

**Press Release****Usha Financial Services Pvt Ltd (UFSPL)****February 20, 2020****Ratings**

Sl. No.	Instrument /Facility	Amount (Rs. Crores)	Rating Assigned	Rating Action
1	Term Loans	150.00* (Enhanced from Rs.100 Crore)	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Reaffirmed

*\*Including proposed term loans of Rs.81.94 crore***Details of facilities are in Annexure 1****Rating Rationale**

The rating continues to derive strength from company's growing loan portfolio and profitability, adequate capital and the regular infusion of funds by the promoters. The rating however is constrained by moderate asset quality, concentrated portfolio, high proportion of unsecured loans coupled with low seasoning of the loan portfolio and high financial leverage.

**Key Rating Sensitivities**

- **Upward Rating Action -**
  - Continued growth in operations while maintaining the asset quality and managing the asset-liability mismatch would improve the profitability and prevent any liquidity stress, would call for a positive rating action.
- **Downward Rating Action -**
  - Any increase in delinquencies levels and/or inability of company to manage the asset liability mismatch leading to stretched liquidity position of the company would call for a negative rating action

**Detailed Description of Key Rating Drivers****Key Rating Strengths*****Growing loan portfolio and profitability***

UFSPL's loan assets doubled from Rs.60.30 crore as on March 31, 2018 to Rs.121.09 crore as on March 31, 2019 on the back of company's strategy to scale up the operations aggressively. It further increased to Rs.223.94 crore as on December 31, 2019 with a mix of

loans across the segments as- MSME loan (18.13%), NBFC / Corporate loans (23.78%), Personal loans (54.32%) and SME loan (3.77%).

UFSPL posted a net profit of Rs.3.65 crore on a total income of Rs.26.62 crore in FY19 as against Rs.1.63 crore in FY18 on a total income of Rs.12.09 crore.

### ***Adequate capital***

UFSPL's capital adequacy ratio (CAR) was 19.51% as on December 31, 2019, as against 24.93% as on March 31, 2018. The drop was mainly due to aggressively growing portfolio. Although decreased, it is still well above the minimum regulatory requirement of 15%. Going forward, the company will endeavour to maintain the CAR at around 20% as indicated by the company management.

### ***Regular capital infusion by the promoters***

The promoters have supported the growing scale of operations by regularly infusing equity in the business. In FY19 the company infused equity to the tune of Rs.1.21 crore.

## **Weaknesses**

### ***Moderate Asset Quality***

The portfolio of the company is currently growing rapidly. The NPA level (recognised at 180 days past due [DPD], as against 90 DPD NPA recognition norm for NBFC-Systematically Important) as on March 31, 2019 stood at 0.76%, which reduced marginally to 0.69% by December 31, 2019. The 90+ DPD as on March 31, 2019 stood at 1.39%, which decreased to 1.27% as on December 31, 2019.

### ***Portfolio Concentration***

The geographical concentration of portfolio continues to be high with Bangalore (Karnataka) and Shahdra (Delhi/NCR) together constituting 81.14% of company's total portfolio. The concentration of personal loans (PL) and the MFI segment, which are generally riskier, too increased to ~72.5% of the total portfolio as on December 31, 2019 .

### ***High proportion of unsecured loans coupled with low seasoning of the loan portfolio***

UFSPL lends to four distinct categories namely MSMEs, NBFCs / Corporates, SMEs and personal loans. The NBFCs / Corporate loans are secured loans (secured against book debts and property); while the remaining loans are unsecured in nature. These unsecured loans

cumulatively accounted for almost 76% of the portfolio as on December 31, 2019 which was increase from last year of ~70% as on December 31, 2018.

Given the fact that the company has been in operations for only three financial years, the portfolio needs time testing. The company's ability to manage the asset quality while growing its portfolio is a key rating sensitivity.

### ***High Financial leverage***

Leverage was high with total debt-equity at 3.11x as on March 31, 2018, which further increased to 4.18x as on March 31, 2019. The same is expected to reduce going forward subject to company achieving its projected profitability

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

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

### **Liquidity**

The current liquidity profile is adequate with comfortable level of cash and bank balances as on December 2019. There is sufficient surplus for short term period but the time period ranging from 6 months to one year would be a concern as major chunk of company's current liabilities are expected to materialize in that period. Managing the asset-liability mismatch prudently is a key rating sensitivity.

### **About the company**

Usha Financial Services Private Limited (UFSPL) is an NBFC-ND registered with the RBI. It was set up by Mr. S.L. Gupta, member of the Board of Delhi Stock Exchange. The company was acquired by Mr. Rajesh Gupta and Mr. Anoop Garg in 2015 and the company began operations in May 2016. The company is mainly focussed on extending financial assistance to those, depending on customers' needs, who find it difficult to get funds from the normal banking channel. The company provides personal loans to individuals and business loans to MSMEs/SMEs. It also provides loans to smaller NBFCs/Corporates. The company has its operations spread across Delhi & NCR, Rajasthan, Uttar Pradesh, Karnataka, Bihar and Pune.

## Financials (Standalone)

(Rs. Crore)

For the year ended / As on	31-Mar-18 (A)	31-Mar-19 (A)
Total Operating Income	12.10	31.28
Interest	3.80	10.46
PAT	1.80	3.65
Total Debt	50.40	97.83
Tangible Net worth	16.10	23.43
PAT Margin (%)	14.47	13.71
Gross NPA (%)	0.67	0.78
Net NPA (%)	0.53	0.62

\* Classification as per Infomerics' standards

**Any other information:** Mr. Bhupinder Nayyar and Mr. Gauri Shankar who are the members of the Rating Committee of INFOMERICS are on the Board of Usha Financial Services Private Limited (hence, in accordance with the compliance norms they have not participated in any of the discussions and processes related to the aforesaid ratings).

## Rating History for last three years:

Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
	Type	Amount outstanding (Rs. crore)	Rating	Rating assigned in 2018-19	Rating assigned in 2017-18	Rating assigned in 2016-17
Fund Based Facilities	Long Term	150.00*	IVR BBB-/Stable Outlook	IVR BBB-/Stable Outlook	--	--
	<b>Total</b>	<b>150.00</b>				

\*Enhanced from Rs.100 crore

**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

Sr. no	Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crores)	Rating Assigned/ Outlook
1	Long Term Fund Based	--	--	--	150.00	IVR BBB-/Stable Outlook
Total					150.00	