
August 23, 2010

CARE ASSIGNS 'CARE AAA' RATING TO THE PROPOSED NCD ISSUE OF LIC HOUSING FINANCE LTD.

CARE has assigned "CARE AAA" [Triple A] rating to the proposed Non Convertible Debentures (NCD) programme of the LIC housing Finance Ltd. aggregating to Rs.5000 crore.

Instrument	Amount (Rs. crore)	Rating¹
Non Convertible Debentures (NCD)	5000	CARE AAA

Rating Rationale

The rating factors in the shareholding of Life Insurance Corporation of India (LIC) in LICHF and LIC's demonstrated support in the past in marketing, administration and funding of LICHF. The rating also considers LICHF's track record and healthy market share in the housing finance sector, adequate capitalisation levels, comfortable liquidity position, low operating costs and improving asset quality. However, LICHF faces challenge of maintaining profitability and asset quality in a very competitive business environment.

Company Profile

LIC Housing Finance Ltd. (LICHF) was promoted by Life Insurance Corporation of India (LIC) with the objective of venturing into housing finance business. LICHF is the second largest housing finance player in India with more than Rs.38,000 crore of outstanding mortgage loan portfolio as on March 31, 2010. LIC continues to be the largest shareholder in LICHF, with around 36.54% shareholding.

LICHF reported a PAT of Rs.662 crore (FY09: Rs.532 crore) on a Total Income of Rs.3470 crore (FY09: Rs.2903 crore) for FY10. LICHF's Capital adequacy stood at 14.89% (March 31, 2009:13.50%) as on March 31, 2010. The company's asset quality improved during the year with Gross NPA and Net NPA ratios of 0.69%(March 31, 2009:1.07%) and 0.12% (March 31, 2009:0.21%) respectively as on March 31, 2010.

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

LICHF reported total income of Rs.1015 crore and PAT of Rs.212 crore for quarter ended June 30, 2010, against Rs.782 crore and Rs.124 crore respectively, during the corresponding period in the previous financial year.

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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.

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