

Satin Housing Finance Limited

October 07, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	-	-	Withdrawn [%]
Long Term Bank Facilities	8.85	CARE BBB+ (CE); Negative [@] [Triple B Plus (Credit Enhancement); Outlook: Negative]	Reaffirmed
Total Bank Facilities	8.85 (Rs. Eight Crore and Eighty-Five Lakhs Only)		
Long Term Instruments (Subordinate Debt)	20.00	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Total Long Term Instruments	20.00 (Rs. Twenty Crore Only)		

Details of instruments/facilities in Annexure-1

[%] The provisional rating assigned to proposed bank facilities has been withdrawn in line with CARE's policy on provisional ratings

[@]Based on credit enhancement in the form of Letter of Comfort issued by Satin Creditcare Network Limited (SCNL)

Un Supported Rating	CARE BBB (Triple B) [Reaffirmed]
----------------------------	---

Note : Unsupported Rating does not factor in the explicit credit enhancement

Detailed Rationale & Key Rating Drivers for the credit enhanced debt

The rating assigned to the bank facilities of Satin Housing Finance Limited (SHFL), wholly owned subsidiary of Satin Creditcare Network Limited (SCNL) is supported by credit enhancement in the form of existing Letter of Comfort (LoC) by its parent. SCNL has shown commitment towards SHFL's operations in the form of Letter of Comfort for honouring debt obligations of SHFL on due date. The LoC, though irrevocable, valid and binding on SCNL cannot be constructed as a guarantee and has no legal binding on the parent to make good of the liabilities. However, given the written articulation of support coupled with name sharing, strong financial and management backing from the parent, there is a strong moral obligation on SCNL to honour the terms of LoC.

Detailed Rationale & Key Rating Drivers of SCNL

The ratings assigned to the bank facilities and instruments of Satin Creditcare Network Limited (SCNL) draw comfort from the long-standing experience of the promoter, demonstrated ability to raise capital, company's stated intent to maintain adequate capitalization levels well above the regulatory requirement, diversified resource base and comfortable liquidity position. The rating also takes into consideration the established track record of operations and risk management systems in place which allow real time monitoring of operations and reducing geographical concentration risk with expansion into new territories/regions.

The ratings are, however, constrained by relatively weak asset quality with an overall GNPA or Stage 3 assets to AUM of 10.96% as on March-21. Since Aug 30, 2020, the company had not recognized any NPAs, in line with the interim order of Supreme Court though it did identify such accounts as Stage 3 and made provisions against the same. Subsequently end Dec 2020, the company's on-book proforma GNPA surged to 9.6% as against the reported GNPA of 1.5%. On March 31, 2021, on-book GNPA reported by company stood at 8.40%. This increase in delinquency was underpinned by asset quality weakness in few key states such as Punjab, West Bengal, Orissa, Assam following floods / excessive rainfall, political environment. Additionally, the issues such as sizable share of first cycle loans in the overall loan book following expansion into new territories as against the traditional Hindi speaking belt where SCNL has long standing experience of operations has led to elevated asset quality concerns.

Also, the state wise concentration, though coming down, remains high with Uttar Pradesh (single largest state and region most impacted post demonetization) constituting 22.75% of AUM as on March-21. The ratings of SCNL also continues to account for the inherent risk involved in the microfinance industry including unsecured lending; cash-based operations and socio-political intervention risk. Additionally, CARE takes note of unprecedented situation of COVID-19 outbreak that has led to elevated risk aversion in general and particularly with respect to microfinance sector owing to uncertainty arising from unsecured lending to customers with weaker credit profiles. The ability of the company to improve its asset quality and limit the credit losses

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

while maintaining comfortable capital structure and gearing levels, grow its portfolio while continuing to diversify its presence and maintaining consistent profitability are key rating sensitivities.

Rating Sensitivities (SCNL)

Positive factors - Factors that could lead to positive rating action/upgrade:

- Growth in loan book with geographical diversification of operations
- Improvement in profitability indicators with Adj. ROTA being 2.5% on sustained basis
- Maintain adequate capitalization levels well above the regulatory requirement of 15% while maintaining net adjusted gearing at less than 4 times on a sustained basis

Negative factors - Factors that could lead to negative rating action/downgrade:

- Deterioration in asset quality leading to substantial increase in credit losses thereby impacting the profitability and capitalization levels
- Increase in adjusted net gearing levels beyond 5 times on a sustained basis.
- Decline in cash surplus and liquidity buffers beyond a threshold which could impact the risk absorption ability

Outlook: Negative

The Outlook for the long-term ratings of SCNL is '**Negative**' on account of deterioration in financial performance in FY21 due to margin contraction coupled with high provisioning costs amidst higher asset quality concerns that have been further exacerbated by covid-19 pandemic induced stress. The company has faced stress in some of its key states namely West Bengal, Punjab, Orissa and Assam that together constitute about a fourth of SCNL's loan book end March 31, 2021 and a strong recovery in these areas remains a key rating monitorable. The outlook may be revised to 'Stable' with improvement in profitability and lowering of NPA on a sustained basis.

Key Rating Drivers of SHFL

Satin Housing Finance Limited (SHFL) incorporated in April 2017, is a wholly owned subsidiary of Satin Creditcare Network Limited and draws comfort from the strong promoters in SCNL having long track record of operations and strong investor base. The standalone rating of SHFL is supported by the comfortable capitalization levels backed by regular capital infusion by SCNL, good asset quality, strong underwriting systems and processes and comfortable liquidity position. SHFL's rating is, however, constrained by short track record of operations, small albeit growing loan book, and moderate seasoning of loan portfolio with exposure to vulnerable borrower segment. The ability of the company to maintain comfortable capital structure and gearing levels, maintain its asset quality, limit the credit losses and maintain consistent profitability while geographically diversifying and increasing its scale of operations are key rating sensitivities.

Rating Sensitivities (SHFL)

Positive factors - Factors that could lead to positive rating action/upgrade:

- Growth in loan book with geographical diversification of operations
- Improvement in the credit profile of the parent

Negative factors - Factors that could lead to negative rating action/downgrade:

- Deterioration in asset quality leading to substantial increase in credit losses thereby impacting the profitability and capitalization levels
- Any decline in support from the parent or deterioration in the credit profile of the parent

Detailed description of the key rating drivers (SCNL)

Key Rating Strengths (SCNL)

Long track record of the company, strong investor base and experienced promoter and management

Based out of Delhi, SCNL is the leading microfinance institution (NBFC-MFIs) that has been carrying out individual lending activities since 1990. The company entered into microfinance lending in 2008 and has gained reasonable experience in the group lending business emerging as one of the largest NBFC-MFI in the country in terms of Assets under Management (AUM). As on March 31, 2021, SCNL's standalone AUM stood at Rs.7275 crore, up 0.8% Y-o-Y while the consolidated AUM (including that of its subsidiaries) stood at Rs. 8379 crore, up 2.5% Y-o-Y. As on June 30, 2021, standalone AUM of SCNL declined to Rs. 6,443 crore.

SCNL has 8 Board of Directors, 1 promoter director, 5 independent directors and 2 non-independent directors. The operations of the company are headed by the promoter, Mr. H P Singh, the Chairman and Managing Director of the company who is supported by a management team having rich experience in the financial services and microfinance sector. As on June 30,

2021, the promoter shareholding stood at 38.24%, up from 30.19% as on June 30, 2020. This increase in promoter shareholding has been after the rights issue of Rs. 120 crore completed in August 2020. Additionally, SCNL has a diversified investor base consisting of banks, mutual funds and Foreign Portfolio Investors/Financial Institutions viz. Asian Development Bank, NMI Fund, SBI FMO Emerging Asia Financial Sector Fund Pte Ltd, Morgan Stanley Mauritius Company Ltd, Morgan Stanley (Investments) Mauritius Ltd, IndusInd Bank and IDFC First Bank.

Demonstrated ability to raise equity capital and comfortable regulatory capital levels

The capital structure of SCNL remains comfortable with the company having raised capital in seven rounds of equity infusion from marquee investors. The company raised Rs 250 crore from QIP in October 2016 and Rs 150 crore from large domestic mutual funds in October 2017. This, along with positive internal accruals led to tangible networth base (net of DTA and intangible assets) of SCNL increasing by 30% Y-o-Y from Rs.1,149 crore as on Mar-19 to Rs.1449 crore as on March-20. As on March 31, 2021, networth stood at Rs. 1404 crore. This decline has been due to high DTA during the year. The capitalization profile of SCNL is comfortable with capital adequacy ratio (CAR) and Tier-I CAR of 25.30% and 19.70% as on March-21, well above minimum regulatory capital requirement of 15%, although it has decreased from overall CAR of 32.33% and Tier-I CAR of 24.92% as on Sep 30, 2020. On August 12, 2020, SCNL launched its maiden rights issue of Rs. 120 crore for eligible equity shareholders of the company in the ratio 48:125. The issue size was up to Rs. 120 Crores at Rs. 60 per fully paid-up Equity Share of face value of Rs. 10/- each including a premium of Rs. 50/- per Equity Share to be paid in multiple calls. This will further augment company's capital base and provide more headroom to support loan growth.

Also, with the company reducing its on-book debt owing to significant assignment of loans and buildup of BC book during the year (22% of the AUM as on March-21 as against 36% as on March-20), the adjusted overall gearing (*i.e. ratio of debt including securitized portfolio and credit enhancement for its subsidiaries to net worth reduced by DTA, Intangible assets, investments in subsidiaries and 7.5% FLDG on the BC portfolio*) had reduced from 5.82x as on March-19 to 4.67x as on March 31, 2020. It has, however, increased to 4.55x on March-21 due to new investments done in subsidiaries during the year. As on March 31, 2021, SCNL had investments of Rs. 282.60 cr in its subsidiaries as against Rs. 267.60 cr in FY20. The net adjusted gearing (adjusted for the cash and bank balance and liquid investments and accounting for assigned book as debt similar to BC portfolio) stands at 5.01x as on March-21 as against 3.41x as on March-20. Management has stated its intent to maintain capitalization levels well above the regulatory requirement. Going forward, the ability of SCNL to maintain healthy capital adequacy to provide headroom for growth while maintain its gearing levels would be one of the key monitorable.

Diversified resource base supporting liquidity

SCNL has a diversified resource base with association with over 64 lenders as on March 31, 2021. SCNL has demonstrated its ability to raise funding from diverse sources viz. banks, domestic financial institutions, NBFCs, overseas and Domestic Funds etc. As on March 31, 2021, SCNL had total borrowings of Rs.6,026 crore. The major source of funding for SCNL has been term loan from banks/FIs/NBFCs (~50% of the borrowings as on March-21). SCNL has also raised substantial borrowings in the form of NCDs and Sub-debt (largely from overseas funds and NBFCs) accounting for nearly ~27% of the overall borrowings along with a share of external commercial borrowings (ECBs) at 1.7% of the overall borrowings as on March-21. The company has also accessed assignment/securitization route to raise funds.

Management information and IT systems in place

SCNL has established an efficient monitoring structure for overseeing its operations at various levels, including area level, regional level and state level. It has put in place risk management systems, viz, defined credit appraisal, collection and monitoring systems including profile of the clients and outer limit of loan size. Specialized software and user-level restrictions are in place to ensure a speedy access to the information with data security. The company has also implemented systems wherein the field staff operate through TABs connected to the internet. SCNL has put in place systems for real time monitoring of on-field data such as collections, meeting details, geo tagging of field agents etc. thereby allowing monitoring of the operations by the management across various levels of hierarchy on real time basis. It has also resulted in reduction in operational expenses by bringing down the disbursement TATs. SCNL has already moved to cashless disbursements with 100% branches being cashless enabled as on Mar-21. During the times of covid, the company has also launched a customer service application to connect with their clients and allow them to pay through digital platforms. In June 2021, the company has partnered with HSBC India for seamless loan EMI payments for its customers by introducing UPI AutoPay.

SCNL in FY19 had shifted to Centralized Credit Management System (Loan Application, KYC and Bank Account verification and Loan Sanctions), thus putting in an additional level of independent check as against a branch / field driven system earlier. SCNL has also implemented a credit scoring model for individual borrowers and groups and psychometric analysis tool which are being testing to improve the client identification process.

Geographically diversified operations

SCNL has spread its operations and grown its portfolio in new states and currently has a presence in 23 States / UTs and 388 districts across the country with borrower base of ~27 Lakh active borrowers (Individual & JLG) and standalone AUM of Rs.7,275 crore as on March 31, 2021. SCNL has been traditionally a North Indian Player with presence mostly in the Hindi speaking states where it has long standing experience of operating. However, post demonetization, i.e. during FY18 and FY19 the company has expanded its footprint and grown in Eastern, North Eastern and Southern States viz. Assam, Orissa, West Bengal, Meghalaya, Tripura, Tamil Nadu, Pondicherry and Karnataka which together constituted 25.4% of outstanding portfolio of SCNL as on March-21 as against 21.98% on March-20 and 1% as on March-17. Consequently, the regional concentration risk of SCNL has reduced as reflected by reduction in the top 5 states portfolio from 75% as on March 31, 2018 (Top 5 states being UP, Bihar, Punjab, Assam and West Bengal) to 62.41% as on March 31, 2021 (viz. Uttar Pradesh, Bihar, Punjab, MP and West Bengal). Uttar Pradesh remains the largest state constituting 22.75% of gross loans, followed by Bihar constituting another 15.96%. The Top State (Uttar Pradesh) concentration as a % of Net Worth has reduced to 117% on March 31, 2021 as against 126% as on March 31, 2020.

Key Rating Weaknesses (SCNL)

Increase in delinquencies following floods, political/social unrest in few states; albeit sufficient cushion available to absorb the risk

End FY21, SCNL reported on-book Stage 3 assets (PAR 90) and Net PAR 90 of 8.4% (PY: 2.93%) and 3.30% (PY: 2.02%) respectively. On account of covid 19 outbreak, the company has made provisioning of Rs. 309.79 crore in FY21 with cumulative provisioning at 5.1% of the on-book AUM as on March 31, 2021. Although, SCNL has been able to largely restore its asset quality following demonetization, its NPA levels still remain higher than industry. This is due to predominant presence of SCNL in Uttar Pradesh, which was the area most impacted post demonetization.

The overall asset quality of SCNL was, however, impacted to some extent since Q2FY20 following flooding in few states viz. Assam, Bihar and Orissa as also reflected by increase in PAR 1 from 3.88% as on June-19 to 14.74% as on March-21. Also, the delinquencies have increased in Assam (which contributed to 4.6% of AUM of SCNL as on March-21), following unrest in certain North Eastern districts of Assam. The company has taken various measures along with SROs viz. MFIN and Sa-dhan to address the concern on the ground level and are encouraging the borrowers to repay. Subsequently, the collection efficiency in Assam improved to 84% end Dec 2020, however, declined to 58% end March-21. The 90+ DPD in Assam has registered an uptick and stood at 55.2% end Mar-21 from 42.3% end Dec 2020 and 21.2% end FY20. In some of SCNL's larger states such as West Bengal (~7.8% of AUM end March 2021) and Punjab (~8% of AUM), the asset quality has deteriorated due to political unrest in some local areas with 90+ DPD 26.5% (31% on Dec-20) and 19.1% (21% on Dec-20) respectively end March-21. While SCNL has been taking numerous steps ensure maintenance of asset quality, the progress of same remains to be observed.

Due to covid induced national lockdown and local restrictions in various parts of the country, the cumulative collection efficiency (CE) for FY21 stood at 94%. Excluding arrears, it stood at 66%. However, there has been reduction in number of non-paying clients from 11% in Sep-20 to 1.3% in Mar-21.

CARE takes note of the unprecedented situation of COVID-19 outbreak that has led to elevated risk aversion in general and particularly with respect to microfinance sector owing to uncertainty arising from unsecured lending to customers with weaker credit profiles. Satin had provided moratorium to about a third of its borrowers for the period starting from March 25, 2020 (initiation of lockdown period). Subsequently the company had also availed moratorium from 63% of its lenders for the principal payments while it continues to serve interest payment during the said period. While the company's liquidity profile remains adequate in the near term, the challenges with respect to lower than expected scheduled inflows coupled with scheduled liability related outflows, if prevailed over longer term due to prolonged challenging conditions, could lead to moderation in liquidity profile of the company.

Going forward, however, the ability of the company to improve its asset quality and limit the net credit losses would be crucial for the credit profile of SCNL.

Moderation in profitability metrics

End FY 2021, SCNL reported net losses of Rs. 14 crore on total income of Rs. 1273 crore as against net profits of Rs 156 crore on total income of Rs. 1401 crore previous year. While the total income declined by 9% Y-o-Y, the bottom line was impacted by margin contraction and elevated provisioning costs. Pre-provisioning operating profits (PPoP) declined by 34% to Rs. 265 crore in FY21 as against Rs. 402 crore in FY20 while provisions and write-offs increased by 46% to Rs. 275 crore in FY21 from Rs. 189 crore in FY20. End fiscal 2021, the CARE adjusted net interest margin (NIM on average total assets) of company stood at 6.68% as against 7.2% a year ago due to reduction in gross yields. The RoTA of SCNL was negative during FY21 as against

2.26% during FY20. Disbursements during FY21 declined by 45% and stood at Rs. 4394 crore as compared to Rs. 8045 crores in FY20 primarily due to the Covid-19 induced lockdown in H1FY21.

The company's opex costs have marginally declined during the year. The management has stated that it has undertaken several cost reduction mechanisms such as branch/office rationalization to further bring down costs. The overall profitability was adversely impacted by sharp rise in CARE adjusted credit costs (loan loss provisions and write offs as a percentage of average total assets) that stood at 3.68% at end of FY21 as against 2.80% a year ago. The company has provided on-book provisions of Rs. 289 crore on account of significant increase in credit risk of customers due to covid related impact, thereby taking the total provisioning expenses to Rs. 275 crore in FY21 as against Rs. 189 crore a year ago.

Majority of portfolio in UP and sizable first cycle loan borrowers

Expansion and growth in loan book in the newer territories, has meant reduction in geographical concentration, however this has also resulted in increase in first time borrowers for SCNL in new territories wherein it has limited experience of operations. Even with expansion into newer territories, the first cycle loans have declined from 51.5% as on March-19 to 33.5% on Dec-20 and further to 28.6% on March 31, 2021. Also, SCNL's exposure in the state of Uttar Pradesh (U.P.; single largest state exposure and area most impacted post demonetization) continues to be high at 22.75% on March 31, 2021.

Inherent industry risks

The microfinance sector continues to be impacted by the inherent risk involved viz. socio-political intervention risk and risks emanating from unsecured lending and marginal profile of borrowers who are vulnerable to economic downturns besides operational risks related to cash based transaction. Now, Covid-19 is severely affecting the sector as earlier event risks were usually limited to certain geographies but this is impacting across geographies.

Liquidity: Strong

The company has a favourable liquidity position given shorter tenure of loans and advances (upto 2 years) as against long tenure of borrowings (2-7 years) and a large equity base as also reflected by a well matched ALM profile as on March 31, 2021. As on same date, SCNL's expected inflows in up to next one year bucket (including bank balance and liquid investments) were 1.5 times of its expected outflows. SCNL also has an established practice of maintaining adequate buffer in the form of free cash and bank balance/ liquid investments at all times to cushion its liquidity profile. As on June 25, 2021, SCNL had unencumbered cash balance of Rs.1343 crores. As on June 29, 2021, the company had Rs.182.95 crore committed undrawn bank lines with total Rs.1652.45 cr of funding pipeline.

SCNL has also accessed assignment route to raise funds (Rs. 1375 crore constituting 19% of its AUM as on March-21). The liquidity position of SCNL is also supported by availability of on-tap funding for disbursements upon commencement of Business Correspondent (BC) operations for IndusInd Bank since Apr-18. The partnership with IndusInd Bank for undertaking BC activity (which can go upto 40% of the incremental disbursements per management) is expected to augment the resources profile and liquidity of the company. BC portfolio for IndusInd stood at Rs.256 crore as on March-21, constituting 3.5% of the overall AUM as on March-21.

The liquidity position of SHFL is comfortable given the largely equity funded book and low overall borrowings. There are no cumulative mismatches in inflow and outflows for SHFL as per ALM dated June 30, 2021. Also, SHFL had unavailed lines of credit from SCNL which are not taken as part of ALM, which however support the liquidity position.

Analytical approach:

Bank Facilities: The ratings to the bank facilities of SHFL are based on the credit enhancement in the form of Letter of Comfort from parent company; i.e. Satin Creditcare Network Limited to support its debt servicing

Sub-ordinated Debt: Standalone; factoring in the linkages and support from the parent entity SCNL

Applicable Criteria

[Criteria on assigning 'Outlook' and 'Credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology: Consolidation and Factoring Linkages in Ratings](#)

[Criteria for Rating Credit Enhanced Debt](#)

[Financial ratios –Financial Sector](#)

[Rating Methodology for Housing Finance Companies](#)

About the Company - SCNL

SCNL is a leading microfinance company based out of Delhi. The company is registered with Reserve Bank of India (RBI) as a non-deposit accepting, systemically important non-banking financial company (NBFC) and had been granted NBFC-MFI status on November 6, 2013, by RBI. SCNL is also listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE).

Incorporated in 1990, the company was initially engaged in providing loans to individuals including shopkeepers etc. in the urban areas. In 2008, the company started group lending business with joint liability group (JLG) model which constituted 96% of the portfolio of SCNL as on March 31, 2021 with MSME loans constituting the balance 4% of AUM as on same date.

MSME Loans include unsecured loans of ticket size of Rs.1-10 Lacs for a period of 1-10 years and corporate loans to other MFIs of Rs.3-10 crore. The operations of SCNL are spread across 23 states/ UTs i.e. Uttar Pradesh, Madhya Pradesh, Bihar, Punjab, Delhi/ NCR, Uttarakhand, Rajasthan, Haryana, Chandigarh, Jammu & Kashmir, Maharashtra, Chhattisgarh, Jharkhand, Himachal Pradesh, West Bengal, Gujarat, Orissa, Assam, Karnataka, Meghalaya, Tripura, Sikkim and Pondicherry. As on March-21, SCNL was operating in 388 districts managed through 1011 branches with ~27 Lakh active borrowers (Individual & JLG) with total assets under management (AUM) being Rs.7275 crores (including BC book for IndusInd of Rs.256 crore and assigned portfolio of Rs.1,375 crore).

SCNL also has three subsidiaries viz. Taraashna Financial Services Limited (TSL), Satin Housing Finance Limited (SHFL) and Satin Finserv Ltd. TSL acts as a business correspondent for 4 Banks/FIs. The company has spread its presence in 7 states with 217 branches and AUM of Rs.748 crore as on March-21. SHFL is a HFC registered with NHB which undertakes extension of home loans and Loan Against Property. Currently, SHFL sources its business in Delhi/NCR, Uttar Pradesh and Rajasthan region. It commenced lending operations in February 2018 and has built a loan portfolio of Rs.226 crores as on Marh-21. Satin Finserv Limited is the newest subsidiary of the group formed to foray into the MSME segment which commenced operations in March 2019. The AUM of SFL as on March 31, 2021 was Rs.131 crore.

SCNL - Brief Financials (Rs. crore) – Standalone	FY19	FY20	FY21
	(12M, A)	(12M, A)	(12M, A)
	INDAS	INDAS	INDAS
Total Operating Income	1373	1401	1273
PAT	195	156	-14
Interest coverage (times)	1.57	1.37	0.98
Assets under Management (AUM)	6374	7220	7275
Total Assets	6674	7150	7788
Net NPA Ratio / Net PAR 90 Ratio (%)	1.77	2.02	3.30
Adj. Return on Total Assets (ROTA)*	2.64	1.70	NM

A: Audited, NM: Not Meaningful

Note: 1. Ratios have been computed based on average of annual opening and closing balances

2. Adj. ratios computed based on incl. of securitized/assigned/BC portfolio

About the Company – Satin Housing Finance Limited

Incorporated in April 2017, Satin Housing Finance Limited is a wholly owned subsidiary of Satin Creditcare Network Limited. SHFL obtained license to commence operations on November 14, 2017 upon receipt of certificate of registration from NHB to operate as a non-deposit accepting HFC and commenced lending operations in February 2018. SHFL operates through its Head Office at Gurgaon and currently sources its business in Delhi/NCR, Haryana, UP and Rajasthan. SHFL is currently focused on providing affordable housing finance for construction, purchase, repair and upgradation of houses and mortgage business loans to individuals in the lower and middle income segment consisting of salaried and self-employed individuals. End March 31, 2021, SHFL's loan portfolio stood at Rs.226 crore which comprised primarily affordable housing loans (79% of the loan book) and balance 21% being LAP book. Average ticket size is Rs.11.25 lakhs with a tenor of 15.09 years and average LTV of the portfolio being 58.63%. Average yields on loans disbursed till date since February 2018 (effective start date of operations) has been 14.58%.

In FY21, SCNL infused a capital of Rs.15 cr in SHFL, a thereby a total investment of Rs.95 cr by SCNL in SHFL since inception. As SHFL started its housing finance business in February 2018, the portfolio is largely unseasoned and the asset quality remains to be seen given the vulnerability of the borrower segment to economic downturns. However, the company had nil Gross and Net NPA ratio as of March 31, 2021 and June 30, 2021.

SHFL - Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)
Total operating income	20.99	29.57
PAT	-0.95	1.37
Interest coverage (times)	0.85	1.15
Total Assets	176.78	235.63
ROTA (%)	-0.73	0.67
Net NPA (%)	0.00	0.00

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	-	8.85	CARE BBB+ (CE); Negative
Fund-based - LT-Term Loan	-	-	-	-	0.00	Withdrawn
Un Supported Rating-Un Supported Rating (Long Term)	-	-	-	-	0.00	CARE BBB
Debt-Subordinate Debt	INE02YC08016	17-Dec-2019	14%	31-Dec-2026	20.00	CARE BBB; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type 2021-2022	Amount Outstanding (Rs. crore) 2021-2022	Rating 2021-2022	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	8.85	CARE BBB+ (CE); Negative	1)CARE BBB+ (CE); Negative (07-Jul-21)	1)CARE BBB+ (CE); Stable (30-Sep-20)	1)CARE BBB+ (CE); Stable (09-Sep-19)	1)CARE BBB+ (SO); Stable (30-Nov-18)
2	Fund-based - LT-Term Loan	LT	-	-	1)Provisional CARE BBB+ (CE); Negative (07-Jul-21)	1)Provisional CARE BBB+ (CE); Stable (30-Sep-20)	1)Provisional CARE BBB+ (CE); Stable (09-Sep-19)	1)Provisional CARE BBB+ (SO); Stable (30-Nov-18)
3	Un Supported Rating-Un Supported Rating (Long Term)	LT	0.00	CARE BBB	1)CARE BBB; Stable (07-Jul-21)	1)CARE BBB; Stable (30-Sep-20)	1)CARE BBB; Stable (09-Sep-19)	-
4	Debt-Subordinate Debt	LT	20.00	CARE BBB; Stable	1)CARE BBB; Stable (07-Jul-21)	1)CARE BBB; Stable (30-Sep-20)	1)CARE BBB; Stable (02-Dec-19)	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities - NA

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Debt-Subordinate Debt	Complex
2	Fund-based - LT-Term Loan	Simple
3	Un Supported Rating-Un Supported Rating (Long Term)	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact us

Media Contact

Name: Mradul Mishra

Contact no.: +91-22-6754 3573

Email ID: mradul.mishra@careratings.com

Analyst Contact

Name: Gaurav Dixit

Contact no.: 011- 45333235

Email ID: gaurav.dixit@careratings.com

Relationship Contact

Name: Swati Agrawal

Contact no.: +91-11-4533 3200

Email ID: swati.agrawal@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**