Altum Credo Home Finance Private Limited

January 31, 2022

Ratings

Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	200.00	CARE BBB-; Positive (Triple B Minus; Outlook: Positive)	Reaffirmed; Outlook revised from Stable
Total Bank Facilities	**200.00 (Rs. Two Hundred Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the long term bank facilities of Altum Credo Home Finance Private Limited (ACHFPL) continues to factor in strength derived from adequate capitalization in the initial stages of business with investment from institutional and other impact investors, experience of the promoters and the management team which has seen some strengthening since last review and comfortable liquidity profile along with limited borrowings. The rating also factors in the appraisal and monitoring systems built by the company supported by digital integrated system.

The rating continues to be constrained by limited track record of the company as the company started operations during FY18 (refers to period from April 01 to March 31) due to which the loan portfolio of the company is unseasoned, relatively small size of operations, moderate profitability and exposure to the under-banked low-income segment of borrowers with geographical concentration notwithstanding its efforts to expand its presence in other states. The rating also takes note of challenging environment following the spread of Covid-19 pandemic and its adverse impact on the asset quality.

Outlook: Positive

The outlook is revised to 'Positive' on account of recent equity raise from existing as well as new investors which has increased the net worth of the company improving its ability to absorb unforeseen losses as the company plans to scale up its operations in the near term as well as scale up in operations during the current financial year. The rating may be revised upwards in case the company is able to scale up over near term while maintaining stable asset quality parameters and operational efficiency.

The outlook may be revised to 'Stable' if the company in case there is moderation in asset quality and overall financial risk profile.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action / upgrade

- Sustained growth in loan portfolio while maintaining the asset quality and comfortable capitalization level
- Geographical diversification of the loan portfolio
- Diversification in the resource profile with demonstrated ability to garner resources at favourable rates

Negative Factors – Factors that could lead to negative rating action / downgrade

- Deterioration in asset quality parameters with Gross NPA ratio above 5%
- Deterioration in capitalization levels with decline in cushion over regulatory minimum Capital Adequacy Ratio (CAR)
- Deterioration in profitability parameters on as sustained basis
- Overall gearing exceeding 4 times

Key Rating Strengths

Adequate capitalisation in the initial stages of business with investment from institutional and other impact investors

In the initial stages, the company has received capital from its promoters and has been able to raise equity capital from institutional and impact investors. The company started with a seed capital base of Rs.10 crore in FY17 (refers to period from April 01 to March 31) and received equity capital funding of Rs.16 crore during FY18 from Mr. P. S. Pai (erstwhile Executive Chairman of the Murugappa group) as an early-stage investment. The company also raised equity capital from the Aavishkaar group to the tune of Rs.50 crore. During FY20, the company raised additional equity capital of Rs.40 crore by way of rights issue of equity shares. The company's tangible net worth stood at Rs.133 crore as on March 31, 2021 (P.Y.: Rs.130 crore) and the company started building its loan portfolio and leveraging with borrowings increasing to Rs.46 crore (P.Y.: Rs.22 crore). Overall gearing stood at 0.34 times (P.Y.: 0.17 times) as on March 31, 2021 and 0.40 times as on June 30, 2021.

In November, 2021, the company had another round of capital raise of Rs.88 crore. In the recent round, Mr. Pai and family has invested additional Rs.19 crore of equity capital into the company while Aavishkaar group through its Aavishkaar Bharat Fund and Amicus Capital Partners together have invested Rs.69 crore by way of compulsorily convertible preference shares (CCPS). Post the capital infusion, the company's tangible net worth has reached around Rs.225 crore and overall gearing stood at 0.48 times. The company expects to increase leverage as it scales up in the initial stage of operations but to keep it under 3 times. The company reported CAR of 190.86% as on March 31, 2021 which declined from 295.29% as on March 31, 2020 to and further declined to 168.56% as on December 31, 2021 with scale up of loan portfolio; however, it remained comfortable as the company is yet to leverage.

Post the recent capital infusion, the shareholding of the promoters stood at 28.3% while shareholding of P.S. Pai and family was at 33.26%, Aavishkar group's shareholding at 24.35% and Amicus Capital Partners' shareholding was at 11.38% in the company

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

on a fully diluted basis as on December 31, 2021. The company has plans to raise equity capital in the near term to support growth and to achieve significant scale post which it would increase the leverage.

Experienced promoters and management team
ACHFPL is promoted by three individuals Mr. Vikrant Bhagwat (Managing Director and Chief Executive Officer; MD & CEO), Mr. Ganesh Rao (Non-Executive Director) and Mr. Ashish Tewari (Non-Executive Director) each having 25+ years of experience in retail assets lending / promoting and building microfinance businesses and ably supported by Mr. Sanjay Tiwari as a founding team member and Chief Financial Officer (CFO) of the Company who has more than 20 years of experience in areas of corporate finance, business planning & strategy, treasury management at early stage businesses. During FY21, the company has on-boarded senior management team in functions like business, credit and operations. While, since inception, the Company had collection vertical head to look after the collections and recovery for the company.

Credit appraisal and monitoring systems supported by digital integrated system
ACHFPL has put in place credit appraisal and monitoring system and follows various risk-based assessment methodologies for credit assessment, various consumer metrics are used to arrive at the scoring model. The entire process is technology driven with limited human inputs. Further, ACHFPL has a separate vertical of collections since inception which has helped to establish a robust collection process and regular customer connect. ACHFPL follows a cashless collection approach which is completely managed through digital payment gateway via NACH and other payment gateways.
The company has constituted its Risk Management Committee which is responsible for putting in place a risk management system, risk management policy and strategy to be followed by the Company and constitute Asset Liability Management Committee for review and monitor risk at regular intervals**.**
With the senior management team in place, the company has been improving its credit appraisal system in view of the Covid-19 pandemic with focusing towards salaried borrowers, non-salaried in essential services, cautious on lending to customers of impacted sectors with increased focus on Low Income Group (LIG) segment customers resulting in a moderate increase in ticket size.

Key Rating Weakness
Limited track record with small size of operations with geographical concentration
ACHFPL started disbursing loans in FY18, upon receiving license from NHB in June, 2017 and first seed funding in July, 2017. The company has disbursed Rs.251 crore since inception till December 31, 2021 and its AUM stood at Rs.210.62 crore as on December 31, 2021. The size of operations remains relatively smaller to other housing finance companies in the country.
ACHFPL's target customer segment is in outskirts of Tier II and Tier III cities and the company initially had presence in the states of Maharashtra, Tamil Nadu and Karnataka. During the last six months, ACHFPL has expanded presence into 3 new states viz Rajasthan, Andhra Pradesh and Telangana taking its presence in six states. However, the geographical concentration remains high with Maharashtra accounting for 49% of loan book and the 3 new states constituting 15% share of the loan book as on December 31, 2021.

Low seasoning of portfolio being in initial stages and moderate asset quality
The operations of the company are three years old with loan portfolio of Rs.136 crore and cumulative disbursements of Rs.251 crore as on December 31, 2021. Majority of the disbursements have happened in FY21 and FY22. The company has seen one year of seasoning and has witnessed slippages in self- construction segment. ACHFPL reported Gross NPA ratio of 0.72% and Net NPA ratio of 0.47% as on March 31, 2021 as compared to Nil NPA as on March 31, 2020. On a 1 year lag basis Gross NPA ratio stood at 1.05% and Net NPA ratio stood at 0.54% as on March 31, 2021.
The Gross NPA ratio and Net NPA ratio as on December 31, 2021 stood at 0.84% and 0.52% respectively, whereas the Net NPA to tangible net worth stood at 0.52%.

The company has restructured 53 loans, under COVID-19 resolution scheme, amounting to Rs.3.72 crore (constituting 3% of the gross advances) as on March 31, 2021 and has maintained provision of Rs.0.37 crore. Further, the company has restructured 67 accounts amounting to Rs.4.58 crore, taking the total to 120 cases amounting to Rs.8.3 crore (i.e. 3.94 of the gross advances). The company has maintained total provision at 10% for restructured book i.e. Rs.0.83 crore and additional COVID-19 contingency provision of Rs.2.13 crore as on December 31, 2021.
Out of the restructured accounts, 40% of the customers (in value terms) have started to make month on month repayments even before the moratorium ends in March, 2022. The company estimates about 15-20 stressed cases amounting to Rs.1.25 - Rs.1.75 crore (constituting 0.8% of loan portfolio) whose income levels are still adversely impacted and yet to improve to pre-covid levels and may need additional time for regular repayments but these loans still remain covered within COVID-19 provisions. Besides, from June 2021, the company can take recourse to SARFAESI law which shall facilitate in quick recovery of dues.
The company is still in the nascent stages of operations and loan book is largely unseasoned with only three full years of operations vis-à-vis average loan tenure of 15 years at a portfolio level and majority of loan growth happening last couple of years. ACHFPL's borrowers have modest economic profile, the borrower profile is relatively weaker and is highly susceptible to economic downturns; however, the secured nature of the loan book reduces risk to some extent.

Moderate resource profile
The company has initial net worth and has been leveraging over the past couple of quarters ending December, 2021. The company has raised debt of Rs.32 crore during H2FY21 and Q1FY22. The company's borrowings stood at Rs.45.85 crore as on March 31, 2021 and at Rs.107.46 crore as on December 31, 2021. Overall gearing stood at 0.48 times as on December 31, 2021.

The funding profile remains concentrated with borrowings from Banks constituting 46% and NBFCs constituting 33% of total borrowings and remaining portion is funded by low cost funds from National Housing Bank (NHB).
As on December 31, 2021, the weighted average cost of fund (without NHB funding) is at 11.20% while weighted average cost of all funds (including NHB's fund) is at 9.83%. Recently, in December 2021, the company raised Rs. 20 crores of Term Loan from State Bank of India for a long-term tenure of 90 months.
The company being a mortgage lender with long tenured assets has majorly raised long term debt with average maturity of the borrowings around 5 years. The company had working capital finance by way of Cash Credit (CC) facility from banks of Rs.3 crore.

Moderate profitability
The net interest income has increased by 41% y-o-y from Rs.8.76 crore as on March 31, 2020 to Rs.12.34 crore as on March 31, 2021 supported by 48% growth in interest income to Rs.15.41 crore.
The operating expense declined by 2% y-o-y to Rs.11.14 crore supported by 18% decline in other expenses to Rs.2.26 crore, which constitute about 20% of the total operating expense. Accordingly, the PPOP has increased 143% to Rs.6.12 crore.
Even as the company has done provisions of Rs.2.71 crore, which is higher than the previous year's Rs.0.96 crore, as the company provided for the covid impact, it has reported a PAT of Rs.3.23 crore on a total income of Rs.20.33 crore as on March 31, 2021 as against Rs.1.55 crore on a total income of Rs.15.53 crore as on March 31, 2020. Also, the ROTA has improved from 1.27% for FY20 to 1.90% for FY21.
The company has reported a PAT (unaudited) of Rs.3.13 crore on a total income of Rs.24.03 crore as on December 31, 2021 against PAT of Rs.3.125 crore on a total income of Rs.14.21 crore as on December 31, 2020. The PAT remained stable due to higher operating expense as the company expands its operations in newer states.

Exposure to the under banked segment of borrowers
More than 90% of customers belong to EWS and LIG income segment. ACHFPL's customer base consists of salaried customers (52% of AUM as on December 31, 2021), both formal and informal segment, and self-employed proprietors of small and medium enterprises (48% of AUM as on December 31, 2021). Since this segment is highly susceptible to the impact of economic downturn, maintaining good asset quality while increasing the scale of operations is a key sensitivity.

Liquidity: Strong
As per ALM statement dated December 31, 2021, the liquidity profile of the company is comfortable with positive cumulative mismatches in all the time buckets. The company's debt obligation outflows are around Rs.26 crore over next one year, against which the company has unencumbered cash & bank balances are around Rs.119 crore. Liquidity profile of the company is also supported by Rs.3 crore Cash Credit facility and undrawn term loans of Rs.12 crore. Further ACHFPL monitors the cumulative mismatch across all time buckets by establishing prudential limits with the approval of Board/Management Committee, further, as per the liquidity policy of the ACHFPL, in the normal course the ALM mismatch should not exceed 15% of the cash outflows in each time bucket.
During the second wave of Covid-19 which struck during Q1FY22 (refers to period from April to June), the collection efficiency of the company declined to around 91% for April and May 2021 but has seen improvement to around 95% during July 2021 and has further improved to 98% in month of December 2021.

Analytical approach- Standalone
Applicable Criteria
Criteria on assigning Outlook and CreditWatch to Credit Ratings
CARE Policy on Default Recognition
Rating Methodology - Housing Finance Companies (HFCs)
Financial ratios - Financial Sector

About the Company
Altum Credo Home Finance Private Limited (ACHFPL) is a housing finance company registered with the National Housing Bank (NHB). Headquartered at Pune, the company currently has a presence in the six states. The company was promoted by three individuals Mr. Vikrant Bhagwat (Managing Director and Chief Executive Officer; MD & CEO), Mr. Ganesh Rao (Director) and Mr. Ashish Tewari (Director) each having 25+ years of experience in retail assets lending / promoting and building microfinance businesses. ACHFPL was incorporated in September, 2016 and received license from NHB on June 01, 2017. The company's focus is to build retail home loan asset book largely across the Low Income Group (LIG) and Economically Weaker Section (EWS) income segment who are first time home buyers. ACHFPL's geographical focus is mainly in the Tier II and Tier III cities. More than 90% of customers belong to EWS and LIG income segment.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	9MFY22 (UA)
Total operating income	15.53	20.33	24.03
PAT	1.55	3.23	3.13
Interest coverage (times)	1.94	2.11	1.88
Total Assets	154.12	185.98	338.29
Net NPA (%)	Nil	0.47	0.52
ROTA (%)	1.27	1.90	1.59

A – Audited, UA - Unaudited
All ratios are as per CARE's calculation

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based-Long Term		-	-	-	200.00	CARE BBB-; Positive

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based-Long Term	LT	200.00	CARE BBB-; Positive	1)CARE BBB-; Stable (20-Aug-21)	1)CARE BBB-; Stable (18-Jan-21)	-	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated facilities – Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based-Long Term	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please **click here**

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact
Name: Mradul Mishra
Contact no.: +91-22-6754 3573
Email ID: mradul.mishra@careedge.in

Analyst Contact
Name: Aditya R Acharekar
Contact no.: +91-22-6754 3458
Email ID: aditya.acharekar@careedge.in

Relationship Contact
Name: Saikat Roy
Contact no.: +91-98209 98779
Email ID: saikat.roy@careedge.in

About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

****For detailed Rationale Report and subscription information, please contact us at www.careedge.in**