

## RAAS Affordable Housing Finance (India) Limited

	Amount	Rating Action
Long Term Bank Lines	Rs. 50 crore	[ICRA]BBB (stable) reaffirmed

ICRA has reaffirmed the rating of [ICRA] BBB (pronounced as ICRA triple B) with stable outlook of Rs. 50 crore<sup>1</sup> long-term bank lines of RAAS Affordable Housing Finance (India) Limited (RAHF) (erstwhile RAAS Housing Finance (India) Limited).

The reaffirmation in rating takes into account RAHF's experienced management team, commitment of promoters to provide capital support for scaling up operations, good loan origination processes, underwriting norms and MIS systems which should help the company to grow its portfolio as per business plan over the medium term (portfolio of Rs 1600 crore by March 2019) with systematic expansion along the DMIC Corridor across Delhi NCR, Rajasthan, Haryana, Maharashtra, Gujarat, Madhya Pradesh and UP. ICRA has also noted that the company has been able to receive Rs 65 crore of sanctions from 4 banks which should help the company in scaling up operations. ICRA has also noted the change in strategy of the company from middle to high income salaried/ self employed segment to affordable housing segment given the opportunities available in the same. The rating is however constrained by RAHF's small scale and nascent stage of operations (portfolio of Rs 71.3 crore as on March 31, 2016), its focus on relatively underserved affordable housing segment where the borrower profile is more semiformal, low profitability indicators, given the relatively higher operating expenses and investment in branch expansion, technology, automation & manpower. Going forward, ability to grow the business and manage the portfolio through economic cycles without diluting the credit norms, while diversifying the funding mix and maintaining prudent capitalisation levels would remain key rating sensitivities. The company is now also covered under the SARFAESI Act, which would help the company to recover from delinquent account. The Company has spread its presence over 12 locations across Delhi NCR, Rajasthan, Haryana and Maharashtra and plans to have 23 branches by March 2017.

As for capitalisation, the company had a net worth of Rs 94.9 crore as on March 31, 2016. As for the company's growth plan, it plans to achieve a portfolio of Rs 1600 crore by March 2019, while maintaining a portfolio mix of 65%-70% in favour of home loans (primarily to self employed segment), 25%-30% towards loans against property (LAP) and the rest towards builder loans while maintaining leveraging levels at 5—6 times. In ICRA's estimates, the company would need equity infusion of Rs 100 crore over next two years; ICRA takes comfort from strong commitment of promoters to infuse the same.

Given the focus of the company in lower-middle income segment, its lending yields are likely to be high (12%-14%). However the company is investing in branch expansion, technology, automation, as well as training of manpower which is likely to keep its operating expenses high over the next three years, therefore it would take around 3-4 years for the company to achieve double digit ROEs. In ICRA's opinion ability of the company to scale up operations, bring down its operating expenses and also tie-up funds to grow the loan book while maintaining prudent capitalisation levels and control on credit norms would be important from a credit perspective.

### About the Company

RAAS Affordable Housing Finance (India) Limited is a Delhi based housing finance company 100% owned by RAAS Capital (India) Pvt Ltd. As on March 31, 2016, the company had a total portfolio of Rs. 71.3 crore. The company reported a loss of Rs 2 crore on an asset base of Rs 97.5 crore for the year ended March 31, 2016. As on March 31, 2016, the company had a net worth of Rs 94.9 crore.

**September 2016**

<sup>1</sup>100 lakh = 1 crore = 10 million



*For further details please contact:*

*Analyst Contacts:*

**Mr. Rohit Inamdar** (Tel. No. +91-124-4545847)  
rohit.inamdar@icraindia.com

**Saagar Malhotra** (Tel. No. +91 124 4545 308)  
saagar.malhotra@icraindia.com

*Relationship Contacts:*

**Mr. Jayanta Chatterjee** (Tel. No. +91-80-43326401)  
jayantac@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

3rd Floor, Electric Mansion  
Appasaheb Marathe Marg, Prabhadevi  
Mumbai—400025,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax:  
+91-79-25569231

**Pune****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range  
Hills Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-  
25561231

**Hyderabad****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500