INE148I07DL0	9.00%
NCD	30-Dec-15	95.00	30-Dec-25	INE148I07DN6	9.00%
NCD	31-Dec-15	10.00	31-Dec-25	INE148I07DO4	9.00%
NCD	8-Feb-16	50.00	7-Feb-26	INE148I07DV9	9.00%
NCD	14-Mar-16	25.00	13-Mar-26	INE148I07EA1	9.00%
NCD	12-Apr-16	35.00	11-Apr-26	INE148I07EL8	9.10%
NCD	29-Apr-16	207.00	29-Apr-26	INE148I07EM6	9.00%
NCD	10-May-16	25.00	8-May-26	INE148I07EO2	9.10%
NCD	30-May-16	25.00	29-May-26	INE148I07ES3	9.10%
NCD	7-Jun-16	25.00	5-Jun-26	INE148I07EW5	9.00%
Sub-Debt	29-Jun-16	609.70	29-Jun-26	INE148I08215	9.30%
NCD	30-Jun-16	200.00	30-Jun-26	INE148I07FG5	9.00%
NCD	22-Jul-16	25.00	22-Jul-26	INE148I07FJ9	8.90%
Retail-NCD	26-Sep-16	13.69	26-Sep-26	INE148I07GJ7	8.65%
Retail-NCD	26-Sep-16	404.50	26-Sep-26	INE148I07GL3	9.00%
Retail-NCD	26-Sep-16	24.34	26-Sep-26	INE148I07GN9	0.00%
Retail-NCD	26-Sep-16	990.76	26-Sep-26	INE148I07GK5	8.85%
Retail-SD	26-Sep-16	2.42	26-Sep-26	INE148I08231	8.79%
Retail-SD	26-Sep-16	195.35	26-Sep-26	INE148I08256	9.15%
Retail-SD	26-Sep-16	0.95	26-Sep-26	INE148I08272	0.00%
Retail-SD	26-Sep-16	0.15	26-Sep-26	INE148I08249	9.00%
Sub-Debt	5-Jun-12	110.03	5-Jun-27	INE894F08087	10.65%

Sub-Debt	28-Jun-12	100.00	28-Jun-27	INE894F08103	10.25%
Sub-Debt	30-Jun-12	49.65	30-Jun-27	INE894F08111	10.65%
Sub-Debt	8-Sep-17	900.00	8-Sep-27	INE148I08298	8.35%
Sub-Debt	15-Nov-12	32.60	15-Nov-27	INE894F08137	10.65%
Sub-Debt	28-Jun-12	100.00	Perpetual	INE894F08095	10.60%
Total		18,194.88	INR Eighteen Thousand and One Hundred Ninety Four Crores and Eighty Eight Lakhs		

Indiabulls Housing Finance Ltd
ANNEXURE II
List of Entities consolidated

Name of Entity	% ownership	Extent of consolidation	Rationale for consolidation
Indiabulls Commercial Credit Limited	100	Full	Subsidiary
Indiabulls Collection Agency Limited	100	Full	Subsidiary
Ibulls Sales Limited	100	Full	Subsidiary
Indiabulls Insurance Advisors Limited	100	Full	Subsidiary
Nilgiri Financial Consultants Limited	100	Full	Subsidiary
Indiabulls Capital Services Limited	100	Full	Subsidiary
Indiabulls Advisory Services Limited	100	Full	Subsidiary
Indiabulls Asset Holding Company Limited	100	Full	Subsidiary
Indiabulls Asset Management Company Limited	100	Full	Subsidiary
Indiabulls Trustee Company Limited	100	Full	Subsidiary
Indiabulls Holdings Limited	100	Full	Subsidiary
Indiabulls Venture Capital Management Company Limited	100	Full	Subsidiary
Indiabulls Asset Management Mauritius	100	Full	Subsidiary
IBHFL Lender Repayment Trust	100	Full	Subsidiary
Pragati Employee Welfare trust	100	Full	Subsidiary
ICCL Lender Repayment Trust	100	Full	Subsidiary

For print and digital media

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