India Home Loans Limited

August 29, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	100.00 (enhanced from Rs. 15 crore)	**CARE BBB-; Stable [Triple B minus; Outlook: Stable]**	Reaffirmed

Details of instruments/facilities in Annexure-1

Detailed Rationale& Key Rating Drivers

The rating 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.

Outlook: Stable

Detailed description of the key rating drivers

Key Rating Strengths

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

During FY17, 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 net worth increased to Rs.31.13 crore as on March 31, 2017 as compared to Rs.18.46 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 March 31, 2017. 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's gearing stood at 0.45 times as on March 31, 2017 and 1.03x on June 30, 2017 [March 31, 2016: 0.72x]. The company raised equity capital of Rs.11.9 crore during FY17. As a result, Capital adequacy ratio (CAR) stood at 117.86% as on March 31, 2017 [P.Y.: 93.46%]. The Capital adequacy ratio (CAR) was 85.28% as on June 30, 2017.

Key Rating Weaknesses

Moderate asset quality parameters

As on March 31, 2017, Gross NPA & net NPA ratio stood at 2.70% & 1.94% respectively (P.Y.: 1.43% & 0.14%). Net NPA to Tangible net worth stood at 2.62% as on as on March 31, 2017 (P.Y.:0.24%). However, as on June 30, 2017, the company's Gross NPA and Net NPA decreased from 2.71% and 1.94% as on March 31, 2017 to 1.46% and 1.07% as on June 30, 2017.

Small size of operations

Currently, the company is a small housing finance player with outstanding loan book of Rs.42.2 crore as on March 31, 2017 and Rs, 62.09 crore as on June 30, 2017. The company is operating in Gujarat and Maharashtra with 2 retail offices in these two states.

Geographical and builder loan portfolio concentration

As on June 30, 2017, the loan portfolio of the company was spread across two states (Gujarat and Maharashtra). Gujarat accounted for 66% of the o/s portfolio while Maharashtra accounts for the remaining 34% of the o/s portfolio of IIHL. Builder loans constitute 16.17% of the outstanding portfolio as on June 30, 2017. Average ticket size under builder funding portfolio stands at Rs.1.12 crore. Accordingly, any slippage from builder loan portfolio may severely impact asset quality and profitability parameters of the company.

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

Analytical approach: Standalone

Applicable Criteria
[Criteria on assigning Outlook to Credit Ratings]
[CARE's Policy on Default Recognition]
[Financial ratios – Financial Sector]
[Rating Methodology- 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. Company's staff strength as at March 31, 2017 was 20.

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
Interest coverage (times)	2.14	1.80
Total Assets (adjusted for Intangible assets)	32.07	46.65
Net NPA (%)	0.14	1.94
ROTA (%) (PAT/Average Total Assets)	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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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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	-	-	01-04-2030	100.00	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-Long Term	-	-	-	-	-	-	-
2.	Fund-based - LT-Term Loan	LT	15.00	CARE BBB-; Stable	1)CARE BBB-; Stable (03-Apr-17)	-	1)CARE BB+ (27-Jan-16)	-

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CIN - L67190MH1993PLC071691