Fullerton Grihashakti

Iraada hai toh Raasta hai

12 July, 2021

To,
The Manager
National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block-G
Bandra Kurla Complex, Bandra (E)
Mumbai - 400 051

Sub: Intimation of revision in Credit Ratings

Dear Sir/Madam,

The Company has its Long Term Secured and Unsecured Debentures listed on the Negotiated Trading Reporting Platform of NSE.

In terms of the requirements of Regulation 51 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please note following revisions Credit Ratings of the Company:

(1) CARE Ratings

Facilities/Instruments	Earlier Rating	Revised Rating
Long-term Debt Programme	CARE AAA; Stable	CARE AAA; CWD - (Triple A) (Under Credit watch with Developing Implications)
Commercial Paper (CP) Issue	CARE A1+	CARE A1+
Subordinated Debt	CARE AAA; Stable	CARE AAA; CWD - (Triple A) (Under Credit watch with Developing Implications)

(2) CRISIL Ratings

Facilities/Instruments	Earlier Rating	Revised Rating
Long Term Bank loan facilities	CRISIL AAA/Stable	CRISIL AAA/ Watch Developing (Placed on 'Rating Watch with Developing Implications')
Non-Convertible Debentures (NCD)	CRISIL AAA/Stable	CRISIL AAA/ Watch Developing (Placed on 'Rating Watch with Developing Implications')
Subordinated Debt	CRISIL AAA/Stable	CRISIL AAA/ Watch Developing (Placed on 'Rating Watch with Developing Implications')
Commercial Paper (CP)	CRISIL A1+	CRISIL A1+ (Reaffirmed)

The copies of the ratings letters are enclosed herewith.

For your records and information please.

Thanking you,

For Fullerton India Home Finance Company Ltd.

Seema Nirav
Sarda

Digitally signed by Seema Nirav Sarda
DN: c=IN, o=Personal,
2.5.4.20=fe7f45763a84902074696f0f3d4c7c005b773284878da1cfe2d
b0b72314594bf, postalCode=400092, st=Maharashtra,
serialNumber=4fb2f51e886211e36688378f5f005f0835c04203730c73
644cb9b1273b9f48af, cn=Seema Nirav Sarda
Date: 2021.07.13 09:36:26 +05'30'

Seema Sarda
Company Secretary

Fullerton India Home Finance Company Limited

July 07, 2021

Ratings

Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Debt Programme	7500.00 (Rupees Seven Thousand Five Hundred Crore Only)	CARE AAA; CWD [Triple A] (Under Credit watch with Developing Implications)	Placed on Credit watch with Developing Implications
Commercial Paper (CP) Issue	500.00 (Rupees Five Hundred Crore Only)	CARE A1+ [A One Plus]	Reaffirmed
Subordinated Debt	500.00 (Rupees Five Hundred Crore Only)	CARE AAA; CWD [Triple A] (Under Credit watch with Developing Implications)	Placed on Credit watch with Developing Implications

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

Fullerton India Home Finance Company Limited (FIHFCL, or the Company) continues to be the wholly owned subsidiary of Fullerton India Credit Company Limited (FICCL; rated 'CARE AAA; Under Watch with Developing Implications) and derives strong linkages from Fullerton Financial Holding (FFH) through FICCL. FICCL is currently 100% owned by FFH, which in turn is a step own subsidiary of Temasek Holdings, Singapore. CARE Ratings Limited (CARE) has placed ratings of various debt instruments of FIHFCL under Credit Watch with Developing Implications, following announcement on July 6, 2021 that, Sumitomo Mitsui Financial Group, Inc. ("SMFG") has reached an agreement to buy 74.9% stake in FICCL from Fullerton Financial Holdings (FFH). CARE understands that there would be no change to the organization, strategy, and operations of FIHFCL and its linkages with FICCL as a result of this transaction indicating continuity.

SMFG is Japan based one of the largest banking and financial services groups in the world having presence in 40 countries, with assets size of ~USD 2.2 trillion as on 31st March 2021 and a market capitalization of ~USD 47 billion as on July 7, 2021. CARE understands that although respective Board of Directors of SMFG and FFH have approved the transaction, the transaction is pending regulatory approvals. SMFG is expected to eventually acquire 100% in FICCL.

The ratings are further supported by the demonstrated support by its parent group FFH till now, integrated key functions, strong Management support shared infrastructure, comfortable capitalization, and comfortable liquidity profile.

The ratings also factor in the limited track record being in early stage of operations as well as deterioration in FIHFCL's asset quality and profitability parameters during FY21 on account of the Covid-19 pandemic and accelerated proactive provisioning stance adopted by the Management to recognize the stress. The company has also taken adequate steps to enhance recovery and tightened its credit appraisal system in the last couple of years amidst moderation in asset

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

quality. In CARE's view, FIHFCL's ability to attain the pre-Covid levels of disbursements, while containing credit costs, and boost up profitability going forward will remain key monitorable.

CARE is in discussion with the company's management and will take appropriate action on the rating once clarity emerges on the implication of the development on the company's credit profile and final regulatory approval.

Rating Sensitivities:

Negative factors - Factors that could, individually or collectively, lead to negative rating action/downgrade:

- The transaction of SMFG buying 74.9% stake in FICCL does not get consummated for any reasons and there is material dilution in the ownership by, expected support from, and strategic importance to, FICCL/FFH group,
- Any negative rating action on the parent company FICCL (rated 'CARE AAA; Under Watch with Developing Implications),
- Deterioration in asset quality with Net NPA to Networth remaining above 18% on a sustained basis and / or deterioration in profitability leading to losses on a sustained basis.

Detailed description of the key rating drivers

Key Rating Strengths

Strong promoter group with demonstrated support, business synergies and common brand

FIHFCL is a wholly owned subsidiary of FICCL and by virtue of parent-subsidiary relationship, it benefits from synergies in the form of managerial, operational and business support from the parent. FIHFCL is also expected to benefit from synergies arising out of parent's domain knowledge and experience in lending towards secured and unsecured segments, risk management systems in addition to shared branch network and shared 'Fullerton' brand name. FIHFCL's Board currently has representation from its parent and its ultimate parent group FFH.

FFH group has been demonstrating its support towards the financial services in India through FICCL which is the NBFC of the group and FIHFL, which is the HFC of the group. The parent FICCL has supported FIHFCL through regular capital infusions (Rs. 710 crore since FY15), and maintaining 100% ownership in FIHFCL. The company has benefited from its parent through overall governance framework, management support and regular capital infusion to support growth. The last round of capital infusion was in July, 2019, when the FFH group infused additional equity capital of Rs.300 crores into FICCL, out of which, Rs.200 crores was infused into FIHFCL by FICCL.

Following the announcement of stake sale to SMFG, CARE is in discussion with the company's management to understand the importance of the FICCL's business under the new promoters, their intent and extent of support in times of need that can be expected. CARE will resolve the rating watch once clarity emerges on the deal and regulatory approvals are in place.

Experienced management team

FIHFCL's Board of Directors has representation from its parent, as well as from the FFH group. The Board of FIHFCL is headed by Mr. Anindo Mukherjee (Chairman). He is the Chief Operating Officer at Fullerton Financial Holdings Pte. Ltd. (Singapore) and has more than 25 years of banking experience, across a variety of international and private banks, including Bank of America, ABN AMRO Bank and HDFC Bank.

The operations of FIHFCL are headed by Mr. Rakesh Makkar (CEO) who took over in FY18. He has over 20 years of experience in establishing new and successful businesses, managing large and multi-pronged distribution networks. Previously, he held the position of President and Chief Distribution Officer at DHFL. He was the CEO at Future Money (Capital First) and was a part of the senior leadership team at Citigroup India. The management team consists of experienced professionals to head various business functions.

Comfortable capital adequacy

Consistently, FIHFCL received strong equity capital support from the parent group which helped it report comfortable capital adequacy and support growth. FIHFCL had tangible net worth of Rs.597 crore as on March 31, 2021 with overall gearing of 6.59[2] times. The company is adequately capitalized with timely infusion from parent. As on March 31, 2021, the CAR stood at 24.3% (Tier I CAR: 21.3%) as against CAR of 23.00% (Tier I CAR: 22.20%) as on March 31, 2020. During FY21, FIHFCL made borrowings under Tier II to the tune of Rs.72 crore leading to increase in overall CAR to 24.3% (Tier I: 21.3%) as compared to 23.00% (Tier I: 22.20%) as on March 31, 2020. Till date, the parent company FICCL has infused Rs.710 crores as equity capital into FIHFCL. Following the announcement of the deal of SMFG buying 74.9% stake in FICCL from FFH, CARE is in discussion with the Company's Management to understand the importance of FIHFCL's business to FICCL and to the new Promoter Group (SMFG - one of the largest Banking and Financial Groups in the world with consolidated total assets of ~USD 2.2 Trillion and a consolidated equity base of ~USD 110 billion as on March 31, 2021) and, the intent and extent of support that can be expected. The continued support from parent group to maintain comfortable capitalization while maintaining growth will be a key monitorable.

Moderately diversified resources profile

Resources profile of FIHFCL remains moderately diversified with Term Loans from banks constituting maximum proportion at 71%, followed by NCDs/Sub Debt, Refinance from NHB and CPs at 26%, 1% and 2% respectively as on 31st March 2021. The company has large banks and financial institutions as its lenders' base and continues to diversify its borrowing profile with a focus on keeping CP proportion lowest (1.9% as on March 31, 2021).

[2] Gearing ratio = Total Borrowings (As per Balance Sheet) / Tangible Net Worth (Net Worth adjusted for Deferred Tax assets and Intangible assets)

Key Rating Weaknesses

Pandemic related Pressure on profitability

During FY21, the Company reported a loss of Rs.56 crore as compared to Profit of Rs.14 crore, majorly on account of proactive provisioning to the tune of Rs.180 (including net write off amounting to Rs.74 crore) as compared to provisioning of Rs.85 crore in FY20(including net write off amounting to Rs.28 crore). However, the pre provision operating profit of the company remains stable at Rs. 106 crore in FY21. The increase in provisioning is due to increased stress due to COVID and additional provision overlay to reflect increase in credit risk. As a result, its credit cost[3] increased to 3.94% in FY21 compared to 2.15% in FY20. Further, FIHFCL reported a marginal increase in interest income to Rs.518 crore as compared to Rs.503 crore despite a reduction in AUM to Rs.4,191 crore as compared to Rs.4,302 crore as on March 31, 2020. The decrease in book is on account of cautious and selective underwriting.

Higher operating cost in the initial years of operations with higher credit cost expected on account of uncertain pandemic environment going forward is expected to put pressure on profitability, in CARE's view. Hence, controlling credit costs while regaining growth momentum and maintaining optimum borrowing cost shall remain key monitorables.

Uncertain economic environment due to pandemic continue to keep stress building up on asset quality

FIHFCL's asset quality deteriorated significantly during FY21 on account of the pandemic related stress with Gross NPA ratio at 5.56% and Net NPA ratio of 2.85% as on March 31, 2021, as against 3.83% and 2.13% respectively, as on March 31, 2020. Further, the company had OTR/Restructuring book of Rs.109 Cr (2.8% of total loan book), which is prudently classified as Stage 2/Stage 3.

Over the last few years, the company has taken measures to improve its underwriting practices, reduced average ticket size, rationalized LTV's and focused on improvising its systems and processes. Further, the company is eligible to take action under SARFAESI since March, 2018 which helped recovery process as well.

The company maintained a provision coverage of 50% on GNPAs as on March 31, 2021 compared to 45% on March 31, 2020. On account of the ongoing pandemic related stress and its resultant effects on asset quality, CARE notes that the Company has breached 18% Net NPA to Net worth threshold as on March 31, 2021. However, CARE expects this to be temporary and, also expects the Company will be taking necessary steps like bringing additional equity and/or provisioning to correct the breach. As the company expects to resume pre-COVID level of disbursements from Aug-September 2021, its ability to control further slippages and maintaining sound asset quality remain key rating sensitivities.

Moderate scale of operations with limited seasoning

[3] Credit Cost = Provisioning (net of write off) / Average Total Tangible Assets (net of DTA and Intangible assets)

FIHFCL commenced lending operations during December, 2015 and within five years has built up AUM of Rs. 4,191 crores as on March 31, 2021 from an AUM of Rs. 24 crores as on March 31, 2016. Considering long tenor of the asset classes (HL and LAP) in which FIHFCL operates, this indicates limited level of seasoning of the book. The disbursements were muted in FY21 at Rs.558 Crore compared to Rs.1639 crores in FY 20 on account of cautious and selective disbursements in view of the pandemic. Around 59% of the AUM as on March 31, 2021 constituted home loans to individuals, including affordable segment while the remaining 40% constituted largely loan against property (LAP), and small proportion of 1% constituted developer financing as on March 31, 2021. Going forward, company plans to incrementally source more than 60% towards housing loans. In CARE's opinion, profitable scaling up of operations with operating and credit costs in control amid uncertain pandemic environment will continue to be key credit rating monitorable.

Analytical approach: The rating is based on standalone assessment of FIHFCL along with factoring in its linkage with its parent and benefits derived thereon with demonstrated support from Fullerton Financial Holding group.

Liquidity Profile: Strong

As per the ALM statement as on March 31, 2021 submitted by the company, it had no negative cumulative mismatched in the up to 1 year bucket. Company had Cash and Cash equivalents including High Quality Liquid Assets of Rs. 970 Cr, against which it has contractual borrowing repayments of Rs.858 Cr (excluding interest), indicating sufficient liquidity for loan principal repayments for 1 year. Additionally, the company has un-availed lines of credit to the tune of Rs.400 Crore including Rs.250 Crore line from FICCL. Considering these factors, company is likely to have adequate resources to repay its contractual borrowings for next 1 year.

Applicable Criteria

Rating Methodology- Non-Banking Finance Companies
Rating Methodology- Housing Finance Companies
Rating Outlook and Credit Watch
CARE's Policy on Default Recognition
Rating of Short-term Instruments
Rating Methodology: Factoring Linkages in Ratings
Financial ratios - Financial Sector

About the Company

FIHFCL is a housing finance company which was incorporated in August, 2010 and is currently promoted by FICCL (rated 'CARE AAA; Stable'/'CARE A1+'). FICCL is currently promoted by Singapore-based Fullerton Financial Holdings (a step down subsidiary of Temasek Holdings Pvt Ltd, Singapore). FIHFCL received registration license from NHB in July 2015 and commenced lending operations in December, 2015. FIHFCL offers home loans under 'Grihashakti' brand.
On 6th July 2021, FICCL announced the transaction of Sumitomo Mitsui Financial Group, Inc. ("SMFG") reaching an agreement to buy 74.9% stake in FICLL from Fullerton Financial Holdings (FFH), FICCL's existing Parent. CARE

understands that although respective Board of Directors of SMFG and FFH have approved the transaction, the transaction is pending regulatory approvals. SMFG is expected to eventually acquire 100% in FICCL.

FIHFCL is focused on affordable housing segment comprising target segment of salaried and self- employed professionals in satellite townships around metros and Tier I cities as well as under-served tier II and III cities. The company has completed over 4.5 years of operations and as on March 31, 2021 and has a AUM of Rs. 4,191 crores and a Tangible Networth (net of DTA and Intangible assets) of Rs. 597 crore. The company is headquartered in Mumbai and currently operates through 70 branches spread across 14 states i.e. Punjab, Haryana, Rajasthan, Gujarat, Maharashtra, Karnataka, Delhi, Uttarakhand, Uttar Pradesh, West Bengal, Madhya Pradesh, Andhra Pradesh, Telangana and Tamil Nadu. Of these, 12 are own branches while 58 are co-located with the parent branches.

Brief Financials (Rs. crore) $	FY20 (A)	FY21 (A)
Total operating income	541.45	525.87
PAT	13.91	(55.51)
Interest coverage (times)	1.07	0.76
Total Assets	4458.29	4,700.30
Net NPA (%)	1.95	2.85
ROTA (%)	0.35	(1.21)

A: Audited; All ratios are as per CARE's calculation; Total assets are net of DTA and Intangible assets
$ (IND AS)

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

ISIN	Name of the Instrument	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
INE213W07020	Secured NCD	Mar-23	40	CARE AAA; CWD
INE213W07087	Secured NCD	May-23	68	CARE AAA; CWD
INE213W07095	Secured NCD	Aug-25	25	CARE AAA; CWD
INE213W07129	Secured NCD	Aug-25	121	CARE AAA; CWD
INE213W07137	Secured NCD	Feb-25	175	CARE AAA; CWD
INE213W07145	Secured NCD	May-23	100	CARE AAA; CWD
INE213W07079	Secured NCD	Jun-23	75	CARE AAA; CWD
-	Total NCD	-	604	CARE AAA; CWD
-	Long term Bank Facilities	-	3,080	CARE AAA; CWD
-	Proposed Long Term Debt	-	3,816	CARE AAA; CWD
-	**Total Long Term Debt Programme**	**-**	**7,500**	**CARE AAA; CWD**
-	**Commercial Paper (Proposed)**	**-**	**500**	**CARE A1+**
INE213W08010	Sub-Debt	Jun-30	30	CARE AAA; CWD
INE213W08028	Sub-Debt	Jan-31	40	CARE AAA; CWD

ISIN	Name of the Instrument	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
-	Proposed Sub-Debt	-	430	CARE AAA; CWD
-	**Total Sub Debt**	**-**	**500**	**CARE AAA; CWD**

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Debt	LT	7500.00	CARE AAA; CWD	-	1)CARE AAA; Stable (07-Jul-20) 2)CARE AAA; Stable (17-Apr-20)	1)CARE AAA; Stable (11-Feb-20) 2)CARE AAA; Stable (09-Oct-19)	1)CARE AA+; Stable (08-Oct-18)
2.	Commercial Paper-Commercial Paper (Standalone)	ST	500.00	CARE A1+	-	1)CARE A1+ (07-Jul-20) 2)CARE A1+ (17-Apr-20)	1)CARE A1+ (11-Feb-20) 2)CARE A1+ (09-Oct-19)	1)CARE A1+ (08-Oct-18)
3.	Debt-Subordinate Debt	LT	500.00	CARE AAA; CWD	-	1)CARE AAA; Stable (07-Jul-20) 2)CARE AAA; Stable (17-Apr-20)	1)CARE AAA; Stable (11-Feb-20) 2)CARE AAA; Stable (09-Oct-19)	-

Annexure-3: Complexity level of various instruments rated for this company

Sr. No	Name of Instruments	Complexity Level
1	Non-Convertible Debenture (NCD)	Simple
2	Subordinate Debt	Complex
3	Commercial Paper	Simple
4	Long Term Bank Facilities	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

Contact us

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

Ratings
CRISIL Ratings Limited (A subsidiary of CRISIL Limited)

CRISIL
An S&P Global Company

Rating Rationale

July 09, 2021 | Mumbai

Fullerton India Home Finance Company Limited

Long-term rating placed on 'Watch Developing'; CP reaffirmed

Rating Action

Total Bank Loan Facilities Rated	**Rs.2000 Crore**
Long Term Rating	**CRISIL AAA/Watch Developing (Placed on 'Rating Watch with Developing Implications')**

Rs.1500 Crore Non Convertible Debentures	**CRISIL AAA/Watch Developing (Placed on 'Rating Watch with Developing Implications')**
Rs.500 Crore Subordinated Debt	**CRISIL AAA/Watch Developing (Placed on 'Rating Watch with Developing Implications')**
Rs.500 Crore Commercial Paper	**CRISIL A1+ (Reaffirmed)**

1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has placed its long-term rating on the debt instruments and bank facilities of Fullerton India Home Finance Company Limited (FIHFCL) on '**Rating Watch with Developing Implications'**. The rating on the commercial paper is reaffirmed at 'CRISIL A1+. The rating action follows a similar rating action on FIHFCL's parent, Fullerton India Credit Company Ltd (FICCL).

The rating action on FICCL follows the announcement on July 6, 2021 by FICCL, that Sumitomo Mitsui Financial Group Inc (SMFG; rated 'A-/Stable' by S&P Global) and Fullerton Financial Holdings Pte Ltd (FFH) have reached an agreement for SMFG to acquire a 74.9% stake in FICCL from FFH, subject to regulatory approvals. SMFG will eventually acquire 100% of FICCL. However, the announcement also clarified that FIHFCL will continue to be a wholly-owned subsidiary of FICCL. The transaction is subject to applicable regulatory approvals. SMFG is amongst the largest group in Japan offering a broad range of financial services centred on banking. They are also engaged in the leasing, securities, credit card, investment, mortgage securitisation, venture capital, and other credit-related businesses. India is one of the focus markets for SMFG and the proposed transaction will drive the retail strategy of the group.

The existing ratings on FIHFCL factor in the strong support FICCL and its ultimate parent, FFH, which is a step-down subsidiary of Temasek Holdings Private Limited (Temasek; rated 'AAA/Stable' by S&P Global). If the proposed transaction were to go through, FFH would, initially hold 25.1% stake in FICCL and eventually will exit the company. Therefore, once the transaction is completed, the analytical approach would not factor in the expectation of support from FFH and instead the rating will have to factor in the support from SMFG. Therefore, the long-term ratings of FICCL have been placed on 'Rating Watch with Developing Implications'. CRISIL Ratings will track the progress on the transaction and have discussions with SMFG's management to understand their strategy and business plan for India. The plans around change in the company name to reflect association with SMFG and Board representation will also be a critical factor. CRISIL Ratings will resolve the Rating Watch once it has clarity on the above aspects.

Nevertheless, till the transaction is completed, the existing ratings will continue to centrally factor in the strong support from FICCL and current ultimate parent, FFH.

Analytical Approach

For arriving at the rating, CRISIL Ratings has analysed the standalone business and financial risk profile of FIHFCL. Additionally, expectation of support from its ultimate parent FFH, both on an ongoing basis, and in the event of distress has been factored into the rating. Till the transaction is consummated, the ratings will continue to centrally factor in the strong support it is expected to continue to receive from, its current ultimate parent, FFH. Post completion of the transaction, the analytical approach would not factor in the expectation of support from FFH but will be evaluated based on expected support from SMFG.

Key Rating Drivers & Detailed Description

Strengths:

*** Expectation of continued support from parent group**

Till the transaction is completed, the ratings will continue to factor in expectation of strong support from parent group, FFH holds 100% stake in FIHFCL via its subsidiary FICCL. FFH has senior level representation on the Board and various committees of FICCL, and is involved in key decisions taken by the company. Currently, FICCL's compliance, finance, treasury, business and risk management functions are aligned with the global standards of FFH.

FFH has demonstrated its commitment towards FIHFCL through regular capital infusions that it has received since inception (Rs 710 crores, of which Rs 200 crores was infused in fiscal 2020) and Board oversight with FFH and FICCL both having strong presence on the Board. FIHFCL adopts similar policies in terms of liquidity and risk management as FICCL and has regular interactions with FFH on the same.

The shared brand will also continue during this period which also enhances the expectation of support from FFH, if needed. Any material disruption in FICCL business could, in CRISIL's view, have a significant impact on the reputation and franchise of the parent.

CRISIL Ratings will track the progress on the transaction and have discussions with SMFG's management to understand their strategy and business plan for India. The plans around change in the company name to reflect association with SMFG and Board representation will also be a critical factor.

*** Healthy capitalisation**
The company has received high quantum of initial capital and subsequently more equity infusion from parent to support its growth plans. The parent has infused Rs 710 crore since inception of which Rs 200 crore was infused in July 2019. Consequently, the adjusted gearing[1] has remained adequate in the range of 4.5 to 6.0 times over the last 3 years till fiscal 2020. Overall capital adequacy ratio (CAR) too has been comfortable with tier 1 CAR itself being over 20% over the last 3 years.

However, in fiscal 2021, due to the impact of the pandemic on asset quality, FIHFCL reported a drop in networth to Rs 655 crore as on March 31, 2021 from Rs 711 crore a year ago. This was largely due to significantly high provisioning on account of Covid -19 impact which resulted in a loss of Rs 55.5 crore for fiscal 2021. Consequently, the adjusted gearing[1] stood higher at 6.5 times as on March 31, 2021 (5.7 times previous year). FIHFCL also reported tier I and overall capital adequacy ratios of 21.3% and 24.3%, respectively, as on March 31, 2021 well above the regulatory requirement. The company had planned to maintain a target gearing of under 8 times on a steady state basis. With the expected change in parentage, the policy around capital profile to be followed by SMFG will be a key monitorable.

Weakness:
***Expectation of continued support from parent group**
Till the transaction is completed, the ratings will continue to factor in expectation of strong support from parent group, FFH holds 100% stake in FIHFCL via its subsidiary FICCL. FFH has senior level representation on the Board and various committees of FICCL, and is involved in key decisions taken by the company. Currently, FICCL's compliance, finance, treasury, business and risk management functions are aligned with the global standards of FFH.

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CRISIL Ratings will track the progress on the transaction and have discussions with SMFG's management to understand their strategy and business plan for India. The plans around change in the company name to reflect association with SMFG and Board representation will also be a critical factor.

*** Healthy capitalisation**
The company has received high quantum of initial capital and subsequently more equity infusion from parent to support its growth plans. The parent has infused Rs 710 crore since inception of which Rs 200 crore was infused in July 2019. Consequently, the adjusted gearing[2] has remained adequate in the range of 4.5 to 6.0 times over the last 3 years till fiscal 2020. Overall capital adequacy ratio (CAR) too has been comfortable with tier 1 CAR itself being over 20% over the last 3 years.

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[1] Direct Assignment is included in Borrowings for calculation of Adjusted Gearing

[2] Direct Assignment is included in Borrowings for calculation of Adjusted Gearing.

Liquidity: Superior
Given the longer tenure on asset side, FIHFCL had negative cumulative gaps in the upto 1 year bucket (as on March 31, 2021), measured on a contractual basis (excluding the lines of credit committed by other institutions) but within the regulatory limits. However, after including lines of credit, the ALM profile has positive cumulative gaps in upto 1 year bucket.

As on June 30, 2021, FIHFCL has outstanding principal debt payments of Rs 246 crores till September 2021. Against the same, FIHFCL had cash equivalents and investments of Rs 713 crore and unutilised lines of Rs 400 crore including fee paying committed line from FICCL of Rs 250 crores.

Rating Sensitivity factors
Downward factors:
* If there is any change in support from parent during this period till the completion of transaction with SMFG
* Downgrade in the credit rating of Fullerton India Credit Company Ltd (FICCL) by more than 1 notch
* Significant deterioration in asset quality of FIHFCL's loan book on sustained basis post pandemic

About the Company
FIHFCL started its operation in December 2015; offering home loan and loan against property in the affordable segment to the salaried and self-employed professionals. FFH currently holds 100% in the HFC via its subsidiary FICCL. The company leverages on the existing infrastructure of FICCL with branch sharing. It currently operates out of 70 branches out of which 12 branches are self and the rest are shared with FICCL.

Key Financial Indicators

As on/for the period/ for the year ended as per INDAS	Unit	March 31,2021*	March 31,2020*
Total Assets	Rs crore	4,759	4,488
Total income	Rs crore	525	541
Profit after tax	Rs crore	(55.5)	13.9
GNPA	%	5.6	3.8
Adjusted Gearing^	Times	6.5	5.7
Return on managed assets	%	(1.1)	0.3

**IND-AS*
^Direct Assignment is included in Borrowings for calculation of Adjusted Gearing

Any other information: Not applicable

Note on complexity levels of the rated instrument:
CRISIL Ratings' complexity levels are assigned to various types of financial instruments. The CRISIL Ratings' complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL Ratings' complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs. cr)	Complexity Levels	Rating outstanding with outlook
INE213W07152	Non-Convertible Debentures	14-Sep-20	6%	14-Oct-22	100	Simple	CRISIL AAA/Watch Developing
INE213W08028	Non-Convertible Debentures	1-Jan-21	7.63%	1-Jan-31	100	Simple	CRISIL AAA/Watch Developing
INE213W07160	Non-Convertible Debentures	26-Mar-21	3 Months TBILL Linked	26-Sep-23	125	Simple	CRISIL AAA/Watch Developing
NA	Commercial Paper	NA	NA	7-365 days	500	Simple	CRISIL A1+
NA	Non-Convertible Debentures*	NA	NA	NA	779	Simple	CRISIL AAA/Watch Developing
INE213W07129	Non-Convertible Debentures	12-Feb-20	8.65%	25-Feb-21	121	Simple	CRISIL AAA/Watch Developing
INE213W07137	Non-Convertible Debentures	18-May-20	7.95%	23-May-21	175	Simple	CRISIL AAA/Watch Developing
INE213W07145	Non-Convertible Debentures	29-Jun-20	7.20%	23-Jun-21	100	Simple	CRISIL AAA/Watch Developing
NA	Subordinated debt*	NA	NA	NA	470	Complex	CRISIL AAA/Watch Developing
INE213W08010	Subordinated debt	8-Jun-20	8.50%	30-Jun	30	Complex	CRISIL AAA/Watch Developing

NA	Cash Credit & Working Capital demand loan	NA	NA	NA	25	NA	CRISIL AAA/Watch Developing
NA	Term Loan 1	NA	NA	24-Sep-21	50	NA	CRISIL AAA/Watch Developing
NA	Term Loan 2	NA	NA	24-Sep-21	200	NA	CRISIL AAA/Watch Developing
NA	Term Loan 3	NA	NA	24-Sep-21	100	NA	CRISIL AAA/Watch Developing
NA	Term Loan 4	NA	NA	23-Aug-21	200	NA	CRISIL AAA/Watch Developing
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	1425	NA	CRISIL AAA/Watch Developing

**Yet to be issued*

Annexure - Rating History for last 3 Years

	Current			2021 (History)		2020		2019		2018		Start of 2018
Instrument	**Type**	**Outstanding Amount**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Rating**
Fund Based Facilities	LT	2000.0	CRISIL AAA/Watch Developing		--	31-07-20	CRISIL AAA/Stable	18-12-19	CRISIL AAA/Stable		--	--
			--		--		--	13-08-19	CRISIL AAA/Stable		--	--
Commercial Paper	ST	500.0	CRISIL A1+		--	31-07-20	CRISIL A1+	18-12-19	CRISIL A1+		--	--
			--		--		--	13-08-19	CRISIL A1+		--	--
Non Convertible Debentures	LT	1500.0	CRISIL AAA/Watch Developing		--	31-07-20	CRISIL AAA/Stable	18-12-19	CRISIL AAA/Stable		--	--
			--		--		--	13-08-19	CRISIL AAA/Stable		--	--
Subordinated Debt	LT	500.0	CRISIL AAA/Watch Developing		--	31-07-20	CRISIL AAA/Stable	18-12-19	CRISIL AAA/Stable		--	--
			--		--		--	13-08-19	CRISIL AAA/Stable		--	--

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	**Amount (Rs.Crore)**	**Rating**	**Facility**	**Amount (Rs.Crore)**	**Rating**
Cash Credit & Working Capital Demand Loan	**25**	**CRISIL AAA/Watch Developing**	**Cash Credit & Working Capital Demand Loan**	**25**	**CRISIL AAA/Stable**
Proposed Long Term Bank Loan Facility	**1425**	**CRISIL AAA/Watch Developing**	**Proposed Long Term Bank Loan Facility**	**1425**	**CRISIL AAA/Stable**
Term Loan	**550**	**CRISIL AAA/Watch Developing**	**Term Loan**	**550**	**CRISIL AAA/Stable**
Total	**2000**	**-**	**Total**	**2000**	**-**

Criteria Details

Links to related criteria
Rating Criteria for Finance Companies
CRISILs Criteria for rating short term debt
Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support
Criteria for Notching up Stand Alone Ratings of Companies based on Group Support

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