



Press Release

Satin Housing Finance Limited (SHFL)

May 05, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Fund Based - Long Term facilities – Term Loans	310.71 (Increased from Rs 99.35)	IVR BBB+ Stable (IVR Triple B Plus with Stable Outlook)	Reaffirmed	Simple
Fund Based - Long Term facilities – Proposed Term Loans	119.29 (Increased from Rs 80.65)	IVR BBB+ Stable (IVR Triple B Plus with Stable Outlook)	Reaffirmed	Simple
Non-Convertible Debentures	20.00	IVR BBB+ Stable (IVR Triple B Plus with Stable Outlook)	Reaffirmed	Simple
Total	450.00 (Rupees Four Hundred and Fifty Crores only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The assignment/reaffirmation of ratings to the Bank loan facilities and Non-Convertible Debentures of Satin Housing Finance Limited (SHFL) has taken into consideration the experienced promoters with a proven track record of capital infusion, operational and financial synergies from the group, healthy capitalisation, and strong systems, policies and processes in place. However, the ratings are constrained by moderate scale of operations given regional concentration and unseasoned portfolio.

Key Rating Sensitivities:

Upward Factors

- Substantial scaling up its operations, improving its profitability, while maintaining healthy asset quality, capital position and liquidity.



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Downward Factors

- Onward material adverse movement in collection efficiency of loan which impacts the asset quality significantly thereby increasing the credit cost and impacts the profitability for the Company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters with a proven track record

Satin Housing Finance Limited (SHFL), a housing finance company was incorporated on April 17, 2017, as Public Limited Company under the provisions of the Companies Act, 2013 as a wholly owned subsidiary of Satin Creditcare Network Limited (SCNL), a BSE and NSE listed company. SCNL is an NBFC-microfinance institution (NBFC-MFI) with standalone assets under management of ₹6,417 crore (of which around 93.5% is from the microfinance lending segment and the rest is from the micro, small and medium enterprises [MSME] lending segment) and consolidated AUM at ₹7,575 crore as on September 30, 2022. The operations of the company are headed by Mr. Harvinder Pal Singh, Non-executive director and CMD of Satin group and Mr. Amit Sharma, Managing Director, and CEO, who are supported by a management team having rich experience in the financial services and microfinance sectors. Since inception of SHFL, SCNL has infused Rs 140 crores in the company. Being part of Satin Group, the company is expected to derive operational and financial synergies.

Healthy capitalization

The capital structure of SHFL remains comfortable, owing to regular equity infusions from the promoters. The company is comfortably capitalized with CRAR of 60.65% as on 31 March 2022 and has Tangible Networth of Rs 101.12 Crores and gearing of 2.07x. As on 31 December 2022, the Tangible Networth and total CRAR stood at Rs 122.25 Crores and 58.28% respectively. Till 31 March 2022, SCNL has infused capital of Rs 100 crore in SHFL and has committed to infuse an additional ₹40 crore in FY23, out of which Rs 20 Crores has



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been infused in September 2022 and the rest was infused in February 2023. The current levels of CRAR can help the company grow at 15-20% in the near to medium term without any further capital infusion.

Strong systems, policies and processes in place

Over the years, the company has put in place strong systems, board approved credit appraisal policies and processes in place. SHFL uses “OMNIFIN” software system, which provides end to end solutions in the entire lending process. The system brings with it significant productivity improvements through automation and will help support operational efficiency. The company disburses ~100% of the loans and collections through cashless mode. SHFL tracks data on disbursements and collections on a real-time basis, which aids better decision-making and faster corrective action.

Key Rating Weaknesses

Moderate scale of operations given regional concentration of operations

Company operates through 30 branches in 4 states namely., Delhi-NCR, Haryana, Rajasthan and Uttar Pradesh and has an AUM of Rs 380.78 Crores as on 31 December 2022. Even though the AUM has consistently grown since inception, the scale of operations remains moderate given the regional concentration with Uttar Pradesh contributing 45% of the AUM followed by Rajasthan which contributes 23% of the AUM.

Unseasoned portfolio

Company started its commercial operations in November 2017 and the operations are in nascent stages. Given the average tenor of loans 13 to 15 years, the portfolio is unseasoned and hence, the overall asset quality is yet to be tested through various economic cycles. As on 31 March 2022, GNPA and NNPA was nil. However, in 9MFY23, the company has reported GNPA of 0.48% and NNPA of 0.38%. Infomerics expects the asset quality to moderate further as the portfolio gets seasoned.



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Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for NBFCs](#)

[Criteria for assigning rating outlook](#)

[Criteria for Parent and Group support](#)

Liquidity –Adequate

The company is adequately capitalized with a CAR (%) of 58.28% as on December 31, 2022, and Networth of Rs 122.25 Crores. Also, it has adequately matched asset liability profile as on September 30, 2022. As on September 30, 2022, the company has cash and bank balances of Rs 9.87 Crores, fixed deposits (unmarked) of Rs 5.00 Crores, and Rs 60.00 Crores of sanctions in hand.

About the Company

Satin Housing Finance Limited (SHFL) was incorporated on April 17, 2017, as Public Limited Company under the provisions of the Companies Act, 2013 as a wholly owned subsidiary of Satin Creditcare Network Limited (SCNL). SHFL is registered as Housing Finance Company under the provisions of Section 29A of the National Housing Bank Act, 1987 vide certificate of registration no. 11.0161.17 dated November 14, 2017.

SHFL is engaged in providing long-term finance for purchase, construction, extension and repair of houses for the retail segment, along with loans against residential property. Its innovative and flexible competitively priced loan products are aligned to the unique needs of customers. SHFL caters mainly to customers belonging to the middle- and low-income groups in peripherals of urban India, semi urban and rural India. Headquartered in Gurugram (Haryana), SHFL has its registered office in Azadpur (Delhi), with branches in Uttar Pradesh, Rajasthan, Haryana and Delhi.

Financials (Standalone)*:

Rs in Crores



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For the year ended/As on*	31-03-2021	31-03-2022
	(Audited)	(Audited)
Total Income	29.57	38.04
PAT	1.37	3.04
Tangible Networth	93.24	101.12
Total Debt	139.43	209.76
Total Loan assets (On book)	210.15	292.31
ROTA (%)	0.67	1.10
Overall CRAR (%)	90.16%	60.65%
Gross NPA (%)	0.00%	0.00%
Net NPA (%)	0.00%	0.00%

***Classification as per Infomerics' standards**

Status of non-cooperation with previous CRA: Not applicable

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 17 March 2023	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Non-Convertible Debentures	Long Term	20.00	IVR BBB+/Stable	IVR BBB+/Stable	-	-
2.	Term Loans	Long Term	310.71	IVR BBB+/Stable	IVR BBB+/Stable	-	-
3.	Proposed Term Loans	Long Term	119.29	IVR BBB+/Stable	IVR BBB+/Stable		

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About Infomerics:

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. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit www.infomerics.com.

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Annexure 1: Details of Facilities/Instrument:

Name of Instrument	ISIN	Date of Issuance	Coupon Rate/ IRR (%)	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Non-Convertible Debentures	INE02YC08016	17 December 2019	14.00%	31 December 2026	20.00	IVR BBB+/Stable



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Term loans	-	-	-	-	310.71	IVR BBB+/Stable
Proposed Term Loans	-	-	-	-	119.29	IVR BBB+/Stable
Total					450.00	

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

Annexure 3: Facility wise lender details –

<https://www.infomerics.com/admin/prfiles/Len-SatinHousing-may23.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:
Draft Terms of Non-Convertible Debentures of Rs 20.00 Crores**

Instrument	14% Unsecured Rated Listed Redeemable Non-Convertible Debentures
Issue Size	Rs 20 Crores
Allotment date	17 December 2019
Maturity date	31 December 2026
Coupon rate	14% p.a.
Coupon payment frequency	Semi-Annual
Objects of the issue	Onward lending
Financial Covenants	90+ PAR below 3%
	Write off ratio less than 2%
	Minimum CARAR of 15%
	Debt equity not exceeding 7 times
Security	Unsecured

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.