



Press Release

India Home Loan Limited (IHLL)

June 25, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Fund Based Bank Facility – Term Loan	25.00	IVR BBB-; Under credit watch with developing implications (IVR Triple B Minus Under credit watch with developing implications)	Assigned
	Total	25.00		

Details of Facilities are in Annexure I

Detailed Rationale

The aforesaid ratings assigned to the bank facilities of India Home Loan Limited derives comfort from its experienced promoter and management team, adequate capitalisation backed by periodic equity infusion, comfortable asset quality and profitability, reduction in customer concentration as well as improving demographic presence along with well diversified resource profile. However, the rating strengths are partially offset by moderate financial risk profile, geographically concentrated portfolio, fragile credit profile of the borrowers under affordable housing finance companies.

The rating on watch with developing implication reflects industry headwinds arising out of ongoing COVID-19 pandemic. However, timely infusion of capital as projected will be a major monitorable.

Key Rating Sensitivities

Upward Factors

- Substantial & sustained improvement in the scale of operations along with maintaining and/or improving capitalization metrics & Asset quality.
- Sustained improvement in ROTA.



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Downward Factors

- Dip in scale of operations and/or decline in profitability and asset quality.
- Any challenges/delays faced by the company to raise funds in a timely manner and/or substantial increase in delinquencies leading to increase cost of borrowings.

Key Rating Drivers with detailed description

Key Rating Strengths

Experienced promoters and management team:

India Home Loan Limited is supported by experienced and resourceful promoters and board members. Governance is vested with a Board of Directors who are well qualified with experience, adequate knowledge of finance, capital markets, banking, accounting, administration and technology. Company's management team led by Mr. Mahesh Pujara, Chairman and Managing Director of IHLL. The promoters held 38.59% shareholding in the company as on March 31, 2021 while JM Financial India Trust II-JM Financial. India Fund II (AIF fund sponsored by JM Financial Limited) held 24.50% of the shareholding. Mr Pujara is supported by experienced team of professionals.

Adequate capitalisation backed by periodic equity infusion:

The capitalization profile is comfortable with a net worth of INR38.89 Crore in FY21(INR37.87 Crore in FY20) and CAR of 43.39%, as on March 31, 2021 and 42.30% as on March 31, 2020. The company loan portfolio grew at INR209.51 crore as on March 31, 2021, as against INR177.92 Crore as on March 31st, 2018. The growth in the loan portfolio has been through capital support from the domestic institutional players (JM Financial AIF) along with external debt. However, the company's ability to raise fresh low cost borrowings in order to grow its loan book while improving its operational parameters remains monitorable factor. The company has planned equity infusion in FY22 which will help the company to maintain and reduce its overall gearing level in the projected period.

Comfortable asset quality and profitability

IHLL entered into the housing finance lending since 2015 with tenure of loans ranging up to 20 years. The Company has been able to maintain its asset quality with the Net NPA of 3.06% in FY20 and 2.31% in FY21, however portfolio is totally secured leading to maintain the asset



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quality across its loan cycle. The interest income of the company stood at INR32.34 Crore in FY20 and remained stable at INR31.13 Crore in FY21. As against that, the interest expenses has also reduced from INR21.57 Crore in FY20 to INR20.25 Crore in FY21. The company reported decline in PAT for FY21 at INR1.12 Crore as compared with INR2.80 Crore in FY20, due to additional COVID-19 provisioning made in FY21.

Reducing Customer Concentration Risk in the portfolio as well as improving demographic presence

The main target segment of the company is self-employed or small business owners in the lower and middle income (LMI) segment. Average ticket size in home loan segment is INR6.5 Lakh. Considering lower ticket size of loan products for this segment, company does not face any client concentration risk. Overall, ~INR209 Crore of loan portfolio is spread across 3200+ customers as on 31.03.2021. IHLL's assets under management stood at INR209.51 in FY21 and INR216.45 Crore in FY20, the reduction in the AUM is strategically planned to avoid the uncertainties arising out of ongoing pandemic.

Well diversified resource profile

IHLL has a fairly well diversified funding profile with resources raised from various sources such as public and private sector banks, non-convertible debentures, and term loans from financial institutions. The diversified resource profile enables company to raise funds in the timely manner.

Key Rating Weaknesses

Moderate financial risk profile

Interest Coverage stood at ~1.15x in FY20 and ~1.10x in FY21. The gearing ratio stands moderate although the same got improved from 4.70x as of March 2020 to 4.40x as of March 2021.

Geographical concentration

IHLL has presence in three states with concentration in Gujarat (more than 80% percent of the overall portfolio) followed by Maharashtra and Rajasthan on March 31, 2021. It has overall



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13 branches. This exposes the company to high geographical concentration risk as any political & natural calamities can impact the performance of the company.

Fragile credit profile of the borrowers under affordable housing finance company

IHLL is primarily catering to the housing finance needs of the self-employed customers in the informal low- and middle income segment who are not serviced by the banking sector. The proportion of Self-Employed customers accounted for more than 80% of the IHLL's loan portfolio as on March 31, 2021. Since this segment is highly susceptible to the impact of economic downturn, coupled with Covid-19 related impact, the asset quality may be impacted in near term. However at the same time, as the EMI size ranges within INR4000-5000 under such affordable housing scheme recovery is better as compared to other HFCs and IHLL has recorded collection efficiency on an average of more than 90% and the DPD bracket is well poised along with adequate provisioning made by the company as per RBI guidelines and is which is well maintained giving a sense of overall comfort in its operations.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Financial Institutions/NBFCs

Financial Ratios & Interpretation (Financial Sector)

Liquidity – Adequate

The company had adequately matched asset liability profile as on December 31st, 2020 with no negative cumulative mismatches in any of the time buckets up to 10 years. Overall gearing stood moderate and the debt obligations are being served on time. The cash and cash equivalents balances stood comfortable at ~INR8.17 Crore on March 31st, 2021 (including fixed deposits)

About the Company

IHLL is registered as a Non-deposit taking Housing Finance Company with the National Housing Bank (NHB), and qualifies for Priority Sector Lending as per RBI guidelines and is listed on the Bombay Stock Exchange since 1995. The company was initially incorporated as 'Manoj Housing Finance Co. Ltd.' in 1990, which was later acquired in 2008 by Mr. Mahesh



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Pujara and his associates, where the name was subsequently changed to India Home Loan Limited (IHLL). IHLL operates through its head office in Mumbai with the central branch in Ahmedabad and overall has 13 branches spread across Maharashtra, Gujarat, and Rajasthan.

Financials: Standalone

(Rs. crore)

For the year ended/ As On*	31-03-2020	31-03-2021
	(Audited)	(Audited)
Total Operating Income	32.34	31.13
Interest	21.57	20.25
PAT	2.80	1.12
Total Debt	177.93	171.60
Tangible Networth	37.87	38.89
Total Loan Assets (AUM)	216.45	209.51
PAT Margin %	8.64	3.60
Overall Gearing Ratio (x)	4.70	4.40
Gross NPA (%)	4.14	4.36
Net NPA (%)	3.06	2.31
CAR (%)	42.30	43.39

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: CARE Ratings in its press release dated April 1, 2021 has migrated the rating of the bank facilities of IHLL to "Issuer Not Cooperating" category.

Any other information: N.A.

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term Loan	Long Term	25.00	IVR BBB-; Under credit watch with developing implications	--	--	--



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Any other information: N.A

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. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure I: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based - Term Loan	-	-	Up to 2025	25.00	IVR BBB-; Under credit watch with developing implications