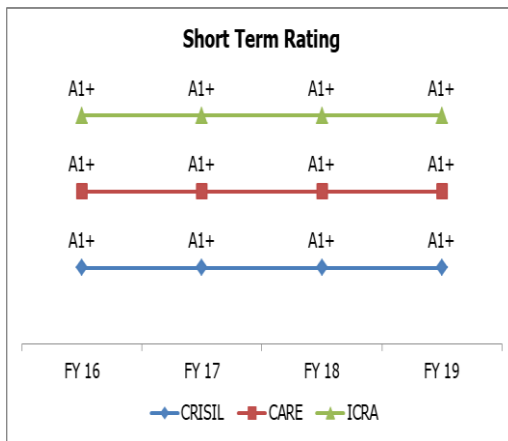
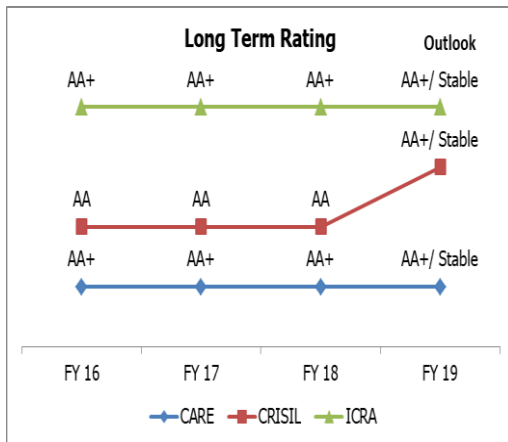


Shareholding pattern as on December 31, 2018

Promoters	100%
-Sundaram Finance Ltd	50.1%
-BNP Paribas Personal Finance	49.9%

Credit Rating History



Financial Performance

Particulars	Rs. Bn		
	H1FY 19	H1FY 18	% chg
NII + Fees	1.7	1.7	2.1
Total Income	4.9	4.6	5.4
Operating Exp (excl. Int)	0.5	0.5	8.5
PAT	0.8	0.9	(6.8)
Networth	11.6	10.7	8.5
Total Debt	76.1	66.0	15.4
Debt/Equity (x)	6.57	6.18	-
Cost to income (%)	26.98	25.00	-
ROA (%)	1.60	1.50	-
RONW (%)	12.50	11.80	-
CAR (%)	22.70	24.80	-
GNPA (%)	3.84	3.66	-
NNPA (%)	1.70	1.74	-

As per IND-AS wherever applicable

Source: Company Reports

Credit Drivers:

- Strong support from the parent:** Sundaram BNP Paribas Home Finance Limited (SBPHFL) is expected to receive strong managerial and financial support from its parent, Sundaram Finance Ltd (SFL; being the majority shareholder in the joint venture). The housing finance business remains an important and integral part of the business for the Sundaram Group.
- Modest asset quality:** SBPHFL's asset quality has moderated over the past few years with Gross NPA (GNPA) and Net NPA (NNPA) of 3.84% and 1.70% respectively as on Sep 30, 2018. The asset quality was largely impacted because of delinquencies in the non-housing segment (31% of AUM as on Sep 30, 2018)
- Diversified resource profile:** SBPHFL has diversified resource profile with NHB Refinance and debentures comprising ~57 percent of total borrowings as on June 30, 2018. SBPHFL also enjoys good financial flexibility by virtue of being a part of SFL and has access to funds at competitive rates of interest
- Comfortable capitalization profile:** SBPHFL is adequately capitalized with a capital adequacy ratio (CAR) of 22.7% as on September 30, 2018. The company's networth and gearing is also comfortable at Rs.11.6 billion and 6.57 times as on Sep 30, 2018
- Moderate profitability indicators with increased credit costs:** SBPHFL has reported modest profit after tax (PAT) and Return on Asset of Rs.0.8 billion and 1.6% respectively as on Sep 30, 2018. The profitability in H1FY19 impacted on account of increase in credit costs.
- Comfortable liquidity position:** SBPHFL faces cumulative negative mismatches in few of the asset liability maturity buckets, which is a characteristic of the HFCs wherein loans extended to clients have long tenures against comparatively shorter tenure of liabilities owing to lack of availability of equally maturing long term funds. Given the financial flexibility enjoyed by Sundaram group, the company is expected to be able to manage its liquidity requirements

About the Company:

Incorporated in 1999, SBPHFL is a medium-sized housing finance company. SFL and BNP Paribas Personal Finance (BNPPPF) hold 50.1% and 49.9% respectively of the equity in the company. As an operational strategy, SBPHFL is focused largely on the four southern states, where SFL has a strong retail customer base. As on March 31, 2018, SBPHFL operated a total of 112 branch offices.

About the Parent:

SFL is the flagship company of the T. S. Santhanam arm of the TVS group; the group's association with the Indian automotive industry covers financing, trading and manufacturing. The company is one of the largest non-banking finance companies (NBFCs) in the country with an asset under management (AUM) of Rs. 281 billion as on December 31, 2018. The company's primary focus is on financing of commercial vehicles and cars

Industry Outlook:

After reporting strong credit growth of 17% in the first half of the FY 2019, the HFC credit growth has crimped in second half on account of tight liquidity situation and asset quality pressures. The HFCs growth is expected to moderate to 13-15% in FY20 given the continued liquidity crisis and competitive pressure, especially from private banks and potentially from large PSU banks. Aggravating the difficulties will be a likely pressure on the asset quality front due to the weak operating environment (slowdown in the real estate sector), with overall NPAs expected to shoot up to 1.8% in the medium term as against present 1.4%.

From a funding mix perspective HFCs have relied heavily on securitization as their preferred source of financing following the liquidity squeeze, along with raising long-term funds from banks and capital markets at higher cost to maintain ALM. Relatively lower reliance on short-term borrowings while maintaining on-balance sheet liquidity is expected to impact the profitability of the sector. Increase in cost of funds and asset quality pressure will result in margins declining and moderation of profit levels to 14 per cent levels in FY19 and FY 20, from 18 per cent in the year-ago period. However, the proposed National Housing Bank amendments in capital adequacy, deposit mobilization and leverage norms are positives for HFCs over the medium term

Key Credit Drivers:

Strong support from the parent: SBPHFL benefits from the management and operational support it receives from its majority stakeholder, SFL, one of the leading NBFC in India. While SFL funds commercial vehicles (CVs) and cars, SBPHFL extends SFL’s retail-lending business domain to the housing finance space. The group considers home finance as an integral part of its business profile. SBPHFL also benefits from SFL’s brand equity and customer loyalty. The company also has access to SFL’s retail customer base and branch network. Further, SBPHFL utilizes the services and infrastructure of Sundaram Direct, a division of SFL, to source its business. In the past, SBPHFL also raised long-term loans and equity from International Finance Corporation (IFC), drawing on the strength of SFL.

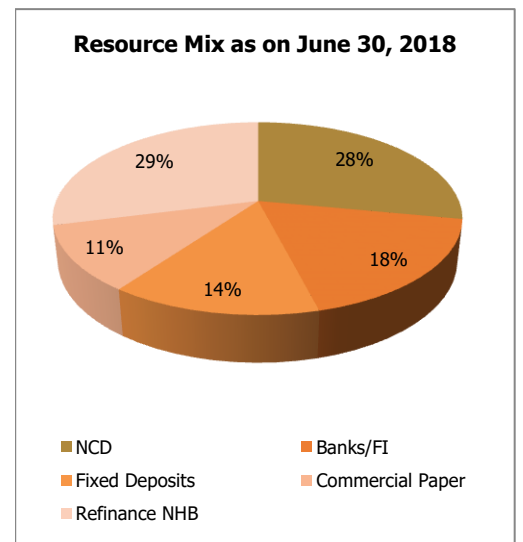
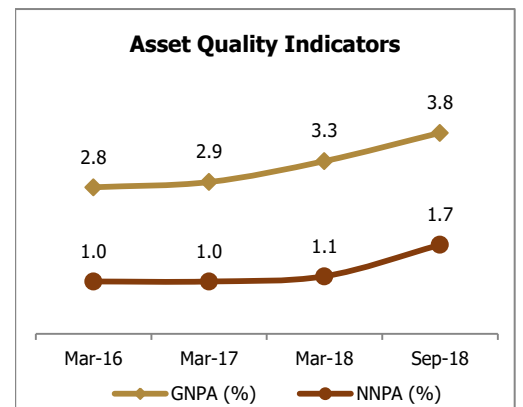
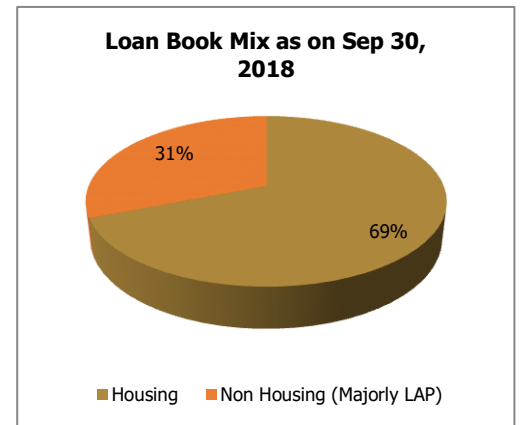
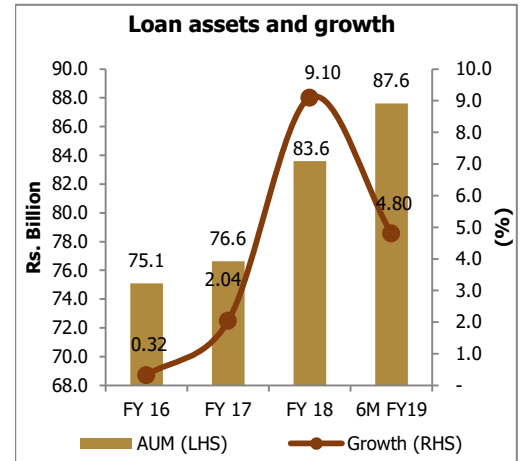
The company has a regional presence, with a network of 112 branches, mostly located in South India. The five southern states accounted for 95% of the portfolio as in March 2018. While Tamil Nadu accounted for 51% of the loan book, Andhra Pradesh and Telangana, Karnataka and Kerala accounted for 20%, 11% and 13%, respectively, indicating considerable concentration in Tamil Nadu. Over the medium term, the company is likely to continue to focus on the southern states and increase penetration in its existing areas of operations, particularly where SFL has an established presence.

Modest asset quality: SBPHFL’s asset quality has moderated over the past few years, with gross NPAs increasing to 3.71% as in December 2018 (3.3% in March 2018 & 3.8% as on Sep 30, 2018) from 2.5% as in March 2015. The asset quality was impacted largely because of delinquencies in the non-housing segment (31% of AUM as in September 2018). The company has initiated legal recoveries predominantly via the SARFAESI act. While the recoveries have been limited so far, the pace of recovery is expected to improve gradually, given that the company has taken possession of properties/ awaits a final court order, together constituting about 58% of the outstanding gross NPAs as in March 2018.

Diversified resource profile: SBPHFL’s funding profile is fairly diversified with NHB refinance and debentures constituting 29% and 28% of the total borrowings respectively as in June 2018, followed by banks, fixed deposits and commercial paper at 18%, 14% and 11% respectively. The company’s weighted average cost of funds remained stable in the range of 7.8-7.9% during FY2018-H1FY2019. The company’s access to diverse funding sources coupled with its strong franchise provides comfort on the financial flexibility.

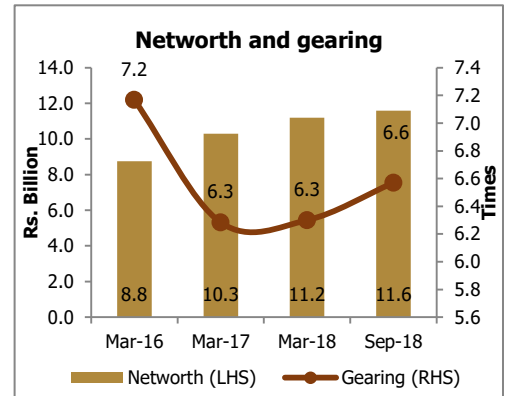
Moderate profitability indicators with increased credit costs: SBPHFL’s net interest margin remained largely stable at ~3.5% in H1FY2019 (3.3%-3.5% during FY2017-FY2018), which, along with the steady operating cost structure (1.0-1.1% of average assets over the past few years) resulted in a comfortable pre-provision operating profit of 2.8% in H1FY2019 (2.6%- 2.8% during FY2017-FY2018) Profitability was however impacted with ROA of 1.6% in H1FY2019 (1.63% in FY2018) vis-à-vis 1.96% in FY2017, on account of increase in credit cost (0.5% in H1FY2019, 0.5% in FY2018 vis-à-vis 0.2% in FY2017). Nonetheless, the profitability remains adequate and the cash accruals are expected to support the envisaged portfolio expansion of 10-15% over FY2019-FY2021.

Comfortable capital profile: Tier I and total capital adequacy ratios of the company were comfortable at 21.2% and 24.3%, respectively, as on March 31, 2018 (20.9% and 24.8%, respectively, as on March 31, 2017). CAR was at 22.7% as on September 30, 2018. The gearing stood at 6.3 times as on March 31, 2018 (6.3 times as of March 31, 2017); it continues to be moderate at 6.6 times as on September 30, 2018. Network coverage for net non-performing assets (NPAs) remained comfortable at 7.7 times as on March 31, 2018 as compared with 6.9 times as on March 31, 2017.

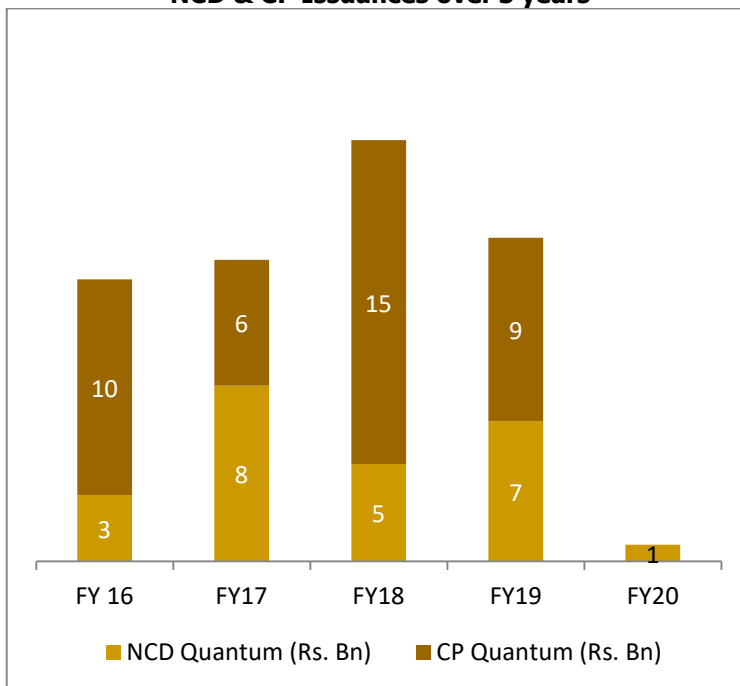


Comfortable liquidity position: SBPHFL faces cumulative negative mismatches in few of the asset liability maturity buckets, which is a characteristic of the HFCs wherein loans extended to clients have long tenures against comparatively shorter tenure of liabilities owing to lack of availability of equally maturing long term funds. Given the financial flexibility enjoyed by Sundaram group, the company is expected to be able to manage its liquidity requirements.

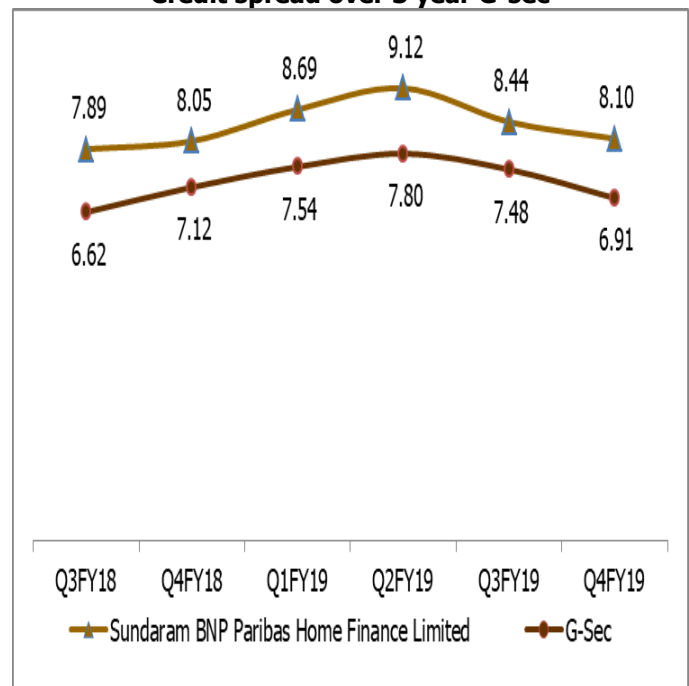
Professional management with extensive experience: SBPHFL's management team comprises of personnel with healthy experience in the sector and has remained with the company for a long time. Management has taken prudent measures to slow down its loan book, mainly in the non-housing segment considering the asset quality pressures. The management has also been able to build strong relationships with lenders and diversify its resource profile and tap a good mix of retail and wholesale funding.



Name	Designation
Mr. S Viji	Chairman
Mr. T T Srinivasaraghavan	Director (MD - SFL)
Mr. Srinivas Acharya	Managing Director
Mr. Anthony Colwyn-Thomas	Director
Mr. Patrick Miron de L'Espinay	Director
Mr. N Ganga Ram	Independent Director
Mr. P. N. Venkatachalam	Independent Director

NCD & CP Issuances over 5 years


Source: NSDL, Prime Database

Credit spread over 3 year G-sec


Source: Reuters

Latest Issuance:

Name	Type	Date	Tenor	Coupon (%)	Quantum (Rs. Bn)
SBPHFL (Primary)	Secured	Apr 11, 2019	3 Yr 0 Months	8.40 p.a.	0.80
SBPHFL (Primary)	Secured	Mar 20, 2019	1 Yr 6 Months	8.40 p.a.	1.00
SBPHFL (Primary)	Secured	Feb 08, 2019	2 Yr 3 Months	8.78 p.a.	0.50

Other Information:

Auditors	M/s. Sundaram & Srinivasan
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Financials: (Standalone as per IGAAP)
Profit & Loss Statement

Particulars (in Bn)	FY16	FY17	FY18
Operating Income	9.27	9.22	8.95
Other Income	0.00	0.01	0.04
Total Income	9.27	9.23	8.98
Employee Cost	0.39	0.43	0.49
Operating & Establishment Expenses	0.21	0.24	0.25
Administrations & Other Expenses	0.08	0.08	0.10
Provisions and Contingencies	0.15	0.17	0.42
Miscellaneous Expenses	0.05	0.07	0.09
Total Expenditure	0.87	0.99	1.36
Operating Profit	8.40	8.24	7.62
Interest	6.03	5.83	5.58
Depreciation	0.04	0.04	0.05
Profit Before Taxation & Exceptional Items	2.33	2.37	1.99
Profit Before Tax	2.33	2.37	1.99
Provision for Tax	0.81	0.83	0.63
Profit After Tax	1.53	1.54	1.36

Key Ratios

Particulars	FY16	FY17	FY18
Spread Analysis (%)			
Interest Earned/ Avg. Assets (%)	11.24	10.95	10.05
Interest Expended/ Avg. Assets (%)	7.94	7.43	6.67
Net Interest Margin (NIM (%))	3.30	3.51	3.38
Operational & Financial Ratios			
Earnings Per Share (Rs)	15.08	15.17	13.47
DPS(Rs)	3.50	0.00	3.50
Book Value (Rs)	86.40	101.57	110.83
Performance Ratios			
ROA (%)	2.01	1.96	1.63
ROE (%)	18.63	16.15	12.68
Financial Stability Ratios			
Total Debt/Equity(x)	7.20	6.32	6.28

Peer Comparison as on March 31, 2018

Particulars (in Bn)	Sundaram			Repco Home
	BNP	ICICI home		
Total Income	8.98	9.76	11.08	
NII	2.82	2.89	4.29	
PAT	1.36	0.64	2.06	
Equity	11.2	16.13	13.28	
Debt	70.33	81.81	81.37	
CRAR (%)	24.30	27.00	21.30	
GNPA (%)	3.30	1.60	2.60	
NNPA (%)	1.10	0.70	1.40	
ROE	12.68	4.05	16.72	
ROA	1.63	0.65	2.17	
Leverage	6.28	5.15	6.13	

Source: Company Reports, ACE Equity, Figures are on standalone basis, *Equity is adjusted for any miscellaneous expenditure written off and revaluation reserves and hence, there can be difference in reported networth and equity capital

Information Source: Ace Equity, Company Reports, IBEF, NSDL, Prime Database, Bloomberg, Thomson Reuters, Rating Agencies, CRISIL

Balance Sheet

Particulars (in Bn)	FY16	FY17	FY18
EQUITY AND LIABILITIES			
Share Capital	1.0	1.0	1.0
Shareholder's Funds	8.8	10.3	11.2
Long-Term Borrowings	39.8	46.7	43.6
Other Non-Current Liabilities	2.3	2.4	2.3
Total Non-Current Liabilities	42.2	49.1	45.9
Other Current Liabilities	21.5	14.3	23.0
Short Term Borrowings	4.5	6.3	7.2
Total Current Liabilities	26.0	20.6	30.2
Total Liabilities	76.9	79.9	87.3
ASSETS			
Net Block	0.2	0.2	0.2
Capital Work in Progress	0.0	0.0	0.0
Other fixed assets	0.0	0.0	0.0
Non-Current Investments	0.8	0.8	0.9
Long Term Loans & Advances	65.3	67.8	75.0
Other Non-Current Assets	0.0	0.0	0.0
Total Non-Current Assets	66.3	68.8	76.2
Cash and Bank	2.9	1.5	2.7
Other Current Assets	2.4	3.9	1.8
Short Term Loans and Advances	5.3	5.7	6.6
Total Current Assets	10.6	11.1	11.2
Miscellaneous Expenses not written off	0.0	0.0	0.0
Total Assets	76.9	79.9	87.3

Cash flow Statement

Particulars (in Bn)	FY16	FY17	FY18
Profit Before Tax	2.33	2.37	1.99
Adjustment	0.48	-0.23	5.76
Depreciation	0.04	0.04	0.05
Dividend Received	-0.11	-0.12	0.00
Interest Income	-5.40	-5.94	-0.12
Provision & Written Off	0.14	0.15	0.38
Bad debts irrecoverable written off	0.00	0.00	0.00
Provision for doubtful debts & advances	0.00	0.00	0.00
Other Adjustments	5.81	5.63	5.45
Changes In working Capital	0.14	-8.50	-1.05
Cash Flow after changes in Working Capital	2.94	-6.37	6.70
Tax Paid	-0.82	-0.77	-0.76
Extra & Other Item	0.00	0.00	-5.64
Cash From Operating Activities	2.12	-7.13	0.30
Cash Flow from Investing Activities	-0.32	-0.94	2.25
Purchase of Fixed Assets	-0.16	-0.07	-0.05
Sale of Fixed Assets	0.00	0.00	0.00
Purchase of Investment	-0.27	-1.01	-0.15
Sale of Investments	0.00	0.01	2.33
Investment in Subsidiaries	0.00	0.00	0.00
Dividend Income	0.00	0.00	0.00
Interest Income	0.11	0.12	0.12
Other Investment Activities	0.00	0.00	0.00
Cash from Financing Activities	-4.17	8.18	-2.59
Net proceeds from borrowings & pref. shares	-3.74	8.61	-2.16
Net proceeds Equity Share Capital	0.00	0.00	0.00
Other Financial Activities	-0.43	-0.43	-0.43
Net Cash Inflow / Outflow	-2.36	0.11	-0.03
Opening Cash & Cash Equivalents	2.64	0.28	0.38
Closing Cash & Cash Equivalent	0.28	0.38	0.35

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