



Press Release

Universal Fingrowth Private Limited (UFPL)

January 07th, 2022

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Fund Based Facility – Cash Credit	3.00	IVR BB+/Stable	Assigned
2.	Long Term Fund Based Facility– Term Loan	9.07	IVR BB+/Stable	Assigned
3.	Proposed Long Term Fund Based facility – Cash Credit	1.00 (Reduced from INR4.00 Crore)	IVR BB+/Stable	Reaffirmed
4.	Proposed Long Term Fund Based Facility – Term Loan	6.93 (Reduced from INR11.00 Crore)	IVR BB+/Stable	Reaffirmed
5.	Proposed Non-Convertible Debentures*	--	--	Withdrawn
Total		20.00		

**The proposed NCD has being withdrawn, however the same was being privately placed by the company in the month of March 2021 and was fully prepaid as on January 1, 2022. The details & information of issuance & payment was shared by the company during the current surveillance process only. The company has submitted the No Due Certificate issued by the debenture trustee for the respective NCD.*

Details of Facilities are in Annexure I

Detailed Rationale

The affirmation of rating assigned to the bank facilities of Universal Fingrowth Private Limited (UFPL) continues to derives comfort from its experienced promoters along with its comfortable operational indicators and capital structure. However, the rating is constrained by the moderate asset quality, relatively small scale of operations albeit improving, inherent risk of MSME finance and LAP portfolio and geographical concentration risk.



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Key Rating Sensitivities

Upward Factors

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

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

- ***Experienced promoters:***

UFPL is promoted by Mr. Ramesh Chand Maheshwari, leaded by Mr Rahul Maheshwari and Mr Keshav Maheshwari who are currently the Managing Director and CFO of the company. Mr Ramesh Maheshwari has an experience of over four decades in the financial service sector and is the first-generation entrepreneur. Mr Rahul Maheshwari and Keshav Maheshwari are the second-generation entrepreneurs who has more than a decade experience in the field of finance and where Mr Rahul Maheshwari heads the business development department followed by credit appraisal and collection policy and Mr Keshav Maheshwari heads the financial operations and HR department of the company. The promoters has been assisted by the team of qualifies and experienced management.

- ***Comfortable operational indicators and capital structure:***

The company has reported growth in its interest income backed by increase in its AUM and IRR, the overall operating income of the company has increased from INR2.53 Crore in FY19 to INR4.65 Crore in FY21. However, the operating performance of players like UFPL is susceptible to access to funding at competitive prices, facing such hiccups the company has being able to sustain with comfortable NII and NIM. UFPL reported NII of INR3.20 Crore, ROTA of 4.86% and NIM of 14.26% in FY21 respectively. The company's overall AUM has shown increase in its loan portfolio backed by fresh funds raised from banks and financial institutions resulting in an increase in gearing from 0.40 times as on March 31, 2020 to 0.81



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times as on March 31, 2021. Further, UFPL has a comfortable capital structure indicated by a tangible net worth of INR14.44 Crore in FY21. UFPL capital adequacy ratio (CAR) was 54.42% in FY21 which is well above the minimum regulatory requirement of 15% which is complemented by a comfortable gearing ratio.

Key Rating Weaknesses

- ***Moderate Asset Quality***

UFPL has demonstrated its ability to maintain an asset quality despite disruptions from ongoing global pandemic because of its stringent credit underwriting and monitoring policy. It reported Gross Non-Performing Assets (GNPAs) of 2.14% and Net Non – Performing Asset (NNPAs) of 1.45% as on March 31, 2021 (H1FY22: GNPA:2.48% and NNPA:1.82%). There were intermittent deterioration in collection efficiency due to staggered lockdowns & containment measures imposed by the government in the geography it operates. However, the company has fine-tuned itself according to the present scenario and managed acceptable collection efficiency. Infomerics believes the agility will further improve the collection efficiency and asset quality in the projected period. The maximum ticket size of the loan is INR0.15 Crore and the maximum tenure is up to 7 years.

- ***Relatively small scale of operations albeit improving***

UFPL, scale remains small albeit improving with a portfolio size of INR26.07 crore. (FY20:INR18.84 crore; H1FY22:INR27.69 Crore). The company has planned aggressively to increase its AUM to ~INR100 Crore by end of March 2024.

- ***Inherent risk of MSME finance and LAP portfolio and geographical concentration risk***

UFPL being an NBFC with majority of portfolio concentrated to MSME loans. The portfolio is exposed to inherent risks such as socio and political interference, the operational challenges of NBFCs and the inherent riskiness of the borrower profile. However, around 90% of the portfolio is secured mitigating the risk to some extent. The company operation & portfolio is mainly concentrated in state of Rajasthan with the total of 9 branches.



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Analytical Approach: Standalone

Applicable Criteria

- Rating Methodology for Financial Institutions/NBFCs
- Financial Ratios & Interpretation (Financial Sector)

Liquidity – Adequate

Liquidity is marked adequate by the balanced ALM profile for the short to medium term with sufficient cushion of inflows as against its repayment obligations largely because of its short - medium term lending type of loans as against term debt availed. The average working capital utilisation for last 12 months ended November 30, 2021 stood at ~50%.

About the Company-

Universal Fingrowth Private Limited is a Jaipur, Rajasthan based NBFC which obtained the NBFC license in 2016 and started its commercial operations from FY17 onwards. Currently the company basically engaged in the business of providing MSME loans and Loan Against Property (LAP) to the target customer base such as retailers, traders, salaried individuals etc. The ticket size ranges between INR2 Lakh- INR25 Lakh, with an average ticket size of ~ INR5.00 Lakh and currently as on September 30, 2021 has more than 698 active customers.

Financials: Standalone

(Rs. crore)

For the year ended/ As On*	31-03-2020 (Audited)	31-03-2021 (Audited)
Total Operating Income	3.47	4.65
Interest	0.45	0.91
PAT	0.96	1.09
Total Debt	5.37	11.70
Tangible Net worth	13.34	14.44
Total Loan Assets (Own Portfolio)	18.84	26.07
PAT Margin %	27.68	23.54
Overall Gearing Ratio (x)	0.40	0.81
Gross NPA (%)	1.61%	2.14%
Net NPA (%)	1.15%	1.45%
CAR (%)	70.81%	54.42%

* Classification as per Infomerics' standards.

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



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Any other information: Mr. Gauri Shankar who is a member of the Rating Committee of INFOMERICS is on the Board of **Universal Fingrowth Private Limited**. (hence, in accordance with the compliance norms he has not participated in any of the discussions and processes related to the aforesaid ratings).

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-21(January 8, 2021)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Fund Based Facility – Cash Credit	Long Term	3.00	IVR BB+/Stable outlook	--	--	--
2.	Long Term Fund Based Facility– Term Loan	Long Term	9.07	IVR BB+/Stable outlook	--	--	--
3	Proposed Long Term Fund Based facility – Cash Credit	Long Term	1.00	IVR BB+/Stable outlook	IVR BB+/Stable outlook	--	--
4	Proposed Long Term Fund Based Facility – Term Loan	Long Term	6.93	IVR BB+/Stable outlook	IVR BB+/Stable outlook	--	--
5	Proposed Non-Convertible Debentures	Long Term	--	--	IVR BB+/Stable outlook	--	--

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.

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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 I: 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			Revolving	3.00	IVR BB+/Stable outlook
Long Term Fund Based Facility– Term Loan			Up to, September 2028	9.07	IVR BB+/Stable outlook
Proposed Long Term Fund Based facility – Cash Credit			--	1.00	IVR BB+/Stable outlook
Proposed Long Term Fund Based Facility – Term Loan			--	6.93	IVR BB+/Stable outlook

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Universal-Fingrowth-lenders-jan22.pdf>

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



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Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1	Cash Credit	Simple
2	Term Loan	Simple