November 18, 2015

CARE REAFFIRMS RATING TO VARIOUS LONG TERM DEBT INSTRUMENTS OF FULLERTON INDIA CREDIT COMPANY LTD.

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term debt programme^	1,600 (enhanced from Rs.1100 crore)	**CARE AAA (Triple A)**	**Reaffirmed**
Non Convertible Debentures	100	**CARE AAA (Triple A)**	**Reaffirmed**
Subordinated Debt	300	**CARE AAA (Triple A)**	**Reaffirmed**
Total	2,000 (Rupees Two Thousand Crore only)		

^including long term bank facilities and Non Convertible Debentures (NCD)

Rating Rationale

The rating factors in Fullerton India Credit Company Limited's (FICCL) strong parentage of Temasek Holdings Private Limited, Singapore (Temasek) which is the ultimate parent company of FICCL holding 100% equity stake and Temasek's demonstrated management and capital support to FICCL. The rating factors in an improvement in profitability and operating efficiencies over the last few years. It also takes into account improvement in asset quality parameters due to strengthening of credit underwriting & risk management systems, shift towards secured lending portfolio and targeting more affluent customers. Further, the rating factors in experienced management, comfortable capital adequacy and liquidity profile as well as diversified funding profile. Continued parent support, ability to maintain asset quality and profitability are the key rating sensitivities.

Background

FICCL is registered with RBI as a deposit accepting NBFC (NBFC-D-SI) with presence predominantly into retail lending, loan against property (LAP), rural loans and lending to Small and Medium Enterprises (SME). FICCL is a step down subsidiary of Temasek Holdings Private Limited, Singapore (Temasek) which has strong credit standing. Temasek holds entire equity stake in FICCL through its investment arm - Fullerton Financial Holdings Private Limited, Singapore (FFH) (wholly owned subsidiary of Temasek).

The operations of FICCL are spread across India through a network of 437 branches as on March 31, 2015. FICCL had a loan portfolio of Rs.8,610 crore as on March 31, 2015 comprising of personal loans (37.9%), mortgage loans (23.6%), rural financing (18.7%), SME financing (14.5%) and vehicle loans (two wheeler, car loans and commercial vehicle loans) (5.2%). During FY15, FICCL reported PAT of Rs.301 crore [P.Y.:Rs.188 crore] on total income of Rs.1,720 crore [P.Y.: Rs.1,388 crore]. FICCL reported 60% y-o-y growth in PAT during FY15 primarily on account of healthy portfolio growth and the resultant growth in interest income on loans and processing fees. During FY15, FICCL disbursed loans amounting to Rs.6831 crore, registering a growth of 40.3% y-o-y [P.Y.: 33.5%]. During Q1FY16, FICCL reported PAT of Rs.69 crore on total income of Rs.511 crore.

As on March 31, 2015, FICCL reported Gross NPA ratio of 1.94% [June 2015: 1.87%] and Net NPA ratio of 1.41% [June 2015: 1.30%] while the Net NPA to Net worth ratio stood at 8.43% [June 2015: 7.79%]. FICCL uses accelerated classification and provisioning norms, stricter than required by current regulations. The provisioning for standard assets is also higher than the RBI norms indicating conservatism. FICCL mitigates the liquidity risk by following conservative asset liability maturity profile under which it maintains a sizeable chunk of liquid investments besides un-availed committed bank lines.

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

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

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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CIN - L67190MH1993PLC071691