

IREP Credit Capital Private Limited <sup>(Revised)</sup>

February 06, 2018

## Ratings

Instrument	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long term bank Facilities (Proposed)	100	CARE BBB; Stable (Triple B; Outlook: Stable)	Assigned
<b>Total</b>	<b>100</b> (Rs. One Hundred crore only)		

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

The rating assigned to the bank facilities of IREP Credit Capital Private Limited (IREP) factors in the company's healthy capitalization levels, experience of the management team in the financial services industry, comfortable liquidity position and good asset quality. The rating also takes into account the planned diversification into retail lending which the company expects to scale up in the medium term. The rating is constrained by the company's modest size of operations, moderate track record, concentration risk in wholesale lending book and moderate profitability. The company's ability to scale up the retail franchise while maintaining asset quality, profitability and capital adequacy are the key rating sensitivities.

**Detailed description of the key rating drivers****Key Rating Strengths****Experience of the management team in the financial services sector**

IREP is headed by a team having good experience in the financial services sector. The management of IREP is headed by Mr. Naresh Naik (Chief Executive Officer) who has over 20 years of experience in the real estate sector and has worked with Morgan Stanley Real Estate Investing in India as the Country Head and with Lehman Brothers Real Estate Partners as the Head of Asset Management. The management team includes Mr. Nachiket Naik (Managing Director) who has over 20 years of experience in credit and the debt market space. He led the Debt Capital Markets and Financing franchisee for UBS in India and has also been associated with ABN AMRO and IL&FS in the past. Further, Mr. Prince Yelati (National Head – SME Lending) has over 10 years of experience and prior to joining IREP, he was Executive Director and CEO of a NBFC named Jacinth Finvest Ltd. where he was looking after operations as well as resource raising. He has also worked with organisations like Asmita Microfin, GE Consumer Finance and Dell. The company also has set up a management team for several business functions.

**Healthy capitalization levels and liquidity position**

The promoter entity has infused equity capital of around Rs.140 crore in IREP and the company's tangible net worth stood at Rs.173 crore as on March 31, 2017. The company reported healthy capitalization levels with Capital Adequacy Ratio (CAR) at 140.21% [P.Y.:120.97%] and Tier I CAR at 139.13% [P.Y.: 119.98%] as on March 31, 2017. The company has not leveraged yet and had nil borrowings as on date, leading to a comfortable capital structure and comfortable liquidity position. Going forward, the company plans to diversify into retail lending space wherein it would provide secured business loans to SMEs. The company is expected to moderately leverage its net worth to fund the growth in the retail segment.

**Robust asset quality with diversified sector exposure**

IREP has around 5 years of operations with predominantly wholesale lending portfolio. The portfolio is spread across sectors with major exposures in sectors like education (28% of portfolio) and real estate (18%) and manufacturing (18%). The company has built-in stringent credit norms which have helped it report nil NPAs as on date. IREP initially plans to limit the geographical spread of its retail portfolio to Telangana, Andhra Pradesh and Chhattisgarh. The performance of IREP's retail portfolio with regard to asset quality remains to be seen.

**Key Rating Weaknesses****Modest size of operations and moderate track record**

The current promoters acquired the company in December 2012 and started lending from FY13. The company therefore has a relatively moderate track record in the industry. The company had a portfolio of Rs.121.20 crore at the end of FY17 which comprised fully of wholesale loans. Having commenced retail lending business in Q3FY18, which is expected to constitute a larger portion of the portfolio going forward, the company's ability to establish its presence in the retail credit space remains to be seen.

### Moderate profitability

In FY17, the company reported a PAT of Rs.4.12 crore on a total income of Rs.22.35 crore. PAT declined by 51% from FY16 primarily on account of increase in employee costs by over 83%. The company earned NIM of 12.47% [P.Y.: 13.92%], and ROTA of 2.39% [P.Y.: 5.03%]. In 9MFY18, the company earned PAT of Rs.1.37 crore on a total income of Rs.14.66 crore. Profitability remained subdued on account of transition in favour of its retail lending segment, and consequent investment in employees and administrative expenses for the same.

**Analytical approach:** Standalone

### Applicable Criteria

[Rating Methodology- Non-Banking Finance Companies](#)

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

[CARE's Policy on Default Recognition](#)

[Financial ratios - Financial Sector](#)

### About the Company

IREP Credit Capital Private Limited (IREP) is registered with the Reserve Bank of India as a non-deposit taking Non-Banking Finance Company since July 02, 2008 providing business loans and co-lending. The company was originally incorporated on July 01, 1996 as Avanti Traders Private Limited. Consequent to the acquisition of the company by the existing shareholders in December 2012, the name of the company was changed to IREP Credit Capital Pvt Ltd on March 30, 2015. On a fully diluted basis, IREP Opportunities Holdings, a Mauritius-based fund held 72.37% of shares in the company, while Mr. Naresh Naik held 9% through ANM India Real Estate Advisors LLP. The balance was held by Avanti Employee Welfare Trust, the employee trust of IREP. As of March 2017, IREP's portfolio consisted of wholesale loans in the form of senior secured loans. The company's wholesale business includes providing structured lending solutions such as project finance, asset-backed lending, growth financings, promoter/ sponsor leverage, acquisition finance, special situations' funding, etc.

The company plans to diversify its portfolio in favour of retail assets in the next five years. The company incorporated IREP Dhan Private Limited (I-Dhan) on December 06, 2017. IREP currently holds a stake of 99% in I-Dhan. I-Dhan would help the company source and monitor IREP's retail portfolio, in return for a fee. IREP initially plans to establish its presence in the areas of Telangana, Andhra Pradesh and Chhattisgarh. I-Dhan currently has 6 branches in the Khammam area of Telangana and Andhra Pradesh with around 20 staff members. The company's retail lending segment would include SME loans, and other personal loans.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total Income	24.21	22.35
PAT	8.34	4.12
Total Assets	170.58	174.09
Net NPA (%)	Nil	Nil
ROTA (%)	5.03	2.39

A: Audited

**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.

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**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
Fund-based - LT-Term Loan - Proposed	-	-	-	100.00	CARE BBB; 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.	Fund-based - LT-Term Loan	LT	100.00	CARE BBB; Stable	-	-	-	-

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