

Western India Transport Finance Company Pvt. Ltd. (WitFin)

December 13, 2017

Ratings

Instrument	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank facilities	35.00	CARE BBB- ; Stable [Triple B Minus; Outlook: Stable]	Reaffirmed

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating continues to factor in business synergies of WitFin with its group companies that are into transportation businesses, experienced promoters and management team, average profitability and asset quality parameters, comfortable capitalization levels and comfortable liquidity position. The rating continues to remain constrained by small scale of operations, limited track record, geographical and loan product concentration and riskier borrower segment. Business growth, loan book diversification, profitability, asset quality and capital adequacy are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Business synergies with group companies: Western India Transport Finance Pvt. Ltd. is promoted by Mr. Nikhil Swadi, who is member of Swadi family which is into transportation business since more than 40 years. The family has numerous businesses in transportation sector viz. Swadi Automobiles (started as vehicle repair workshop and currently offering garage services to vintage and royal cars), Ganesha Carriers Pvt. Ltd. and ATS Carriers (provides end to end transport services to Ambuja Cements – operating 1000 fleets & transporting cement of around 8000 tons per day) and Auto Hirers (operates rental services for specialty and luxury vehicles since 1970s). Given the group's expertise in understanding requirements of the commercial driver community and quality/condition of the used vehicles, WitFin benefits from group support in the form of business sourcing, commercial vehicle valuations and management support. Over the years, the group has built long standing relationship with local population and players in the industry like truck drivers, transporters, mechanics, service centers and auto spare parts suppliers across all the four states – Gujarat, Maharashtra, Rajasthan and Punjab. These relationships act as a cross reference/counter guarantee during credit appraisal process.

Experienced promoters and management team: Mr. Dilip Swadi is the chairman cum promoter of the company. Mr. Dilip Swadi is the promoter of various group businesses in transportation sector viz. Swadi Automobiles, Ganesha Carriers Pvt. Ltd., Auto Transport Services and Auto Hirer. The management team is headed by Mr. Nikhil Swadi (son of Mr. Dilip Swadi) who acts as Managing Director of the company. Mr. Nikhil Swadi has more than 12 years of experience as an equity analyst and credit analyst for JP Morgan and he later spearheaded various transport businesses of the group. Mr. Pratap Dighe, C.O.O. of the group companies (overseeing car rental and trucking division of the group), acts as the one of the Directors of the company. He has more than 15 years of experience working at Auto Hirers with expertise in sales, operations and collections. Mr. Nishant Gupta, who heads the operations and credit, comes with 10+ years of experience in Sales and Credit at a leading NBFC.

Average Profitability: The company was incorporated on April 13, 2006 and started the main activity of lending post getting registered with RBI in August 2011. Over the last four years, company's outstanding loan book has grown at CAGR of 60%. As on March 31, 2017, the company's outstanding loan book stood at Rs.73.13 crore (PY: Rs.50.70 crore). Consequently, the company's profit has been increasing over the years. The company caters to high interest yielding segment and hence its yield on average portfolio during FY17 stood at 18.64% (P.Y.: 19.23%). The company's net interest margin during FY17 reduced by 254 basis points and stood at 7.90% as against 10.45% in FY16 but it still continues to remain robust. During FY17, the company reported PAT of Rs. 1.36 crore (P.Y.: Rs. 1.23 crore) on total income of Rs. 12.67 crore (P.Y.: Rs. 8.18 crore). On the operations front, company's cost to income ratio increased to 64.75% in FY17 as against 55.23% in FY16. The company's RoTA stood at 1.87% in FY17 (P.Y.: 2.86%).

Average asset quality parameters: As on March, 2017, the company's GNPA and NNPA stood at 1.69% and 1.37% (PY: 0.83% and 0.61%), respectively. The company's Net NPA to Net worth ratio stood at 4.27% (PY: 1.62%). The major slippage (above 150 d-p-d) is in heavy commercial vehicle segment. The management identifies this to be a temporary spike due to operational issues at 2 branches at Vashi and Kalamboli, and the introduction of GST which had an impact on the business of the small transporters. This resulted in temporary liquidity issues for the company's clients. These are mostly regular paying customers and most of them have completed half their loan tenure and are not willful defaulters.

Comfortable gearing and capitalization levels: WitFin's net worth has increased over the years on account of regular capital infusion by the promoters. Over the last two years, promoters have infused equity capital of Rs.6.75 crore. As a result of regular capital infusion, the company's capital adequacy ratio stood comfortable at 31.09% (PY: 34.94%) as on March 31, 2017 with Tier I CAR at 30.86% (PY: 34.34%). The company has gradually increased its gearing levels to 3.26 times as on Sept 30, 2017 (FY16: 1.81 times). Going forward, the company's gearing levels are projected to gradually touch 5.08x by March 2020 on account of higher disbursements.

Comfortable liquidity position: The liquidity profile of the company as on September 30, 2017 is comfortable with positive cumulative mismatches across all time buckets since company enjoys low gearing levels. Further, the company had unutilized working capital limits of Rs. 4.76 crore as on September 30, 2017.

Key Rating Weaknesses

Small size of operations with limited track record of the company: Considering that the company is in a nascent stage and has started its lending operations since August 2011, its scale of operations is small. As on September 30, 2017, the company's loan portfolio and asset size stood at Rs.99.98 crore and Rs.108.73 crore respectively. WitFin's tangible networth stood at Rs.25.15 crore as on September 30, 2017.

Loan product concentration and geographical concentration: The company lends majorly to the 'used commercial vehicle' segment which constituted around 87% of the total outstanding portfolio as on March 31, 2017. The major focus of the company is towards lending of light commercial vehicle (LCV) and Medium/Heavy Commercial Vehicle (MHCV) forming around 67% of outstanding portfolio as on March 31, 2017 while the rest being commercial three wheelers and passenger cars. Geographically, almost entire loan portfolio of the company is concentrated in Maharashtra and Gujarat state. During FY18, Company plans to diversify geographically by extending credit in the state of Rajasthan.

Riskier Borrower Segment: The company provides loans for used commercial vehicles which is relatively riskier segment. CV operators are more vulnerable to the negative effects of an economic downturn. However, the company provides CV loans at a loan to value (LTV) ratio of around 45%-85% to mitigate the risk to a certain extent.

Analytical approach: CARE has taken a view based on the standalone financial profile of WitFin.

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

Western India Transport Finance Ltd. (WitFin) is a NBFC incorporated in April 2006 and was granted RBI registration as NBFC in August 2011. The company is promoted by Mr. Nikhil Swadi, who is member of Swadi family which is into transportation business since more than 40 years. The company lends majorly to the 'used commercial vehicle' segment which constituted around 87% of the total outstanding portfolio as on September 30, 2017. The major focus of the company is towards lending of light commercial vehicle (LCV) and Medium/Heavy Commercial Vehicle (MHCV) forming around 67% of outstanding portfolio as on September 30, 2017 while the rest being three wheeler loading vehicles and

passenger cars. The company has presence in Gujarat and Maharashtra with twelve branches and currently serves 3710 active borrowers. As on September 30, 2017, company's AUM stood at Rs.101.68 crore.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	8.17	12.64
PAT	1.23	1.36
Interest coverage (times)	1.59	1.31
Total Assets	54.26	91.71
Net NPA (%)	0.60	1.37
ROTA (%)	2.86	1.87

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. Investors/market intermediaries/regulators or others are welcome to write to 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
Long term Bank Facilities	-	-	-	35.00	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	35.00	CARE BBB-; Stable	-	1) CARE BBB- (14-Sep-16)	-	-

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