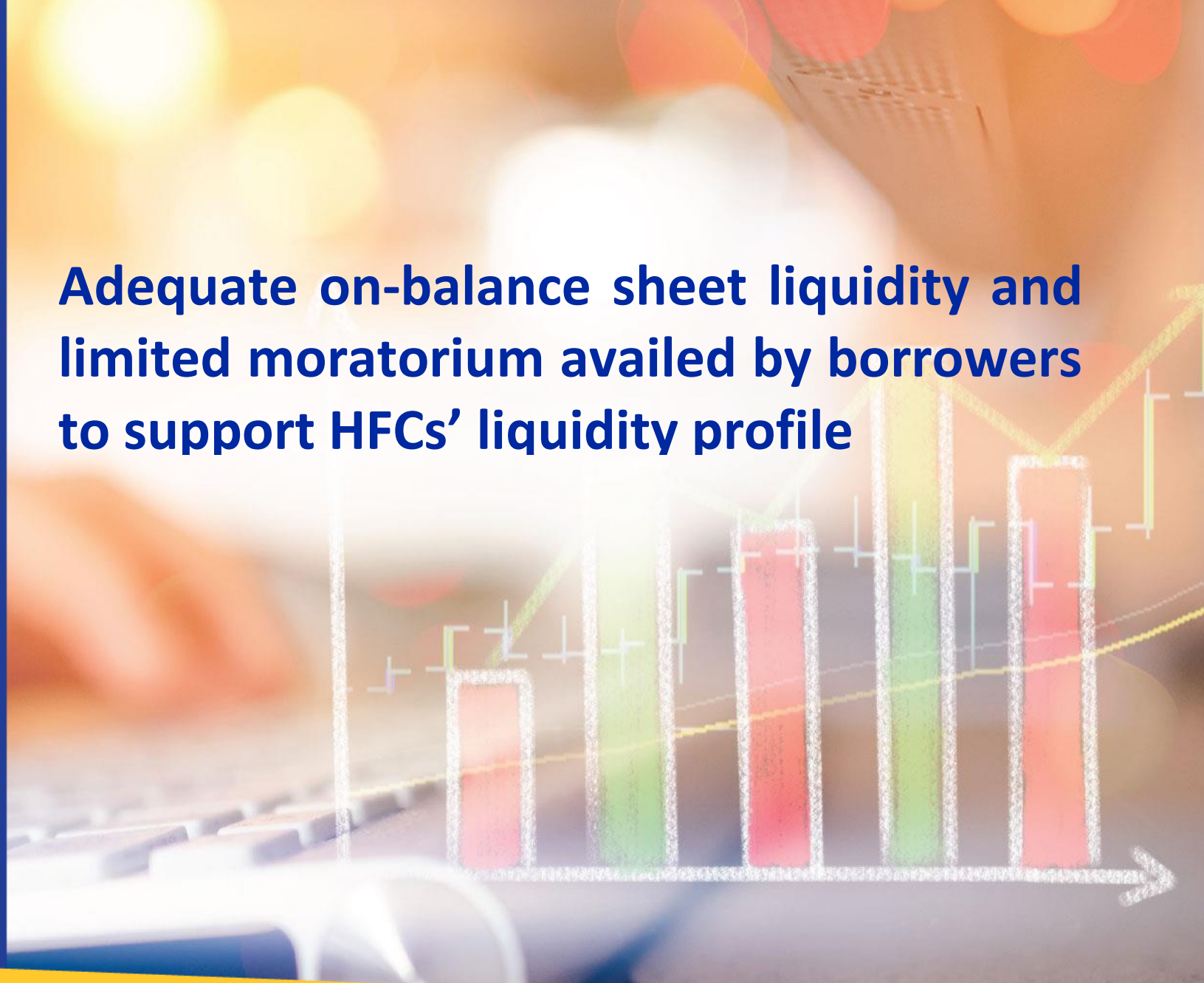




ICRA

Adequate on-balance sheet liquidity and limited moratorium availed by borrowers to support HFCs' liquidity profile



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Key Highlights

- Based on the set of ICRA rated housing finance companies (HFCs), which account for almost 90% of the sectoral assets under management (AUM), the weighted average on-balance sheet (on-B/S) cash and liquid investments stood at about 7% of the AUM as on March 31, 2020, covering debt repayments for about 2 months.
- Entities in the AA to A rating category were carrying significantly higher on-B/S liquidity vis-à-vis the higher rated entities as most of the AA+/AAA rated HFCs enjoy higher refinancing ability or are backed by a strong parent/group.
- Based on ICRA's estimates, the total funding requirement of HFCs is expected to be Rs. 2.9-3.2 lakh crore assuming no growth in the portfolio in FY2021. Of this, Rs. 1.4 lakh crore would come from maturing debt market instruments and the balance from term loans/fixed deposits, etc. The HFCs raised Rs. 27,600 crores in April and May 2020 through non-convertible debentures (NCDs) and commercial paper (CP).
- AAA rated entities account for the bulk of the NCD maturities in the current fiscal. About 59% of the AAA rated maturities are accounted by two large HFCs with relatively low refinancing risk. The maturities of the AA and below rated entities (excluding the entities in default) stood at about Rs. 17,800 crore with the majority (~95%) in the AA rating level, which should be largely supported by the higher on-B/S liquidity buffers maintained by these entities.
- Around 31% of the HFCs' portfolio is under moratorium for 2-3 months and most of the HFCs have not applied for a moratorium from their lenders for their borrowings. Therefore, the inflows from advances are also likely to support the liquidity profile of the HFCs.
- While the HFCs in the affordable housing segment have a higher share of portfolio under moratorium owing to the relatively marginal borrower profile, which may have been impacted more during the Covid-19 related lockdown, they are carrying adequate liquidity to service their debt obligations till August 2020. ICRA expects most of the HFCs to maintain an adequate liquidity profile for meeting their debt obligations even with lower collection levels (50-80%) in the portfolio.
- Securitisation accounted for 14% of the overall funding mix of HFCs as on December 31, 2019. With the extension of the moratorium by another 3 months till August 31, 2020, ICRA expects the loan sell-down volumes to contract further in the current fiscal.
- The ability of HFCs to maintain stability in their deposit base will also be a key driver from a liquidity perspective.

ABOUT ICRA

ICRA Limited (formerly Investment Information and Credit Rating Agency of India Limited) was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange.

Alliance with Moody's Investors Service

The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder. The participation of Moody's is supported by a Technical Services Agreement, which entails Moody's providing certain high-value technical services to ICRA. Specifically, the agreement is aimed at benefiting ICRA's in-house research capabilities, and providing it with access to Moody's global research base. The agreement also envisages Moody's conducting regular training and business seminars for ICRA analysts on various subjects to help them better understand and manage concepts and issues relating to the development of the capital markets in India. Besides this formal training programme, the agreement provides for Moody's advising ICRA on Rating-products strategy, and the Ratings business in general.

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Our services are designed to

- Provide information and guidance to institutional and individual investors/creditors;
- Enhance the ability of borrowers/issuers to access the money market and the capital market for tapping a larger volume of resources from a wider range of the investing public;
- Assist the regulators in promoting transparency in the financial markets;
- Provide intermediaries with a tool to improve efficiency in the funds raising process.

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