February 04, 2025

Satin Housing Finance Limited: [ICRA]A- (Stable) assigned to Rs. 50-crore NCD programme

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); outstanding
Subordinated programme	25.0	25.0	[ICRA]A- (Stable); outstanding
NCD programme	50.0	50.0	[ICRA]A- (Stable); outstanding
NCD programme	-	50.0	[ICRA]A- (Stable); assigned
Total	**525.0**	**575.0**	

**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 gearing[1] 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.

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

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 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 Satin HFL 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 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 a 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	Current (FY2025)			Chronology of rating history for the past 3 years							
	Type	Amount rated (Rs. crore)	Feb 4, 2025	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based bank facilities (others)	Long term	450.00	[ICRA]A- (Stable)	Sep-02-2024	[ICRA]A- (Stable)	Dec-27-2023	[ICRA]A- (Stable)	-	-	-	-
			-	Dec-24-2024	[ICRA]A- (Stable)	Mar-20-2024	[ICRA]A- (Stable)	-	-	-	-
Subordinated debt	Long term	25.00	[ICRA]A- (Stable)	Sep-02-2024	[ICRA]A- (Stable)	Mar-20-2024	[ICRA]A- (Stable)	-	-	-	-
			-	Dec-24-2024	[ICRA]A- (Stable)	-	-	-	-	-	-
NCD programme	Long term	50.00	[ICRA]A- (Stable)	Sep-02-2024	[ICRA]A- (Stable)	-	-	-	-	-	-
			-	Dec-24-2024	[ICRA]A- (Stable)	-	-	-	-	-	-
NCD Programme	Long term	50.00	[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)
NA	**NCD – Yet to be issued**	NA	NA	NA	50.0	[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

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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.

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