



Date: January 1, 2025

To,
The Manager,
Listing Department, Debt Market,
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400001.

Scrip Code: 975067, 976278

Dear Sir/ Madam,

Sub: Intimation of Revision in Credit Rating of the Company

Ref: Regulation 51(1) of SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015

Pursuant to Regulation 51(1) of SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015, we would like to inform that CARE Ratings Limited (the “Credit Rating Agency”) vide its press release dated 31st December, 2024 has upgraded the credit rating of IKF Home Finance Limited (the “Company”) as detailed in the below table:

Type of Rating	Amount (₹ crore)	Revised Rating	Details of Revision
Long Term Bank Facilities	1,440.00	CARE A; Stable	Upgraded from CARE A-; Stable
Non-Convertible Debentures – I	6.67	CARE A; Stable	Upgraded from CARE A-; Stable
Non-Convertible Debentures – II	33.33	CARE A; Stable	Upgraded from CARE A-; Stable
Non-Convertible Debentures – III	60.00	CARE A; Stable	Upgraded from CARE A-; Stable

This is for your information and records.

Thanking you,

Yours faithfully,

For **IKF Home Finance Limited**

Komal Ratlani
Company Secretary & Compliance Officer
M.No. 69063

Corporate Office: IKF Home Finance Limited

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Ph: 040 23412083 **w:** www.ikfhomefinance.com **e:** info@ikfhomefinance.com

CIN: U65922AP2002PLC039417

Registered Office: IKF Home Finance Limited, 40-1-144, Corporate Centre, M.G. Road, Vijayawada - 520 010, Andhra Pradesh, INDIA

IKF Home Finance Limited

December 31, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	1,440.00	CARE A; Stable	Upgraded from CARE A-; Stable
Non-Convertible Debentures - I	6.67	CARE A; Stable	Upgraded from CARE A-; Stable
Non-Convertible Debentures - II	33.33	CARE A; Stable	Upgraded from CARE A-; Stable
Non-Convertible Debentures - III	60.00	CARE A; Stable	Upgraded from CARE A-; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in the ratings assigned to the bank facilities and debt instruments of IKF Home Finance Limited (IKFHF) follows the revision in the ratings of the parent IKF Finance Limited (IKF) from 'CARE A; Stable' to 'CARE A+; Stable'. The rating continues to factor in the support from IKF Finance Limited (IKF). The rating continues to take note of strong parentage of IKF Finance Limited (IKF) and the resultant synergies in terms of business linkages with common brand identity, shared infrastructure and treasury function besides management and financial support from the parent entity. The rating also factors in the comfortable capital adequacy levels, adequate asset quality though seasoning continues to be low, consistent profitability aided by income from direct assignment transactions and adequate systems & process. The rating is, however, constrained by the limited track record and relatively small scale of operation, concentrated resource profile, regional concentration of the portfolio, low seasoning of portfolio and inherent risks associated with the borrower profile mostly being self-employed in the informal segment.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors - Factors that could, individually or collectively, lead to positive rating action/upgrade

- Improvement in the credit risk profile of the parent, IKF Finance Limited
- Improvement in the scale of operations with sustained profitability while maintaining good asset quality

Negative factors - Factors that could, individually or collectively, lead to negative rating action/downgrade

- Weakening in the credit risk profile of the parent, IKF Finance Limited
- Material dilution in the shareholding of IKF
- Moderation in gearing levels with overall gearing exceeding 5x on a sustained basis

Analytical approach:

Standalone; factoring in the linkages with the parent, IKF Finance Limited (IKF). IKFHF is a subsidiary of IKF Finance Limited (IKF) and has strong management, operational & financial linkages with its parent company.

Outlook: Stable

The stable outlook reflects the expectation of continued strong support from the parent which will aid the company to grow loan portfolio and stable financial metrics.

Detailed description of key rating drivers:

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Key strengths

Strong parentage with business synergies, operational & financial linkages

IKFHF is a subsidiary of IKF Finance Limited (IKF, rated CARE A; Stable) and is of strategic importance to IKF group. By virtue of parent subsidiary relationship, IKF provides management and operational support in terms of usage of established branch network & risk management systems of IKF, sourcing of loans, etc. Besides, the company enjoys the shared 'IKF' brand name and access to common group treasury enabling the company to raise resources at competitive rates from banks, financial institutions, and capital markets. Also majority of the branches are co-located with parent. IKF has made cumulative infusion aggregating to Rs.152 crore until Mar 2024. During FY'24 company has raised Rs.47 crore of equity from the parent (IKF Finance Limited). CARE Ratings expects continuation of support from the parent going forward as well.

Established in 2002, the group is headed by V G K Prasad, who is present on both the boards of the parent as well as IKFHF. He has more than three decades of experience in asset financing business, and the business operations of the group has benefited from his long-established track record in the auto finance segment and the vast industry network developed over the years. IKFHF is headed by Vasantha Lakshmi (Managing Director), who has nearly a decade of experience in the asset financing domain working in different aspects of the segment, including sales, credit and manpower management. They are well supported by a team of qualified and experienced management team.

Significant increase in scale of operations in FY24

In last five years, IKFHF's AUM is growing at an CAGR of 46%. AUM increased from Rs.696 crore as on March 31, 2023 to Rs.1049 crore as on March 31, 2024 and further to Rs.1173 as on September 30, 2024. Housing loan constitute 60% of AUM (62% as on Sep 30, 2024). On a y-o-y basis, the disbursements of the company improved from Rs. 382 crore during FY23 to Rs. 468 crore during FY24. During H1FY25, total disbursements stood at Rs. 202 crore. The company has expanded its branch network from 64 branches as on March 31, 2023 to 79 branches as on March 31, 2024 and further increased to 94 branches as on Sep 30, 2024. CARE Ratings expects the higher growth in AUM to continue with significant addition of branches in H1FY25.

Comfortable capitalisation levels with regular equity infusion from the parent

As of March 31, 2024, the company's capital adequacy ratio (CAR) was comfortably positioned at 32.00% (previous year: 37.51%), significantly above the regulatory requirement of 15%. During FY24, the company raised Rs. 47 crore in equity through its parent, IKF Finance Limited. By September 30, 2024, the company's CRAR stood at 31.16%, with Tier-I Capital at 29.91%. This robust capital base serves as a cushion, enabling the company to absorb elevated operating costs during its nascent stages of growth and scale, as well as any unexpected losses that may arise from an evolving business environment. CARE Ratings anticipates that the company will continue to raise funds through investors and receive equity support from its parent going forward.

Good asset quality

The asset quality continues to remain satisfactory. GNPA and NNPA slightly increased to 1.16% and 0.55% as on September 30, 2024 as against 0.76% respectively as on March 31, 2024 (March 31, 2023: 0.94%). The outstanding OTR assets stood at Rs. 4.55 crore as on March 31, 2024 & Rs. 3.98 crore as on Sep 30, 2024 which formed around 0.43% & 0.34% of its AUM respectively. As a result, Total Net stressed assets (NNPA + net restructured) stood at 1.03% as on March 31, 2024 (0.92% as on Sep 30 2024) as against 1.54% as on March 31, 2023.

Though the asset quality remained comfortable, the portfolio seasoning continues to remain low considering the longer tenure nature of its loan assets and its asset quality performance through different economic cycles and geographies is yet to be established. Going forward, the ability of the company to maintain asset quality considering the expansion in new regions would

be critical to the earnings profile of the company. With loans primarily towards the needs of the self-employed customers in the informal low and middle-income segment asset quality metrics is highly susceptible to the impact of any economic downturn.

Improved profitability aided by income from direct assignment transactions

During FY24, IKF Home Finance Limited reported a profit after tax (PAT) of ₹23 crore on a total income of ₹ 147 crore as against a PAT of ₹10 crore on a total income of ₹92. Income from net gain on derecognition of financial instruments under amortised cost category (DA income) stood at Rs.18 crore in FY24 as against Rs.11 crore in FY23. NIM stood constant during FY24 at 6.13% as against 6.05% in FY23. With increase in branch productivity, Opex/average assets moderated during FY24 and stood at 5.91% (PY: 6.93%). Credit Cost remained low at 0.30% in FY24. With higher DA income and reduction in Opex, ROTA improved and stood at 2.90% in FY24 as against 1.96% during FY23. During H1FY25, the company reported a PAT of Rs. 15 crore on a total income of Rs.94 crore. DA income stood at Rs.14 crore in H1FY25 as well. NIM and ROTA stood at 6.00% and 3.02% respectively in H1FY25. CARE Ratings expects the profitability to remain consistent in the medium term with continuation of DA income.

Adequate management information system

IKFHF had commenced its operation in FY17 and the company has been improving its MIS/technology platform to manage the business growth. With this view, it has implemented customized software, for ease of underwriting process and to ensure lower turn-around time. Further, IKFHF has support & guidance from its parent company and has setup efficient credit underwriting processes and collection & recovery mechanism. Majority of the company's underwriting is through digital means.

Key weaknesses

Limited track record and small scale of operations with geographically concentrated portfolio

IKFHF started operations in FY17 and hence the track record of the company remains limited considering long term nature of the loan product. Although the AUM has witnessed continuous growth over past few years, the scale of operations continues to remain relatively small with AUM of Rs. 1049 crore (Rs.1173 crore as on Sep 30, 2024) and a tangible net worth of Rs.212 crore as on March 31, 2024 (Sep 30, 2024: Rs. 229 crore). Though the company has expanded their presence in Maharashtra and Gujarat, the portfolio remains concentrated in South India with Telangana constituting for 40% of the portfolio outstanding as on March 31, 2024 (39% as on Sep 30, 2024). Southern states (Telangana, Andhra Pradesh, Tamilnadu and Karnataka) contribute to 80% of AUM as on March 31, 2024 (81% as on Sep 30, 2024). CARE Ratings expects the portfolio to remain concentrated in the South Indian states in the medium term.

Concentrated resource & funding profile

Majority of the new borrowings during FY24 have come in the form of term loans from Banks. The share of borrowings through term loans from banks has increased from 56% as on March 31, 2023 to 66% as on March 31, 2024. The share of term loans from NBFCs has moderated from 26% as on March 31, 2023 to 20% as on March 31, 2024. The share of NHB has increased from 4% as on March 31, 2023 to 7% as on March 31, 2024. The share of NCD has been moderated from 14% as on March 31, 2023 to 7% as on March 31, 2024. The share of term loans from banks, term loans from NBFCs, NHB and NCD stood at 70%, 14%, 11% and 5% respectively as on Sep 30, 2024. The company has integrated treasury with its parent company along with accessibility to NHB borrowings which helps to maintain its cost of funds. During H1FY25, the company availed a term loan of Rs. 50 crore from NHB. The integrated treasury is expected to benefit IKFHF by securing funding from large banks and financial institutions through the parent's relationships. This integrated treasury and support from IKF will help manage asset-liability mismatches in longer-tenure housing loans compared to the shorter-tenure funding profile. Additionally, to manage the LAP portfolio, the company has started co-lending with two banks

Inherent risk associated with borrower class

IKFHF is primarily lending towards the needs of the self-employed customers in the informal low and middle-income segment. The company is lending at average yield of 16% and as the segment is highly susceptible to the impact of any adverse economic downturn, the inherent risk associated with this customer profile remains. As on Sep 30, 2024, 67% were self-employed and remaining 33% were salaried segment. The ability of the company to limit credit costs while maintaining the sustainable yield and good asset quality while increasing the scale of operations would be important from the credit perspective

Liquidity: Adequate

As per ALM submitted by the company, the company faces negative cumulative mismatch across buckets within 1 year which is a characteristic of the HFCs wherein loans extended to borrowers have long tenure against comparatively shorter tenure of liabilities owing to lack of availability of equally maturing long-term funds. As on Sep 30, 2024, the company had Rs. 67 crore of unencumbered cash balance and Rs.104 crore of unutilized sanctions. Considering the collections (including prepayments) along with cash balance, unutilized limits and need based support from the parent IKF Finance Limited, the company is expected to manage its liquidity

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Housing Finance Companies](#)

[Factoring Linkages parent sub JV Group](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Finance	Housing Finance Company

Incorporated in 2002 as IKF Financial Services Private Limited, IKF is registered as Housing Finance Company (HFC) and is primarily engaged in providing home loan products/refinance solutions. The company has presence across the States of Andhra Pradesh, Telangana, Karnataka, Tamil Nadu, Maharashtra and Gujarat. As of September 30, 2024, IKFHF has an AUM of Rs. 1,173 crore, with 33% towards salaried segment and the remaining 67% towards the self-employed segment. The company was initially promoted by the promoters of IKF Finance Limited. However, the company was acquired by IKF Finance Limited in December 2018. IKF Finance Ltd is the group's major asset financing company and non-deposit taking NBFC primarily engaged in the business of commercial vehicle, construction equipment and SME segment financing. IKF Finance Ltd. holds 90% stake in the company while the balance shareholding lies with the promoters as on Sep 30, 2024

Brief Financials (₹ crore)	31-03-2023	31-03-2024	30-09-2024
	A	A	U A
Total income	92	147	95
PAT	10	23	15
Interest coverage (times)	1.36	1.50	1.52
Total assets	683	951	1097
Net NPA (%)	0.59	0.56	0.55
ROTA (%)	1.96	2.90	2.57

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Non-convertible debentures – I & II	INE02VP08022	31-Aug-23	10.85%	31-Aug-26	40.00	CARE A; Stable
Non-convertible debentures – III	INE02VP07065	24-Dec-24	9.80%	24-Mar-28	40.00	CARE A; Stable
	Proposed	-	-	-	20.00	CARE A; Stable
Fund-based - LT-Cash Credit		-	-	-	40.00	CARE A; Stable
Fund-based - LT-Term Loan		-	-	July - 33	1400.00	CARE A; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	1400.00	CARE A; Stable	1)CARE A-; Stable (26-Sep-24)	1)CARE A-; Stable (29-Sep-23)	1)CARE A-; Stable (04-Oct-22)	1)CARE A-; Stable (05-Oct-21)
2	Fund-based - LT-Cash Credit	LT	40.00	CARE A; Stable	1)CARE A-; Stable (26-Sep-24)	1)CARE A-; Stable (29-Sep-23)	1)CARE A-; Stable (04-Oct-22)	1)CARE A-; Stable (05-Oct-21)
3	Debentures-Non Convertible Debentures	LT	6.67	CARE A; Stable	1)CARE A-; Stable (26-Sep-24)	1)CARE A-; Stable (29-Sep-23)	1)CARE A-; Stable (04-Oct-22)	1)CARE A-; Stable (05-Oct-21)
4	Debentures-Non Convertible Debentures	LT	33.33	CARE A; Stable	1)CARE A-; Stable (26-Sep-24)	1)CARE A-; Stable (29-Sep-23)	1)CARE A-; Stable (04-Oct-22)	1)CARE A-; Stable (05-Oct-21)
5	Debt-Subordinate Debt	LT	-	-	-	1)Withdrawn (29-Sep-23)	1)CARE A-; Stable (04-Oct-22)	1)CARE A-; Stable (05-Oct-21)
6	Debentures-Non Convertible Debentures	LT	60.00	CARE A; Stable	1)CARE A-; Stable (26-Sep-24)	-	-	-

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities : Not Applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender detailsTo view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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Disclaimer:

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