AUGUST 12, 2015

CARE ASSIGN 'CARE BB' RATING TO THE BANK FACILITIES OF SWAGAT HOUSING FINANCE COMPANY LIMITED

Ratings

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<th>Instruments / Facilities</th>
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Rating Rationale

The rating is constrained by Swagat Housing Finance Company Limited's (SHFCL) small scale of operations, geographic concentration of operations and concentrated resource base. The rating also considers the fact that the target customer segment of SHFCL comprises of individuals in the low-income group which may be vulnerable to economic downturns. The rating draws comfort from promoter’s experience in the housing finance segment, long track record, low gearing, comfortable liquidity profile and relatively good seasoning of the portfolio. SHFCL is poised to gain from the growing credit demand in the affordable housing space and untapped potential in low-income unorganized sector borrowers segment, supported by the Government’s thrust in providing affordable housing throughout the country.

Increase in the scale of operations with geographical diversification along with improvement in spreads and profitability, maintaining the asset quality and capital adequacy ratios at the comfortable level are the key rating sensitivities.

Background

Swagat Housing Finance Company Limited (SHFCL) is a Mumbai-based small-sized housing finance company (HFC) engaged in the financing of housing loans (HL) and loan against property (LAP). SHFCL was incorporated on July 15, 1996 and promoted by Mrs Sahana Prabhu. The company provides loans for the purpose of purchase of house (HL) or renovation of residential properties (LAP) to both salaried and non-salaried people. SHFCL’s loan portfolio was Rs.9.18 crore (Rs.7.13 crore as on March 31, 2014) comprising of HL of 76%, LAP of 16% and Inter-corporate loan of 8% as on March 31, 2015. The company’s loan amounts range from Rs.2 lakhs to Rs.20 lakhs with a repayment tenure ranging from 8

1 Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications
to 20 years. SHFCL had an average Loan-to-value (LTV) ratio of 71% in FY15 (refers to the period April 1 to March 31) as against 72% in FY14.

SHFCL reported a total income of Rs.1.58 crore with a PAT of Rs.0.47 crore in FY15 as against a total income of Rs.1.16 crore with a PAT of Rs.0.48 crore.

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