

Infomerics Valuation And Rating Pvt. Ltd
Sahara Housingfina Corporation Limited

Revised Press Release

August 24, 2023

This is with reference to the Press Release dated June 18th, 2019. 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 June 18th, 2019 published on Infomerics' website:

https://www.infomerics.com/admin/uploads/PR_Sahara_18.06.2019.pdf

Ratings

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

Details of Facilities are in Annexure I

Detailed Rationale

The aforesaid rating continues to be constrained on account of continuing imbroglio with the Sahara group pertaining to its 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 and comfortable capital adequacy. Growth in business, profitability, asset quality and improvement in debt servicing by the Sahara group are the key rating sensitivities.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Management

SHCL is being overseen by Mr. Joy Broto Roy who serves as the Deputy Managing Director of the Sahara India Parivar and possesses over 25 years of experience in business and managerial affairs. The daily affairs of the company are fully managed by professionals led by

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Mr. D. J. Bagchi, (CEO) 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%.

Key Rating Weaknesses

Continuing imbroglio with the 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. 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 Housingfinia 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 corporate loans from group companies to meet its funding requirements. Substantial portion of the borrowings are from related companies. Further, the company has already repaid Rs.7.00 crore of its total borrowings from related parties during FY18. Further, NCD of Rs.25 crore is also due for repayment by July, 2019.

Stagnancy in loan book

The loan portfolio has been range bound between Rs.120-125 crore during FY16-18 since the company has limited access to generation of funds owing to the fact that it does not have any banking relationships. The loan portfolio further declined to Rs.116 crore in FY19 on account of repayment of loans from related parties to the extent of Rs.7.00 crore. 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. Reportedly, this apprehension is being gradually addressed and with time, the company appears to have been able to stem the tide as evident from the fact that the prepayment % have also declined from

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7.75% in FY17 to 5.94% in FY18. Further, the disbursements of the company increased from Rs. 18.85 crore in FY17 to Rs.25.85 crore in FY18.

Moderate profitability

Profit levels of the company have remained at around Rs.2 crore. The profitability of the company has been moderate, with ROTA in the range of 1.70%-1.90% in the last two financial years.

High NPA levels, though improved in FY18

The asset quality of the company deteriorated sharply over the last three financial years. The Gross Non-Performing Assets and Net Non-Performing Assets although declined slightly, is still high at 5.69% and 3.17% respectively as on March 31, 2018 (5.89% and 3.68% respectively as on March 31, 2017). Net NPA to net worth ratio was high at 10.37% as on March 31, 2018.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Financial Institutions/NBFC's

Financial Ratios & Interpretation (Financial Sector)

Default Recognition and Post-Default Curing Period

Liquidity

SHCL has positive mismatches in maturity buckets up to one year as on September 30, 2018. An earlier NCD of Rs.25 crore is due for repayment on July, 2019. Against this, the company has cash and liquid investments to the extent of Rs.14.00 crore. The remaining amount will be paid from the maturing loan book. 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 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

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operates from branches in 11 cities across the country. During the FY18 (refers to April 01 to March 31), the company earned a PAT of Rs.2.60 crore on a Total Income of Rs.13.6 crore, as against Rs.2.00 crore and Rs.13.6 crore respectively in FY17. In FY19 (provisional), the company has achieved a PAT of Rs. 2.10 crore on a Total Income of Rs.13.3 crore.

Financials (Standalone):

(Rs. crore)		
For the year ended* / As On	31-03-2017	31-03-2018
	Audited	Audited
Total Operating Income	13.6	13.6
Interest	5.3	5.1
PAT	2.0	2.6
Total Debt	103.7	96.7
Tangible Net worth	35.5	38.1
Ratios		
a. PAT Margin (%)	14.60	19.32
b. Overall Gearing Ratio (x)	2.92	2.54
c. Total CAR (%)	70.11	55.21
d. Gross NPA (%)	5.89	5.69
e. Net NPA (%)	3.68	3.17

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Non-Convertible Debenture	Long Term	30.00	IVR BB- / Stable Outlook	IVR BB- / Stable Outlook (May 15, 2018)	IVR BB- / Stable Outlook (April 04, 2017)	-

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:

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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 I: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Non-Convertible Debenture	March 31, 2017	7% p.a.	March 31, 2027	30.00	IVR BB- / 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

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Name of the Instrument		Detailed Explanation
		<p>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).</p> <ul style="list-style-type: none"> 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	<p>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, 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	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

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Name of the Instrument		Detailed Explanation
		<p>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>
iii	Application Of Sale Proceeds	<p>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.</p>
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.

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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.
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.