



Press Release

Swagat Housing Finance Company Limited (SHFCL)

November 19, 2024

Ratings:

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Instruments/Facilities	45.00 (Enhanced from Rs.32.00 crore)	IVR BB/Stable (IVR Double B with Stable Outlook)	IVR BB/Stable (IVR Double B with Stable Outlook)	Reaffirmed	Simple
Total	45.00 (Rupees Forty-Five Crore Only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The reaffirmation of the rating assigned to the bank facilities of Swagat Housing Finance Company Limited (SHFCL) reflects strengths from the experienced promoter in related field of business, increase in scale of operations; albeit remained limited, adequate capitalization levels and healthy asset quality. However, the rating remained constrained due to the continuous decline in the profitability margins, moderate gearing, regional concentration of portfolio, competitive nature of industry and regulatory risk and demographical risks inherent in the industry.

Key Rating Sensitivities:

Upward Factors

- Substantial growth in loan portfolio resulting in improved revenues and profitability, liquidity and capitalisation of the company.

Downward Factors

- Any further substantial decline in profitability from the current level coupled with a decline in total income and deterioration in asset quality and liquidity levels of the company.



Press Release

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoter in related field of business

SHFC incorporated in the year 1996 and registered with NHB in the year 2003. The company is engaged in financing housing loans, loan against properties and non- housing loans. The company is promoted by Chairman Mr. Ramesh Shankar Prabhu having more than two and half decade of work experience in housing sector itself. Further, Mr. Ramesh Shankar Prabhu is considered to be an authority in co-operative housing society related laws, RERA, stamp duty, registration, and deemed conveyance and also the Chairman of Maharashtra Societies Welfare Association (MSWA). Furthermore, the company is operated by Ms. Sahana Ramesh Prabhu along with Mr. Manish Kumar Sharma, Mr. Ramachandra Basavaraj Haranal and Mr. Siddharth Ramesh Prabhu who collectively hold over decades of experience in similar line of business.

Increase in scale of operation; albeit, remained limited

The company had a loan portfolio of Rs.39.92 crores as on March 31, 2024. There is an increase in the company's total asset base to Rs 55.96 crores as on March 31, 2024 as against Rs.41.44 crores reported as on March 31, 2023 backed by increase in lending. Further, the AUM stood at Rs 42.85 crore as on March 31, 2024. Through the increased portfolio, the company reported 52.16% increase in the revenue on y-o-y basis to Rs.6.38 crores in FY24 (refers to the period from April 01, 2023 to March 31, 2024) as compared to Rs.4.19 crores reported in FY23 (refers to the period from April 01, 2022 to March 31, 2023). Even after the increase in the scale of operations the company reported limited income due to the range bound AUM for the last two years ended on March 31, 2024.

The company has reported increase in Q-o-Q performance as indicated by the total income of Rs.2.06 crore reported in Q1FY25 (refers to the period from April 01, 2024 to June 30, 2024) as against Rs.1.30 crore reported in Q1FY24 (refers to the period from April 01, 2023 to June 30, 2023).

Healthy asset quality

The company's loan portfolio remains stable as the company largely lends in the affordable housing segment and to customers with income mix falling between low -middle income



Press Release

earnings respectively. In FY24 SHFC's Gross NPA and the Net NPA ratio stood comfortable below unity as on March 31, 2024.

Key Rating Weaknesses

Continuous decline in the profitability margins

The profitability of the company declined from Rs 0.44 crores in FY22 to Rs 0.25 crores in FY23 and further declined Rs 0.23 crores in FY24. This reduction in profit is attributed to the expansion of its operations and opening of new branches. While the company expects to benefit from this expansion in the future, it is currently managing costs using its own funds. Accordingly, the PAT margin of the company has declined from 5.86% in FY23 to 3.61% in FY24.

Even after the increase in the total income in Q1FY25 as compared to Q1FY24, PAT reduced to Rs.0.04 crore in Q1FY25 from Rs.0.14 crore reported in Q1FY24, due to the expansion plans in place. Maintenance of comfortable profitability levels and timely repayments of the debt will remain a key rating monitorable.

Moderate gearing and adequate capitalization levels

The company's capital structure marked by overall gearing stood moderate and remained at 1.64x as on March 31, 2024 (FY23: 0.97x) due to moderated tangible net worth at Rs.20.48 crores as on March 31, 2024. SHFC's capitalization remained healthy with a total CRAR of 82.97% in FY24 viz-a-viz 86.45% in FY23.

Regional concentration of portfolio

SHFC is exposed to geographical concentration risk as the company currently operates with four branches located in Maharashtra with loan portfolio majorly targeted in Mumbai suburban like Nashik, Vasai, Thane and Andheri respectively. As on June 30, 2024, 100% of the loan portfolio is concentrated in the State of Maharashtra.

Competitive nature of industry

The company is exposed to stiff competition from other NBFCs and banks. The lending industry focused on gold and business loan is highly fragmented with unorganized lenders also vying for the same set of borrowers. However, the company's professional management



Press Release

and focused approach towards gold and business loan lending and conservative underwriting policy standards is expected to grow its business while mitigating the risks.

Regulatory risks and demographical risks inherent in the industry

The NBFC sector continues to be impacted by the inherent risk involved, viz., socio-political intervention risk and regulatory uncertainty and risks emanating from unsecured lending and marginal profile of borrowers who are vulnerable to economic downturns besides operational risks related to cash based transactions.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Financial Institutions and NBFCs](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The company is adequately capitalized with a CAR (%) of 82.97%, and Tangible Net worth of Rs 20.48 crores as on March 31, 2024. As on June 30, 2024, the company has cash and bank balance of Rs 1.06 crores. Due to the nature of the business, the company is dependent on the term loan limits only and not on fund based working capital limits.

About the Company

Swagat Housing Finance Company Limited (SHFC) is an unlisted housing finance company based in Maharashtra; India registered with National Housing Bank since 2003. SHFC was incorporated on July 15, 1996 with a motive to set up housing finance company in Mumbai. The company is engaged in financing of Housing Loans (HL), Non-housing Loans and Loan Against Property (LAP).



Press Release

Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	4.19	6.38
PAT	0.25	0.23
Assets Under Management (AUM)	32.58	42.85
Tangible Net worth	20.24	20.48
Total Debt	19.67	33.66
Ratios		
NIM (%)	9.26	6.29
Overall Gearing Ratio (x)	0.97	1.64
Total CAR (%)	86.45	82.97
ROTA (%)	0.75	0.48
Gross NPA [Stage III] (%)	1.06%	0.79%
Net NPA [Stage III] (%)	0.65%	0.48%
Interest Coverage (times)	1.34	1.12

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years:

Sr. N o.	Name of Security/Facilities	Current Ratings (2024-25)			Rating History for the past 3 years				
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24			Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					(PR dated November 24, 2023)	(PR dated June 14, 2023)	(PR dated May 11, 2023)	-	-
1.	Term Loans	Long Term	21.11	IVR BB/Stable	IVR BB/Stable	IVR BB/Stable	IVR BB/Stable	-	-
2.	Proposed term loans	Long Term	17.87	IVR BB/Stable	IVR BB/Stable	IVR BB/Stable	IVR BB/Stable	-	-
3.	Refinance Facility	Long Term	6.02	IVR BB/Stable	IVR BB/Stable	-	-	-	-



Press Release

Analytical Contacts:

Name: Amit Bhuwania

Tel: (022) 62396023

Email: abhuwania@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are 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 us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



Press Release

Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term loan	-	-	-	Up to October 2030	21.11	IVR BB/Stable
Refinance facility	-	-	-	Up to September 2034	6.02	IVR BB/Stable
Proposed Term Loan	-	-	-	-	17.87	IVR BB/Stable

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Swagat-Housing-19nov24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.