



## Press Release

### Dhanvarsha Finvest Limited (DFL)

June 04<sup>th</sup>, 2020

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating	Rating Action
1.	Proposed Non-Convertible Debenture (NCD)	25.00	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned
	<b>Total</b>	<b>25.00</b>		

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating derives strength from experienced promoters backed by reputed board members, comfortable capitalization and granular nature of loan book. However, the rating strengths are partially offset by limited vintage of portfolio, moderate asset quality and competitive nature of industry.

#### Key Rating Sensitivities:

- **Upward Factor**

- The company's ability to keep the delinquency levels under check while growing its portfolio would be crucial for its profitability.

- **Downward Factor**

- Any deterioration in company's asset quality and debt protection metrics while it looks to increase its portfolio with higher proportion of small ticket size loans.

#### Key Rating Drivers with detailed description

#### Key Rating Strengths

- ***Experienced promoters backed by reputed board of directors:***

Mr. Nimir Mehta holds the controlling interest in Truvalue Agro Ventures Private Limited (TAVPL), which holds over 56.87% of DFL. Mr. Mehta is the Promoter of the Wilson Group. He has diverse business experience across a range of sectors including retail and wholesale lending, real estate investments, agro commodities, institutional equity broking, financial advisory and investing in sustainable infrastructure projects. Mr. Mehta is an Investor /



## Press Release

Director in companies including Wilson Financial Services Limited and Wilson Ventures Pvt Ltd (Singapore). Also, it has a board with reputed members who maintain strong oversight on the business. The board of directors of the company comprises 5 Independent Directors, 2 Joint Managing Directors and 1 Non-Executive Director. Its Chairman, Mr. Rakesh Sethi, has been on boards of various public sector banks with more than 38 years of experience in the banking industry. The other board members include Mr. Karan Desai, Mr. Rohanjeet Singh Juneja, Mr. Ashish Dalal, Mr. Nirmal Momaya, Mr. K.P. Raghuvanshi, Mrs. Manjari Kacker and Mr. Rajiv Kapoor. The Board of Directors play an active role in overseeing the company's business operations including strategic decisions, policy formulation and risk management.

The company continue to benefit from the strong experience of its professional management team which will enable them to scale-up its operations while managing the risks inherent in this type of business.

- ***Comfortable Capitalization:***

DFL has comfortable capitalization primarily supported by steady capital infusion from the promoters, TAVPL. Apart from the equity chipped in by the promoters, they have also infused capital in the form of ICDs amounting to INR24.50 Crore as on March 31st, 2019. Further, to support the growth plans, the company has signed an initial term sheet for capital infusion of up to INR65.00 Crore with multiple investors, which is to be brought in a phased manner. Its overall capital adequacy ratio stood 55.23% as on March 31st, 2019. With the moderate level of tangible net worth, the overall gearing level improve substantially to 0.87x as on March 31st, 2019 when compared to 3.17x as on March 31st, 2018. The company's growth prospects will be supported by the promoter's experience and its resource raising ability.

- ***Granular nature of loan book:***

Given the moderate scale of operations, DFL has its presence in Mumbai and Pune. It had a loan book of INR48.73 Crore as on March 31st, 2019 of which LAP loans (MSME) contributed almost 81% while the remaining was contributed by Unsecured Business/Personal loans. Primarily focusing on MSME lending, the company's portfolio is granular in nature with the present average ticket size of INR9.00 Lakh and is maintaining a LTV of 60% to 70% of the overall loan portfolio. Post the recent NBFC crisis and the



## Press Release

company's change in its lending strategy, the management has put in place stringent underwriting standards and credit policies.

### **Key Rating Weaknesses**

- ***Limited vintage of portfolio:***

While effectively ramping up its lending portfolio from July 2017, it made certain high-ticket size loan disbursements, which was susceptible to the rapid growth in its loan portfolio then. Consequent to the NBFC crisis (I&LFS & DHFL), the company became more selective and granular in its loan disbursements, resulting which the company had change its strategy and business plan. DFL has seen a de-growth in its loan portfolio, as it now mainly focuses on lending to smaller retail businesses and individuals in an attempt to reduce its exposure in the high-ticket size segment and altogether have a more diversified portfolio. Owing to this change, the overall lending portfolio has remained moderate at INR48.73 Crore as on March 31st, 2019.

- ***Moderate asset quality:***

The Gross NPAs stood at 2.90% in FY19 while the Net NPA levels stood at 2.61% in FY19. This is largely due to the reduction in the portfolio size. The ability to grow its loan book while maintaining low delinquency levels remains to be seen. Given that the portfolio has grown only in the past two financial years, the portfolio has not yet seen one complete cycle. The company's ability to manage the asset quality while growing its portfolio is a key rating sensitivity.

- ***Competitive nature of industry:***

DFL is exposed to stiff competition from other NBFCs and banks. The lending industry focused around SMEs and small ticket unsecured loans is highly fragmented with unorganized lenders also vying for the same set of borrowers. However, DFL's professional management and focused approach towards SME lending and conservative underwriting policy standards is expected to grow its business while mitigating the risks.

### **Analytical Approach &Applicable Criteria:**



## Press Release

Standalone Approach

Rating Methodology for Financial Institutions/NBFCs

Financial Ratios & Interpretation (Financial Sector)

### Liquidity: Adequate

The company is well capitalized with a CAR (%) of 55.23% as on March 31st, 2019. Also, it has adequately matched asset liability profile with majority of the portfolio currently funded with equity and ICDs raised from promoting company as on March 31<sup>st</sup> March, 2019.

### About the Company

Incorporated in 1994, Dhanvarsha Finvest Limited (DFL) is a listed entity and RBI registered NBFC. In change in management was effective from June 2017 and Mr. Nimir Mehta, Promoter of the Wilson Group and controlling shareholder of TruValue Agro Ventures Private Limited (Holding Company of the group) took over the reign. Presently, the company is focused on providing secured term loan to MSME/small business/ traders segment for business purposes and also offering Unsecured/Personal Loans in affordable and low ticket size categories largely to the MSME sector employees and business owners.

### Financials:

	(Rs. Crore)	
For the year ended/ As On*	31-03-2018 (Audited)	31-03-2019 (Audited)
Total Operating Income	11.89	21.20
Interest	2.00	5.18
PAT	4.08	4.43
Total Debt	39.05	24.50
Total Net-worth	12.66	28.72
Total Loan Assets	48.59	48.73
<b>Ratios (%)</b>		
PAT Margin (%)	34.33	20.88



## Press Release

Overall Gearing Ratio (x)	3.08	0.85
Total CAR (%)	24.24	55.23
Gross NPA (%)	0.77	2.90
Net NPA (%)	0.69	2.61

\* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A

Any other information: N.A

Rating History for last three years:

Sl. No	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20 (October 16 <sup>th</sup> , 2019)	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Proposed Non Convertible Debentures (NCD)	Long Term	25.00	IVR BBB-/Stable	IVR BBB-/Stable*	--	--

\*[https://www.infomerics.com/db-include/uploads/PR\\_Dhanvarsha\\_16.10.2019.pdf](https://www.infomerics.com/db-include/uploads/PR_Dhanvarsha_16.10.2019.pdf)

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



## Press Release

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### Annexure 1: Details of Facilities

<b>Name of Facility</b>	<b>Date of Issuance</b>	<b>Coupon Rate/ IRR</b>	<b>Maturity Date</b>	<b>Size of Facility (Rs. Crore)</b>	<b>Rating Assigned/ Outlook</b>
Proposed Non Convertible Debentures (NCD)	NA	NA	NA	25.00	IVR BBB-/Stable