Altum Credo Home Finance Private Limited

June 27, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	700.00	CARE BBB+; Stable	Revised from CARE BBB; Stable
Non-convertible debentures	20.00	CARE BBB+; Stable	Revised from CARE BBB; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in ratings of bank facilities and non-convertible debentures of Altum Credo Home Finance Private Limited (ACHFPL) takes into account the recent capital infusion in Q1FY25 of ₹228 crore through series C round, continuous increase in the scale of operations with growth in assets under management (AUM) of 57% from ₹467.15 crore as of March 31, 2023, to ₹732.85 crore as of March 31, 2024, and resultant improvement in profitability. The improvement of profitability is mainly due to scale benefits, leading to operating expenses/average total assets (%) improving from 8.64% in FY23 to 7.17% in FY24. The growth in business is supported by branch expansion and increase in the number of borrowers from 7,056 in FY23 to 11,135 in FY24. As on March 31, 2024, share of top three states declined from 68% of AUM in FY23 to 61% in FY24. Ratings also derive strength from experienced promoters and management team, improving resource profile with longer tenure of borrowings and sufficient capitalisation. CARE Ratings Limited (CARE Ratings) also takes note of the 'Zero Cash policy', which increases the level of operational transparency within the company.

Ratings remains constrained due to moderate track record and geographical presence and low seasoning of the portfolio. Going forward, the company plans to expand into Madhya Pradesh, Chhattisgarh and Uttar Pradesh, which are neighbouring states, leading to further diversification of the geographical presence and increase footprint in central and northern India. CARE Ratings also takes note of the large proportion of the company's self-employed customer class, comprising 68.7% (PY: 57.5%) of the portfolio, however, the target customer segment comprises borrowers in the economically weaker section (EWS) (25.3% of AUM as on March 31, 2024) and low-income group (LIG) (66.7% of AUM as on March 31, 2024), who may be vulnerable to economic downturns. Thus, the company's ability to manage the asset quality in such times would be a key rating monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant mobilization of equity capital for further growth in business.
- Sustained growth in loan portfolio while maintaining the asset quality, profitability, comfortable capitalization level on a sustained basis.
- Significant improvement in borrowing profile

Negative factors

- Deterioration in asset quality parameters with Gross NPA ratio above 3%.
- Deterioration in profitability parameters on as 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 with stable asset quality and relatively stable profitability considering its healthy capitalisation levels.

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

Detailed description of key rating drivers:

Key strengths

Adequate capitalisation supported by equity infusion from institutional and other impact investors

Since inception, the company has demonstrated the ability to raise capital on regular intervals. Till date, the company has been able to raise ₹446.5 crore from investors with the last round of capital raise (Series C) of ₹228 crore concluded in Q1FY25 (from April 01-June 30). The round witnessed participation from investment funds including Z3Partners Tech Fund (invested ₹79.33 crore), Oiko Credit Ecumenical Development Cooperative Society U.A (invested ₹80 crore), British International Investment Plc (invested ₹26 crore) and Z3P Global (invested ₹5.67 crore) and existing investors Aavishkar Bharat Fund and Amicus Capital.
As on June 25, 2024 (post series C round), the shareholding pattern on a fully diluted basis comprises promoters (holding 19%), P. S. Pai and family (holding 33%), institutional investors including Aavishkar Bharat Fund, Amicus Capital, British International Investment Plc, Z3P Partners and Oiko Credit Ecumenical Development Cooperative Society U.A (together holding 45%) and other individuals (holding 2%).
The company's overall gearing stood at 1.98x (PY: 1.3x) as on March 31, 2024, with the total debt standing at ₹503 crore (PY: ₹305 crore). The company reported Capital Adequacy Ratio (CAR) of 48.40% (Tier I CAR: 47.80%) as on March 31, 2024, against 81.31% (Tier I CAR: 80.23%) as on March 31, 2023. As on March 31, 2024, the company's tangible net worth stood at ₹254 crore (PY: ₹235 crore). Per the management, post the series C round of capital infusion, the tangible networth of the company increased to ~₹470 crore. The company has raised adequate equity capital at regular intervals in the past and expects to scale up its size of operations and grows the loan portfolio in FY25 while keeping the overall gearing under 2x in the medium term.

Experienced promoters and management team

ACHFPL is promoted by three professionals; Vikrant Bhagwat (Managing Director and Chief Executive Officer; MD & CEO), Ashish Tewari (Non-Executive Director and investor) and Ganesh Rao (Investor Promoter) each having 25+ years of experience in retail assets lending across geographies. The company's operations are headed by Bhagwat and supported by Sanjay Tiwari as a founding team member and Head - Corporate Strategy and Finance of the Company, who has more than 20 years of experience predominantly BFSI industry in areas of corporate finance, business planning and strategy, treasury management with rich experience in early-stage business roll out.

Increase in scale of operations and improving profitability

The company's AUM witnessed an increase of 57% y-o-y from ₹467 crore in FY23 to ₹733 crore in FY24, while disbursements increased 30% y-o-y from ₹252 crore in FY23 to ₹328 crore in FY24. The net interest margin (NIM) remained moderately stable at 7.51% (PY: 7.62%). The total operating expenses/average total assets (%) improved from 8.64% in FY23 to 7.17% in FY24. On absolute basis, the total operating expense increased to ₹47 crore in FY24 from ₹39 crore in FY23, mainly due to an increase in the number of branches and an increase in the number of employees in FY24 (578 as on March 31, 2024, as compared to 506 as on March 31, 2023). Considering scaling up of operations, operational efficiencies were visible with significant improvement in cost to income ratio from 75.38% in FY23 to 64.59% in FY24. Credit costs (% of avg. total assets) remained stable at 0.14% led by comfortable asset quality parameters. Owing to these factors, the return on total assets (ROTA) improved from 2.00% in FY23 to 3.00% in FY24. Going forward, the company's ability to sustain the profitability metrics with stable credit costs as the portfolio seasons, would be a key rating monitorable.

Improving resource profile

ACHFPL's resource profile comprises term loans, and non-convertible debentures from 20 different banks/NBFCs as on March 31, 2024. The weighted average cost of borrowings improved from 10.97% as on March 31, 2023, to 10.81% as on March 31, 2024, mainly considering increase in the proportion of low-cost funding from National Housing Bank (NHB) from 22% as on March 31, 2023, to 25% as on March 31, 2024. Proportion of banks to overall borrowings increased from 35% as on March 31, 2023, to 44% as on March 31, 2024. The company was able to increase lending partners from 16 as on March 31, 2023, to 20 as on March 31, 2024, considering onboarding two private sector banks and two NBFCs leading to further diversification of debt mix. Per the management, the company makes conscious efforts to borrow long-term loans with a minimum tenure of five years.

Key weaknesses

Moderate track record with moderate geographical concentration

ACHFPL started disbursing loans in FY18, after receiving license from NHB in June 2017 and first seed funding in July 2017. The company has disbursed ₹328 crore in FY24 (PY.: ₹252 crore), and cumulative disbursements of ₹852 crore since inception. The AUM stood at ₹733 crore as on March 31, 2023 (PY.: ₹467 crore). ACHFPL's target customer segment is in outskirts of Tier II and

Tier III cities and the company initially had presence in Maharashtra, Tamil Nadu and Karnataka. In FY21, ACHFPL increased its geographical diversification by expanding its presence into three new states i.e. Rajasthan, Andhra Pradesh and Telangana taking the presence in six states and increased its branch network to 55 branches as on March 31, 2024. The geographical concentration has relatively decreased in the last year, however, remains moderate, with Maharashtra accounting for 23% (March 31,2023: 31%) of loan book and the top three states constituting 61% (March 31,2023: 68%) share of the loan book as on March 31, 2024.

Low seasoning of portfolio being in initial stages and moderate asset quality

The company's operations are seven years old with loan portfolio of ₹733 crore and cumulative disbursements of ₹852 crore since inception as on March 31, 2024. The loan portfolio of ACHFL is less seasoned majority disbursements happened in the last three years with average tenure of the book in the range of 12.6 years. The company's asset quality remains comfortable with gross non-performing assets (NPA) ratio and Net NPA ratio of 0.55% and 0.35% respectively as on March 31, 2024, as compared to 0.59% and 0.22% as on March 31, 2023. The NNPA to net worth ratio stood at from 1.02% as on March 31, 2024 (March 31, 2023: 0.44%). Movement of NPAs and deterioration in asset quality continues to be a key monitorable for the company.

Exposure to under-banked segment of borrowers

As on March 31, 2024, 92% of customers belong to EWS and LIG income segment and remaining 8% belong to middle income group (MIG) income segment. ACHFPL's customer base consists of salaried customers (31% of AUM as on March 31, 2024), both formal and informal segment, and self-employed proprietors of small and medium enterprises (69% of AUM as on March 31, 2023). 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: Adequate

Per the ALM statement dated March 31, 2024, the company's liquidity profile is comfortable with positive cumulative mismatches in all timeframe buckets mainly due to series C round of capital infusion of ₹228 crore. Liquidity profile is also supported by ₹6.1 crore Cash Credit facility as on March 31, 2024, which was further increased to ₹11.1 crore as on date. ACHFPL monitors the cumulative mismatch across all time buckets by establishing prudential limits with the approval of Board/Management Committee. Per ACHFPL's liquidity policy, in the normal course, ALM mismatch should not exceed 15% of cash outflows in each time bucket.

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 presence in Maharashtra, Tamil Nadu Karnataka, Rajasthan, Andhra Pradesh, and Telangana, with 55 branches predominantly in Tier-II and Tier-III cities. The company is promoted by seasoned professionals with diverse experience in retail assets lending. ACHFPL received Housing Finance license from the NHB on June 01, 2017. The company's key business focus is to build a retail home loan asset book, largely across the LIG and EWS income segments, who are first-time home buyers and largely un/underserved by long term finance. As on March 31, 2024, 92% of customers belong to EWS and LIG income segment and remaining 8% belong to MIG income segment. ACHFPL's customer base consists of salaried customers (31% of AUM as on March 31, 2024), in formal and informal segment, and self-employed proprietors of small and medium enterprises (69% of AUM as on March 31, 2023).

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)	March 31, 2024 (UA)
Total operating income	36.43	72.29	118.88
PAT	4.47	8.96	19.83
Total Assets	343.95	550.47	769.69
Net NPA (%)	0.36	0.22	0.35
ROTA (%)	1.69	2.00	3.00

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 last three years: Annexure-2

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 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 (Proposed)	-	-	-	-	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 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	700.00	CARE BBB+; Stable	1)CARE BBB; Stable (03-Apr-24)	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)
2	Debentures-Non-Convertible Debentures	LT	20.00	CARE BBB+; Stable	1)CARE BBB; Stable (03-Apr-24)	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 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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