



Date: August 03, 2021

To,
Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Kala Ghoda,
Fort, Mumbai- 400001.

Scrip Code: 959973/ 960219

Subject: Intimation of review of Credit Rating as required under Regulation 51(2), Regulation 55 and Regulation 62 (2) of SEBI (Listing and Obligation Disclosure Requirement) Regulations, 2015

Dear Sir/Madam,

This is with reference to the captioned subject; this is to inform you that Brickwork Ratings India Private Limited has reviewed and affirmed the ratings of the Non-Convertible Debentures of the Company.

Rating reviewed and affirmed by Brickwork Ratings India Private Limited is as follows:

Rating Agency	Instrument	Rated Amount (Rs in Crore)		Tenure	Previous Rating Assigned	Present Rating assigned
		Previous	Present			
Brickworks Ratings India Private Ltd	Non-Convertible Debentures	37.50	35.00	Long Term	BWR BBB+ /Stable	BWR BBB+ /Stable (Reaffirmed)

The Company have raised NCDs amounting to Rs.35 Crs and the balance amount of Rs. 2.50 crs has neither been raised nor shall be raised any further, hence the amount for rating of NCD stands reduced from Rs.37.50 Crs to Rs.35.00 Crs.

Revised rating letter issued by the rating agency is enclosed herewith for your information and records.

Kindly take the same on records.

Thanking You.

For **KIFS HOUSING FINANCE LIMITED**

RAJESH KHANDWALA,
MANAGING DIRECTOR
DIN: 00477673

Registered Office: B-81, Pariseema Complex, C. G. Road, Ellisbridge, Ahmedabad - 380006, Gujarat, India.

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CIN: U65922GJ2015PLC085079 **RBI COR: DOR-00145**



RATING RATIONALE

29 July 2021

KIFS Housing Finance Limited

Brickwork Ratings reaffirms the ratings for the Non-Convertible Debentures of Rs. 35 Crs. of KIFS Housing Finance Limited

Particulars:

Instruments / Facilities**	Amount (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (July 29, 2020)	Present
Non-Convertible Debentures (NCDs)	37.50	35.00	Long Term	BWR BBB+ /Stable	BWR BBB+ /Stable (Reaffirmed)
Total	37.50	35.00	Rupees Thirty Five Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of NCDs is provided in Annexure-II

Note: The Company have informed of having raised NCDs amounting to Rs.35 Crs and the balance amount of Rs.2.50 Crs has neither been raised nor shall be raised any further, hence the amount for rating of NCD stands reduced to Rs.35.00 Crs from Rs.37.50 Crs

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) reaffirms “BWR BBB+”/Stable rating to the non-convertible debentures (NCDs) of Rs 35.00 Crs of KIFS Housing Finance Limited (KHFL or the company), as tabulated above. The rating draws comfort from the company’s experienced promoters and management team, healthy capitalisation, comfortable resource profile and comfortable asset quality. The rating is, however, constrained by the limited seasoning of the loan portfolio, geographical concentration and challenges faced by the NBFC sector in the current environment.

The Stable outlook indicates the low likelihood of a rating change over the medium term. BWR believes KHFL’s business risk profile would remain unchanged over the medium term.

KEY RATING DRIVERS

Credit Strengths:-

- **Experienced promoters and management team:** KHFL is a part of the KIFS group, established in 1987. The KIFS group consists of KIFS International LLP (holding company), Khandwala Finstock Pvt Ltd (gold refinery), KIFS Housing Finance Limited (Housing Finance), KIFS Trade Capital P. Ltd (stock broking) and KIFS Financial Services Ltd (listed NBFC). The KIFS group is engaged in stock and commodity broking, real estate, bullion trading and lending, among others. The promoters have been in the capital market business for the last three decades. The KIFS group is promoted by first generation entrepreneurs Mr. Rajesh Khandwala, Mr. Vimal Khandwala and Ms Kinnary Khandwala. The board of directors including Mr. Padmanabh Vora (Ex. Chairman of NHB and IDBI Bank) the industry veterans supported by the professional management team have more than two decades of experience in the industry.



- **Healthy capitalisation:** KHFL was well-capitalised, with a total CRAR of 81.60% as of 31 March 2021, against RBI's minimum stipulated requirement of 14%. The company's net worth stood at Rs. 285.44 Crs as on 31 March 2021. The company maintained a low gearing during the last three years, supported by regular capital infusion. The debt to equity increased to 1.04 times as on 31 March 2021 (0.42 times as on 31 March 2020), however is better than most peers in the industry. The networth coverage of the net non-performing assets (NPAs) was very comfortable, at around 138 times as on 31 March 2021.
- **Comfortable resources and earning profile:** KHFL has a comfortable resources profile with a funding mix comprising NHB (47%) and banks (53%). During FY 21, the company raised Rs 184.60 Crs from NHB and banks. The cost of borrowing reduced to 7.45% in FY21 from 9.08% in FY20. For FY21, the return on assets stood at 3.54% (5.67% -FY20) and return on equity stood at 6.39% (7.22% in FY20). The company's net interest margin was healthy, at 9.63% (11.53% in FY20). It has also done total provisioning of Rs. 7.30 Crs against GNPA of Rs. 3.70 Crs. The overall earnings profile is expected to remain comfortable for the company over the medium term
- **Comfortable asset quality:** KHFL's loan portfolio outstanding was Rs 453.91 Crs as of 31 March 2021 (Rs. 338.19 Crs as of 31 March 2020). The lending is majorly towards home loans (88.36%) and remaining into loans against property (11.64%). KHFL's portfolio performance remains comfortable, with the gross NPA ratio at 0.81% as on 31 March 2021 (0.47% as of 31 March 2020). The net NPA% was at 0.46% as of 31 March 2021 (0.38% as of 31 March 2020). The company's ability to manage the asset quality in the near term will remain a key rating monitorable.

Credit Risks:-

- **Geographical concentration and limited Seasoning of the portfolio:** The company started the business in October 2016, and FY 21 was the fourth full year of operation. It has grown at a CAGR of 89% from FY 18 to FY 21. Due to a large portion of its portfolio being generated in the last three years, it has low seasoning. While the company started its business in Maharashtra and Gujarat, currently the majority of the business is concentrated in two states, Maharashtra (46.26%, 46.19% - FY 20) and Madhya Pradesh (23.66%, 24.42% - FY 20). The company proposes to diversify its exposure to Uttar Pradesh and other states. However, the loan portfolio shall remain highly concentrated in the states of Maharashtra and Madhya Pradesh over the medium term.
- **Challenges faced by NBFCs:** Due to the second wave of COVID-19, KHFL has made a conscious decision to focus on collections and eschew disbursement for the last quarter ended June 30, 2021. While the company expects to return to disbursement by August 2021; the return to full business potential remains a monitorable in the evolving COVID scenario in India. Also, the impact of the economic disruption due to second COVID wave on the borrower segments of KHFL and resultant impact on the asset quality and overall credit profile of KHFL remains a key rating monitorable over the near to medium term.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has taken a standalone approach of KIFS Housing Finance Limited for arriving at the ratings. BWR has applied its rating methodology as detailed in the Rating Criteria below



(hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive: Significant growth in the AUM and stable asset quality and profitability will be rating positive for KIFS Housing Finance Limited.

Negative: A higher-than-expected deterioration in the asset quality or earning profile will be rating negatives.

LIQUIDITY INDICATORS: ADEQUATE

As on 30 June 2021, the company had liquidity of Rs. 120.03 Crs, i.e., investments in mutual funds of Rs. 84.19 Crs, cash and bank balance of Rs. 0.07 Crs, and expected monthly collections are adequate to meet the debt obligation of Rs. 50.88 Crs payable until 31 March 2022. Further, the company has unutilised bank lines along with undrawn working capital bank limits of Rs. 35.77 Crs as additional cushion. The company had adequate liquidity to meet its near term debt obligations.

COMPANY'S / FIRM' PROFILE

KIFS Housing Finance Limited (KHFL) was incorporated in November 2015 and got registered with the National Housing Bank in October 2016. KHFL is a housing finance company targeting the Middle Income Group (MIG) and Low Income Group (LIG) customers under retail segments. KHFL offers two products currently, home loans and loans against properties. Home loans consist of home loans, home improvement loans, home extension loans and plot loans, among others.

KEY FINANCIAL INDICATORS

Key Financial Indicators	Units	FY20	FY21
Result Type		As per IGAAP	As per Ind-AS
		Audited	Audited
Portfolio	Rs. in Crs	338.19	453.91
Total Income	Rs in Crs	48.36	58.16
Profit After Tax	Rs in Crs	15.33	17.68
Tangible Networth	Rs in Crs	269.94	285.44
Debt: TNW	Times	0.42	1.04
CRAR	%	123.75%	81.60%
GNPA	%	0.47%	0.81%
NNPA	%	0.38%	0.46%
ROA	%	5.67%	3.54%

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY -

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal & suspended]

S. No	Name of Instrument	Current Rating (2021)			Chronology of Rating History for the past 3 years				
		Type	Amount (Rs. Crs.)	Rating	2020		2019	2018	
1	NCDs	Long Term	35.00	BWR BBB+ / Stable	29.07.2020		-	-	
					Long Term	37.50	BWR BBB+ / Stable	-	-

[Note: The company raised NCDs amounting to Rs.35 Crs, out of the rated NCD of Rs.37.50 Crs. The Company informed that the balance amount of Rs.2.50 Crs is neither raised nor shall be raised any further, hence the rating amount of NCD stands reduced to Rs.35.00 Crs from Rs.37.50 Crs]

COMPLEXITY LEVELS OF THE INSTRUMENTS - SIMPLE

For more information, visit

www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Banks & Financial Institutions](#)

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KIFS Housing Finance Limited

ANNEXURE I

Details of Bank Loan Facilities rated by BWR -NA

ANNEXURE II

INSTRUMENT (NCD) DETAILS

Instrument	Issue Date	Amount [Rs.Crs.]	Coupon Rate	Maturity Date	ISIN Particulars
NCD	31-08-2020	25	9.81%	31-08-2023	INE0CP107021
NCD	10-11-2020	10	10.05%	10-05-2022	INE0CP107039

Total Rs. Thirty Five Crores Only



ANNEXURE III List of entities consolidated: NA

For print and digital media

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