

Press Release
Humana Financial Services Private Limited

Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	100.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has assigned long term rating of 'ACUITE BBB-' (read as ACUITE Triple B Minus) on the Rs. 100.00 Cr. bank loan facility of Humana Financial Services Private Limited. The outlook is 'Stable'

The rating factors in comfortable capital structure and profitability matrix, HSFPL's CAR stood at 35.51 percent (Tier I: 34.48 percent) with gearing level at 1.97 time as on March 31, 2022. The rating further factors in healthy profitability matrix and earning profile reflected by Net Interest Income of Rs.13.04 Cr., PBT of Rs. 3.06 crore and Return on Average Assets (RoAA) of 4.11 percent as on March 31, 2022. Acuite takes in cognizance of the improvement in asset quality with on time portfolio at 96 percent, GNPA & NNPA which stood at 2.12 percent and 0.87 percent respectively as on March 31, 2022. GNPA improved from 6.36 percent as on March 31, 2021, to 2.12 percent as on March 31, 2022.

The rating is however constrained by small scale of operation, Subdued growth in AUM and High dependency on the BC portfolio. Going forward, the company's ability to raise capital, profitably scale-up its loan portfolio while maintaining the asset quality will be a key monitorable.

About the company

Humana Financial Services Private Limited (HFSPL) is Delhi based NBFC-MFI received license on 4th August 2017. The company started the microfinance activity from Feb 1, 2018 and as on 31st Mar'22, the company is working in three state (Rajasthan, Haryana and Uttar Pradesh) with 23 Branches and total the loan outstanding is Rs140.35 Cr (Rs92.06 Cr of BC Portfolio + Rs48.29 Cr of Own Portfolio) serving total clientele base of 58,848 poor women.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Humana Financial Services Private Limited to arrive at the rating.

Key Rating Drivers

Strength

Adequate Capitalization but low net worth base:

HFSPL capital structure is marked by low net worth base of Rs. 20.25 Cr. as on March 31, 2022 (Rs. 17.60 Cr. as on March 31, 2021) and a gearing of 1.97 times as on March 31, 2022 (2.51 times as on March 31, 2021). Over the years HFSPL networth has increased due to various capital infusion from various individual and institutional investors. The company has adequate capitalization levels. Overall, CAR stood high at 35.51 percent as on March 31, 2022 (37.84

percent as on March 31, 2021). CAR majorly comprised of Tier I capital.

Moderate Asset Quality albeit improving:

The asset quality of HFPSL has improved significantly, GNPA has reduced from 6.36 percent as on March 31, 2021, to 2.12 percent as on March 31, 2022. On time portfolio of Humana financial services has improved to 96.83 percent as on March 31, 2022, from 90.52 percent as on March 31, 2021. Outstanding provision for HFPSL stood at Rs. 0.60 Cr. as on March 31, 2022. As on March 31, 2022, HFPSL had 1,352 active clients with restructured portfolio outstanding at Rs. 2.08 Cr.

Healthy Earning profile:

HFPSL Net Interest Income (NII) improved to Rs.13.04 crore in FY2022 from Rs. 10.81 crore in FY2021. The company's PBT increased to Rs. 3.06 crore as on March 31, 2022 from Rs.1.86 crore as on March 31, 2021. In FY 2022. The company's PBT increased to Rs. 3.06 crore as on March 31, 2022, from Rs.1.86 crore as on March 31, 2021. The profitability matrix improved as reflected by Return on Average Assets (RoAA) of HFPSL to 4.11 percent for FY2022 as compared to 2.34 percent for FY2021.

Weakness

Subdued Growth in AUM and High dependence on BC portfolio:

HFPSL commenced its operation in FY 2018 however during FY 2020 HPPI the parent company transferred its managed portfolio completely to HFPSL. In FY 2020 the company's AUM stood at Rs. 131.09 Cr. comprised of owned of Rs. 40.35 Cr. and managed portfolio of Rs. 90.66 Cr. As on FY 2022 HFPSL has shown subdued growth, its AUM stood at Rs. 138.05 Cr. as on March 31, 2021, and Rs. 140.35 Cr. as on March 31, 2022. The AUM of Rs. 140.35 Cr. comprised of owned portfolio of Rs. 48.29 Cr. (34.41 percent of the AUM) and off book exposure of Rs.42.06 Cr. (65.59 percent of the AUM). HFPSL takes off book exposure through Business Correspondence (BC). As on March 2022 its BC portfolio is highly dependent with sole partnership with YES bank.

However, HFPSL is in the process of scaling up its operations by next year. Acuité believes that the growth in AUM on account of increasing disbursements will be a key factor in the scalability of a business while maintaining the profitability.

Small Scale of Operations and risk inherent in microfinance segment:

HFPSL has its operations spreads across 3 states spanning 14 districts through its branch network of 23 branches as on March 31, 2022, but the company has most of its loan portfolio concentrated in the state of Rajasthan with around 53.84 percent of the AUM as on March 31, 2022 in the said state followed by Haryana with 33.38 percent and the rest in the state of Uttar Pradesh which comprised of 12.79 percent of the AUM. In term of district-wise concentration the top 3 districts of 49.75 percent of the total AUM outstanding as on March 31, 2022, which reduced from 52.37 percent of total AUM outstanding as on March 31, 2021. Going forward the company plans to start its operations in Bihar and MP in few years.

While the geographical diversity in the state of Rajasthan has improved, the business risk profile will be strengthened in case of further geographical diversification of the portfolio. While the company mostly focuses on rural areas, the company's performance is expected to remain exposed to the occurrence of events such as natural calamities, which may adversely impact the credit profile of the borrowers. Besides geography, the company will be exposed to competition and any changes in the regulatory framework.

Acuité believes that constraining additional slippages while scaling up geographically will be crucial.

Rating Sensitivity

- Movement in collection efficiency and asset quality
- Movement in liquidity buffers

- Movement in profitability metric
- Changes in regulatory environment

Material Covenants

None

Liquidity Position

Adequate

The company has unencumbered cash and cash equivalents of Rs. 2.11 Cr. as on March 31, 2022. As per the ALM dated March 31, 2022 No negative cumulative mismatch was noticed in the near to medium term buckets. Out of total borrowings of Rs. 39.81 crore, Rs. 26.45 crore (~66 percent of 39.81 Crore) would be due for repayment in the buckets upto 1 year. The average loan extended by HFSP to its borrower is in the range of 24 to 30 months.

Outlook :Stable

Acuité believes HFSP will maintain a 'Stable' outlook given its experienced management team and comfortable capitalization. The outlook may be revised to 'Positive' if there is significant scale up of the operations while improving profitability and asset quality. Conversely, the outlook may be revised to 'Negative' in case of growth challenges or if the company faces asset quality or liquidity related challenges.

Key Financials - Standalone / Originator

Particulars	Unit	FY21 (Actual)	FY20 (Actual)
Total Assets	Rs. Cr.	66.47	24.52
Total Income*	Rs. Cr.	11.20	1.33
PAT	Rs. Cr.	1.06	0.05
Networth	Rs. Cr.	17.60	8.90
Return on Average Assets (RoAA)	(%)	2.34	0.34
Return on Net Worth (RoNW)	(%)	8.02	0.72
Total Debt/Tangible Net Worth (Gearing)	Times	2.51	1.69
Gross NPA's	(%)	6.36	0.23
Net NPA's	(%)	-	-

*Total income equals to Net interest income plus other income

Status of non-cooperation with previous CRA (if applicable):

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	38.27	ACUITE BBB- Stable Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	10.00	ACUITE BBB- Stable Assigned
UC Inclusive Private Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	3.27	ACUITE BBB- Stable Assigned
Nabard Financial Services Limited	Not Applicable	Term Loan	Not available	Not available	Not available	3.00	ACUITE BBB- Stable Assigned
Maanaveeya Development & Finance Private Limited	Not Applicable	Term Loan	Not available	Not available	Not available	3.00	ACUITE BBB- Stable Assigned
Incred Capital Financial Services Private Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	2.65	ACUITE BBB- Stable Assigned
Ananya Finance For Inclusive Growth Private Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	2.50	ACUITE BBB- Stable Assigned
Caspian Impact Investment Private Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	2.50	ACUITE BBB- Stable Assigned
IDFC First Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	2.29	ACUITE BBB- Stable Assigned
Arohan Financial Services (P) Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	1.60	ACUITE BBB- Stable Assigned
Caspian Impact Investment Private Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	1.00	ACUITE BBB- Stable Assigned
Ananya Finance For Inclusive Growth Private	Not Applicable	Term Loan	Not available	Not available	Not available	0.87	ACUITE BBB- Stable

Ltd.							Assigned
SMC Moneywise Financial Services Pvt Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	0.74	ACUITE BBB- Stable Assigned
UC Inclusive Private Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	0.70	ACUITE BBB- Stable Assigned
Western Capital Advisors Pvt. Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	0.67	ACUITE BBB- Stable Assigned
Shine Star Build Cap Private Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	0.18	ACUITE BBB- Stable Assigned
Eclear Leasing & Finance Private	Not Applicable	Term Loan	Not available	Not available	Not available	0.12	ACUITE BBB- Stable Assigned
Eclear Leasing & Finance Private Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	1.64	ACUITE BBB- Stable Assigned

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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