



Press Release

Humana Financial Services Private Limited

April 19, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Proposed Long Term Bank Facilities	25.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	Assigned
	Total	25.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Humana Financial Services Private Limited comfort from its extensive experience of management and established track record of operations. The rating also factors its significant increase in operations and satisfactory asset quality. However, these rating strengths are partially offset by geographical concentration and modest scale of operations.

Key Rating Sensitivities:

Upward Factor:

- ✓ A significant increase in the scale of operations, without a significant impact on the asset quality, maintenance of adequate liquidity and maintaining a prudent capital structure

Downward factor:

- ✓ Inability to increase the scale of operations and/or significant deterioration in the asset quality, along with a substantial increase in leverage, all on a sustained basis, could result in a negative rating action.



Press Release

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of Management

The senior management team has extensive experience in lending business. Mr. Kailash Khandelwal is the Managing Director of the company and has over two decades of experience in microfinance operations, strategy and planning, business analysis and development, community development projects, Project implementation, Fundraising, establishing linkage of bottom of pyramid with market and capacity building. Mr. Sanjeev Bhatt is also the director of the company who also has almost two decades of experience into business development, networking, identifying new opportunities, administration, establish and nurture partnerships. Mr. Ashoka Kumar Pahwa is an independent director of the company who has almost four decades of experience into handling large corporates, mid corporates, SME & retail banking, project finance, housing loans, loans against property, mortgages, and business loans. Mr. Ashish Kumar Gupta is also an independent director of the company who has past experience into varying organizational set-ups viz NGO, government project, development company, microfinance institutions, consultancy set-ups and self-promoted enterprise. The board members of the company also include professionals who have extensive experience into microfinance business.

Significant increase in operations and Satisfactory Asset Quality

The total income and portfolio of the company increased significantly over the last two years. Total income of the company increased to Rs.9.73 Crores in FY20 as against Rs.2.45 Crores in FY19. As per 9MFY21 (Prov) results, total income reported by the company is Rs.12.27 Crores. Company reported profit after tax of Rs.1.33 Crores in FY20 as against Rs.0.05 Crore in FY19. As per 9MFY21 (Prov) results, PAT reported by the company is Rs.2.47 Crores. Total Portfolio (Own Portfolio + BC Portfolio) increased from Rs.17.89 Crores in FY19 to Rs.131.09 Crores in FY20. Out of this own portfolio stands at Rs.40.43 Crores in FY20 compared to Rs.17.89 Crores in FY19. As on December 31, 2020 total portfolio stands at Rs.125.62 Crores, out of this own portfolio stands at Rs.38.52 Crores. The asset quality remained satisfactory as GNPA stands at 3.58% and NNPA stands at 1.24% as per 9MFY21 (Prov) results.



Press Release

Established Track Record of Operations

Humana People to People to India was incorporated in the year 1998. HPPI is a development organization registered as a not-for-profit company under section 25 of the Companies Act, 1956. HPPI works under 5 programs namely Education, Environment, Health, Livelihood and Microfinance. HPPI merged its microfinance portfolio into Humana Financial Services Private Limited (HFSPL). HFSPL would benefit from the long experience of HPPI into microfinance.

Key Rating Weaknesses

Geographical Concentration and Modest Scale of Operations

The Scale of the operations of the company remains modest as reflected by its own loan portfolio of Rs.40.43 Crores and total portfolio (Own Portfolio + BC Portfolio) of Rs.131.09 Crores as on March 31, 2020. In terms of geographical presence, the entity is operating currently in three states i.e. Rajasthan, Haryana and Uttar Pradesh. Rajasthan is the main state of operations for the company which accounts for almost 53% of the total loan portfolio as per 9MFY21 (Prov) results. Rajasthan and Haryana together account for ~88% of the total loan portfolio as per 9MFY21 (Prov) results. There is high concentration into two states, the company is exposed to the risk of geographical concentration.

Challenging operating environment for NBFIs

Currently, NBFIs in India are facing liquidity and funding challenges, resulting in subdued growth/ degrowth and potential ALM mismatches in the short term. This is also expected to adversely affect the borrowing profile and profitability of NBFIs. The COVID-19 pandemic has aggravated the liquidity issues of NBFIs, with the resultant impact on asset quality and profitability. Furthermore, Company operates in a highly competitive microfinance space, thereby its ability to demonstrate profitable growth while maintaining asset quality over the medium term will be critical.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Non-Banking Finance Companies
Financial Ratios & Interpretation (Financial Sector)



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Liquidity - Adequate

Liquidity is marked adequate by adequate Capital adequacy ratio of 37.13% on March 31, 2020 and 42.20% as on December 31, 2020 which is well above the stipulated regulatory norm of 15%. HFSPL's collection efficiency for the month of December, 2020 has been around 95%. Apart from it, the Company had cash and cash equivalents of about Rs.3.38 Crores as on March 31st, 2020. As the advances comprise relatively shorter tenure microfinance loans compared to the tenure of the borrowed funds, the asset liability maturity profile expected to remain adequate.

About the Entity

Humana Financial Services Private Limited (HFSPL) is Delhi based NBFC-MFI received license on 4th August 2017. The Company started the micro finance activity from February 01, 2018. Company's sister organization i.e. Humana People to People Microfinance (HPP-MFI) was also engaged in microfinance since 2011 but the micro finance unit of the same has been merged with HFSPL in December, 2019. Currently the company is operational in Haryana, Rajasthan and Uttar Pradesh with 23 branches spread across these states serving total clientele base of 63881 active borrowers.

Financials (Standalone):

For the year ended*/As on	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	2.45	9.73
Interest Expenses	1.23	3.68
PAT	0.05	1.33
Total Debt	15.08	33.89
Tangible Net worth	8.90	17.53
Total Loan Assets (Own)	17.89	40.43
PAT Margin (%)	2.04	13.66
Overall Gearing Ratio (x)	1.69	1.93
Gross NPA (%)	0.14	0.21
Net NPA (%)	0.00	0.00

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: NA

Any other information: Nil



Press Release

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. 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.	Fund Based Bank Facilities Proposed	Long Term	25.00	IVR BB+/Stable Outlook (IVR Double B Plus with 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:

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Proposed Long Term Bank Facility	-	-	-	25.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)

Annexure II: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Humana-Financial-lenders-19apr21.pdf>