Sahara Housingfina Corporation Limited

August 17, 2021

Rating

Instrument / Facility	Amount (Rs. Crore)	Rating	Rating Action
Non-Convertible Debentures	30.00	IVR BB-; Stable Outlook (IVR Double B minus with Stable Outlook)	Reaffirmed
Total	**30.00**		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the non-convertible debentures of Sahara Hosuingfina Corporation Limited (SHCL) continues to be constrained on account of continuing imbroglio with the Sahara group pertaining to its poor debt servicing track record, despite SHCL maintaining an arm's length distance from the group companies in its day-to-day operations. The rating is further constrained by small scale of operation, weak resource profile, higher NPA levels and stagnancy in the loan book. The rating however, factors in the experienced management and comfortable capital adequacy.

Key Rating Sensitivities:

Upward factors

- Significant improvement in scale of operations and profitability
- Improvement in asset quality

Downward factors

- Sustained decline in scale of operations and profitability
- Significant deterioration in asset quality

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, 2021, CAR was robust at 87.12% with Tier I CAR being 86.32%.

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 operating income of the company continued to remain low and witnessed a y-o-y decline of 8% from Rs.14.56 crore in FY20 to Rs.13.41 crore in FY21 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 from Rs.2.79 crore in FY20 to Rs.2.58 crore in FY21. However, due to the impact of deferred tax asset, PAT increased marginally from Rs.2.08 crore in FY20 to Rs.2.09 crore in FY21. GCA moderated from Rs.2.86 crore in FY20 to Rs.2.29 crore in FY21.

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 meets its funding requirements. Substantial portion of the borrowings are from related companies. In spite of the same, the total borrowings of the company of the decreased from Rs.70.29 crore as on March 31, 2020 to Rs.62.63 crore as on March 31, 2021 on account of repayment of unsecured loans to related parties.

Decline in loan book

The loan portfolio declined to Rs.92.67 crore as on March 31, 2021 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. Further the prepayments has also increased from 1.04% in FY20 to 4.92% in FY21.

High NPA levels

The asset quality of the company deteriorated sharply over the last three financial years as evident from the fact that the Gross Non-Performing Assets and Net Non-Performing Assets also increased from 8.05% and 4.38% respectively as on March 31, 2020 to 9.38% and 5.10% respectively as on March 31, 2021. Net NPA to net worth ratio also remained high at 10.06% as on March 31, 2021 (10.03% as on March 31, 2020).

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Financial Institutions/NBFC's

Financial Ratios & Interpretation (Financial Sector)

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. The amount of free cash and bank balance stood at Rs.24.16 crore as on July 23, 2021.

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	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	14.56	13.41
Interest	6.21	5.15
PAT	2.08	2.09
Total Debt	70.29	62.63
Tangible Net worth	44.87	47.01
Ratios		
a. Return on total assets (%)	1.71	1.88
b. Overall Gearing Ratio (x)	1.57	1.33
c. Total CAR (%)	78.74	87.12
d. Gross NPA (%)	8.05	9.38
e. Net NPA (%)	4.38	5.10

**As per Infomerics' Standard*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Non-Convertible Debentures	Long Term	30.00	IVR BB-; Stable Outlook	IVR BB-; Stable Outlook (August 21, 2020)	IVR BB-; Stable Outlook (June 18, 2019)	IVR BB-; Stable Outlook (May 14, 2018)

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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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 Outlook

Annexure 2: Facility wise lender details: Not Applicable

Annexure 3: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Non-Convertible Debentures	Simple

Press Release

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.