

Press Release
UP MONEY LIMITED
October 22, 2024
Rating Assigned and Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	SL Rating
Bank Loan Ratings	30.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	170.00	ACUITE BBB- Stable Reaffirmed Positive to Stable	-
Total Outstanding Quantum (Rs. Cr)	200.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs 170 Cr. bank facilities of UP Money Limited (UML). The outlook is revised from '**Positive**' to '**Stable**'.

Acuite has assigned the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs 30 Cr. bank facilities of UP Money Limited (UML). The outlook is '**Stable**'

Rationale for Rating

The revision in outlook factors in the lower than envisaged growth in the AUM and disbursement for Q1FY25. The disbursement stood at Rs 147.74 Cr. in Q1FY25 as against Rs 116.31 Cr. in Q1 FY24. Acuite also takes note of the moderation in the overall collection efficiency which has decreased from 98.16% in FY24 to 93.21% in Q1FY25. The rating also takes into account the experienced management team and healthy resource profile of the company. UML's AUM grew to Rs. 601.89 Cr. as on March 31, 2024 from Rs. 518.12 Cr. as on March 31, 2023. The company's disbursements increased to Rs. 544.28 Cr. for FY24 as against Rs. 463.73 Cr. for FY23. 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 FY24, the Company was able to raise fresh debt of around Rs. 248.26 Cr.

The rating is however constrained by the company's high exposure towards unsecured MSME loans, slight deterioration in asset quality, and geographical concentration. The gearing decreased from 4.07 times as on FY23 to 3.99 times as on FY24. Further, the company's operations are concentrated in Punjab with ~71 percent of the portfolio outstanding as on June 30, 2024.

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 Sukhjiti 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. The company has its registered office located at Ludhiana, Punjab.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite 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 2024.

Adequate financial risk profile with diversified funding mix

UML's networth stood at Rs. 107.07 Cr. as on Mar 31, 2024 and reported adequate capital adequacy ratio (CAR) of 25.34 percent as on Mar 31, 2024 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. However, the average cost of borrowing remains on the higher side. UML's financial risk profile remains adequate as reflected by PAT of Rs. 11.84 Cr. in FY2023 as against Rs 10.94 Cr. in FY2022. The Return on Average Assets (RoAA) stood at 2.28 percent for FY2024 (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. 601.89 Cr. as on March 31, 2024, from Rs. 518.12 Cr. as on March 31, 2023. Further, the company's operations are concentrated in Punjab with ~71 percent of the portfolio outstanding as on June 30, 2024. The company has 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. 107.07 Cr. as on March 31, 2024 and total debt of Rs. 427.07 Cr. resulting in debt/equity ratio of 3.99 times (PY 4.07 times). The same stood at 3.51 times as on Jun 30, 2024.

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

Liquidity Position

Adequate

The company has unencumbered cash and bank balances (Inclusive of Deposits) of Rs. 116.82 Cr. as on March 31, 2024.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY24 (Actual)	FY23 (Actual)
Total Assets**	Rs. Cr.	547.16	490.67

Total Income*	Rs. Cr.	69.62	63.81
PAT	Rs. Cr.	11.84	10.94
Net Worth	Rs. Cr.	107.07	95.24
Return on Average Assets (RoAA)	(%)	2.28	2.59
Return on Average Net Worth (RoNW)	(%)	11.70	12.18
Total Debt/Tangible Net worth (Gearing)	Times	3.99	4.07
Gross NPA	(%)	1.42	1.37
Net NPA	(%)	1.15	1.19

*Total income equals to Total Income net off interest expense

**Total assets adjusted to Deferred Tax liability

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

Not Applicable

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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
25 Sep 2023	Term Loan	Long Term	2.22	ACUITE BBB- Positive (Reaffirmed)
	Term Loan	Long Term	15.77	ACUITE BBB- Positive (Reaffirmed)
	Term Loan	Long Term	1.96	ACUITE BBB- Positive (Reaffirmed)
	Term Loan	Long Term	1.13	ACUITE BBB- Positive (Reaffirmed)
	Term Loan	Long Term	5.11	ACUITE BBB- Positive (Reaffirmed)
	Term Loan	Long Term	1.86	ACUITE BBB- Positive (Reaffirmed)
	Term Loan	Long Term	12.36	ACUITE BBB- Positive (Reaffirmed)
	Cash Credit	Long Term	3.75	ACUITE BBB- Positive (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB- Positive (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BBB- Positive (Reaffirmed)
	Term Loan	Long Term	4.66	ACUITE BBB- Positive (Reaffirmed)
	Proposed Long Term Loan	Long Term	41.17	ACUITE BBB- Positive (Reaffirmed)
	Term Loan	Long Term	12.93	ACUITE BBB- Positive (Reaffirmed)
	Term Loan	Long Term	8.64	ACUITE BBB- Positive (Reaffirmed)
	Term Loan	Long Term	3.06	ACUITE BBB- Positive (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BBB- Positive (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	20.00	ACUITE BBB- Positive (Assigned)
	Term Loan	Long Term	13.48	ACUITE BBB- Positive (Reaffirmed)
	Term Loan	Long Term	10.00	ACUITE BBB- Positive (Reaffirmed)
	Term Loan	Long Term	3.90	ACUITE BBB- Positive (Reaffirmed)
07 Nov 2022	Term Loan	Long Term	0.67	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	5.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	15.77	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	5.24	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	1.72	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	2.05	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	7.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	0.93	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	6.57	ACUITE BBB- Stable (Assigned)

	Term Loan	Long Term	20.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	3.75	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	2.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	6.06	ACUITE BBB- Stable (Assigned)
	Proposed Long Term Loan	Long Term	68.24	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
IDFC First Bank Limited	Not avl. / Not appl.	Cash Credit	08 Aug 2022	Not avl. / Not appl.	Not avl. / Not appl.	1.00	Simple	ACUITE BBB- Stable Reaffirmed Positive to Stable
Capital Small Finance Bank	Not avl. / Not appl.	Cash Credit	16 Dec 2015	Not avl. / Not appl.	Not avl. / Not appl.	3.75	Simple	ACUITE BBB- Stable Reaffirmed Positive to Stable
Jana Small Finance Bank Ltd.	Not avl. / Not appl.	Cash Credit	26 Nov 2021	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE BBB- Stable Reaffirmed Positive to Stable
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	48.85	Simple	ACUITE BBB- Stable Reaffirmed Positive to Stable
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE BBB- Stable Assigned
Kotak Mahindra Bank	Not avl. / Not appl.	Term Loan	24 Jan 2023	Not avl. / Not appl.	01 Mar 2026	8.35	Simple	ACUITE BBB- Stable Reaffirmed Positive to Stable
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	28 Mar 2023	Not avl. / Not appl.	10 Mar 2025	3.18	Simple	ACUITE BBB- Stable Reaffirmed Positive to Stable
IDFC First Bank Limited	Not avl. / Not appl.	Term Loan	06 Mar 2018	Not avl. / Not appl.	01 Mar 2025	9.20	Simple	ACUITE BBB- Stable Reaffirmed Positive to Stable
Capital Small Finance Bank	Not avl. / Not appl.	Term Loan	06 Jan 2024	Not avl. / Not appl.	01 Jan 2027	2.10	Simple	ACUITE BBB- Stable Reaffirmed Positive to Stable
Capital Small Finance Bank	Not avl. / Not appl.	Term Loan	03 Sep 2022	Not avl. / Not appl.	11 Sep 2025	2.81	Simple	ACUITE BBB- Stable Reaffirmed Positive to Stable
Jana Small Finance Bank Ltd.	Not avl. / Not appl.	Term Loan	24 Nov 2022	Not avl. / Not appl.	03 Oct 2024	1.89	Simple	ACUITE BBB- Stable Reaffirmed Positive to Stable
Jana Small Finance Bank Ltd.	Not avl. / Not appl.	Term Loan	16 Jun 2023	Not avl. / Not appl.	03 Jun 2025	6.82	Simple	ACUITE BBB- Stable Reaffirmed Positive to Stable
Dhanlaxmi Bank Ltd	Not avl. / Not appl.	Term Loan	19 Jun 2023	Not avl. / Not appl.	30 May 2026	6.66	Simple	ACUITE BBB- Stable Reaffirmed Positive to Stable
Capital Small Finance Bank	Not avl. / Not appl.	Term Loan	20 Jul 2023	Not avl. / Not appl.	21 Jun 2026	2.74	Simple	ACUITE BBB- Stable Reaffirmed Positive to Stable
State Bank of India	Not avl. / Not appl.	Term Loan	31 Aug 2023	Not avl. / Not appl.	31 Aug 2026	13.51	Simple	ACUITE BBB- Stable Reaffirmed Positive to Stable
Capital Small Finance Bank	Not avl. / Not appl.	Term Loan	25 Jul 2024	Not avl. / Not appl.	21 Jun 2027	2.94	Simple	ACUITE BBB- Stable Reaffirmed Positive to Stable
ESAF Small Finance Bank	Not avl. / Not appl.	Term Loan	14 Mar 2024	Not avl. / Not appl.	31 Mar 2026	8.14	Simple	ACUITE BBB- Stable Reaffirmed Positive to Stable
Jana Small Finance Bank Ltd.	Not avl. / Not appl.	Term Loan	29 Jan 2024	Not avl. / Not appl.	30 Jan 2026	11.25	Simple	ACUITE BBB- Stable Reaffirmed Positive to Stable
Utkarsh Small Finance Bank Ltd.	Not avl. / Not appl.	Term Loan	24 Aug 2024	Not avl. / Not appl.	25 Feb 2026	5.00	Simple	ACUITE BBB- Stable Reaffirmed Positive to Stable

Indian Overseas Bank	Not avl. / Not appl.	Term Loan	12 Aug 2024	Not avl. / Not appl.	20 Nov 2027	25.00	Simple	ACUITE BBB- Stable Reaffirmed Positive to Stable
Kotak Mahindra Bank	Not avl. / Not appl.	Term Loan	10 Nov 2021	Not avl. / Not appl.	01 Mar 2025	1.81	Simple	ACUITE BBB- Stable Reaffirmed Positive to Stable

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