



Press Release

Satin Housing Finance Limited (SHFL)

May 17, 2024

Ratings

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Rating Action	<u>Complexity Indicator</u>
Fund Based - Long Term Bank Facilities – Term loans	312.87 (Decreased from 417.58)	IVR A-/ Stable (IVR A Minus with stable outlook)	Upgraded and removed from ISSUER NOT COOPERATING category	Simple
Proposed Fund Based - Long Term Bank Facilities	0.00 (Decreased from 12.42)	-	Withdrawn*	Simple
Non-Convertible Debentures (NCDs)	20.00	IVR A-/ Stable (IVR A Minus with stable outlook)	Upgraded and removed from ISSUER NOT COOPERATING category	Simple
Total	322.87 (Rupees Three Hundred Twenty-Two Crore and Eighty-Seven Lakh Only)			

*Withdrawn at the request of the company as they are not going ahead with the proposed loans as envisaged. The same is in line with Infomerics Ratings and Valuation Pvt Ltd.'s withdrawal policy.

Details of Facilities are in Annexure 1

Detailed Rationale

The rating was migrated to ISSUER NOT COOPERATING category as Satin Housing Finance Limited (SHFL) had not submitted all the required information for surveillance within the stipulated timelines. Subsequently, SHFL has cooperated and provided the information necessary to complete the rating review leading to removal of the rating from ISSUER NOT COOPERATING category.

The upgradation of ratings to the bank loan facilities and Non-Convertible Debentures of Satin Housing Finance Limited (“SHFL” or the “Company”) continues to derive strength from the strong linkages with its parent, Satin Creditcare Network Limited (SCNL) (rated at IVR A/Stable), healthy capitalisation, strong risk management systems, improved earnings profile



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and average asset quality. However, ratings are constrained by geographical concentration and inherent risks associated with affordable housing segment coupled with intense competition.

Key Rating Sensitivities:

Upward Factors

- Substantial scaling up its operations, improving its profitability, while maintaining healthy asset quality, comfortable capitalisation and liquidity.
- Substantial improvement in the overall financial and credit profile of SCNL

Downward Factors

- Lower than expected growth in AUM and/or decline in liquidity and capitalization.
- Adverse movement in the collection efficiency which impacts the asset quality significantly thereby increasing the credit cost and impacts the profitability for the Company.
- Substantial deterioration in the overall financial and credit profile of SCNL or any weakening of linkages with SCNL

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Strong Linkages with SCNL

SHFL has strong linkages with its parent i.e. SCNL which can be demonstrated by regular infusion of the equity and SCNL has also committed to support SHFL as and when required. SCNL derives operational and financial synergies from its parent company SCNL in the form of technology support and risk management systems, established network, shared brand name and common promoters and directors.

Healthy capitalization



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The capital structure of SHFL remains healthy, owing to regular equity infusions from its parent company i.e. SCNL. SCNL has infused Rs 190.00 crores in SHFL since inception and further plans to infuse Rs 70.00 crores in FY24-25. The company is comfortably capitalized with CRAR of 48.67%, has networth of Rs 210.34 crores and gearing of 2.20x as on 31 March 2024. The current levels of CRAR can help the company grow at 15-20% in the near to medium term without any further capital infusion. On a consolidated level, SCNL has a net worth of Rs 2,400.85 crores as on 31 March 2024.

Strong systems, policies and processes in place

Over the years, SHFL has put in place strong systems, board approved credit appraisal policies and processes in place. SHFL is implementing an ERP software system, which provides end to end solutions in the entire lending process. The system brings with it significant productivity improvements through automation and will help support operational efficiency. The company disburses ~100% of the loans and collections through cashless mode. SHFL tracks data on disbursements and collections on a real-time basis, which aids better decision-making and faster corrective action.

Improved earning profile

On the back of growth in AUM, SHFL has reported an improved earnings profile. As on 31 March 2024, SHFLs AUM has grown to Rs 755.77 Crore. On the back of which SHFL has reported total operating income of Rs 92.31 Crore and PAT of Rs 8.74 Crore when compared to total operating income of Rs 61.87 Crore and PAT of Rs 5.92 crore for FY23. NIM reported by company was stable at 7.29% with return on assets of 1.53%.

On a consolidated basis, the AUM of SCNL increased to Rs. 11,850.00 Crores as on 31 March 2024 from Rs. 9,115.00 Crores as on 31 March 2023. On a consolidated basis, SCNL has reported total income of Rs 2,240.53 crores and PAT of Rs 435.94 crores.

Average asset quality

SHFL started its commercial operations in November 2017 and the operations are in nascent stages and hence the portfolio is moderately seasoned. As on 31 March 2024, GNPA and



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NNPA stood at 0.84% and 0.67% respectively. Infomerics expects the asset quality to moderate further as the portfolio gets seasoned.

Key Rating Weaknesses

Regional concentration of operations

SHFL operates through 38 branches in 4 states namely., Delhi-NCR, Haryana, Rajasthan and Uttar Pradesh and has an AUM of Rs 755.77 Crores as on 31 March 2024. Even though the AUM has consistently grown since inception, the scale of operations remains moderate given the regional concentration with Uttar Pradesh contributing ~38% of the AUM followed by Rajasthan which contributes 30% of the AUM and Haryana which contributes to ~22% of AUM.

Exposure to inherent risk in the affordable housing segment

The company operates in the affordable housing finance segment, and caters to self-employed customers, engaged in small business activities; these include provision store owners, vegetable and food vendors, small business establishments, auto rickshaw drivers, contractors and labourers. These borrowers have relatively weak credit risk profile, given the volatile nature of income and employment in unorganised segments. In the absence of proper documentation and established credit history, they lack access to formal credit channels. Hence, they are more susceptible to economic downturns. The company plans to diversify its geographic reach, for which it is crucial that it understands the local culture and issues. Furthermore, the low-cost housing finance segment has a short track record of only 7-8 years. Hence, its performance across economic cycles is yet to be demonstrated.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Financial Institutions/Non-Banking Finance companies](#)

[Criteria of assigning Rating Outlook](#)

[Policy on Withdrawal of Ratings](#)

[Complexity level of rated instruments/Facilities](#)



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[Policy on Default Recognition](#)

[Criteria for Parent & Group Criteria](#)

Liquidity: Strong

SHFL is strongly capitalized with a CAR of 48.67% as on March 31, 2024, and has a Net worth of Rs 210.34 crore. Also, it has adequately matched asset liability profile as on March 31, 2024. As on 31 March 2024, SHFL has cash and bank balances of Rs 40.14 Crores and Rs 75.00 crores of sanctions in hand. SCNL at a consolidated level has strong liquidity with cash and cash equivalents of Rs 1271.13 Crores as on 31 March 2024.

About SHFL

Satin Housing Finance Limited (SHFL), a housing finance company was incorporated on April 17, 2017, as Public Limited Company under the provisions of the Companies Act, 2013 as a wholly owned subsidiary of Satin Creditcare Network Limited (SCNL), a BSE and NSE listed company (rated IVR A/Stable).

About SCNL

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

Financials (Standalone)*:

Rs in Crores

For the year ended/As on*	31-03-2023 (Audited)	31-03-2024 (Audited)
Total Income	61.87	92.31
PAT	5.92	8.74
Assets Under Management	505.28	755.77
Net worth	145.26	210.34



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Total debt	330.28	463.84
Overall Gearing (Times)	2.27	2.20
Total CRAR (%)	46.40	48.67
Gross NPA (%)	0.34	0.84
Net NPA (%)	0.27	0.67

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not applicable

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25 May 03, 2024	Date(s) & Rating(s) assigned in 2023-24 May 05, 2023	Date(s) & Rating(s) assigned in 2022-23 March 17, 2023	Date(s) & Rating(s) assigned in 2021-22
1.	Fund Based - Long term bank loan facilities – Term Loans	Long Term	312.87	IVR A-/Stable	IVR BB+/Negative; INC	IVR BBB+/Stable	IVR BBB+/Stable	-
2.	Proposed - Fund Based - Long term bank loan facilities	Long Term	0.00	-	IVR BB+/Negative; INC	IVR BBB+/Stable	IVR BBB+/Stable	-
3.	Non-Convertible Debentures	Long Term	20.00	IVR A-/Stable	IVR BB+/Negative; INC	IVR BBB+/Stable	IVR BBB+/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 the 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 visit www.infomerics.com.

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Annexure 1: Details of Facilities

Name of Facility	ISIN	Date of Issuance	Coupon Rate	Tenor/ Maturity	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Fund Based - Long Term bank loan Facilities –Term Loans	-	-	-	Up to Dec 2028	312.87	IVR A-/Stable
Proposed – Fund Based long term bank loan facilities	-	-	-	-	0.00	Withdrawn
Non-Convertible Debentures	INE02YC08016	17 Dec 2019	14.00	31 Dec 2026	20.00	IVR A-/Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-SatinHousing-17may24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:

NCD issue of Rs 20.00 Crores

Instrument	14% Unsecured Rated Listed Redeemable Non-Convertible Debentures
ISIN	INE02YC08016
Issue Size	Rs 20 Crores
Allotment date	17-Dec-2019
Maturity date	31-Dec-2026
Coupon rate	14% p.a.
Coupon payment frequency	Semi-Annual
Objects of the issue	Onward lending
Financial Covenants	90+ PAR below 3%
	Write off ratio less than 2%
	Minimum CRAR of 15%
	Debt equity not exceeding 7 times
Security	Unsecured
Listing Status	Listed



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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.

