Hiranandani Financial Services Private Limited

March 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	1,500.00 (Enhanced from 1,000.00)	CARE A+; Stable	Reaffirmed
Short-term bank facilities	50.00	CARE A1+	Reaffirmed
Non-convertible debentures	100.00	CARE A+; Stable	Assigned
Non-convertible debentures	100.00	CARE A+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has reaffirmed ratings to the long-term bank facilities/instruments and short-term bank facilities of Hiranandani Financial Services Private Limited (HFSPL) at 'CARE A+; Stable / CARE A1+' due to increase in scale of operations supported by sustained profitability, comfortable capitalisation metrics, secured nature of the loan portfolio, comfortable asset quality metrics, and expansion in the resource profile.

Ratings of HFSPL also derive both financial and operational strength from the strong support of the promoter group, House of Hiranandani (HOH) group. However, ratings remain constrained considering its nascent stage of operations with limited seasoning of portfolio and geographical concentration.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could, individually or collectively lead to positive rating action/upgrade:

- Significant increase in the scale of operations with improvement in profitability while maintaining resilience in asset quality on a sustained basis.
- Improvement in credit profile of HOH group.

Negative factors: Factors that could, individually or collectively lead to negative rating action/downgrade:

- Weakening of linkages with the HOH group and/or deterioration in the credit risk profile of the HOH group.
- Increase in leverage above 4x.
- Weakening of asset quality parameters with gross non-performing assets (GNPA) above 3%.
- Decline in profitability metrics with return on total assets (ROTA) reducing below 1.5%.

Analytical approach: Standalone

CARE Ratings has analysed HFSPL standalone business factoring linkages with the promoter group (HoH group).

Outlook: Stable

CARE Ratings has assigned a Stable outlook, which reflects continued support from the promoters, comfortable capitalisation levels, improving liability profile, and profitability.

Detailed description of key rating drivers:

Key strengths

Strong support from promoters /HOH group

HFSPL is promoted by Harsh Hiranandani (son of Surendra Hiranandani) and Neha Hiranandani (daughter of Surendra Hiranandani) and is a part of the HOH group owned by Surendra Hiranandani and family. The company is the group's first diversification outside of its real estate business. HFSPL has a high level of integration with the HOH group in terms of shared

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

brand name, common promoters, and directors. Since inception, promoters have infused ~₹700 crore upto FY24 along with funding support to the company in the form of unsecured interest free loans. Promoters are actively involved in the company's operations, key strategy and decision-making processes, with representation on key committees of HFSPL, including audit, risk management and finance and investment. Benefiting from the shared brand name with the HOH group, HFSPL has been able to raise funds from banks and non-banking finance companies (NBFCs).

Experienced board and management team

HFSPL has strong board with representation from the HOH Group and experienced financial services professionals as independent directors. Harsh Hiranandani, who is on the board of both group companies and HFSPL, has majored in economics from the University of Chicago and heads the business development team of the group across multiple asset classes. The company's operations are headed by Uday Suvarna, the Chief Executive Officer of HFSPL. He has over two and half decades of experience in the retail and micro, small and medium enterprises (MSME) lending domain. The leadership team across other key functions is also well qualified with extensive experience in retail lending businesses including MSME lending space across geographies of India. Most of the senior management team has been with the company since inception. CARE Ratings believes that HFSPL will benefit from long track record of the management to scale up the business while managing the asset quality.

Increase in scale of operations driven by secured loans

HFSPL is an MSME-focused NBFC, which primarily provides business loans backed by residential or commercial property. The target customers include traders, retail outlets, dairy, kirana stores medical or provisional stores, among others. The secured business loans are secured against residential or commercial property. Around 90% of secured loans are secured against self-occupied residential property as on March 31, 2024.

The asset under management (AUM) increased from ₹1,903.23 crore in FY24 to ₹2,513.86 crore in 9MFY25 registering a growth of ~32%. About 99% of the outstanding portfolio as on December 31, 2024, comprises secured business loans. Out of total disbursements done in FY24, 99% are secured and 100% secured loans for 9MFY25. The company had launched the unsecured business loans - christened as Digital Udhyam loans in FY22, which contributes less than 1% of the outstanding portfolio as on December 31, 2024. Since January 2024, the company has not disbursed unsecured business loans and is currently only focusing on the secured lending business.

Comfortable capitalisation metrics with adequate resource raising ability

As on December 31, 2024, capitalisation levels of HFSPL remain comfortable supported with capital adequacy ratio (CAR) at 30.19% (March 31, 2024: 38.07%) and Tier-I capital at 29.90% (March 31, 2024: 37.70%). The CAR was supported with equity capital infusion of ~₹700 crore by the promoter group till 9MFY25. As on December 31, 2024, tangible net worth (TNW) stood at ₹779.66 crore with gearing of 2.54x compared to a TNW of ₹731.57 crore and gearing of 1.96x as on March 31, 2024.

The increase in gearing is on the back of increase in borrowings to fund the growth in the loan book. CARE Ratings expects the company to maintain comfortable capitalisation levels with overall gearing under 4x in the medium term, as the company grows its lending book. Moreover, until FY22, HFSPL funded its loan book through equity and unsecured interest free loans from promoters and had a high reliance on promoters. Since FY23, to fund the portfolio growth, HFSPL resorted to external borrowings from private sector banks, public sector banks, small finance banks, and NBFCs. The company with its stable profitability and sound asset quality has been able to raise funds from lenders for a longer tenure and at competitive rates. HFSPL now has ~30 lenders in its resource profile. The company's ability to raise resources at competitive rates and diversify its liability profile continues to remain a key monitorable.

Key weakness

Moderate seasoning and geographical and product concentration

HFSPL' loan portfolio is concentrated with secured MSME financing constituting majority chunk at over 99% as on December 31, 2024.

Given HFSPL's moderate track record and scale of operations, its portfolio has witnessed limited seasoning across business cycles. As on December 31, 2024, HFSPL' AUM stood at ₹2,513.86 crore. Since inception, the company has disbursed loans aggregating to ₹3,400 crore, of which ~60% have been disbursed over the last two years. Given that HFSPL' loans have a tenor of 96-120 months, its portfolio is moderately seasoned. In FY24, HFSPL reported a profit after tax (PAT) of ₹31.3 crore, a significant improvement from the PAT of ₹23.33 crore in the previous fiscal. For 9MFY25, PAT stood at ₹47.5 crore. The company's ability to sustainably and profitably scale its operations across business cycles will continue to be closely monitored.

In terms of asset quality, Gross stage-III assets stood comfortable at 1.67% as on December 31, 2024, against 0.83% as on March 31, 2024. Net NPA (NNPA) stood at 1.00% in 9MFY25 against 0.50% in FY24. However, due to the secured nature of lending, the final credit losses are expected to be lower.

CARE Ratings believes that HFSPL' asset quality shall continue to remain anchored on the income profile of the underlying borrowers, as majority are self-employed borrowers and their cash flows remain vulnerable to economic shocks. However, the management team's knowledge on this target customer segment provides comfort and the risk is mitigated to an extent as AUM is of secured loans which are majorly backed by mortgage of self-occupied residential property. As portfolio is moderately seasoned, asset quality performance over economic cycles is yet to be established and hence remains to be a key rating sensitivity going forward.

Geographically, HFSPL started its operations in Maharashtra and Gujarat and forayed its way into different states as the company's operations grew. With increasing AUM levels, overall scale of operations also increased with the company having its presence across nine states and 121 branches. As on December 31, 2024, HFSPL' portfolio remained concentrated in Andhra Pradesh and Telangana, which comprised ~36% and ~31% of the AUM, respectively. Going forward, the company intends to geographically diversify.
CARE Ratings observes, the company's ability to manage its growing scale of operations as it opens new branches and enters new geographies, while maintaining good asset quality remains critical for its growth prospects.

Liquidity: Adequate

HFSPL' liquidity as on December 31, 2024, has remained comfortable, marked by liquidity of ₹255.90 crore in the form of free cash and bank balance. This is further supported by inflows from advances to the tune of ₹409.82 crore in the next one year. Against the same, the company has debt repayments of ₹585.68 crore for the next one year. The company also has an undrawn/unutilised sanction line of ₹421 crore, which provides additional comfort.

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Rating Outlook and Rating Watch
Financial Ratios - Financial Sector
Short Term Instruments
Non Banking Financial Companies

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Non-banking financial company (NBFC)

HFSPL was incorporated on February 10, 2017, and received the Certificate of Registration (COR) dated June 7, 2018, from the Reserve Bank of India (RBI) to carry on non-banking financial institution. The company is presently categorised as systemically important non-deposit-taking NBFC (NBFC-ND-SI) in accordance with RBI guidelines. The company is a part of the HOH Group, founded by Surendra Hiranandani and is managed by his son, Harsh Hiranandani. The HOH Group is a pioneer in developing upscale real estate projects. The company is engaged in providing secured loans to MSME and operates in nine states as on March 31, 2024.

Standalone Financials of HFSPL

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25(UA)
Total income	131.10	270.94	322.77
PAT	23.33	31.30	47.50
Total assets	1,223.33	2,252.40	2,805.20
Net NPA (%)	0.32	0.50	1.00
ROTA (%)	2.74	1.80	2.50*

A: Audited UA: Unaudited; Note: these are latest available financial results

*Annualised

Status of non-cooperation with previous CRA: None

Any other information: None

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: 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 and Rating Outlook
Debentures-Non-convertible debentures	INE07UF07018	24-Sep-2024	10.25%	24-Sep-2027	50.00	CARE A+; Stable
Debentures-Non-convertible debentures (Proposed)	-	-	-	-	150.00	CARE A+; Stable
Fund-based/Non-fund-based-Long Term	-	-	-	June - 2028	856.76	CARE A+; Stable
Fund-based/Non-fund-based-Long Term (Proposed)	-	-	-	-	643.24	CARE A+; Stable
Fund-based/Non-fund-based-Short Term (Proposed)	-	-	-	-	50.00	CARE A1+

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 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/Non-fund-based-Short Term	ST	50.00	CARE A1+	1)CARE A1+ (23-Aug-24)	1)CARE A1 (09-Jan-24) 2)CARE A1 (06-Dec-23) 3)CARE A1 (31-May-23)	1)CARE A1 (09-Jan-23)	1)CARE A2+ (17-Mar-22)
2	Fund-based/Non-fund-based-Long Term	LT	1500.00	CARE A+; Stable	1)CARE A+; Stable (23-Aug-24)	1)CARE A; Stable (09-Jan-24) 2)CARE A; Stable (06-Dec-23) 3)CARE A; Stable (31-May-23)	1)CARE A; Stable (09-Jan-23)	1)CARE A-; Stable (17-Mar-22)
3	Debentures-Non-convertible debentures	LT	100.00	CARE A+; Stable	1)CARE A+; Stable (23-Aug-24)	1)CARE A; Stable (09-Jan-24) 2)CARE A; Stable (06-Dec-23) 3)CARE A; Stable (31-May-23)	-	-
4	Debentures-Non-convertible debentures	LT	100.00	CARE A+; Stable				

LT: Long term; ST: Short 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/Non-fund-based-Long Term	Simple
3	Fund-based/Non-fund-based-Short Term	Simple

Annexure-5: Lender details

To view 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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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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