



Press Release

Universal Fingrowth Private Limited (UFPL)

January 08, 2021

Sl. No.	Instrument/Facility	Amount (INR. Crore)	Rating	Rating Action
1.	Proposed Long Term Fund Based Facility –Term Loan	11.00	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Assigned
2.	Proposed Long Term Fund Based Facility –Cash Credit	4.00	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Assigned
3.	Proposed Non – Convertible Debentures	5.00	IVR BB+/ IVR Double B Plus with Stable Outlook)	Assigned
	Total	20.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the proposed bank facilities & proposed NCDs of Universal Fingrowth Private Limited (UFPL) derives strength from its experienced promoters, adequate asset quality, healthy operational indicators and capital structure. However, these strengths are partially offset by an inherent risk associated with MSME and LAP financing, geographical concentration of the portfolio and relatively small scale of operations.

Key Rating Sensitivities:

Upward rating factor(s):

- Substantial and sustained scaling up of its operations (Preferably loan book of above INR75.00 crore) and diversifying its loan portfolio geographically, while maintaining the asset quality indicators, adequate capital position and profitability.



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Downward rating factor(s)

- 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, led 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 have more than a decade of 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 have been assisted by the team of qualified and experienced management.

Adequate Asset Quality:

UFPL has demonstrated its ability to maintain a healthy asset quality backed by its stringent credit underwriting and monitoring policy. It reported Gross Non-Performing Assets (GNPAs) of 1.42% and Net Non-Performing Asset (NNPAs) of 0.99% as on half year ended September 30, 2020 (FY20 – GNPA:1.61% and NNPA:1.15%). Further, it has demonstrated comfortable collection efficiency post Covid-19 moratorium period and during this PANDEMIC scenario the maximum ticket size offered is INR7 Lakh for the maximum tenor of 7 years. The asset quality has been improving y-o-y basis with a decent customer profile of UFPL in the MSME and LAP segment. However, the unsecured loan segment accounts for less than 10% of its portfolio leading with seldom impact on overall asset quality.

Comfortable operational indicators and capital structure:

UFPL overall portfolio grew to INR18.84 Crore as on March 31, 2020 from INR13.27 as on March 31, 2019 and INR10.50 Crore as on March 31, 2018. The growth in loan portfolio is



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supported by the fresh funds raised from banks and financial institutions resulting in an increase in gearing from 0.07 times as on March 31, 2019 to 0.40 times as on March 31, 2020. The operating performance of players like UFPL is susceptible to access to funding at competitive prices. Recent NBFC crisis, coupled with cautious and selective approach adopted by banks and financial institutions has resulted in difficulties faced by players like UFPL to raise funding at competitive rates thereby pressurising profitability. This has resulted in declining Net Interest Margins (NIM) and Return on Total Assets (ROTA). UFPL reported ROTA of 5.98% in FY20 as compared to 9.03% in FY19 and NIMs of 15.35% in FY20 as compared to 17.72% in FY19. UFPL has a comfortable capital structure indicated by a tangible net worth of INR13.34 Crore in FY20. UFPL capital adequacy ratio (CAR) was 70.81% in FY20 (FY19: 93.24%) which is well above the minimum regulatory requirement of 15% which is complemented by a gearing ratio of 0.40x as the company has adopted a conservative borrowing policy. The company reported good profitability over the last three years ended FY20 supported by low credit costs.

Key Rating Weaknesses

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. As of 31 March 2020, the company had an asset under management (AUM) of INR18.84 Crore (INR20.38 Crore as on September 30, 2020) hence the portfolio is primarily concentrated in state of Rajasthan (with 5 branches). However, over the period, the company has been reducing this geographic concentration through geographic expansion by opening branches.

Relatively Small scale of operations albeit improving:

UFPL, scale remains small with a portfolio size of INR20.38 Crore as on September 30, 2020. However, is expected to improve substantially from FY21 onwards. The company has posted improvement in its scale of operations from an AUM of INR10.12 Crore in FY17 to INR18.84 Crore in FY20 and has an outstanding loan book of ~INR20.38 Crore as on September 30, 2020 (H1FY21).



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Analytical Approach & Applicable Criteria:

Standalone

Rating methodology for Financial Institutions/NBFCs

Financial ratios & Interpretation (Financial Sector)

Liquidity: Adequate

Liquidity of the company is adequate backed by comfortable ALM with no cumulative negative mismatch in any of the time buckets upto next 5 years as on September 30, 2020. Further, the average working capital utilisation for last 12 months ending November 30, 2020 stood at ~72%. The Company's capitalization is adequate with moderate gearing level of 0.40x as on March 31st, 2020, allowing moderate headroom for further leverage.

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 - INR50 Lakh, with an average ticket size of ~ INR5.00 Lakh and currently has more than 370 active customers.

Financials:

(INR. Crore)		
For the year ended/ As On*	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	2.53	3.47
Interest	0.16	0.45
PAT	1.12	0.96
Total Debt	0.89	5.37
Total Net-worth	12.37	13.34
Total Loan Assets	13.27	18.84
Ratio (%)		
PAT Margin (%)	44.09	27.68
Overall Gearing Ratio (x)	0.07	0.40
GNPA (%)	2.17%	1.61%



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NNPA (%)	1.71%	1.15%
CAR (%)	93.24%	70.81%

* 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 **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 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Proposed Long Term Fund Based Facility – Term Loan	Long Term	11.00	IVR BB+/Stable outlook (IVR Double B Plus with Stable outlook)	--	--	--
2.	Proposed Long Term Fund Based Facility – Cash Credit	Long Term	4.00	IVR BB+/Stable outlook (IVR Double B Plus with Stable outlook)	--	--	--
3.	Proposed Non – Convertible Debentures	Long Term	5.00	IVR BB+/Stable outlook (IVR Double B Plus with Stable outlook)			
	Total		20.00				

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 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR. Crore)	Rating Assigned/ Outlook
Proposed Long Term Fund Based Facility – Term Loan	--	--	--	11.00	IVR BB+/Stable outlook (IVR Double B Plus with Stable outlook)
Proposed Long Term Fund Based Facility – Cash Credit	--	--	--	4.00	IVR BB+/Stable outlook (IVR Double B Plus with Stable outlook)
Proposed Non – Convertible Debentures	--	--	--	5.00	IVR BB+/Stable outlook (IVR Double B Plus with Stable outlook)



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Annexure 2: Indicative terms for the proposed NCD

Particulars	Instrument Terms
Indicative Coupon Rate	~12%
Coupon Frequency	Semi annually or annually
Proposed Tenor	3 to 4 years from deemed date of allotment
Purpose	For General corporate purpose and further lending.
Security	The stipulated security cover will be 1.1x [by exclusive first charge on receivables over identified assets (loans and investments of issuer including those created out of deployment of issue proceeds)].

Annexure III: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Lenders-UFPL-08-01-21.pdf>