



Press Release
UP Money Limited
September 25, 2023

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE BBB- Positive Assigned	-
Bank Loan Ratings	150.00	ACUITE BBB- Positive Reaffirmed Stable to Positive	-
Total Outstanding Quantum (Rs. Cr)	170.00	-	-

Rating Rationale

Acuite has reaffirmed 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 revised from 'Stable' to 'Positive'.

Acuite has assigned the long term rating of **ACUITE BBB- (read as ACUITE triple B minus)** on the Rs 20 Cr bank facilities of UP Money Limited (UML). The outlook is 'Positive'.

Rating Rationale

The revision in outlook reflects the healthy AUM and disbursement growth, stable asset quality and improving collection efficiency. The rating also takes into account the experienced management team and healthy resource profile of the company. UML's outstanding portfolio grew to Rs. 518.12 Cr. as on March 31, 2023 from Rs. 353.34 Cr. as on March 31, 2022. The loan portfolio further scaled up to Rs. 569 Cr as on June 30, 2023. The company's disbursements increased to Rs. 463.73 Cr. for FY23 as against Rs. 295.32 Cr. for FY22. 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 FY23, the Company was able to raise fresh debt of around Rs. 452 Cr. including off balance sheet transactions.

The rating is however constrained by the company's high exposure towards unsecured MSME loans, elevated gearing levels and geographical concentration. The gearing increased from 2.85 times as on FY22 to 4.07 times as on FY23. The same stood at 3.93 times as on Jun 30, 2023. Further, the company's operations are concentrated in Punjab with ~76 percent of the portfolio outstanding as on Mar 31, 2023.

Going forward, any movement in asset quality or profitability metrics along with 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 2023.

Adequate financial risk profile with diversified funding mix

UML's networth stood at Rs. 95.24 Cr. as on Mar 31, 2023 and reported adequate capital adequacy ratio (CAR) of 26.90 percent as on Mar 31, 2023 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 23 the Company was able to raise fresh debt of around Rs. 452 Cr including off balance sheet transactions. However, the average cost of borrowing remains on the higher side. UML's financial risk profile remains adequate as reflected by PAT of Rs. 10.94 Cr in FY2023 as against Rs 7.79 Cr in FY2022. The Return on Average Assets (RoAA) stood at 2.59 percent for FY2023 (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; modest capital structure:

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. 518.12 Cr. as on March 31, 2023, from Rs. 353.34 Cr. as on March 31, 2022. Further, the company's operations are concentrated in Punjab with ~76 percent of the portfolio outstanding as on Mar 31, 2023. The company has started its operations in Punjab and has presence in eight 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.

The company's capital structure is marked by Networth of Rs 95.24 Cr. as on March 31, 2023 and total debt of Rs Cr. 387.13 resulting in debt/equity ratio of 4.07 times (PY 2.85 times). The same stood at 3.93 times as on Jun 30, 2023.

Acuité believes that any significant deterioration in asset quality and elevation in gearing levels 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 gearing levels
- Movement in profitability metrics
- Movement in Asset Quality and Collection efficiency.

- Geographical concentration

All 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. 94.89 Cr. as on March 31, 2023. Additionally, the company has raised fresh debt of Rs.452 Cr in FY2023.

Outlook: Positive

Acuité believes that UML's credit profile will have a 'Positive' outlook in the near to medium term supported by its established presence in the lending segment along with its ability to scale up operations while maintaining profitability metrics. The rating could be upgraded if the company is able to demonstrate a sustained growth momentum while maintaining adequate capital structure, asset quality and a healthy earning profile. The outlook may be revised to 'Stable' in case of any significant deterioration in asset quality, profitability metrics and any sharp upward movement in its gearing levels.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	490.67	353.35
Total Income*	Rs. Cr.	63.81	50.35
PAT	Rs. Cr.	10.94	7.79
Net Worth	Rs. Cr.	95.24	84.30
Return on Average Assets (RoAA)	(%)	2.59	2.54
Return on Average Net Worth (RoNW)	(%)	12.18	9.69
Total Debt/Tangible Net worth (Gearing)	Times	4.07	2.85
Gross NPA	(%)	1.37	1.38
Net NPA	(%)	1.19	1.19

*Total income equals to Net Interest 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, Acuité 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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Nov 2022	Cash Credit	Long Term	3.75	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	2.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	6.06	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	5.24	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	0.67	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	68.24	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	5.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	6.57	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	2.05	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	20.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	15.77	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	1.72	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	7.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	0.93	ACUITE BBB- Stable (Assigned)

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- Positive Reaffirmed Stable to Positive
Jana Small Finance Bank Ltd.	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB- Positive Reaffirmed Stable to Positive
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BBB- Positive Reaffirmed Stable to Positive
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BBB- Positive Assigned
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	41.17	ACUITE BBB- Positive Reaffirmed Stable to Positive
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	12.93	ACUITE BBB- Positive Reaffirmed Stable to Positive
Small Industries Development Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	8.64	ACUITE BBB- Positive Reaffirmed Stable to Positive
Utkarsh Small Finance Bank Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.06	ACUITE BBB- Positive Reaffirmed Stable to Positive
IDFC First Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.00	ACUITE BBB- Positive Reaffirmed Stable to Positive

Jana Small Finance Bank Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	13.48	ACUITE BBB- Positive Reaffirmed Stable to Positive
Dhanlaxmi Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	10.00	ACUITE BBB- Positive Reaffirmed Stable to Positive
Capital Small Finance Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.90	ACUITE BBB- Positive Reaffirmed Stable to Positive
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	4.66	ACUITE BBB- Positive Reaffirmed Stable to Positive
A U Small Finance Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.22	ACUITE BBB- Positive Reaffirmed Stable to Positive
IDFC First Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	15.77	ACUITE BBB- Positive Reaffirmed Stable to Positive
IDFC First Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.96	ACUITE BBB- Positive Reaffirmed Stable to Positive
Capital Small Finance Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.13	ACUITE BBB- Positive Reaffirmed Stable to Positive
Capital Small Finance Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.11	ACUITE BBB- Positive Reaffirmed Stable to Positive
Jana Small	Not	Term	Not	Not	Not			ACUITE BBB- Positive

Finance Bank Ltd.	Applicable	Loan	available	available	available	Simple	1.86	Reaffirmed Stable to Positive
Jana Small Finance Bank Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	12.36	ACUITE BBB- Positive Reaffirmed Stable to Positive

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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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