Press Release

Sahara Housingfina Corporation Limited

June 18, 2019

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 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 Housingfina 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 meets 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 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 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:

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.

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