

MARCH 11, 2015

CARE ASSIGNS 'CARE AA+' TO SUBORDINATED DEBT OF MAHINDRA RURAL HOUSING FINANCE LTD.

Ratings

| Instruments | Amount (Rs. crore) | Ratings ¹ | Remarks |
|-------------------|-----------------------|--------------------------|----------|
| Subordinated Debt | 100 | CARE AA+ (Double A Plus) | Assigned |

Other Outstanding Ratings

| Instruments | Amount (Rs. crore) | Ratings |
|---------------|-----------------------|--|
| Issuer Rating | NA | CARE AA+ (Is) [Double A Plus (Issuer Rating)] |

Rating Rationale

The rating factors in its strong parentage of Mahindra & Mahindra Financial Services Ltd (MMFSL) (rated 'CARE AAA'). The rating reflects the demonstrated financial, operational and managerial support from MMFSL. Shared brand and branch network with MMFSL are also considered as key credit strengths. The rating also factors in MRHFL's adequate capitalization levels, comfortable liquidity profile, good resource raising ability and profitability. The rating is constrained by MRHFL's moderate asset quality, relatively unseasoned portfolio and geographical concentration. Continued support of MMFSL, capital adequacy, asset quality and profitability are the key rating sensitivities.

Background

MRHFL was incorporated in April 2007 as a housing finance company with a focus on the rural and semi-urban areas. MRHFL is a 87.5% subsidiary of MMFSL, one of India's leading vehicle financiers. The balance stake is held by National Housing Bank (NHB). The lending operations of MRHFL are conducted mainly through select branches of MMFSL. As on March 31, 2014, MRHFL operated out of a network of 237 branches across 9 states, of which, 166 branches are of MMFSL. MRHFL has major presence in Tamil Nadu and Maharashtra, which collectively accounted for 62% of the loan book as on March 31, 2014. The company's senior management is lead by Mr. Ramesh Iyer, Chairman of MRHFL (Managing director, MMFSL Ltd.) and Mr. Anuj Mehra, Managing Director of MRHFL, who have over more than 20 years of experience.

In FY14 (read as April 01, 2013 to March 31, 2014), MRHFL reported PAT of Rs.27crore (Rs.20 crore in FY13) on total income of Rs.213 crore(Rs.140 crore in FY13). In H1FY15, MRHFL reported Rs.15 crore of PAT on total income of Rs.144 crore.

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

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

Note: Shri. P. P. Pattanayak, Rating Committee Member is an independent director on the Board of Shriram City Union Finance Ltd. (a Shriram Group entity) and hence, the note is not sent to him. To comply with the regulations, the Member is required not to participate in the rating process and the Rating Committee Meeting and press disclosure about the same is to be made by the CRA.

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