

## Capital First Limited

July 14, 2017

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term NCD	500.00 (Rs. Five hundred crore only)	<b>CARE AA+; Stable</b> <b>[Double A Plus;</b> <b>Outlook: Stable]</b>	Assigned

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The rating factors in the strengths that CFL derives from its institutional shareholders, CFL's experienced management, comfortable capitalisation levels, comfortable asset quality parameters, comfortable liquidity position, diversified funding profile. The rating also factors moderate seasoning of CFL's retail portfolio, average profitability, increase in unsecured loan portfolio and reduction in its wholesale portfolio; while borrower concentration risk remains. Continued presence of its institutional shareholders, capital adequacy, asset quality, profitability and liquidity profile are the key rating sensitivities.

Outlook: Stable

### Detailed description of the key rating drivers

#### Key Rating Strengths

##### **Strong Institutional Investors**

As on May 31, 2017, major shareholders included Warburg Pincus (36.12%) and GIC Private Limited (13.84%), a Sovereign Wealth Fund established by the Government of Singapore. In November 2016, GIC Private Limited had invested Rs.340 crore of equity capital for 4.9% equity stake through a primary preferential offer. In May 2017, GIC had bought a further 8.93% equity stake from Warburg resulting in total equity holding of 13.89%.

In May 2017, Warburg Pincus sold approximately 25% equity stake in the company reducing its shareholding from 61% as on March 31, 2017 to 36% as on May 31, 2017 which was bought by GIC, Singapore and other FIIs / FPIs including Goldman Sachs Asset Management, Jupiter Asset Management (UK), Nomura Asset Management (Singapore), Driehaus Capital (USA). However, Warburg remains the largest shareholder in CFL.

##### **Comfortable capitalization levels**

CFL has comfortable capitalization level as the Total CAR and Tier I CAR stood at 20.34% (FY16: 19.81%) and 15.97% (FY16: 14.53%) respectively as on March 31, 2017. Capital adequacy levels improved in FY17 on account of equity infusion of Rs.340 crore during FY17 (read as April 1, 2016 to March 31, 2017).

##### **CFL's experienced management**

The company's Founder Chairman and Managing Director, Mr. Vaidyanathan, has prior working experience with organizations like Citibank and ICICI Group. He was the Executive Director on the Board of ICICI Bank and was also MD and CEO of ICICI Prudential Life Insurance Company. He has over 25 years of experience in the financial services sector. The other senior management team members have extensive and relevant experience of more than 15 years in the financial sector.

##### **Comfortable asset quality parameters**

On a consolidated basis, Gross NPA and Net NPA ratios stood at 0.96% and 0.31% (on 120+DPD basis) as on March 31, 2017 when compared to 1.05% and 0.54% (on 150+DPD basis) as on March 31, 2016. Net NPA to Networth was 2.16% as on March 31, 2017 as compared to 4.17% as on March 31, 2016.

##### **Diversified borrowing profile and comfortable liquidity position**

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

The Company's borrowing is diversified across 221 institutions including Banks, Mutual Funds, Provident funds, Pension funds, Insurance companies and Multilateral institutions. Liquidity profile of CFL is comfortable with positive cumulative mismatches across buckets. CFL also had sufficient unutilized bank lines to take care of any liquidity requirements.

#### Key Rating Weaknesses

##### ***Increase in proportion of unsecured portfolio***

There has been a significant increase in the proportion of unsecured and relatively riskier segment such as Business Loan, Personal Loan, consumer durables and two wheelers. The proportion of relatively riskier segments has increased from 20% of the loan book as on March 31, 2015 to 42% of the loan book as on March 31, 2017. However the asset quality remained comfortable despite this change in composition.

##### ***Average profitability***

CFL's Return on Average Total Adjusted Assets (Adjusted ROTA) was 1.20% in FY17 as compared to 1.04% in FY16. Profitability has been improving over the past few years; however, CFL's profitability lags that of its peers as some of its products have yet to achieve scale.

##### ***Moderate seasoning of retail portfolio:***

As on March 31, 2017, Capital First AUM was 19,936 crore with retail portfolio accounting for 18,390 crore. The retail loan portfolio has grown from Rs.10,152 crore as on March 31, 2015 to Rs.18,390 crore as on March 31, 2017 lead by strong growth in Business Installment Loan (BIL), two wheeler, Consumer loans and Personal loans segments. Since the majority of the retail loan portfolio has grown significantly in last few years, the seasoning with respect to the retail portfolio is moderate.

##### ***Reduction in wholesale portfolio in absolute and proportion to overall book***

The wholesale book, is characterized by concentration risk. As on March 31, 2017, top 10 group exposures accounted for 44% of Net-worth respectively [top 10 group exposures accounted for 72% of the Net-worth as on March 31, 2016]. The borrower concentration risk remains; however the wholesale book has reduced in both absolute and as proportion of the loan portfolio.

#### **Analytical approach:**

CARE has analyzed Capital First Limited credit profile by considering the consolidated financial statements of CFL & CFHFPL owing to financial and operational linkages between the parent and its subsidiaries and common management.

#### **Applicable Criteria**

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE Policy on Default Recognition](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[CARE's Criteria for NBFC](#)

[Financial ratios - Financial Sector](#)

#### **About the Company**

Capital First Ltd (CFL), is a systemically important NBFC primarily engaged in the business of loan against property (43.7% of AUM), Home loans (4.0), business loans (17.5%), two wheeler loans (9.3%), consumer durable loans (8.3%), Cross sell & personal loan (7.0%) and Auto loans (2.1%) on a consolidated AUM basis. CFL had assets under management (AUM) of Rs.19,936 crore with retail portfolio accounting for 92% of AUM as on March 31, 2017. CFL had a presence in 222 towns with an employee base of 1,924 as on March 31, 2017. The company is headed by Mr. V. Vaidyanathan, the Chairman and Managing Director of CFL.

CFL has three wholly owned domestic subsidiaries namely, Capital First Commodities Limited, Capital First Home Finance Limited (loan portfolio of Rs.699 crore) and Capital First Securities Limited.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total income	1,889	2,801
PAT	166	241

Interest coverage (times)	1.28	1.31
Total Assets(On balance sheet)	14,460	17,566
Net NPA (%)	0.54^	0.31*
ROTA (%) (Adjusted)	1.04	1.20

A: Audited

^ on 150 dpd; \*on 120dpd

**Status of non-cooperation with previous CRA: Not Applicable**

**Any other information:Not Applicable**

**Rating History for last three years:** Please refer Annexure-2

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

**Analyst Contact:**

Name: Abhishek Gupta

Tel: 022-67543 558

Mobile: +91- 9967750444

Email: [abhishek.gupta@careratings.com](mailto:abhishek.gupta@careratings.com)

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

**Disclaimer**

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Debentures-Non Convertible Debentures	-	-	-	500.00	CARE AA+; Stable

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Debentures-Non Convertible Debentures	LT	2450.00	CARE AA+; Stable	-	1)CARE AA+; Stable (17-Feb-17) 2)CARE AA+; Stable (30-Dec-16) 3)CARE AA+ (11-Aug-16) 4)CARE AA+ (26-Jul-16)	1)CARE AA+ (10-Feb-16) 2)CARE AA+ (21-Jan-16) 3)CARE AA+ (28-Oct-15) 4)CARE AA+ (12-Aug-15)	1)CARE AA+ (24-Sep-14)
2.	Fund-based-Long Term	LT	7970.00	CARE AA+; Stable	-	1)CARE AA+; Stable (30-Dec-16) 2)CARE AA+ (26-Jul-16)	1)CARE AA+ (28-Oct-15) 2)CARE AA+ (26-May-15)	1)CARE AA+ (24-Sep-14) 2)CARE AA+ (03-Apr-14)
3.	Fund-based - LT-Cash Credit	-	-	-	-	-	1)CARE AA+ (26-May-15)	1)CARE AA+ (24-Sep-14) 2)CARE AA+ (03-Apr-14)
4.	Short Term Instruments-Short Term Instrument	ST	2500.00	CARE A1+	-	1)CARE A1+ (30-Dec-16) 2)CARE A1+ (11-Aug-16) 3)CARE A1+ (26-Jul-16)	1)CARE A1+ (28-Oct-15) 2)CARE A1+ (12-Aug-15)	1)CARE A1+ (24-Sep-14)
5.	Bonds-Subordinated	LT	800.00	CARE AA+; Stable	-	1)CARE AA+; Stable (30-Dec-16) 2)CARE AA+ (26-Jul-16)	1)CARE AA+ (10-Feb-16) 2)CARE AA+ (21-Jan-16) 3)CARE AA+ (28-Oct-15) 4)CARE AA+ (12-Aug-15)	1)CARE AA+ (24-Sep-14)
6.	Bonds-Perpetual Bonds	LT	150.00	CARE AA; Stable	-	1)CARE AA; Stable (30-Dec-16) 2)CARE AA (26-Jul-16)	1)CARE AA (10-Feb-16) 2)CARE AA (21-Jan-16) 3)CARE AA	1)CARE AA (24-Sep-14)

							(28-Oct-15)	
7.	Fund-based - LT-Subordinated Bank Loan	LT	275.00	CARE AA+; Stable	-	1)CARE AA+; Stable (30-Dec-16) 2)CARE AA+ (26-Jul-16)	1)CARE AA+ (28-Oct-15) 2)CARE AA+ (26-May-15)	1)CARE AA+ (24-Sep-14)
8.	Debt-Perpetual Debt	LT	150.00	CARE AA; Stable	-	1)CARE AA; Stable (30-Dec-16) 2)CARE AA (26-Jul-16) 3)CARE AA (28-Oct-15)	1)CARE AA (10-Feb-16) 2)CARE AA (21-Jan-16) 3)CARE AA (28-Oct-15)	1)CARE AA (24-Sep-14)
9.	Debentures-Non Convertible Debentures	LT	250.00	CARE AA+; Stable	-	1)CARE AA+; Stable (17-Feb-17) 2)CARE AA+; Stable (30-Dec-16) 3)CARE AA+ (11-Aug-16) 4)CARE AA+ (26-Jul-16)	1)CARE AA+ (10-Feb-16) 2)CARE AA+ (21-Jan-16) 3)CARE AA+ (28-Oct-15)	1)CARE AA+ (24-Sep-14)
10.	Debentures-Non Convertible Debentures	LT	1000.00	CARE AA+; Stable	-	1)CARE AA+; Stable (17-Feb-17) 2)CARE AA+; Stable (30-Dec-16) 3)CARE AA+ (04-Nov-16)	-	-
11.	Debentures-Non Convertible Debentures	LT	1500.00	CARE AA+; Stable	-	1)CARE AA+; Stable (17-Feb-17)	-	-
12.	Debentures-Non Convertible Debentures	LT	500.00	CARE AA+; Stable	-	-	-	-

**CONTACT****Head Office Mumbai****Ms. MeenalSikchi**

Cell: + 9198190 09839

E-mail: [meenal.sikchi@careratings.com](mailto:meenal.sikchi@careratings.com)**Mr. AnkurSachdeva**

Cell: + 9198196 98985

E-mail: [ankur.sachdeva@careratings.com](mailto:ankur.sachdeva@careratings.com)**Ms.RashmiNarvankar**

Cell: + 9199675 70636

E-mail: [rashmi.narvankar@careratings.com](mailto:rashmi.narvankar@careratings.com)**Mr. Saikat Roy**

Cell: + 9198209 98779

E-mail: [saikat.roy@careratings.com](mailto:saikat.roy@careratings.com)**CARE Ratings Limited****(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaia Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: [care@careratings.com](mailto:care@careratings.com)**AHMEDABAD****Mr. Deepak Prajapati**32, Titanium, Prahaladnagar Corporate Road,  
Satellite, Ahmedabad - 380 015

Cell: +91-9099028864

Tel: +91-79-4026 5656

E-mail: [deepak.prajapati@careratings.com](mailto:deepak.prajapati@careratings.com)**BENGALURU****Mr. V Pradeep Kumar**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,  
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91 98407 54521

Tel: +91-80-4115 0445, 4165 4529

Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)**CHANDIGARH****Mr. AnandJha**SCF No. 54-55,  
First Floor, Phase 11,  
Sector 65, Mohali - 160062  
Chandigarh

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: [anand.jha@careratings.com](mailto:anand.jha@careratings.com)**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,  
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)**COIMBATORE****Mr. V Pradeep Kumar**T-3, 3rd Floor, Manchester Square  
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)**HYDERABAD****Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,  
Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: [ramesh.bob@careratings.com](mailto:ramesh.bob@careratings.com)**JAIPUR****Mr. Nikhil Soni**304, PashupatiAkshatHeights, Plot No. D-91,  
Madho Singh Road, NearCollectorateCircle,  
Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: [nikhil.soni@careratings.com](mailto:nikhil.soni@careratings.com)**KOLKATA****Ms. PritiAgarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)  
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: [priti.agarwal@careratings.com](mailto:priti.agarwal@careratings.com)**NEW DELHI****Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,  
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: [swati.agrawal@careratings.com](mailto:swati.agrawal@careratings.com)**PUNE****Mr.Pratim Banerjee**9th Floor, Pride KumarSenate,  
Plot No. 970, Bhamburda, SenapatiBapat Road,  
ShivajiNagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: [pratim.banerjee@careratings.com](mailto:pratim.banerjee@careratings.com)**CIN - L67190MH1993PLC071691**