

Tata Capital Housing Finance Ltd - NCD Issue

Summary:

Tata Capital Housing Finance Ltd is coming up with the 1st tranche of public issue of secured, redeemable non-convertible debentures of face value of Rs 1,000 each and Unsecured, subordinated, rated, listed, redeemable, non-convertible debentures of Face value of Rs 1,000 for an amount of Rs 500 Crore (“Base Issue Size”) with an option to retain oversubscription up to Rs 1500 Crore (totaling Rs. 2,000 Crore) within the Shelf limit of Rs. 5,000 Crore.

The issue will open for subscription from **January 07, 2020 to January 17, 2020** (The Issue shall remain open for subscription during the period indicated above except that the Issue may close on such earlier date or extended date as may be decided by an Authorised personnel authorized by the Board of Directors of the Company). The company will be paying an interest ranging between **8.00% and 8.70 % p.a.** on these bonds.

The NCDs proposed to be issued under this Issue have been rated “**CRISIL AAA/Stable**”, “[**ICRA**] **AAA (stable)**”. Instruments with this rating are considered to have highest degree of safety regarding timely servicing of financial obligations. Such instruments carry very lowest credit risk.

Objects of the Issue: The Company is in the business of financing, and as part of the business operations, it raise/avail funds for onward lending, financing, and for repayment/ prepayment of interest and principal of existing borrowings and general corporate purposes.

1. For the purpose of onward lending, financing, and for repayment /prepayment of interest and principal of existing borrowings of TCHFL; and
2. General Corporate Purposes (upto 25%)

Issue Details

Series	I	II	III	IV*	V	VI
Frequency of Interest Payment	Annual	Monthly	Annual	Monthly	Annual	Annual
Type of NCD	Secured	Secured	Secured	Secured	Secured	Unsecured
Tenor	36 Months	60 Months	60 Months	96 Months	96 Months	120 Months
Coupon (% per annum) for NCD Holders in Category I and II	8.00%	7.92%	8.20%	8.01%	8.30%	8.55%
Coupon (% per annum) for NCD Holders in Category III and IV	8.10%	8.01%	8.30%	8.10%	8.40%	8.70%
Effective Yield (% per annum) for NCD holders in Category I & II	7.99%	8.21%	8.19%	8.30%	8.29%	8.54%
Effective Yield (% per annum) for NCD holders in Category III & IV	8.09%	8.30%	8.29%	8.40%	8.39%	8.69%
Call and Put Option	NA					
Amount (Rs / NCD) on Maturity for NCD Holders in Category I, II, III & IV	1000	1000	1000	1000	1000	1000
Minimum Application	Rs 10,000 (10 NCDs) across all Series collectively					
In Multiples of thereafter	Rs 1,000 (1 NCD)					
Face Value / Issue Price (Rs Per NCD)	Rs 1,000					
Mode of Interest Payment	Through various options available					
*Tata Capital Housing Finance Ltd would allot the Series I NCDs, to all valid Applications, wherein the Applicants have not indicated their choice of the relevant Series of NCDs.						

Issuer	Tata Capital Housing Finance Limited
Type and nature of instrument and seniority	Secured NCDs of face value of Rs 1,000 each and Unsecured NCDs of face value Rs 1,000 each
Issue Size	Public issue of secured, redeemable non-convertible debentures of face value of Rs 1,000 each and Unsecured, subordinated, rated, listed, redeemable, non-convertible debentures of Face value of Rs 1,000 for an amount of Rs 500 Crore (“Base Issue Size”) with an option to retain oversubscription up to Rs 1500 Crore (totaling Rs. 2,000 Crore) within the Shelf limit of Rs. 5,000 Crore.
Issue opens	Tuesday , January 07, 2020
Issue closes	Friday, January 17, 2020
Allotment	First Come First Serve Basis, Compulsory in demat form
Face Value	Rs 1000 per NCD
Issue Price	Rs 1000 per NCD
Minimum Application	Rs 10,000 (10 NCDs) collectively across all Series and in multiple of Rs 1,000 (1 NCD) thereafter across all Series
Listing	NCDs are proposed to be listed on BSE and NSE
Rating	“CRISIL AAA/Stable” by CRISIL and “[ICRA] AAA (stable)” by ICRA
Security and Security Cover	The Secured NCDs would constitute secured obligations of Tata Capital Housing Finance Ltd and shall rank pari passu inter se, present and future and subject to any obligations under applicable statutory and/or regulatory requirements, shall be secured by way of a first ranking pari passu charge by way of mortgage over Tata Capital Housing Finance Ltd’s specific immovable property and a first ranking pari passu floating charge over the movable properties of the Company, including book debts (excluding the exclusive charge created by the Company in favour of NHB as security for the due repayment for financial assistance by way of refinancing granted by NHB to Tata Capital Housing Finance Ltd). Tata Capital Housing Finance Ltd will create appropriate security in favour of the Debenture Trustee for the Secured NCD Holders on the assets adequate to ensure 100% asset cover for the secured NCDs (along with the interest due thereon). No security will be created for Unsecured NCDs in the nature of Subordinated Debt. The rated, listed, redeemable Unsecured NCDs are in the nature of subordinated debt and will be eligible for Tier II Capital

Who Can Apply?

Category I (Institutional Investors)	Category II (Non-Institutional Investors)	Category III (High Net-worth Individual, (“HNIs”), Investors)	Category IV (Retail Individual Investors)
<ol style="list-style-type: none"> Public financial institutions, scheduled commercial banks, and Indian multilateral and bilateral development financial institutions which are authorised to invest in the NCDs; Provident funds and pension funds with a minimum corpus of ₹ 2,500 lakh, superannuation funds and gratuity funds, which are authorised to invest in the NCDs; Alternative Investment Funds, subject to investment conditions applicable to them under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012; 	<ol style="list-style-type: none"> Companies within the meaning of Section 2(20) of the Companies Act, 2013; statutory bodies/ corporations and societies registered under the applicable laws in India and authorised to invest in the NCDs; Co-operative banks and regional rural banks; Trusts including public/private charitable/religious trusts which are authorised to invest in the NCDs; Scientific and/or industrial research 	High Net-worth individuals which include Resident Indian individuals or Hindu Undivided Families through the Karta applying for an amount aggregating to above Rs 10 lakhs across all series of NCDs in Issue	Retail Individual Investors which include Resident Indian individuals and Hindu Undivided Families through the Karta applying for an amount aggregating up to and including Rs 10 lakhs across all series of NCDs in Issue

<ol style="list-style-type: none"> 4. Resident Venture Capital Funds registered with SEBI; 5. State industrial development corporations; 6. Insurance funds set up and managed by the army, navy, or air force of the Union of India; 7. Insurance funds set up and managed by the Department of Posts, the Union of India; 8. Systemically Important Non-Banking Financial Company registered with the RBI and having a net-worth of more than Rs 50,000 lakh as per the last audited financial statements; 9. National Investment Fund set up by resolution no. F.No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India; and 10. Mutual funds registered with SEBI. 	<p>organisations, which are authorised to invest in the NCDs;</p> <ol style="list-style-type: none"> 5. Partnership firms in the name of the partners; 6. Limited liability partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (No. 6 of 2009). 7. Association of Persons; and 8. Any other incorporated and/ or unincorporated body of persons. 		
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All categories of persons who are individuals or natural persons (including Hindu Undivided Families acting through their Karta) including without limitation HNIs and Retail Individual Investors who are eligible under applicable laws to hold the NCDs are collectively referred to as “Individuals”.

Who are not eligible to apply for NCDs?

The following categories of persons, and entities, shall not be eligible to participate in the Issue and any Applications from such persons and entities are liable to be rejected:

- Minors without a guardian name* (A guardian may apply on behalf of a minor. However, the name of the guardian will also need to be mentioned on the Application Form);
- Foreign nationals;
- Persons resident outside India;
- Foreign Institutional Investors;
- Foreign Portfolio Investors;
- Non-Resident Indians (NRI);
- Qualified Foreign Investors;
- Overseas Corporate Bodies;
- Foreign Venture Capital Funds; and
- Persons ineligible to contract under applicable statutory/ regulatory requirements.

Allocation Ratio

Institutional Portion	Non-Institutional Portion	High Net Worth Individual Portion	Retail Individual Investor Portion
10% of the Overall Issue Size	10% of the Overall Issue Size	40% of the Overall Issue Size	40% of the Overall Issue Size

Credit Rating:

The NCDs proposed to be issued pursuant to this Tranche 1 Issue have been rated “CRISIL AAA/Stable” by CRISIL for an amount of up to ₹ 5,00,000 lakh by way of its letter dated November 27, 2019 bearing reference number TCHFL/225196/RB/27112019 and have been revalidated by way of its letter dated December 24, 2019 bearing reference number TCHFL/235551/RBond/121947355 and have been rated “[ICRA] AAA (stable)” by ICRA for an amount of up to ₹ 5,00,000 lakh by way of its letter dated November 27, 2019 bearing reference number 2019-20/MUMR/1504 and have been revalidated by way of its letter dated December 24, 2019 bearing reference number 2019-20/MUM/1780. The rating of the NCDs by ICRA indicates highest degree of safety regarding timely servicing of financial obligations.

Liquidity and Exit Options: The Bonds are proposed to be listed on the BSE and NSE.

Allotments in case of oversubscription: In case of an oversubscription, allotments to the maximum extent, as possible, will be made on a first-come first-serve basis and thereafter on proportionate basis, i.e. full allotment of the Secured NCDs to the Applicants on a first come first basis up to the date falling 1 (one) day prior to the date of oversubscription and proportionate allotment of Secured NCDs to the applicants on the date of oversubscription (based on the date of upload of each Application on the electronic platform of the Stock Exchanges, in each Portion).

Company Background:

Tata Capital Housing Finance Ltd (TCHFL) is one of India’s leading non-deposit taking housing finance companies registered with the NHB. It was incorporated in 2008 as a wholly-owned subsidiary of TCL and accordingly are part of the Tata Capital Group which is part of the larger Tata group. TCHFL focuses primarily on providing affordable home loans, home equity and construction finance. For Fiscal 2019, it made total loan disbursements of Rs 1,110,111 lakh. As of September 30, 2019, its gross Non-Performing Assets (“NPAs”) in terms of value and as a percentage of its outstanding loans were Rs 40,059 lakh or 1.45 %, respectively and its net NPAs in terms of value and as a percentage of its net outstanding loans were Rs 14,506 lakh or 0.53 %, respectively. Since 2009, it has grown to become one of the key HFC in India based on its loans and advances from financing activity of Rs 2,783,875 lakh as of September 30, 2019. TCHFL has a strong marketing and distribution network in 88 branches throughout India as of September 30, 2019. Its network provides with a pan-India presence across Tier I, Tier II and Tier III cities in India. TCHFL’s focus growth areas for the business are (i) affordable housing through increasing its reach into Tier II and Tier III cities, (ii) developing partnerships with property developers, (iii) leveraging the “Tata” brand and (iv) increasing its utilization of alternate business channels, including digital platforms.

The majority of TCHFL’s AUM comprises home loans, including in the affordable housing segment. As of March 31, 2017, March 31, 2018, March 31, 2019 and September 30, 2019 mortgage loans (comprising home loans and home equity) constituted 88.03 %, 89.54 %, 88.77 % and 87.79 % respectively, of its AUM and construction finance loans constituted 11.97 %, 10.46 %, 11.23 % and 12.21 % respectively, of its AUM. As of March 31, 2017, March 31, 2018, March 31, 2019 and September 30, 2019, its Gross NPAs as a percentage of its outstanding loans were 0.91 %, 1.22 %, 0.90 % and 1.45 % respectively. TCHFL’s borrowings as of September 30, 2019 were Rs 2,612,017 lakh. It rely on long-term and medium-term borrowings from banks and other financial institutions, refinance assistance from the NHB and issuances of non-convertible debentures and commercial papers in capital markets. It has a diversified and stable lender base, comprising banks in the public and private sectors, mutual funds, insurance companies, provident funds, pension funds, multilateral agencies and other financial institutions including NHB.

Financial Performance:
(Rs in Lakhs)

Particulars	Half year ended Sep 30, 2019	Fiscal 2019	Fiscal 2018
Networth	2,49,250	2,17,077	1,59,300
Total Borrowings of which	46,335.88	45,115.83	
Debt Securities (I)	3,77,859	4,02,157	4,27,420
Borrowings (Other than debt securities)	20,16,036	19,67,636	13,32,175
Subordinated liabilities	62,370	62,370	64,870
Property, plant and equipment	2,768	1,827	1,481
Investment Property	387	397	416
Capital work in progress	129	66	174
Intangible assets under development	-	9	725
Other intangible assets	659	714	-
Loans	27,54,588	26,34,805	20,32,904
Other Financial assets	3,204	1,147	566
Other Non-financial assets	14,135	12,882	11,546
Cash and cash equivalents	2,925	13,276	6,952
Bank balance other than above	10,051	51,708	26
Investments	381	369	281
Other Financial liabilities	37,271	30,705	33,068
Non-Financial liabilities	46,442	37,255	38,238
Total income	1,49,489	2,44,001	1,92,701
Revenue from operations	1,47,540	2,38,761	1,89,229
Finance cost	1,10,632	1,77,451	1,35,165
Impairment on financial instruments	17,190	20,210	13,915
Profit for the year from continuing operations	2,370	5,049	8,761
Total Comprehensive Income	2,828	5,000	8,794
Gross NPA (%)	1.45	0.90	1.22
Net NPA (%)	0.53	0.38	0.41
Tier I Capital Adequacy Ratio (%)	13.06	11.94	10.82
Tier II Capital Adequacy Ratio (%)	3.91	4.30	5.65
Yield(%)	10.56	10.19	10.28
Cost Of Borrowing(%)	8.31	8.20	7.95
Net Interest Margin(%)	2.66	2.66	2.97
Cost to Net Total Income(%)	44.57	51.84	45.92
ROA(%)	0.63	0.60	1.00
ROE(%)	6.79	7.68	13.65

Debt Equity Ratio of the Company:

Before the issue of debt securities as at September 30 2019	9.93
After the issue of debt securities as at September 30, 2019	10.73

Competitive Strengths of the company

- Respected “Tata” brand
- Unified financial services platform across Tata group and customer potential
- Strong internal controls and risk management systems
- Prudent credit and information technology policies and processes
- Strong management team
- Diversified funding mix and access to capital
- Strong growth opportunity supported by the Government’s housing policy agenda
- Strong network and pan-India presence

Strategy

- Continue expansion by focusing on home loans and the affordable housing segment
- Leverage technology capabilities
- Leverage financial strength and improved ratings to increase competitiveness, diversify funding mix and reduce funding costs
- Continue to maintain prudent risk management policies for AUM
- Expand network and leverage digital media
- Continue to leverage business relationships with Tata companies and alternative distribution channels to build existing customer base

Key Risks and Concerns:

- Default and non-payment by borrowers and other counterparties;
- Inability to maintain growth;
- Volatility in interest rates, market risks and asset liability management risks;
- Increase in the levels of NPAs in loan portfolio;
- Indebtedness and conditions and restrictions imposed by financing arrangements;
- Difficulties in geographically expanding business and the products offered;
- Risk of inability to raise capital when necessary in order to maintain such capital adequacy ratio;
- Future regulatory changes;
- Periodic inspections by the NHB; and
- Non-renewal of lease or license agreements of the Company or their renewal on terms unfavourable to TCHFL.

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