May 03, 2023 (Revised)

DMI Housing Finance Private Limited: Change in limits for bank facilities

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debentures	400.00	400.00	[ICRA]AA- (Stable); outstanding
Long-term fund-based term loan	530.00	581.97	[ICRA]AA- (Stable); outstanding^
Long-term fund-based cash credit	100.00	65.00	[ICRA]AA- (Stable); outstanding^
Long-term fund-based unallocated	20.00	3.03	[ICRA]AA- (Stable); outstanding^
Total	**1,050.00**	**1,050.00**	

**Instrument details are provided in Annexure I; ^ Change in limits*

Rationale

To arrive at the rating, ICRA has taken a consolidated view of DMI Finance Private Limited (DFPL) and DMI Housing Finance Private Limited (DHFPL), referred to as the DMI Group, given the operational linkages between the companies in addition to the common promoter, shared name, and management oversight.

The rating factors in the DMI Group's consistent track record of strong capitalisation, aided by regular equity infusions by the promoter, i.e. DMI Limited, Mauritius, and other external investors. Following the equity infusion of about Rs. 2,950 crore during the six-year period ending March 2022, the Group's net worth (DFPL (consolidated) + DHFPL) stood at about Rs. 4,479 crore with a gearing of 0.7x as on March 31, 2022. As on December 31, 2022, the Group's net worth (DFPL (standalone) + DHFPL) was about Rs. 4,694 crore with a gearing of 0.9x. Moreover, ICRA notes that the Group plans to maintain prudent capitalisation with a peak gearing of 2-3x over the longer term. The rating also draws comfort from the Group's track record of strong liquidity supported by low leverage and sizeable on-balance sheet liquidity. Additionally, a considerable portion of the loan book has a residual tenor of up to one year, which supports the overall liquidity profile. The available on-balance sheet liquidity of about Rs. 932 crore as on December 31, 2022 (Rs. 853 crore in DFPL (standalone) and Rs. 79 crore in DHFPL) is more than sufficient to take care of the debt-servicing obligations falling due in the next one year.

ICRA has taken cognizance of the Group's moderate profitability indicators and the rising share of unsecured digital loans (small-ticket personal/consumption retail loans) in the overall portfolio mix. The foray into digital loans and affordable housing loans has led to improved granularity of the portfolio, which, in the past, was characterised by concentrated wholesale exposures primarily to real estate builders. As of December 31, 2022, digital loans constituted 66% of the Group's consolidated loan book of Rs. 8,350 crore, followed by wholesale loans (20%) and affordable housing finance loans (14%). While a higher proportion of digital/retail loans is a positive from a concentration risk perspective, the inherent vulnerability associated with the target borrower profile and the nature of the loans augment the portfolio vulnerability.

Nevertheless, ICRA expects the Group to maintain good systems and processes and report good risk-adjusted returns over the medium term. Further, while digital lending is a relatively newer product for the Group, an improvement was witnessed in the past four years of operations (FY2019 - 9M FY2023) with disbursements of about Rs. 24,000 crore. While the Group's overall asset quality indicators improved in FY2022 due to higher collections and write-offs, the same weakened mildly in 9M FY2023 because of slippages in the corporate loan book. As the Group focusses on increasing the share of digital loans that are not backed by first loss default guarantee (FLDG) arrangements with its partners, its ability to manage slippages will remain a monitorable.

Overall, the Group's ability to improve the profitability indicators from the current levels and grow the business while maintaining the underwriting standards and controlling the credit costs would be a key monitorable. At the same time, the ability to diversify the funding mix would be critical for growing the business. As for DHFPL, ICRA notes that the company's scale of operations is modest on a standalone basis with assets under management of Rs. 1,149 crore as on December 31, 2022 (Rs. 862 crore as on March 31, 2022). Nonetheless, given the good market potential in the affordable housing finance segment and the company's satisfactory, albeit short, track record of operations, ICRA expects it to grow as per the business plans with good asset quality and return indicators over the medium term.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position, rating sensitivities, and key financial indicators: Click here

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Companies Financial Consolidation and Rating Approach
Parent/Group support	-
Consolidation/Standalone	Consolidation; to arrive at the rating, ICRA has taken a consolidated view of DFPL and DHFPL, referred to as the DMI Group, given the operational linkages between the companies in addition to the common promoter, shared name and management oversight

About the company

DHFPL, incorporated in 2011, is a private financial services company registered as a housing finance company (HFC). It started lending operations in FY2014 and primarily focusses on providing home loans and loan against property (LAP) to borrowers seeking affordable housing. The company's loan book stood at Rs. 1,149 crore as on December 31, 2022 compared to Rs. 862 crore as on March 31, 2022 (Rs. 769 crore as on March 31, 2021) with an average ticket size of about Rs. 10 lakh and a geographical footprint of about 39 branches across nine states (though three states, namely Uttar Pradesh, Rajasthan and Madhya Pradesh, accounted for 68% of the portfolio as on December 31, 2022). While home loans accounted for 84.1% of the loan book as on December 31, 2022, LAP (15.9%) and corporate loans (0.01%) accounted for the balance. DHFPL used to be a subsidiary of DFPL till FY2018. However, following the restructuring within the Group, DMI Limited, Mauritius, now directly holds a 94.74% stake in the company (as of December 31, 2022).

DHFPL reported a profit after tax (PAT) of Rs. 22 crore in 9M FY2023 on a gross asset base of Rs. 1,283 crore as on December 31, 2022 compared to a PAT of Rs. 19 crore in FY2022 on a gross asset base of Rs. 1,166 crore as on March 31, 2022 (PAT of Rs. 26 crore in FY2021 on gross asset base of Rs. 1,176 crore as on March 31, 2021). As on December 31, 2022, the reported capital adequacy was 152.4% compared to 87.0% as on March 31, 2022 (76.4% as on March 31, 2021). Further, DHFPL reported gross and net stage 3 of 0.9% and 0.7%, respectively, as on December 31, 2022, compared to 1.0% and 0.6%, respectively, as on March 31, 2022 (0.5% and 0.3%, respectively, as on March 31, 2021).

DMI Finance Private Limited

DFPL, incorporated in 2008, is a private financial services company registered as a non-banking financial company (NBFC) with the Reserve Bank of India (RBI). While it was mainly engaged in secured corporate lending (largely to real estate builders) till a few years ago, it has shifted focus to digital lending wherein it provides consumption loans, personal loans and micro, small and medium enterprise (MSME) loans. This is a completely digital technology-driven business with APIbased origination, underwriting and loan management systems. Herein, DFPL predominantly works through front-end partnerships with other fintech companies, original equipment manufacturers (OEMs) and technology-driven aggregators.

On a standalone basis, as on March 31, 2022, consumer loans accounted for 62% (44% as on March 31, 2021) of the Rs. 5,432-crore loan book with the wholesale real estate lending book accounting for a 27% share and the non-real estate wholesale loan book accounting for the balance. As of December 31, 2022, the share of consumer loans increased to 77% of the Rs. 7,202-crore loan book with the share of the wholesale real estate lending book reducing to 18% and the non-real estate wholesale loan book accounting for the remaining 5%.

DMI Limited, Mauritius, holds a 72.98% stake in DFPL (as of June 30, 2022). DMI Limited, Mauritius is, in turn, backed by New Investment Solution (NIS), a Liechtenstein-based alternative asset manager with over $2 billion of deployed capital. NIS is led by Takashi Sato, who was the Head of Private Wealth and Asset Management at Nomura Bank (Europe). The fund focusses on Japanese equities, US asset-backed debt and emerging market debt.

On a consolidated basis, DFPL reported a PAT of Rs. 58 crore in FY2022 on a gross asset base of Rs. 7,268 crore as on March 31, 2022 against a PAT of Rs. 27 crore in FY2021 on a gross asset base of Rs. 5,899 crore as on March 31, 2021. As on March 31, 2022, DFPL's reported capital adequacy was 61.3% (60.2% as on March 31, 2021). Further, DFPL (on a consolidated basis) reported gross and net stage 3 of 2.2% and 0.3%, respectively, as on March 31, 2022, compared to 3.9% and 1.5%, respectively, as on March 31, 2021.

On a standalone basis, DFPL reported a PAT of Rs. 201 crore in 9M FY2023 on a gross asset base of Rs. 8,593 crore as on December 31, 2022 compared to a PAT of Rs. 58 crore in FY2022 on a gross asset base of Rs. 7,233 crore as on March 31, 2022 (PAT of Rs. 22 crore in FY2021 on a gross asset base of Rs. 5,846 crore as on March 31, 2021). As on December 31, 2022, DFPL's reported capital adequacy was 51.7%. Further, DFPL (on a standalone basis) reported gross and net stage 3 of 2.7% and 0.9%, respectively, as on December 31, 2022, compared to 2.2% and 0.3%, respectively, as on March 31, 2022 (3.9% and 1.5%, respectively, as on March 31, 2021).

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years					
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)*	Date & Rating	Date & Rating in FY2023				Date & Rating in FY2022	Date & Rating in FY2021
					May 03, 2023	Feb 24, 2023	Oct 18, 2022	Sep 02, 2022	Apr 18, 2022	Apr 20, 2021	Mar 31, 2021
1	**Non-convertible debentures**	Long term	400.0	346.6	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	-
2	**Long-term fund-based TL**	Long term	581.97	581.97	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)
3	**Long-term fund-based CC**	Long term	65.00	65.00	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	-
4	**Long-term fund-based unallocated**	Long term	3.03	-	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	-

Source: ICRA Research; Note: TL – Term loan, CC – Cash credit
**As of March 31, 2023*

Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-convertible debentures	Simple
Long-term fund-based TL	Simple
Long-term fund-based CC	Simple
Long-term fund-based unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details (as on March 31, 2023)

ISIN	Instrument Name	Date of Issuance/ Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE02Z607048	**NCD**	Dec-05-2019	8.50%	Dec-10-2023	51.30	[ICRA]AA- (Stable)
INE02Z607071	**NCD**	Feb-28-2020	8.50%	Feb-28-2024	295.30	[ICRA]AA- (Stable)
NA	**NCD***	NA	NA	NA	53.40	[ICRA]AA- (Stable)
NA	**Term loan - 1**	Mar-18-2017	NA	Jun-30-2024	2.24	[ICRA]AA- (Stable)
NA	**Term loan - 2**	Jun-27-2017	NA	Jun-27-2024	2.02	[ICRA]AA- (Stable)
NA	**Term loan - 3**	Mar-03-2017	NA	Mar-03-2024	1.49	[ICRA]AA- (Stable)
NA	**Term loan - 4**	Dec-24-2020	NA	Jan-08-2028	37.04	[ICRA]AA- (Stable)
NA	**Term loan - 5**	Jun-30-2020	NA	Apr-01-2025	28.78	[ICRA]AA- (Stable)
NA	**Term loan - 6**	Jun-30-2020	NA	Apr-01-2030	39.40	[ICRA]AA- (Stable)
NA	**Term loan - 7**	Mar-11-2022	NA	Jul-01-2029	4.63	[ICRA]AA- (Stable)
NA	**Term loan - 8**	Sep-22-2022	NA	Sep-30-2027	27.00	[ICRA]AA- (Stable)
NA	**Term loan - 9**	Dec-28-2022	NA	Dec-20-2027	50.00	[ICRA]AA- (Stable)
NA	**Term loan - 10**	Dec-23-2022	NA	Dec-29-2029	19.28	[ICRA]AA- (Stable)
NA	**Term loan - 11**	Dec-26-2022	NA	Sep-01-2029	24.10	[ICRA]AA- (Stable)
NA	**Term loan - 12**	Jan-09-2023	NA	Mar-31-2026	200.00	[ICRA]AA- (Stable)
NA	**Term loan - 13**	Feb-01-2023	NA	Feb-29-2028	20.99	[ICRA]AA- (Stable)
NA	**Term loan - 14**	Mar-02-2023	NA	Mar-30-2028	50.00	[ICRA]AA- (Stable)
NA	**Term loan - 15**	Mar-24-2023	NA	Mar-30-2028	25.00	[ICRA]AA- (Stable)
NA	**Term loan - 16**	Mar-09-2023	NA	Mar-31-2028	50.00	[ICRA]AA- (Stable)
NA	**Cash credit - 1**	Sep-22-2022	NA	NA	50.0	[ICRA]AA- (Stable)
NA	**Cash credit - 2**	Jan-14-2021	NA	NA	15.0	[ICRA]AA- (Stable)
NA	**Unallocated fund-based bank facility**	NA	NA	NA	3.03	[ICRA]AA- (Stable)

*Source: ICRA Research, DHFPL; * Yet to be placed*

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
DMI Housing Finance Private Limited (DHFPL)	Rated Entity	Full Consolidation
DMI Finance Private Limited (DFPL)	Fellow Subsidiary	Full Consolidation
DMI Management Services Private Limited (DMSPL)	100% Subsidiary of DFPL	Full Consolidation
DMI Capital Private Limited (DCPL)	100% Subsidiary of DFPL	Full Consolidation
DMI Alternatives Private Limited (DAPL)	49% Subsidiary of DFPL	Full Consolidation
Appnit Technologies Private Limited	94% Subsidiary of DFPL	Full Consolidation

Corrigendum

Document dated May 03, 2023 has been corrected with revisions as detailed below:

Page No.	Location on Page	Previous data	Revised data
3	Analytical approach	Incorrect Link for Financial Consolidation and Rating Approach	Updated the link for Financial Consolidation and Rating Approach

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