



Aspire Home Finance Corporation Limited

Instrument	Amount (In INR Crore)	Rating Action
Commercial Paper	50.0	[ICRA]A1+ assigned

ICRA has assigned rating of [ICRA]A1+ (pronounced ICRA A1 one plus) to Rs. 50 crore Commercial Paper Programme of Aspire Home Finance Corporation Limited (Aspire). ICRA rating takes into account Aspire's strong parentage with Motilal Oswal Financial Services Limited (rated [ICRA]AA with stable outlook) indirectly holding 100% stake in Aspire; the strong commitment of Motilal Oswal Group to this entity - in terms of both capital support and board level supervision; highly qualified senior management with long standing experience in the housing finance business; focus on low-ticket retail borrower segment; prudent underwriting norms and lending processes; and the investments made by the company in putting together its IT and risk management systems.

ICRA notes the limited track record that Aspire has in the housing finance business, and the fact that this is the first foray of Motilal Oswal Group outside the capital market business. However, ICRA expects the company to grow as per its business plans on the back of strong demand potential and management knowledge of the target borrower segment. Further, adequate lending norms should ensure stable asset quality, considering the secured nature of the business. The company has been able to raise funds from banks and has also recently tapped into capital markets. Its ability to diversify its funding sources while maintaining sound liquidity, competitive cost of funds and prudent capitalization would remain key rating sensitivity.

Aspire is the housing finance arm of Motilal Oswal Group and is held 100% by Motilal Oswal Securities Limited which in turn is a wholly owned subsidiary of Motilal Oswal Financial Services Limited (the Group's holding company). Motilal Oswal Group is a prominent name in the Indian Capital markets space with offerings across the spectrum. The Group's equity broking market share in excess of 2%, significant in the context of the highly fragmented Indian brokerage sector. Also, the Group's consolidated net worth of ~Rs. 1200 crore (as at September 2014) remains strong. As of the same date, the Group's leverage levels are negligible.

ICRA believes that Aspire is strategically important to the Motilal Oswal Group. The Group has made an initial capital commitment of Rs 100 crore to Aspire and remains open to infusing more capital as and when required. The promoters of the Group are also on the Board of Aspire. In terms of operating support, select branches/ franchisees of the Group would also be used to acquire business for Aspire. However, while Motilal Oswal is a prominent name in the capital markets and related businesses, this remains the Group's first foray outside the capital markets business. In ICRA's view, this risk gets partly mitigated by the experienced management team of Aspire that has long and varied experience across multiple organizations in the housing finance business.

Aspire started operations in Q1FY15 and has scaled up its overall book to around Rs 50 crore as at September 2014. The company currently has operations in a total of 13 locations spread across the outskirts of Mumbai, Maharashtra, Gujarat and Madhya Pradesh. In the near-term, the company plans to do only housing loans and has no immediate plans to get into loans against property or wholesale financing. In ICRA's view, the company's focus on the smaller ticket retail loan segment is a credit positive. However, the operations of the company remain at a nascent stage and how the same evolves into operating performance will remain a key monitorable going forward.

Aspire intends to lend primarily to the Low to Middle Income (LMI) segment, with significant presence in the under penetrated Tier II and Tier III cities across the country. The ticket sizes would be capped at Rs. 25 lakhs while the average ticket size is likely to remain between Rs. 8-12 lakhs. The company has put in place prudent credit norms/ appraisal process with conservative offering on LTV and Fixed Obligation to Income Ratio (FOIR) norms. The IT system is geared to handle the portfolio growth expected over the next couple of years without any substantial incremental investment.

Backed by strong parentage, Aspire has been able to tie up funds from several banks at attractive rates and has also recently tapped the capital markets. The management has indicated that it would



maintain a strong ALM profile going forward with limited reliance on short-term borrowing. The gearing level of the company is likely to remain comfortable (within 5 times) over the next 2-3 years, but may go upto 8 - 10 times in the steady state. As per company's projections, it is likely to break even towards the end of the current fiscal.

About the company

AHFCL is promoted by Motilal Oswal Securities Limited (MOSL) with an initial equity commitment of Rs.100 crore. The company started its lending operations from May 22, 2014. The portfolio of the company stood at around Rs. 50 crore as on September 2014. The company is catering to primarily lower and middle income (LMI) borrower segment for purchase of affordable residential units with a maximum ticket size of Rs. 25 lakhs (which qualifies under priority sector lending). The company intends to operate in extended suburbs of metros and tier II / tier III cities (13 locations targeted in the initial year of operations).

About Motilal Oswal

The Motilal Oswal group is one of India's leading providers of capital-market-related services; it offers a number of services, such as retail and institutional broking, wealth management, loan against shares, margin financing, commodities broking, investment banking, and venture capital management. MOFSL, incorporated in 2005, is a non-deposit-taking non-banking financial company providing margin financing services to the group's retail broking clients and is the group holding company. The group's promoters, Mr. Motilal Oswal, Mr. Ramdeo Agarwal collectively own 70.18 per cent of MOFSL's equity shares.

The Motilal Oswal group reported a PAT (after exceptional and extraordinary items) of Rs.39.5 crore on a total income of Rs.467.7 crore for FY 14, against a PAT of Rs.109.1 crore on a total income of Rs.472.9 crore for FY 13.

Recent Results

On a Consolidated Basis, Motilal Oswal reported a Total Income of Rs 177.4 Crores in Q2FY15, an increase of 54% over Q2FY14 and a PAT of Rs 32.65 Crores in Q2FY15 compared to a PAT of Rs 5.62 Crores in Q2FY14 and Rs 32.08 Crores in Q1FY14.

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