

India Home Loan Limited

May 15, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	200.00 (enhanced from Rs.100 crore)	CARE BBB-; Stable (Triple B minus; Outlook:Stable)	Reaffirmed

Details of instruments/facilities in Annexure-1

Detailed Rationale& Key Rating Drivers

The rating assigned to the bank facilities of India Home Loan Limited (IHLL) continues to take into account presence of resourceful promoters and institutional investor. The rating further continues to factor in comfortable capitalization level and low gearing. The rating is, however, constrained by nascent stage of operations and unseasoned loan portfolio, relatively weak credit profile of borrowers, 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

Presence of resourceful promoters and strong institutional investors

As on December 31, 2017, the promoters of the company continue to hold 40.19% of shareholding with JM Financial Products Ltd. holding 24.50%. During Q3FY17, the company made preferential issue of around 29.12 lakh shares to investors including JM Financial Products Ltd. (15.06 lakh shares), Chetan Shah - HUF (2.01 lakh shares), Shailaja Shah (1.35 lakh shares) and Sonal Shah (10.7 lakh shares) at a price of Rs.41/ share. As a result, the company received equity capital of Rs.11.94 crore. Consequently, the company's tangible net-worth improved to Rs.31.13 crore as on March 31, 2017 as compared to Rs.18.46 crore as on March 31, 2016. Furthermore, JM Financial Products Ltd. purchased stake from existing promoters Mr. Anant Bhalotia (9.97 lakh shares) and Rishabh Siroya (9.97 lakh shares). With these transactions, promoter's stake in the company was 40.19% while JM Financial Products Ltd.'s stake at 24.50% as on March 31, 2017.

Adequate capitalisation with increasing gearing levels

Given the nascent stage of company's operations, IHLL has adequate capitalization with capital adequacy ratio (CAR Ratio) and Tier I CAR at 36.90% and 36.34%, respectively, as on December 31, 2017. However, with the growth in loan portfolio, capital adequacy levels are likely to moderate. The gearing increased to 3.54 times as on December 31, 2017 compared to 0.45 times as on March 31, 2017 on account of growth in loan portfolio funded through borrowings. The company plans to aggressively expand its loan portfolio going forward and hence gearing levels are expected to increase to up to 5 times by March 2019.

Comfortable liquidity profile

As on March 31, 2017, the liquidity profile of the company is comfortable with low gearing. ALM statement as on March 31, 2017, shows positive cumulative mismatches in all the time brackets.

Key Rating Weaknesses

Nascent stage of operations and unseasoned portfolio

IHLL has been disbursing loans from January 2010 with majority of the disbursements taking place in the last 2 years and hence has limited portfolio seasoning. The company's asset quality performance through different economic cycles and geographies is yet to be established.

The gross NPA and Net NPA ratios of the company increased from 1.43% and 0.14% as on March 31, 2016 to 2.70% and 1.94% respectively as on March 31, 2017 respectively. The deterioration was primarily in retail loans segment. The net NPA to net worth ratio of the company increased from 0.24% in FY16 to 2.62% in FY17.

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

Despite an increase in amount of gross and net NPAs, as on December 31, 2017, the gross NPA and Net NPA ratios declined to 1.04% and 0.87% respectively due to higher growth in loan portfolio. The net NPA to net worth ratio of the company was 3.65% in 9MFY18.

The ability of the company to maintain its asset quality while increasing the scale of operations will be a key monitorable.

Relatively weaker credit profile of the target segment

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 78% of the IHLL's loan portfolio as on December 31, 2017. Since this segment is highly susceptible to the impact of economic downturn, asset quality remains to be the key monitorable.

Geographical and builder loan portfolio concentration

The company continues to face geographical concentration in its loan portfolio. As on December 31, 2017, the loan portfolio of the company is spread across three states viz. Gujarat (77% of the o/s portfolio), Maharashtra (21% of the o/s portfolio) and Rajasthan (2% of the o/s portfolio). Going forward, the management expects the portfolio to be concentrated in the above mentioned three states.

Builder loans as a proportion of the outstanding portfolio was 24.12% as on March 31, 2017 and 12.64% as on December 31, 2017, while as a proportion of net worth it was 33% as on March 31, 2017 and 53% as on December 31, 2017. Average ticket size under builder funding portfolio stands at Rs.1.13 crore. Accordingly, any slippage from builder loan portfolio could severely impact asset quality and profitability parameters of the company.

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning outlook to Credit Ratings

CARE's policy on default recognition

CARE's criteria for Housing Finance Companies

Financial Ratios-Financial Sector

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 significant 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'. IHLL operates through its head office in Mumbai and a branch in Ahmedabad and has started a branch in Jodhpur, Rajasthan. The company is present in the affordable housing loan segment in the states of Gujarat, Maharashtra and Rajasthan with a loan portfolio of Rs. 140.84 crore as on December 31, 2017. The company also provides loan against property (LAP) & builder/developer loans. Company's staff strength as on December 31, 2017 was 43.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total income	4.29	5.86
PAT (after share of profit and minority interest)	0.86	0.99
Gearing (times)	0.72	0.45
Total Assets (adjusted for Intangible assets)	32.07	46.65
Gross NPA (%)	1.43	2.70
ROTA (%)	3.13	2.52

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

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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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
Long Term Bank Facilities	-	-	April 2030	200.00	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based-Long Term	-	-	-	-	-	-	-
2.	Fund-based - LT-Term Loan	LT	200.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (21-Mar-18) 2)CARE BBB-; Stable (29-Aug-17) 3)CARE BBB-; Stable (03-Apr-17)	-	1)CARE BB+ (27-Jan-16)

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