

**CARE/CRO/RR/2017-18/1170**

**Shri. G. Vijayakumar,**  
Chief Financial Officer,  
**Hinduja Leyland Finance Limited,**  
No.27 A, Developed Industrial Estate, Guindy,  
Chennai – 600 032

July 05, 2017

Dear Sir,

**Credit rating of bank facilities and debt instruments**

Please refer to our letters dated July 04, 2017 on the above subject.

2. The rationale for the rating is attached as an **Annexure - I**.
3. A write-up (press release) on the above rating is proposed to be issued to the press shortly. A draft of this is enclosed for your perusal as **Annexure - II**.
4. We request you to peruse the annexed documents and offer your comments, if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by July 06, 2017, we will proceed on the basis that you have no comments to offer.

If you have any further clarifications, you are welcome to approach us.

Thanking you,

Yours faithfully,

  
**Vidhyashankar C**  
Manager

Encl: As above

**CARE RATINGS LIMITED**

(Formerly known as Credit Analysis & Research Limited)

**Annexure - I**  
**Rating Rationale**  
**Hinduja Leyland Finance Limited**

**Rating**

Facilities/Instruments	Amount (Rs. Crore)	Ratings <sup>1</sup>	Rating Action
Long term Bank Facilities	9,703	CARE AA-; Stable [Double A Minus; Outlook: Stable]	Revised from CARE A+; Positive (Single A Plus; Outlook: Positive)
Sub-total	<b>9,703</b> <b>(Rupees Nine</b> <b>Thousand Seven</b> <b>Hundred and</b> <b>Three crore only)</b>		
Non-Convertible Debenture issue-II	500	CARE AA-; Stable [Double A Minus; Outlook: Stable]	Revised from CARE A+; Positive (Single A Plus; Outlook: Positive)
Non-Convertible Debenture issue-III	250	CARE AA-; Stable [Double A Minus; Outlook: Stable]	Revised from CARE A+; Positive (Single A Plus; Outlook: Positive)
Non-Convertible Debenture issue-IV	500	CARE AA-; Stable [Double A Minus; Outlook: Stable]	Revised from CARE A+; Positive (Single A Plus; Outlook: Positive)
Non-Convertible Debenture issue-V	500	CARE AA-; Stable [Double A Minus; Outlook: Stable]	Revised from CARE A+; Positive (Single A Plus; Outlook: Positive)
Non-Convertible Debenture issue-VI	200	CARE AA-; Stable [Double A Minus; Outlook: Stable]	Revised from CARE A+; Positive (Single A Plus; Outlook: Positive)
Non-Convertible Debenture issue-VII	100	CARE AA-; Stable [Double A Minus; Outlook: Stable]	Revised from CARE A+; Positive (Single A Plus; Outlook: Positive)
Non-Convertible Debenture issue-VIII	50	CARE AA-; Stable [Double A Minus; Outlook: Stable]	Revised from CARE A+; Positive (Single A Plus; Outlook: Positive)
Non-Convertible Debenture issue-IX	60	CARE AA-; Stable [Double A Minus; Outlook: Stable]	Revised from CARE A+; Positive (Single A Plus; Outlook: Positive)
Non-Convertible Debenture issue-X	100	CARE AA-; Stable [Double A Minus; Outlook: Stable]	Revised from CARE A+; Positive (Single A Plus; Outlook: Positive)
Non-Convertible Debenture issue-XI	200	CARE AA-; Stable [Double A Minus; Outlook: Stable]	Revised from CARE A+; Positive (Single A Plus; Outlook: Positive)
Non-Convertible Debenture issue-XII	50	CARE AA-; Stable [Double A Minus; Outlook: Stable]	Revised from CARE A+; Positive (Single A Plus; Outlook: Positive)
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<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

Non-Convertible Debenture issue-XIV	50	CARE AA-; Stable [Double A Minus; Outlook: Stable]	Revised from CARE A+; Positive (Single A Plus; Outlook: Positive)
Non-Convertible Debenture issue-XV	50	CARE AA-; Stable [Double A Minus; Outlook: Stable]	Revised from CARE A+; Positive (Single A Plus; Outlook: Positive)
Subordinated Debt issue - I	300	CARE AA-; Stable [Double A Minus; Outlook: Stable]	Revised from CARE A+; Positive (Single A Plus; Outlook: Positive)
Subordinated Debt issue - II	180	CARE AA-; Stable [Double A Minus; Outlook: Stable]	Revised from CARE A+; Positive (Single A Plus; Outlook: Positive)
Commercial Paper issue	750	CARE A1+	Reaffirmed
Non-Convertible Debenture issue-I	-	-	Withdrawn
<b>Total Instruments</b>	<b>4,040 (Rupees Four Thousand and Forty crore only)</b>		

#### Rating Rationale

The revision in the ratings assigned to the long-term bank facilities and debt instruments of Hinduja Leyland Finance Ltd (HLF) factors in the fresh equity infusion in FY17 (refers to the period April 01 to March 31) and Q1FY18 (refers to the period April 01 to June 30), continuous increase in the scale of operations, benefits derived from increasing scale and improvement in asset quality in FY16 and FY17 on comparable basis due to increased focus of the company on asset classes & customer segments with better asset quality.

The ratings continue to factor in the experienced management team of HLF, benefits derived from being part of Hinduja group including periodical infusion of equity in a timely manner, demonstrated ability of HLF to raise funds to support business growth, diversified funding profile and comfortable liquidity profile. The ratings also factor in the improvement in portfolio & geographical diversification on account of HLF's entry into new segments during FY17 (refers to the period April 01 to March 31) on a comparable basis. The ratings are however constrained by moderate profitability, moderate asset quality and capitalization levels.

In the past two years, HLF has taken various initiatives to improve its asset quality wherein it has diversified into segments other than CV through its entry into tractors, Loan against Property and increased its focus on construction equipment. Furthermore, conscious efforts taken by HLF have resulted in significant change in customer mix wherein share of medium & large fleet operators in its portfolio has seen increase. Going forward, the ability of the company to improve its asset quality further, improve profitability while increasing the scale of operations and portfolio diversification would be the key rating sensitivities.

#### Background

HLF is a non-deposit accepting systemically important (ND-SI) NBFC based out of Chennai, Tamil Nadu, belonging to the Hinduja group. Established in 2008, HLF started its lending operations in FY11 subsequent to receipt of RBI license in March 2010. The company has been promoted by the group's flagship automobile manufacturing

company Ashok Leyland Ltd (ALL, rated 'CARE AA; Stable/ 'CARE A1+') with the aim of providing funding support to ALL vehicles. HLF's exposure to ALL vehicles was around 42% of AUM as on March 31, 2017. HLF is also engaged in extending loans to three-wheelers, two-wheelers, SCV (Small commercial vehicles), LCV (Light Commercial Vehicles), tractor, construction equipment and used CV financing. During FY15, HLF has entered into Loan Against Property (LAP) segment. As on March 31, 2017, shareholding of the Hinduja group in HLF stands at 86%, wherein ALL holds 57.20% stake.

#### **Credit Risk Assessment**

##### ***Strong parentage and benefits derived from being part of the Hinduja group***

The Hinduja group, established in Mumbai in 1918, has a global presence across 30 countries. The group has presence in various industries including Automotive, Banking & Finance, IT/ ITES and Energy & Chemicals. Major companies in domestic market include Ashok Leyland Ltd (rated CARE AA; Stable), IndusInd Bank Ltd, Hinduja Tech Ltd (rated 'CARE BBB', 'CARE A3+'), Gulf Oil Lubricants India Ltd (rated CARE AA-; Stable), HTMT IT Services, etc. HLF is the subsidiary of ALL, one of the leading players in the domestic commercial vehicle segment. The parent has extended the brand to HLF and also HLF enjoys strong operational linkages with access to dealer network of ALL. Being part of the Hinduja group, HLF enjoys significant financial flexibility in terms of mobilizing funds from various sources at competitive rates and the company was able to contain interest cost by way of mobilizing funds through NCDs, CP at competitive rates.

##### ***Experienced management team***

The Hinduja group has track record of establishing and successfully running Banking & Finance companies. The group had established a NBFC 'Ashok Leyland Finance' in 1982, which was later merged with the group promoted IndusInd Bank Ltd. During its operations of more than a decade, ALF was one of India's leading NBFCs in vehicle finance. Post-merger, the key management team having experience of running ALF for over 15 years became part of IndusInd Bank Ltd. Most of the experienced management team of erstwhile ALF has joined HLF. The experience of the management team in running the similar business is a key strength for HLF. The Executive Vice-Chairman of HLF is Mr S Nagarajan. Mr Dheeraj Hinduja, Chairman of ALL, is also a part of HLF's board. The board comprises 11 directors with rich experience in the financial services sector.

Based on the knowledge and expertise gained in the financial services sector, the management has developed an in-house enterprise IT system. In addition to providing complete information about each account throughout its credit life cycle, the IT system also aids the management in monitoring/reviewing its portfolio on daily basis.

##### ***Continuous growth in the scale of operations in FY17***

HLF has witnessed continuous growth in the scale of operations over the last 3 years ended March 31, 2017. During FY17, AUM grew from Rs.10,001 crore as on March 31, 2016, to Rs.14,070 crore as on March 31, 2017 registering a growth of 41% y-o-y basis. During FY17, disbursements grew by 40% from Rs.7,075 crore in FY16 to Rs.9,933 crore in FY17. While overall book witnessed 40% growth, some of the sub-segments (Construction Equipment, MCV, Tipper & 3 Wheeler) witnessed higher growth on account of increased focus by company. At the

same time, it has limited its growth in sub-segments (MUV, LCV, SCV & Two Wheeler) where delinquencies are higher. With the growth in AUM, total income grew by 30% from Rs.1,146 crore in FY16 to Rs.1,486 crore in FY17. PAT has increased from Rs.150 crore in FY16 to Rs.168 crore in FY17.

***Moderation in profitability levels***

There has been decline in the yields over the past three years ended March 31, 2017, with the company concentrating on the products which are having better asset quality (but lower yields) with focus on improving asset quality. HLF also increased its focus from First Time Buyers to Strategic Customers/Fleet operators which has lower yields. Interest Income to Average Interest Earning Assets has moderated from 18.60% in FY15 to 15.40% in FY17. NIM stood at 6.39% in FY17 (PY: 6.98%). ROTA moderated from 2.29% in FY15 to 1.66% in FY17. In terms of operating expenses, Operating Expenses to Average total assets declined from 2.29% in FY15 to 1.84% in FY17. During the period, loan loss Provisions and Write-offs to average total assets improved from 2.76% in FY15 to 2.04% in FY17. It is to be noted that (Opex + loan loss Provisions & Write-offs) improved from 5.05% of total assets in FY15 to 3.88% of total assets in FY17.

***Moderate capitalization levels***

HLF has raised fresh equity during December 2016 to the tune of Rs.251 crore through Rights issue. CAR and Tier 1 CAR stood at 16.20% and 11.51% as on March 31, 2017 as compared to 16.19% and 11.07% as on March 31, 2016. Also, the company has raised additional Rs.100 crore in Q1FY18 through rights issue. With the company raising Rs.350 crore during this period, it has deferred its IPO plans currently. The existing investors have been providing need based support to the company in the form of fresh equity as and when required.

***Asset quality: Increase in GNPA due to transition from 150 dpd to 120 dpd for NPA recognition; however 90+dpd witnessed improvement in last two years***

NBFC industry particularly, the players having exposure to commercial vehicle segment have witnessed moderation in asset quality during FY17.

HLF reported GNPA of 5.45% (PY: 4.20%) and NNPA of 4.05% (PY: 3.33%) as on March 31, 2017 with transition in NPA recognition norms from 150 DPD as on March 31, 2016 to 120 DPD as on March 31, 2017. It may be noted that products such as Car, Multi Utility Vehicle, Small Commercial Vehicle, Three Wheelers and Two wheeler contributed to 60% of the NPAs as on March 31, 2017, while share of these products in total AUM was only 18% as on March 31, 2017. The company has been cautious on lending to these segments and the proportion of these products as a % of AUM has declined from 31% of AUM as on March 31, 2015 to 18% of AUM as on March 31, 2017.

With respect to delinquencies, there has been improvement during the last 3 years, with the company reporting 90+ dpd of 4.86% of AUM as on March 31, 2017 as against 7.45% as on March 31, 2015.

In order to improve the asset quality, HLF has consciously shifted its focus to Medium and Large Fleet Operators from FTU (First Time User)/FTB (First Time Buyer). To address sharp jump in NPAs in 2W segment, HLF has set up separate recovery team and has consciously slowed down the disbursements in the particular segment.

Furthermore, separate product verticals have been created and head of the particular segments have been appointed to increase focus on the asset class. These steps are expected to aid the company in improving its asset quality in the long term.

***Diversification of loan portfolio***

In addition to financing ALL vehicles, HLF also finances vehicles of other OEM's. Exposure to ALL vehicles remained significant at around 42% of AUM as on March 31, 2017. In order to insulate from economic down turns and to mitigate risk associated with CVs, the company had ventured into other segments like Tractor, Construction Equipment, 2W segment in FY12 and LAP in FY15. The share of Construction Equipments increased from 9% in FY16 to 12% in FY17. The share of LAP segment increased from 10% as on March 31, 2016 to 12% as on March 31, 2017. Also, the share of HCVs (including used vehicles) has increased from 28% as on March 31, 2016 to 33% as on March 31, 2017.

Exposure to top 3 states (Rajasthan, Andhra Pradesh and Tamil Nadu) accounted for 40% of AUM as on March 31, 2017 as against 37% of AUM as on March 31, 2016.

***Diversified funding profile***

HLF's borrowings from banks reduced from 66% of the total debt in FY16 to 64% in FY17 on account of increase in share of NCDs and Subordinated debt from 34% in FY16 to 36% in FY17. HLF's bank borrowings are diversified with borrowings from various banks which include a good mix of both public and private sector banks. Furthermore, HLF has mobilized funds to the tune of Rs.1,870 crore through securitization/direct assignment transaction. With mobilization of funds through various sources, the funding profile is diversified in FY17 and the dependence on bank funds is expected to come down further in the medium term. HLF's liquidity profile remains comfortable with no negative cumulative mismatches across the time buckets.

***Prospects***

HLF's prospects are primarily dependent on the automotive sector and especially CV industry due to significant exposure to this segment. Performance of the CV industry is linked to the overall economic growth of the country and with subdued economic growth in the past; the asset quality of HLF was impacted. In order to mitigate the risk associated with the CV industry and insulate from economic downturns, HLF has ventured into new segments in the past three years. Furthermore, HLF has also shifted its focus to medium & large transport operators from FTB. As stated earlier, above initiatives has resulted in improvement in asset quality over the past two years as reflected in improvement in 90+dpd levels. Going forward, the ability of the company to improve its asset quality further, maintaining capital adequacy at comfortable levels & improve profitability while increasing the scale of operations and portfolio diversification would be the key rating sensitivities.

## Financial Performance

(Rs. Cr)

As on / Year ended March 31	2015	2016	2017
	(A)	(A)	(A)
<b>Working Results</b>			
Interest Income	769	1,086	1,427
Other interest & operational income	44	51	54
Other Income	1	9	6
<b>Total Income</b>	<b>814</b>	<b>1,146</b>	<b>1,486</b>
Interest expense	402	624	834
<b>Net Interest Income</b>	<b>411</b>	<b>513</b>	<b>647</b>
Operating & other expenses	112	144	186
Total Provision / Write offs	135	153	207
PBT	165	225	257
Taxation	54	75	89
<b>PAT</b>	<b>112</b>	<b>150</b>	<b>168</b>
<b>Financial position</b>			
Tangible Network	896	1,034	1,430
Total Debt	4,827	7,351	9,428
Loan portfolio	5,525	8,281	10,944
Total Assets	5,948	8,736	11,505
AUM	6,549	10,001	14,070
<b>Key Ratios</b>			
<b>Solvency Ratios</b>			
Overall Gearing (times)	5.39	7.11	6.60
Interest coverage (times)	1.41	1.36	1.31
Reported CAR %	19.67	16.19	16.20
Reported Tier I CAR %	14.84	11.07	11.51
<b>Profitability (%)</b>			
Net Interest Margin	8.43	6.98	6.39
Operating expenses / Avg. total assets	2.29	1.95	1.84
ROTA	2.29	2.04	1.66
<b>Asset Quality Ratios (%)</b>			
Gross NPA Ratio (%)#	3.62	3.48@	4.24\$
Net NPA Ratio#	2.90	2.76@	3.14\$
NNPA/Networth (%)	21.03	26.45	30.52

A – Audited; #calculated on Assets Under Management; @- based on 150+ DPD; \$-based on 120+DPD

Note: Ratios have been computed based on average of annual opening and closing balances

NIM has been calculated as net interest income/ average annual total assets

### Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

**Annexure 1**  
**Details of Rated Facilities**

**1. Long-term facilities**

**1.A. Term Loans**

(Rs. crore)

Sr. No	Name	Remarks	Rated Amount
1	State Bank of India	Outstanding	440
2	State Bank of Hyderabad	Outstanding	87
3	State Bank of Travancore	Outstanding	100
4	Canara Bank	Outstanding	330
5	Axis Bank	Outstanding	230
6	ICICI Bank	Outstanding	143
7	Vijaya Bank	Outstanding	33
8	HDFC Bank	Outstanding	376
9	Central Bank of India	Outstanding	250
10	Union Bank of India	Outstanding	525
11	Bank of Baroda	Outstanding	1,694
12	Syndicate Bank	Outstanding	167
13	Kotak Mahindra Bank	Outstanding	95
14	Federal Bank	Outstanding	117
15	IDBI Bank	Outstanding	160
16	Development Credit Bank	Outstanding	61
17	United Bank of India	Outstanding	228
18	Oriental Bank of Commerce	Outstanding	400
19	Deutsche Bank	Outstanding	67
20	Allahabad Bank	Outstanding	67
21	Indian Bank	Outstanding	100
22	State Bank of India	Proposed	700
23	Canara Bank	Proposed	125
24	ICICI Bank	Proposed	100
25	Bank of Baroda	Proposed	860
26	Corporation Bank	Proposed	250
27	IDBI Bank	Proposed	175
28	Punjab National Bank	Proposed	100
<b>Sub Total</b>			<b>7,978</b>

**1.B. Fund Based limits**

(Rs. crore)

S.No	Name	Type	Amount
1	State Bank of India	CC/WCDL	100
2	State Bank of Hyderabad	CC/WCDL	50
3	Canara Bank	CC/WCDL	200
4	Axis Bank	CC/WCDL	50
5	ICICI Bank	CC/WCDL	75
6	Vijaya Bank	CC/WCDL	50
7	HDFC Bank	CC/WCDL	50
8	Central Bank of India	CC/WCDL	50
9	Union Bank of India	CC/WCDL	50



10	Bank of Baroda	CC/WCDL	50
11	Kotak Mahindra Bank	CC/WCDL	10
12	Federal Bank	CC/WCDL	100
13	IDBI Bank	CC/WCDL	25
14	Development Credit Bank	CC/WCDL	50
15	Oriental Bank of Commerce	CC/WCDL	50
16	Deutsche Bank	CC/WCDL	10
17	Allahabad Bank	CC/WCDL	50
18	Citibank	CC/WCDL	130
Sub-Total			1,150
19	Proposed	LT	575
<b>Total</b>			<b>9,703</b>

\*CC=Cash credit; WCDL – Working Capital Demand Loan;

**Total long-term facilities (1.A. + 1.B.) - Rs.9,703 crore**

**Annexure II**  
**Hinduja Leyland Finance Limited**

**Rating**

Facilities/Instruments	Amount (Rs. Crore)	Ratings <sup>2</sup>	Rating Action
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Non-Convertible Debenture issue-I	-	-	Withdrawn
<b>Total Instruments</b>	<b>4,040 (Rupees Four Thousand and Forty crore only)</b>		

Details of instruments/facilities in Annexure-1

#### Detailed Rationale and key rating drivers

The revision in the ratings assigned to the long-term bank facilities and debt instruments of Hinduja Leyland Finance Ltd (HLF) factors in the fresh equity infusion in FY17 (refers to the period April 01 to March 31) and Q1FY18 (refers to the period April 01 to June 30), continuous increase in the scale of operations, benefits derived from increasing scale and improvement in asset quality in FY16 and FY17 on comparable basis due to increased focus of the company on asset classes & customer segments with better asset quality.

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#### Detailed description of the key rating drivers

#### Key Rating Strengths

### **Strong Parentage and benefits derived from being part of Hinduja Group**

The Hinduja group, established in Mumbai in 1918, has global presence across 30 countries. The group has presence in various industries including Automotive, Banking & Finance, IT/ ITES and Energy & Chemicals. HLF is the subsidiary of Ashok Leyland Limited (ALL), one of the leading players in domestic commercial vehicle segment. Being part of the Hinduja group, HLF enjoys significant financial flexibility in terms of mobilizing funds from various sources at competitive rates. The Hinduja group has track record of establishing and successfully running Banking & Finance companies. The experience of the management team in running the similar business is a key strength for HLF. Based on the knowledge and expertise gained in the financial services sector, the management has developed an in-house enterprise IT system.

### **Continuous growth in scale of operations in FY17**

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### **Asset quality: Increase in GNPA due to transition from 150 dpd to 120 dpd for NPA recognition; however 90+dpd witnessed improvement in last two years**

HLF reported GNPA of 5.45% (PY: 4.20%) and NNPA of 4.05% (PY: 3.33%) as on March 31, 2017 with transition in NPA recognition norms from 150 DPD as on March 31, 2016 to 120 DPD as on March 31, 2017. In order to improve the asset quality, HLF has consciously shifted its focus to Medium and Large Fleet Operators from FTU (First Time User)/FTB (First Time Buyer). With respect to delinquencies, there has been improvement during the last 3 years, with the company reporting 90+ dpd of 4.86% of AUM as on March 31, 2017 as against 7.45% as on March 31, 2015.

### **Diversified funding profile**

HLF's bank borrowings are diversified with borrowings from various banks which include a good mix of both public and private sector banks. HLF has mobilized funds to the tune of Rs.1,870 crore through securitization/direct assignment transaction. With mobilization of funds through various sources, the funding profile is diversified in FY17 and the dependence on bank funds is expected to come down further in the medium term. HLF's liquidity profile remains comfortable with no negative cumulative mismatches across the time buckets.

### **Prospects**

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associated with the CV industry and insulate from economic downturns, HLF has ventured into new segments in the past three years. Furthermore, HLF has also shifted its focus to medium & large transport operators from FTB.

#### **Key Rating Weaknesses**

##### ***Moderation in profitability levels***

There has been decline in the yields over the past three years ended March 31, 2017, with the company concentrating on the products which are having better asset quality (but lower yields) with focus on improving asset quality. HLF also increased its focus from First Time Buyers to Strategic Customers/Fleet operators which has lower yields. Interest Income to Average Interest Earning Assets has moderated from 18.60% in FY15 to 15.40% in FY17. NIM stood at 6.39% in FY17 (PY: 6.98%). ROTA moderated from 2.29% in FY15 to 1.66% in FY17. In terms of operating expenses, Operating Expenses to Average total assets declined from 2.29% in FY15 to 1.84% in FY17. During the period, loan loss Provisions and Write-offs to average total assets improved from 2.76% in FY15 to 2.04% in FY17. It is to be noted that (Opex + loan loss Provisions & Write-offs) improved from 5.05% of total assets in FY15 to 3.88% of total assets in FY17.

##### ***Moderate capitalization levels***

HLF has raised fresh equity during December 2016 to the tune of Rs.251 crore through Rights issue. CAR and Tier 1 CAR stood at 16.20% and 11.51% as on March 31, 2017 as compared to 16.19% and 11.07% as on March 31, 2016. Also, the company has raised additional Rs.100 crore in Q1FY18 through rights issue. With the company raising Rs.350 crore during this period, it has deferred its IPO plans currently. The existing investors have been providing need based support to the company in the form of fresh equity as and when required.

#### **Analytical approach**

Standalone

#### **Applicable Criteria**

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Financial Ratios-Financial Sector

Criteria for Short Term Instruments

CARE's Rating Methodology for Non-Banking Finance Companies (NBFCs)

Rating Methodology: Factoring Linkages in Ratings

#### **About the company**

HLF is a non-deposit accepting systemically important (ND-SI) NBFC based out of Chennai, Tamil Nadu, belonging to the Hinduja group. Established in 2008, HLF started its lending operations in FY11 subsequent to receipt of RBI license in March 2010. The company has been promoted by the group's flagship automobile manufacturing company Ashok Leyland Ltd (ALL, rated 'CARE AA', 'CARE A1+') with the aim of providing funding support to ALL vehicles. HLF's exposure to ALL vehicles was around 42% of AUM as on March 31, 2017. HLF is also engaged in extending loans to three-wheelers, two-wheelers, SCV (Small commercial vehicles), LCV (Light Commercial

Vehicles), tractor, construction equipment and used CV financing. During FY15, HLF has entered into Loan Against Property (LAP) segment. As on March 31, 2017, shareholding of the Hinduja group in HLF stands at 86%, wherein ALL holds 57.20% stake.

During FY17, HLF reported PAT of Rs.168 crore on the total income of Rs.1,486 crore as against PAT of Rs.150 crore on total income of Rs.1,146 crore during FY16. AUM as on March 31, 2017 stood at Rs.14,070 crore.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	1,146	1,486
PAT	150	168
Interest coverage (times)	1.36	1.31
Total Assets	8,736	11,505
Net NPA (%)#	2.90@	2.76\$
ROTA (%)	2.04	1.66

A: Audited; #calculated on Assets Under Management; @- based on 150+ DPD; \$-based on 120+DPD

**Status of non-cooperation with previous CRA:**

Not Applicable

**Any other information:**

Not Applicable

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

*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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.*

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

**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.

**Disclaimer**

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund Based-Long Term	-	-	May 2021	9,703.00	CARE AA-; Stable
Debentures-Non Convertible Debentures - I	-	-	-	-	Withdrawn
Debt-Subordinate Debt - I	Mar 28, 2014	12.00%	Mar 28, 2021	10.00	CARE AA-; Stable
Debt-Subordinate Debt - I	Feb 21, 2014	12.00%	Feb 21, 2021	25.00	CARE AA-; Stable
Debt-Subordinate Debt - I	Jun 26, 2014	12.40%	Apr 26, 2020	50.00	CARE AA-; Stable
Debt-Subordinate Debt - I	Jun 03, 2014	12.40%	Nov 03, 2019	110.00	CARE AA-; Stable
Debt-Subordinate Debt - I	Jun 03, 2014	12.40%	Apr 03, 2020	105.00	CARE AA-; Stable
Debentures-Non Convertible Debentures - II	Sep 23, 2014	10.70%	Sep 23, 2017	250.00	CARE AA-; Stable
Debentures-Non Convertible Debentures - II	Feb 16, 2015	10.65%	Feb 16, 2018	75.00	CARE AA-; Stable
Debentures-Non Convertible Debentures - II	Feb 16, 2015	10.65%	Feb 16, 2019	100.00	CARE AA-; Stable
Debentures-Non Convertible Debentures - II	Feb 16, 2015	10.65%	Feb 16, 2020	75.00	CARE AA-; Stable
Debentures-Non Convertible Debentures - III	Mar 20, 2015	10.50%	Mar 20, 2018	250.00	CARE AA-; Stable
Debentures-Non Convertible Debentures - IV	Apr 29, 2015	9.65%	Apr 29, 2020	250.00	CARE AA-; Stable
Debentures-Non Convertible Debentures - IV	May 15, 2015	9.50%	May 15, 2020	250.00	CARE AA-; Stable
Debentures-Non Convertible Debentures - V	Jun 26, 2015	9.35%	Jun 26, 2020	500.00	CARE AA-; Stable
Debentures-Non Convertible Debentures - VI	Jul 13, 2015	10.55%	Jul 13, 2020	200.00	CARE AA-; Stable
Debentures-Non	Aug 14, 2015	10.55%	Jun 14, 2018	33.00	CARE AA-; Stable



Convertible Debentures – VII					
Debentures-Non Convertible Debentures – VII	Aug 14, 2015	10.55%	Jun 14, 2019	33.00	CARE AA-; Stable
Debentures-Non Convertible Debentures – VII	Aug 14, 2015	10.55%	Jun 12, 2020	34.00	CARE AA-; Stable
Debentures-Non Convertible Debentures – VIII	Feb 15, 2016	10.35%	Mar 12, 2019	50.00	CARE AA-; Stable
Debentures-Non Convertible Debentures – IX	May 24, 2016	10.25%	Apr 15, 2019	60.00	CARE AA-; Stable
Debentures-Non Convertible Debentures – X	Jun 15, 2016	10.25%	Jun 14, 2019	100.00	CARE AA-; Stable
Debt-Subordinate Debt – II	Jun 23, 2016	11.10%	Apr 08, 2022	40.00	CARE AA-; Stable
Debt-Subordinate Debt – II	Jun 23, 2016	11.10%	Apr 08, 2022	65.00	CARE AA-; Stable
Debt-Subordinate Debt – II	Jun 27, 2016	11.10%	Apr 08, 2022	75.00	CARE AA-; Stable
Debentures-Non Convertible Debentures – XI	Jul 21, 2016	9.35%	Jul 21, 2021	200.00	CARE AA-; Stable
Debentures-Non Convertible Debentures – XII	Aug 09, 2016	10.00%	Aug 09, 2019	50.00	CARE AA-; Stable
Debentures-Non Convertible Debentures – XIII	Aug 31, 2016	10.00%	Aug 31, 2019	100.00	CARE AA-; Stable
Debentures-Non Convertible Debentures – XIII	Sep 15, 2016	10.00%	Sep 13, 2019	100.00	CARE AA-; Stable
Debentures-Non Convertible Debentures – XIV	Jan 27, 2017	8.90%	May 30, 2020	50.00	CARE AA-; Stable
Debentures-Non Convertible Debentures – XV	Feb 09, 2017	8.85%	Feb 07, 2020	50.00	CARE AA-; Stable
Commercial Paper issue	-	-	7-364 days	750.00	CARE A1+

**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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based-Long Term	LT	9703.00	CARE AA-; Stable	-	1)CARE A+; Positive (31-Jan-17) 2)CARE A+ (18-Aug-16)	1)CARE A+ (13-Aug-15)	1)CARE A+ (24-Mar-15) 2)CARE A+ (05-Aug-14)
2.	Commercial Paper	ST	750.00	CARE A1+	-	1)CARE A1+ (14-Dec-16) 2)CARE A1+ (18-Aug-16)	1)CARE A1+ (13-Aug-15) 2)CARE A1+ (24-Jun-15)	1)CARE A1+ (05-Aug-14)
3.	Debentures-Non Convertible Debentures	LT	-	-	-	1)CARE A+; Positive (31-Jan-17) 2)CARE A+ (18-Aug-16)	1)CARE A+ (13-Aug-15)	1)CARE A+ (05-Aug-14)
4.	Debt-Subordinate Debt	LT	300.00	CARE AA-; Stable	-	1)CARE A+; Positive (31-Jan-17) 2)CARE A+ (18-Aug-16)	1)CARE A+ (13-Aug-15)	1)CARE A+ (05-Aug-14)
5.	Debentures-Non Convertible Debentures	LT	500.00	CARE AA-; Stable	-	1)CARE A+; Positive (31-Jan-17) 2)CARE A+ (18-Aug-16)	1)CARE A+ (13-Aug-15)	1)CARE A+ (08-Sep-14)
6.	Debentures-Non Convertible Debentures	LT	250.00	CARE AA-; Stable	-	1)CARE A+; Positive (31-Jan-17) 2)CARE A+ (18-Aug-16)	1)CARE A+ (13-Aug-15)	1)CARE A+ (24-Mar-15)
7.	Debentures-Non Convertible Debentures	LT	500.00	CARE AA-; Stable	-	1)CARE A+; Positive (31-Jan-17) 2)CARE A+ (18-Aug-16)	1)CARE A+ (13-Aug-15) 2)CARE A+ (28-Apr-15)	-
8.	Debentures-Non Convertible Debentures	LT	500.00	CARE AA-; Stable	-	1)CARE A+; Positive (31-Jan-17) 2)CARE A+ (18-Aug-16)	1)CARE A+ (13-Aug-15) 2)CARE A+ (03-Jul-15)	-

9.	Debentures-Non Convertible Debentures	LT	200.00	CARE AA-; Stable	-	1)CARE A+; Positive (31-Jan-17) 2)CARE A+ (18-Aug-16)	1)CARE A+ (13-Aug-15) 2)CARE A+ (03-Jul-15)	-
10.	Debentures-Non Convertible Debentures	LT	100.00	CARE AA-; Stable	-	1)CARE A+; Positive (31-Jan-17) 2)CARE A+ (18-Aug-16)	1)CARE A+ (13-Aug-15)	-
11.	Debentures-Non Convertible Debentures	LT	50.00	CARE AA-; Stable	-	1)CARE A+; Positive (31-Jan-17) 2)CARE A+ (18-Aug-16)	1)CARE A+ (01-Mar-16)	-
12.	Debentures-Non Convertible Debentures	LT	60.00	CARE AA-; Stable	-	1)CARE A+; Positive (31-Jan-17) 2)CARE A+ (18-Aug-16) 3)CARE A+ (15-Jun-16)	-	-
13.	Debentures-Non Convertible Debentures	LT	100.00	CARE AA-; Stable	-	1)CARE A+; Positive (31-Jan-17) 2)CARE A+ (18-Aug-16) 3)CARE A+ (27-Jun-16)	-	-
14.	Debt-Subordinate Debt	LT	180.00	CARE AA-; Stable	-	1)CARE A+; Positive (31-Jan-17) 2)CARE A+ (18-Aug-16) 3)CARE A+ (30-Jun-16)	-	-
15.	Debentures-Non Convertible Debentures	LT	200.00	CARE AA-; Stable	-	1)CARE A+; Positive (31-Jan-17) 2)CARE A+ (18-Aug-16)	-	-
16.	Debentures-Non Convertible Debentures	LT	50.00	CARE AA-; Stable	-	1)CARE A+; Positive (31-Jan-17) 2)CARE A+	-	-

						(18-Aug-16)		
17.	Debentures-Non Convertible Debentures	LT	200.00	CARE AA- ; Stable	-	1)CARE A+; Positive (31-Jan-17) 2)CARE A+ (08-Sep-16)	-	-
18.	Debentures-Non Convertible Debentures	LT	50.00	CARE AA- ; Stable	-	1)CARE A+; Positive (31-Jan-17)	-	-
19.	Debentures-Non Convertible Debentures	LT	50.00	CARE AA- ; Stable	-	1)CARE A+; Positive (13-Feb-17)	-	-