INDIA HOME LOAN LIMITED

April 3, 2017

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	15 (Rupees Fifteen crore only)	**CARE BBB-; Stable (Triple B Minus; Outlook: Stable)**	**Revised from CARE BB+ (Double B Plus)**

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating revision of India Home Loan Limited (IHLL) primarily takes into account recent equity infusion post preferential issue of shares and resultant induction of institutional investor. The rating also factors in comfortable capitalization levels and low gearing levels. The rating is, however, constrained by moderate asset quality, small size of operations, geographical and builder loan portfolio concentration. Growth in business, profitability, capitalization and asset quality are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Increase in tangible networth on account of preferential issue of shares and change in ownership structure

During Q3FY17, the company received equity capital of Rs.11.94 crore by way of preferential issue of shares to key strategic investors. Consequently, company's tangible networth improved to Rs.31.2 crore as on December 31, 2016 as compared to tangible networth of Rs.18.5 crore as on March 31, 2016.

JM Financial Products Ltd. was one of the key investor that was allotted shares on preferential basis. Also, the company bought some stake from existing promoters. Consequent to these transactions, promoter's stake in the company reduced to 40.19% while stake of JM Financial Products Ltd. stood at 24.50% as on December 31, 2016. The company will leverage on the expertise of JM Financial Products Ltd. with it being a key partner in the business.

Low gearing levels and comfortable capitalization

The company currently operates at a low gearing level. As a result, Capital adequacy ratio (CAR) stood comfortable at 93.46% as on March 31, 2016. The company's gearing stood at 0.48 times as on December 31, 2016. The company raised equity capital of Rs.11.9 crore during Q3FY17. Consequently, company's total CAR and Tier I CAR ratio improved to 172.38% and 171.39%, respectively.

Key Rating Weaknesses

Moderate asset quality parameters

In FY16, Gross NPA & net NPA ratio stood at 1.43% & 0.14% respectively (P.Y.: 2% & 0.50%). Net NPA to Tangible networth stood at 0.24% as on (P.Y.:0.56%) as on March 31, 2016. The company's GNPA & NNPA stood at 2.20% & 0.92% respectively as on December 31, 2016.

Small size of operations

Currently, the company is a small housing finance player with outstanding loan book of Rs.31.5 crore.

Geographical and builder loan portfolio concentration

As on December 31, 2016, the loan portfolio of the company was spread across two states viz. Maharashtra (49.9% of the o/s portfolio) and Gujarat (50.1% of the o/s portfolio).

Builder loans constitute 20% of the outstanding portfolio. Average ticket size under builder funding portfolio stands at Rs.1.6 crore. Accordingly, any slippage from builder loan portfolio could severely impact asset quality and profitability parameters of the company.

Analytical approach: Standalone

Applicable Criteria

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

[Criteria on assigning Outlook to Credit Ratings]
[CARE's Policy on Default Recognition]
[Financial ratios – Financial sector]
[Housing Finance Companies]

About the Company

IHLL was originally incorporated as 'Manoj Housing Finance Co. Ltd.' in 1990. New management under the leadership of Mr. Mahesh Pujara (having vast experience in the equity capital markets and real estate business over the last 25 years) took over the business of the loss making company in FY09 (refers to the period April 01 to March 31) and renamed the company as 'India Home Loan Limited'. The new management has also regularly infused equity capital in the company. IHLL operates through its head office in Mumbai and a branch in Ahmedabad and has started a retail outlet in Jodhpur, Rajasthan. The company is targeting the affordable housing loan segment in the states of Gujarat, Maharashtra and Rajasthan. The company also provides loan against property (LAP) & builder/developer loans. As on December 31, 2016, the company's outstanding loan portfolio stood at ~Rs.32 crore that included retail home loans (74%), builder loans (20%) and LAP (6%). The company reported PAT of Rs. 0.86 crore in FY16 as against PAT of Rs. 0.58 crore in FY15. RoTA for FY16 stood at 3.13% (FY15: 2.99%). In 9MFY17, company reported PAT of 0.75 crore as against PAT of Rs.0.60 crore in 9MFY16 registering growth of 25%.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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

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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.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan (Proposed)	-	-	-	15.00	CARE BBB-; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	15.00	CARE BBB-; Stable	-	-	1)CARE BB+ (27-Jan-16)	-

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