RATING RATIONALE

11 Feb 2020

Panthoibi Housing Finance Company Ltd. (PHFCL).

Brickwork Ratings reaffirmed the ratings for the bank loan facilities of Rs. 10.00 Crs of Panthoibi Housing Finance Company Ltd. (PHFCL).

Particulars:

Facility Rated #	Previous (Rs. Crs)	Present (Rs. Crs)	Tenure	Rating History May, 2018	Rating[1]
Fund Based Dropline Overdraft Dropline Overdraft (proposed) Term Loan* Term Loan (proposed)	**0.55** **4.95** **-** **-**	**0.35** **8.21** **0.94** **0.50**	**Long Term**	**BWR BB- Stable**	**BWR BB- Stable** ***(Reaffirmed)***
Total	**5.50**	**10.00**	**Rupees Ten Crore Only**		

**Term loan outstanding as on 31st January,2020*
1 Please refer to BWR website www.brickworkratings.com for definition of the ratings
** Details of Bank facilities is provided in Annexure-I

Rating Action/Outlook:
The rating reaffirmation factored experience of the promoters of more than a decade, steady increase in loan portfolio of the company, absence of NPA and future plans for raising funds for the enhanced business portfolio. The ratings, however are constrained by declining profitability, relatively low scale of operations, regulatory risks and competition from banks and other housing finance companies.Going forward, the ability of the company to scale up its operations, to improve its profit margins and to maintain its gearing in an intensely competitive industry will remain the key rating sensitivities.

The Rating has been assigned a Stable outlook as the business risk profile of the company is expected to be stable and the growth in the business and profitability is expected to be maintained in the medium term.

KEY RATING DRIVERS

Credit Strengths:

- **Experienced Promoters:** The Board of PHFCL comprises Mr. Thokchom Hemo Singh, Mr Thokchom Bidyamani Dev and Mr. Tayenjam Rakesh Singh with considerable experience in the financial sector and with required expertise to run the organisation. The Company has hired a team of qualified professionals to manage different verticals and operations.
- **Moderate Capitalization:** As on 31st March 2019, PHFCL's CRAR stood at 195.13% with Tier I 195.13% as against NHB's stipulated minimum requirement of 12% . As on 31 March 2019, the Company's Tangible net worth stood at Rs 12.13 Crs.
- **Healthy Asset quality:** PHFCL has always maintained healthy asset quality reflecting its prudent risk mitigating measures and strong credit appraisal systems . GNPA & NNPA and provision coverage ratio stood nil as on 31.03.2019
- **Robust demand for affordable housing segment:** Government of India's policy of "housing for all" by the year 2022 under "Pradhan Mantri Awas Yojana" coupled with increase in disposable income of salaried segment has created robust demand for affordable housing across the country which will further augment the growth of HFCs.

Credit Weaknesses :

- **Low Scale of Operations with high geographic concentration**: Though the company started its operations in 2009, the scale of operations remained low marked by low loan outstanding portfolio of Rs. 11.45 Crs as on 31st Mar 2019 as compared to Rs. 10.84 Crs as on 31st March 2018. The company's operations are geographically concentrated as ~90% of the loan portfolio is concentrated in the state of Manipur and remaining in Assam.
- **Increasing competition:** MHFSL faces intense competition for their different loan segments from banks, other HFCs and NBFCs. The company needs to face this by quality and speed of decision making, attractive pricing and improved operational efficiencies.
- **Weak External Environment for NBFCs and HFCs**: The entire NBFC and HFC sector are currently facing challenges in terms of raising funds. While the recent liquidity crisis revolving around the sector has not affected the company, the ability of the company to raise liabilities with improvement in cost of borrowings continues to be a key monitorable.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA :

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive:

- The Rating may be upgraded if there is an improvement in scale of operations, Substantial increase in the loan portfolio, profitability & overall financial risk profile along with improvement in tangible net worth and lower levels of delinquency of the Company.

Negative :

- The ratings may be downgraded if there is stagnation in the loan portfolio, deterioration in profitability and financial position of the company or delays in payments of its debt obligations.

LIQUIDITY POSITION: Adequate

The company's liquidity has been adequate as the company's accrual is enough to meet the debt obligation.

About the Company

Panthoibi Housing Finance Company Limited, incorporated in January 2006, is a housing finance Company (HFC) located in Imphal, Manipur. Promoted and managed by Mr. Thokchom Hemo Singh, the Company started its housing finance activities in October 2009. The Company was registered with National Housing Bank (NHB) on 1st October 2009 and is the first Housing Finance Company from north-east region of India to be registered with NHB. PHFCL is engaged in providing loans for construction and renovation of homes, loans against property and loans for purchasing plots. The Company with its head office located in Uripok Tourangbam Leikai, Imphal has 4 branches located at Nambol, Moirang, Bishnupur, Kakching districts of Manipur with 1 branch in Guwahati of Assam.

KEY FINANCIAL INDICATORS (In ₹ Cr):

Parameters	31-Mar-2018 (Audited)	31-Mar-2019 (Audited)
Outstanding Loan Portfolio (Rs in Cr)	10.84	11.45
Gross NPA (%)	0.37	0.00
Net NPA (%)	0.00	0.00
Net Interest Income (Rs in Cr)	1.60	1.54
PAT (Rs in Cr)	0.07	0.24
Net Interest Margin (NIM) (%)	14.96	13.82
Tangible Net Worth (Rs in Cr)	11.89	12.13

CRAR (%)	184.76	195.13

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY :NA

RATING HISTORY:

Sl. No.	Instrument/ Facility	Current Rating (February, 2020)			Rating History	
		Type	Amount (Rs. Crs)	Rating	May, 2018	2017
1.	Dropline Overdraft	Long Term	0.35	BWR BB- Stable Reaffirmed	BWR BB- Stable Assigned	Not Rated
2.	Dropline Overdraft (Proposed)		8.21			
3.	Term Loan		0.94			
4.	Term Loan (Proposed)		0.50			
Total			Rs.10.00 (Rupees Ten Crores Only)			

Hyperlink/Reference to applicable Criteria

- General Criteria
- Banks and Financial Institutions
- Approach to Financial Ratios
- Short Term Debt

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Annexure I

Panthoibi Housing Finance Company Ltd.

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Teniure	Total [₹ Cr]
1.	State Bank of India	Dropline Overdraft	Long Term	0.35
2.	United Bank of India	Dropline Overdraft (Proposed)		8.21
3.		Term Loan		0.94
4.		Term Loan (Proposed)		0.50
TOTAL				**10.00**

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