



## Press Release

### Sahara Housingfina Corporation Limited (SHCL)

July 29, 2024

#### Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Non-Convertible Debentures (NCDs)	30.00	IVR BB- / Negative (IVR Double B Minus with Negative Outlook)	IVR BB- / Stable (IVR Double B Minus with Stable Outlook)	Rating reaffirmed and outlook revised to negative	<a href="#">Simple</a>
<b>Total</b>	<b>30.00</b> <b>(Rupees thirty crore only)</b>				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

#### Detailed Rationale

Infomerics Ratings has reaffirmed the ratings assigned to the NCDs of SHCL which continues to derive strength from comfortable capitalization level, good growth prospects given the huge housing need in the country & improvement in net interest margin (NIM). The ratings are however partially constrained by continuing imbroglio with Sahara group pertaining to poor debt servicing track record, sustained decline in asset under management (AUM), poor asset quality, weak resource profile.

Infomerics Ratings has revised outlook to negative on account of sustained decline in AUM, continue poor asset quality and lack of funding avenues due to concerns associated with the group.

#### Key Rating Sensitivities:

##### Upward Factors

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



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### Downward Factors

- Sustained decline in AUM and profitability.
- Significant deterioration in asset quality

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Comfortable capitalization level:** SHCL's capital adequacy is comfortable as marked by capital to risk weighted assets ratio (CRAR) which stood at 110.84% in FY24 (refers to period 1<sup>st</sup> April 2023 – 31<sup>st</sup> March 2024) (FY23: 106.51%) which is well above the minimum regulatory requirement. Infomerics Ratings expects capital adequacy to remain comfortable in FY25 on the account of expected support in the form of corporate loans from the group companies.
- **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.
- **Improvement in NIM:** SHCL's NIM improved to 8.94% in FY24 (FY23: 7.78%) owing to higher interest spread on account of lower cost of funds. Infomerics Ratings expects SHCL's NIM to improve further in FY25 on account of higher yield on advances.



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### Key Rating Weaknesses

- **Sustained decline in AUM:** SHCL's AUM has shown a sustained decline to Rs. 75.77 crore in FY24 (FY22: Rs. 91.58 crore, FY23: Rs. 78.67 crore) due to lack of accessibility of funds owing to concerns associated with its parent group. Additionally, SHCL's NII has grown modestly by ~4% in FY24 to Rs. 6.91 crore (FY23: Rs. 6.62 crore) on account of steady decline in total loan assets whereas its other operating income stood at Rs. 1.59 crore in FY24 (FY23: Rs. 1.29 crore) which primarily includes interest income from fixed deposit receipts. Infomerics expects stagnant growth in AUM in FY25 due to lack of availability of funding avenues for SHCL.
- **Poor asset quality:** SHCL's asset quality continues to remain poor though improved marginally as marked by GNPA and NNPA which stood at 7.69% & 2.24% respectively in FY24 (FY23: 8.31% & 3.07% respectively). Additionally, SHCL's provision coverage ratio (PCR) improved to 70.84% in FY24 (FY23: 62.99%). SHCL's asset quality continues to remain a key rating monitorable amidst stagnant growth in AUM.
- **Continuing imbroglio with Sahara group pertaining to poor debt servicing track record:** SHCL is a part of the Sahara India group. There have been serious allegations against the late 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. Legal proceedings regarding the allegations are ongoing, with the courts and regulatory authorities continuing to oversee the process of refunding investors and holding the group accountable for its actions. Any development with regards to legal proceedings will continue to remain a key rating monitorable.
- **Weak resource profile:** SHCL does not have any borrowings from banks / FI's due to which it is resorting to borrowings primarily in the form of NCD's and corporate loans from group companies to meet its funding requirements. As on 31<sup>st</sup> March 2024, its borrowings include NCDs of Rs. 30 crore and outstanding corporate loans at Rs. 15.42 crore from group companies. Infomerics expects SHCL's resource profile to remain



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weak due to lack of fresh funding from banks / FI's owing to concerns associated with its group.

**Analytical Approach:** Standalone

**Applicable Criteria:**

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

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

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments](#)

### **Liquidity –Adequate**

Considering its asset size, SHCL's CRAR stood at a comfortable at 110.84% as on 31st March 2024 which is well above the minimum regulatory requirement. Also, it has adequately matched asset liability profile as on March 31, 2024, across all the buckets. Moreover, Cash and cash equivalent stood healthy at Rs 23.59 crore as on 31st March 2024.

### **About the Company**

SHCL was founded in 1991. Its registered office and head office is in Kolkata. SHCL is engaged in providing home loans, loan against property, business loans to self-employed professional and loans to developers.



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### Financials (Standalone):

For the year ended* / As on	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Income	11.19	10.58
PAT	1.41	1.40
Tangible Net worth	50.27	51.71
Total Loan Assets	78.67	75.77
<b>Ratios</b>		
NIM (%)	7.78	8.94
ROTA (%)	1.35	1.42
Interest Coverage (times)	1.46	1.49
Total CAR (%)	106.51	110.84
Gross NPA [Stage III] (%)	8.31	7.69
Net NPA [Stage III] (%)	3.07	2.24

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA: None**

**Any other information: None**

### Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
				-	Aug 01, 2023	Aug 04, 2022	Aug 17, 2021
1.	NCD	Long Term	30.00	IVR BB- / Negative	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.

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.

For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Instrument/Facility Details

Name of instrument	ISIN	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (Rs. Crore)	Listing Status	Rating Assigned/Outlook
NCD	Not Applicable as NCD was issued in physical form	31 <sup>st</sup> March, 2017	7.00 %	31 <sup>st</sup> March 2027	30.00	Unlisted	IVR BB- / Negative

### Annexure 2: Facility wise lender details: Not Applicable

### Annexure 3: Detailed explanation of covenants of the rated instrument:

Security Description	Rated, Unlisted, Secured, Non-Convertible Debentures
Quantity	30
Face Value/Paid Up Value <sup>#</sup>	Rs. 1 crore per NCD
Issue Size	Rs. 30.00 crores
ISIN	Not Applicable as NCD was issued in physical form
Date of Allotment	March 31 2017
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 <sup>st</sup> 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.
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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Name of the Instrument	Detailed Explanation
<b>Financial Covenant</b>	
Covenant to pay principal and interest	<ul style="list-style-type: none"><li>• 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.</li><li>• 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).</li><li>• 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;</li><li>• 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.</li></ul>





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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 up to 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>
<b>Non-financial Covenant</b>	
Company to assist trustee in exercise of any power	<p>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.</p>
Trust Of The Hypothecated Assets	<p>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</p>



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	<p>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 three fourths 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 realize the underline securities thereof</p>
Application Of Sale Proceeds	The Trustee shall hold the moneys to arise from any sate 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



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	<p>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>
Covenants For Title etc.	<p>The Company hereby further covenants with the Trustee that —</p> <ul style="list-style-type: none"><li>• notwithstanding anything by the Company done, omitted or knowingly suffered, the Company now has good title and full power to charge in favor of the Trustee by way of hypothecation the said Loan Receivables and Book-debts as mentioned in. the FIRST SCHEDULE,</li><li>• the company will indemnify Trustee against all encumbrance's actions, suits, proceedings and demands, costs, charges and expenses whatsoever and the Company will from time to time at the cost of the Company</li></ul>

**Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable**

**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).