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**Baseline Financial Profiles of Housing Finance Companies
in India**

JPS Associates
New Delhi

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USAID Project No. 386-0526-00-C-2295-00

NAMES OF HFC AND ABBREVIATIONS USED

1. AANVL - AKSHYA AVAS NIRMAN VITTA LIMITED
2. ABHFL - ANDHRA BANK HOME FINANCE LIMITED
3. CBKHFL - CENT - BANK HOME FINANCE LIMITED
4. CFHL - CAN FIN HOMES LIMITED
5. DHFL - DEWAN HOUSING FINANCE LIMITED
6. FGHFL - FAIRGROWTH HOUSING FINANCE LIMITED
7. GRUH - GUJARAT RURAL HOUSING FINANCE CORPORATION LIMITED
8. HDFC - HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED
9. IHFD - INDIA HOUSING FINANCE AND DEVELOPMENT LIMITED
10. INDBHFL - IND BANK HOUSING FINANCE LIMITED
11. LICHFL - LIC HOUSING FINANCE LIMITED
12. PARSHFL - PARSHWANATH HOUSING FINANCE LIMITED
13. PNBHFL - PNB HOUSING FINANCE LIMITED
14. SAYAHFL - SAYA HOUSING FINANCE LIMITED
15. SBIHFL - SBI HOME FINANCE LIMITED
16. VBHFL - VYSYA BANK HOUSING FINANCE LIMITED
17. GIC - GIC - GRIH VITTA LIMITED

BASELINE FINANCIAL PROFILES OF HFCs IN INDIA

1.1. INTRODUCTION

In the last decade, it has become increasingly evident that there are inherent disadvantages in excessive regulations and controls in the economy. More and more countries are realising that the economic forces should be market driven. In India too, it is felt that only a financially sound, market-oriented housing finance system would ultimately answer the snow-balling demand for housing. The Government through its agencies should act as a facilitator rather than a lender creating a financial, legal and regulatory environment that attracts private participation and enhances resource mobilisation.

Therefore, a serious effort is necessary to expand the number of HFCs in urban and rural areas and to improve the viability of their financial structures. Continuous stimulation of market is necessary through appropriate instruments, systems and procedures.

USAID's association with the Indian housing sector is almost a decade old. Initially, USAID supported Housing Development Finance Corporation (HDFC) under its housing programme. On establishment of National Housing Bank (NHB) in 1988, its policy has been to collaborate with NHB and has embarked on a 5 year Housing Finance Expansion Programme with the long term objective of increasing the availability of formal housing finance to low-income households nation-wide. The purpose of the programme is to promote a financially sound, market-oriented housing finance system which makes long term shelter finance available to a wide range of households, particularly those below the median income.

1.2. PROGRAM DESCRIPTION

The program seeks to develop a system of market-oriented housing finance companies by (1) providing critically-needed lending capital to meet near-and mid-term needs of eligible companies serving a number of geographic areas; (2) fostering a relationship between recent entrants to the sector and NHB in order to improve the new firms' ability to mobilise resources, manage their portfolios, increase lending to low income

households, and operate more effectively within the existing public policy environments; and (3) addressing a number of sectoral constraints on expanding the system, through technical assistance and training.

1.3. QUALIFIED SUB-BORROWERS

Companies desirous of accessing funds under the programme need to demonstrate to NHB that they conform to certain minimum standards which indicate their financial integrity and soundness. These standards are stated in section 8.

In addition, standards are determined for companies to maintain a reserve for bad and doubtful debts, and to maintain an adequate spread between cost of borrowings and return on loans.

Companies which fulfil these conditions are then subject to appraisal by NHB. They are eligible to borrow under the housing programme subject to (1) satisfying NHB's own criteria for assessing commercial risk and (2) other conditions specified in the Housing Program Agreement.

1.4. MEDIAN INCOME:

The HG program is designed to expand the opportunity for low income households to obtain finance. Mortgages eligible for HG financing include those made

to households at and below the urban median income. For the current program, the urban median income is defined as Rs. 2,800 per month per household.

1.5. NEED FOR STUDY

In this perspective, a Baseline Financial Profile Study has been undertaken with the objective of establishing baseline financial data for HFCs as of 31 March 1992. The study forms part of USAID Housing Finance Expansion Project with NHB as the implementing agency. It will serve the following multiple purposes:

- * to establish an initial position of the industry to permit measurement of changes.
- * to create project records with regard to minimum standards required by NHB for qualified sub-borrowers.
- * to form the quantitative basis for analysis of the demand for NHB refinancing.

THE STUDY

The Baseline financial profile study seeks to respond to specific points referred to in the scope of work in the following pages based on vast volume of data collected from various Housing Finance Companies. Out of the 17 approved HFCs, 16 responded to the detailed questionnaire sent out to them. IHFL, somehow,, did not respond. The study presented here, therefore, provides the initial position with regard to 16 Housing Finance Companies. The position may be said to be representative of the existing housing finance scenario in the country. This does not take into account the non-formal sector like private builders. It also does not provide an absolutely total picture of the formal housing finance scenario as one HFC did not respond (though IHFL is not a large HFC) and also due to soft data base. In certain cases, where HFCs did not provide figures for specific questions, the data is only representative. To facilitate representativeness, places where amounts were large but data was not available in the desired formats, approximations have been arrived at. In places, where amounts

were small and data not available, these have been ignored. At times, there were glaring discrepancies in the figures provided in the questionnaires and those available in the Annual Reports. Figures having maximum probability of reliability have been used. Therefore, it is suggested that the picture presented is indicative of the housing finance scenario in the country.

The study also presents enormous data collected through questionnaires and tabulated on 15 worksheets providing insights into various aspects of the Housing Finance Companies.

1. GEOGRAPHICAL SPREAD OF HFCs

HEAD OFFICES:

- Of the 17 HFCs in India, 13 have their head offices in south and West India. Bombay has 4, while Ahmedabad and Bangalore have 3 each.
- No HFC has head office in the 7 North Eastern states. The most populous state of Uttar Pradesh also does not have any head office of an HFC.

(Please see Map No. 1)

BRANCH NET-WORK

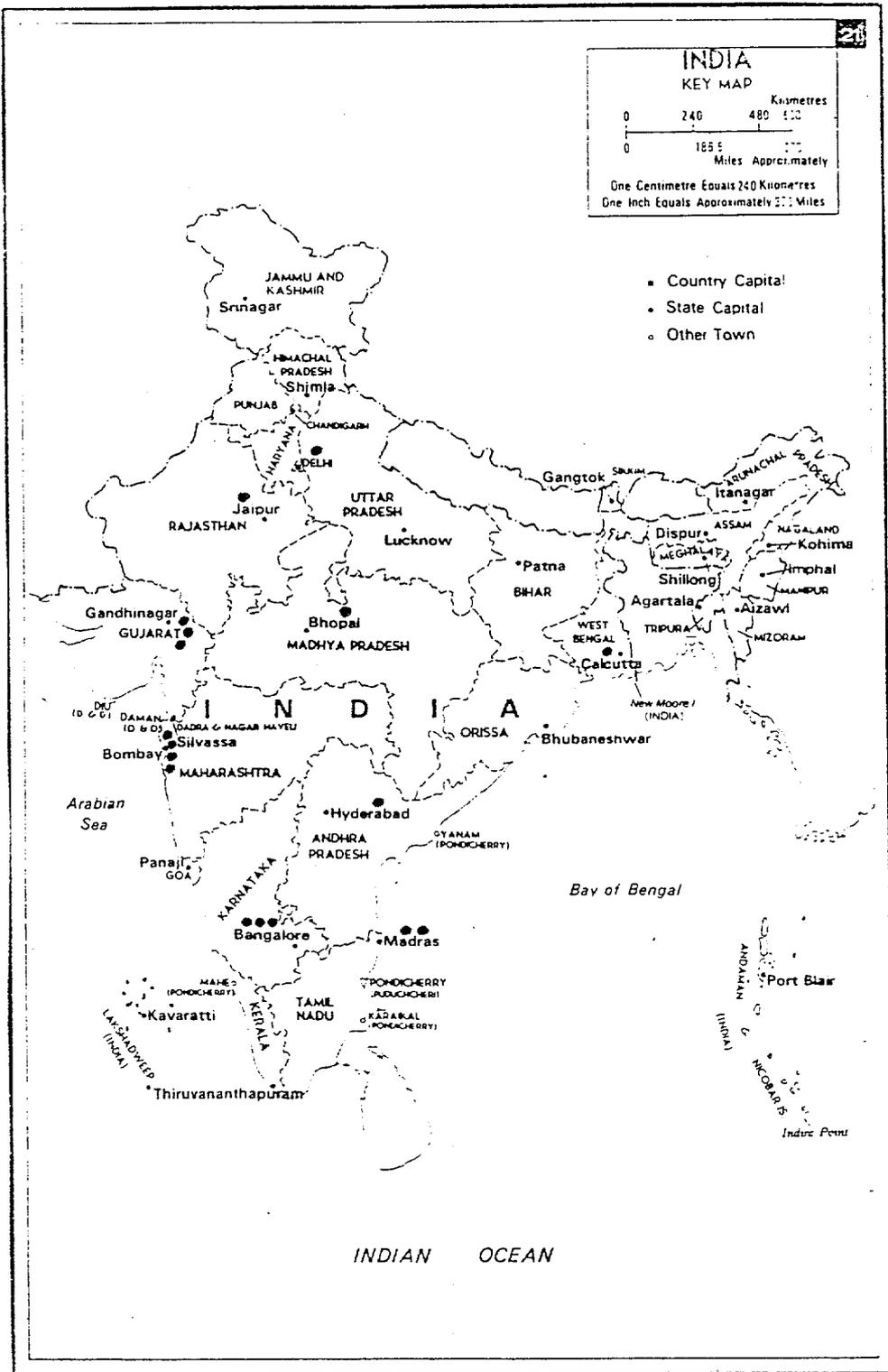
- The branch net-work of HFCs also follows a similar pattern as that of head offices. It is wide spread in South and West India.
- States of Gujarat, Maharashtra, Karnataka, Tamil Nadu, Andhra Pradesh and Kerala have predominant share of the total branches all over the country.
- There is no branch in Jammu and Kashmir as also in six states of North East viz. Arunachal Pradesh, Nagaland, Manipur, Mizoram, Meghalaya, Tripura, Assam, however, has 4 branches.
- Sikkim also does not have any branch.

- LICHFL has the largest network covering 17 states with 37 area offices followed by HDFC (26) CFHFL (24) and PNB (10)
(Please see Map No.2)

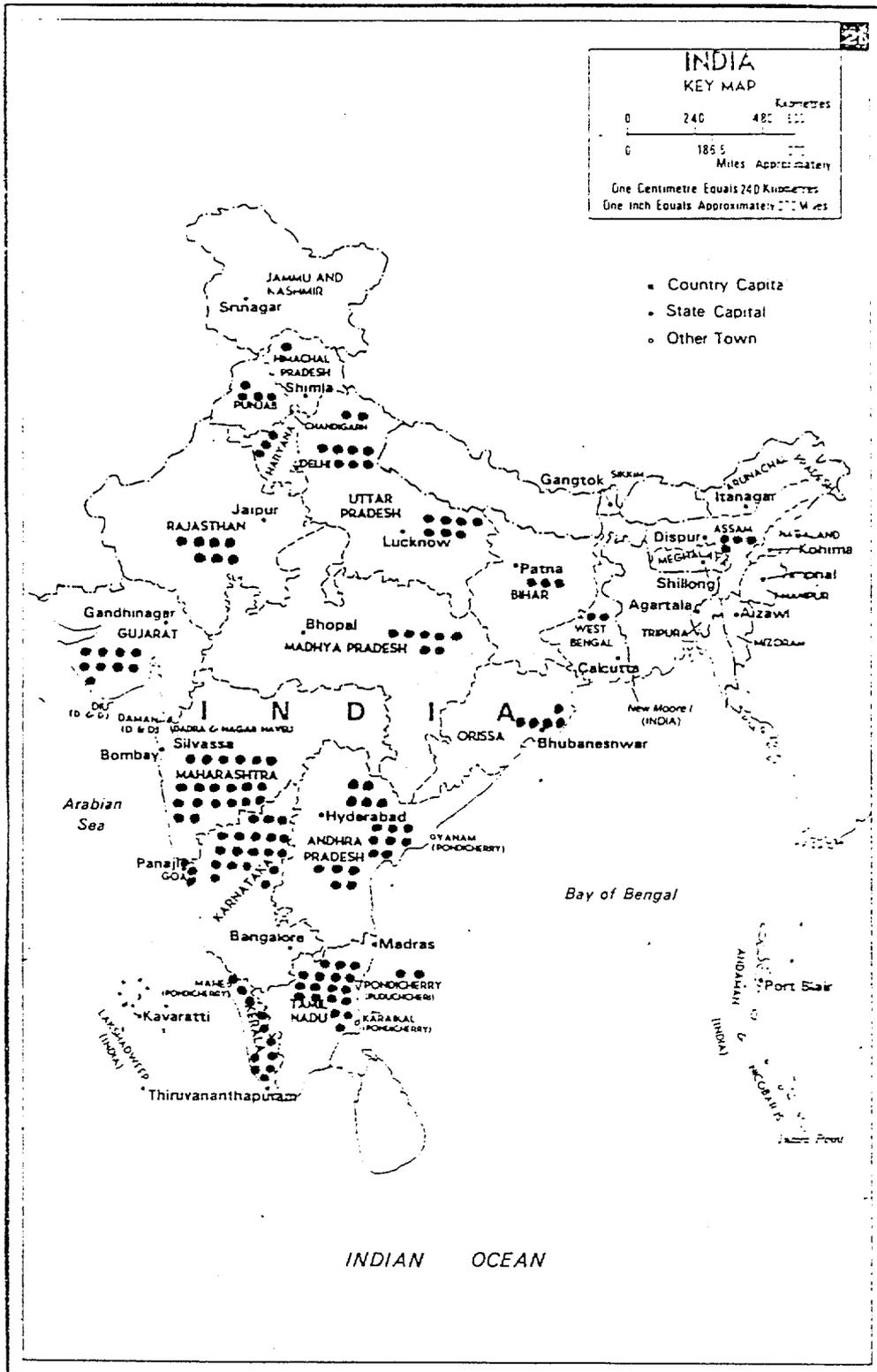
REPRESENTATIVE OFFICES

There were 37 representative offices of HFCs. There are field officers attached to each office, attending to marketing of loans and deposit schemes
(Please see Map No. 3).

HEAD OFFICES



BRANCH OFFICES



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DEPOSIT AND MORTGAGE LENDING RATES

2. Deposit and mortgage lending rates for the Housing Finance Companies (HFCs) are not market driven and are guided by directions issued by RBI/NHB.

a. DEPOSIT RATES:

Deposit rates are administered by RBI/NHB guidelines. However largest volume of deposits mobilised by HFCs is in the interest range of 14% to 15%. The amount of deposit mobilised in the range is Rs. 46175.49 lakhs. This constitutes 42.19% of total deposits of HFCs at Rs. 109445.33 lakhs (Please see Table No.1).

b. LENDING RATES

Lending rates charged by HFCs on housing loan as prescribed by RBI effective in 1991-92 were as under:

Amount of loan	Rate of interest (%)
Upto and inclusive of Rs. 7,500	10.0
Over Rs. 7,500 and upto Rs. 15,000	11.5
Over Rs. 15,000 and upto Rs.25,000	12.0
Over Rs. 25,000 and upto Rs.50,000	14.0
Over Rs. 50,000 and upto Rs. 1.00 lakh	14.5
Over Rs. 1.00 lakh and upto Rs. 2.00 lakhs	15.0
Over Rs. 2.00 lakhs	min. 16.0

There was a floor rate of 16% for loan amounts of Rs. 2.00 lakhs and above. Maximum loans were approved in the lending rate range of 15% and quantum of loan ranged from Rs. 65,000.00 to Rs. 1 lakh, total amount being Rs. 37476.85 lakhs constituting 36.74% of total loans sanctioned.

It is also observed that HFCs put together charged above 16% on a loan amount of Rs. 11654.29 lakhs. The lending rate ranged from 16% to 18.5%.

Table 2 presents size wise classification of loan sanctioned by HFCs during the year 1991-92.

TABLE 1

PARTICULARS OF DEPOSITS UNDER DIFFERENT INTEREST RATE SLABS DURING 1991-92 BY VARIOUS HFCs

Name of HFC	(Rupees in Lakhs)																	
	18% and below			Above 18% up to 12%			Above 12% upto 14%			Above 14% upto 15%			Above 15%			Total		Grand Total Amount
From HH Amount	Others Amount	Total Amount	From HH Amount	Others Amount	Total Amount	From HH Amount	Others Amount	Total Amount	From HH Amount	Others Amount	Total Amount	From HH Amount	Others Amount	Total Amount	From HH Amount	Others Amount	Total Amount	
AAHFL	NIL	NIL	0	NIL	NIL	0	NIL	NIL	0	NIL	NIL	0	NIL	NIL	0	0	0	0
ABHFL	0.84	NIL	0.84	NIL	2	2	50.68	662.28	712.96	169.5	225	394.5	NIL	NIL	0	0	0	0
CBHFL	NIL	NIL	0	NIL	NIL	0	NIL	NIL	0	NIL	NIL	0	NIL	NIL	0	228.22	889.28	1109.5
CPHFL	53.79	52.62	106.41	848.24	284.35	1124.59	3457.92	2368.5	5826.42	66.87	3687.15	3754.82	NIL	2681.37	2681.37	4418.82	9873.99	13492.81
DHFL	0.39	NIL	0.39	6.96	NIL	6.96	17.68	NIL	17.68	1257.32	188	1445.32	NIL	NIL	0	1282.35	188	1478.35
FBHFL	NIL	NIL	0	15.35	NIL	15.35	NIL	NIL	0	183.83	1.8	185.63	NIL	288.92	288.92	199.18	282.72	481.9
GRHFL	NIL	NIL	0	NIL	NIL	0	0.12	NIL	0.12	2.79	NIL	2.79	NIL	NIL	0	2.91	500	502.91
HDFC +	6355.4		6355.4	6926.81		6926.81	38297.16		38297.16	39822.76		39822.76	1767.62		1767.62	12599.67	74512.43	87112.1
INDHFL	NIL	NIL	0	0.83	NIL	0.83	35.71	NIL	35.71	161.45	NIL	161.45	NIL	138	138	197.19	138	327.19
LICHFL	NIL	NIL	0	NIL	NIL	0	NIL	NIL	0	NIL	NIL	0	NIL	NIL	0	16.66	0	16.66
PARSHFL	NIL	NIL	0	NIL	NIL	0	NIL	NIL	0	NIL	NIL	0	NIL	NIL	0	0	0	0
PNHFL	0.57	NIL	0.57	1.25	86.73	87.98	48.88	NIL	48.88	536.12	NIL	536.12	NIL	NIL	0	0	0	0
SAYANFL	NIL	NIL	0	NIL	NIL	0	NIL	NIL	0	NIL	NIL	0	NIL	NIL	0	578.82	86.73	664.75
SBHFL \$	4.14	NIL	4.14	NIL	NIL	0	11.72	115	126.72	338.38	334.52	672.9	NIL	3485.72	3485.72	359.14	3988.82	4267.16
VBHFL	NIL	NIL	0	NIL	NIL	0	NIL	NIL	0	NIL	NIL	0	NIL	NIL	0	0	0	0
GIC	NIL	NIL	0	NIL	NIL	0	NIL	NIL	0	NIL	NIL	0	NIL	NIL	0	0	0	0
Total	6414.33	52.62	6466.95	7789.84	373.88	8162.92	33911.87	3145.78	37856.85	41739.82	4436.47	46175.49	1767.62	6498.81	8265.63	19874.16	89571.17	109445.33

+ HDFC has not provided break-up of deposits under different interest rates

\$Total deposits are Rs.4267.11 lakhs as shown both in the questionnaire as also in the Annual Report, though the total in the table adds upto Rs. 4287.49 lakhs. Hence, we have taken the consolidated figure of Rs.4627.11 Lakhs

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TABLE 2
 SIZE WISE CLASSIFICATION OF LOANS SANCTIONED
 DURING 1991-92 BY HFCs

Name of HFC	Loan Sanctioned For the year Rs.65,000 and below Amount	Loan Sanctioned For the year Rs.65,000 to Rs.1,00,000 Amount	Loan Sanctioned For the year Rs.1,00,000 to Rs.2,00,000 Amount	Loan Sanctioned For the year Rs.200,000 to Rs.500,000 Amount	Loan Sanctioned For the year Above Rs.500,000 Amount	(Rs.in lakhs)
AANVL	43.00	131.55	125.50	30.95	NIL	
ABHFL	2971.30	182.35	309.57	75.00	NIL	
CBKHFL	4.07	29.00	19.25	28.25	NIL	
CFHL	1477.90	2343.30	3241.29	1737.63	NIL	
DHFL	1320.00	3739.00	1686.00	587.00	NIL	
FGHFL	293.85	68.86	181.69	350.33	44.00	
GRUH	562.16	227.57	8.95	NIL	NIL	
HDFC	6157.27	12151.60	10598.62	4590.16	NIL	
LICHFL	4174.00	17184.00	16252.00	4392.00	NIL	
PARSHFL	NIL	125.00	475.00	NIL	NIL	
PNBHFL	64.30	80.60	42.71	2.70	NIL	
SAYAHFL	5.85	26.35	29.10	NIL	NIL	
SBIHFL	369.68	713.45	966.97	152.30	NIL	
GIC	473.20	474.22	483.27	192.27	NIL	
Total	17916.58	37476.85	34419.92	12138.59	44.00	

INDBHFL and VBHFL have not provided the size wise break up for the total loan.

TOTAL LOAN VOLUME SANCTIONED

3. The total loan volume sanctioned by 16 HFCs (IHFD not included) constituted Rs. 145351.92 lakhs during the year ending March 31, 1992. Of this, the share of household borrowers was Rs. 100601.29 lakhs constituting 69.21% of total loans sanctioned. For details please refer to Table 3.

It is observed that among major HFCs, the percentages of loans sanctioned to household borrowers to total loans were 80 (CFHL), 75 (HDFC), 74.2 (LICHFL) and 83.33 (DHFL). The highest percentage was of PARSHFL at 92.31 while the lowest was of PNBHFL at 3.33.

Loans sanctioned to household borrowers

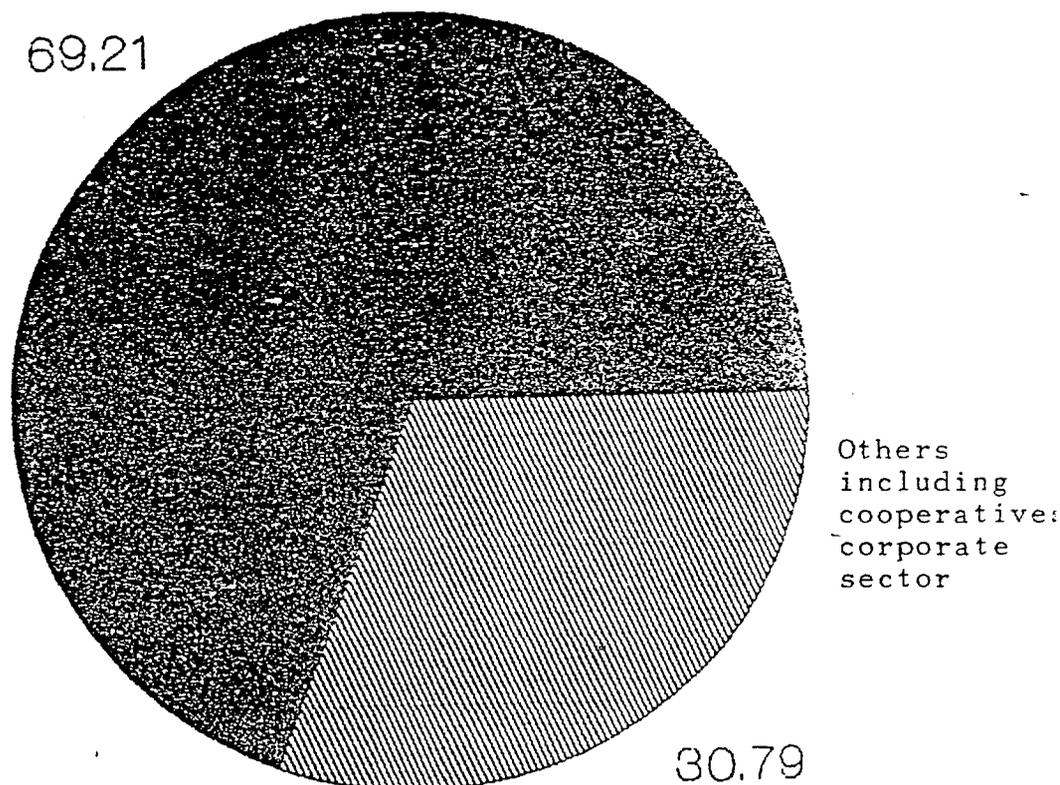


TABLE 3

LOANS SANCTIONED (HOUSEHOLD AND TOTAL) DURING THE YEAR 1991-92

(Rs. in lakhs)

Name of HFC	Household Loan		Total Loan		! as % of 2
	No of A/Cs	Sanctioned Amount (1)	No of A/Cs	Sanctioned Amount (2)	
AAHFL @	340	331.00	--	1292.00	25.62
ABHFL	320	335.10	36953	3538.22	9.47
CBKHFL †	59	80.57	--	96.68	83.34
CFHL	--	7040.00	10623	8800.19	80.00
DHFL †	10293	7332.00	--	8798.40	83.33
FGHFL	2597	938.73	2651	1409.23	66.61
GRUH @	1624	798.68	3489	1816.73	43.96
HDFC @	36205	33497.65	95327	44663.53	75.00
INDBHFL †	1781	3412.87	--	3924.80	86.96
LICHFL @	42240	42002.00	42244	56603.00	74.20
PARSHFL	--	600.00	--	650.00	92.31
PNBHFL @	358	190.31	--	5717.00	3.33
SAYAHFL †	56	61.30	--	70.49	86.96
SBIHFL @	2383	2202.40	11162	4000.00	45.88
VBHFL	--	155.72	--	194.65	80.00
GIC @	2626	1622.96	--	2977.00	54.52
Total	100882	100601.29	202449	145351.92	69.21

† Some HFCs have not furnished figures relating to total sanctioned volume of loans or loans approved to household borrowers. These have been calculated as percentage similar to the one given in their annual reports.

@Figures relating to total sanctioned volume of loans taken from their annual report

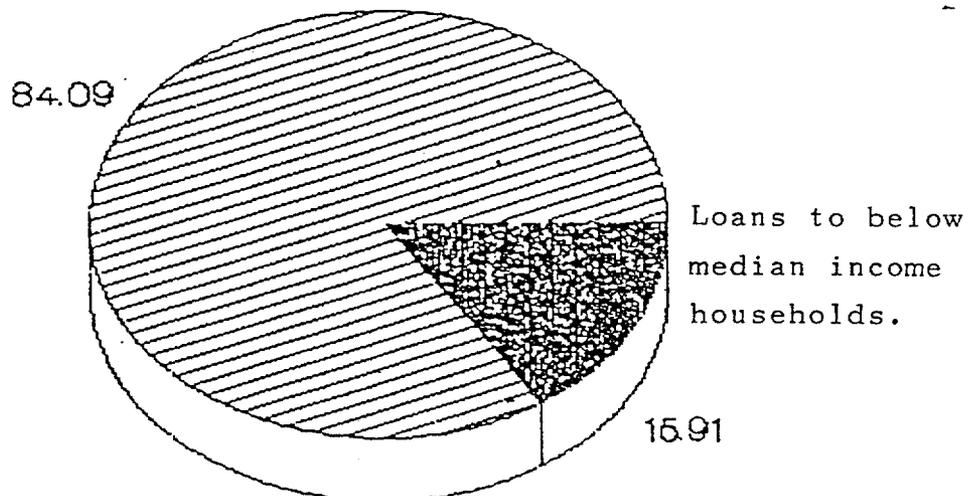
TOTAL LOAN VOLUME SANCTIONED
TO BELOW MEDIAN INCOME HOUSEHOLD

4. Total loan volume sanctioned in the year 1991-92 to below median* income households was Rs. 23121.95 lakhs (Figures for AANVL, CFHL, PNBHFL and VBHFL are not available).

This constitutes 15.91 percent of total loan volume of Rs. 145351.92 lakhs sanctioned during the year 1991-92. (Refer table 4).

It is observed that LICHL sanctioned 9.53% of its loans and 17.71% of its accounts while HDFC sanctioned 24% of its loans and 15.73% of its accounts to below median income households. The figure was highest in case of ABHFL which sanctioned 74.51% of its loans and 95% of its accounts to below median income households.

Loan volume sanctioned to below median income households



* Median income has been defined as Rs. 2800.00 per month per household for the purpose of this study. 23

TABLE 4

Particulars of loan sanctioned to below
median income households.

Name of HFC	Sanctioned For the yr. Less than Rs 2000 No of A/Cs	% of Total Accounts	Sanctioned For the yr Income Less than Rs.2000 Amount (Rs. in lakhs)	% of Total loans
AHBFL	35400	95.00	2636.40	74.51
CBKHFL	14	--	10.17	10.52
DHFL	4630	--	3120.00	35.46
FGHFL †	16	0.60	7.50	0.53
GRUH	1122	32.16	494.59	27.22
HDFC	14994	15.73	10719.26	24.00
LICHFL	7481	17.71	5395.00	9.53
SAYAHFL	6	--	2.55	3.62
SBIHFL	557	5.00	299.43	6.24
GIC	1689	--	437.05	14.60

These above figures are not available with AANVL, CFHL, INDBHFL, PARSHFL, PNBHFL
and VBHFL.

†Figures are for Rs.2000 and below

5. Resource composition

Total resource mobilisation of 16 HFCs as on March 31, 1992 stood at Rs. 374718.18 lakhs. Of this, equity capital (Share capital + reserves) was Rs. 31396.30 lakhs constituting 8.37 per cent of total resources.

Resources mobilised through bonds and other instruments like debentures were Rs. 31576.35 lakhs constituting 8.43 per cent of total resources. Almost all of this was raised by HDFC.

Loans from commercial banks accounted for Rs. 30292.65 lakhs constituting 8.08 per cent of total resources. The share of HDFC was Rs. 19922.17 lakhs, which was 65.77 per cent of loans from commercial banks.

Loans from term - lending financial institutions like LICICI, GICI & UTI (non-bank banks) were Rs. 58824.97 lakhs constituting 15.7 per cent of total resources, and refinance availed from NHB was Rs. 49406.60 lakhs which was 13.18 per cent of total resources.

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Deposits accounted for the largest share in resource mobilisation at Rs. 10945.33 lakhs constituting 29.21% of total resources. The largest deposit base was of HDFC followed by CFHL and SBIHFL.

Offshore loans (external loans) from international agencies like USAID accounted for the second largest source of resource mobilisation when compared to total resources. These were 17.01% of total resources. However, these loans were confined only to HDFC.

(Please refer to Table 5)

Composition of HFC Resources
(as percent of total)

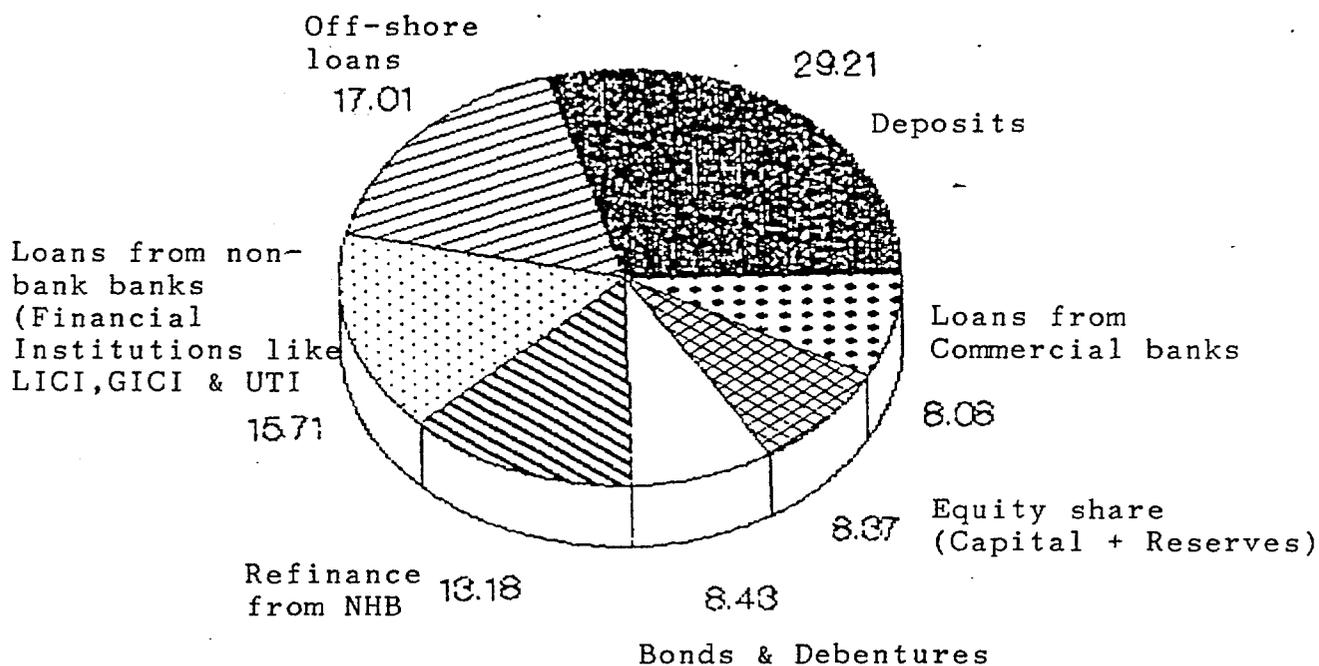


TABLE 5

Resource composition of HFCs as of 31st March, 1992

Rs. in lakhs

HFC	Share Capital	reserves	Loans Banks	Loans NHB	Loans Fin Inst	Loans Offshore	Bonds/ Debentures	Deposits	Total
AAML	768.00	71.87	NIL	36.21	NIL	NIL	NIL	NIL	867.28
ABHFL	988.00	61.83	NIL	758.00	NIL	NIL	NIL	1189.58	2828.53
CBKHFL	588.00	13.58	NIL	NIL	NIL	NIL	NIL	NIL	513.58
CFHL	1888.00	741.85	4888.00	6818.53	3388.00	NIL	1732.58	13492.81	38277.69
DHFL	299.36	125.59	384.93	5992.78	NIL	NIL	NIL	1478.38	8192.96
FGHFL	316.38	59.32	398.66	153.57	NIL	NIL	43.86	481.98	1452.81
GRUH †	288.88	81.54	388.88	1997.65	288.88	NIL	NIL	582.92	3282.11
HDFC	4496.32	14381.91	19922.17	27889.35	13496.88	63775.98	29657.14	87112.18	268578.97
INDBHFL †	1888.88	68.11	NIL	557.78	NIL	NIL	NIL	327.28	1945.89
LICHFL	2588.88	626.79	NIL	4811.83	37452.58	NIL	NIL	16.66	4488.86
PARSHFL	197.88	39.45	25.89	NIL	776.48	NIL	NIL	NIL	1838.82
PNBHFL	1888.88	317.75	3125.28	1328.17	NIL	NIL	124.93	664.75	6552.88
SAYAHFL	188.88	5.62	NIL	46.95	NIL	NIL	NIL	NIL	152.57
SBIHFL	588.88	166.17	2215.88	719.86	NIL	NIL	NIL	4267.11	7868.94
VBHFL	388.88	19.71	NIL	NIL	NIL	NIL	18.72	NIL	338.43
GIC	588.88	135.83	NIL	NIL	3599.99	NIL	NIL	NIL	4235.82
Total	14569.86	16827.24	38292.65	49486.68	58824.97	63775.98	31576.35	189445.33	374718.18

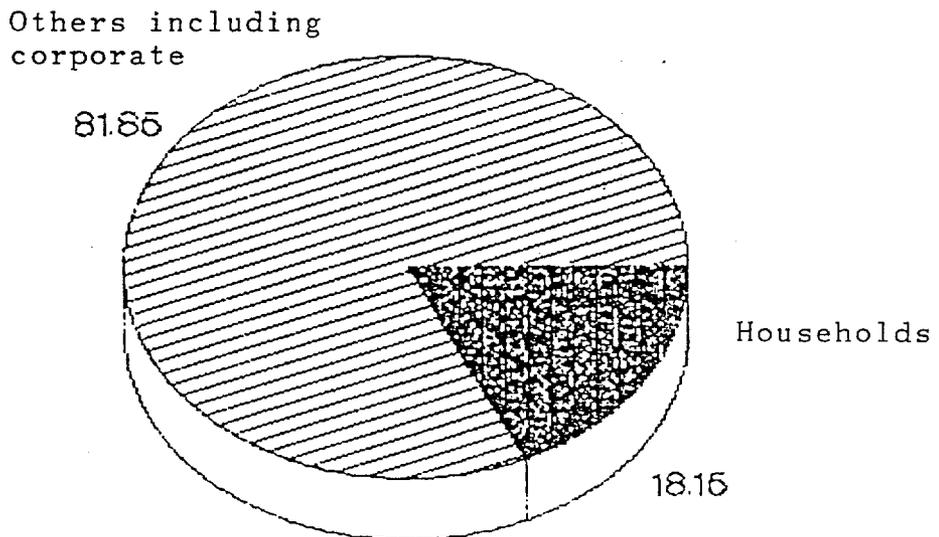
†The figures shown as external funds in the questionnaires as (Rs.169.61 lakhs for INDBHFL and Rs. 388.66 lakhs for GRUH) have been included in NHB loans

TOTAL DEPOSITS

6. Total deposits of 16 HFCs as of 31st March, 1992 were Rs. 109445.33 lakhs.

The share of households was Rs. 19869.23 lakhs constituting 18.15 per cent of total deposits. The share of deposits mobilised from other sources including corporate sector stood at Rs. 89518.40 (81.85% of total deposits).

Composition of deposits
(as percent of total)



Total deposits Rs.109445.33 lakhs

TABLE C

PARTICULARS OF DEPOSITS MOBILISED FROM HOUSEHOLD AND OTHERS

AS ON MARCH 31, 1992

(Amount in lakhs of Rupees)

HFC	HOUSEHOLD	OTHERS	TOTAL
ABHFL	220.23	889.28	1109.51
CFHL	4418.81	9073.99	13492.81
DHFL	1282.36	188.00	1470.36
FGHFL	199.18	282.72	481.9
GRUH	2.92	500	502.92
HDFC	12599.67	74512.43	87112.1
INDBHFL	197.19	130.00	327.19
LICHFL	16.66	NIL	16.66
PNBHFL	578.02	86.73	664.75
SBIHFL	354.24	3855.25	4267.11
Total	19869.28	89518.4	109445.33

Training: *

Of the total 46 senior management executives in 16 HFCs, 2 have been trained in Housing Finance (HF) abroad and 6 were trained in HF within the country, as of March'92.

Of the total 295 mid-level executives in these HFCs, 1 was trained abroad and 19 were trained in India.

Thus, we find that only 8.2% of the total executives in HFCs amongst senior and mid-level had received training in housing finance.

It is also observed that training in India has mostly been at Human Settlement Management Institute (HSMI), New Delhi, National Housing Bank and HUDCO.

- * Training implies formal training in a recognised institution usually with a duration of a week or more.

MINIMUM STANDARDS FOR SUB-BORROWERS

8. This section evaluates the data necessary to calculate minimum standards for sub borrowers from NHB as specified by USAID in programme description.

These standards are:

- Liquid assets equivalent to at least 10% of deposit liabilities, on a day-to-day basis;
- equity capital to be at least 5% of total assets;
- total outstanding balance of loans past due thirty days or more not to exceed 7% of the total mortgage loan portfolio;
- underwriting policies to be determined such that debt service responsibilities of individual borrowers normally do not exceed 30% of gross income;
- interest coverage ratio to be at least 1.2:1.

As the purpose of the programme is to develop market - oriented housing finance companies in private / joint sector, we have focussed on such companies only. There are 9 such companies as under:

1. Dewan Housing Finance Limited
2. Fairgrowth Housing Finance Limited

3. Gujarat Rural Housing Finance Limited
4. Housing Development Finance Corporation Limited
5. Parshwanath Housing Finance Limited
6. Saya Housing Finance Limited
7. Vysya Bank Housing Finance Limited
8. Can Fin Homes Finance Limited
9. GIC Grih Vitta Limited

These nine companies measure up to the minimum standards as under:

- Liquid Assets (cash balance, bank balance and all investments in marketable securities) in respect of all the 9 HFCs are more than 10% of deposit liabilities (All deposits). Refer Table 7.
- Equity capital (share capital + reserves) in respect of all but one of the above HFCs was more than 5% of total assets. The exception (DHFL) had 4.81% of total assets as its equity capital. Refer Table 7.
- The maximum permitted instalments to income ratio in respect of most HFCs is more than 30% of gross income except in case of Gujarat Rural Housing Finance Corporation. (Refer bar chart on page 26).
- Interest coverage rate (PBT + interest/interest) is above 1.2:1 for all 16 HFCs.

TABLE 7

EQUITY/DEBENTURES AND LIQUIDITY POSITION OF HFCs

(Amount in lakhs of rupees)

HFC	Total Assets	Liquid Assets	Cap+ Res	Dep Liab	Liquid Assets/ Dep Liab in %	Capital+ Reserves/ Total Assets in %
AANVL	867.00	675.00	831.00	NIL	NA	95.00
ABHFL	2821.00	822.00	961.00	1109.00	74.12	34.06
CBKHFLL	513.00	NIL	513.00	NIL	NA	100.00
CFHL*	30277.00	5108.00	1742.00	13493.00	37.85	5.75
DHFL*	8823.00	673.00	425.00	1470.00	45.78	4.81
FGHFL*	1453.00	172.00	376.00	482.00	35.68	25.87
GRUH*	3282.00	615.00	282.00	3.00	NA*	8.59
HDFC*	260571	44722.00	18798.00	87130.00	51.32	7.21
INDBHFL	1945.00	37.00	1060.00	197.00	18.78	54.49
LICHFL	44608.00	2930.00	3127.00	17.00	NA*	7.01
PARSHFL*	1039.00	19.00	237.00	NIL	NA	22.81
PNBHFL	6854.00	356.00	1318.00	665.00	53.53	19.22
SATBHFL*	153.00	4.00	106.00	0.18	NA	69.28
SBIHFL	7869.00	2777.00	666.00	4267.00	65.08	8.46
VBHFL*	338.00	148.00	320.00	NIL	NA	94.67
GIC*	4236.00	2711.00	636.00	NIL	NA	15.01

*Private/ Joint sector companies eligible as USAID sub-borrowers.

Dep - Deposit

Liab - Liability

Cap - Capital

Res - Reserves

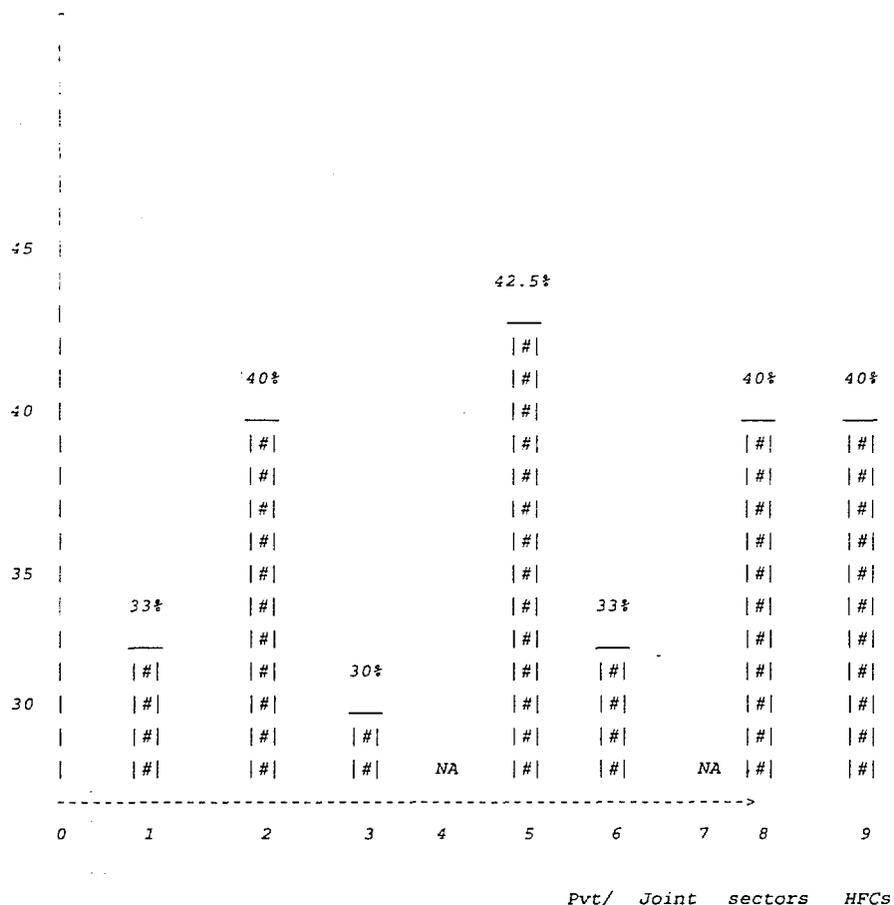
NA - Not Applicable

NA * - A comparative ratio has not been worked out as the deposit liabilities are insignificant

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MAXIMUM PERMITTED INSTALMENT COVERAGE RATIO BY HFCs

Instalment
Coverage ratio



- 1. Dewan Housing Finance Limited
- 2. Fairgrowth Housing Finance Limited
- 3. Gujarat Rural Housing Finance Corporation Limited
- 4. Housing Development Finance Corporation
- 5. Parshwanath Housing Finance Corporation
- 6. SAYA Housing Finance Company Limited
- 7. Vysya Bank Housing Finance Limited
- 8. Can Fin Homes Finance Limited
- 9. GIC Grih Victa Limited

INSTALMENTS DUE FOR MORE
THAN 90 DAYS

9. *The instalments due for more than 90 days constitute, by and large, a small portion.*

For major HFCs like CFHL, FGHFL, LICHFL, SBIHFL, it was 5.54, 4.94 1.60 and 0.24 per cent respectively. It has not been possible to compute a percentage of all HFCs in the absence of complete data.

(Please refer to Table 8)

TABLE 8

Name :-

INSTALLMENTS DUE POSITION AS ON 31st MARCH, 1992

(Rs. in lakhs)			
Name	Total Monthly Installment due	Installment due for more than 90 days	% of total due for more than 90 days
AANVL	1.86	NIL	NIL
CBKHFL	0.35	NIL	NIL
CFHL	22619.40	1252.20	5.54
DHFL	951.00	5.00	0.53
FGHFL	1882.00	93.00	4.94
GRUH	28.14	4.82	17.13
INDBHFL	60.45	0.23	0.38
LICHFL	5100.00	82.90	1.60
SAYAHFL	1.71	0.52	30.41
SBIHFL	291.83	0.70	0.24
VBHFL	99.84	NIL	NIL
GIC	7.10	NIL	NIL

ABHFL, HFC, PASHFL AND PNBHFL have not provided the data

RISK MANAGEMENT

RISK MANAGEMENT

1. Most Important Risk

The most important risk perceived by almost every HFC is non-recovery of loans or default by the loanee. However, CHFL, PARSHFL, VBHFL and GIC also visualise interest risk as important.

2. Procedure for Monitoring of Financial Risks.

No HFC has reported monitoring financial risks in a very systematic manner. AANVL does not visualise the risk at all while PARSHFL does not follow any monitoring procedures. Most HFCs are familiar with credit risk. They prescribe minimum loan value ratios for all loans. Late payments and defaults are ^{reviewed} received at corporate office and reported to HFCs board.

3. Asset - Liability Committee

No HFC has reported having an Asset - Liability Committee.

4. Pricing of Financial Assets - Liabilities

Financial assets and liabilities are taken at book value. There is no system in place to re-price them at market rates.

5. Interest rate risk monitoring

Most HFCs claim to be monitoring interest rate risk but none have any formats to do so. FGHFL and PARSHFL are not monitoring it while GIC and SAYA say it is monitored by guidelines issued by NHB. LICHL says fixed rate pattern is employed and for CHFL, the Head Office keeps a close watch. DHFL monitors it on individual sources of funds.

However, details of the manner in which this risk is monitored was not provided by any HFC.

6. Diversification

Most HFCs do not consider it important to diversify except DHFL and SAYA. DHFL only mentions that the need to diversify is felt acutely in the company whereas SAYA plans to diversify into finance of existing residential building, house hold items and also consumer durables.

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RISK MANAGEMENT

HFC	Most imp. Risk	Monitoring Financial Risk	Asset Liability Committee	Financial Asset Liability Priced	Interest rate risk monitored	Diversification
AANVL	Default	Not visualised	NO	At cost	Yes, No format	--
ABHFL	Non Recovery	Monthly overdue statements. Instalment at salary (source). In other cases, additional liquid securities	NA	NA	NA	--
CBKHFL	Not visualised	No format	No	Not done	No format	--
CHFL	Credit risk/ interest rate, fluctuation risk.	No MIS to monitor risk	No	Book value	Head office keeps a close watch	--
DHFL	Dependents on apex financial institutions	Financial risk taken care by securities	No	At cost	Monitored on individual sources of funds	Felt strongly
FGHFL	Delaying recovery	Monthly overdue statements. Defaulters followed up	No	At costs	Not monitored	--
GRUH	1.Default 2.Govt. policy 3.Cost of funds 4.Competition	Weekly recovery reports. Monthly recovery reports follow up	No	At costs	NA	--
HDFC	NOT PROVIDED					
IHFD	NOT PROVIDED					
INDBHFL						

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HFC	Most imp. Risk	Monitoring Financial Risk	Asset Liability Committee	Financial Asset Liability Priced	Interest rate risk monitored	Diversification
LICHFL	Default	NA	No	At costs	Fixed rate pattern	--
PARSHFL	Interest rate/ Financial risk	Not being followed	No	At costs and book value	Not being followed	--
PNEHFL	N O T P R O V I D E D					
SAYAHFL	Non recovery	Vigilant monitoring and regulations of individual accounts of clients	No	Original value	Monitored from the formats based on provision of NHB	Plans to diversify into finance of second hand residential buildings, household items and consumer durables
SBIHFL	Credit	NA	NA	NA	NA	--
VBHFL	1.Prolonged litigations 2.Interest rate revision	No procedures	No	Book value	No	--
GIC	1.Interest risk 2.Capital risk 3.Liquidity risk	Financial risk taken care by internal control procedures	No		Regulated by guidelines issued by NHB	--

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