



Infomerics Valuation And Rating Pvt. Ltd.

Sahara Housingfina Corporation Ltd

Revised Press Release

August 24, 2023

This is with reference to the Press Release dated May 15th, 2018. The revised PR stands as follows:

The revised press release added the Detailed explanation of covenants of the rated instrument/facilities as per the regulator guidelines.

Link to the press release dated May 15th, 2018 published on Infomerics' website:

https://www.infomerics.com/admin/uploads/SHCL-Press_Release.pdf

Rating

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

Details of Instrument are in Annexure 1

Rating Rationale

The aforesaid rating is constrained on account of continuing imbroglio with Sahara group pertaining to poor debt servicing track record, weak resource profile, moderate profitability, higher NPA levels and stagnancy in the loan book. The rating however, factors in the experienced management, comfortable capital adequacy and good growth prospects for housing finance sector. Growth in business, profitability, asset quality and improvement in debt servicing by the group are the key rating sensitivities.

List of Key Rating Drivers

- Continuing imbroglio with Sahara group pertaining to poor debt servicing track record
- Weak resource profile
- Stagnancy in the loan book
- Moderate profitability
- High NPA levels



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- Experienced Management
- Comfortable capital adequacy
- Good growth prospects for housing finance sector given the huge housing need in the country

Detailed Description of Key Rating Drivers

Key Rating Weaknesses:

- ***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 group and the Chairman of the group in relation to non-payment of dues to optionally convertible debenture holders. These had compelled them to face various legal consequences, including arrest of the Chairman. The group was directed to sell a part of its assets in India to raise part of the alleged defaulted amount which is yet to happen, in entirety. Reportedly, Sahara Housing Finance Corporation Limited (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 loans from corporates to meet its funding requirements. Substantial portion of the borrowings are from related companies.

- ***Stagnancy in the loan book***

The company witnessed a decline in the outstanding loan portfolio from Rs.135.07 crore as on March 31, 2015 to Rs.122.38 crore as on March 31, 2016. However, the loan portfolio is almost stable at Rs.122 crore as on March 31, 2017. This decline in the outstanding portfolio was driven by the Sahara imbroglio which led to borrowers foreclosing their loans as they were apprehensive about confiscation of Sahara properties. Reportedly, this apprehension is being gradually addressed and with time, the company appears to have been able to stem the tide. The disbursements of the company increased from Rs. 14.56 crores in FY16 to Rs. 18.85 crores in FY17.

- ***Moderate profitability***



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Profit levels of the company have remained at around Rs. 2 crores. The profitability of the company has been moderate, with ROTA in the range of 1.20%-1.40% in the last two years.

- ***High NPA levels***

The asset quality of the company deteriorated sharply over the last three financial years mainly on non-servicing of housing loans by the employees of the group companies. The Gross Non-Performing Assets and Net Non-Performing Assets have risen from 4.49% and 2.88% as on March 31, 2015 to 5.89% and 3.68% respectively as on March 31, 2017 due to delay in payment of salary to the Sahara group employees. Net NPA to net worth ratio was high at 12.62% as on March 31, 2017. However, reportedly, the position has been improving since FY18, as payments of salaries to employees has been resumed by the group companies.

Key Rating Strengths

- ***Experienced Management***

The day-to day operations of SHCL are being overseen by Shri D. J. Bagchi, who is the Chief Executive Officer of the company. Mr. D. J. Bagchi, CEO, is a Fellow member of the Institute of Company Secretaries of India (ICSI) and a 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***

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, 2017, CAR was robust at 70.11% with Tier I CAR being 54.09%.

- ***Good growth prospects for housing finance sector given the huge housing need in the country***

The lending 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 urbanization, population migration to urban centers and demographic composition. The prospects of the sector are favorable.

Analytical Approach & Applicable Criteria



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Rating Methodology for Financial Institutions/NBFCs

Financial Ratios & Interpretation (Financial Sector)

Default Recognition & Post-Default Curing Period

About the Company

Sahara Housing Finance Corporation Limited (SHCL) was founded in 1991. Its registered office and head office is 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. During the FY17 (refers to April 01 to March 31), the company earned a PAT of Rs.1.98 crores on a Total Income of Rs.13.6 crores, as against Rs.1.89 crores and Rs.14.4 crores respectively in FY16. In 9MFY18, the company has achieved a PAT of Rs. 1.7 crores on a Total Income of Rs.10.3 crores.

Financials

For the year ended / As on	(Rs. Crores)	
	31-03-2016	31-03-2017
	Audited	Audited
Total Operating Income	14.4	13.6
Interest	6.8	5.3
PAT	1.9	2.0
Total Debt	106.7	103.7
Tangible Net worth	33.5	35.5
Ratios		
a. PAT Margin	13.10	14.60
b. Overall Gearing ratio	3.18	2.92
c. Total CAR (%)	78.68	70.11
d. Gross NPA (%)	5.07	5.89
e. Net NPA (%)	3.12	3.68

Note: Classification of financial numbers is as per Infomerics' standards

Status of non-cooperation with previous CRA: Not applicable

Any other information: N.A



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Rating History for last three years:

Name of Instrument	Current Rating (2018-19)			Rating History		
	Type	Amount Outstanding (Rs. Crores)	Rating	Date & Rating Press Release Assigned in 2017-18	Date & Rating Press Release Assigned in 2016-17	Date & Rating Press Release Assigned in 2015-16
Non Convertible Debenture	Long Term	30.00	IVR BB- /Stable Outlook	IVR BB- /Stable Outlook (April 04, 2017)	Nil	Nil

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.

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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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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 the Instrument

Name of the Instrument	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility(Rs. Crores)	Rating Assigned/ Outlook
Non- Convertible Debenture	March 31, 2017	7% p.a.	March 31, 2027	30.00	IVR BB-/Stable Outlook (IVR Double B minus with Stable Outlook)

Annexure 2: Detailed explanation of covenants of the rated instrument/facilities:

Name of the Instrument	Detailed Explanation
Financial Covenant	
i. Covenant to pay principal and interest	<ul style="list-style-type: none"> The Company covenants with the 'Trustees that it shall pay to the Debenture-holders, the principal amount of the Debentures the interests, and all other monies due and payable to the Debenture holders as and when due, as per the terms and conditions as mentioned in the Information Memorandum. in pursuance of which the relevant NCDs are issued by the Company. Provided that if so called upon by the Trustees for the Debenture Holders, the Company shall make payment as aforesaid to or to the order of or for the account of the Trustees and such payment shall be. deemed to be in satisfaction of the aforesaid covenant of the Company to make such payments to the Debenture Holder(s). The Company further covenants to pay interest, additional interest, liquidated damages, premia on prepayment, costs, charges and expenses, including fees and expenses of the Debenture Trustee and all other monies payable by the Company in respect of the Debentures under the Debenture Trust Deed; The Company further covenants to duly observe and perform all the terms, covenants, conditions and stipulations contained in this Debenture Trust Deed and the Information Memorandum.
ii. Covenant to Redeem	The company hereby covenants with the Trustees that the Company shall redeem the debentures hereby secured in the manner stated in the Information Memorandum issued under Series A 2016-17, by paying to the holders for the time being of the Debentures, the outstanding nominal amount of the Debentures,

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Name of the Instrument		Detailed Explanation
		<p>in lump sum or in installments as mentioned in the Information Memorandum contained together with interest upto the date of redemption.</p> <p>Payment on redemption of the debentures shall be made only on the surrender of the Debenture Certificate(s) duly discharged by the debenture-holders, In case of joint holders, payment shall be made to the first named person in the debenture. In the event of Company not receiving any notice of transfer along with the original Debenture Certificate(s) at least 15 days before the due date of redemption, the transferee(s) for the Debenture(s) shall not have any claim against Company in respect of the amount so paid to the Registered Debenture holder(s).</p>
Non-financial Covenant		
i.	Company to assist trustee in exercise of any power	In case the security hereby created shall become enforceable as provided hereinbefore, the Company shall forthwith, upon demand by Trustee, do all things necessary to enable the Trustee to realize the charged assets.
ii	Trust Of The Hypothecated Assets	<p>The Loan Receivables and Book-debts hereby charged / hypothecated shall be and remain security to the Trustees till the Debentures are fully redeemed, interest, compound interest (where applicable), Trustees, remunerations and all other monies payable under the Debentures and these presents intended to be hereby secured and the Trustees shall permit the Company, until the happening of one or more of the events upon the happening of which the security hereby constituted shall become enforceable as herein provided and upon the happening of any such event the Trustees may (but subject to the provisions herein contained as to notice where such provision is applicable) in their discretion, and shall, upon request in writing of the Beneficial Owner(s) / the Debenture Holders of an amount representing not less than threefourths in value of the nominal amount of the debentures for the time being outstanding or by a Special Resolution duly passed at a meeting of Beneficial Owner(s) / the Debenture Holders convened in accordance with the provisions set out in THIRD SCHEDULE hereunder written, take such steps to realize the said security in the manner as deemed fit, including assigning the rights thereunder either by public auction or by private contract or otherwise as the Trustees shall think proper and with full power to compromise and effect compositions and for the purposes aforesaid or any of them to execute and do all such acts, . assurances and things as they shall think fit and to bring, take, arrange, defend, settle, compromise, submit. to arbitration and discontinue any actions, suits or proceedings whatsoever whether civil or criminal against the debtors of the Company, the receivables from whom are charged to the Trustees, either in the name of the Company or in its own name as power of attorney holder of the Company, for recovery of the amounts due from them to the Company and to realise the underline securities thereof</p>

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Name of the Instrument		Detailed Explanation
iii	Application Of Sale Proceeds	The Trustee shall hold the moneys to arise from any sale or conversion under the Trust and shall in the first place, pay or retain the costs and expenses incurred in or about the execution of such trust or otherwise in relation to these present and shall apply the residue of such moneys, first in or towards payment to the debenture holders pari-passu. in proportion to the debentures held by them respectively, and secondly, shall pay the surplus (if any) of such moneys to the person entitled to the charged assets.
iv	Covenants For Title Etc	<p>The Company hereby further covenants with the Trustee that —</p> <ul style="list-style-type: none"> notwithstanding anything by the Company done, omitted or knowingly suffered, the Company now has good title and full power to charge in favour of the Trustee by way of hypothecation the said Loan Receivables and Book-debts as mentioned in. the FIRST SCHEDULE, the company will indemnify Trustee against all encumbrances actions, suits, proceedings and demands, costs, charges and expenses whatsoever and the Company will from time to time at the cost of the Company execute and do all such assurances, acts and things as the Trustee may reasonably require for effectuating and completing the security intended to be hereby created, and that at any time and from time to time; after the security hereby created shall become enforceable, the Company shall from time to time and at all times execute and do all such conveyances, transfers, assignments, assurances, acts and things as the Trustees may reasonably require for facilitating the realization of the hypothecated assets and for exercising all the powers, authorities and discretion hereby conferred on the Trustees, and for the purposes of this Clause a Certificate in writing by the Trustee to the effect that any particular assurance, act. or thing required by them is reasonably required by them shall be conclusive evidence of the fact.

Brief term sheet of NCDs for INR 30.00 crore (Current Outstanding INR 30.00 crore)

Security Description	Rated, Unlisted, Secured, Non-Convertible Debentures
Quantity	30
Face Value/Paid Up Value [#]	INR 1.00 cr per NCD
ISIN	NA
Date of Allotment	March 31 2017
Financial Covenants	
Date of Redemption	30% on 31-03-2025, 30% on 31-03-2026 and 40% on 31-03-2027
Rate of Interest	7.00% PA payable yearly on March 31 st every year.



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Date(s) of Payment of Interest	Yearly starting from March 31, 2017, and at the end of the tenor along with the final redemption.
Non-Financial Covenants	
Objective/Purpose of the Issue	Issue proceeds shall be utilized for onward lending, financing and for repayment of interest and principal and for general corporate purpose.