



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 April 4th, 2017. 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 April 4th, 2017 published on Infomerics' website

https://www.infomerics.com/admin/uploads/Sahara_Housingfina_Press_Release.pdf

Rating

Instrument	Amount	Rating	Rating Action
Non Convertible Debenture	Rs.30.00 crores	IVR BB-/Stable outlook (IVR Double B minus/Stable outlook)	Assigned

Details of Instrument are in Annexure 1

Infomerics Valuation and Rating Pvt. Ltd. has assigned a rating of **IVR BB-/Stable outlook (IVR Double B minus/Stable outlook)** to the proposed Non Convertible Debenture issue of Rs.30.00 crores of Sahara Housingfina Corporation Ltd. (SHCL). Instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations.

Detailed Rationale

The aforesaid rating is constrained on account of unsatisfactory operational & financial parameters, moderate asset quality, continuing imbroglio with Sahara group pertaining to poor debt servicing track record and declined housing loan portfolio. The rating however, factors in the modest length of experience of the company in the housing finance industry, improving & comfortable capital adequacy ratio, however on a low level of housing loan portfolio, current increasing trend of the portfolio and the rapid growth in the housing finance



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industry. Ability of the company to improve its portfolio level and the profitability & operational parameters and the improvement in debt servicing by the group shall be the major rating sensitivities during the medium to long term.

List of Key Rating Drivers

- Continuing imbroglio with Sahara group pertaining to poor debt servicing track record.
- Declined housing loan portfolio.
- Unsatisfactory operational & financial parameters.
- Declining & moderate asset quality.
- Modest length of experience of the company in the housing finance industry.



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- Improving & comfortable capital adequacy ratio, given a low level of housing loan portfolio.
- Rapid growth in housing finance industry.

Detailed Description of Key Rating Drivers

Rating Strengths

Modest length of experience of the company in the housing finance industry

SHCL, belonging to Sahara India group, was formed 1991 with its registered office and head office at Kolkata. The company is engaged in providing varied kinds of housing loans like home loans, mortgage loans, NRP loans and developer loans. The company commenced retail-lending business in May 2004 and is fully integrated on-line systems solution backed by adequate risk management standards. Currently, it operates from four regions viz. Kolkata, Lucknow, Hyderabad and Mumbai and has a branch in 13 cities.

Improving & comfortable capital adequacy ratio, given a low level of housing loan portfolio

The capital adequacy of the company was 78.68% as on March 31, 2016, improved from 57.5% as on March 31, 2015. While the improvement was on shrunk portfolio over the last three years, the same has generally been comfortable due to comfortable level of capitalisation and a modest level of subordinated debt taken from group companies.

Rapid growth in housing finance industry

The domestic housing finance sector is evolving & growing at a rapid pace. With the intervention of the banking sector and the emergence of more specialised financial institutions togetherwith growing urbanisation, this sector is attracting a wide range of customers encompassing individuals, private bodies and large corporate.

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. Currently, the Chairman is out of jail on parole. The group was directed to sell a part of its assets in India to raise part of the alleged defaulted amount



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which is yet to happen, in entirety. Reportedly, SHCL is maintaining an arm's length distance from the group companies in its day-to-day operations.

Declined housing loan portfolio

The company witnessed a sharp decline in the outstanding loan portfolio during the last two financial years. This was driven by the Sahara imbroglio which led to borrowers foreclosing their loans as they were apprehensive about confiscation of their properties. Reportedly, this apprehension is being gradually addressed and with the time, the company appears to have been able to stem the tide in the current year.

Unsatisfactory operational & financial parameters

The operational parameters of the company have generally been low, particularly in the last two financial years (refers to April 01 to March 31), as reflected in high proportion of Gross & Net Non Performing Assets and high collection inefficiency. The company earned low level of profit which has a significant bearing on various profitability and debt coverage related parameters. Consequently, the company is unfavourably placed among its peers.

Declining & moderate asset quality

The asset quality of the company deteriorated sharply during the last two financial years mainly on account of downturn in the macro-economic scenario and non-servicing of housing loans by the employees of the group companies. Consequently, the Gross Non-Performing Assets and Net Non-Performing Assets became high at 5.07% and 3.12% respectively as on March 31, 2016, as against 1.56% and 0.71% as on March 31, 2014.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Financial Institution & NBFCs

Default Recognition & Post-Default Curing Period

About the company

SHCL, incorporated in 1991, belongs to the Sahara India group. The company is engaged in providing various kinds of housing loans like home loans, mortgage loans, NRP loans and developer loans. The company was formerly known as Livewell Home Finance Limited and changed its name to Sahara Housingfina Corporation Limited subsequently. The company



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commenced retail lending business in May 2004 with professionals from the industry and fully integrated on-line systems solution backed by strong procedures and risk management standards. Currently, it operates from four regions viz. Kolkata, Lucknow, Hyderabad and Mumbai and has a branch in 13 cities.

During the FY16 (refers to April 01 to March 31), the company earned a PAT of Rs.1.9 crores on a Total Income of Rs.14.4 crores, as against Rs.2.2 crores and Rs.18.3 crores respectively in FY15.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years: 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 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 Instrument

Name of Instrument	Date of issuance	Coupon Rate/ IRR	Maturity Date	Size of issuance/ loan (Rs Crores)	Rating Assigned/ Outlook
Non Convertible Debenture	Not yet placed	7% (indicative)	At the end of 10 years from the date of issuance	30.00	IVR BB-/Stable outlook (IVR Double B minus/(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	<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</p>

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Name of the Instrument		Detailed Explanation
		ma_de 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).
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 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
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

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Name of the Instrument		Detailed Explanation
		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.
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.



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