



Press Release

Capri Global Capital Limited (CGCL)

February 05, 2021

Facilities	Amount (INR Crore)	Current Ratings	Rating Action
Long Term Bank Facility – Term Loans	1815.80 (Reduced from 1931.09)	IVR AA; Credit watch with developing implication	Revised and placed the rating on watch with developing implication
Proposed Term Loans	2564.20 (Increased from 2448.91)	IVR AA; Credit watch with developing implication	Revised and placed the rating on watch with developing implication
Long Term Bank Facility – Cash Credit	120.00	IVR AA; Credit watch with developing implication	Revised and placed the rating on watch with developing implication
Non-Convertible Debentures	150.00	IVR AA; Credit watch with developing implication	Revised and placed the rating on watch with developing implication
Proposed Non-Convertible Debentures	150.00	IVR AA; Credit watch with developing implication	Revised and placed the rating on watch with developing implication
Proposed Commercial Papers	350.00	IVR A1+; Credit watch with developing implication	Affirmed and placed the rating on watch with developing implication
Total	5150.00		

Details of Facilities are in Annexure 1.

Detailed Rationale

The revision in the rating is on account of overall improvement in key indicators during H1FY21 in spite of Covid-19 led disruptions. The Company did manage to improve its total loan book size to INR3233.00 Crore as on September 30th, 2020 as against INR3137.00 Crore as on March 31st, 2020. Loan disbursements in H1FY21 stood at INR572.00 Crore aided by traction in MSME lending. MSME collections have improved with gradual opening of the economy and the management's efforts of educating its customer base. Post



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completion of moratorium period and uptick in Indian economy, CGCL showed some improvement in collection efficiency in MSME segment in September 2020 to 81% v/s around 62% in June 2020. The company's provision coverage ratio stood at 93% at the end of Q2FY21. Also, the Company's ability to maintain comfortable NIMs and healthy PAT (INR86.88 Crore in H1FY21 when compared to INR66.61 Crore in H1FY20) has enabled to improve its CAR (%) to 40.76% in H1FY21. Additionally, the company is benefitting from lower interest rate regime. The Company's constant efforts to reduce cost of borrowings is expected to improve the profitability moving forward.

The revision in the rating further continues to derive strength from comfortable capital adequacy and leverage position, diversified board of directors coupled with experienced management team, moderate profitability indicators, broad network coupled with strong risk management systems. However, the rating strengths are partially offset by average asset quality indicators, moderate seasoning of CF portfolio, geographical concentration especially in its CF business.

Rating watch with developing implications reflects Prevailing economic environment, Uncertainties prevailing because of ongoing Covid-19 pandemic and impact of the proposed regulatory framework for the NBFCs by the RBI, which will place NBFC-ND-SI in the middle layer (ML) category with certain regulations on which the future impact is still uncertain

Key Rating Sensitivities:

- **Upward Factor**
 - Substantial improvement in AUM sustaining above INR5000.00 Crore while maintaining the debt protection metrics at current level coupled with improving asset quality leading to improvement/maintenance of GNPA from/at current level on a sustained manner.
- **Downward Factor**
 - Substantial de growth in AUM and/or decline in debt protection metrics.
 - Substantial rise in GNPA.



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Key Rating Drivers with detailed description

Key Rating Strengths

- **Comfortable capital adequacy and leverage position:**

The CAR of the Company improved and stood at 40.76% in H1FY21 (FY20: 38.00%), comfortably above the regulatory requirement of 15% giving the company sufficient headroom to continue on its growth path and expand its portfolio further. The overall gearing ratio improved marginally to 1.41x in FY20 from 1.60x in FY19. Such adequate capitalization shall help the Company in sustaining the Covid-19 related asset quality stress for the short-medium term. CGCL's growth prospects will be factored by the company's resource raising ability.

- **Experienced Board of Directors and Management Team:**

CGCL's board of directors has qualified professionals with experience in varied fields such as Banking, Insurance, Capital Markets and the Indian Administrative Service. It has team of experienced personnel who have been associated with the company since long period and heading different verticals relating to lending, Banking & Finance, Risk & Portfolio Management, etc. The support functions of Accounts, Finance and Secretarial Departments are also headed by seasoned professionals with vast experience in the lending business.

The Company boasts of an enterprising and professional management team which will enable them to scale-up its operations, while managing the risks inherent in this type of business.

- **Moderate profitability indicators:**

Total income increased 15.70% y-o-y to INR578.23 Crore in FY20 when compared to 499.76 Crore in FY19. The Company has maintained its profitability levels with the return on assets (ROTA) at 3.98% in FY20. It is mainly driven by healthy net interest margins (NIMs) and a reduction in operating costs. The Company has registered a PAT of INR86.88 Crore over a total income of INR284.76 Crore in H1FY21 compared to PAT of INR66.61 Crore over a total income of INR286.26 Crore in H1FY20. Such improvement in profitability has to be seen on a sustained basis.



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- ***Broad network coupled with strong risk management systems:***

CGCL has a wide network of over 78 branches in eight states, mainly across the North and West of India. The company has an employee strength of ~1425 employees and is well positioned to sustain the growth in its portfolio. CGCL has adopted the robust practices to build a strong risk management system supported by an efficient MIS platform for effective monitoring of its portfolio. It has a well-defined credit and operations policy in place. The credit underwriting policy ensures rigorous risk assessment with clear division of the sourcing and credit underwriting teams. Field investigation and fraud control checks are strictly followed to reinforce the focus on risk mitigation. The collection and recovery team is independent of the sourcing team to reduce the likelihood of any malpractices.

Key Rating Weaknesses

- ***Average asset quality indicators:***

The gross & net NPA had moderately increased to 2.69% in FY20 (FY19:1.68%) & 0.90% (0.62%) respectively due to seasoning of the loan portfolio and a certain decline in the outstanding loan portfolio. However, the Company reported an improved Net NPA at 0.21% in H1FY21. In case of MSME, the LTV is ~48% and in Construction finance (CF) cash flow cover of ~2.5 times and security cover of ~2 times. The ability of the company to control incremental slippages to NPAs and improve collection efficiency over the near term is a key rating sensitivity factor.

- ***Moderate seasoning of CF portfolio:***

Though CGCL's CF portfolio has been de-growing to INR918.00 Crore as on September 30th, 2020 when compared to INR962.00 Crore as on March 31st, 2020 and INR1201.00 Crore as on March 31st, 2019, it still contributes to almost 28% of the total AUM as on September 30th, 2020. The tenure of the Wholesale (Construction Finance) loan is 1-4 years with 2 years of moratorium. A major portion of the portfolio was under moratorium period as on March 31, 2020. Hence, the seasoning of the portfolio is moderate.



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- **Geographical concentration, especially in its CF business:**

The company has made visible improvement in terms of geographical diversification with top three cities constituting around 55% of its CF portfolio in FY20 (FY18: 79%) and top three states constituting ~70% (FY18: 88%) of its MSME portfolio. Furthermore, Mumbai Metropolitan Region along with Pune accounts for around 42% of its CF loans as on March 31, 2020. However, the geographical concentration still remains moderately high in CF segment. The company is of the opinion that the geographical concentration in CF is largely due to concentration of real estate advances in these pockets and it rather helps them in better control over the market, monitoring and recovery. As the company expands its presence, the issue of geographical concentration is expected to be addressed gradually.

Analytical Approach & Applicable Criteria:

Standalone Approach

Rating Methodology for Financial Institution/NBFCs

Financial Ratios & Interpretation (Financial Sector)

Liquidity: Adequate

CGCL enjoys adequate liquidity with well-matched asset liability position across both short term (up to one year) and long term (greater than one year) tenure buckets. Liquidity comfort is also marked by adequate liquid assets (including cash/bank balances and investments) amounting to INR472.61 Crore (includes cash/bank balances of INR57.86 Crore and Investments amount to INR414.75 Crore) as on September 30th, 2020 as against the Company's repayment of INR244.76 Crore in the next one year ending September 30th, 2021. Average fund based working capital utilisation stood at around 22.91% for the last twelve months ended December 2020. It also has a sufficient cushion in the form of sizeable undrawn limits as on December end 2020.

About the Company

Capri Global Capital Ltd (CGCL) is a Non Deposit Taking – Systemically Important NBFC. CGCL is promoted by Mr. Rajesh Sharma, who is also the Managing Director. The company began its lending business in FY11. The shares of CGCL are listed on the BSE and NSE. CGCL lends to two main segments namely MSMEs and Construction Finance (CF).



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Financials:

For the year ended/ As On*	(INR Crore)	
	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	499.76	578.23
Interest	169.89	215.97
PAT	128.68	135.72
Total Debt	2153.55	2062.30
Total Net-worth	1349.68	1459.82
Total Loan Assets	3246.27	3055.67
Ratios (%)		
Overall Gearing Ratio (x)	1.60	1.41
GNPA (%)	1.68	2.69
NNPA (%)	0.62	0.90
CAR (%)	34.47	38.00

* 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 (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (July 02 nd , 2020)	Date(s) & Rating(s) assigned in 2019-20 (February 06 th , 2019)	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Bank Facility – O/s Term Loans	Long Term	1815.80	IVR AA; Credit watch with developing implication	IVR AA-/Stable	IVR AA/Stable	--
2.	Proposed Term Loans	Long Term	2564.20	IVR AA; Credit watch with developing implication	IVR AA-/Stable	IVR AA/Stable	--
3.	Long Term Bank Facility – Cash Credit	Long Term	120.00	IVR AA; Credit watch with developing implication	IVR AA-/Stable	IVR AA/Stable	--
4.	Non-Convertible	Long Term	150.00	IVR AA; Credit watch with	IVR AA-/Stable	IVR AA/Stable	--



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	Debentures			developing implication			
5.	Proposed Non-Convertible Debentures	Long Term	150.00	IVR AA; Credit watch with developing implication	IVR AA-/Stable	IVR AA/Stable	--
6.	Proposed Commercial Papers	Short Term	350.00	IVR A1+; Credit watch with developing implication	IVR A1+	IVR A1+	--

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.

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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.

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Annexure 1: Details of Facilities

Name of Facility	Size of Facility (INR Crore)	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Rating Assigned/ Outlook
Long Term Bank Facility – Term Loans	1815.80	NA	NA	Upto March 2027	IVR AA; Credit watch with developing implication
Proposed Term Loans	2564.20	NA	NA	NA	IVR AA; Credit watch with developing implication
Long Term Bank Facility – Cash Credit	120.00	NA	NA	NA	IVR AA; Credit watch with developing implication
Non-Convertible Debentures*	150.00	--	10.23%	August 2029	IVR AA; Credit watch with developing implication
Proposed Non-Convertible Debentures	150.00	NA	NA	NA	IVR AA; Credit watch with developing implication
Proposed Commercial papers	350.00	NA	NA	NA	IVR A1+; Credit watch with developing implication

*Brief Term sheet for the instrument

Security Name	Capri Global Capital Limited
ISIN	INE180C07072
Issue	Secured, Rated, Listed and Redeemable Non-Convertible Debentures
Nature of Instrument	Secured
Debenture Trustee	Catalyst Trusteeship Limited
Date of Allotment	August 09 th , 2019
Participation Amount	INR150.00 Crore
Coupon Rate	10.23%
Purpose	Used for various finance activities
Tenor	10 years
Principal Repayment	Bullet Repayment at the end of the tenure
Coupon Payment Frequency	Quarterly and at Maturity