



Press Release

Sahara Housingfina Corporation Limited

August 1, 2023

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



Press Release

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, 2023, CAR was robust at 105.51% with Tier I CAR being 105.46%.

- **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 income of the company continued to remain low and witnessed a y-o-y decline of 11.60% from Rs.12.67 crore in FY22 to Rs.11.20 crore in FY23 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.2.09 crore in FY23 from Rs.2.18 crore in FY22. Due to a decline in topline PAT also declined to Rs. 1.42 crore in FY23 from Rs. 1.79 crore in FY22.



Press Release

- **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 meet its funding requirements. Substantial portion of the borrowings are from related companies. In spite of the same, the total borrowings of the company decreased to Rs. 49.07 crore March 31, 2023 from Rs. 59.71 crore as on March 31, 2022 on account of repayment of unsecured loans to related parties.

- **Decline in loan book**

The loan portfolio declined to Rs.78.76 crore as on March 31, 2023, from Rs. 92.76 crore in 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 8.31% and 3.07% from 9.04% and 3.24% respectively as on March 31, 2022. Net NPA to net worth ratio improved to 4.81% as on March 31, 2023 from 6.08% as on March 31, 2022.

Analytical Approach: Standalone

Applicable Criteria:

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

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

[Criteria of assigning rating outlook](#)



Press Release

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 additional funds through secured banking channels..

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-22 (Audited)	31-March-23 (Audited)
Total Operating Income	12.67	11.20
Interest	4.88	4.52
PAT	1.78	1.42
Total Debt	59.71	49.07
Tangible Net-worth	48.83	50.27
Return on total assets (%)	1.65	1.38
Overall gearing ratio (x)	1.22	0.98
Total CAR (%)	91.10	105.51
Gross NPA (%)	8.99	8.31
Net NPA (%)	3.39	3.07

**Classification as per Infomerics' standards*



Press Release

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 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (August 4, 2022)	Date(s) & Rating(s) assigned in 2021-22 (August 17, 2021)	Date(s) & Rating(s) assigned in 2020-21 (August 21, 2020)
1.	Non-Convertible Debenture	Long Term	30.00	IVR BB-/ Stable	IVR BB-/ Stable	IVR BB-/ Stable	IVR BB-/ Stable

Name and Contact Details of the Rating Analyst:

Name Ms. Sapna Bagaria Tel: 033-4803 3621 Email: sapna.bagaria@infomerics.com	Name: Mr. Sandeep Khaitan Tel: 033-4803 3621 Email: sandeep.khaitan@infomerics.com
---	--

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.

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



Press Release

For more information visit 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
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