



Press Release

Sahara Housingfina Corporation Limited

Revised Press Release

August 24, 2023

This is with reference to the Press Release dated August 1, 2023. 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 August 1, 2023 published on Infomerics' website:

<https://www.infomerics.com/admin/uploads/pr-sahara-housingfina-1aug23.pdf>

Ratings

Instrument Facility	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Non-Convertible Debentures	30.00	IVR BB-/ Stable (IVR double B minus with Stable outlook)	Reaffirmed	Simple
Total	30.00 (INR Thirty crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the rating assigned to the non-convertible debentures of Sahara Housingfina Corporation Limited (SHCL) continues to derive strength from the company's experienced management, comfortable capital adequacy ratio and good growth prospects given the huge housing need in the country. The rating strength is, however, constrained by the company's small scale of operation, continuing imbroglio with Sahara group pertaining to poor debt servicing track record, its weak resource profile, decline in loan book and high NPA levels.

Key Rating Sensitivities:

Upward Factors

- Significant improvement in scale of operations and profitability on a sustained basis



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- 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, 2023, CAR was robust at 105.51% with Tier I CAR being 105.46%.

- **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 income of the company continued to remain low and witnessed a y-o-y decline of 11.60% from Rs.12.67 crore in FY22 to Rs.11.20 crore in FY23 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



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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 to Rs.2.09 crore in FY23 from Rs.2.18 crore in FY22. Due to a decline in topline PAT also declined to Rs. 1.42 crore in FY23 from Rs. 1.79 crore in FY22.

- **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 meet its funding requirements. Substantial portion of the borrowings are from related companies. In spite of the same, the total borrowings of the company have decreased to Rs. 49.07 crore March 31, 2023 from Rs. 59.71 crore as on March 31, 2022 on account of repayment of unsecured loans to related parties.

- **Decline in loan book**

The loan portfolio declined to Rs.78.76 crore as on March 31, 2023, from Rs. 92.76 crore in March 31, 2022 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.

- **High NPA levels**

The asset quality of the company has improved though marginally compared with the last year. The Gross Non-Performing Assets and Net Non-Performing Assets declined to 8.31% and 3.07% from 9.04% and 3.24% respectively as on March 31, 2022. Net NPA to net worth ratio improved to 4.81% as on March 31, 2023 from 6.08% as on March 31, 2022.

Analytical Approach: Standalone



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Applicable Criteria:

[Rating Methodology for Financial Institutions/ NBFCs](#)

[Financial Ratios & Interpretation \(Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

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..

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-March-22 (Audited)	31-March-23 (Audited)
Total Operating Income	12.67	11.20
Interest	4.88	4.52
PAT	1.78	1.42
Total Debt	59.71	49.07
Tangible Net-worth	48.83	50.27
Return on total assets (%)	1.65	1.38
Overall gearing ratio (x)	1.22	0.98
Total CAR (%)	91.10	105.51



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Gross NPA (%)	8.99	8.31
Net NPA (%)	3.39	3.07

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (August 4, 2022)	Date(s) & Rating(s) assigned in 2021-22 (August 17, 2021)	Date(s) & Rating(s) assigned in 2020-21 (August 21, 2020)
1.	Non-Convertible Debenture	Long Term	30.00	IVR BB-/Stable	IVR BB-/Stable	IVR BB-/Stable	IVR BB-/Stable

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.



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Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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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

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details: Not Applicable.

Annexure 4: 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 'IYustees 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



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Name of the Instrument		Detailed Explanation
		<p>Memorandum. in pursuance of which the relevant NCDs are issued by the Company.</p> <ul style="list-style-type: none"> • 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 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



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Name of the Instrument		Detailed Explanation
		(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 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 theCompany



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

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