

January 27, 2022

Jothi Housing and Mortgage Finance Private Limited: [ICRA]BB (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based term loan	50.00	[ICRA]BB (Stable); assigned
Total	50.00	

* Instrument details are provided in Annexure-1

Rationale

The assigned rating takes into consideration the long-standing experience of Jothis Housing and Mortgage Finance Private Limited's (JHMF) promoter in the retail lending business and the company's adequate capitalisation profile for the current scale of operations. Though JHMF's internal accruals are expected to support the envisaged growth over the medium term, the promoter may be expected to infuse the necessary equity to meet any regulatory capital requirements. The rating also takes into consideration JHMF's commensurate underwriting policy and the expeditious collection model, which have helped it maintain the asset quality in the last one year. The rating also factors in the high growth potential in the affordable housing segment, given the low credit penetration and the Government's focus on the sector.

The rating is, however, constrained by the company's limited track record of operations, relatively small scale of business and the low seasoning of its loan book with its ability to maintain healthy asset quality indicators across economic cycles yet to be established. The rating also takes into consideration the high portfolio vulnerability, given the modest target borrower profile comprising low-and-middle-income individuals/families along with the high geographical concentration of the loan book. Nevertheless, the risk is somewhat mitigated by the comfortable loan-to-value ratios, which could limit the ultimate loss in case of defaults.

Going forward, JHMF would need to raise debt in a timely manner to grow as per its business plans. Further, the company's ability to improve its scale of operations, while maintaining tight control on its asset quality, would be a key monitorable.

Key rating drivers and their description

Credit strengths

Promoter's experience in retail lending business – JHMF was incorporated in February 2018 with its registered office in Trichy, Tamil Nadu. It obtained a licence as a housing finance institution in February 2020 and commenced its business in August 2020. Mr. Maria Vasanth Nathan is the promoter director of the company and holds majority of the shares. Ms. Shirley Devaraj, the Chief Executive Officer (CEO) and director, had previously worked with Grama Vidiyal Microfinance for more than a decade, which was later acquired by IDFC Bank and renamed IDFC First Bharat.

Adequate capital profile at present; capital infusion may be required in future to meet regulatory requirement – JHMF's capitalisation profile is adequate for the current scale of operations with a reported net worth of Rs. 16.2 crore and net worth/assets under management (AUM) of 1.4 times as of September 2021. With incremental business to be funded out of fresh borrowings, the gearing is expected to increase from the current level and is expected to peak at around 5 times in the medium term. Though JHMF's internal accruals are expected to support the envisaged growth over the medium term, the promoter may be expected to infuse the necessary equity to meet the regulatory minimum net worth requirement of Rs. 20.0 crore.

Credit challenges

Small scale of operations with limited track record – JHMF started its operations recently and had a moderate AUM of Rs. 11.7 crore as of September 30, 2021. Monthly disbursements reached over Rs. 2.0 crore as of August 2021. Given the limited track record of operations and the longer tenure of its asset class, the long-term performance of its loan book is yet to be established. The company currently operates in two districts of Tamil Nadu with a branch in each district. Going forward, it is expected to increase the number of branches covering all the districts of Tamil Nadu, which is expected to contribute to the growth in its AUM. ICRA expects the operations to remain concentrated in Tamil Nadu and in a few districts over the near to medium term.

Ability to scale up while maintaining healthy asset quality – Given the moderate AUM size and the prudent internal controls for the sanctioning of loans, JHMF had no delinquencies as of September 2021. The company’s ability to keep the asset quality under control during the high AUM growth phase in the medium term will be a key monitorable.

Ability to raise funding for growth – JHMF’s AUM growth is largely dependent on its ability to raise funds from lending institutions. The company received its first sanctions for Rs. 5.0 crore of borrowing from two lenders in Q3 FY2022. Going forward, its ability to raise adequate funds in a timely manner and with a longer tenure, to restrict asset-liability mismatches to the minimal levels, would be a key monitorable.

Liquidity position: Adequate

JHMF had cash and cash equivalents of Rs. 3.3 crore as of December 31, 2021 against debt repayment of Rs. 0.6 crore in the next six months. Further, its proposed borrowing plan and collections are expected to adequately support its liquidity profile in the near term.

Rating sensitivities

Positive factors – ICRA could upgrade the rating or revise the outlook to Positive in case of a sustained improvement in the company’s AUM and earnings profile.

Negative factors – ICRA could downgrade the rating or revise the outlook to Negative in case of a significant deterioration in JHMF’s asset quality. The company’s inability to raise funds could also adversely impact the rating.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA’s Credit Rating Methodology for Non-Banking Finance Companies
Parent/Group Support	Not Applicable
Consolidation/Standalone	The rating is based on the standalone financial statements of JHMF

About the company

Jothi Housing & Mortgage Finance Pvt. Ltd. (JHMF) was incorporated on 12th February 2018, with its registered office in Trichy, Tamil Nadu. On 26th February 2020, JHMF obtained license as Housing Finance Institution without accepting public deposits and commenced its business in August 2020. Mr. Maria Vasanth Nathan is the promoter director of the company. JHMF is a housing finance company extending housing loans and mortgage loans, to salaried and self-employed individuals. JHMF is currently operating with 2 branches. It has reached disbursements of over Rs. 2.0 crore a month in August 2021. It works in affordable lending segment and has given loans of ticket size less than RS. 30 lakhs. It works primarily in Tamil Nadu and plans

to expand within Tamil Nadu. The current paid up capital is Rs. 15.0 crore and net worth Rs. 16.2 crore as of September 2021. The AUM of the company is Rs. 11.7 crore as of September 2021 and entirely on book.

Key financial indicators (audited) – IGAAP

Jothi Housing and Mortgage Finance Private Limited	FY2021	H1 FY2022 (annualised)
Net Interest Income	1.02	0.92
Profit after Tax	0.02	0.09
Net Worth	16.10	16.19
Total Managed Portfolio	3.7	11.7
Total Managed Assets	16.15	16.28
Return on Average Managed Assets (%)	0.13%	1.09%
Return on Average Net Worth (%)	0.14%	1.10%
GNPA (%)	0.0%	0.0%
NNPA (%)	0.0%	0.0%
CRAR (managed) (%)	303.3%	134.3%
Gearing (reported; times)	0.0	0.0

Source: Company, ICRA Research; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

S. No.	Instrument	Current Rating (FY2022)			Chronology of Rating History for the Past 3 Years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					Jan-27-2022	-	-	-
1	Long-term fund-based term loan	Long term	50.00	-	[ICRA]BB (Stable)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term fund-based term loan	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-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term fund-based term loan*	-	-	-	50.00	[ICRA]BB (Stable)

Source: Company

*Not availed

Annexure-2: List of entities considered for consolidated analysis - NA

ANALYST CONTACTS

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

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

R Srinivasan
+91-44-4596 4315
r.srinivasan@icraindia.com

Richardson Xavier J
+91 9094877278
richardson.xavier@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@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, 2022 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.