Sahara Housingfina Corporation Limited

August 4, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Non-Convertible Debentures	30.00	IVR BB-/ Stable (IVR double B minus with Stable outlook)	Reaffirmed	Simple
Total	**30.00 (INR Thirty crore only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the rating assigned to the non-convertible debentures of Sahara Housingfina Corporation Limited (SHCL) continues to derive strength from the company's experienced management, comfortable capital adequacy ratio and good growth prospects given the huge housing need in the country. The rating strength is, however, constrained by the company's small scale of operation, continuing imbroglio with Sahara group pertaining to poor debt servicing track record, its weak resource profile, decline in loan book and high NPA levels.

Key Rating Sensitivities:

Upward Factors

- Significant improvement in scale of operations and profitability on a sustained basis
- Improvement in asset quality

Downward Factors

- Sustained decline in scale of operations and profitability
- Significant deterioration in asset quality

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced Management**

SHCL is being overseen by the Board of Directors who possesses adequate experience in business and managerial affairs. The daily affairs of the company are fully managed by professionals led by Mr. D. J. Bagchi, CEO. Mr. D. J. Bagchi, CEO, is a fellow member of the Institute of Company Secretaries of India (ICSI) and an LLB, having more than 25 years' experience in the Mortgage Finance Industry. He is supported by a team of qualified and experienced professionals.

- **Comfortable capital adequacy ratio**

The Company has maintained a healthy capital adequacy ratio (CAR) over the years, being well above the NHB stipulated norm of 12%. As on March 31, 2022, CAR was robust at 91.10% with Tier I CAR being 90.13%.

- **Good growth prospects given the huge housing need in the country**

The sector is largely driven by the aspirations of people in all income segments who desire to own a house early in their lives. The capacity of the lending institutions has grown over the years as the mortgage segment has proved to be promising and profitable and increasingly bankable. The market is big and growing on account of factors such as rapid urbanisation, population migration to urban centres and demographic composition.

Key Rating Weaknesses

- **Small sale of operation**

Total operating income of the company continued to remain low and witnessed a y-o-y decline of 5.53% from Rs.13.41 crore in FY21 to Rs.12.67 crore in FY22 due to decline in the loan portfolio since the company has limited access to generation of funds owing to the fact that it does not have any banking relations. The only sources of funds are Non-convertible Debentures and Term Loans from body corporates and related parties. As a result, PBT declined to Rs.2.18 crore in FY22 to Rs.2.58 crore in FY21. Due to a decline in topline, PAT also declined to Rs. 1.78 crore from Rs. 2.09 crore in FY21. GCA moderated to Rs. 1.86 crore from Rs. 2.29 crore in FY21.

- **Continuing imbroglio with Sahara group pertaining to poor debt servicing track record**

The company is a part of the Sahara India group. There have been serious allegations against the Chairman of the group in relation to non-payment of dues to optionally convertible debenture holders. The group was directed to sell a part of its assets in India to raise part of the alleged defaulted amount which hasn't completely happened. Reportedly, SHCL is maintaining an arm's length distance from the group companies in its day-to-day operations.

- **Weak resource profile**

The company does not have any borrowings from banks. The company has been resorting to borrowings primarily in the form of NCD's and corporate loans from group companies to meets its funding requirements. Substantial portion of the borrowings are from related companies. In spite of the same, the total borrowings of the company of the decreased to Rs. 59.71 crore March 31, 2022 from Rs.62.63 crore as on March 31, 2021 on account of repayment of unsecured loans to related parties.

- **Decline in loan book**

The loan portfolio declined to Rs.91.58 crore as on March 31, 2022 since the company has limited access to generation of funds owing to the fact that it does not have any banking relationships. The only sources of funds are Non-convertible Debentures and Term Loans from body corporates and related parties. This was driven by the Sahara imbroglio which led to borrowers foreclosing their loans as they were apprehensive about confiscation of Sahara properties.

- **High NPA levels**

The asset quality of the company has improved though marginally compared with the last year. The Gross Non-Performing Assets and Net Non-Performing Assets declined to 8.99% and 3.39% as on March 31, 2022, from 9.38% and 5.10%, respectively as on March 31, 2021. Net NPA to net worth ratio improved to 5.98% as on March 31, 2022 from 10.06% as on March 31, 2021.

Analytical Approach: Standalone

Applicable Criteria:

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

[Financial Ratios & Interpretation (Financial Sector)](#)

Liquidity – Adequate

Liquidity is adequate marked by the balanced ALM profile for the short term with sufficient cushion of inflows as against its repayment obligations largely because of its short-term lending type of loans as against term debt availed. However, the loan portfolio of the company is likely to remain stagnant in the near term due to the company's inability to raise 4 additional funds through secured banking channels. The amount of free cash and bank balance stood at Rs.20.62 crore as on March 31, 2022.

About the Company

Sahara Housingfina Corporation Limited (SHCL) was founded in 1991. Its registered office and head office are in Kolkata. It is a part of the Sahara India group. The company is engaged in providing home loans, Loan against Property, Business loans to Self-Employed Professional and loans to developers. The company commenced retail-lending business in May 2004 with professionals from the industry and fully integrated on-line systems solution. Presently, it operates from branches in 11 cities across the country.

Financials (Standalone):

(Rs. crore)

For the year ended* / As on	**31-March-21 (Audited)**	**31-March-22 (Audited)**
Total Operating Income	13.41	12.67
Interest	5.15	4.88
PAT	2.09	1.78
Total Debt	62.63	59.71
Tangible Net-worth	47.01	48.83
Ratios		
Return on total assets (%)	1.88	1.65

Overall gearing ratio (x)	1.33	1.22
Total CAR (%)	87.12	91.10
Gross NPA (%)	9.38	8.99
Net NPA (%)	5.10	3.39

******Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	**Amount outstanding (Rs. Crore)**	**Rating**	**Date(s) & Rating(s) assigned in 2021-22** (August 17, 2021)	**Date(s) & Rating(s) assigned in 2020-21** (August 21, 2020)	**Date(s) & Rating(s) assigned in 2019-20** (June 18, 2019)
1.	Non-Convertible Debenture	Long Term	30.00	IVR BB-/ Stable	IVR BB-/ Stable	IVR BB-/ Stable	IVR BB-/ Stable

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About Infomerics Ratings:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Non-Convertible Debentures	March 31, 2017	7% p.a.	March 31, 2027	30.00	IVR BB-/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details: Not Applicable.

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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

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