Home Credit India Finance Pvt. Ltd

September 28, 2017

Ratings

S. No.	Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
1	Long-term Bank Facilities @	597.875	CARE BBB+ (SO); Stable [Triple B Plus (Structured Obligation); Outlook: Stable]	Revised from CARE BBB (SO) [Triple B (Structured Obligation)]
2	Long-term Bank Facilities #	52.125	Provisional CARE BBB+ (SO); Stable [Triple B Plus (Structured Obligation); Outlook: Stable]	Revised from Provisional CARE BBB (SO) [Triple B (Structured Obligation)]
	Total	**650 (Rupees Six Hundred Fifty crore only)**		
3	Non-Convertible Debenture	600 (Rupees Six Hundred crore only)	CARE BBB; Stable (Triple B; Outlook: Stable)	Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable)

@backed by the corporate guarantee from Home Credit B.V.
 # proposed to be backed by the corporate guarantee from Home Credit B.V.
Details of instruments/facilities in Anneuxre-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Home Credit India Finance Pvt. Ltd. (HCIF) (S. No. 1 & 2) factor in the credit enhancement in the form of unconditional and irrevocable corporate guarantee provided (proposed to be provided) by the ultimate holding company, Home Credit B.V. (HCBV). The ratings (S.No. 2) are 'provisional' and shall be confirmed once CARE receives the copy of guarantee documents executed to the satisfaction of CARE.

The revision in the ratings assigned to the bank facilities of HCIF factors in the improvement in the financial performance of the parent, HCBV in CY2016 (refers to the period from January 01 to December 31). The ratings assigned to the bank facilities and NCD issue of HCIF continue to factor in experienced management team, comfortable capitalization levels on account of consistent equity infusion by the promoters and adequate risk monitoring & appraisal system in place. The ratings also take cognizance of the increasing scale of operations of HCIF pan India. These rating strengths, however, continue to be offset by continued losses booked by the company on account of high operating cost, exposure to the risky borrower segment, weak asset quality, moderate resource base, geographical concentration, though reducing and competition from other banks and NBFCs.

Going forward, profitable scale-up of operations while improving the asset quality and maintaining capitalization levels along with continued support from the promoters, would be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Improvement in financial performance: The financial risk profile of the parent, HCBV improved during CY2016 with the company reporting net profit of Euro 210 million in 2016 after reporting net loss for two consecutive years, led by healthy growth in Asian markets of China and Vietnam and return of Russian market to profitability. The disbursement in 2016 grew by 76% y-o-y with loan book outstanding at Euro 9,866 million as on December 31, 2016 (Euro 5,835 million as on December 31, 2015). Furthermore, the asset quality of HCBV, has been improving with gross NPA reduced to 6.10% as on December 31, 2016 from 10% as on December 31, 2015. The provision coverage remains healthy at 128.2% as on December 31, 2016 (115.7% as on December 31, 2015).

Experienced Management Team: HCIF is the part of the Home Credit Group. Home Credit Group (Home Credit B.V. and its subsidiaries) is one of the leading multi-channel providers of consumer finance in Central & Eastern

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

Europe (CEE) and Asia. HCIF's operations are handled by Mr Pavel Maco (CEO & Director). Mr Maco is an MBA in Finance and General Management from the University of Pittsburgh's Katz School of Business, U. S. Mr Maco is credited with setting up Home Credit's operations in Kazakhstan. He is assisted with an experienced team of professionals.

Comfortable capitalization levels The capitalization of HCIF continues to be comfortable on account of continuous infusion of equity from the promoters. The company reported CAR of 23.88% as on March 31, 2017, as against regulatory requirement of 15%. As on June 30, 2017, the CAR stood at 37.02%.

Increasing scale of operations: HCIF is scaling up its business by rolling out its services on pan India basis. As of June 30, 2017, the company is operating in 20 states with an active customer base of 18,27,000 customers. The loan portfolio of HCIF registered a growth of 204% y-o-y to Rs.1914 crore as on March 31, 2017. However, the company continued to report net loss in FY17 on account of high operating costs as the company is in the growth phase. During FY17, the company reported total income of Rs.616.8 crore and net loss of Rs.426.1 crore.

Key Rating Weaknesses

Weak asset quality: The asset quality of HCIF remains weak given the presence of the company in the riskier borrower segment of retail loans to two wheelers, mobile phones, tablets and other consumer durables and cash loans. As on March 31, 2017 the asset quality of HCIF weakened to Gross NPA% of 4.11% (3.87% as on March 31, 2016) and Net NPA% of 0.76% (0.61% as on March 31, 2016) on account of higher slippages and also due to change in NPA recognition policy from 150 days overdue to 120 days overdue. As of June 30, 2017, the asset quality deteriorated to Gross NPA of 4.49% (90 days overdue).

Geographical concentration: The company has majority presence in North India with 46.9% of loan book concentrated in the northern states of Delhi, Punjab, Uttar Pradesh, Uttaranchal, Haryana and Chandigarh. Delhi NCR alone contributed 26.2% of loan book as on June 30, 2017 (45.5% of the loan book as on March 31, 2016). HCIF has been increasing its pan India presence by entering newer geographies and reducing its concentration in Delhi NCR.

Moderate Resource Base: The resources base of the company is moderate with funds raised from support of the promoter group. HCIF has raised bank facilities in form of overdraft/WCDL which are backed by the corporate guarantee of HCBV while the funds raised through NCDs are subscribed by group companies.

Analytical approach: The ratings assigned to bank facilities of HCIF are based on the assessment of the guarantor i.e. HCBV as the rated facilities are backed by credit enhancement in form of corporate guarantee from HCBV. CARE, while arriving at the rating for bank facilities of HCIF, has considered consolidated financials of HCBV.

The ratings assigned to NCDs of HCIF are on standalone basis.

Applicable Criteria

CARE's Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
CARE's methodology for Factoring Linkages in Ratings
Rating Methodology for Non-Banking Financial Companies
Financial Ratios (Financial Sector)

Company Background

HCIF is a Non-Deposit taking NBFC registered with Reserve Bank of India (RBI). In 2012, the Home Credit Group acquired 'Rajshree Auto Finance Pvt. Ltd.' (incorporated in October 1997) for its entry in India market and subsequently on June 5, 2013, the name of the company was changed to its present name. The company is engaged in providing loans to retail segment for two wheelers and consumer durables (mainly mobile phones, laptops and tablets) and cash loans. HCIF operates though POS (Point Of Sale) model and has about 10,739 POS in India as of June 30, 2017 (3,318 as on March 31, 2016). As on June 30, 2017, HCIF has around 21 lac customers with loan book size of about Rs.2428 crore. The company currently operates in 20 states with Delhi contributing 26.2% of the loan book as on June 30, 2017. Home Credit Group is one of the leading multi-channel consumer providers of consumer finance in Central & Eastern Europe (CEE), Asia and the US.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total Income	233.4	616.8
PAT	-208.3	-426.1
Interest coverage (%)	-2.71	-0.96
Total Assets	860	2,355

Net NPA (%)	0.61	0.76
ROTA (%)	-35.48	-26.51

A: Audited

About Guarantor

Home Credit B.V. (HCBV) is the ultimate holding company of HCIF. HCBV is a part of PPF Group. The PPF Group is being led by the Czech founder and majority shareholder Mr Petr Kellner. PPF Group has investments in banking and financial services, telecommunications, insurance, real estate, agriculture and biotechnology. HCBV (along with its subsidiaries) is one of the leading multi-channel consumer providers of consumer finance in Central & Eastern Europe (CEE), Asia and the US. HCBV is based out of Amsterdam, Netherlands. Established in 1997, Home Credit Group is having presence in the Czech Republic (since 1997), Slovakia (since 1999), the Russian Federation (since 2002), Kazakhstan (since 2005), Belarus (since 2007), China (since 2007), India (since 2012), Indonesia (since 2013), Philippines (since 2013), Vietnam (since 2014) and USA (since 2015). The company has around 144,800 employees and 26.7 million customers as of June 30, 2017 across geographies.

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

Analyst Contact:
Name: Mr Gaurav Dixit
Tel: 011 – 4533 3235
Mobile: +91 97170 70079
Email: gaurav.dixit@careratings.com

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

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 - LT-Working Capital Limits	-	-	-	52.13	Provisional CARE BBB+ (SO); Stable
Fund-based - LT-Working Capital Limits	-	-	-	120.00	CARE BBB+ (SO); Stable
Fund-based - LT-Working Capital Limits	-	-	-	477.88	CARE BBB+ (SO); Stable

Debentures-Non Convertible Debentures	-	12.5-12.9%	30-Sep-19	375.00	CARE BBB; Stable
Debentures-Non Convertible Debentures	-	12.51%	31-Oct-19	225.00	CARE BBB; Stable

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 - LT-Working Capital Limits	LT	52.13	Provisional CARE BBB+ (SO); Stable	-	1)Provisional CARE BBB (SO); Stable (27-Jan-17) 2)Provisional CARE BBB- (SO) (07-Jun-16)	1)Provisional CARE BBB- (SO) (28-Jan-16) 2)CARE BBB- (SO) (In Principle) (13-May-15)	-
2.	Fund-based - LT-Working Capital Limits	LT	120.00	CARE BBB+ (SO); Stable	-	1)CARE BBB (SO); Stable (27-Jan-17) 2)CARE BBB- (SO) (07-Jun-16)	1)CARE BBB- (SO) (28-Jan-16) 2)CARE BBB- (SO) (13-May-15)	-
3.	Fund-based - LT-Working Capital Limits	LT	477.88	CARE BBB+ (SO); Stable	-	1)CARE BBB (SO); Stable (27-Jan-17) 2)CARE BBB- (SO) (07-Jun-16)	1)CARE BBB- (SO) (28-Jan-16) 2)CARE BBB- (SO) (13-May-15)	-
4.	Debentures-Non Convertible Debentures	LT	375.00	CARE BBB; Stable	-	1)CARE BB+; Stable (27-Jan-17) 2)CARE BB+ (07-Jun-16)	-	-
5.	Debentures-Non Convertible Debentures	LT	225.00	CARE BBB; Stable	-	1)CARE BB+; Stable (27-Jan-17) 2)CARE BB+ (07-Oct-16)	-	-