India Home Loan Limited
April 01, 2021

Ratings

Facilities / Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	200.00	CARE BBB-; Negative; ISSUER NOT COOPERATING* (Triple B Minus; Outlook: Negative ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Facilities	200.00 (Rs. Two Hundred Crore Only)		
Debentures	50.00	CARE BBB-; Negative; ISSUER NOT COOPERATING* (Triple B Minus; Outlook: Negative ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from India Home Loan Limited (IHLL) to monitor the rating(s) vide e-mail communications dated January 29, 2021, February 15, 2021, March 11, 2021, March 17, 2021 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, IHLL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on India Home Loan's bank facilities and Non-Convertible Debentures will now be denoted as **CARE BBB-; Negative; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings take into account the resourceful promoters and investment by institutional investor, adequate capitalization with moderate gearing levels along with moderate profitability. The rating is constrained by unseasoned loan portfolio, moderate asset quality on account of majority customers being in affordable housing segment having higher susceptibility to economic changes, moderate liquidity profile, geographical concentration and exposure to builder loan book which are chunkier in nature.

Outlook: Negative

The 'Negative' outlook is on account of moderation in the liquidity profile of the company requiring the company to rely on refinance along with increase in leverage to grow its loan portfolio and moderation in asset quality. The outlook may be revised to 'Stable' if the company is able to raise resources as the company envisages to help its liquidity profile and grow its loan portfolio with improvement in asset quality. The ratings may be revised downwards in case the company is unable to raise resources as envisaged impacting the ability of the company to grow its loan book and impacting the profitability as well as deterioration in asset quality in the near term.

The spread of the COVID-19 pandemic has led to a nation-wide lockdown which is likely to impact the overall growth and collections of NBFCs/HFCs sector. As a result, in CARE's view the credit risk profile of NBFCs/HFCs is expected to deteriorate over the medium term. Liquidity profile, resource raising ability, funding support from parent/group and exposure to vulnerable asset classes and operating profiles in terms of geographies and borrower types would be critical monitorable factors in the NBFCs/HFCs sector. CARE Ratings will continue to assess on the impact on the key business and financial parameters of NBFCs/HFCs sector and shall take appropriate rating actions if needed.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*
*Issuer did not cooperate; Based on best available information

Detailed description of the key rating drivers

Presence of resourceful promoters and strong investment by institutional investors

The company is promoted by Mr. Mahesh Pujara who is the Chairman and Managing Director (CMD) of the company. The promoters held 38.38% shareholding in the company as on December 31, 2019 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. Mahesh Pujara has 35 years of experience in financial services industry including over 9 years in affordable housing finance. He is accompanied by his son Mr. Mitesh Pujara, (Executive Director), has over 25 years of experience in financial sector.

Adequate capitalisation with moderate gearing levels

Given the nascent stage of company's operations, IHLL has adequate capitalization with capital adequacy ratio (CAR) of 42.3% (Tier I CAR: 29.9%) as on March 31, 2020 as compared to CAR of 39.45% (Tier I CAR: 28.14%) as on March 31, 2019. The overall gearing of the company stood at 4.49 times as on March 31, 2020 as compared to 5.01 times as on March 31, 2019. The company's loan portfolio decreased from Rs.219 crore as on March 31, 2019, to Rs.213 crore as on March 31, 2020.

During FY19 (refers to period from April 01 to March 31), the company issued 16 lakh warrants convertible to equity to group of investors which includes promoters, JM Financial India Fund II and others, aggregating to Rs.12.28 crore out of which it received Rs.3.07 crore in March, 2019. The balance Rs.9.21 crore was convertible within 18 months of issue of warrants. The warrants have lapsed and the investors did not pay up the balance 75% to convert the warrants. As such the expected capital infusion has not happened which is credit negative from CARE's point of view.

Average profitability

The company reported ROTA of 1.22% for FY20 as compared to 1.2% during FY19. The profitability parameters are average on account of contraction in NIMs. During 9MFY21, The company reported PAT of Rs.0.39 crore as compared to Rs.1.16 crore during 9MFY20. The profit reduced largely on account of higher credit cost due to Covid related provisions.

Key Rating Weaknesses

Unseasoned Portfolio

Although IHLL has been disbursing loans from January 2010, majority of the disbursements took place in the last 2 to 3 years and hence has limited portfolio seasoning. The company has seen net loan portfolio increasing drastically from Rs.31.59 crore as on March 31, 2016 to 218.60 crore as on March 31, 2019. The company's asset quality performance through different economic cycles and geographies is yet to be established.

Deteriorating asset quality considering weaker credit profile of the target segment

IHLL has seen its asset quality deteriorating over past couple of years. The company reported Gross NPA at 4.14% (March 31, 2018: 2.49%) and Net NPA at 3.06% and Net NPA to Networth at 16.4% as on March 31, 2021.

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 80% of the IHLL's loan portfolio as on March 31, 2019. 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. The company has not provided CARE with the latest data related to collection efficiency, delinquencies, etc. to enable it to assess the portfolio quality of the company.

The delinquency levels are expected to be significantly higher in the self-employed low-income borrower category vis-à-vis the traditionally low delinquency levels observed in the salaried segment. Hence, HFCs catering to this segment would need to follow stricter underwriting standards and appropriately price the risk.

Geographical concentration

Though the company has presence in three states, it faces geographical concentration with majority loan portfolio concentrated in Gujarat. As on December 31, 2019 the loan portfolio of the company is spread across three states viz. Maharashtra (16.44% of Portfolio), Gujarat (82.34%) and Rajasthan (1.22%).

Analytical approach: Standalone

Analytical Approach

Policy in respect of Non-cooperation by issuer

Rating Methodology- Housing Finance Companies

Financial Ratios- Financial Sector
Criteria on assigning Outlook and Creditwatch to Credit Ratings
CARE's policy on default recognition

Liquidity: Adequate
As per the Asset Liability maturity statement dated September 30, 2020, the company had comfortable liquidity with no negative mismatch in any bucket for next 1 year. The company had cash and equivalent of Rs.19.5 crore.

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'.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total Income	31.84	32.94
PAT	1.82	2.80
Gearing	5.51	4.49
Total Assets	238.09	222.22
Net NPA (%)	3.25	3.06
ROTA* (%)	1.20	1.22

*Based on CARE's calculation

Annexure-1: Details of Instruments/Facilities

Name of the instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-Convertible Debentures	INE274E07012	30-Jun-20	11%	30-Jun-23	20.00	CARE BBB-; Negative (Issuer Not Cooperating*)
Non- Convertibe Debentures (Proposed)	NA	-	-	-	30.00	CARE BBB-; Negative (Issuer Not Cooperating*)
Bank Facilities	NA	NA	NA	01-Nov-2029	200.00	CARE BBB-; Negative (Issuer Not Cooperating*)

* Issuer did not cooperate; Based on best available information

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	200.00	CARE BBB-; Negative (Issuer Not Cooperating*)	1) CARE BBB-; Negative (07-Apr-20)	1) CARE BBB-; Stable (01-Apr-19)	1)CARE BBB-; Stable (15-May-18)	1)CARE BBB-; Stable (21-Mar-18) 2)CARE BBB-; Stable (29-Aug-17) 3)CARE BBB-; Stable (03-Apr-17)
2.	Non-Convertible Debentures	LT	50.00	CARE BBB-; Negative (Issuer Not Cooperating*)	1) CARE BBB-; Negative (26-Jun-20)	-	-	-

* Issuer did not cooperate; Based on best available information

Annexure 4: Complexity Level of various Instruments rated of this company

Sr. No.	Name of Instrument	Complexity Level
1	Long term Bank facilities	Simple
2	Non Convertible Debentures	Simple

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.

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