

Altum Credo Home Finance Private Limited

April 03, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	700.00 (Enhanced from 600.00)	CARE BBB; Stable	Reaffirmed
Non-convertible debentures	20.00	CARE BBB; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to bank facilities and instruments of Altum Credo Home Finance Private Limited (ACHFPL) factors in healthy capitalisation backed by periodic capital infusion by institutional and other impact investors, experience of the promoter and the management team, and digitally integrated credit appraisal and collection systems. The rating also takes note of improving scale of operations, with assets under management (AUM) rising from ₹467.15 crore as on March 31, 2023, to ₹662.97 crore as on December 31, 2023, while maintaining asset quality metrics and improving profitability.

The rating continues to be constrained by limited track record of the company, relatively low seasoning of portfolio due to high growth, relatively small size of operations, and limited-but-improving geographical diversification with top three states contributing for 62% of the AUM as on December 31, 2023 (68% as on March 31, 2023). CARE Ratings Limited (CARE Ratings) further takes note of the company's focus on the target customer segment comprising borrowers in economically weaker section (EWS) and low-income group (LIG), who are vulnerable to economic downturns.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significantly mobilizing equity capital for further growth in business.
- Sustained growth in the loan portfolio, while maintaining a gross non-performing assets (GNPA) ratio below 1.5%, profitability with return on total assets (ROTA) above 2.5%, and a comfortable capitalisation level.
- Significantly improving borrowing profile.

Negative factors

- Deteriorating asset quality parameters with a GNPA ratio above 3%.
- Deteriorating profitability parameters on a sustained basis.
- Overall gearing exceeding 4x.

Analytical approach: Standalone

Outlook: Stable

The "Stable" outlook is on the expectation that ACHFPL will continue to grow its loan book on with stable asset quality and relatively stable profitability considering its healthy capitalisation levels.

Detailed description of key rating drivers Key

strengths

Healthy capitalisation with periodic investments from institutional and other impact investors

The company commenced its business in FY18 with seed capital funding from PS Pai and family. The company has been able to raise equity capital from institutional and impact investors on a regular basis. It raised equity capital from the Aavishkaar group to the tune of ₹50 crore and ₹14 crore from PS Pai, taking the total tangible net worth (TTNW) to ₹88 crore in FY19.

In FY20, the company infused additional equity capital of ₹40 crore from PS Pai and family by way of rights issue of equity shares in November 2019. In November 2021, the company concluded Series B round of an equity capital raise of ₹88 crore led by Amicus Capital Partners, who invested ₹50 crore and the balance ₹38 crore was invested equally by existing investors PS Pai and family and the Aavishkaar group, taking the net worth to ₹225 crore at the end of FY22. In the last five years, the company has demonstrated the ability to regularly capitalise its balance sheet to support business growth.

The company's overall gearing stood at 1.30x (PY: 0.5x) as on March 31, 2023, and at 1.89x as on December 31, 2023, with total debt (TD) standing at ₹305 crore (PY: ₹112 crore) as on March 31, 2023 and at ₹468 crore as on December 31, 2023. The company reported a capital adequacy ratio (CAR) of 81.31% (Tier-I CAR: 80.23%) as on March 31, 2023, and 53.48% (Tier 1 CAR: 52.77%) as on December 31, 2023, against 139.01% (Tier-I CAR: 137.76%) as on March 31, 2022. The company's tangible net worth (TNW) stood at ₹235 crore (PY: ₹225 crore) as on March 31, 2023 and ₹247.68 crore as on December 31, 2023. CARE Ratings expects the company to grow its scale of operations by optimally leveraging its capital structure while keeping overall gearing under 3x in the medium term.

Experienced promoters and management team

ACHFPL is promoted by seasoned professionals having over 25 years of experience in retail assets lending across geographies. The company's operations are headed by Vikrant Bhagwat, Managing Director and Chief Executive Officer (MD & CEO) and supported by Sanjay Tiwari, as a founding team member and Head-Corporate Strategy and Finance, who has more than 20 years of experience, predominantly in the banking, financial services and insurance (BFSI) industry across corporate finance, business planning and strategy, and treasury management at strategy roll out at early-stage businesses. The company has a stable, experienced leadership team across functions.

Credit appraisal and monitoring systems supported by digital integrated system

ACHFPL has a credit appraisal and monitoring system and follows risk-based assessment methodologies for credit assessment and consumer metrics to arrive at the scoring model for credit decisions. Since inception, the entire loan process is technology-driven with limited human inputs.

In FY23, the technology stack was upgraded to a loan IT platform enriched with multiple application programming interfaces (APIs) integration, new age omnichannel functionality enabling more digitization of data input, better process control, and enhanced efficiency.

ACHFPL has a separate collection vertical, which helped establish a robust collection process and regular customer connection. ACHFPL commenced business with a policy of zero cash transactions across the loan life-cycle transactions, and follows a cashless collection approach, which is completely managed through National Automated Clearing House (NACH) and digital payment gateways.

The company has constituted its Risk Management Committee, which is responsible for putting in a risk management system, risk management policy, and strategy to be followed by the company. To manage the interest rate sensitivity and liquidity risks, the company uses asset-liability management models, to measure and monitor risks and provide suitable strategies for decision-making.

The company has aligned its credit appraisal system in view of COVID-19 by focusing on salaried borrowers and non-salaried in essential services and is cautious on lending to customers of impacted sectors, with an increased focus on the low-income group (LIG) customers, resulting in a moderate increase in ticket size. The company continued to focus on providing home loans for self-constructed houses and witnessed a growth of 116% on an annual basis in this segment. The company has focused on building retail home loan portfolios and ringfenced loan against property (LAP) loans below 20%.

The AUM of home loans for self-constructed houses stood at ₹420.41 crore as on December 31, 2023, as compared to ₹293.67 crore as on March 31, 2023, as the company disburses loans in stages, depending on stage of construction, which enables it to monitor loans better as compared to home loans for apartments. The proportion of home loans for self-constructed houses to the total AUM stood at 63% as on December 31, 2023, as compared to 54% as on March 31, 2022.

Key weaknesses

Limited track record with relatively small size of operations and geographical concentration

ACHFPL started disbursing loans in FY18, on receiving the license from (NHB in June 2017 and the first seed funding in July 2017). The company has disbursed ₹252 crore in FY23 (PY: ₹148 crore) and ₹268.54 crore in 9MFY24, and ₹523.58 crore since inception. Its AUM stood at ₹467.15 crore as on March 31, 2023 (PY: ₹250.94 crore) and ₹662.97 crore as on December 31, 2023.

ACHFPL's target customer segment is in the outskirts of Tier-II and Tier-III cities and the company initially had a presence in Maharashtra, Tamil Nadu, and Karnataka. In FY21, ACHFPL increased its geographical diversification by expanding its presence in Rajasthan, Andhra Pradesh, and Telangana, taking its presence in six states, and increased its branch network to 53 branches as on March 31, 2023 (54 branches as on December 31, 2023).

The geographical concentration decreased relatively over the last year, as on December 31, 2023, Maharashtra accounting for 25% (March 31, 2023: 31%) of the loan book and top three states constituting 62% (March 31, 2023: 68%) share of the loan book as on March 31, 2023.

Low seasoning of portfolio being in initial stages and high growth

The company's operations span across six years with AUM of ₹663 crore and cumulative disbursements of ₹825 crore since inception as on December 31, 2023. Majority disbursements happened in recent times, and hence, seasoning remains low. The company has reported a GNPA ratio and net NPA (NNPA) ratio of 0.54% and 0.30%, respectively, as on December 31, 2023, as compared to 0.59% and 0.22% as on March 31, 2023. The company had seen an increase in slippages, which were COVID-19 induced, as it predominantly impacted the customer segment of the company. The company maintained an additional COVID-19 contingency provision on standard assets of ₹1.18 crore as on March 31, 2023, considering the focus on LIG customer segment. As a prudent measure, the company revised its policy, increasing standard asset provision on home loans to 0.40% as against the regulatory requirement of 0.25%. The company has a provision of 0.62% of ₹3.79 crore on standard assets of ₹ 606.65 crore as on December 31, 2023.

The loan book is largely unseasoned, with only five full years of operations against an average loan tenure of 15 years at a portfolio level and majority loan growth happening in the last couple of years. ACHFPL's borrowers have a modest economic profile, with the borrower profile being relatively weaker and highly susceptible to economic downturns. However, the secured loan book and relatively low loan-to-value ratios (average <50%) reduces the risk to a larger extent. CARE Ratings expects

the GNPA ratio to remain below 1% for FY24. Movement of NPAs and deterioration in asset quality continues to be a key monitorable for the company.

Moderate resource profile

As on December 31, 2023, the funding profile remains moderately concentrated, with borrowings from banks constituting 42% and borrowings from non-banking financial companies (NBFCs) constituting 37% of the total borrowings and the remaining portion funded by low-cost funds from the NHB. The company has expanded its lender base from 17 institutions in FY23 to 20 institutions in 9MFY24. The company avails long tenure borrowings from the NHB (7-10 years), SBI (90 months) and LIC HFC (seven years), among others, which help in balancing the ALM. The average cost of borrowings stood at 10.93% as on December 31, 2023, as against 10.10% as on March 31, 2023

Moderate profitability

The net interest income (NII) increased by 76% y-o-y from ₹19.33 crore in FY22 to ₹34.1 crore in FY23, supported by 108% growth in interest income to ₹55.15 crore in FY23 as compared to ₹26.53 crore in FY22. The operating expenses increased to ₹38.62 crore in FY23 from ₹22.38 crore in FY22, mainly due to branch expansion and increasing the number of employees in FY23 (the company opened 13 new branches, increasing the penetration of the existing states, and addition of employees, taking the total count to 506 as on March 31, 2023, as compared to 372 as on March 31, 2022). Accordingly, the pre-provision operating profit (PPOP) increased by 84% to ₹12.62 crore in FY23 as compared to ₹6.84 crore in FY22, supported by an increase in total income. The company has made provisions of ₹0.75 crore, which is in line with the previous year's ₹0.78 crore, but it is significantly lower compared to ₹2.71 crore in FY21 (higher due to COVID provisioning on standard assets). The company reported a profit after tax (PAT) of ₹8.96 crore with a total income of ₹72.29 crore in FY23 as compared to a PAT of ₹4.47 crore with a total income of ₹36.42 crore in FY22. The ROTA and return on net worth (RONW) improved from 1.69% and 2.5% in FY22 to 2.00% and 3.9% in FY23, respectively.

The net interest income (NII) increased further to ₹35.83 crore in 9MFY24, supported by growth in interest income to ₹67.42 crore in 9MFY24. The operating expenses stood at ₹34.82 crore in 9MFY24. Accordingly, pre-provision operating profit (PPOP) increased to ₹17.90 crore in 9MFY24 supported by an increase in total income. The company reported a profit-after-tax (PAT) of ₹13.64 crore with total income of ₹84.76 crore in 9MFY24. The return on total assets (ROTA) and return on net worth (RONW) stood at 2.84% and 7.54% in 9MFY24 respectively.

Exposure to the under-banked segment of borrowers

More than 90% of the customers belong to the LIG and economically weaker section (EWS) income segments. ACHFPL's customer base consists of salaried customers (34% of the AUM as on December 31, 2023), formal and informal segments, and self-employed proprietors of small and medium enterprises (SMEs) (66% of the AUM as on December 31, 2023). These customers are generally under-served and unserved for long-term housing finance. Since this segment is highly susceptible to impact of economic downturns, maintaining good asset quality, while increasing scale of operations is a key sensitivity.

Liquidity: Adequate

Per the asset liability management (ALM) statement as on December 31, 2023, there are no negative cumulative mismatch up to six-month maturity bucket. The company's debt obligation outflows are around ₹98 crore over the next year, against which the company has unencumbered cash and bank balances of ₹18 crore. Also, the company has undrawn credit lines (of term loans) of ₹ 40 crore and cash credit limit (one year rolling) of ₹ 1.1 crore from banks/financial institutions. ACHFPL monitors cumulative mismatches across all time buckets by establishing prudential limits with the approval of the board or management committee. Per the liquidity policy of ACHFPL, in the normal course, the ALM mismatch should not exceed 15% of cash outflows in each time bucket. The average collection efficiency of the company for 9MFY23 is 98.20%.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Housing Finance Companies](#)

About the company and industry

ACHFPL is a housing finance company registered with the NHB. Headquartered at Pune, the company currently has a presence in Maharashtra, Tamil Nadu Karnataka, Rajasthan, Andhra Pradesh, and Telangana, with 53 branches predominantly in Tier-II and Tier-III cities. The company is promoted by seasoned professionals with diverse experience in retail assets lending. ACHFPL was incorporated in September 2016 and received the license from NHB on June 01, 2017. The company's focus is to build a retail home loan asset book largely across the LIG and EWS income segments, who are first-time home buyers. ACHFPL's geographical focus is mainly on Tier-II and Tier-III cities. More than 90% customers belong to the EWS and LIG income segments.

Industry classification

Macro-economic Indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Housing finance company

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	December 31, 2023
Total operating income	36.43	72.29	84.76
PAT	4.47	8.96	13.64
Total Assets	343.95	550.47	730.71
Net NPA (%)	0.36	0.22	0.30
ROTA (%)	1.69	2.00	2.84

A: Audited UA: Unaudited. Note: These are latest available financial results.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not Applicable

Rating history for the last three years: Annexure-2

Covenants of the rated instruments/facilities:

Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Debentures-Non Convertible Debentures	INE497W07011	07-02-2023	12.5	14-02-2028	20.00	CARE BBB; Stable
Fund-based-Long Term	-	-	-	-	700.00	CARE BBB; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based-Long Term	LT	700.00	CARE BBB; Stable	1)CARE BBB; Stable (28-Jul-23)	1)CARE BBB; Stable (07-Feb-23) 2)CARE BBB; Stable (01-Aug-22)	1)CARE BBB-; Positive (31-Jan-22) 2)CARE BBB-; Stable (20-Aug-21)	1)CARE BBB-; Stable (18-Jan-21)
2	Debentures-Non Convertible Debentures	LT	20.00	CARE BBB; Stable	1)CARE BBB; Stable (28-Jul-23)	1)CARE BBB; Stable (07-Feb-23)	-	-

LT-Long term.

Annexure-3: Detailed explanation of covenants of rated instruments/facilities – Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non-Convertible Debentures	Simple
2	Fund-based-Long Term	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

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

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