



Press Release

Usha Financial Services Private Limited (UFSL)

May 21, 2021

S. No.	Facilities	Amount (INR Crore)	Current Ratings	Rating Action
1	Long Term Bank Facilities – Term Loans	100.00* (Reduced from INR150.00 Crore)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Affirmed
	Total	100.00		

**Includes proposed facilities of INR63.30 Crore as on March 31st, 2021*

Details of Facilities are in Annexure 1

Detailed Rationale

The rating continues to derive strength from comfortable capitalization and healthy earnings profile. However, the rating strengths are partially offset by marginal borrower profile, moderate asset quality with further impacts expected on account of Covid-19 and geographically concentrated portfolio.

Key Rating Sensitivities:

- **Upward Factor**
 - Substantial scaling up of its operations and diversifying its loan portfolio, while maintaining the asset quality indicators, adequate capital position and profitability.
- **Downward Factor**
 - 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

- **Comfortable capitalization:**

The Company has comfortable capitalization primarily supported by steady capital infusion from the promoters. The Company's tangible net worth stood at INR41.48 Crore as on December 31st, 2020 (unaudited) as against INR38.46 Crore as on March 31st, 2020. UF SPL has been able to obtain continuous funding support from its promoters, as seen from infusion in the form of core capital. Further, to support the growth plans, the company



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projects an additional capital infusion of INR3.00 Crore, to be brought in FY22. The CRAR (%) stood comfortable at 39.68% as on December 31st, 2020 as against 17.46% in FY20. Also, subdued loan portfolio levels have contributed to improvement in CAR (%). The overall gearing improved to 1.49x as on December 31st, 2020 (unaudited) when compared to 3.86x as on March 31st, 2020 and 4.22x as on March 31st, 2019. The company's growth prospects will be supported by the promoter's resource raising ability.

- ***Healthy earnings profile:***

In the process of taking proactive-conservative approach (curtailed fresh disbursements while concentrating on collection efficiency) on account of the expected Covid-19 led headwinds, the Company's on-book loan portfolio declined to INR98.56 Crore as on December 31st, 2020 when compared to INR185.12 Crore as on March 31st, 2020. The Company's earnings profile still remained healthy, marked by an above average RoTA of 7.25% in FY20 (around 3.95% reported over the past two years ended FY19). RoTA is supported by high yields and low operational cost. Diversified product class allows the Company to charge interest at around 18-27%. Net Interest Margin (%) improved to 16.68% in FY20 when compared to 15.00% in FY19.

Key Rating Weaknesses

- ***Marginal borrower profile:***

UF SPL majorly provides credit facilities in the form Institutional lending (~41% of total loan portfolio as on December 31st, 2020) and MSME Loans (~41% of total loan portfolio as on December 31st, 2020), which are mostly to proprietorship/partnership firms with limited access to formal sources of lending. Although, the Company has been operational in this space since many years now and the management does have expertise in this segment, the risk of higher delinquencies still persists. Given the marginal profile, the borrowers remain more susceptible to income shocks and adverse economic scenarios.

- ***Moderate asset quality and further impacts expected on account of Covid-19:***

Over the years, the Company built an on-book loan portfolio of INR185.12 Crore as on March 31st, 2020, which declined to INR98.56 Crore as on December 31st, 2020, largely due to the current challenging environment. The decline in its AUM is a result of the



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Company's proven ability to foreclose certain accounts even when the pandemic and consequent lockdown have impacted the credit profile of most of the borrowers. The intermittent lockdowns and relaxations have resulted in volatility in collection efficiency. The average monthly collection efficiency in Q3FY21 has been around 85%. The GNPA (%) increased to 1.48% in 9MFY21 as against 0.85% in FY20. Significant asset quality deterioration and the resultant rise in the credit provision can impact the credit profile of the Company in the future.

- ***Geographical concentrated portfolio:***

As on March 31st, 2020 has a network of 35 branches across 26 districts. While the loan portfolio is spread across 8 states, Delhi-NCR constituted ~71% of the total AUM as on December 31st, 2020; followed by Uttar Pradesh (11.45%), Bihar (8.33%) and Haryana (6.48%). 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. The impact of Covid-19 may also impair the scalability of business operations, which has currently disbursement process for the Company.

Analytical Approach & Applicable Criteria:

Standalone Approach

Rating Methodology for Financial Institution/NBFCs

Financial Ratios & Interpretation (Financial Sector)

Liquidity: Adequate

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 INR7.57 Crore as on December 31st, 2020.

About the Company

Acquired in 2015 and starting its commercial operations in May 2016, Usha Financial Services Private Limited (UFSPL) is engaged into extending financial assistance to those



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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:

(INR Crore)

For the year ended/ As On*	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	26.62	50.82
Interest	10.46	19.58
PAT	3.65	11.21
Total Debt	98.84	148.42
Total Net-worth	23.43	38.41
Total Gross Loan Assets	120.97	185.12
Ratios (%)		
PAT Margin (%)	13.71	22.07
Overall Gearing Ratio (x)	4.22	3.86
GNPA (%)	0.78	0.85
NNPA (%)	0.62	0.56
CAR (%)	19.51	17.46

* Classification as per Infomerics' standards

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

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:

Sl. No	Name of Instrument/ Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s)& Rating(s) assigned in 2019-20 (February 20 th , 2020)	Date(s)& Rating(s) assigned in 2018-19 (November 21 st , 2018)	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Bank Facilities – Term Loans	Long Term	100.00*	IVR BBB-/Stable	IVR BBB-/Stable	IVR BBB-/Stable	--



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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	Size of Facility (INR Crore)	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loans	100.00*	NA	NA	Up to December 2024	IVR BBB-/Stable

**Includes proposed facilities of INR63.30 Crore as on March 31st, 2021*

Annexure II: Facility wise lender details



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<https://www.infomerics.com/admin/prfiles/Lender-UFSP-21-05-21.pdf>