



## Press Release

### Dhanvarsha Finvest Limited (DFL)

January 15<sup>th</sup>, 2021

S. No.	Facilities	Amount (INR Crore)	Current Ratings	Rating Action
1	Long Term Fund Based Facilities – Term Loans	55.43	IVR BBB-/Positive (IVR Triple B Minus with Positive Outlook)	Assigned
2	Proposed Long Term Bank Facilities	94.57 (Increased from previous proposed facility of INR50.00 Crore)	IVR BBB-/Positive (IVR Triple B Minus with Positive Outlook)	Reaffirmed; Outlook revised to Positive
3	Proposed NCDs	75.00 (Increased from INR25.00 Crore)	IVR BBB-/Positive (IVR Triple B Minus with Positive Outlook)	Reaffirmed; Outlook revised to Positive
	<b>Total</b>	<b>225.00</b>		

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating continues to derive strength from experienced promoters backed by reputed board members, comfortable capitalization; demonstrated support from the promoter group and healthy operational indicators backed by 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.

The change in outlook is on account of expected growth in AUM and improvement in the overall CRAR levels due to continuous support from the promoter group in the form of regular capital infusion.

#### Key Rating Sensitivities:

- **Upward Factor**

- Substantial scaling up its operations and diversifying its loan portfolio, while maintaining the asset quality indicators, adequate capital position and profitability.



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- **Downward Factor**

- Adverse movement in the collection efficiency which impacts the asset quality significantly thereby increasing the credit cost for the Company.

### **Key Rating Drivers with detailed description**

#### **Key Rating Strengths**

- ***Experienced promoters backed by reputed board members:***

Dhanvarsha Finvest Limited (DFL) is promoted by the Wilson Group of Mumbai. Wilson Holdings Pvt Ltd., is the flagship holding Company of the Group and owns over 60% of DFL. The Group has diversified business interests including retail lending, institutional broking and advisory services, real estate investments, agro commodities trading and investing in sustainable infrastructure projects. Wilson Holdings is closely held by members of the Mehta family and their investment trust.

DFL is a completely independent and professionally managed Company, with a board that comprises of 5 Independent Directors and 2 Executive Directors. 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. Nirmal Momaya, Mr. K.P. Raghuvanshi, Mrs. Manjari Kacker and Mr. Rajiv Kapoor who have rich experience across various industries and all serve as Independent Directors on the Board, while Mr. Karan Desai & Mr. Rohanjeet Singh Juneja act as the Jt. MDs of the Company. 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 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.

- ***Comfortable capitalization; demonstrated support from the promoter group:***

DFL has comfortable capitalization primarily supported by steady capital infusion from the promoter group and its key management. The Company's tangible net worth stood at INR46.48 Crore as on Q2FY21 as against INR30.79 Crore as on March 31st, 2020. DFL has been able to obtain continuous funding support from its promoters, as seen from a fresh infusion of INR50.00 Crore on November 03rd, 2020 which consists of CCDs and Money



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warrants. Further, to support the growth plans, the company has plans for additional capital infusion of up to INR15.00 Crore, to be brought in by March 2021. Its CRAR (%) stood comfortable at 53.6% as on Q2FY21. The overall gearing stood at 0.78x as on September 30th, 2020 on an overall debt of INR36.5 Crore.

The company's growth prospects will be supported by the promoter's experience and its resource raising ability.

- ***Healthy operational indicators backed by granular nature of loan book:***

The Company has made significant strides in collaborating with various partners and stakeholders with a robust pipeline for lending to the MSME essential goods sector. With its increasing focus on building a secure, extremely granular and capital efficient loan book, the Company has managed to bring down the average ticket size of the entire loan book at INR0.04 Crore as on date. DFL's outstanding loan portfolio stood at INR60.97 Crore as on Q2FY21 when compared to INR37.24 Crore as on March 31st, 2020. The Company has demonstrated growth in its scale of operations by expanding its network to 6 states and 1 union territory as on Q2FY21 when compared to one state as on March 2020.

### **Key Rating Weaknesses**

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

While DFL started ramping up its lending portfolio from July 2017, it made certain high-ticket size loan disbursements, which were 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 changed its strategy and business plan. The Company did witness a de-growth in its loan portfolio 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 reduced to INR37.24 Crore as on March 31st, 2020 as against INR48.73 Crore as on March 31st, 2019. After resuming fresh disbursements since May 2020, the Company has managed to improve its loan portfolio to INR60.97 Crore as on Q2FY21.

Going forward, the ability of the Company to mobilize low cost debt shall be a key rating factor in the scalability of the business.



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- **Moderate Asset Quality:**

The Gross NPAs increased in percentage terms to 4.78% in FY20 when compared to 2.90% in FY19 while the Net NPA levels stood at 2.17% in FY20 and 2.61% in FY19. Given that the portfolio has grown aggressively only post lockdown (i.e. May 2020), the portfolio has not yet seen one complete cycle. The ability to grow its loan book while maintaining low delinquency levels remains to be seen. The Company's ability to manage the asset quality while growing its portfolio is a key rating sensitivity. Also, it is to be noted that, with the Company's change in its lending strategy, the management has put in place stringent underwriting standards and credit policies. It is seen from its improving asset quality indicators, with its NNPA coming down to 1.24% in Q2FY21 when compared to 2.17% in FY20.

- **Competitive nature of industry:**

DFL is exposed to stiff competition from other NBFCs and banks. The lending industry focused around SMEs and small ticket 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:**

Standalone Approach

Rating Methodology for Financial Institution/NBFCs

Financial Ratios & Interpretation (Financial Sector)

**Liquidity: Adequate**

Considering the scale of operations as on March 31st, 2020, the company is well capitalized with a CAR (%) of 53.6% as on Q2FY21. Also, it has adequately matched asset liability profile as on June 30th, 2020. With its loan portfolio growing only after May 2020 and minimal term debt commitments, the liquidity is expected to be adequate in the short-medium term. The Company also carries a significant loan loss allowance of INR4.75 Crore as a prudent measure to protect the balance sheet from any exogenous risk.



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### About the Company

Incorporated in 1994, Dhanvarsha Finvest Limited (DFL) is a listed entity and RBI registered NBFC. A change in management was effective from June 2017 and Wilson Group took over the reigns. 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. The Company offers a diverse gamut of credit products including Loan Against Property (LAP), Business Loans, Personal Loans and Gold Loans.

### Financials:

For the year ended/ As On*	(INR Crore)	
	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	19.29	19.30
Interest	5.18	1.69
PAT	2.13	4.10
Total Debt	25.41	15.61
Total Net-worth	25.91	30.79
Total Loan Assets	45.16	37.24
<b>Ratios (%)</b>		
PAT Margin (%)	11.06	21.24
Overall Gearing Ratio (x)	0.98	0.51
GNPA (%)	2.90	4.78
NNPA (%)	2.61	2.17
CAR (%)	55.23	70.25

\* 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	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-
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					(June 04 <sup>th</sup> , 2020)	(October 16 <sup>th</sup> , 2019)	19
1.	Long Term Fund Based Facilities – Term Loans	Long Term	55.43	IVR BBB- /Positive	--	--	--
2.	Proposed Long Term Bank Facilities	Long Term	94.57	IVR BBB- /Positive	IVR BBB- /Stable	IVR BBB- /Stable	--
3.	Proposed NCDs	Long Term	75.00	IVR BBB- /Positive	IVRBBB- /Stable	--	--

**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.

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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 Fund Based Facilities – Term Loans	55.43*	NA	NA	Upto February 2025	IVR BBB- /Positive
Proposed Long Term Bank Facilities	94.57	NA	NA	NA	IVR BBB- /Positive
Proposed NCDs	75.00	NA	NA	NA	IVR BBB- /Positive

*\*INR30.00 Crore not yet disbursed*