Fullerton Grihashakti
Iraada hai toh Raasta hai

15 December, 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 by CARE of Fullerton India Home Finance Company Limited ('the Company')

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 read with Part B of Schedule III 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; CWD - (Triple A) (Under Credit watch with Developing Implications)	CARE AAA; Stable (Triple A; Outlook: Stable)
Commercial Paper (CP) Issue	CARE A1+	CARE A1+ [A One Plus]
Subordinated Debt	CARE AAA; CWD - (Triple A) (Under Credit watch with Developing Implications)	CARE AAA; Stable (Triple A; Outlook: Stable)

The copy of the rating letter is enclosed herewith.

For your records and information please.

Thanking you,

For Fullerton India Home Finance Company Ltd.

JITENDRA MAHESHWARI

Digitally signed by JITENDRA MAHESHWARI
DN: c=IN, o=Personal,
2.5.4.20=af831588beab0a606bc7f7442e15c132d129aac68cb0f25d14ae7569bd876ac6,
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Date: 2021.12.15 18:52:00 +05'30'

Jitendra Maheshwari
Company Secretary

Fullerton India Home Finance Company Limited (Revised)

December 09, 2021

Ratings

Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Debt Programme	7500.00 (Rs. Seven thousand five hundred crore only)	CARE AAA; Stable (Triple A; Outlook: Stable)	Reaffirmed and removed from Credit watch with Developing Implications; Stable outlook assigned
Commercial Paper (CP) Issue	500.00 (Rs. Five hundred crore only)	CARE A1+ [A One Plus]	Reaffirmed
Subordinated Debt	500.00 (Rs. Five hundred crore only)	CARE AAA; Stable (Triple A; Outlook: Stable)	Reaffirmed and removed from Credit watch with Developing Implications; Stable outlook assigned

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; Stable'). CARE Ratings Limited (CARE) has removed the ratings of FICCL from "CARE AAA; CWD (Watch with Developing Implications)" and has reassigned "CARE AAA; Stable" vide its press release dated December 09, 2021. Correspondingly, CARE has also removed ratings of FIHFCL from "CARE AAA; CWD" and has reassigned a long-term rating of "CARE AAA; Stable" to FIHFCL. The rating action follows the press release by FICCL dated November 30, 2021, confirming the consummation of the transaction of Sumitomo Mitsui Financial Group, Inc. ("SMFG") buying Fullerton Financial Holdings' (FFH) 74.9% stake in FICCL. FFH continues to hold the balance 25.1% stake in FICCL, which will be eventually fully acquired by SMFG. SMFG is a Japan-based group and one of the largest banking and financial services groups in the world, having presence in 40 countries, with assets size of around USD 2.2 trillion as on March 31, 2021 and a market capitalization of around USD 47 billion as on December 07, 2021, is also a Globally Systemically Important Bank (G-SIB).

CARE understands, from the management of SMFG and FICCL, that the investment in FICCL by SMFG is long term in nature. CARE expects the strategic importance of FICCL, and in turn of FIHFCL, by the virtue of parent subsidiary relationship, to continue for SMFG as well. Therefore, in our view, the support from SMFG to FICCL and FIHFCL through FICCL, both in terms of capital and managerial expertise, is expected to be forthcoming as and when envisaged. CARE also takes note that post the transaction, SMFG and FFH do not envisage any immediate material changes to the strategy, operations and organization structure of FICCL and FIHFCL. The ratings are further supported by the 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 (refers to the period April 1 to March 31), Q1FY22, albeit some improvement in Q2FY22, on account of the Covid-19 pandemic and accelerated proactive provisioning stance adopted by the Management to recognize the stress. 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.

Rating Sensitivities:

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

- 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; Stable'),

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

- 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

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. FIHFCL's Board currently has representation from its parent.

The parent, FICCL, has supported FIHFCL through regular capital infusions (Rs710 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.

CARE understands from the Managements of both SMFG and FFH, that the support from SMFG will be forthcoming as and when envisaged, as it was earlier from FFH in FICCL and in turn in FIHFCL by the virtue of parent subsidiary relationship. Furthermore, SMFG sees various growth opportunities in India's financial services segment, particularly in Mass Market/SME space, and therefore, FICCL is expected to play a strategically important role in furthering SMFG's objective in the near term.

Experienced management team

FIHFCL's Board of Directors has representation from its parent. 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. 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.573 crore as on September 30, 2021, with overall gearing of 6.44[2] times. The company is adequately capitalized with timely infusion from the parent. As on September 30, 2021, the CAR stood at 22.36% (Tier I CAR: 18.61%) as against CAR of 24.00% (Tier I CAR: 21.74%) as on September 30, 2020. Till date, the parent company FICCL has infused Rs.710 crore as equity capital into FIHFCL. Considering demonstrated capital support from FICCL in the past, CARE expects the same support to be forthcoming as and when envisaged.

Moderately diversified resources profile

Resources profile of FIHFCL remains moderately diversified with borrowings from banks constituting maximum proportion at 74.87%, followed by capital market borrowings of 25.13% as on September 30, 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.

[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 Q2FY22, the company reported profit of Rs.22 crore as compared with profit of Rs.9 crore in Q2FY21. The increase in PAT is majorly on account of revamp in the business activity, which was impacted by the lockdown and the significant reduction in the provisioning cost. During Q2FY22, Interest Income of the company decreased from Rs.132 crore in Q2FY21 to Rs.119 crore in Q2FY22, due to decrease in loan portfolio. However, PPOP of the company improved from Rs.22 crore in Q2FY21 to Rs.24 crore in Q2FY22 due to reduction in the finance cost. Subsequently, FIHFCL reported ROTA of 1.90% in Q2FY22 as compared with 0.75% in Q2FY21, due to improved NIM and credit cost.

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

FIHFCL's reported GNPA of 8.31% and NNPA of 4.12% as on September 30, 2021 as compared with GNPA of 3.47% and NNPA of 2.05% as on September 30, 2020. The increase in the GNPA is primarily attributed to the stress panning out across FIHFCL's loan assets owing to the pandemic. Furthermore, the company had OTR/Restructuring book of Rs.114 crore (3.0% of total loan book), which is prudently classified as Stage 2/Stage 3, against the same the company has provisioning of around 43% as on September 30, 2021.

Over the last few years, the company has taken measures to improve its underwriting practices, reduced average ticket size, rationalized LTVs 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 53% on GNPAs as on September 30, 2021 as compared with 42% as on September 30, 2020. On account of the fragile economic recovery prospects on account of the lingering uncertainty about 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 September 30, 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.

Moderate scale of operations with limited seasoning

FIHFCL commenced lending operations during December 2015 and within five years has built up AUM of Rs.4,173 crore as on September 30, 2021 from an AUM of Rs.24 crore 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 with Rs.1,639 crore in FY20 on account of cautious and selective disbursements in view of the pandemic.

Around 60% of the AUM as on September 30, 2021, constituted home loans to individuals, including affordable segment while 39% constituted largely loan against property (LAP), and small proportion of 1% constituted developer financing as on September 30, 2021. Going forward, the 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 Sumitomo Mitsui Financial Group, Inc (SMFG).

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 crore, against which it has contractual borrowing repayments of Rs.858 crore (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, the 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 a wholly-owned subsidiary of FICCL (rated 'CARE AAA; Stable'/'CARE A1+'). FICCL was earlier owned by Temasek Holdings Private Ltd Singapore (Temasek) (rated Aaa by Moody's and AAA by Standard & Poor's (S&P), indirectly through its investment arm - Fullerton Financial Holdings Pte, Singapore (FFH) (Step down subsidiary of Temasek).

However, on November 30, 2021, the company announced about completion of its transaction with Sumitomo Mitsui Financial Group, Inc. ("SMFG") (rated A1/Stable by Moody's, A-/Stable by S&P and A/Negative by Fitch), wherein SMFG acquired 74.9% stake in FICCL from Fullerton Financial Holdings (FFH). Post completion of the purchase, FICCL has become a consolidated subsidiary of SMFG. Furthermore, SMFG is expected to eventually purchase 100% of Fullerton India over a period of time. Thus, FIHFCL has also become part of SMFG group through its parent FICCL.

FIHFCL received registration license from NHB in July 2015 and commenced lending operations in December 2015. FIHFCL offers home loans under 'Grihashakti' brand. 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 5 years of operations and as on September 30, 2021 and has an AUM of Rs.4,173 crore and a Tangible Networth (net of DTA and Intangible assets) of Rs.573 crore. The company is headquartered in Mumbai and currently operates through 70 branches spread across 14 states. Of these, 25 are own branches, while 45 are co-located with the parent branches.

Brief Financials (Rs. crore) $	FY20 (A)	FY21 (A)	Q2FY22 (UA)
Total operating income	541.45	525.87	121.92
PAT	13.91	(55.51)	21.66
Interest coverage (times)	1.07	0.76	1.08
Total Assets	4458.29	4,700.30	4,423.25
Net NPA (%)	1.95	2.85	4.12
ROTA (%)	0.35	(1.21)	1.90

A: Audited; UA: Unaudited; 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
Covenants of rated instrument / facility: Not Applicable
Complexity level of various instruments rated for this company: Please refer Annexure 3

Annexure-1: Details of Instruments/Facilities

ISIN	Name of the Instrument	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
INE213W07020	Secured NCD	NA	Mar-23	40	CARE AAA; Stable
INE213W07087	Secured NCD	NA	May-23	68	CARE AAA; Stable
INE213W07095	Secured NCD	NA	Aug-25	25	CARE AAA; Stable
INE213W07129	Secured NCD	NA	Feb-25	121	CARE AAA; Stable
INE213W07137	Secured NCD	NA	May-23	175	CARE AAA; Stable
INE213W07145	Secured NCD	NA	Jun-23	100	CARE AAA; Stable
INE213W07079*	Secured NCD	NA	Jul-21	75	CARE AAA; Stable
-	Total NCD		-	604	CARE AAA; Stable
-	Long term Bank Facilities		-	2,448	CARE AAA; Stable
-	Proposed Long Term Debt		-	4,448	CARE AAA; Stable
-	**Total Long Term Debt Programme**		**-**	**7,500**	**CARE AAA; Stable**
-	**Commercial Paper (Proposed)**		**-**	**500**	**CARE A1+**
INE213W08010	Sub-Debt	NA	Jun-30	30	CARE AAA; Stable
INE213W08028	Sub-Debt	NA	Jan-31	40	CARE AAA; Stable
INE213W08036	Sub-Debt	NA	Aug-31	25	CARE AAA; Stable
-	Proposed Sub-Debt		-	405	CARE AAA; Stable
-	**Total Sub Debt**		**-**	**500**	**CARE AAA; Stable**

**The NCD has been matured; NA: Not Available*

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; Stable	1)CARE AAA (CWD) (07-Jul-21)	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-21)	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; Stable	1)CARE AAA (CWD) (07-Jul-21)	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

Annexure 4: Bank Lender Details for this Company

To view the lender-wise details of bank facilities please **click here**

Note on complexity levels of the rated instrument: *CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.*

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About CARE Ratings:

About CARE Ratings Limited: Established in 1993, CARE Ratings Ltd is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

Disclaimer

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