



## Press Release

### Sasvitha Home Finance Ltd

**May 10, 2024**

#### **Ratings**

Instrument Facility	Amount (Rs. Crore)	Current Ratings	Previous Rating	Rating Action	<a href="#">Complexity Indicator</a>
Long term Bank Facilities	249.90* (Enhanced from Rs. 149.90 Crore)	IVR BBB/stable Outlook (Pronounced as IVR Triple B with stable Outlook)	IVR BBB/stable Outlook (Pronounced as IVR Triple B with stable Outlook)	Re-affirmed/Assigned	Simple
<b>Total</b>	<b>249.90</b>	<b>Rupees Two Hundred Forty Nine Crores and Ninety Lakhs Only.</b>			

\* Includes Proposed Loan of Rs. 121.85 Crores

#### **Details of Facilities are in Annexure 1**

#### **Detailed Rationale**

Infomerics Valuation and Rating Private Limited (IVR) has reaffirmed/assigned the rating for long-term rating at IVR BBB with stable outlook for the bank loan facilities of Sasvitha Home Finance Limited.

The rating re-affirmed/assigned to the bank facilities of Sasvitha Home Finance Limited (erstwhile, Sasvitha Home Finance Private Limited) continues to derive comfort from promoters, experienced board of members, sound capital structure to support future growth plans, and improvement in profitability of the company. Further, the ratings also derive comfort from its improvement in scale during FY23 and sustained performance in 9MFY24. However, the ability to maintain asset quality, profitability would need sustained efforts given the nascent stage of business operations and challenging operating environment of HFCs.

The 'Stable' outlook indicates growing scale of operations in the medium term. IVR believes SHFL will continue benefit from its experienced management, availability of fund for further growth and higher acceptability of the company in the market.



## Press Release

IVR has principally relied on the standalone audited financial results of SHFL upto 31 March 2023, 9MFY24 unaudited results and projected financials for FY2024, FY2025 and FY2026, and publicly available information/ clarifications provided by the company's management.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Significant scaling up the business operations while maintaining the asset quality and profitability indicators.

#### **Downward Factors**

- challenges to leverage indicators, asset quality and/or profitability metrics while scaling up the lending operations.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

- **Support from promoters and experienced board of members:**

SHFL is supported by experienced promoters and board members. Governance is vested with a Board of Directors comprising 7 directors who are well qualified with experience, adequate knowledge of finance, banking, accounting, administration, technology and in corporate governance and management. Company's management team led by Mr. M Balachandran, the Executive Chairman of SHFL, Mr. Balachandran, has been a career banker for 37 years and worked in India and abroad for over 33 years in Bank of Baroda, lastly as Chief Executive for the bank's American operations at New York. Mr. Rajendran (Executive Director) has over 3 decades of experience in core banking worked in areas such as resources mobilization, creation of assets and monitoring, asset recovery, branch and controlling office administration including overseas banking in Singapore. He has lastly served as the Executive Director of Repco Bank. Overall management is qualified and experienced to run business operations efficiently.



## Press Release

- **Sound Capital structure to support future growth plans:**

The Company commenced its lending operations in January 2019 after receiving its NHB registration and since then has expanded its loan portfolio with an AUM of Rs. 150.18 Cr. till Dec 2023 and Rs. 140.03 Crore as on March 2023 as against AUM level of Rs. 113.20 Cr till March 31<sup>st</sup>, 2022. The growth in the loan portfolio has been through increase in customer base to 1885 as on Dec 2023 against 1719 as on March 2023 and 1286 as on March 2022. The promoters commenced the business operations with an initial equity of Rs. 10.42 Cr. which increased to Rs. 26.88 Cr by the end of FY23. The Company's Capital Adequacy Ratio (CAR%) stood at 57.37% as on March 31<sup>st</sup>, 2023, against 64.84% as on March 2022. The tangible net worth stood moderate at Rs. 42.23 Crore as on March 31<sup>st</sup>, 2023, on account of ploughing back of profits.

Gearing levels have marginally decreased at 2.35x against 2.06x due to increase in total debt to Rs. 99.34 Crore as on March 2023 against Rs. 79.20 Crore as on March 2022. The debt to equity stood at 2.35x as on March 31<sup>st</sup>, 2023 as against 2.06x as on March 31<sup>st</sup>, 2022. SHFL's ability to raise fresh low cost borrowings in order to grow its loan book while improving its operational parameters will play a critical role in their growth.

**Improvement in profitability of the company:**

The profitability of the company improved in FY23 as the company earned a PAT of Rs. 3.62 Cr. against Rs. 2.52 Crore as on March 2022 with a PAT margin of 18.73% against 18.23% as on March 2023. The profitability of the company has adequate in FY23 and stood moderate with ROCE 10.34%, RONW of 8.96%, NIM of 7.18%. The cost to Income ratio has also improved from 56.79% in FY22 to 50.69% in FY23.

**Key Rating Weaknesses**



## Press Release

### **Ability to maintain asset quality, profitability given the nascent stage of business operations:**

SHFL forayed into the housing finance lending since January 2019. The outstanding loan portfolio stood modest at Rs. 150.18 Crore as on Dec 31st, 2023, and Rs. 140.03 Cr as on March 31, 2023. The company reports to have calibrated their loan book growth due to two consecutive spells of Covid impacted income levels among their customers. The same reason also attributed to spurt in delinquent assets resulting in the asset quality deteriorating with the GNPA and NNPA of 3.56% & 3.07% in FY2023 against 0.60% and 0.50% as on March 2022 however it has been improved in 9MFY24 as GNPA of 3.13% and NNPA of 2.60% largely due to the high portion of unseasoned portfolio and efficient collection mechanism.

The Company's operations in Tamil Nadu comprised 100% of the portfolio as on March 31<sup>st</sup>, 2023. The key risk from geographically concentrated borrowers is that the cash flows of the borrowers are dependent on the level of economic activity in the region. Moderation in economic activity may also impact demand for housing in the region, which is likely to impact the realizable value of the housing assets which are backing the loan though the average LTV at 40% may provide adequate buffer to realization.

### **Inherent risk associated with the borrower segment partly offset by the secured nature of lending:**

Sasvitha primarily focuses on the self-employed and informal income borrower segment in semi-urban areas, majority of whom have undocumented incomes. Furthermore, the customer segment is exposed to volatility in cash-flows and economic disruptions. While the company's borrower segment may not have adequate documents to assess the financial viability, a large part of its borrowers has credit history in the form of loans taken earlier for gold, two-wheelers and consumer durables. Moreover, the secured nature of the loan book (all loans secured against residential properties) with an average LTV of around 30% reduces risk to some extent.

### **Challenging operating environment for HFCs**

Currently, the HFCs in India, are facing liquidity and funding challenges, resulting in subdued growth/degrowth and potential ALM mismatches in the short term. This is also expected to adversely affect the borrowing profile and profitability of HFCs.



## Press Release

Furthermore, SHFL operates in a highly competitive housing finance space, thereby its ability to demonstrate profitable growth while maintaining asset quality will be critical.

**Analytical Approach:** Standalone

**Applicable Criteria :**

[Rating Methodology for Non Banking Finance Company](#)  
[Financial Ratios & Interpretation Financial Sector](#)  
[Criteria for assigning rating outlook](#)  
[Policy on default recognition](#)

### **Liquidity – Adequate**

The company is adequately capitalized with a CAR (%) of 48.17% as on December 31, 2023, and Net worth of Rs 42.23 Crores. Also, it has adequately matched asset liability profile as on Dec 31, 2023. As on March 31, 2023, the company has cash and bank balances of Rs 2.63 Crores.

### **About the Company**

Chennai-based non-deposit taking home finance entity, Sasvitha Home Finance Limited (erstwhile, Sasvitha Home Finance Pvt Ltd (SHFL)) was incorporated on June 21, 2017 with an initial equity capital of Rs. 10.42 Crore to operate as a Housing Finance Company (HFC). It received registration from NHB in July 2018 and started operation immediately thereafter. Business wise, the company focuses on financing low- and middle-income group of customers for affordable housing in sync with the government's cherished agenda of “housing for all by 2022”; especially in the neighbourhood clusters of Urban and Metro and Tier 2 and Tier3 towns which are either underserved or un-penetrated by the commercial banks, and also help the first time homeowners availing govt subsidies and other assistance. The portfolio is geographically concentrated in Tamil Nadu as the company commenced operation with the 5 initial focus in the state. The company has opened 23 branches and 8 satellite centres (Total 31 business points) in Tamil Nadu. The company focuses on providing home finance to individuals in the affordable housing segment, with ticket size of around Rs.5 lakh - Rs.20 lakh. Part of the portfolio comprises of business loans against mortgage of residential properties with ticket size of Rs 5 to 10 lakhs





## Press Release

### Financials (standalone):

(Rs. crore)

For the year ended* As on	31-03-2022	31-03-2023
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	13.82	19.33
PAT	2.52	3.62
Total Debt	79.20	99.34
Tangible Net Worth	38.54	42.23
Total Loan Assets	112.37	140.14
Overall Gearing Ratio (x)	2.06x	2.35x
GNPA (%)	0.60%	3.56%
NNPA (%)	0.50%	3.07%
CAR (%)	64.84%	57.37%

\*as per Infomerics standards

Status of non-cooperation with previous CRA : Nil

Any other information: Nil

### Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating Dated : May 06, 2024	Date(s) & Rating(s) assigned in 2023-24 Dated : March 29, 2024	Date(s) & Rating(s) assigned in 2022-23 Dated : Feb 08, 2023	Date(s) & Rating(s) assigned in 2021—22 Dated : March 21, 2022
1	Term Loan	Long Term	249.40* (Enhanced from Rs. 149.40 Crore)	IVR BBB/stable Outlook (Pronounced as IVR Triple B with stable Outlook)	IVR BBB/stable Outlook (Pronounced as IVR Triple B with stable Outlook)	IVR BBB/stable Outlook (Pronounced as IVR Triple B with stable Outlook)	IVR BBB-Positive Outlook (Pronounced as IVR Triple B minus with Positive Outlook)



## Press Release

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		Type	Amount Outstanding (Rs. crore)	Rating Dated : May 06, 2024	Date(s) & Rating(s) assigned in 2023-24 Dated : March 29, 2024	Date(s) & Rating(s) assigned in 2022-23 Dated : Feb 08, 2023	Date(s) & Rating(s) assigned in 2021—22 Dated : March 21, 2022
2	Cash Credit	Long Term	0.50	IVR BBB/stable Outlook (Pronounced as IVR Triple B with stable Outlook)	IVR BBB/stable Outlook (Pronounced as IVR Triple B with stable Outlook)	IVR BBB/stable Outlook (Pronounced as IVR Triple B with stable Outlook)	-

**\* includes Proposed Loan of Rs. 121.85 Crores**

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### 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.



## Press Release

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

For more information visit [www.infomerics.com](http://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.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loan				249.40* (Enhanced from Rs.149.40 Crore)	IVR BBB/stable Outlook (Pronounced as IVR Triple B with stable Outlook)
Long Term Bank Facilities – Cash Credit				0.50	IVR BBB/stable Outlook (Pronounced as IVR Triple B with stable Outlook)

\* includes Proposed Loan of Rs. 121.85 Crores

**Annexure 2: List of companies considered for consolidated analysis: N.A**

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-Sasvitha-may24.pdf>

**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](http://www.infomerics.com)