

Rating Assignment - Annual Surveillance

Brickwork Ratings reaffirms “BWR AAA” for the Non Convertible Debenture Issue of Rs. 1000 crore and assigns “BWR F AAA” for mobilization of Fixed Deposits of Rs. 500 crore (enhancement in the limit from Rs. 200 crore) for Dewan Housing Finance Corporation Limited

Brickwork Ratings (BWR) has reaffirmed the rating of BWR AAA (Pronounced BWR Triple A) and has assigned BWR F AAA (Pronounced BWR F Triple A) with a stable outlook for the following ratings of DHFL:

Instruments	Amount	Rating	Assigned/ Reaffirmed	Issue Date	Maturity Date	Rating History	
						Review As on	Rating As on
Fixed Deposit	Rs. 500 crore (enhancement in the limit from Rs. 200 crore)	BWR F AAA (Stable)	Assigned	-	-	-	BWR F AAA May 2009
NCD	Rs. 1000 crore*	BWR AAA (Stable)	Reaffirmed	Raised Rs 320 cr, June 2, 2010	June 2, 2013	BWR AAA May 2010	BWR AAA May 2009

**Out of the said Rs. 1000 crore rated, DHFL has utilized the rating for Rs. 320 crore and the unutilized portion is Rs. 680 crore.*

“BWR AAA” rating stands for an instrument that is considered to offer the BEST credit quality in terms of timely servicing of debt obligations.

“BWR F AAA” rating for fixed deposits stands for an instrument that is considered to offer the BEST safety in terms of timely servicing of interest and principal. (The rating assigned is subject to the following: Brickwork Ratings application for registration with RBI is pending and the Rating given could be used as additional third party opinion.)

A “Stable” rating outlook signifies the expectation of the rating being stable in the near term. The rating has been reaffirmed taking into account the financial performance of the company, publicly available information and clarifications provided by the company.

The ratings, inter alia, factors growth in sanctions and disbursements of loans, comfortable capital adequacy and reduction in NPA's through effective recovery measures.

DHFL has posted strong growth in sanctions and disbursement of loans along with improvement in quality of loans during FY 10. The sanctioned loans has grown from Rs 2698 crores in FY09 to Rs 5273 crores in FY10 registering a growth of 95.45%, while disbursements has grown from Rs 2266 crores in FY09 to Rs 3865 crores in FY10 registering an impressive growth of 70.59%. The total lending portfolio has increased mainly due to the growth in the housing loan segment.

DHFL's total income from operations has increased by 43.34% from Rs 692.46 crores in FY09 to Rs 992.54 crores in FY10 as against the interest expenses which increased by 35.90% from Rs. 492.90 crore during FY09 to Rs. 669.83 during FY10. It has posted profit before tax of Rs. 202.19 crore for the year FY10 as compared to Rs. 124.11 crore in FY09, an increase of 62.91%. The company has registered net profit of Rs 150.69 crores in FY10 as compared to Rs. 91.76 crore in FY09, an increase of 64.22% over the last one year. However, the Net Interest Margin has declined to 3.02% in FY10 from 3.18% in FY09.

The return on assets marginally increased and was 1.86% during FY10. The return on equity also improved marginally from 22.20% in FY09 to 22.90% in FY10.

The company's asset quality has shown improvement with its gross NPA levels at 1.16% as on 31st March 2010 as compared to 1.48% on 31st March 2009. Net NPAs have shown a similar trend and have decreased from 1.03% in FY09 to 0.73% in FY10. The company has maintained the provision levels as per the norms issued by National Housing Bank.

DHFL capital adequacy levels stood at 17.26% as of March 2010, which is well above the minimum stipulated requirement. DHFL's Tier I capital adequacy ratio was 15.75%. Tier I capital mainly improved during the year due to the raising of capital through issue of equity by the company in FY10.

With appropriate initiatives being taken by the Company, growth in earnings and improvement in asset quality are expected to continue. Overall, Brickwork Ratings expects the performance of DHFL to remain stable over the next year

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BWR’s Fixed Deposit Rating Symbols / Definitions have undergone minor changes with effect from June 21, 2011. For information on BWR’s Rating Symbols and their definition, please refer to our website link <http://www.brickworkratings.com/scale.html>. It is clarified that the said change in the definition should not be construed as a change in the Rating.