



Press Release

Usha Financial Services Limited (UFSL)

March 11, 2024

Ratings

Instruments	Amount (Rs. crore)	Current Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities – Term Loans	150.00*	IVR BBB/RWNI (IVR Triple B: Rating under watch with Negative implications)	Reaffirmed; rating watch with Negative implications.	Simple
Total	150.00			

* Includes proposed facilities of INR47.04 Crore.

Details of instruments are in Annexure 1

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has placed the ratings assigned to bank facilities of Usha Financial Services Limited (UFSL) under “Rating Watch with Negative Implications”. The ratings have been placed under watch with negative implications in the view of show cause notice issued by RBI asking the company to provide suitable reasons “as to why not RBI cancel their NBFC license”. IVR believes that any action by RBI against UFSL may have significant impact on the operations and risk profile of UFSL. IVR continue to monitor RBI’s action on UFSL and review the ratings from time to time. The watch will be resolved after having more clarity on future action by RBI and its impact on the operation and financial performance.

Further the rating of Usha Financial Services Limited (UFSL) continues to derive strength from its growing loan book and profitability, comfortable capitalization, capital infusion made by the promoters on regular basis. However, rating strengths are partially offset by moderate asset quality, geographical concentrated portfolio.

Key Rating Sensitivities

Upward Factors

- Substantial & sustained scaling up its operations and diversifying its loan portfolio geographically, while maintaining the asset quality indicators, adequate capital position and profitability.



Press Release

Downward Factors

- Adverse movement in the collection efficiency which impacts the asset quality significantly thereby increasing the credit cost for the Company.

Key Rating Drivers with detailed description

Key Rating Strengths-

Growing loan portfolio and profitability:

The Company has a comfortable earnings profile and profitability metrics. During FY23 the Company reported a total AUM of INR 357.69 Crore as on March 31st, 2023 when compared to INR 151.63 Crore as on March 31st, 2022 (increase of ~135.89%). During FY23, the Company reported ROTA of 4.11% in FY23 as against 2.73% in FY22 aided by moderate margins (NIM of 7.36% in FY23).

Comfortable Capitalization:

On account of the increase in the total AUM of the company, the CAR (%) stood at 23.37% in FY23, compared with the minimum regulatory requirement of 15%. The company's Net worth stood at Rs.82.72 Crores. Also, the gearing levels stood at 3.20x as on March 31st, 2023.

Regular capital infusion by the promoters:

The increasing scale of operations in the past few years are backed by regular infusion of funds by the promoters in the form of core equity capital. The equity base stood at Rs. 9.42 Crore as on March 31st, 2023, as against Rs. 6.58 Crore as on March 31st, 2022. Healthy retention of profits has further led to an improved net worth position at Rs. 82.72 Crore as on March 31st, 2023, when compared to Rs. 48.18 Crore as on March 31st, 2022, and Rs. 43.48 Crore as on March 31st, 2021. Moreover, the company has already infused additional equity capital amounting to Rs.10.00 Crore by the promoters in the month of July 2023.

Key Rating Weaknesses-

Average albeit improving asset quality.

The asset quality of the company remains average albeit improvement shown in FY23. GNPA and NNPA decreased to 1.91% and 1.71% respectively in FY23 from 3.94% and 2.95% respectively for FY22. PCR stands at 10.47% in FY23 as against 25.13% as on 31 March 2022. Given that high ticket size, the ability of the company to make timely recoveries and maintain a healthy asset quality will be a key monitorable.



Press Release

Concentrated portfolio:

The Company faces geographical concentration risk on account of the majority of the loan portfolio exposure in Delhi-NCR. Also, exposure towards institutional and corporate lending remains moderate, thereby indicating concentrating risk towards one asset class.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Financial Institutions/NBFCs](#)

[Criteria for rating outlook](#)

Liquidity: Adequate

The company is adequately capitalized with a CAR (%) of 23.37% as on March 31st, 2023, and Net worth of Rs 82.72 Crores. Also, it has adequately matched asset liability profile as on March 31st, 2023. As on 31 Mar 2023, the company has cash and bank balances of Rs 0.07 Crores.

About the Company

Acquired in 2015 and starting its commercial operations in May 2016, Company have changed its constitutional Status to Public Limited on October 12, 2022. Usha Financial Services Limited (UFSL) is engaged into extending financial assistance to those for who find it difficult to raise funds from traditional banking channel. Altogether, it provides credit facilities in the form of Institutional Lending (NBFCs/FIs), MSME loans and Personal loans. Mr. Rajesh Gupta and Mr. Anoop Garg act as the promoters of the Company.

Financials: Standalone

(Rs. Crore)

For the year ended/ As On*	31-3-2022 (Audited)	31-3-2023 (Audited)
Total Operating Income	24.94	45.08
Interest Expenses	10.43	21.50
PAT	3.58	10.28
Total Debt	97.23	247.51
Tangible Net-worth	48.18	82.72
Total Loan Assets	151.63	357.69
Ratios (%)		
PAT Margin (%)	14.36	22.80
Overall Gearing Ratio (x)	2.02	3.20
Total CAR (%)	32.44%	23.37%
Gross NPA (%)	3.91%	1.91%
Net NPA (%)	2.93%	1.71%



Press Release

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: None

Any other information: Mr. Gauri Shankar who is a member of the Rating Committee of INFOMERICS is on the Board of Usha Financial Services Ltd. He. did not participate in the rating exercise for this Company, including the rating decision. Also the rating note was not sent to Mr. Gauri Shankar.

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Date(s) & Rating(s) assigned in 2023-24 (March 07, 2024)	Date(s) & Rating(s) assigned in 2023-24 (July 28, 2023)	Date(s) & Rating(s) assigned in 2022-23 (Aug 01, 2022)	Date(s) & Rating(s) assigned in 2021-22 (May 21, 2021)
1.	Long Term Bank Facilities – Term Loans	Long Term	150.00*	IVR BBB/RWNI	IVR BBB/ Stable Outlook	IVR BBB- / Stable Outlook	IVR BBB-/ Stable Outlook

**** Includes proposed facilities of INR47.04 Crore**

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt



Press Release

instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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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 Facilities – Term Loans	-	-	Up to July, 2026	150.00*	IVR BBB/ RWNI

* Includes proposed facilities of INR47.04 Crore

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

Annexure 3: Facility wise lender details: <https://www.infomerics.com/admin/prfiles/Len-Usha-Financial-11032024.pdf>

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

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.