Namdev Finvest Private Limited

September 08, 2022

Ratings

Facilities	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	850.00 (Enhanced from 350.00)	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Total bank facilities	**850.00 (₹ Eight hundred fifty crore only)**		
Non-convertible debentures	30.00	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Non-convertible debentures	100.00	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Non-convertible debentures	45.00	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Total long-term instruments	**175.00 (₹ One hundred seventy-five crore only)**		

Details of instruments/facilities in Annexure-1

Detailed rationale and key rating drivers

The ratings assigned to the various instruments of Namdev Finvest Private Limited (NFPL) take into account the experienced promoters, which includes private equity (PE) firm, Incofin India Progress Fund, along with regular equity infusion by the PE investors and the promoters to support operations, improving capitalisation profile and moderate asset quality. The ratings also factor in the moderate earning profile with adequate liquidity position.

The ratings, however, continue to remain constrained due to the geographical concentration risk with majority of NFPL's portfolio being concentrated in Rajasthan, moderate scale of its operations and moderately diversified product profile with low seasoning with majority of the loan book being built up over the past few years.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Diversification in terms of geography and resource base along with improvement in asset quality and profitability.
- Significant growth in the loan portfolio along with adequate seasoning.
- Diversification of liability profile with stable resource base at reasonable rate of interest.

Negative factors – Factors that could lead to negative rating action/downgrade:

- Deterioration in profitability with respect to return on total assets (RoTA) declining below 2.00%.
- Significant decline in the liquidity position.
- Deterioration in asset quality with gross non-performing assets (GNPA)% exceeding 3.00%.
- High dependence on non-banking finance companies (NBFCs) for resource profile.

Detailed description of the key rating drivers

Key rating strengths

Experienced promoters along with regular equity infusion: Incorporated in 1997, NFPL was taken over in 2013 and is promoted by Jitendra Tanwar and Latika Tanwar. Jitendra Tanwar, MD & CEO, has more than a decade of experience in vehicle finance business. The company has reconstituted the board of directors (BoD) with induction of Aditya Bhandari, Nominee Director from the PE firm, Incofin India Progress Fund, and two independent directors.

Furthermore, in April 2020, NFPL formed an advisory board to advice the company regarding developing and implementing strategies for growth, building organisational capabilities through structure and processes, improving risk management strategies and strengthening corporate governance. Currently, the board has one member, Dr Harsh Vardhan, who has worked as a Senior Advisor with the leading international management consulting firm, Bain & Company. He has three decades of experience in the Indian as well as global financial sector. He has worked extensively on corporate finance, including mergers and acquisitions, alliance structuring and negotiations, valuations, review of major investment decisions for private equity and strategic investors, and strategic due diligence.

The PE firm, Incofin India Progress Fund, and the promoters of NFPL have been regularly infusing capital in the business leading to rise in the loan book and improvement in the capitalisation profile. Since inception, the promoters have supported the operations of the company by way of fund infusion in the form of compulsorily convertible preference share/compulsorily convertible debentures/equity in NFPL. The company has received capital infusion of ₹55 crore in FY22 (refers to the period April 1 to March

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

31), out of which ₹50 crore is infused by Incofin India Progress Fund. Founded in 2001, Incofin India Progress Fund manages funds and investments in emerging countries whose investors are leading development funds, banks, insurance companies, pension funds, alternative investment funds, high net worth and retail investors. CARE Ratings Limited (CARE Ratings) notes that the company plans to further raise a capital of around ₹130 crore in FY23 to fund the growth of its loan book.

Improving capitalisation profile: With regular capital infusion in NFPL, the capitalisation profile has been improving over the years. In FY22, the company received capital infusion of ₹55 crore, out of which majority of the capital was infused by Incofin India Progress Fund (₹50 crore, 92% of capital infused in FY22). With this, the capital adequacy ratio (CAR)% improved to 36.70% from 26.16% as on March 31, 2021. The gearing levels have moderately increased to 4.2x as on March 31, 2022, up from 4.08x as on March 31, 2021. For FY23, NFPL plans to raise Series B round of equity of ₹130 crore, before December 2022. Improved CAR will help to cushion in the asset side shocks and to build its asset under management (AUM) further ahead.

Moderate asset quality: NFPL currently recognises non-performing asset (NPA) at 120+ days past due (dpd). However, the company plans to switch to 90+ dpd recognition from October 2022. The asset quality of NFPL remained moderate with GNPA% inching up to 0.63% as on March 31, 2022, from 0.5% as on March 31, 2021, on account of the rise in fresh slippage by 69% y-o-y. The overall slippage ratio increased to 0.8% in FY22 from 0.7% in FY21. NFPL has neither done any restructuring nor has been required to attach/ repossess any collateral. The softer delinquencies with 30+ dpd have improved in FY22 with 3.86% as against 4.25% as on March 31, 2021. However, further slippages in 60+, 90+ and 120+ have increased in FY22 with 2.04%, 0.97% and 0.62%, respectively, as compared with FY21 with 1.76%, 0.92% and 0.51%, respectively.

The collection efficiency (CE) has remained adequate with current CE% increasing to 91% in the month of May 2022, and hovering around 90% from December 2021. The overall CE%, including overdue collections, has improved to 100% in the month of May 2022, and has been hovering over 99% from June 2021.

Moderate earning profile: The profitability profile of NFPL has been improving with it reporting increasing profit after tax (PAT) over the years. In FY22, the PAT was reported at ₹11 crore, up by 33% y-o-y. NFPL's average yield on portfolio hovers around 23%-24%. In FY22, the yield stood at 24.02% up from 23.50% as on March 31, 2021. The average borrowings cost remains in the range of 12%-14%. However, NFPL's cost of funds have improved recently on account of low interest rate regime and stood at 10.28% as on March 31, 2022, down from 13.18% as on March 31, 2021. With this, the spread improved to 13.74% as on March 31, 2022 from 10.32% as on March 31, 2021. The operating expenses over average total assets (ATA) and credit costs over ATA improved to 4.78% and 0.13%, respectively, as on March 31, 2022 from 5.41% and 0.20%, respectively, as on March 31, 2021. The overall RoTA deteriorated to 2.30% due to rise in the total assets, primarily rise in the cash and bank balances, leading to increase in the non-interest earning assets.

Key rating weaknesses

Geographical concentration risk: With NFPL being based out of Rajasthan, its loan book is majorly concentrated in the state with 95% of asset under management (AUM) as on March 31, 2022. It has come down from 99% of AUM as on March 31, 2021. The AUM proportion in Gujarat follows Rajasthan with 4% as on March 31, 2022. Going forward, the company plans to reduce the exposure in Rajasthan to 60% of AUM.

Moderate scale of operations, albeit improving size: The size of operations of NFPL though improved, remained moderate marked by its outstanding loan portfolio of ₹342 crore (+42% y-o-y) and total asset size of ₹648 crore as on March 31, 2022. The loan book of the company is growing at a strong pace with five-years compounded annual growth ratio (CAGR) of 49% in FY22. The equity infusion, which improved its gearing levels, has given NFPL growth capital to build its AUM going forward.

Moderately diversified product profile with low seasoning: NFPL provides five products, namely, micro, small and medium enterprises (MSME), commercial vehicle (CV) financing, two-wheeler financing, solar and gold loan. Majority proportion, i.e., 82% of the loan is towards MSME, followed by two-wheeler financing with 15% of the loan, and the remaining by CV financing and gold loan as on March 31, 2022. The loans to MSME product are high yielding with 24.45%, secured against property and/or sales occupied property, followed by CV financing yielding 22.64% and two-wheeler financing product with yield of 21.76%.

Concentrated lender base: NFPL has lender base of only banks and NBFCs with majorly borrowing from NBFCs with 61% of the borrowings and remaining from banks, although the number of banks and NBFCs stood high at 33 as on May 30, 2022. Also, the sources of funds are concentrated with 81% of the borrowings coming from term loans, followed by 18% of the borrowings in the form of non-convertible debentures (NCDs) and remaining 2% of the borrowings from direct assignment (DA) as on March 31, 2022.

Liquidity: Adequate

The liquidity profile of NFPL is adequate with reporting no negative cumulative mismatch for any time bucket in the asset liability mismatch (ALM) statement as on March 31, 2022. The company has cash and bank balance, including fixed deposits (FD), of ₹283 crore and unutilised cash credit of ₹15 crore as on March 31, 2022, against debt obligations of ₹180 crore over the next 12 months.

Analytical approach: Standalone

Applicable criteria
Policy on Default Recognition
Financial Ratios – Financial Sector
Criteria on Assigning 'Outlook' or 'Credit Watch' to Credit Ratings
Rating Methodology - Non Banking Finance Companies (NBFCs)

About the company
NFPL, registered under the Companies Act, 1956 and the Companies Act, 2013, is a non-deposit taking, non-systematically important NBFC (NBFC-ND-NSI) under the category Investment and Credit Company (ICC). NFPL, incorporated on April 11, 1997, was taken over by Jitendra Tanwar in 2013, and since then it forayed in to financing of vehicle loans, further venturing into loans against properties in 2015. The company caters to the customers in rural and semi-urban locations. NFPL, headquartered in Jaipur with branch network in Rajasthan, Gujarat, Punjab and New Delhi, is engaged in secured MSME lending, two-wheeler financing, medium CV financing, farm equipment loan, gold loans, and loans for income generating assets.

Brief Financials (₹ crore)	31-03-2021 (A)	31-03-2022 (A)	Q1FY23
Total operating income	51.78	78.13	Not available
PAT	8.16	10.87	
Interest coverage (times)	1.45	1.40	
Total assets	298.89	647.93	
Net NPA (%)	0.45	0.57	
ROTA (%)	3.26	2.30	

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

Covenants of rated instruments/facilities: 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	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash credit	NA	NA	NA	NA	30.00	CARE BBB; Stable
Fund-based - LT-Term loan	NA	NA	NA	Repayable in 84 EMI from the date of disbursement	820.00	CARE BBB; Stable
Total bank facilities					**850.00**	
NCD	INE0IX207015	18-Aug-21	12.29%	30-Sep-24	20.00	CARE BBB; Stable
Proposed	NA	NA	NA	NA	10.00	CARE BBB; Stable
Sub total					**30.00**	
NCD	INE0IX207031	31-Dec-21	13.50%	30-Jun-25	20.00	CARE BBB; Stable
NCD	INE0IX207023	15-Jan-22	12.75%	31-Jan-25	24.00	CARE BBB; Stable
NCD	INE0IX207064	29-Mar-22	13.00%	7-Mar-25	22.00	CARE BBB; Stable
NCD	INE0IX207049	14-Apr-22	12.00%	13-Apr-28	46.68	CARE BBB; Stable

Proposed	NA	NA	NA	NA	32.32	CARE BBB; Stable
Sub total					**145.00**	
Total long-term instruments					**175.00**	

NA: Not applicable

Annexure-2: Rating history of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash credit	LT	30.00	CARE BBB; Stable	1)CARE BBB; Stable (22-Apr-22)	1)CARE BBB; Stable (18-Nov-21) 2)CARE BBB-; Stable (13-Jul-21)	1)CARE BBB-; Stable (02-Jul-20)	1)CARE BBB-; Stable (18-Jun-19)
2	Fund-based - LT-Term loan	LT	820.00	CARE BBB; Stable	1)CARE BBB; Stable (22-Apr-22)	1)CARE BBB; Stable (18-Nov-21) 2)CARE BBB-; Stable (13-Jul-21)	1)CARE BBB-; Stable (02-Jul-20)	1)CARE BBB-; Stable (18-Jun-19)
3	Debentures-Non-convertible debentures	LT	30.00	CARE BBB; Stable	1)CARE BBB; Stable (22-Apr-22)	1)CARE BBB; Stable (18-Nov-21)	-	-
4	Debentures-Non-convertible debentures	LT	100.00	CARE BBB; Stable	1)CARE BBB; Stable (22-Apr-22)	1)CARE BBB; Stable (03-Jan-22)	-	-
5	Debentures-Non-convertible debentures	LT	45.00	CARE BBB; Stable	1)CARE BBB; Stable (22-Apr-22)	-	-	-

*Long term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities

Name of the Instrument	Detailed explanation
A. Financial covenants	
I The CAR% (as defined in RBI NBFC Regulations) shall not be less than 15%	
II Cumulative ALM should always be positive in all the buckets upto 1 year to the extent of 10%	
III Net NPA (NNPA) of the company to be less than 3%	
IV Debt/ Equity not higher than 7x	"Equity" shall include subordinated debt to the extent that such can be accounted for as Tier-II capital in accordance with applicable regulations.
V Ratio of outstanding off-balance sheet portfolio (including asset securitisation) to total assets less than 40%	
B. Non financial covenants	
I Change its business such that it no longer remains an NBFC	
II Undertake any merger, consolidation or reorganisation	
III Allow for a change of control event in relation to its shareholders	Change of control event defined as an event whereby existing shareholders are diluted below 67% of voting rights.
V Enter into a single transaction or a series of transactions (whether related or not) to sell, lease, transfer or otherwise dispose of all or substantially all of its assets, other than asset securitisations.	

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

Sr. No.	Name of Instrument	Complexity Level
1	Debentures-Non-convertible debentures	Simple
2	Debentures-Non-convertible debentures	Simple
3	Fund-based - LT-Cash credit	Simple
4	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 instruments: CARE Ratings 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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