



Infomerics Valuation And Rating Pvt. Ltd.

Press Release

Usha Financial Services Private Limited

November 21, 2018

Rating

Instrument / Facility	Amount	Rating	Rating Action
Term Loan	100.00 (including proposed term loan of Rs.57.37crore)	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned

Details of Facility are in Annexure 1

Detailed Rationale

The rating derives comfort from growing loan portfolio coupled with profitable operations, regular infusion of capital by the promoters and adequate capitalisation levels. However, the rating is constrained by short track record and relatively small size of the loan portfolio, moderate asset quality, high proportion of unsecured loans coupled with low seasoning of the loan portfolio and moderate leverage. Growth in operations, asset quality, capital adequacy and financial leverage are the key rating sensitivities.

List of Key Rating Drivers

- Growing loan portfolio and profitability
- Regular capital infusion by the promoters
- Adequate capital adequacy levels
- Short track record with relatively small loan portfolio
- Moderate Asset Quality
- High proportion of unsecured loans coupled with low seasoning of the loan portfolio
- Moderate Leverage



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Detailed Description of Key Rating Drivers

Key Rating Strengths

Growing loan portfolio and profitability

UFSPL's loan assets increased by two-fold in FY18 to Rs.60.30 crore as on March 31, 2018, on the back of company's strategy to rapidly scale up the operation. The loans broadly a healthy mix of loans across MSME loan (32%), NBFC / Corporate loans (30%), Personal loans (21%) and SME loan (17%).

UFSPL posted a net profit of Rs.1.75 crore in FY18 on a total income of Rs.12.29 crore, as against a net profit of Rs.0.56 crore on a total income of Rs.2.48 crore in FY17. The total income and PAT for H1FY19 (provisional) stood at Rs.10.66 crore and Rs.2.24 crore, respectively.

Regular capital infusion by the promoters

The promoters have supported the growing scale of operations by infusing equity to the tune of Rs.5.36 crore in FY17 and Rs.7.71 crore in FY18. As indicated by the management, there was a further infusion of equity aggregating to Rs.3.50 crore in H1FY19.

Adequate capital adequacy levels

UFSPL's capital adequacy ratio (CAR) was 21.04% as on September 30, 2018, as against 24.93% as on March 31, 2018. It is still well above the minimum regulatory requirement of 15%. Going forward, the company will endeavour to maintain the CAR at around 20%, which will be a key rating sensitivity.

Key Rating Weaknesses

Short track record with relatively small loan portfolio

UFSPL began operations only in May 2016 and has completed only two full financial years. The maximum tenure of the loans extended by UFSPL is two years. Thus, the track record is limited. The total loan grew to Rs.94.08 crore by September 30, 2018.



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Moderate Asset Quality:

The portfolio of the company is currently growing rapidly. The NPA level (recognised at 180 days past due [DPD], as against 90 DPD NPA recognition norm for NBFC-Systematically Important) as on March 31, 2018 stood at 0.67%, which reduced marginally to 0.64% by September 30, 2018. The ability of the company to grow its loan book while controlling delinquency levels remains to be seen over a longer period.

High proportion of unsecured loans coupled with low seasoning of the loan portfolio

UFSPL lends to four distinct categories namely MSMEs, NBFCs / Corporates, SMEs and personal loans. The NBFCs / Corporate loans are secured loans (secured against book debts and property); while the remaining loans are unsecured in nature. These unsecured loans cumulatively accounted for almost 70% of the portfolio as on September 30, 2018.

Moderate leverage

Leverage was moderate with total debt-equity at 3.12x as on March 31, 2018, which further increased to 3.54x as on September 30, 2018.

Analytical Approach & Applicable Criteria

Rating Methodology for Financial Institutions/NBFCs

Financial Ratios & Interpretation (Financial Sector)

About the Company

Usha Financial Services Private Limited (UFSPL) is an NBFC-ND registered with the RBI. It was set up by Mr. S.L. Gupta, member of the Board of Delhi Stock Exchange. The company was acquired by Mr. Rajesh Gupta and Mr. Anoop Garg in 2015 and the company began operations in May 2016.

The company is mainly focussed on extending financial assistance to those, depending on customers' needs, who find it difficult to get funds from the normal banking channel. The company provides personal loans to individuals and business loans to MSMEs/SMEs. It also provides loans to smaller NBFCs/Corporates. The Company has its Fintech Platform with the name of Cash Suvidha and also its own Android App. The www.infomerics.com

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company has its operations spread across Delhi & NCR, Rajasthan, Uttar Pradesh, Karnataka, Bihar, Haryana and Jharkhand. There are 26 branches in total with more than 27,000 clients for the company.

Financials (Standalone)

(Rs. Crore)

For the year ended / Rs. Crs	31-03-2017	31-03-2018
	Audited	Audited
Total Operating Income	2.5	12.1
Interest	0.6	3.8
PAT	0.6	1.8
Total Debt	15.9	50.4
Tangible Net worth	6.4	16.1
Ratios (%)		
a. PAT Margin	22.73	14.47
b. Overall Gearing ratio	2.48	3.12
c. Total CAR (%)	30.36	24.93
d. Gross NPA (%)	0.00	0.67
e. Net NPA (%)	0.00	0.53

Note: Classification of financial numbers is as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable.

Any other information: Nil

Rating History for last three years:

S. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Term Loan	Long Term	100.00 (including proposed term loan of Rs.57.37 crore)	IVR BBB-/Stable Outlook (IVR Triple B	--	--	--



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				Minus with Stable Outlook)			
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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.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not 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.



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Annexure 1: Details of Facility

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility(Rs. Crores)	Rating Assigned/ Outlook
Term Loan	-	-	-	100.00 (including proposed term loan of Rs.57.37 crore)	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)