



## Infomerics Valuation and Rating Pvt Ltd

### Press Release

Sahara Housingfina Corporation Ltd.

April 04, 2017

### 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 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](http://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))

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