



Press Release

Universal Fingrowth Private Limited

February 28th, 2023

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned	Rating Action	Complexity indicators
1	Long Term Fund Based Facility – Cash Credit	3.00	IVR BB+/Stable outlook (IVR Double B Plus with Stable outlook)	Reaffirmed	Simple
2	Long Term Fund Based Facility – Overdraft	3.00	IVR BB+/Stable outlook (IVR Double B Plus with Stable outlook)	Assigned	Simple
3	Long Term Fund Based Facility– Term Loan	22.00 (Increased from 9.07)	IVR BB+/Stable outlook (IVR Double B Plus with Stable outlook)	Reaffirmed	Simple
4	Proposed Long Term Fund Based Facility – Term Loan	17.00 (Increased from 6.93)	IVR BB+/Stable outlook (IVR Double B Plus with Stable outlook)	Reaffirmed	Simple
	Total	45.00 (Increased from 20.00)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating reaffirmation to the bank facilities of Universal Fingrowth Private Limited (UFPL) continues to derive comfort from its experienced promoters along with comfortable operational indicators and capital structure. However, the rating strengths are partially offset by moderate asset quality, relatively small scale of operations, and inherent risk of MSME finance and LAP portfolio and geographical concentration risk.

Key Rating Sensitivities:

- **Upward Factor**

- Substantial and sustained scaling up of its operations and diversifying its loan portfolio geographically, while maintaining the asset quality indicators, adequate capital position and profitability.

- **Downward Factor**



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- 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 has more than a decade 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. Highly qualified and experienced management facilitates the Company to achieve its objectives in efficient manner.

Comfortable operational indicators and capital structure:

The company has reported growth in its interest income backed by increase in its AUM and IRR, the overall operating income of the company has increased from INR3.47 Crore in FY20 to INR6.59 Crore in FY22(9MFY23: INR4.02 Crore). However, the operating performance of players like UFPL is susceptible to access to funding at competitive prices, facing such hiccups the company has being able to sustain with comfortable NII and NIM. UFPL reported NII of INR3.90 Crore, ROTA of 3.69% and NIM of 12.78% in FY22 respectively. The company's overall AUM has shown increase in its loan portfolio backed by fresh funds raised from banks and financial institutions resulting in an increase in gearing from 0.81 times as on March 31, 2021 to 1.33 times as on March 31, 2022. Further, UFPL has a comfortable capital structure indicated by a tangible net worth of INR15.55 Crore in FY22 (INR16.00 Crore). UFPL capital adequacy ratio (CAR) was ~44 % in FY22 which is well above the minimum regulatory requirement of 15% which is complemented by a comfortable gearing ratio.

Key Rating Weaknesses



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UFPL has demonstrated its ability to maintain an asset quality because of its stringent credit underwriting and monitoring policy. It reported Gross Non-Performing Assets (GNPAs) of 1.90% and Net Non – Performing Asset (NNPAs) of 1.14% as on March 31, 2022 (FY21: GNPA:2.14% and NNPA:1.45% ; 9MFY23 – 2.50% and 1.75%). There were intermittent deterioration in collection efficiency due to staggered lockdowns & containment measures imposed by the government in the geography it operates. However, the company has fine-tuned itself according to the present scenario and managed acceptable collection efficiency. Infomerics believes the agility will further improve the collection efficiency and asset quality in the projected period. The maximum ticket size of the loan is INR0.15 Crore and the maximum tenure is up to 7 years.

Relatively small scale of operations albeit improving:

UFPL, scale remains small albeit improving with a portfolio size of INR34.92 crore. (FY21:INR26.07 crore). The company has planned aggressively to increase its AUM to ~INR100 Crore by end of March 2025

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. The portfolio is primarily concentrated in state of Rajasthan.

Analytical Approach :Standalone

Applicable Criteria:

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

Liquidity: Adequate



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Liquidity of the company is adequate backed by comfortable ALM with no cumulative negative mismatch in any of the time buckets as on September 30, 2022. Further, the average working capital utilisation for last 12 months ended November 30, 2022 stood at ~22.62%.

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- INR25 Lakh, with an average ticket size of ~ INR5.00 Lakh.

Financials: Standalone

(INR. Crore)

For the year ended/ As On*	31-3-2021 (Audited)	31-3-2022 (Audited)
Total Operating Income	4.65	6.59
Interest	0.91	1.96
PAT	1.09	1.16
Total Debt	11.70	20.70
Tangible Net worth	14.38	15.55
Total Loan Assets	26.07	34.92
Ratios (%)		
PAT Margin %	23.53	17.60
Overall Gearing Ratio (x)	0.81	1.33
Gross NPA (%)	2.14	1.90
Net NPA (%)	1.45	1.14
CAR (%)	54.42	44.11

* Classification as per Infomerics' standards

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

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



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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 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (January 7, 2022)	Date(s) & Rating(s) assigned in 2020-21 (January 8, 2021)	Date(s) & Rating(s) assigned in 2019-20
1	Long Term Fund Based Facility – Cash Credit	Long Term	3.00	IVR BB+/Stable outlook	IVR BB+/Stable outlook	--	--
2	Long Term Fund Based Facility – Overdraft	Long Term	3.00	IVR BB+/Stable outlook	--	--	--
3	Long Term Fund Based Facility– Term Loan	Long Term	22.00 (Increased from 9.07)	IVR BB+/Stable outlook	IVR BB+/Stable outlook	--	--
4	Proposed Long Term Fund Based Facility – Term Loan	Long Term	17.00 (Increased from 6.93)	IVR BB+/Stable outlook	IVR BB+/Stable outlook	IVR BB+/Stable outlook	--
5	Proposed Long Term Fund Based Facility – Cash Credit*	Long Term	--	--	IVR BB+/Stable outlook	IVR BB+/Stable outlook	
6	Proposed Non – Convertible Debentures	Long Term	--	--	--	IVR BB+/Stable outlook	
			45.00				

**The company has not proceeded with the debt as envisaged.*

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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



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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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Annexure 1: Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility – Cash Credit	--	--	--	3.00	IVR BB+/Stable outlook
Long Term Fund Based Facility – Overdraft	--	--	--	3.00	IVR BB+/Stable outlook
Long Term Fund Based Facility– Term Loan	--	--	Up to Jan-28	22.00	IVR BB+/Stable outlook
Proposed Long Term Fund Based Facility – Term Loan	--	--	--	17.00	IVR BB+/Stable outlook



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Annexure 2: List of companies considered for consolidated analysis: NA

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-UniversalFingrowth-feb23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 5: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.