

## Press Release

UP Money Limited

November 07, 2022



## Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	150.00	ACUITE BBB-   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	150.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has assigned the long term rating of **ACUITE BBB- (read as ACUITE triple B minus)** on the Rs 150 Cr bank facilities of UP Money Limited (UML). The outlook is 'Stable'.

### Rationale for the rating assigned

The rating takes into account experienced management team, healthy resource profile & growth in AUM during FY22. The company's loan portfolio outstanding as on March 31, 2022 grew to Rs. 353.34 Cr as compared to Rs. 284.4 Cr as on March 31, 2021. The loan portfolio further scaled up to Rs 414.71 Cr as on August 31, 2022. In FY2022, UML's loan portfolio has grown owing to healthy disbursement levels. The company's disbursements increased to Rs. 295.32 Cr as on March 31, 2022 from Rs. 105.01 Cr as on March 31, 2021. The credit profile of the company derives strength from its demonstrated ability to raise capital in the form of debt. UML has been able to raise funds through various Banks/ FIs and also has been able to execute multiple off balance sheet transactions. In FY 22 the Company was able to raise fresh debt of around Rs. 315 Cr including off balance sheet transactions. As on October 30, 2022 it has raised fresh debt of Rs 169.52 Cr. However, the average cost of borrowing is on a higher side.

The rating is however constrained by geographical concentration of its loan portfolio. Geographical concentration risk to weigh on credit profile of the company.

Going forward, movement in asset quality or profitability metrics and any deterioration in capital structure or capitalization levels will be a key credit monitorable.

### About the company

UP Money Ltd. (UPL) started operations in November 2014 following the acquisition of Sukhjit Finance Ltd, a company incorporated on February 6, 1995 under the Companies Act, 1956. The company's name was changed to UP Money Ltd w.e.f. March 2, 2015. The company is promoted by Mr. Ajit Singh Chawla and Mr. Sumel Singh Chawla. UPL offers affordable financing for two-wheeler loans and micro, small & medium enterprises (MSMEs), mainly for rural livelihood advancement, with the aim to provide finance for income generating activities, socio-economic development and financial inclusion.

## **Analytical Approach**

Acuité has considered standalone business and financial risk profile of UML to arrive at the rating

## **Key Rating Drivers**

### **Strength**

#### **Experienced promoters and management team**

Up Money Limited (UML) is promoted by Mr. Ajit Singh Chawla, a retired insurance professional having an experience of around two decades with National Insurance Company Ltd and Mr. Sumel Singh Chawla, seasoned finance professional who has held leadership positions in various multinational banks and management consultancy firms. The board of the Company also includes two professionally qualified Independent Directors, and a Non Executive Director. The promoters and Promoter group companies hold majority stake in the Company with the remaining being held by Non-promoter Associates and friends & relatives as on 31st March 2022.

#### **Adequate financial risk profile with diversified funding mix**

UML's networth stood at Rs. 87.42 Cr. as on June 30, 2022 and reported adequate capital adequacy ratio (CAR) of 27.88 percent as on June 30, 2022 comprising majorly to Tier 1 Capital. The credit profile of the company derives strength from its demonstrated ability to raise capital in the form of debt. UML has been able to raise funds through various Banks/ FIs and also has been able to execute multiple off balance sheet transactions. In FY 22 the Company was able to raise fresh debt of around Rs. 315 Cr including off balance sheet transactions. As on October 30, 2022, it has raised fresh debt of Rs 169.52 Cr. However, the average cost of borrowing remains on the higher side. UML's financial risk profile remains adequate as reflected by PAT of Rs. 7.79 Cr in FY2022, and Rs 3.12 in Q1FY23. The Return on Average Assets (RoAA) stood at 2.54 percent for FY2022 and 3.51 percent for Q1FY23 (annualized).

Acuité believes, going forward, the ability of the company to mobilize low cost funding through debt/ sub debt and its ability to deploy the funds profitably will be a key rating monitorable.

### **Weakness**

#### **Geographical concentration risk**

UML forayed in the lending segment in 2014, following the acquisition of Sukhjit Finance Ltd, a company incorporated on February 6, 1995 under the Companies Act, 1956. The company's loan book grew to Rs. 353.34 Cr. as on March 31, 2022, from Rs. 284.40 Cr. as on March 31, 2021. Further, the company's operations are concentrated in Punjab with ~82 percent of the portfolio outstanding as on August 31, 2022. The company has started its operations in Punjab and has presence in six other states. Occurrence of events such as slowdown in economic activity or shifting of activity to other geographies could impact the cash flows of the borrowers, thereby impacting credit profile of UML's borrowers. The company's ability to maintain its asset quality while increasing its presence in the newer geographies will remain a key rating monitorable.

Acuité believes that any significant deterioration in asset quality will adversely impact the credit risk profile and will remain a key rating sensitivity factor.

### **Rating Sensitivity**

- Ability to raise capital, both debt and equity.
- Movement in profitability metrics.
- Movement in Asset Quality and Collection efficiency.
- Diversification in geographical profile.

## Material Covenants

UML is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital structure, asset quality among others.

## Liquidity Position Adequate

The company has unencumbered cash and bank balances (Inclusive of Deposits) of Rs. 61.29 Cr. as on March 31, 2022. Further the company has around Rs 25 Cr of Deposits lien marked for FLDG purpose. Additionally, the company has raised fresh debt of Rs. 315 Cr in FY2022, and around 170 Cr of fresh debt as on October 2022.

## Outlook - Stable

Acuité believes that UML will maintain a 'Stable' outlook over the medium term supported by its established presence in the lending segment along with demonstrated ability to maintain healthy AUM and profitability metrics. The outlook may be revised to 'Positive' in case of higher than expected growth in AUM while maintaining key operating metrics and asset quality and liquidity. The outlook may be revised to 'Negative' in case of any headwinds faced in scaling up of operations or in case of any challenges in maintaining its asset quality, profitability metrics and capital structure.

## Other Factors affecting Rating

None

## Key Financials - Standalone / Originator

Particulars	Unit	FY22 (Actual)	FY21 (Actual)
Total Assets	Rs. Cr.	353.35	258.86
Total Income*	Rs. Cr.	50.35	55.14
PAT	Rs. Cr.	7.79	7.33
Net Worth	Rs. Cr.	84.30	76.51
Return on Average Assets (RoAA)	(%)	2.54	2.60
Return on Average Net Worth (RoNW)	(%)	9.69	10.06
Debt/Equity	Times	2.85	2.24
Gross NPA	(%)	0.61%	1.70%
Net NPA	(%)	0.50%	1.44%

\*Total income equals to Net Interest Income plus other income

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

None

## Any other information

None

### Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Banks And Financial Institutions: <https://www.acuite.in/view-rating-criteria-45.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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

### Rating History:

None

### Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Capital Small Finance Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.75	ACUITE BBB-   Stable   Assigned
Jana Small Finance Bank Ltd.	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB-   Stable   Assigned
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BBB-   Stable   Assigned
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	68.24	ACUITE BBB-   Stable   Assigned
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	6.06	ACUITE BBB-   Stable   Assigned
A U Small Finance Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.67	ACUITE BBB-   Stable   Assigned
A U Small Finance Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.00	ACUITE BBB-   Stable   Assigned
IDFC First Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	15.77	ACUITE BBB-   Stable   Assigned

IDFC First Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.24	ACUITE BBB-   Stable   Assigned
Capital Small Finance Bank Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.72	ACUITE BBB-   Stable   Assigned
Capital Small Finance Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.05	ACUITE BBB-   Stable   Assigned
Capital Small Finance Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.00	ACUITE BBB-   Stable   Assigned
Jana Small Finance Bank Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.93	ACUITE BBB-   Stable   Assigned
Jana Small Finance Bank Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	6.57	ACUITE BBB-   Stable   Assigned
Jana Small Finance Bank Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	20.00	ACUITE BBB-   Stable   Assigned

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### 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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