



Press Release

Usha Financial Services Private Limited (UFSL)

August 01, 2022

Ratings

Instruments	Amount (Rs. crore)	Current Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities – Term Loans	150.00* (Increased from INR100.00)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Reaffirm	Simple
Total	150.00			

* Includes proposed facilities of INR87.08 Crore.

Details of instruments are in Annexure 1

Detailed Rationale

The rating reaffirmation to the bank facilities of Usha Financial Services Private Limited (UFSL) continues to derive strength from its experienced promoters and management team, growing loan book and profitability, comfortable capitalization, capital infusion made by the promoters on regular basis. However, rating strengths are partially off-set by moderate asset quality, geographically concentrated portfolio and marginal borrower profile

Key Rating Sensitivities

Upward Factors

- Substantial scaling up of its operations and diversifying its loan portfolio, while improving 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 and Management

Mr. Rajesh Gupta, is the Promoter Director of the company, who possesses more than a decade experience in the real estate sector accompanied with 15 years of experience in metal industry. He is supported by Mr. Anoop Garg, Mrs Geeta Goswami who are also the Promoter Directors of the company, along with the team of qualified & experienced professionals from the financial sector.



Press Release

Growing loan portfolio and profitability:

The Company has comfortable earnings profile and profitability metrics. During FY22 the Company reported a total on-book AUM of INR151.64 Crore as on March 31st, 2022 when compared to INR107.29 Crore as on March 31st, 2021 (increase of ~41.34%). During FY22, the Company reported ROTA of 2.73% in FY22 as against 2.60% in FY21 aided by moderate margins (NIM of 11.21% in FY22 and 8.87% in FY21). Sustained ability to report stable margins can offset impact of rising provisions/write-offs, thereby resulting in improved profitability in the medium term

Comfortable Capitalization:

On account of increase in the total AUM of the company, the CAR (%) stood at 32.44% in FY22 when compared to 41.48% in FY21. Also, the gearing levels stood at 2.02x as on March 31st, 2022 when compared to 1.45x as on March 31st, 2021. On the backdrop of the Covid-19 led impacts, the Company has followed stringent credit underwritings systems and maintain adequate capital adequacy level.

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 INR6.58 Crore as on March 31st, 2022 as against INR4.76 Crore as on March 31st, 2019. Healthy accretion of profits has further led to improved net worth position at INR48.18 Crore as on March 31st, 2022 when compared to INR43.48 Crore as on March 31st, 2021 and INR23.43 Crore as on March 31st, 2020. Moreover, the company is expected to infuse capital by way of promoters contribution (INR10.00 Crore) and additional equity infusion if any by exploring horizons in FY23.

Key Rating Weaknesses-

Moderate Asset Quality:

Over the years, the Company built an on-book loan portfolio of INR151.63 Crore as on March 31st, 2022, as compared to INR107.29 Crore as on March 31st, 2021. The improvement in its AUM is a result of the company's proven ability to increase its exposure towards MSME



Press Release

lending and abeyance of fintec fundings although the company has being hit by the pandemic and consequent lockdown which had impacted the credit profile of most of the borrowers and has lead to write off made by the company in case of fintec portfolio and others amounting to ~INR2.12 Crore as on March 31, 2022. The intermittent lockdowns and relaxations have resulted in volatility in collection efficiency although the same remains healthy and stood on an average ~85% in the last 12 months ended June, 2022. UFSPL reported Gross NPA 3.91% in FY22 when compared to 3.29% in FY21 and 0.87% in FY20. This rise is on account of the Covid impact and it is further expected to improve by March 2023. The ability to improve its asset quality in the short term is a key rating sensitivity.

Geographical concentrated portfolio:

The loan portfolio is spread across 10 states at pan India level, however majority of the portfolio based on the AUM as on March 31, 2022 is concentrated in north-western states. Thus, the Company's performance is expected to remain exposed to competitive landscape in these regions and the occurrence of any adverse events impacting the economic activities of the region.

Marginal borrower profile:

UFSPL majorly provides credit facilities in the form Institutional lending (~73% of total loan portfolio as on March 31st, 2022) and MSME Loans (~26% of total loan portfolio as on March 31st, 2022), which are mostly to NBFCs. Although, the company has been operational in this space since many years but the risk of higher delinquencies still persists. Given the marginal profile, the borrowers remain more susceptible to income shocks and adverse economic scenarios.

Analytical Approach: Standalone

Applicable Criteria:

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

Liquidity: Adequate



Press Release

Liquidity is marked adequate by the balanced ALM profile for the short term with sufficient cushion of inflows as against its repayment obligations largely because of its short-term lending type of loans as against term debt availed. Apart from it, the company maintains cash and bank balances of about INR2.59 Crore as on March 31st, 2022

About the Company

Acquired in 2015 and starting its commercial operations in May 2016, Usha Financial Services Private Limited (UF SPL) is engaged into extending financial assistance to those 4 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*	31-3-2021 (Audited)	31-3-2022 (Audited)
Total Operating Income	25.39	24.94
Interest Expenses	10.78	10.43
PAT	3.86	3.58
Total Debt	63.05	97.23
Tangible Net-worth	43.48	48.18
Total Loan Assets	107.29	151.63
Ratios (%)		
PAT Margin (%)	15.19	14.36
Overall Gearing Ratio (x)	1.45	2.02
Total CAR (%)	41.48%	32.44%
Gross NPA (%)	3.29%	3.91%
Net NPA (%)	2.81%	2.93%

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

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:



Press Release

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (May 21, 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20 (February 20, 2020)
1.	Long Term Bank Facilities – Term Loans	Long Term	150.00*	IVR BBB-/ Stable Outlook	IVR BBB-/ Stable Outlook	--	IVR BBB-/ Stable Outlook

**** Includes proposed facilities of INR87.08 Crore**

Name and Contact Details of the Rating Team:

Name: Jayshree Purohit

Tel: (022) 62396023

Email: jpurohit@infomerics.com

Name: Amit Bhuwania

Tel: (022) 62396023

Email: abhuwania@infomerics.com

About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit www.infomerics.com.

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Press Release

recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

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-/ Stable Outlook

* Includes proposed facilities of INR87.08 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-Financials-aug22.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.