

December 24, 2024

Satin Housing Finance Limited: Rating reaffirmed

Summary of rating action

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|---|--------------------------------------|-------------------------------------|-------------------------------|
| Long-term fund-based bank facilities (others) | 450.0 | 450.0 | [ICRA]A- (Stable); reaffirmed |
| Subordinated programme | 25.0 | 25.0 | [ICRA]A- (Stable); reaffirmed |
| NCD programme | 50.0 | 50.0 | [ICRA]A- (Stable); reaffirmed |
| Total | 525.0 | 525.0 | |

*Instrument details are provided in Annexure I; NCD – Non-convertible debentures

Rationale

The rating factors in Satin Housing Finance Limited's (Satin HFL) adequate capitalisation profile with a capital-to-risk weighted assets ratio (CRAR) of 55.1% and a managed gearing¹ of 2.7 times as on September 30, 2024, supported by regular capital infusions by Satin Creditcare Network Limited (SCNL; rated [ICRA]A (Stable)/[ICRA]A1). The rating continues to consider the strength enjoyed by Satin HFL as a wholly-owned subsidiary of SCNL. While SCNL's management's involvement in Satin HFL is limited, it benefits from board-level guidance in the form of common directors, including Mr. H P Singh (promotor of SCNL). ICRA expects that SCNL will continue to support Satin HFL's growth plans in the form of board-level guidance and funding (debt and equity), as and when required.

The rating is, however, constrained by Satin HFL's moderate scale of operations and limited operational track record of around six years with an evolving earnings profile. The company reported assets under management (AUM) of Rs. 850 crore as on September 30, 2024 (Rs. 756 crore as on March 31, 2024), managed through a network of 35 branches spread across four states. The AUM increased at a compound annual growth rate (CAGR) of ~50% during March 2020 to September 2024. ICRA expects the growth to stay high in the near-to-medium term, though the operations are expected to remain geographically concentrated. ICRA also notes that Satin HFL shall need to diversify its funding relations and raise debt funds in a timely manner to sustain and support its growth plans.

The company's asset quality remained comfortable with gross non-performing assets (NPAs) of 1.4% as on September 30, 2024 (0.8% as on March 31, 2024). Nonetheless, the portfolio lacks seasoning and its performance needs to be seen over a longer period of time. Given the pace of growth and the relatively riskier borrower profile of the low-and-assessed-income segments, the company remains exposed to volatility in the asset quality.

The Stable outlook on the long-term rating reflects ICRA's opinion that Satin HFL will be able to maintain a steady credit profile and adequate capitalisation, while expanding its scale of operations, with continued support from the parent in the form of equity and debt funding.

Key rating drivers and their description

Credit strengths

Credit profile supported by parentage – The company benefits from board-level guidance from its parent – SCNL. Further, it receives financial support in the form of capital infusions from SCNL, along with debt funding lines. ICRA takes comfort that

¹ Managed gearing = (On-book debt + Off-book portfolio)/Net worth

SCNL does not intend to reduce its stake in Satin HFL in the near-to-medium term and is expected to continue supporting the company by way of board-level guidance and funding. Further, Satin HFL can potentially leverage SCNL's fairly diversified lending relationships to support its growth plans.

Adequate capitalisation – Satin HFL remains adequately capitalised, supported by regular capital infusions by SCNL. SCNL infused Rs. 40-crore equity capital in Satin HFL in FY2024 and Rs. 35 crore in H1 FY2025. The company's CRAR of 55.1%, as on September 30, 2024, was well above the regulatory requirement while its managed gearing stood at 2.7 times (2.8 times as on March 31, 2024). ICRA expects the company to remain adequately capitalised, supported by regular capital infusions by SCNL.

Credit challenges

Nascent operations leading to evolving profitability and asset quality metrics – Satin HFL started operations in February 2018 and it scaled up its AUM to ~Rs. 850 crore as on September 30, 2024 (~Rs. 756 crore as on March 31, 2024). Though the company continues to grow at a high pace (CAGR of ~50% during March 2020 to September 2024), it remains relatively small. Further, the operations remain geographically concentrated in four states of northern India. ICRA takes note of Satin HFL's growth plans and expects the pace of growth to remain high with a gradual improvement in geographical diversification.

Furthermore, Satin HFL's ability to manage its asset quality and hence the credit cost and overall operational efficiency, as it scales up, shall be key for its credit profile. Given the nascent stage of operations, its asset quality and earnings profile are still evolving with the company reporting a modest profit of ~Rs. 2 crore in H1 FY2025 (Rs. 9 crore in FY2024).

Unseasoned portfolio with relatively vulnerable borrower profile – Given the nascent stage of operations, Satin HFL's portfolio remains unseasoned. Disbursements in the last eight quarters (Q3 FY2023 to Q2 FY2025) exceeded 100% of the AUM, as on September 30, 2024, and its performance over a longer period remains monitorable. Further, Satin HFL operates in the affordable housing finance segment. It offers home loans (HLs) and loan against property (LAP) to a relatively vulnerable borrower segment, given their low-to-middle-income profile. Most of the borrowers work in small private enterprises or proprietorships and remain vulnerable to economic cycles. The losses on default are expected to be limited, considering the secured nature of the portfolio with moderate loan-to-value (LTV) ratios (average LTV of 50-60%). However, the company's ability to manage the asset quality profile, control slippages and manage recoveries from its overdue accounts will remain important from a credit perspective.

Liquidity position: Adequate

Satin HFL's liquidity profile remains adequate with on-book liquidity of Rs. 81 crore as on September 30, 2024, as per its provisional asset-liability management (ALM) statement. Apart from this, it had sanctioned unutilised funding lines of ~Rs. 50 crore. These, along with scheduled collections of Rs. 206 crore, are sufficient to meet the scheduled debt obligations of Rs. 197 over the 12-month period of October 2024 to September 2025. ICRA expects support from SCNL to be forthcoming if required.

Rating sensitivities

Positive factors – A healthy growth in Satin HFL's scale of operations, with an improvement in its profitability profile, while maintaining prudent capitalisation and asset quality could positively impact the rating. Also, an improvement in SCNL's credit profile could positively impact the rating.

Negative factors – A material change in the expected support from SCNL and/or a deterioration in the parent's credit profile could negatively impact the rating. Further, pressure on the rating could arise on a sustained deterioration in the scale and/or asset quality, thereby weakening the profitability profile, or a material weakening of the capitalisation profile.

Analytical approach

| Analytical Approach | Comments |
|---------------------------------|--|
| Applicable rating methodologies | Non-banking Finance Companies |
| Parent/Group support | The rating factors in the high likelihood of support from SCNL (parent company), given the shared brand name, and the operational and financial support being extended to Satin HFL. |
| Consolidation/Standalone | Standalone |

About the company

Satin HFL is a non-banking financial company-housing finance company (NBFC-HFC) and a wholly-owned subsidiary of SCNL. It offers HLs, LAP, micro-HLs and micro-LAP. It had operations in four states as on June 30, 2024 and reported an AUM of Rs. 769 crore. On a standalone basis, it reported a net profit of ~Rs. 9 crore in FY2024 (total comprehensive income (TCI) of Rs. 15 crore) against Rs. 6 crore in FY2023 (TCI of negative Rs. 4 crore). It reported a profit after tax (PAT) of ~Rs. 1 crore and TCI of Rs. 2 crore in Q1 FY2025.

SCNL is an NBFC-microfinance institution (NBFC-MFI), primarily offering joint liability group (JLG) loans to women. It had 1,463 branches spreads across 29 States/Union Territories, on a consolidated basis, as on September 30, 2024. Apart from Satin HFL, SCNL has two more wholly-owned subsidiaries – Satin Finserv Limited and Satin Technologies Limited.

Key financial indicators (audited)

| Satin Housing Finance Limited | FY2023 | FY2024 | H1 FY2025 [^] |
|-------------------------------|--------|--------|------------------------|
| Total income | 62 | 92 | 51 |
| PAT | 6 | 9 | 2 |
| Total managed assets | 531 | 813 | 955 |
| Return on managed assets | 1.4% | 1.3% | 0.3% |
| Managed gearing (times) | 2.6 | 2.8 | 2.7 |
| Gross NPA | 0.3% | 0.8% | 1.4% |
| CRAR | 46.4% | 48.7% | 55.1% |

Source: Company, ICRA Research; All ratios as per ICRA's calculations and estimates; Amount in Rs. crore; [^]Limited review financials for H1 FY2025

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

| Instrument | Type | Amount rated (Rs. crore) | Current (FY2025) | | Chronology of rating history for the past 3 years | | | | | | |
|--|--------------|-----------------------------------|----------------------|-----------------|---|-----------------|----------------------|--------|--------|--------|--------|
| | | | 24-Dec- 2024 | FY2025 | | FY2024 | | FY2023 | | FY2022 | |
| | | | | Date | Rating | Date | Rating | Date | Rating | Date | Rating |
| Fund-based bank facilities (others) | Long term | 450.00 | [ICRA]A- (Stable) | 02-Sep- 2024 | [ICRA]A- (Stable) | 27-Dec- 2023 | [ICRA]A- (Stable) | - | - | - | - |
| | | | - | - | - | 20-Mar- 2024 | [ICRA]A- (Stable) | - | - | - | - |
| Subordinated debt | Long term | 25.00 | [ICRA]A- (Stable) | 02-Sep- 2024 | [ICRA]A- (Stable) | 20-Mar- 2024 | [ICRA]A- (Stable) | - | - | - | - |
| NCD programme | Long term | 50.00 | [ICRA]A- (Stable) | 02-Sep- 2024 | [ICRA]A- (Stable) | - | - | - | - | - | - |

Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|---|----------------------|
| Long-term fund-based bank facilities (others) | Simple |
| NCD programme | Simple |
| Subordinated debt | Simple |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

| ISIN | Instrument Name | Date of Issuance | Coupon Rate | Maturity | Amount Rated (Rs. crore) | Current Rating and Outlook |
|----------------|------------------------------------|----------------------|-----------------|----------------------|--------------------------|----------------------------|
| INE02YC07018 | NCD programme | Aug-30-2024 | 10.90% | Feb-27-2026 | 25.0 | [ICRA]A- (Stable) |
| INE02YC07026 | NCD programme | Sep-27-2024 | 8.93% | Sep-27-2027 | 25.0 | [ICRA]A- (Stable) |
| INE02YC08016 | Subordinated debt | Dec-17-2019 | 14.00% | Dec-31-2026 | 20.0 | [ICRA]A- (Stable) |
| Not issued yet | Subordinated debt | NA | NA | NA | 5.0 | [ICRA]A- (Stable) |
| NA | Long-term bank facilities (others) | Mar 2019 to Jul 2024 | 8.00% to 14.50% | May 2024 to Jul 2026 | 450.0 | [ICRA]A- (Stable) |

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Not applicable

ANALYST CONTACTS

Karthik Srinivasan
+91 22 6114 3444
karthiks@icraindia.com

A M Karthik
+91 44 4596 4308
a.karthik@icraindia.com

Prateek Mittal
+91 33 7150 1100
prateek.mittal@icraindia.com

Jatin Arora
+91 124 4545 864
jatin.arora@icraindia.com

Arti Verma
+91 124 4545 313
arti.verma@icraindia.com

Arpit Agarwal
+91 124 4545 873
arpit.agarwal@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2024 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.