

Rationale for Rating of IPDI Issue of ₹ 300 crore and reaffirmed rating for other outstanding instruments of Dewan Housing Finance Corporation Limited

Brickwork Ratings (BWR) has assigned BWR AA+ (Stable) for IPDI Issue of ₹ 300 crores and reaffirmed the outstanding ratings for the following issues of Dewan Housing Finance Corporation Limited:

Instruments	Amount	Rating	Assigned/ Reaffirmed	Issue & Maturity Date	Rating History**		
IPDI	₹ 300 crore	BWR AA+ (Stable)	Assigned (July 25, 2011)	NA	NA	NA	NA
Fixed Deposit	₹ 1000 crore	BWR F AAA (Stable)	Reaffirmed	NA	BWR F AAA Jan 2011	BWR F AAA Nov 2010	BWR F AAA Oct 2010
Subordinated Debt	₹ 250 crore	BWR AAA (Stable)	Reaffirmed	Annexure 1	BWR AAA Jan 2011	BWR AAA Nov 2010	-
Subordinated Debt	₹ 250 crore	BWR AAA (Stable)	Reaffirmed		BWR AAA Jan 2011	BWR AAA Nov 2010	BWR AAA Oct 2010
NCD	₹ 1000 crore*	BWR AAA (Stable)	Reaffirmed		BWR AAA Jan 2011	BWR AAA Nov 2010	BWR AAA Oct 2010

*Out of the said ₹ 1000 crore rated, DHFL has utilized the rating for ₹ 835.20 crore and the unutilized portion is ₹ 164.80 crore.

**The rating history shows the details of the last three outstanding ratings for the issue. For a detailed rating history of the above instruments, refer to www.brickworkratings.com

The ratings “BWR AA+” indicates that the instrument is considered to have a HIGH degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.

The rating “BWR AAA” indicates that the instrument is considered to have the HIGHEST degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk. The rating “BWR F AAA” indicates that the Company’s Fixed

~~Deposits are considered to offer the HIGHEST degree of 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 and NHB is pending and the Rating given could be used as an additional third party opinion).

For the purpose of rating Brickwork has taken into consideration nature of debt instrument and inherent risks in DHFL's various debt programmes.

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 the track record of the company in housing finance sector, growth in sanctions and disbursements of loans, comfortable capital adequacy, consistent growth 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 in FY11. As on March 31, 2011, the sanctioned loans grew by 70% and stood at ₹ 8949 crores while disbursements grew by 68% and stood at ₹ 6506 crores. The total lending portfolio has increased mainly due to the growth in the housing loan segment. The company's housing loan portfolio increased by 61% and stood at ₹ 14,111 crores in FY11 as compared to ₹ 8758 crores in FY10.

DHFL's constant growth in the business has shown great growth in the income. Total income has increased by 46% from ₹ 990 crores in FY10 to ₹ 1449 crores in FY11 as against the interest expenses which increased by 44% from ₹ 670 crores during FY10 to ₹ 965 crores during FY11. It has posted profit before tax of ₹ 341.48 crores for FY11 as compared to ₹ 202.19 crores for FY10. The company has registered net profit of ₹ 265.13 crores in FY11 as compared to ₹ 150.69 crores in FY10. Net profit for the year FY11 includes an exceptional profit of ₹ 35.43 crores because of profit on sale of shares of the group company HDIL. The Net Interest Margin declined from 3.02% in FY10 to 2.97% in FY11.

The Return on Assets has marginally decreased to 2.01% during FY11 as compared to 2.04% during FY10. The Return on Equity also decreased from 22.90% in FY10 to 19.49% in FY11.

The company's asset quality has shown improvement on account of increasing Asset base with its gross NPA levels at 0.67% as on 31st March 2011 as compared to 1.16% on 31st March 2010. Net NPAs have shown a similar trend and have decreased from 0.73% in FY10 to 0.10% in FY11.

DHFL's capital adequacy levels stood at 19.39% as of March 2011, which is well above the minimum stipulated requirement of 12%. DHFL's Tier I capital adequacy ratio was 13.87% as of March 2010.

Acquisition of Deutsche Postbank Home Finance Ltd.

DHFL has, along with its promoter group entity Wadhawan Housing Private Limited and Caledonia Investments Plc, an existing long term investor in DHFL, acquired 100% stake in Deutsche Postbank Home Finance Ltd (DPHFL) from BHW Holding AG, a 100% subsidiary of Deutsche Postbank, AG. Post acquisition, DHFL, through its subsidiary DHFL Holdings Pvt. Ltd., hold 67.50% equity stake in the Company. The Promoter group of DHFL will hold 18.50% of equity stake while Caledonia Investments Plc will hold 14% stake.

After acquisition the name of the company is changed to First Blue Home Finance Ltd (FBHFL).

The acquisition will help DHFL to have pan India presence, as DHFL has strong presence in South (25%) and West region (63%) while FBHFL has strong presence in North (41%) and South (25%) region. DHFL would have diversified customer base as the customer segment of DHFL has been the low & medium income segment while FBHFL has been targeting more of mid market segment. The average ticket size of DHFL would also increase post acquisition.

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.

Analysts	Media
<p>Shilpi Agarwal, Lead-Analyst shilpi.a@brickworkrating.com</p> <p>Sameer Singhvi, Co- Analyst sameer.s@brickworkratings.com</p>	<p>Anitha G media@brickworkratings.com</p> <p>Relationship Contact</p> <p>K N Suvarna Senior VP - Business Development kn.suvarna@brickworkratings.com</p>

Disclaimer: Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.

Annexure 1

Details of date of Issue and maturity date of the amount raised:

NCDs for ₹ 835.20 crores

Amount (in crores)	Date of Allotment	Date of Maturity
320	June 2, 2010	June 1, 2013
250	October 26, 2010	October 25, 2020
15	October 26, 2010	October 25, 2020
50.20	August 12, 2011	August 11, 2014
35	August 12, 2011	August 11, 2021
150	September 29, 2011	September 28, 2014
5	September 29, 2011	September 28, 2016
10	September 29, 2011	September 28, 2021

Subordinated Debt for ₹ 500 crores

Amount (in crores)	Date of Allotment	Date of Maturity
175	November 21, 2010	November 20, 2020
175	November 21, 2010	September 20, 2017
150	March 31, 2011	March 30, 2021