



Press Release

Swagat Housing Finance Company Limited

May 11, 2023

Ratings:

| Instrument / Facility | Amount (INR Crore) | Ratings | Rating Action | Complexity Indicator |
|---|--------------------|--|---------------|--------------------------------------|
| Long Term Fund Based Facility – Term Loan | 1.64 | IVR BB / Stable (IVR Double B with Stable Outlook) | Assigned | Simple |
| Proposed-Long Term Fund Based Facility | 13.36 | IVR BB/ Stable (IVR Double B with Stable Outlook) | Assigned | Simple |
| Total | 15.00 | Rupees Fifteen Crore Only | | |

Details of Facilities are in Annexure 1

Detailed Rationale:

The ratings assigned to the bank facilities of Swagat Housing Finance Company Limited(SHFC) reflects in the experienced promoter in related field of business, followed by comfortable gearing and adequate capitalisation levels and healthy asset quality. The rating however is restricted by the small scale of operations along with modest profitability, regional concentration of portfolio, competitive nature of industry and target segment of the company may be susceptible to economic downturn.

Key Rating Sensitivities:

Upward Factors:

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

Downward Factors:

- Substantial decrease in revenues and profitability coupled with deterioration in asset quality and liquidity levels of the company.

Key Rating Drivers with detailed description

Key Rating Strengths :

Experienced promoter in related field of business



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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).

Further more, 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.

Comfortable gearing and adequate capitalisation levels

The company's capital structure marked by overall gearing stood comfortable at 0.20x as on March 31, 2022 with no major change witnessed as against 0.18x as on March 31, 2021 due to sizeable tangible networth at Rs.20.01 crore as on March 31, 2022. SHFC's capitalisation remained healthy with total CRAR of 161.19%. in FY22 viz-a-viz 200.66% in FY21.

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 earnings respectively.

In FY22, SHFC's Gross NPA and the Net NPA ratio stood at 1.49% and 1.12% respectively as compared to 2.88% and 2.37% as on March 31, 2021. During FY21, the company's asset quality deteriorated due to Covid19 pandemic disruption. However, with improved collection along with better credit assessment the GNPA improved in FY22.

Key Rating Weaknesses:

Small scale of operation

The company has commenced its business in 1996 constituting a loan portfolio of Rs.21.59 crore as on March 31, 2022. The company has total asset base of Rs.25.84 crore in FY22 increased as against Rs.21.65 crore in FY21 at the back of increase in onward lending.

Modest Profitability



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The PBILDT margin of the company stood modest at 21.78% in FY22 increased as against 11.69% in FY21 due to increase in operating income backed by increase in interest income and processing fees income. The profitability remains low with ROTA of 1.91%, RONW of 2.46%. Further, the company reported PAT of Rs. 0.44 crore in FY22 as against Rs.0.22 crore in FY21. However the PAT margin stood modest at 15.6% in FY22 increased as against 9.3% in FY21 on account of overall increase in operating profit in absolute term from Rs.0.28 crore in FY21 to Rs.0.62 crore in FY22.

Regional concentration of portfolio

SHFC is exposed to geographical concentration risk as the company currently operates with two branches located in Maharashtra with loan portfolio majorly targeted in Mumbai suburban like Palghar, Vasai-Virar, Thane and Kalyan respectively. As on 31 Dec 2022, 100% of the AUM is concentrated in the State of Maharashtra.

Competitive nature of industry:

SHFC is exposed to stiff competition from other NBFCs and banks. The lending industry focused around SMEs/MSMEs and small ticket unsecured loans is highly fragmented with unorganized lenders also vying for the same set of borrowers. However, the company's professional management and focused approach towards SME/MSME lending and conservative underwriting policy standards is expected to grow its business while mitigating the risks.

Target segment of the company may be susceptible to economic downturn

The company's targeted customer comprises of lower and middle income group with lower income earner ranging from Rs.20,000 to Rs.30,000 and for middle income group of individual ranging above Rs.40,000 respectively. The target segment of the company may be susceptible to economic downturn.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Non-Banking Financial Companies](#)

[Criteria for rating outlook](#)

Liquidity-Adequate



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The company is adequately capitalized with a CAR (%) of 129.03% as on December 31st, 2022, and Net worth of Rs 20.26 Crores during 9MFY23. As on January 31, 2023, the company has cash and bank balances of Rs 3.19 Crores and FDs of 0.73 Crores.

About the Company:

Swagat Housing Finance Company Limited(SHFC) is an unlisted Non-Banking Finance Company (NBFC) based in Maharashtra, India, and under the Indian Companies Act of 1956, is registered with the Reserve Bank of India (RBI) as Non-Deposit Accepting NBFC is a non-deposit taking non-banking finance company – investment and credit company (NBFC – ICC. SHFC was incorporated on July 15, 1996 with a motive to set up housing finance company in Mumbai. engaged in the financing of housing loans (HL), Non-housing loans and loan against property (LAP).

Financials: Standalone

| For the year ended / INR. Crore* | 31-03-2021 | 31-03-2022 |
|----------------------------------|----------------|----------------|
| | Audited | Audited |
| Total Income | 2.44 | 2.85 |
| PAT | 0.23 | 0.44 |
| Tangible Net Worth | 17.86 | 20.01 |
| Total Debt | 3.24 | 4.48 |
| Total Loan Assets | 14.91 | 21.59 |
| Ratios | | |
| ROTA (%) | 2.59 | 2.40 |
| Total CAR (%) | 200.66 | 161.19 |
| Gross NPA(%) | 2.88 | 1.49 |
| Net NPA (%) | 2.37 | 1.12 |
| Overall Gearing Ratio (x) | 0.18 | 0.22 |

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: CARE vide its press release dated March 20, 2023, has classified the case under Issuer Not Co-operating category on account of non-submission of relevant information.

Any other information: NA

Rating History for last three years:



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| Sr. No. | Name of Instrument /Facilities | Current Ratings (Year 2023-24) | | | Rating History for the past 3 years | | |
|---------|--------------------------------|--------------------------------|--------------------------------|------------------------|---|---|---|
| | | Type | Amount outstanding (INR Crore) | Rating | Date(s) & Rating(s) assigned in 2022-23 | Date(s) & Rating(s) assigned in 2021-22 | Date(s) & Rating(s) assigned in 2020-21 |
| 1. | Term Loan | Long Term | 1.64 | IVR BB/ Stable Outlook | - | - | - |
| 2 | Proposed | Long Term | 13.36 | IVR BB/ Stable Outlook | - | - | - |

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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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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 (INR Crore) | Rating Assigned/ Outlook |
|---|------------------|------------------|---------------|------------------------------|--------------------------|
| Long Term Fund Based Facility – Term Loan | - | - | Oct 2025 | 1.64 | IVR BB/ Stable Outlook |
| Proposed-Long Term Fund Based Facility | - | - | - | 13.36 | IVR BB/ Stable Outlook |

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Swagat-HousingFinance-may23.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