

## **Press Release**

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**Brickwork Ratings has assigned BWR AAA (Pronounced BWR Triple A) for Dewan Housing Finance Corporation Limited's proposed Non convertible Debenture Issue with tenure up to 10 years and mobilization of Fixed Deposits.**

**Bangalore, Karnataka, India:** Brickwork Ratings has assigned BWR AAA (Pronounced BWR Triple A ) for DHFL's proposed Non convertible Debenture Issue of INR 1000 crore or INR 10 billion with tenor up to 10 years and mobilization of Fixed Deposits up to INR 200 crore or INR 2 billion. Brickwork Ratings' 'BWR AAA' stands for an instrument that is considered to offer the EXCELLENT credit quality / safety in terms of timely servicing of principal and interest obligations. The rating factored good growth in sanctions and disbursement of housing loans, improving asset quality, comfortable capital adequacy, healthy return on funds, and good management quality with continuous focus on its core competency.

BWR has essentially relied upon audited financial statements of FY March 2009 and the past three years and projected financial figures, information and clarification sought by us and provided by DHFL.

### **Company Profile**

Dewan Housing Finance Corporation Ltd. (DHFL) was incorporated in 1984. Currently, Shri Rakesh K Wadhawan is the Chairman of DHFL and Shri Kapil Wadhawan is its Vice Chairman and Managing Director. With more than 25 years of experience, DHFL is among the oldest private sector housing finance companies (HFC) in India. It is the fourth largest housing finance company with total asset size of around INR 63.95 billion as on March 31, 2009.

### **Business:**

DHFL has posted strong growth in total business, disbursement of loans along with improvement in quality of loans during FY-09. With total business growth of 39.65%, DHFL has skillfully prevailed over the challenging economic conditions during FY 09.

DHFL has followed a business model to cater to the middle and low income segment borrowers which makes it unique among the HFCs. This is evident as DHFL has a loan portfolio of INR 58.16 billion with an average loan size of Rs 4.23 lakh as compared to other HFCs of Rs 14.1 lakh. With its 76 branches and 114 service locations throughout India, it has

an overall customer base of 1.20 lakh middle income households. The average tenure for the loan stands at 11.9 years.

### **Financials:**

DHFL's Total income recorded a growth of INR 1.71 billion from INR 5.23 billion in the year 2007-08 to INR 6.94 billion during the year 2008-09 as against the interest expenses which increased from INR 3.65 billion during FY-08 to INR 4.93 billion during FY 09. The company's net interest income recorded a growth of INR 0.43 billion during the same period. It has posted gross profit of INR 1.32 billion for the year ended March 31, 2009 as compared to INR 1.12 billion in the previous year. It recorded 10.85% growth in net profit to reach INR 0.92 billion in FY 09, as compared to INR 0.83 billion a year ago. DHFL had capital adequacy ratio of 16.21% as on 31st March 2009, which is well above the minimum stipulated 12%. During FY 09, the company's Net Worth had improved progressively to reach INR 5.14 billion with 15.38% growth over the previous year. The Return on Assets stood at 1.44% during FY 09 while ROE has also improved by 151 bps from 18.55% in FY 08 to 20.06% at end of FY 09. While DHFL's Gross NPAs have come down to 1.47% as on 31st March 2009 from 1.60% for the same period a year ago.

BWR has made a study of the performance of DHFL vis-à-vis other major HFCs and has grouped it along with HDFC, LICHF, GICHF, GRUH Fin, ICICI HF etc. Strictly speaking these HFCs cannot be considered as peers of DHFL due to the fact that such HFCs are backed by big financial institutions that support them financially. Further they also cater to different client segment in bigger cities. It is observed that DHFL has got a slightly higher cost of borrowings and cost of funds among HFCs but is amply compensated in terms of higher return on funds.

### **Rating Outlook:**

DHFL has, since inception, concentrated on the middle and lower middle income groups for business, with a good reach in semi-urban and rural areas, where competition is relatively lower. DHFL has an excellent track record of performance and growth and is expected to do well in future also. The housing sector will continue to grow but at a slower pace due to the current economic conditions and may face pressures on the asset quality. The key factors which will influence DHFL's future growth will be maintaining asset quality and efficiency as well as to take steps to lower its cost of funds.

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