



Press Release
Khush Housing Finance Private Limited
October 05, 2023
Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	250.00	ACUITE BBB- Negative Downgraded	-
Total Outstanding Quantum (Rs. Cr)	250.00	-	-

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) from '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs.250.00 Cr. bank loan facilities of Khush Housing Finance Private Limited (KHFPL). The outlook continues to remain '**Negative**'.

Rationale for downgrade

The rating downgrade takes into account sequential deterioration in KHFPL's scale of operations as reflected in the sharp decline in AUM on account of negligible disbursements. Accordingly, the company's AUM deteriorated at Rs. 207.89 crore as on June 30, 2023 as against 218.07 crore as on March 31, 2023 and 327.86 crore as on March 31, 2022. The company disbursed Rs. 0.10 crore for 1QFY24 as against 0.36 crore for FY23 (Provisional) and 12.77 crore for FY22. Further, the asset quality remains under pressure marked by on-time portfolio at 66.93% as on June 30, 2023 as against 72.05 percent as on March 31, 2023 and 68.85 percent as on March 31, 2022. The rating continues to factor in the company's moderate scale of operations, geographical concentration in Maharashtra (~84 percent of the total portfolio as on June 30, 2023) and moderate profitability.

Nevertheless, the rating derives comfort from the company's adequate capitalization metrics marked by networth of Rs. 151.05 (Prov.) and CAR which stood at 97.72 percent (Prov.) as on June 30, 2023. The gearing levels of KHFPL has improved and remains low mainly on account of prepayment of existing debt obligations. The gearing of the company stood at 0.68 times as on March 31, 2023 (Prov.) as against 1.37 times as on March 31, 2022. Acuite believes that the ability of the company to raise fresh debt and achieve steady and sustainable growth in AUM while maintaining profitability & asset quality and comfortable liquidity profile will be key monitorable.

About the company

Incorporated in 2011, Khush Housing Finance Private Limited (KHFPL) is a Mumbai based housing finance company registered with National Housing Bank (NHB) under National Housing Bank Act, 1987. The company commenced business in 2015 and is engaged in providing home loans and loans against property to salaried and non-salaried individuals, mainly mid/low-income customer segment and economically weaker section of the society which fall under credit linked subsidy scheme (CLSS).

The company has a presence in three states, namely Maharashtra, Gujarat and Rajasthan through a network of 12 branches spread across 14 districts as on March 31, 2023. Its Asset

Under Management (AUM) stood at Rs. 207.89 Cr. as on June 30, 2023 of which home loans comprised ~68 percent of the AUM, followed by LAP at ~18.52 percent and Construction Finance at ~12.85 percent.

Analytical Approach

Acuité has adopted a standalone approach on KHFPL's business and financial risk profile for arriving at the rating.

Key Rating Drivers

Strength

Experienced Management

KHFPL is promoted by Mr. Amit Magia, who also looks after the operations of the company as Managing Director and Chief Executive Officer (MD & CEO). Mr. Amit Magia together with family members and trusts holds entire stake in the company. Mr. Magia has more than 25 years of experience in the field of Finance, Banking, Treasury Management, Real Estate Investments, and Liaising with Regulatory bodies. The company also benefits from the experience of eminent professionals on its board namely Mr. Prakash Mallya, a career banker having over 45 years of experience in various capacities in Canara Bank, Syndicate Bank, among others and Mr. Geoffrey Ross Bazzan, a senior financial markets executive with over 20 years of experience in managing portfolios and analysing companies across the Asia Pacific ex-Japan region. Further, Mr. Magia is assisted by seasoned and experienced professionals in managing the operations of the company.

Acuité believes that extensive experience of the promoter will be central to support the business profile of KHFPL in the near to medium term.

Comfortable capitalisation & gearing levels

KHFPL had healthy capitalization levels as on March 31, 2023 as reflected in Capital Adequacy Ratio (CAR) of 96.93 percent (Tier I: 95.68 percent) as on March 31, 2023. The same stood at 68.64 percent (Tier I: 66.74 percent) as on March 31, 2022 led by healthy accretion of profits. The gearing of the company has seen a significant improvement in its gearing from its peak gearing levels 1.92 times as on March 31, 2021. The gearing of the company improved to 0.68 times as on March 31, 2023 (Prov.) as against 1.37 times as on March 31, 2022 led by increased accretion of profits to reserves coupled with prepayment of its existing debt.

Weakness

Sequential deterioration in scale of operations; Geographical concentration risk

The company's disbursements have seen a continuous deterioration over the past few years leading to decline in its AUM and earning profile. The disbursements for FY23 stood at Rs.0.36 Cr. vis a vis Rs.12.77 Cr. for FY2022. The management has been conscious with its disbursements in order to curtail any asset quality pressures. KHFPL's AUM has also moderated subsequently. The AUM of the company stood at Rs. 207.89 crore as on June 30, 2023 as against Rs.218.07 crore as on March 31, 2023 against 322.74 crore as on March 31, 2022. The earning profile remains muted marked by reduction in Net interest income from Rs. 31.21 Cr. as on March 31, 2022, to Rs. 26.98 Cr as on March 31, 2023 (Prov.). The Profit after tax (Prov.) however saw a marginal improvement and stood at Rs. 9.51 crore for FY23 and Rs. 8.98 crore for FY22. The company faces high geographical concentration risk on account of its majority of loan exposure in Western India region. Around 83.96 percent of the outstanding portfolio as on June 30, 2023, is concentrated in Maharashtra region, followed by Rajasthan at 12.70 percent and Gujarat contributing to a small portion of 3.36 percent.

Moderate Asset Quality

KHFPL primarily focuses on home loans (~68 percent of AUM as on June 30, 2023), catering to economically weaker section and low-income group individuals which are highly vulnerable to exogenous shocks. The LAP book constitutes ~18.52 percent of the AUM, whereas construction loans form about 12.85 percent of the total portfolio as on June 30, 2023. The company has consciously decided to curtail the construction finance portfolio. The asset quality of the company remains under pressure marked by on-time portfolio at 66.93 percent as on June 30, 2023 as against 72.05 percent as on March 31, 2023 and ~68.85 percent as on

March 31, 2022. As on March 31, 2023, KHFPL reported Gross NPA of 2.68 percent (PY: 3.36 percent) and Net NPA of 0.47 percent (PY: 2 percent). Acuité believes that the company's ability to achieve steady and sustainable growth in AUM while maintaining asset quality will be key monitorable.

Rating Sensitivity

- Growth in loan portfolio
- Movement in collection efficiency and asset quality
- Movement in liquidity buffers
- Movement in profitability parameters
- Changes in regulatory environment

All Covenants

KHFPL is subject to covenants stipulated by its lenders in respect of various parameters like capital structure, asset quality, among others.

Liquidity Position Adequate

KHFPL's overall liquidity profile remains adequate with no negative cumulative mismatches in near to medium term as per ALM dated June 30, 2023. Company's cash and cash equivalents stood at Rs.14.64 Cr. (Prov.) as on March 31, 2023. KHFPL reported an overall collection efficiency of ~99 percent in June 2023.

Acuité believes that the ability to raise long term funding along with stability in collection efficiency will be critical to maintaining a stable liquidity profile.

Outlook: Negative

Acuité believes that KHFPL's credit profile will be under pressure on account of decline in AUM and low disbursement in the current year. The outlook may be revised to 'Stable' in case KHFPL is able to demonstrate a significant improvement in the AUM and the disbursements. The rating may be downgraded if the company faces challenges in raising long term debt and scaling of operation while maintaining asset quality and profitability matrix.

Other Factors affecting Rating

Not applicable

Key Financials - Standalone / Originator

Particulars	Unit	FY23 (Provisional)	FY22 (Actual)
Total Assets	Rs. Cr.	262.31	347.03
Total Income*	Rs. Cr.	26.98	31.21
PAT	Rs. Cr.	9.51	8.98
Net Worth	Rs. Cr.	148.58	139.07
Return on Average Assets (RoAA)	(%)	3.12	2.37

Return on Average Net Worth (RoNW)	(%)	6.61	6.59
Debt/Equity	Times	0.68	1.37
Gross NPA	(%)	2.68	3.36
Net NPA	(%)	0.47	2.00

**Total income equals to Net Interest Income plus other income*

Status of non-cooperation with previous CRA (if applicable):

None

Any other information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Jul 2022	Term Loan	Long Term	13.28	ACUITE BBB Negative (Downgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	3.04	ACUITE BBB Negative (Downgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	41.75	ACUITE BBB Negative (Downgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	19.04	ACUITE BBB Negative (Downgraded from ACUITE BBB+ Stable)
	Proposed Term Loan	Long Term	76.01	ACUITE BBB Negative (Downgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	3.60	ACUITE BBB Negative (Downgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	8.15	ACUITE BBB Negative (Downgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	72.37	ACUITE BBB Negative (Downgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	9.06	ACUITE BBB Negative (Downgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	3.70	ACUITE BBB Negative (Downgraded from ACUITE BBB+ Stable)
08 Apr 2021	Term Loan	Long Term	18.46	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	13.59	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	3.85	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	2.77	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	16.23	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	5.69	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	20.80	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	10.42	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	47.75	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	5.54	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	11.62	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	79.86	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	8.42	ACUITE BBB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
IDFC First Bank Limited	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	5.50	ACUITE BBB- Negative Downgraded
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	173.64	ACUITE BBB- Negative Downgraded
IDFC First Bank Limited	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	0.10	ACUITE BBB- Negative Downgraded
IDFC First Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	9.00	ACUITE BBB- Negative Downgraded
Indian Overseas Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	9.06	ACUITE BBB- Negative Downgraded
Karur Vysya Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.93	ACUITE BBB- Negative Downgraded
National Housing Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	51.77	ACUITE BBB- Negative Downgraded

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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