

Vastu Finserve India Private limited

July 01, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	1,450.00 (Enhanced from 1,050.00)	CARE AA-; Positive	Reaffirmed; Outlook revised from Stable
Non Convertible Debentures	100.00	CARE AA-; Positive	Reaffirmed; Outlook revised from Stable
Non Convertible Debentures	150.00	CARE AA-; Positive	Reaffirmed; Outlook revised from Stable
Non Convertible Debentures	250.00	CARE AA-; Positive	Reaffirmed; Outlook revised from Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings of the long-term bank facilities and debt instruments of Vastu Finserve India Private Limited (VFIPL) continue to factor in the parentage of Vastu Housing Finance Corporation Limited (VHFCL; rated 'CARE AA-; Stable'), VFIPL being a wholly owned subsidiary of VHFCL. The ratings also factor in the expected timely financial and management support from its parent in future along with business and operational synergies and shared brand identity with the group.

The ratings of VFIPL take note of the adequate capitalisation levels, significant growth in the assets under management (AUM), healthy asset quality parameters, and improved profitability.

The ratings are, however, constrained by modest scale of operations and low seasoning of its loan book as compared to its peers due to its short track record in vehicle financing business. Furthermore, the company's target customer segment is vulnerable to economic down cycles.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in VHFCL's rating.
- Significant scale up in the size of operations with comfortable asset quality, capitalisation, and profitability parameters.

Negative factors

- Downgrade in VHFCL's rating.
- Material dilution in shareholding, strategic importance or expected support from VHFCL.
- Significant deterioration in asset quality impacting profitability.

Analytical approach:

CARE Ratings Limited (CARE Ratings) has analysed the standalone credit profile of VFIPL along with business and operational synergies and expected support from its 100% holding company, VHFCL.

Outlook: Positive

The revision in outlook from 'Stable' to 'Positive' follows similar rating action on its parent VHFCL wherein CARE Ratings has revised the rating of the company from CARE AA-; Stable to 'CARE AA-; Positive'.

Detailed description of the key rating drivers:

Key strengths

VFIPL is a strategically important entity for VHFCL, as it would be the primary arm for the group foraying into consumer product offerings in addition to mortgage finance. Furthermore, linkage between the parent entity and subsidiary in terms of technology and analytical-driven systems, processes, and risk management practices shall leverage the overall operations of the company.

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

VFIPL has board representation from VHFCL and Multiples private equity (which is the majority shareholder of VHFCL). VHFCL has infused equity capital of ₹500 crore up to March 31, 2024 since its inception including ₹200 crore capital infusion done by VHFCL recently in FY24. The extensive operational, managerial, and financial linkages, along with 100% shareholding and shared brand name, imply strong support to VFIPL from VHFCL.

Experienced management with significant depth

Mr. Sandeep Menon (who is MD of VHFCL) is a Whole-time Director of VFIPL. He has extensive experience in building and scaling retail businesses. Sandeep Menon manages the day-to-day operations of VFIPL and is assisted by a team of professionals having relevant experience in their respective fields. VFIPL has three Directors on its Board, viz., Sandeep Menon, Sudhir Variyar (who is a nominee Director of Multiples on the Board of VHFCL) and Vijay Kumar. Other than the common supervisory management team, both companies have common Chief Risk Officer, Chief Technology Officer and Head Treasury.

Profitable operations and comfortable capitalisation levels

VFIPL reported profit after tax (PAT) of ₹28.80 crore during FY24 on a total income of ₹240.34 crore as compared with PAT of ₹11.05 crore on a total income of ₹83.26 crore for FY23. The growth in the income is on account of significant increase in AUM which grew from ₹803.41 crore as on March 31, 2023 to ₹1717.39 crore as on March 31, 2024. The net interest margin (NIM) stood at 6.77% for FY24 as compared with 6.25% in FY23 primarily due to increase in leverage during the period and also because of the macro-led increase in market rates. During FY24, company reported ROTA of 1.97% as against 1.56% in FY23.

The company reported capital adequacy ratio (CAR) of 34.20% as on March 31, 2024, as compared to 38.26% as on March 31, 2023 with overall gearing of 2.35x during March 31, 2024 as compared to 2.28x as on March 31, 2023. VHFCL infused capital of ₹175 crore during FY23, ₹200 crore during FY24 with total of ₹500 crore is infused till date. The equity raise and low leverage provides VFIPL strong room to grow its book over the medium term while maintaining strong capitalisation. CARE Ratings expects the company to increase its leverage in next couple of years to grow its business and maintain standalone gearing of up to 5x on a steady state basis.

During FY24, VHFCL on a consolidated basis reported PAT of ₹361 crore as compared to PAT of ₹285 crore for FY23 on total income of ₹1,255 crore during FY24 as compared to total income of ₹768 crore for FY23.

Key weaknesses

Modest scale as operations and low seasoning due to its short track record

The company started its operation in FY20, with the majority of the book being built post Q1FY21 after the second wave of COVID-19 and its AUM stood at ₹1717.39 crore as on March 31, 2024 as compared to ₹803.41 crore as on March 31, 2023, which almost entirely consists of vehicle financing along with a very small portion of loan against property (LAP). Incrementally the proportion of LAP book will increase in the overall product mix. The company has operations in 13 states with 68 branches (out of which 34 are shared with VHFCL) as on March 31, 2024.

The loan book has seen one full cycle and will further season over a period. The performance of the loan portfolio over multiple business cycles is yet to be seen. However, the ability of the management to maintain adequate asset quality and profitability as the business scales up and its loan book seasons will remain a key monitorable.

Exposure to target segment which could be relatively vulnerable to economic down cycles

The customers in the target segment are relatively vulnerable to macro environment shocks and VFIPL requires strong risk management process and underwriting skills to effectively contain the risk. However, the company's conservative customer selection practices reduce this risk to a certain extent. As on March 31, 2024 VFIPL reported increase in gross non-performing asset (GNPA) ratio of 1.88% and net NPA (NNPA) ratio of 1.01%, as compared with GNPA of 0.78% and NNPA of 0.31% as on March 31, 2023.

Liquidity: Strong

As per the standalone asset liability maturity (ALM) statement as on March 31, 2024, there were no negative mismatches in across all buckets. As on March 31, 2024, the company had debt repayments of ₹494 crore up to one year against which it had receivables of ₹464 crore and cash and bank balance including liquid investments of ₹405.11 crore and undrawn bank lines of ₹255.24 crore.

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

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Non Banking Financial Companies](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Financial Services	Financial Services	Finance	Non Banking Financial Company (NBFC)

Vastu Finserve India Pvt Ltd (VFIPL) was incorporated in September 2019 as a 100% subsidiary of Vastu Housing Finance Corporation Limited (VHFCL) (rated 'CARE AA-; Positive). VFIPL is registered with Reserve Bank of India (RBI) as a non-deposit taking non-systemically important NBFC and is into vehicle financing, small portion of Business instalment loans. The AUM of VFIPL as on March 31, 2024, stood at ₹1,717 crore and operates from 68 dedicated branches (out of which 34 are shared with VHFCL) spread across 13 states (Andhra Pradesh, Chhattisgarh, Delhi, Gujarat, Haryana, Karnataka, Madhya Pradesh, Maharashtra, Punjab, Rajasthan, Telangana, Uttar Pradesh and Uttarakhand) with over 1,300+ employees.

About the parent, VHFCL

VHFCL is a non-deposit-taking housing finance company headquartered out of Mumbai. The company is majority owned by funds advised by Multiples Alternate Asset Management. VHFCL has presence in 14 states with 172 branches as on March 31, 2024. VHFCL provides home loans and loan against property on a standalone basis and commercial vehicle finance through its wholly-owned subsidiary, Vastu Finserve (India) Private, which is an NBFC. The subsidiary business was formed to increase product offerings to existing and target new customer base. The target segment of the group is self-employed, emerging middle-income group in Tier-II, Tier-III cities, and towns.

VFIPL Standalone

Brief Financials (₹ crore)	31-03-2021 (A)	31-03-2022 (A)	31-03-2023 (A)	31-03-2024 (A)
Total income	11.16	42.29	83.26	240.34
PAT	-4.74	5.45	11.05	28.80
Total assets (net of DTA & intangible assets)	195.31	363.37	1,052.20	1,871.84
Net NPA on AUM (%)	-	0.33	0.31	1.01
ROTA (%)	-3.81	1.94	1.56	1.97

A: Audited; UA: Unaudited Note: 'the above results are latest financial results available'

*Annualised

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: 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-I	INE08Z607026	27/09/2022	9.78%	27/09/2024	25	CARE AA-; Positive
Debentures-Non-convertible debentures-I	INE08Z607034	09/11/2022	9.78%	08/11/2024	15	CARE AA-; Positive
Debentures-Non-convertible debentures-I	INE08Z607042	31/03/2023	9.00%	31/03/2025	25	CARE AA-; Positive
Debentures-Non-convertible debentures-I	Proposed	-	-	-	35	CARE AA-; Positive
Debentures-Non-convertible debentures-II	INE08Z607059	02/05/2023	9.55%	02/05/2026	49	CARE AA-; Positive
Debentures-Non-convertible debentures-II	INE08Z607067	02/06/2023	9.55%	02/06/2026	50	CARE AA-; Positive
Debentures-Non-convertible debentures-II	Proposed	-	-	-	51	CARE AA-; Positive
Debentures-Non-convertible debentures-III	INE08Z607083	03/11/2023	9.90%	03/11/2025	200	CARE AA-; Positive
Debentures-Non-convertible debentures-III	Proposed	-	-	-	50	CARE AA-; Positive
Fund-based-Long term	-	-	-	January, 2026	1450	CARE AA-; Positive

Annexure-2: Rating history for the 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 2024-2025	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
1	Fund-based-Long Term	LT	1450.00	CARE AA-; Positive	-	1)CARE AA-; Stable (09-Jan-24)	1)CARE AA-; Stable (23-Jan-23)	1)CARE A+; Positive (30-Mar-22)

						2)CARE AA-; Stable (26-Oct- 23)	2)CARE AA-; Stable (28-Dec- 22)	
						3)CARE AA-; Stable (12-Jun- 23)	3)CARE A+; Positive (20-Sep- 22)	
2	Debentures-Non Convertible Debentures	LT	100.00	CARE AA-; Positive	-	1)CARE AA-; Stable (09-Jan- 24)	1)CARE AA-; Stable (23-Jan- 23)	
						2)CARE AA-; Stable (26-Oct- 23)	2)CARE AA-; Stable (28-Dec- 22)	-
						3)CARE AA-; Stable (12-Jun- 23)	3)CARE A+; Positive (20-Sep- 22)	
3	Debentures-Non Convertible Debentures	LT	150.00	CARE AA-; Positive	-	1)CARE AA-; Stable (09-Jan- 24)		
						2)CARE AA-; Stable (26-Oct- 23)	1)CARE AA-; Stable (23-Jan- 23)	-
						3)CARE AA-; Stable (12-Jun- 23)		
4	Debentures-Non Convertible Debentures	LT	250.00	CARE AA-; Positive	-	1)CARE AA-; Stable (09-Jan- 24)	-	-
						2)CARE AA-; Stable		

						(26-Oct-23)		
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LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Annexure-4: Complexity level of the various 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 the complexity levels of the rated instruments: CARE Ratings 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.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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