AXIS TRUSTEE

ATSL/CO/19-20/769
30th April, 2019

To,
National Stock Exchange of India Ltd.,
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E)
Mumbai – 400 051

Sub.: Indiabulls Commercial Credit Limited (the Company) - Debenture Trustee for the Public Issue of Non-Convertible Debenture (NCD) of upto Rs. 2000 Crores - Rating Revision.

Dear Sir / Madam,

We write in our capacity as Debenture Trustee for the public issue by the Company of secured, redeemable, non-convertible debentures of up to Rs. 2,000 Crores.

In this connection, we hereby inform that the rating agency **CARE Ratings Limited** has revised the outlook of the rating assigned to the aforementioned NCDs of the Company from "**CARE AAA; Stable**" to "**CARE AAA; Credit Watch with developing implications**". The rating letter of CARE is enclosed herewith for your reference.

Please take note of the same.

Thanking you,

For **Axis Trustee Services Limited**

Authorised Signatory

Encl.: As Above

Press Release

CARE Ratings
Professional Risk Opinion

CARE RATINGS PRESS RELEASE

April 12, 2019

Name Of The Company	Instruments	Rating	Amount (Rs.Cr.)
Indiabulls Commercial Credit Limited	NCD	CARE AAA	2500
	Subordinate Debt	CARE AAA	1200
	PSR NCD	CARE AAA	5500
	Bank Facilities	CARE AAA [Placed on Credit Watch with developing implications]	15000
	CP	CARE A1+ [Reaffirmed]	8000

*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*

Explanatory notes regarding rating symbols of CARE

Symbol	Explanation	Symbol	Symbol	Explanation		Symbol	
CARE A1	Superior	CARE AAA	CARE AAA (FD)	Best Quality	High Investment Grade	CCt 1	Very high project execution capability
CARE A2	Strong	CARE AA	CARE AA (FD)	High Quality	-do-	CCt 2	High project execution capability
CARE A3	Adequate	CARE A	CARE A (FD)	Adequate Safety	Investment Grade	CCt 3	Moderate project execution capability
CARE A4	Risk prone	CARE BBB	CARE BBB (FD)	Moderate Safety	-do-	CCt 4	Inadequate project execution capability
CARE D	Default	CARE BB	CARE BB (FD)	Inadequate safety	Speculative Grade	CCt 5	Poor project execution capability
		CARE B	CARE B (FD)	Risk Prone	-do-		
		CARE C	CARE C (FD)	High Risk	Poor Grade		
		CARE D	CARE D(FD)	Default	-do-		

Disclaimer

CAREs ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

AXIS TRUSTEE SERVICES LTD. MUMBAI

Indiabulls Commercial Credit Limited

April 12, 2019

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Non-Convertible Debentures	2,500	**CARE AAA (Triple A) (Credit Watch with developing implications)**	Placed on Credit Watch with developing implications
Subordinate Debt	1,200	**CARE AAA (Triple A) (Credit Watch with developing implications)**	Placed on Credit Watch with developing implications
Public issue of secured redeemable non-convertible debentures	5,000	**CARE AAA (Triple A) (Credit Watch with developing implications)**	Placed on Credit Watch with developing implications
Public issue of unsecured redeemable non-convertible debentures	500	**CARE AAA (Triple A) (Credit Watch with developing implications)**	Placed on Credit Watch with developing implications
Long Term Bank Facilities	15,000	**CARE AAA (Triple A) (Credit Watch with developing implications)**	Placed on Credit Watch with developing implications
Commercial Paper	8,000	**CARE A1+ (A one plus)**	Reaffirmed
Total	**32,200 (Rs. Thirty Two Thousand Two Hundred Crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has put the ratings assigned to the long term debt instruments and bank facilities of ICCL on 'Credit Watch with Developing Implications' on account of the announcement by its parent IBHFL on amalgamation of The Lakshmi Vilas Bank (LVB; rated 'CARE BBB; Credit watch with Negative implications') with itself. The ratings assigned to the Commercial Paper (CP) have been reaffirmed at 'CARE A1+'.

IBHFL vide its press release dated April 05, 2019, announced that its Board of Directors has considered and approved a scheme of amalgamation between IBHFL and LVB and as per the proposed scheme of amalgamation, LVB would be amalgamated into IBHFL subject to shareholders, regulatory and other approvals.

The ratings have been put on 'Credit Watch with Developing Implications' considering the complex and unprecedented nature of scheme of amalgamation whereby a small sized bank would be merged into a large sized housing finance company. CARE Ratings, which believes that the proposed scheme of amalgamation would require approvals from multiple regulatory authorities, would continue to monitor the progress on the proposed amalgamation and would resolve the credit watch once it has significant clarity and the proposed business plan and strategy of the merged entity.

The ratings assigned to various debt instruments of Indiabulls Commercial Credit Limited (ICCL) takes into account continued support from its parent, Indiabulls Housing Finance Ltd, ICCL being a 100% subsidiary. The rating largely

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

factors in strong operational and business linkages of ICCL with IBHFL, ICCL's adequate capitalization levels, increase in scale of operations over the last couple of years, capital infusion in FY19 (refers to period from April 01 to March 31), comfortable liquidity position and asset quality. Further, CARE expects IBHFL to continue to support ICCL in terms of funding, management, common brand and operations over the medium term.
Credit profile and continued support from IBHFL, asset quality, profitability and capitalization are the key rating sensitivities.

Detailed description of the key rating drivers
Key Rating Strengths
Support from parent and strong operational and business linkages: ICCL is 100% owned subsidiary of IBHFL and therefore enjoys parent support with common key management, common business and credit team, treasury operations, branches and brand name.

Stable financial risk profile with strong profitability and growth in business: IBHFL has exhibited strong growth in business to reach Assets Under Management (AUM) (consolidated) of Rs.1,22,578 crore as on March 31, 2018 growing at CAGR of 29% during FY13 and FY18. The AUM had a mix of mortgage loans [including home loans and loan against property (LAP)] constituting 79% of AUM and chunky corporate mortgage loans constituting 21% of AUM. Further, as on December 31, 2018, the AUM stood at Rs.1,24,271 crore with a mix of mortgage loans constituting 81% and corporate mortgage loans constituting 19% of the AUM.
During FY18, IBHFL reported Profit after Tax (PAT) of Rs.3,847 crore on total income of Rs.14,640 crore as compared PAT of Rs.2,906 crore on total income of Rs.11,702 crore during FY17 with Return on Total Assets (ROTA) of 3.27% (PY: 3.23%). With adoption of Indian Accounting Standards (Ind-AS) from FY19, IBHFL reported a PAT of Rs.3,084 crore on a total income of Rs.12,807 crore for the nine month ended December 31, 2018.

Comfortable capitalization levels: The capitalization levels of IBHFL are comfortable with Capital Adequacy Ratio (CAR)[2] of 22.75% (Tier I CAR- 14.18%) as on December 31, 2018 (March 31, 2018: CAR- 20.82%, Tier-I CAR- 15.07%). The overall gearing stood at 6.85 times as on December 31, 2018 (March 31, 2018: 8.51 times). The company's net gearing (adjusting for cash & bank balances and current investments) stood at 4.9 times as on December 31, 2018 (7.27 times as on March 31, 2018) which has further reduced to 4x times as on March 31, 2019.
On standalone basis, ICCL is adequately capitalized as the parent has infused equity capital to the tune of Rs.2,748 crore in FY19 . As on December 31, 2018, ICCL had capital adequacy ratio (CAR)[3] of 20.04% with Tier I CAR at 17.02% (March 31, 2018 - Total CAR: 19.00% and Tier I CAR: 15.50%).

Healthy asset quality: IBHFL has maintained its asset quality on its moderately seasoned portfolio with Gross NPA Ratio and Net NPA Ratio [on AUM basis] of 0.77% (P.Y.: 0.85%) and 0.34% (P.Y: 0.36%) as on March 31, 2018. The Net NPA to tangible net-worth ratio stood at 3.15% as on March 31, 2018 vis-à-vis 2.73% as on March 31, 2017. With the adoption of new Expected Credit Loss (ECL) framework under Ind–AS, IBHFL reported Gross NPA ratio and Net NPA ratio [on AUM basis] of 0.79% and 0.59% with Net NPA to tangible net-worth ratio at 4.71% as on December 31, 2018.
On standalone basis, ICCL reported Gross NPA ratio and Net NPA ratio of 0.65% (March 31, 2018: 0.63%) and 0.49% (March 31, 2018: 0.42%) respectively as on December 31, 2018. The Net NPA to Net worth ratio stood at 2.61% as on December 31, 2018 (March 31, 2018: 2.60%).

Diversified resources profile and comfortable liquidity profile: ICCL, as a wholly owned subsidiary, benefits from IBHFL's support in raising resources as well as in times of liquidity pressure.
IBHFL has a diversified resource profile with borrowings in form of Bank Facilities [39.6%], Non-convertible debentures (NCDs) [40.7%], Commercial paper (CP) [13.0%], External Commercial Borrowings (ECBs) [2.6%], Subordinated Debt [4.0%] and Perpetual Debt [0.1%] as on March 31, 2018. IBHFL also has securitization portfolio of Rs.12,418 crore constituting 10.1% of the total AUM, providing alternate source of funding for the company as on March 31, 2018.

[2] *Adjusted for mutual fund investments*
[3] *Adjusted for mutual fund investments*
[3] *as per Ind AS*

The company has been able to raise adequate resources even post September liquidity crisis and has increased its long term funding profile which can be seen from the fact that its CP borrowings has reduced to 4.9% of total borrowings as on March 31, 2019 from nearly 15% in September 2018.
The liquidity profile as on December 31, 2018 was comfortable considering adequate liquid investments and unutilized credit lines from banks. IBHFL's policy to have 15-20% of its total assets in cash & cash equivalent along with unutilized bank lines helps it in better liquidity management and overcome tight liquidity scenario prevailing in the market.
Due do the ongoing liquidity tightness in NBFC and HFC sector in post September 2019, the incremental cost of borrowing for IBHFL has increased from 8.08% in Q2FY19 to 8.8% in Q3FY19.

Key Rating Weaknesses
Limited track record & modest scale of operations: The non-housing loan portfolio of Indiabulls group, which comprises of Loan against Property (LAP) and corporate mortgage loans is booked in ICCL. As the portfolio is built in the past few years and the composition has been very dynamic in nature, and therefore, the seasoning of the loan portfolio remains moderate. The assets under management (AUM) of ICCL stood at Rs.13,330 crore as on December 31, 2018 as against Rs. 8,264 crore as on March 31, 2018.
The corporate mortgage portfolio includes lease rental discounting and residential construction finance. High borrower concentration and relatively riskier nature of the corporate mortgage portfolio can put stress on asset quality in times of economic turbulence in the future. The top 10 individual corporate loan exposure (on a group basis) constituted 44% (P.Y.: 39%) of tangible net-worth of IBHFL as on March 31, 2018.

Analytical approach: CARE has analyzed ICCL's credit profile by considering the consolidated financial statements of IBHFL owing to financial and operational linkages between the parent and its subsidiaries and common management. The entities considered for consolidation includes:

1. Indiabulls Housing Finance Limited (Standalone)
2. Indiabulls Commercial Credit Limited
3. Indiabulls Collection Agency Limited
4. Ibulls Sales Limited
5. Indiabulls Insurance Advisors Limited
6. Indiabulls Capital Services Limited
7. Nilgiri Financial Consultants Limited
8. Indiabulls Advisory Services Limited
9. Indiabulls Asset Holding Company Limited
10. Indiabulls Asset Management Company Limited
11. Indiabulls Trustee Company Limited
12. Indiabulls Holdings Limited
13. Indiabulls Venture Capital Management Company Limited
14. Indiabulls Venture Capital Trustee Company Limited
15. IBHFL Lender Repayment Trust
16. Indiabulls Asset Management Mauritius

Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE Policy on Default Recognition
Rating Methodology: Factoring Linkages in Ratings
Rating Methodology- Non-Banking Finance Companies
Financial ratios - Financial Sector

Liquidity Position
ICCL is a wholly owned subsidiary of IBHFL and therefore the assessment of the liquidity position is considered on a consolidated level.
IBHFL has been able to manage its liquidity profile by maintaining adequate liquid investments and back up lines of credit. Further, the company has been able to maintain good asset quality which ensures regular cash inflows from its loan portfolio. As on December 31, 2018, the company's ALM profile showed cumulative positive mismatches up to 1 year bucket considering the contractual maturity of the inflows and outflows on account of CP redemptions. Along

with that, IBHFL has a strong resource raising ability which further provides comfort. As March 31, 2019, IBHFL had cash and liquid investments of Rs.27,512 crore.

As on March 31, 2019, against the total debt of Rs 8,515 crore maturing till June 30, 2019, IBHFL had total liquidity available of Rs 27,512 crore in the form of investments in mutual funds and certificate of deposits of Rs 15,485 crore, bank balances/fixed deposits of Rs 10,527 crore and other investments of Rs 1,500 crore.

About IBHFL

IBHFL is registered with National Housing Bank (NHB) and is engaged in the business of mortgage finance (Home loans and Loan against property) and corporate mortgage loans (lease rental discounting and residential construction finance). On a consolidated basis, the assets under management (AUM) stood at Rs.1,24,271 crore as on December 31, 2018 comprising 81% of mortgage loans [including home loans and loan against property (LAP)] and corporate mortgage loans constituting 19% of AUM. Mr. Sameer Gehlaut is the Founder Chairman and Executive Director and is supported by Mr. Gagan Banga, Vice Chairman and Managing Director.

(Rs. crore)

Brief Financials (Consolidated)	FY17 (A)	FY18 (A)
Total income	11,702	14,640
PAT	2,906	3,847
Asset under management (AUM)	91,301	1,22,578
Total Assets (net of intangibles)	1,03,619	1,31,823
Net NPA (%) [on AUM basis]	0.36	0.34
ROTA (%)	3.23	3.27

A; Audited

About ICCL

Incorporated on July 7, 2006, as 'Indiabulls Infrastructure Credit Limited', Indiabulls Commercial Credit Ltd. (ICCL – NBFC-ND-SI) is a wholly-owned subsidiary of Indiabulls Housing Finance Ltd. (IBHFL; rated 'CARE AAA; Stable'). The company was renamed to 'Indiabulls Commercial Credit Limited' in 2015. The group's non-housing loan portfolio is funded under ICCL comprising Loan against Property (LAP) loans and corporate mortgage loans.

(Rs. crore)

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total income	408.60	931.13
PAT	58.55	254.90
Asset under management (AUM)	3,564.23	8,263.59
Total Assets (net of intangibles)	3,936.45	8,491.29
Net NPA (%)	1.37	0.42
ROTA (%)	1.98	4.10

A: Audited

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.*



Press Release

Analyst Contact:
Name: Aditya Acharekar
Tel: 022- 6754 3528
Mobile: +91- 9819013971
Email: aditya.acharekar@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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

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
Debentures - Non-convertibles Debentures	08-Jul-16	9.05%	07-Jul-23	40.00	CARE AAA (Credit Watch with developing implications)
Debentures - Non-convertibles Debentures	29-Jun-18	8.85%	29-Jun-21	200.00	CARE AAA (Credit Watch with developing implications)
Debentures - Non-convertibles Debentures	03-Apr-19	8.15%	03-Apr-20	500.00	CARE AAA (Credit Watch with developing implications)
Debentures - Non-convertibles Debentures (Proposed)	NA	NA	NA	1,760.00	CARE AAA (Credit Watch with developing implications)
Debt - Subordinate Debt	08-Nov-17	8.45%	08-Nov-27	60.00	CARE AAA (Credit Watch with developing implications)
Debt - Subordinate Debt	05-Jan-18	8.45%	05-Jan-28	50.00	CARE AAA (Credit Watch with developing implications)

Debt - Subordinate Debt	30-Nov-17	8.45%	30-Nov-27	40.00	CARE AAA (Credit Watch with developing implications)
Debt - Subordinate Debt	02-May-18	8.80%	02-May-28	100.00	CARE AAA (Credit Watch with developing implications)
Debt - Subordinate Debt	28-Mar-18	8.85%	28-Mar-28	100.00	CARE AAA (Credit Watch with developing implications)
Debt - Subordinate Debt (Proposed)	NA	NA	NA	850.00	CARE AAA (Credit Watch with developing implications)
Public Issue of Non-convertibles Debentures (Secured)	25-Sep-18	8.57%	25-Sep-23	20.73	CARE AAA (Credit Watch with developing implications)
Public Issue of Non-convertibles Debentures (Secured)	25-Sep-18	9.10%	25-Sep-28	0.06	CARE AAA (Credit Watch with developing implications)
Public Issue of Non-convertibles Debentures (Secured)	25-Sep-18	8.80%	25-Sep-21	901.09	CARE AAA (Credit Watch with developing implications)
Public Issue of Non-convertibles Debentures (Secured)	25-Sep-18	9.20%	25-Sep-28	12.40	CARE AAA (Credit Watch with developing implications)
Public Issue of Non-convertibles Debentures (Secured)	25-Sep-18	8.90%	25-Sep-23	0.91	CARE AAA (Credit Watch with developing implications)
Public Issue of Non-convertibles Debentures (Secured)	25-Sep-18	8.90%	25-Sep-21	947.32	CARE AAA (Credit Watch with developing implications)
Public Issue of Non-convertibles Debentures (Secured)	25-Sep-18	9%	25-Sep-23	75.22	CARE AAA (Credit Watch with developing implications)
Public Issue of Non-convertibles Debentures (Secured)	25-Sep-18	9.10%	25-Sep-28	0.35	CARE AAA (Credit Watch with developing implications)
Public Issue of Non-convertibles Debentures (Secured)	25-Sep-18	9.20%	25-Sep-28	13.96	CARE AAA (Credit Watch with developing implications)
Public Issue of Non-convertibles Debentures (Secured) - ZCB	25-Sep-18	0.00%	25-Sep-20	0.10	CARE AAA (Credit Watch with developing implications)
Public Issue of Non-convertibles Debentures (Secured) - ZCB	25-Sep-18	0.00%	25-Sep-21	0.07	CARE AAA (Credit Watch with developing implications)
Public Issue of Non-convertibles Debentures (Secured) - ZCB	25-Sep-18	0.00%	25-Sep-20	8.73	CARE AAA (Credit Watch with developing implications)



Public Issue of Non-convertibles Debentures (Secured) - ZCB	25-Sep-18	0.00%	25-Sep-21	19.07	CARE AAA (Credit Watch with developing implications)
Public Issue of Non-convertibles Debentures (Secured) (Proposed)	NA	NA	NA	3,000.00	CARE AAA (Credit Watch with developing implications)
Public Issue of Non-Convertible Debentures (Unsecured)	NA	NA	NA	500.00	CARE AAA (Credit Watch with developing implications)
Fund-based – LT-Term Loan	NA	NA	10-Jun-23	15,000.00	CARE AAA (Credit Watch with developing implications)
Commercial Paper Issue	NA	NA	Upto 1 year	8,000.00	CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Rated Amount (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Debentures-Non Convertible Debentures	LT	2,500	CARE AAA (Credit Watch with developing implications)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (15-Mar-18) 2)CARE AAA; Stable (02-Nov-17) 3)CARE AAA; Stable (17-Jul-17)	1)CARE AA+ (23-Nov-16) 2)CARE AA+ (14-Jul-16)	1)CARE AA+ (17-Mar-16)
2.	Fund-based - LT-Term Loan	LT	15,000	CARE AAA (Credit Watch with developing implications)	1)CARE AAA; Stable (05-Apr-19) 2)CARE AAA; Stable (06-Jul-18)	1) CARE AAA; Stable (27-Mar-18) 2) CARE AAA; Stable (17-Jul-17)	1)CARE AA+ (23-Nov-16)	-
3.	Debt-Subordinate Debt	LT	1,200	CARE AAA (Credit Watch with developing implications)	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (15-Mar-18) 2)CARE AAA; Stable (02-Nov-17)	-	-
4.	Commercial Paper issue	ST	8,000	CARE A1+	1)CARE A1+ (25-Jul-18) 2) CARE A1+	-	-	-

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					(12-Sep-18)			
5.	Public issue of secured redeemable non-convertible debentures	LT	3,000	CARE AAA (Credit Watch with developing implications)	1) CARE AAA; Stable (14-Jan-19) 2)CARE AAA; Stable (17-Aug-18)	-	-	-
6.	Public issue of unsecured redeemable non-convertible debentures	LT	500	CARE AAA (Credit Watch with developing implications)	1) CARE AAA; Stable (14-Jan-19)	-	-	-

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