



## Press Release

### Sasvitha Home Finance Ltd

**February 08, 2023**

#### **Ratings**

Instrument Facility	Amount (Rs. Crore)	Current Ratings	Previous Rating	Rating Action	<a href="#">Complexity Indicator</a>
Long term Bank Facilities	147.76*	IVR BBB/stable Outlook (Pronounced as IVR Triple B with stable Outlook)	IVR BBB-/Positive Outlook (Pronounced as IVR Triple B minus with Positive Outlook)	Upgraded	Simple
<b>Total</b>	<b>147.76</b> <b>(Rupees one hundred and forty seven crores and seventy six lakhs only)</b>				

**\* includes Proposed Loan of Rs. 60.00 Crores**

**Details of Facilities are in Annexure 1**

#### **Detailed Rationale**

The rating upgraded to the bank facilities of Sasvitha Home Finance Limited (erstwhile, Sasvitha Home Finance Private Limited) continues to derive comfort from promoters, experienced board of members, sound capital structure to support future growth plans, and improvement in profitability of the company. Further, the ratings also derive comfort from its improvement in scale during FY22 and sustained performance in H1 FY23. However, these factors are offset by ability to maintain asset quality, profitability given the nascent stage of business operations and challenging operating environment of HFCs.

#### **Key Rating Sensitivities:**

##### **Upward Factors**

- Significant scaling up the business operations while maintaining the asset quality and profitability indicators.

##### **Downward Factors**

- Significant deterioration in leverage indicators, asset quality and/or profitability metrics in order to improve the lending operations.



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Support from promoters and experienced board of members:**

SHFPL is supported by experienced promoters and board members. Governance is vested with a Board of Directors comprising 5 directors who are well qualified with experience, adequate knowledge of finance, banking, accounting, administration, technology and in corporate governance and management. Company's management team led by Mr. M Balachndran, the Executive Chairman of SHFPL, Mr. Balachandran, has been a career banker for 37 years and worked in India and abroad for over 33 years in Bank of Baroda, lastly as Chief Executive for the bank's American operations at New York. Mr. Rajendran (Executive Director) has over 3 decades of experience in core banking worked in areas such as resources mobilization, creation of assets and monitoring, asset recovery, branch and controlling office administration including overseas banking in Singapore. He has lastly served as the Executive Director of Repco Bank. Overall management is qualified and experienced to run business operations efficiently.

- **Sound Capital structure to support future growth plans:**

The Company commenced its lending operations in January, 2019 after receiving its NHB registration and since then has expanded its loan portfolio with an AUM of Rs. 112.37 Cr. till March 2022 as against AUM level of Rs. 69.18 Cr by March 31<sup>st</sup>, 2021. The growth in the loan portfolio has been through capital support from the promoters and external debt. The promoters commenced the business operations with an initial equity of Rs. 10.42 Cr. which increased to Rs. 21.15 Cr by the end of FY21. As on Dec 31<sup>st</sup>, 2022, the equity share capital of the company stood at Rs. 26.88 Cr. The Company's Capital Adequacy Ratio (CAR%) stood at 64.84% as on March 31<sup>st</sup>, 2022. The tangible net worth stood moderate at Rs. 38.54 Crore as on March 31<sup>st</sup>, 2022 on account of ploughing back of profits in FY22.

Gearing levels have improved due to infusion of fresh equity share capital of Rs. 5.74 Crore by the promoters of company. The debt to equity stood at 2.06x as on March 31<sup>st</sup>, 2022 as against 2.17x as on March 31<sup>st</sup>, 2021. SHFPL's ability to raise fresh low cost borrowings in



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order to grow its loan book while improving its operational parameters will play a critical role in their growth.

- **Improvement in profitability of the company:**

The company was incurring losses till FY20 due to nascent stage of business, in FY22 the company earned a PAT of Rs. 2.53 Cr. with a PAT margin of 17.67%. The profitability of the company have adequate in FY22 and stood moderate with ROCE 10.10%, RONW of 8.34%, NIM of 7.19%. The cost to Income ratio has also improved from 61.98% in FY21 to 53.34% in FY22.

### **Key Rating Weaknesses**

- **Ability to maintain asset quality, profitability given the nascent stage of business operations:**

SHFPL forayed into the housing finance lending since January 2019. The outstanding loan portfolio stood modest at Rs. 112.37 Crore as on March 31<sup>st</sup>, 2022 and Rs. 126.05 Cr as on Sep 31, 2022. The Company has been able to maintain its asset quality with the GNPA and NNPA of 0.60% & 0.50% in FY2022 largely due to the high portion of unseasoned portfolio and efficient collection mechanism.

The Company's operations in Tamil Nadu comprised 100% of the portfolio as on March 31<sup>st</sup>, 2022. The key risk from geographically concentrated borrowers is that the cash flows of the borrowers are dependent on the level of economic activity in the region. Moderation in economic activity also impacts demand for housing in the region, which is likely to impact the realizable value of the housing assets which are backing the loan.

- **Challenging operating environment for HFCs**

Currently, the HFCs in India, are facing liquidity and funding challenges, resulting in subdued growth/degrowth and potential ALM mismatches in the short term. This is also expected to adversely affect the borrowing profile and profitability of HFCs. The COVID-19 pandemic has



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aggravated the liquidity issues of HFCs, with the loan moratorium announced by the RBI affecting their collection efficiencies and the resultant impact on asset quality and profitability.

Furthermore, SHFL operates in a highly competitive housing finance space, thereby its ability to demonstrate profitable growth while maintaining asset quality will be critical.

**Analytical Approach:** Standalone

**Applicable Criteria :**

[Rating Methodology for Non Banking Finance Company](#)  
[Financial Ratios & Interpretation Non- Financial Sector](#)  
[Criteria for assigning rating outlook](#)

### **Liquidity – Adequate**

The Company had adequately matched asset liability profile as on Sep 30<sup>th</sup> , 2022 with no negative cumulative mismatches in any of the time buckets upto 10 years. Liquidity is marked adequate by adequate Capital adequacy ratio of 64.84% on March 31, 2022. Overall gearing has improved on account of equity infusion of Rs. 5.74 Crore as on March 31st, 2022. The recent and projected equity infusion in the company will keep gearing level adequate in medium term. The promoter's ability to raise resources for further business expansion while keeping a cap on the gearing levels shall be a key rating factor.

### **About the Company**

Chennai-based non-deposit taking home finance entity, Sasvitha Home Finance Limited (erstwhile, Sasvitha Home Finance Pvt Ltd (SHFPL)) was incorporated on June 21, 2017 with an initial equity capital of Rs. 10.42 Crore to operate as a Housing Finance Company (HFC). It received registration from NHB in July 2018 and started operation immediately thereafter. Business wise, the company focuses on financing low- and middle-income group of customers for affordable housing in sync with the government's cherished agenda of “housing for all by 2022”; especially in the neighbourhood clusters of Urban and Metro and Tier 2 and Tier3 towns which are either underserved or un-penetrated by the commercial banks, and also help the first time home owners availing govt subsidies and other assistance. The portfolio is geographically



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concentrated in Tamil Nadu as the company commenced operation with the 5 initial focus in the state. The company has opened 16 branches and 8 satellite centres (Total 24 business points) in Tamil Nadu. The company focuses on providing home finance to individuals in the affordable housing segment, with ticket size of around Rs.5 lakh - Rs.20 lakh.

### Financials (standalone):

For the year ended* As on	(Rs. crore)	
	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	8.21	14.32
PAT	1.52	2.53
Total Debt	48.01	79.20
Tangible Net Worth	22.12	38.54
Total Loan Assets	69.18	112.37
Overall Gearing Ratio (x)	2.17	2.06
GNPA (%)	0.00	0.61%
NNPA (%)	0.00	0.52%
CAR (%)	57.72	64.84

\*as per Infomerics standards

Status of non-cooperation with previous CRA : Nil

Any other information: Nil

### Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 Dated : March 21 <sup>st</sup> , 2022	Date(s) & Rating(s) assigned in 2020-21 Dated : Dec 28 <sup>th</sup> , 2020	Date(s) & Rating(s) assigned in 2019-20
1	Term Loan	Long Term	147.76*	IVR BBB/stable Outlook (Pronounced as IVR Triple B with stable Outlook)	IVR BBB-/Positive Outlook (Pronounced as IVR Triple B minus with Positive Outlook)	IVR BBB-/Stable Outlook (Pronounced as IVR Triple B minus with Stable Outlook)	-

\*\* includes Proposed Loan of Rs. 60.00 Crores





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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](http://www.infomerics.com)

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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



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Long Term Bank Facilities – Term Loan	147.76*				IVR BBB/stable Outlook (Pronounced as IVR Triple B with stable Outlook)
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\* includes Proposed Loan of Rs. 60.00 Crores

**Annexure 2: List of companies considered for consolidated analysis: N.A**

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/Len-sasvitha-Home-feb23.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](http://www.infomerics.com)