



Press Release

Swagat Housing Finance Company Limited (SHFC)

November 24, 2023

Ratings:

Instrument / Facility	Amount (INR Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities-Term Loan	21.05 (Enhanced from Rs.11.14 crore)	IVR BB/ Stable (IVR Double B with Stable outlook)	Reaffirmed	Simple
Long Term Fund Based Bank Facility-Refinance Facility	3.83	IVR BB/ Stable (IVR Double B with Stable outlook)	Assigned	Simple
Proposed -Long Term Fund Based Facility	7.12 (Enhanced from Rs.3.86 crore)	IVR BB/ Stable (IVR Double B with Stable outlook)	Reaffirmed	Simple
Total	32.00	Rupees Thirty Two Crore Only		

Details of Facilities are in Annexure 1

Detailed Rationale:

The ratings reaffirmed/assigned to the bank facilities of Swagat Housing Finance Company Limited(SHFC) reflects in the experienced promoter in related field of business followed by growth in scale of operation, comfortable gearing and adequate capitalisation and healthy asset quality. The rating however is constrained by the modest profitability along with 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 :



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- Any further substantial decline profitability from the current level coupled with decline in total income and 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

The company was 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.

Growth in scale of operation

The company's loan portfolio stood at Rs.29.14 crore as on March 31, 2023. SHFC's total asset base stood at Rs.41.44 crore in FY23 increased as against Rs.25.84 crore in FY22 at the back of increase in onward lending. Further, the AUM stood at Rs.38.08 crore in FY23 with major portion being recognised from own book loan portfolio which stood at Rs.34.48 crore and remaining from securitised loan portfolio. During H1FY24 SHFC's AUM stood at Rs.34.48 crore.

Comfortable gearing and adequate capitalisation levels

The company's capital structure marked by overall gearing stood comfortable at 0.97x as on March 31, 2023 with no change witnessed as against 0.22x as on March 31, 2022. Further, the company's capitalisation remained adequate with total CRAR of 86.45%. in FY23 (FY22: 161.19%).

Healthy asset quality



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The company's loan portfolio remains stable as the company largely lends in the affordable housing segment and to customers. In FY23 SHFC's Gross NPA and the Net NPA ratio stood healthy at 1.06% and 0.65% respectively. (FY22 : GNPA : 1.49%, Net NPA: 1.12%) During FY21, the company's GNPA and Net NPA stood at 2.88% and 2.37% due to Covid19 pandemic disruption. However, with improved collection along with better credit assessment the GNPA improved in FY22.

Key Rating Weaknesses:

Modest Profitability

The operating profit to total income margin of the company stood modest at 8.05% in FY23 decreased as against 21.78% in FY22 due to increase in operating expenses such as employees benefits and other expenses such as IT and computer related service expense and legal and professional charges. Further, the PAT margin stood at 5.88% in FY23 decreased as against 15.62% in FY22 on account of overall decrease in operating profit in absolute term from Rs.0.62 crore in FY22 to Rs.0.34 crore in FY23 and increase in interest expenses during the year. The profitability remains low with ROTA of 0.99%, RONW of 1.28% in FY23 (FY22: 2.40% ROTA and 2.46% RONW). Further, the company reported PAT of Rs. 0.25 crore in FY23 as against Rs.0.44 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 September 30, 2023, 100% of the loan portfolio 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



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The company's targeted customer comprises of lower and middle income group with lower income earner ranging for 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 of Financial Institutions &NBFCs/HFCS](#)
[Criteria of Rating Outlook](#)

Liquidity-Adequate

The company is adequately capitalized with a CAR (%) of 86.45% as on March 31st, 2023, and Net worth of Rs 20.25 Crores during FY23. As on September 30, 2023, the company has cash and bank balances of Rs 2.72 Crores and FDs of 1.36 Crores.

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).

Financials: Standalone

For the year ended / INR. Crore*	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	2.85	4.19
PAT	0.44	0.25
Total Debt	4.48	19.67
Tangible Net Worth	20.01	20.25
Total Loan Assets	21.59	29.14
Ratios		
ROTA (%)	2.40%	0.75%
Total CAR (%)	161.19%	86.45%
Gross NPA (%)	1.49%	1.06%
Net NPA (%)	1.12%	0.65%
Overall Gearing Ratio (x)	0.22	0.97

*Classification as per Infomerics' standards



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Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years:

Sr · N o.	Name of Instrumen t/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 2023-24(June 14 th 2023)	Date(s) & Rating(s) assigned in 2023-24(May 11 th 2023)	Date(s) & Rating (s) assigned in 2022-23	Date(s) & Rating(s) assigned in in 2021-22	Date(s) & Rating(s) assigned in in 2020-21
1.	Long Term Fund Based Facilities – Term Loans	Long Term	21.05	IVR BB/Stable	IVR BB / Stable	IVR BB / Stable	-	-	-
2.	Long Term Fund Based Bank Facility-Refinance Facility	Long Term	3.83	IVR BB/Stable	-	-	-	-	-
3	Proposed Long Term Facility	Long Term	7.12	IVR BB/Stable	IVR BB / Stable	IVR BB / Stable	-	-	-

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About Infomerics:



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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).

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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.

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Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
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Term Loan	-	-	Upto October 2025	21.05	IVR BB/Stable
Refinance Facility	-	-	Upto September 2030	3.83	IVR BB/Stable
Proposed	-	-	Upto May 2030	7.12	IVR BB/Stable

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-SHFC-nov23.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