



## Press Release

### Usha Financial Services Limited (UFSL)

July 28, 2023

#### Ratings

| Instruments                                     | Amount<br>(Rs. crore) | Current Ratings   | Rating Action | <a href="#">Complexity<br/>Indicator</a> |
|---|-----------------------|---|---------------|--|
| Long Term<br>Bank Facilities<br>–<br>Term Loans | 150.00*               | IVR BBB/Stable (IVR<br>Triple B with Stable<br>Outlook) | Revised       | Simple                                   |
| <b>Total</b>                                    | <b>150.00</b>         |   |               |  |

\* Includes proposed facilities of INR47.04 Crore.

**Details of instruments are in Annexure 1**

#### **Detailed Rationale**

The rating revision to the bank facilities of Usha Financial Services Limited (UFSL) continues to derive strength from its 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, geographical concentrated portfolio.

#### **Key Rating Sensitivities**

##### **Upward Factors**

- Substantial & sustained scaling up its operations and diversifying its loan portfolio geographically, while maintaining 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-**

##### **Growing loan portfolio and profitability:**

The Company has a comfortable earnings profile and profitability metrics. During FY23 the Company reported a total AUM of INR 357.69 Crore as on March 31st, 2023 when compared to INR 151.63 Crore as on March 31st, 2022 (increase of ~135.89%). During FY23, the



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Company reported ROTA of 4.11% in FY23 as against 2.73% in FY22 aided by moderate margins (NIM of 7.36% in FY23).

### **Comfortable Capitalization:**

On account of the increase in the total AUM of the company, the CAR (%) stood at 23.37% in FY23, compared with the minimum regulatory requirement of 15%. The company's Net worth stood at Rs.82.72 Crores. Also, the gearing levels stood at 3.20x as on March 31st, 2023.

### **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 Rs. 9.42 Crore as on March 31st, 2023, as against Rs. 6.58 Crore as on March 31st, 2022. Healthy retention of profits has further led to an improved net worth position at Rs. 82.72 Crore as on March 31st, 2023, when compared to Rs. 48.18 Crore as on March 31st, 2022, and Rs. 43.48 Crore as on March 31st, 2021. Moreover, the company has already infused additional equity capital amounting to Rs.10.00 Crore by the promoters in the month of July 2023.

### **Key Rating Weaknesses-**

#### **Average albeit improving asset quality.**

The asset quality of the company remains average albeit improvement shown in FY23. GNPA and NNPA decreased to 1.91% and 1.71% respectively in FY23 from 3.94% and 2.95% respectively for FY22. PCR stands at 10.47% in FY23 as against 25.13% as on 31 March 2022. Given that high ticket size, the ability of the company to make timely recoveries and maintain a healthy asset quality will be a key monitorable.

#### **Concentrated portfolio:**

The Company faces geographical concentration risk on account of the majority of the loan portfolio exposure in Delhi-NCR. Also, exposure towards institutional and corporate lending remains moderate, thereby indicating concentrating risk towards one asset class.

**Analytical Approach:** Standalone

**Applicable Criteria:**

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



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### Liquidity: Adequate

The company is adequately capitalized with a CAR (%) of 23.37% as on March 31st, 2023, and Networth of Rs 82.72 Crores. Also, it has adequately matched asset liability profile as on March 31st, 2023. As on 31 Mar 2023, the company has cash and bank balances of Rs 0.07 Crores.

### About the Company

Acquired in 2015 and starting its commercial operations in May 2016, Company have changed its constitutional Status to Public Limited on October 12, 2022. Usha Financial Services Limited (UFSL) is engaged into extending financial assistance to those for 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* | 31-3-2022<br>(Audited) | 31-3-2023<br>(Audited) |
|----------------------------|------------------------|------------------------|
| Total Operating Income     | 24.94                  | 45.08                  |
| Interest Expenses          | 10.43                  | 21.50                  |
| PAT                        | 3.58                   | 10.28                  |
| Total Debt                 | 97.23                  | 247.51                 |
| Tangible Net-worth         | 48.18                  | 82.72                  |
| Total Loan Assets          | 151.63                 | 357.69                 |
| <b>Ratios (%)</b>          |                        |                        |
| PAT Margin (%)             | 14.36                  | 22.80                  |
| Overall Gearing Ratio (x)  | 2.02                   | 3.20                   |
| Total CAR (%)              | 32.44%                 | 23.37%                 |
| Gross NPA (%)              | 3.91%                  | 1.91%                  |
| Net NPA (%)                | 2.93%                  | 1.71%                  |

\*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 Usha Financial Services Ltd. He. did not participate in the rating exercise for this Company, including the rating decision. Also the rating note was not sent to Mr. Gauri Shankar.



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### Rating History for last three years:

| Sl. No. | Name of Instrument/<br>Facilities      | Current Rating (Year 2023-24) |                                   |                            | Rating History for the past 3 years                       |   |   |
|---------|--|-------------------------------|-----------------------------------|----------------------------|---|---|---|
|         |  | Type                          | Amount outstanding<br>(Rs. Crore) | Rating                     | Date(s) & Rating(s) assigned in 2023-22<br>(Aug 01, 2022) | Date(s) & Rating(s) assigned in 2021-22<br>(May 21, 2021) | Date(s) & Rating(s) assigned in 2020-21 |
| 1.      | Long Term Bank Facilities – Term Loans | Long Term                     | 150.00*                           | IVR BBB/<br>Stable Outlook | IVR BBB-/<br>Stable Outlook                               | IVR BBB-/<br>Stable Outlook                               | --                                      |

\*\* Includes proposed facilities of INR47.04 Crore

### Name and Contact Details of the Rating Team:

Name: **Kuruba Sai Mahesh**

Tel: (022) 62396023

Email: [kuruba.mahesh@infomerics.com](mailto:kuruba.mahesh@infomerics.com)

Name: **Amit Bhuwania**

Tel: (022) 62396023

Email: [abhuaniania@infomerics.com](mailto:abhuaniania@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.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit [www.infomerics.com](http://www.infomerics.com).



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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 |
|--|------------------|------------------|------------------|------------------------------|--------------------------|
| Long Term Bank Facilities – Term Loans | -                | -                | Up to July, 2026 | 150.00*                      | IVR BBB/ Stable Outlook  |

\* Includes proposed facilities of INR47.04 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-jul23.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](http://www.infomerics.com).