



Press Release

Humana Financial Services Private Limited

November 09, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action
1.	Long Term Bank Facilities	3.86	IVR BB+/StableOutlook(IVR Double B Plus with Stable Outlook)	IVR BB+/StableOutlook(IVR Double B Plus with Stable Outlook)	Reaffirmed
2.	Long Term Bank Facilities - Proposed	21.14	IVR BB+/StableOutlook(IVR Double B Plus with Stable Outlook)	IVR BB+/StableOutlook(IVR Double B Plus with Stable Outlook)	Reaffirmed
	Total	25.00			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Humana Financial Services Private Limited comfort from its extensive experience of management and established track record of operations. The rating also factors its significant increase in operations and satisfactory asset quality. However, these rating strengths are partially offset by geographical concentration and modest scale of operations.

Key Rating Sensitivities:

Upward Factor:

- ✓ A significant increase in the scale of operations, without a significant impact on the asset quality, maintenance of adequate liquidity and maintaining a prudent capital structure

Downward factor:

- ✓ Inability to increase the scale of operations and/or significant deterioration in the asset quality, along with a substantial increase in leverage, all on a sustained basis, could result in a negative rating action.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of Management

The senior management team has extensive experience in lending business. Mr. Kailash Khandelwal is the Managing Director of the company and has over two decades of experience in microfinance operations, strategy and planning, business analysis and development, community development projects, Project implementation, Fundraising, establishing linkage of bottom of pyramid with market and capacity building. Mr. Sanjeev Bhatt is also the director of the company who also has almost two decades of experience into business development, networking, identifying new opportunities, administration, establish and nurture partnerships. Mr. Ashoka Kumar Pahwa is an independent director of the company who has almost four decades of experience into handling large corporates, mid corporates, SME & retail banking, project finance, housing loans, loans against property, mortgages, and business loans. Mr. Ashish Kumar Gupta is also an independent director of the company who has past experience into varying organizational set-ups viz NGO, government project, development company, microfinance institutions, consultancy set-ups and self-promoted enterprise. The board members of the company also include professionals who have extensive experience into microfinance business.

Significant increase in operations and Satisfactory Asset Quality

The total income and portfolio of the company increased significantly over the last three years. Total income of the company increased to Rs.9.73 Crores in FY20 as against Rs.2.45 Crores in FY19. The Company reported further increase in total income to Rs.15.65 Crores. Company reported profit after tax of Rs.1.33 Crores in FY20 as against Rs.0.05 Crore in FY19. As per FY21 results, PAT reported by the company is Rs.1.06 Crores. Total Portfolio (Own Portfolio + BC Portfolio) increased from Rs.17.89 Crores in FY19 to Rs.131.09 Crores in FY20. Out of this own portfolio stands at Rs.40.43 Crores in FY20 compared to Rs.17.89 Crores in FY19. As per FY21 results, total portfolio stands at Rs.138.05 Crores, out of this own portfolio stands at Rs.45.18 Crores. The asset quality although deteriorated in FY21 as



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GNPA increased to 6.35% in FY21 from 0.21% in FY20. However, GNPA declined significantly to 1.82% as per 6MFY22(Prov) results. NNPA stood at -2.05% in FY21 as against -2.00% in FY20.

Established Track Record of Operations

Humana People to People to India was incorporated in the year 1998. HPPI is a development organization registered as a not-for-profit company under section 25 of the Companies Act, 1956. HPPI works under 5 programs namely Education, Environment, Health, Livelihood and Microfinance. HPPI merged its microfinance portfolio into Humana Financial Services Private Limited (HFSPL). HFSPL would benefit from the long experience of HPPI into microfinance.

Key Rating Weaknesses

Geographical Concentration and Modest Scale of Operations

The Scale of the operations of the company remains modest as reflected by its own loan portfolio of Rs.45.18 Crores and total portfolio (Own Portfolio + BC Portfolio) of Rs.138.05 Crores as on March 31, 2021. In terms of geographical presence, the entity is operating currently in three states i.e., Rajasthan, Haryana and Uttar Pradesh. Rajasthan is the main state of operations for the company which accounts for almost 53.00% of the total loan portfolio as per FY21 results. Rajasthan and Haryana together account for ~88% of the total loan portfolio as per FY21 results. There is high concentration into two states, the company is exposed to the risk of geographical concentration.

Challenging operating environment for NBFIs

Currently, NBFIs in India are facing liquidity and funding challenges, resulting in subdued growth/ degrowth and potential ALM mismatches in the short term. This is also expected to adversely affect the borrowing profile and profitability of NBFIs. The COVID-19 pandemic has aggravated the liquidity issues of NBFIs, with the resultant impact on asset quality and profitability. Furthermore, Company operates in a highly competitive microfinance space, thereby its ability to demonstrate profitable growth while maintaining asset quality over the medium term will be critical.

Analytical Approach: Standalone



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Applicable Criteria:

Rating Methodology for Non-Banking Finance Companies

Financial Ratios & Interpretation (Financial Sector)

Liquidity - Adequate

Liquidity is marked adequate by adequate Capital adequacy ratio of 38.79% on March 31, 2021, which is well above the stipulated regulatory norm of 15%. HFSPL's collection efficiency for the last 6 months ending September 2021 has been above 95.00%. Apart from it, the Company had cash and cash equivalents of about Rs.8.98 Crores as on March 31st, 2021. As the advances comprise relatively shorter tenure microfinance loans compared to the tenure of the borrowed funds, the asset liability maturity profile expected to remain adequate.

About the Entity

Humana Financial Services Private Limited (HFSPL) is Delhi based NBFC-MFI received license on 4th August 2017. The Company started the micro finance activity from February 01, 2018. Company's sister organization i.e., Humana People to People Microfinance (HPP-MFI) was also engaged in microfinance since 2011 but the micro finance unit of the same has been merged with HFSPL in December 2019. Currently the company is operational in Haryana, Rajasthan and Uttar Pradesh with 23 branches spread across these states serving total clientele base of 65000 active borrowers.

Financials (Standalone):

For the year ended*/As on	(Rs. crore)	
	31-03-2020	31-03-2021
	Audited	Audited
Total Income	9.73	15.65
Interest Expenses	3.68	5.12
PAT	1.33	1.06
Total Debt	33.89	44.19
Tangible Net worth	17.53	17.60
Total Loan Assets (Own)	40.43	45.18
PAT Margin (%)	13.66	6.80
Overall Gearing Ratio (x)	1.93	2.51
Gross NPA (%)	0.21	6.35



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Net NPA (%)	-2.00	-2.05
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*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: NA

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument /Facilities	Current Rating (Year 2021-22)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating 09.11.2021	Rating 19.04.2021	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Fund Based Bank Facilities-Term Loan	Long Term	3.86	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	-	-	-
2.	Fund Based Bank Facilities (Proposed)	Long Term	21.14	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	-	-	-

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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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for



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positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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 Bank Facility-Term Loan	-	-	-	3.86	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)
Long Term Bank Facility-Proposed	-	-	-	21.14	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)

Annexure 2: List of companies considered for consolidated analysis: Not Applicable



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Annexure 3: Facility wise lender details <https://www.infomerics.com/admin/prfiles/Lender-HFSPL-09-11-21.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Term Loan	Simple

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.