



Press Release

Sasvitha Home Finance Private Limited

December 28, 2020

Ratings

Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long term Bank Facilities	53.49	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned
Long Term/Short Term Bank Facilities	26.51	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)/IVR A3 (IVR A Three)	Assigned
Total	80.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the long term & short term facilities of Sasvitha Home Finance Private Limited (“SHFPL” or “the company”) derives comfort from its experienced promoters and management team with Sound capital structure to support future growth plans. However, the rating strengths are partially offset by nascent stage of operation and shorter vintage of portfolio, the asset quality remains uncertain in near term.

Key Rating Sensitivities

Upward factors:

Significant scaling up the business operations while maintaining the asset quality and profitability indicators.

Downward factors

Significant deterioration in leverage indicators, asset quality and/or profitability metrics in order to improve the lending operations.

Detailed Description of Key Rating Drivers

Key Rating Strengths

- **Support from promoters and experienced board of members:**

SHFPL is supported by experienced promoters and board members. Governance is vested with a Board of Directors comprising 5 directors who are well qualified with experience, adequate knowledge of finance, banking, accounting, administration, technology and in



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corporate governance and management. Company's management team led by Mr. M Balachandran, the Executive Chairman of SHFPL, Mr. Balachandran, has been a career banker for 37 years and worked in India and abroad for over 33 years in Bank of Baroda, lastly as Chief Executive for the bank's American operations at New York. Mr. Rajendran (Executive Director) has over 3 decades of experience in core banking worked in areas such as resources mobilization, creation of assets and monitoring, asset recovery, branch and controlling office administration including overseas banking in Singapore. He has lastly served as the Executive Director of Repco Bank. Overall management is qualified and experienced to run business operations efficiently.

- **Sound Capital structure to support future growth plans:**

The Company commenced its lending operations in January, 2019 after receiving its NHB registration and since then has expanded its loan portfolio to INR 47.80 crore as on 30 Sep 2020, as against INR 36.68 Crore as on March 31st, 2020 and INR 2.38 Crore as on March 31st, 2019. The growth in the loan portfolio has been through capital support from the promoters and the minimal liability in the form of external debt. The Company's Capital Adequacy Ratio (CAR%) stood at 80.13% as on 30 Sep 2020, and 85.58% as on March 31st. Its overall gearing stood comfortable at 0.88x as on March 31st, 2020 (0.14x as on March 31st, 2019) giving sufficient headroom for leveraging for growth in the loan book going further.

SHFPL's ability to raise fresh low cost borrowings in order to grow its loan book while improving its operational parameters is to be seen.

Key Rating Weaknesses

- **Ability to maintain asset quality, profitability given the nascent stage of business operations:**

SHFPL forayed into the housing finance lending since January 2019 with tenure of loans ranging up to 20 years. The outstanding loan portfolio stood modest at INR 36.68 Crore as on March 31st, 2020. The Company has been able to maintain its asset quality with nil stress assets in FY2020, largely due to the high portion of unseasoned portfolio and thus the ability to maintain the asset quality across a loan cycle is yet to be demonstrated.



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The Company's operations in Tamil Nadu comprised 100% of the portfolio as on March 31st, 2020. The key risk from geographically concentrated borrowers is that the cash flows of the borrowers are dependent on the level of economic activity in the region. Moderation in economic activity also impacts demand for housing in the region, which is likely to impact the realizable value of the housing assets which are backing the loan.

Given the initial stages of lending operations, the Company's ability to maintain healthy profitability metrics will be necessary. Till the loan book starts to generate optimal level of business, moderate profitability margins are to be expected.

Analytical Approach: Standalone

Applicable Criteria:

Rating methodology for Financial Institutions/NBFCs

Financial ratios and Interpretation (Financial Sector)

Liquidity: Adequate

The Company had adequately matched asset liability profile as on March 31st, 2020 with no negative cumulative mismatches in any of the time buckets upto 5 years. Overall gearing stood comfortable at 0.88x as on March 31st, 2020 with undrawn credit lines of ~Rs.22.00 Crs as on November 25, 2020. The cash and cash equivalents balances stood moderate at Rs.1.19 Crore as on March 31st, 2020. Going forward, the promoter's ability to raise resources for further business expansion while keeping a cap on the gearing levels shall be a key rating factor.

About the Company

Chennai-based non-deposit taking home finance entity, Sasvitha Home Finance Pvt Ltd (SHFCPL) was incorporated on June 21, 2017 with an initial equity capital of INR10.42 Crore to operate as a Housing Finance Company (HFC). It received registration from NHB in July 2018 and started operation immediately thereafter. Business wise, the company focuses on financing low and middle income group of customers for affordable housing in sync with the government's cherished agenda of "housing for all by 2022"; especially in the neighbourhood clusters of Urban and Metro and Tier 2 and Tier3 towns which are either underserved or unpenetrated by the commercial banks, and also help the first time home owners availing govt



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subsidies and other assistance. The portfolio is geographically concentrated in Tamil Nadu as the company commenced operation with the initial focus in the state. The company focuses on providing home finance to individuals in the affordable housing segment, with ticket size of around Rs.10 lakh - Rs.12 lakh.

Mr. Balachandran M (Executive Chairman) has been a career banker for 37 years and worked in India and abroad for over 33 years in different Banks/FIs.

Financials (Standalone Basis)

For the year ended / As On*	(Rs. crore)	
	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	0.98	3.81
Interest	0.04	1.09
PAT	(0.02)	(0.46)
Total Debt	3.03	18.16
Tangible Networkth	20.97	20.56
Total Loan Assets	2.39	36.68
PAT Margin (%)	(1.97)	(12.14)
Overall Gearing Ratio (x)	0.14	0.88
Gross NPA (%)	0.00	0.00
Net NPA (%)	0.00	0.00
CAR (%)	459.27%	85.58%

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: N.A

Rating History for last three years:

S. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Fund based Bank Facilities	Long Term	53.49	IVR BBB-/Stable Outlook	-	-	-



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2.	Fund Based Bank Facilities	Long /Short Term	26.51	IVR A3	-	-	-
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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.

Name and Contact Details of the Rating Analyst:

Name: Mr. Ravi Prakash
Tel: (011) 24655636
Email: rprakash@infomerics.com

About Infomerics:

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loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	May, 2028 (last)	53.49	IVR BBB-/Stable Outlook
Proposed	-	-	N.A	26.51	IVR BBB-/Stable Outlook/IVR A3