

May 07, 2024

DMI Housing Finance Private Limited: Rating withdrawn for matured NCDs

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debentures	353.4	353.4	[ICRA]AA (Stable); outstanding
Non-convertible debentures	295.3	0.0	[ICRA]AA (Stable); withdrawn
Long-term fund-based term loan	775.0	775.0	[ICRA]AA (Stable); outstanding
Long-term fund-based cash credit	75.0	75.0	[ICRA]AA (Stable); outstanding
Long-term fund-based others	650.0	650.0	[ICRA]AA (Stable); outstanding
Total	2,148.7	1,853.4	

*Instrument details are provided in Annexure I

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), collectively 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 strong capitalisation and improved investor profile, post the capital infusion in April 2023. The Group successfully closed a \$400-million equity investment round, which included primary and secondary transactions. The round was led by Mitsubishi UFJ Financial Group (MUFG), Inc. through its consolidated subsidiary – MUFG Bank, along with participation from Sumitomo Mitsui Trust Bank Limited (SMTB) and other investors. Following the receipt of capital in Q1 FY2024, the Group's net worth (DFPL (standalone) + DHFPL) stood at about Rs. 7,378 crore with a gearing of 1.1x as on December 31, 2023. While the recent increase in the risk weights for consumer credit by the Reserve Bank of India (RBI) has impacted DFPL's capital adequacy by about 8-10 percentage points, the existing capital base is sufficient to support the growth plans for the near to medium term. Further, the improved investor profile is expected to support the Group's financial flexibility, with access to funds from diverse sources and at competitive rates. Also, the cost of incremental borrowings from banks could rise across the industry, following the increase in the risk weights for bank lending to non-banking financial companies (NBFCs). The rating also draws comfort from the Group's track record of strong liquidity. A considerable portion of the loan book has a residual tenor of up to one year, which supports the overall liquidity profile. ICRA notes that the Group plans to maintain prudent capitalisation with a peak gearing of 2x over the longer term.

ICRA has taken cognizance of the Group's improving 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 was previously characterised by concentrated wholesale exposures primarily to real estate builders. As on December 31, 2023, digital loans constituted 82% of the Group's consolidated loan book of Rs. 14,027 crore¹, followed by affordable housing finance loans (11%) and wholesale loans (7%). While the higher proportion of digital/retail loans is a positive from a concentration risk perspective, the risks associated with the target borrower profile and the nature of the loans increase the portfolio vulnerability. Further, the Group focusses on increasing the share of digital loans that are not backed by first loss default guarantee (FLDG) arrangements with its

¹ Including pass-through certificates (PTCs) of Rs. 261 crore for DFPL and Rs. 136 crore for DHFPL as on December 31, 2023

partners. Nevertheless, ICRA expects the Group to maintain good systems and processes, which would help it to report good risk-adjusted returns over the medium term.

As for DHFPL, ICRA notes that the company's scale of operations is modest on a standalone basis with assets under management of Rs. 1,646 crore² as on December 31, 2023 (Rs. 1,307 crore as on March 31, 2023). 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 that it is likely to grow as per its business plans with good asset quality and return indicators over the medium term.

Overall, the Group's ability to increase the scale of operations, while maintaining the leverage and liquidity at prudent levels, and improving the profitability from the current levels would be important. At the same time, given the recent vintage and the inherent nature of the loans, the asset quality indicators could remain volatile. Further, the regulatory landscape for the digital lending industry is currently evolving; thus, the impact of evolving regulations on the Group's business operations would be a monitorable.

ICRA has withdrawn the rating assigned to the Rs. 295.3-crore non-convertible debenture as no amount is outstanding against the same. The rating has been withdrawn in accordance with ICRA's policy on the withdrawal of credit ratings.

The previous detailed rating rationale, which captures the Key rating drivers and their description, Liquidity position, Rating sensitivities, Key financial indicators is available at the following link: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Companies Policy on Withdrawal of Credit Ratings
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. 1,599 crore as on December 31, 2023 (Rs. 1,269 crore as on March 31, 2023) with an average ticket size of about Rs. 10 lakh and a geographical footprint of 40 branches across nine states (through three states, i.e. Uttar Pradesh, Rajasthan and Madhya Pradesh, account for about 55% of the portfolio). While home loans account for 81% of the loan book, the balance comprises LAP (19%) with corporate loans having a negligible share. Although DHFPL used to be a subsidiary of DFPL (till FY2018), DMI Limited, Mauritius now directly holds 94.7% in the company (as on December 31, 2023).

DHFPL reported a profit after tax (PAT) of Rs. 32 crore in 9M FY2024 on a total gross asset base of Rs. 1,788 crore as on December 31, 2023 (PAT of Rs. 36 crore in FY2023 on a total gross asset base of Rs. 1,597 crore as on March 31, 2023). Its CRAR was 80.1% on a net worth of Rs. 675 crore as on December 31, 2023 (85.6% and Rs. 647 crore, respectively, as on March

² Including off-book portfolio of Rs. 46 crore and PTCs of Rs. 136 crore as December 31, 2023 (Rs. 38 crore and Rs. 127 crore, respectively, as on March 31, 2023)

31, 2023). Further, DHFPL reported gross and net stage 3 of 0.6% and 0.4%, respectively, as on December 31, 2023 (0.5% and 0.4%, respectively, as on March 31, 2023).

DMI Finance Private Limited

DFPL, incorporated in 2008, is a private financial services company registered as an NBFC with the 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 API-based 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.

As of December 31, 2023, the share of consumer loans increased to 93% of the Rs. 12,428-crore³ loan book (80% of the 7,864-crore⁴ loan book as on March 31, 2023) while the wholesale real estate lending booking had a 5% share (15% as on March 31, 2023) and the non-real estate wholesale loan book accounted for 2% (5% as on March 31, 2023).

DMI Limited, Mauritius holds a 69.94% stake in DFPL (as on December 31, 2023). DMI Limited, Mauritius is, in turn, backed by New Investment Solution (NIS), a Liechtenstein-based alternative asset manager with over \$2.2 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. The other major shareholders in DFPL are NIS Ganesha (10.13% as on December 31, 2023) and MUFG Bank.

DFPL reported a PAT of Rs. 310 crore in 9M FY2024⁵ on a total gross asset base of Rs. 14,570 crore as on December 31, 2023 (PAT of Rs. 320 crore in FY2023⁶ on a total gross asset base of Rs. 9,060 crore as on March 31, 2023). The CRAR was 43.5% on a net worth of Rs. 6,703 crore as on December 31, 2023 (50.9% and Rs. 4,220 crore, respectively, as on March 31, 2023). Further, DFPL reported gross and net stage 3 of 2.6% and 1.5%, respectively, as on December 31, 2023 (3.4% and 1.4%, respectively, as on March 31, 2023).

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

³ Including PTCs of Rs. 261 crore as on December 31, 2023

⁴ Including PTCs of Rs. 352 crore as on March 31, 2023

⁵ Figures and ratios for 9M FY2024 are based on provisional financials of DFPL (standalone)

⁶ Figures and ratios for FY2023 are based on audited financials of DFPL (consolidated)

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years											
		Amount rated (Rs. crore)	Amount outstanding (Rs. crore)*	Date & rating in FY2025	Date & rating in FY2024					Date & rating in FY2023				Date & rating in FY2022	
				May 07, 2024	Mar 06, 2024	Feb 08, 2024	Nov 17, 2023	Sep 29, 2023	May 03, 2023	Feb 24, 2023	Oct 18, 2022	Sep 02, 2022	Apr 18, 2022	Apr 20, 2021	
1 Non-convertible debentures	Long term	353.4	345.29	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)
2 Non-convertible debentures	Long term	-	-	-	[ICRA]AA (Stable); withdrawn	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)
3 Non-convertible debentures	Long term	295.3	-	[ICRA]AA (Stable); withdrawn	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)
4 Long-term fund-based TL	Long term	775.0	735.08	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)
5 Long-term fund-based CC	Long term	75.00	68.59	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)
6 Long-term fund-based unallocated	Long term	-	-	-	-	-	-	-	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	-
7 Long-term fund-based others	Long term	650.0	247.48	[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, 2024

Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-convertible debentures	Very simple
Long-term fund-based TL	Simple
Long-term fund-based CC	Simple
Long-term fund-based others	Simple

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[^]

ISIN	Instrument Name	Date of Issuance/ Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE02Z607071	NCD	Feb-28-2020	8.50%	Feb-28-2024	295.3	[ICRA]AA (Stable); withdrawn
INE02Z607113	NCD	Feb-16-2024	8.75%	Feb-16-2027	75.0	[ICRA]AA (Stable)
INE02Z607121	NCD	Feb-26-2024	8.75%	Apr-26-2027	94.3	[ICRA]AA (Stable)
INE02Z607139	NCD	Mar-15-2024	8.75%	Jun-15-2027	125.99	[ICRA]AA (Stable)
INE02Z607089	NCD	Jan-19-2024	8.50%	Jul-19-2027	50.0	[ICRA]AA (Stable)
NA	NCD*	NA	NA	NA	8.11	[ICRA]AA (Stable)
NA	Term loan - 1	Jun-27-2017	NA	Jun-27-2024	0.46	[ICRA]AA (Stable)
NA	Term loan - 2	Aug-02-2023	NA	Aug-31-2030	18.53	[ICRA]AA (Stable)
NA	Term loan - 3	Dec-24-2020	NA	Jan-08-2028	29.63	[ICRA]AA (Stable)
NA	Term loan - 4	Sep-22-2022	NA	Sep-30-2027	21.00	[ICRA]AA (Stable)
NA	Term loan - 5	Aug-02-2023	NA	Aug-31-2028	30.92	[ICRA]AA (Stable)
NA	Term loan - 6	Aug-02-2023	NA	Aug-31-2028	13.95	[ICRA]AA (Stable)
NA	Term loan - 7	Aug-02-2023	NA	Dec-28-2028	9.50	[ICRA]AA (Stable)
NA	Term loan - 8	Aug-02-2023	NA	Dec-28-2028	9.50	[ICRA]AA (Stable)
NA	Term loan - 9	Aug-02-2023	NA	Dec-28-2028	4.75	[ICRA]AA (Stable)
NA	Term loan - 10	Dec-28-2022	NA	Dec-20-2027	39.48	[ICRA]AA (Stable)
NA	Term loan - 11	Sep-29-2023	NA	Dec-30-2027	47.37	[ICRA]AA (Stable)
NA	Term loan - 12	Dec-23-2022	NA	Dec-29-2029	16.36	[ICRA]AA (Stable)
NA	Term loan - 13	Dec-26-2022	NA	Sep-01-2029	20.46	[ICRA]AA (Stable)
NA	Term loan - 14	Jan-09-2023	NA	Jan-31-2030	177.78	[ICRA]AA (Stable)
NA	Term loan - 15	Feb-01-2023	NA	Feb-29-2028	16.73	[ICRA]AA (Stable)
NA	Term loan - 16	Mar-02-2023	NA	Mar-30-2028	31.28	[ICRA]AA (Stable)
NA	Term loan - 17	Mar-02-2023	NA	May-30-2028	13.41	[ICRA]AA (Stable)
NA	Term loan - 18	Mar-24-2023	NA	Mar-30-2028	12.00	[ICRA]AA (Stable)
NA	Term loan - 19	Mar-24-2023	NA	Mar-30-2028	9.00	[ICRA]AA (Stable)
NA	Term loan - 20	Mar-09-2023	NA	Mar-31-2028	40.00	[ICRA]AA (Stable)
NA	Term loan - 21	May-10-2023	NA	Jun-30-2030	47.97	[ICRA]AA (Stable)
NA	Term loan - 22	Feb-24-2024	NA	Feb-26-2029	25.00	[ICRA]AA (Stable)
NA	Term loan - 23	Mar-18-2024	NA	Mar-31-2029	100.00	[ICRA]AA (Stable)
NA	Cash credit - 1	Sep-22-2022	NA	NA	50.00	[ICRA]AA (Stable)
NA	Cash credit - 2	Jan-14-2021	NA	NA	15.00	[ICRA]AA (Stable)
NA	Cash credit - 3	Mar-09-2023	NA	NA	0.09	[ICRA]AA (Stable)
NA	Cash credit - 4	Mar-02-2023	NA	NA	3.00	[ICRA]AA (Stable)
NA	Cash credit - 5	Jan-09-2023	NA	NA	0.50	[ICRA]AA (Stable)
NA	Bank line - 1	Jun-30-2020	NA	Apr-01-2025	12.78	[ICRA]AA (Stable)
NA	Bank line - 2	Jun-30-2020	NA	Apr-01-2030	30.81	[ICRA]AA (Stable)
NA	Bank line - 3	Mar-11-2022	NA	Jul-01-2029	3.89	[ICRA]AA (Stable)
NA	Bank line - 4	Nov-16-2023	NA	Jan-01-2034	150.00	[ICRA]AA (Stable)
NA	Bank line - 5	Nov-16-2023	NA	Jan-01-2034	0.00	[ICRA]AA (Stable)
NA	Bank line - 6	Nov-16-2023	NA	Jan-01-2034	0.00	[ICRA]AA (Stable)
NA	Bank line - 7	Nov-16-2023	NA	Jan-01-2034	0.00	[ICRA]AA (Stable)
NA	Bank line - 8	Sep-22-2022	NA	NA	50.00	[ICRA]AA (Stable)
NA	Long-term fund-based term loan – Proposed	NA	NA	NA	39.92	[ICRA]AA (Stable)
NA	Long-term fund-based cash credit – Proposed	NA	NA	NA	6.41	[ICRA]AA (Stable)
NA	Long-term fund-based others – Proposed	NA	NA	NA	402.52	[ICRA]AA (Stable)

Source: ICRA Research, DHFPL; [^] As on March 31, 2024; * 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

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