

Press Release

**Unimoni Financial Services Limited**

January 20, 2020

**Ratings**

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1.	Long Term Fund Based Facility – Cash Credit	324.00	IVR A-/ Stable Outlook (IVR Single A Minus with Stable Outlook)
2.	Long Term Fund Based Facility – Working Capital Demand Loan	546.00	IVR A-/ Stable Outlook (IVR Single A Minus with Stable Outlook)
3.	Long Term Fund Based Facility – Term Loan	44.35	IVR A-/ Stable Outlook (IVR Single A Minus with Stable Outlook)
4.	Short Term Fund Based Facility - Overdraft	20.00	IVR A2+ (IVR Single A Two Plus)
5.	Short Term Non Fund Facility – Treasury Limit	15.00	IVR A2+ (IVR Single A Two Plus)
6.	Long Term /Short Term Non Fund Based Facility – Bank Guarantee	10.00	IVR A-/ Stable Outlook (IVR Single A Minus with Stable Outlook) & IVR A2+ (IVR Single A Two Plus)
	<b>Total</b>	<b>959.35</b>	

**Details of Facilities are in Annexure 1**

**Detailed Rationale**

The rating factors strength from resourceful promoters, significant synergies across various product offering, healthy operational indicators and improved capitalisation levels. The rating however is constrained by its gold product concentration in the lending business and vulnerability to adverse gold price movement.

**Key Rating Sensitivities**

**Upward Factors:**

- Diversification into non-gold asset classes and increase in their overall lending profile without impairing the asset quality.

**Downward Factors:**

- Material deterioration in asset quality and capitalization levels.

- Further decline in the profitability with losses continuing.

### List of key rating drivers with detailed description

#### Key Rating Strengths

##### *Resourceful promoters:*

UFSL is promoted by Dr. B.R. Shetty, who is also the promoter of UAE based NMC group (one of UAE's largest distribution companies across medical consumables, healthcare, personal care, etc.) and Finablr (platform for cross-border payments, consumer foreign exchange solutions and B2B payment technology platforms). His accomplishments have earned him many accolades including the prestigious Padma Shri (2009) and Pravasi Bhartiya Samman Award (2007) bestowed by the Government of India and the 'Order of Abu Dhabi' (2005) by the Government of Abu Dhabi. Additionally, it benefits from the experience of eminent professionals on its board.

##### *Significant synergies across various product offering:*

Since its inception, UFSL has diversified into varied business avenues, namely gold loans, foreign exchange services, money transfer, wallet services and insurance in order to diversify its revenue base. The business strategy is based on leveraging on Finablr (promoter managed company) to explore cross-selling opportunities across various verticals and exploiting the synergies within the various groups. In India, UFSL is a trusted partner to more than 2.5 million customers, served by 3500+ employees through 350+ branches across 300+ locations. They are present in 21 states of India.

##### *Healthy operational indicators:*

UFSL, initially started as a money transfer agent for UAE Exchange Centre LLC (Abu Dhabi) and since then has expanded into diverse business areas. Over the last few years, the company has established its market position by scaling up its lending portfolio from Rs. 503.68 crore in FY17 to Rs. 819.19 crore in FY19 and further the loan book as on September 30, 2019 stands at Rs. 910.85 crore. The loan portfolio is currently operated across 21 states in FY19. Due to its reasonable presence in South-India, it has helped them develop a strong brand name in the industry. The company has reported healthy growth while maintaining asset quality and profitability measures. The gross NPA came down from 1.35% in FY18 to 0.74% in FY19

while net NPA showed similar trends, with 0.25% in FY18 compared to 0.17% in FY19. The company has adopted prudent lending practices as seen in its average LTV of ~75%. The low delinquency levels have enabled the company to maintain health margins. It has sustained net-interest margin (NIM) of 15.04% in FY19 compared to 11.96% in FY18.

### ***Improved Capitalisation Levels:***

The existing shareholder (UX Holdings Limited) has infused Rs. 94.99 crore in the company by the way of share capital which has led to a substantial improvement in the capital structure and the overall financial position of the company. The overall CAR improved from 17.92% in FY19 to 24.99% for H1FY20. The company has mainly relied on working capital limits for its growth in the lending business. It reported gearing of 2.96x as on September 30, 2019 (Estimated) compared to 4.12x as on March 31, 2019.

### **Key Rating Weakness**

#### ***Product concentration in the lending business:***

As on March 31, 2019 the gold loans constituted around ~90% of the total loan portfolio which has increased marginally to ~92% as on September 30, 2019 (Estimated). As a part of new business strategy, the company ventured into small business loan (SBL) segment. However with after-effects of the defaults of big NBFCs (in the year 2018) and increasing delinquency levels, the company decided to suspend their portfolio for the particular segment. The outstanding SBL stood at Rs. 60.37 crore as on September 30, 2019 (Estimated).

#### ***Vulnerability to adverse gold price movement:***

UFSL's credit profile remains susceptible to adverse and sharp movements in gold prices. Any steep decline in gold prices is expected to adversely impact the company's asset quality and business profile. To counter with, the company has placed adequate regular monitoring mechanism of marked to margin on a daily basis which states that if the amount exceeds 85% then the customer will be asked to pay the differential amount and if it exceeds 90% with the customer not paying the margin difference, then the same is moved to the auction pool.

### **Analytical Approach & Applicable Criteria**

Standalone

Rating methodology for Non-Banking Finance companies

Financial ratios and Interpretation (Financial Sector)

## Liquidity

Unimoni's working capital utilization remained moderate for the last six months' period ended October 2019. With the current business model, the company has been relying majorly on bank borrowings to fund its lending business. Also, the ALM profile is fairly matched across all time buckets. Overall, liquidity position is expected to be Adequate.

## About the Company

Promoted by Mr. B.R. Shetty, Unimoni Financial Services Limited (UFSL) (erstwhile UAE Exchange & Financial Services Limited) was incorporated in the year 1995 as a Public Limited Company (unlisted), headquartered in Kochi. Presently, it is classified as a 'Systemically Important Non-Deposit taking NBFC (NBFC-ND-SI)'. UFSL initially started as a money transfer agent for UAE Exchange Centre LLC (Abu Dhabi) and since then has expanded into diverse business areas. Currently, it is engaged in providing services of inward money transfer, money changing, loan business (Gold loans & Loan against Property), insurance services and prepaid payment instruments systems including domestic money transfer.

## **Financials**

	<b>(Rs. crore)</b>	
<b>For the year ended* / As On</b>	<b>31-03-2018 (Audited)</b>	<b>31-03-2019 (Audited)</b>
Total Operating Income	251.69	301.08
Finance Cost	56.63	85.59
PAT	10.81	8.20
Total Debt	622.24	765.03
Tangible Net worth	178.00	185.11
Total Loan Assets	629.25	819.19
<b>Ratios (%)</b>		
a. PAT Margin	4.29	2.72
b. Overall Gearing Ratio	3.47	4.12
c. Total CAR (%)	21.59	17.92
d. Gross NPA (%)	1.35	0.74
e. Net NPA (%)	0.25	0.17

\* Classification of financial numbers is as per Infomerics' standards

**Status of non-cooperation with previous CRA: N.A**

**Any other information: N.A**

**Rating History for last three years:**

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1	Long Term Fund Based Facility – Cash Credit	Long Term	324.00	IVR A-/ Stable Outlook	--	--	--
2	Long Term Fund Based Facility – WCDL	Long Term	546.00	IVR A-/ Stable Outlook			
3	Long Term Fund Based Facility – Term Loan	Long Term	44.35	IVR A-/ Stable Outlook			
4	Short Term Fund Based Facility - Overdraft	Short Term	20.00	IVR A2+			
5	Short Term Non Fund Facility – Treasury Limit	Short Term	15.00	IVR A2+			
6	Long Term /Short Term Non Fund Based Facility – Bank Guarantee	Long Term & Short Term	10.00	IVR A-/ Stable Outlook & A2+			

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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## About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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## Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility – Cash Credit	--	--	--	324.00	IVR A-/ Stable Outlook
Long Term Fund Based Facility – WCDL	--	--	--	546.00	IVR A-/ Stable Outlook
Long Term Fund Based Facility – Term Loan	--	--	March 2022 – February 2025	44.35	IVR A-/ Stable Outlook
Short Term Fund Based Facility - Overdraft	--	--	--	20.00	IVR A2+
Short Term Non Fund Facility – Treasury Limit	--	--	--	15.00	IVR A2+
Long Term /Short Term Non Fund Based Facility – Bank Guarantee	--	--	--	10.00	IVR A-/ Stable Outlook & A2+