

NJT Finance Private Limited (Revised)

February 03, 2022

Ratings

Facilities/ Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	24.50	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Bank Facilities	24.50 (Rs. Twenty-Four Crore and Fifty Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated December 4, 2020, placed the rating(s) of NJT Finance Private Ltd. (NJT Finance) under the 'issuer non-cooperating' category as the company had failed to provide information for monitoring of the rating. NJT Finance continues to be non-cooperative despite repeated requests for submission of information through e-mails dated November 9, 2021, October 30, 2021 and October 20, 2021 and phone calls. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

Detailed description of the key rating drivers

At the time of last rating on December 4, 2020 the following were the rating strengths and weaknesses:

(updated for information available from Registrar of Companies (FY20 (refers to the period April 01 to March 31) audited financials) and other public information)

Key Rating Weaknesses

Limited track record of operations with majority of loan book originated in the past four years

NJT Finance Private Limited (NJT Finance) was incorporated in the year 1995 as Alapatt Finance Private Limited. The company was acquired by the current promoter in 2015 and the name of the company was changed to the present form. The company had loan portfolio of Rs. 1.16 crore as on March 31, 2016. During the last four years portfolio has grown significantly to Rs.34.34 crore as on March 31, 2020. The day to day operations of the company are handled by the Managing Director, Mr. Alex Thomas who has vast experience in the financing industry. He is supported by Operations Manager and Finance Manager.

Small scale of operations with geographical concentration of loan portfolio

The company's loan portfolio has increased over the last 4 years from Rs.1.16 crore as on March 31, 2016 to Rs.34.34 crore as on March 31, 2020. However, it continues to remain small. The company provides short term loans with tenor ranging between 20 weeks to 50 weeks. Since the loans are short term in nature, the ability of the company to increase the client base is critical for growing the loan portfolio going forward.

The portfolio is regionally concentrated with 100% of the portfolio present in Kerala. The company does not have any branches and the entire operations are handled from the Head Office.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Moderate Asset Quality

The company had maintained low NPA levels till 2018. However, due to the modest credit profile of the borrowers, the company's asset quality deteriorated during FY19 with GNPA and NNPA moderated from 0.11% and 0.10% as on March 31, 2018 to 2.65% and 2.49% as on March 31, 2019. GNPA stood at 2.0% as on March 31, 2020. Net NPA to Networth stood at 6.32% as on March 31, 2019. The ability of the company to control the delinquencies and maintain good asset quality with increase in the portfolio growth remains a key rating monitorable.

Concentrated Resource Profile

NJT Finance's primary source of funding apart from equity infusion is generally from banks. The growth in FY18 and FY19 was majorly funded out of bank borrowings. The company currently has relationship with Federal Bank in the form of term loan and cash credit facility. Going forward, the ability of the company to raise funds at competitive interest rates would remain critical for the growth prospects and profitability.

Key Rating Strengths**Loan appraisal, collection system & MIS**

The company provides business loans to partnership firms, proprietary firms, private limited companies, LLPs and to individuals for business purposes. The rate of interest charged is 14% flat. The processing fee charged varies between 0.75%-2.00%. The sourcing of customers is done through direct marketing (30%) and through direct sales agent (DSA) (70%). The company has developed its own risk assessment framework where cash flow analysis of the borrowers, bank statement analysis, financial statement analysis, CIBIL check, IT returns and GST returns are analysed. The Managing Director along with one field staff will go and visit the customers where the verification of the residence and business is done. The MD will prepare the Site visit report which contains details about the location of the residence, business, proposed line of activity, cost of the project, means of finance, location advantages and details of collateral security offered. The valuation report is also prepared by the MD. The cash flow analysis of the borrowers is done to analyse the repayment capability. A detailed process note is also prepared which contains details about the borrower profile, management profile, existing limits availed from other banks, current proposal, financial performance, sales turnover, co-obligancy offered, collateral security and details of copy of title deeds. The process note will be reviewed by the Manager and he recommends for sanction and the final approval for disbursing the loan will be given by the Managing Director. The disbursement will be made directly to the bank account. The company follows weekly collection mechanism where the weekly repayment schedule will be shared with the client. Periodic SMS reminders are sent to the clients regarding the repayments and the collection happens mostly through NEFT/RTGS mode.

The company is currently using software 'Descpro'. The company is in the process of implementing ERP system.

Good Profitability levels

Loan portfolio has increased from Rs.6.54 crore as on March 31, 2017 to Rs.34.34 crore as on March 31, 2020. Though the loan portfolio remained smaller and of shorter tenure, fee income contributes to significant proportion of total income as processing fee is charged for every cycle of loan. On account of the same, total income increased from Rs.0.59 crore in FY17 to Rs. 9.52 crore in FY20. Net Interest Margin stood at 17.86% during FY20. Opex (as a % of average total assets) increased to 4.06% during FY20 from 3.27% in FY19. With improvement in Net Interest Income and decline in credit cost, the company reported ROTA of 12.07% in FY20 (PY: 11.47% in FY19)

Adequate capitalization levels

The networth of the company grew and stood at Rs. 16.07 crore as on March 31, 2020 as against Rs.11.83 crore as on March 31, 2019 on account of stable profitability levels. The company had received capital infusion of Rs.2.65 crore from the promoters

during FY18. As a result, the paid up share capital increased from Rs.4 crore as on March 31, 2017 to Rs.6.65 crore as on March 31, 2018. Overall gearing stood low at 1.16x times as on March 31, 2020 as against 1.91x as on March 31, 2019.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

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

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

[Financial Ratios-Financial Sector](#)

[CARE's Rating Methodology for Non-Banking Finance Companies \(NBFCs\)](#)

About the Company

NJT Finance Private Limited (NJT Finance) is a Non-Banking Finance Company (NBFC) registered with RBI and headquartered in Kottayam, Kerala. The company was incorporated in the year 1995 as Alapatt Finance Private Limited. Later, in September 2015, the company was acquired by Mr. Alex Thomas, who is currently the Managing Director and the name of the company was changed to the present form. NJT group was established in the year 1934 by late Mr. Nedumchira Jacob Thomas, a pioneer in the field of construction business since its origination. NJT Finance is engaged in providing short term business loans in the range of Rs.25 lakhs upto Rs.3 crore.

Brief Financials (Rs. crore)	FY19 (A)	FY20(A)	FY21(A)	9MFY22 (Prov.)
Total operating income	7.18	9.52	NA	NA
PAT	3.39	4.25	NA	NA
Interest coverage (times)	4.24	4.41	NA	NA
Total Assets	34.94	35.51	NA	NA
Net NPA (%)	2.49	NA	NA	NA
ROTA (%)	11.42	12.07	NA	NA

A: Audited; NA- Not available

Status of non-cooperation with previous CRA: NA

Any other information: NA

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

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	-	-	August 2023	9.50	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	15.00	CARE B+; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	9.50	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (04-Dec-20)	1)CARE BB-; Stable (09-Sep-19)	-
2	Fund-based - LT-Cash Credit	LT	15.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (04-Dec-20)	1)CARE BB-; Stable (09-Sep-19)	-

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings Limited:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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