Namdev Finvest Private Limited

July 13, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	350.00 (Enhanced from 250.00)	**CARE BBB-; Stable (Triple B Minus; Outlook: Stable)**	**Reaffirmed**
Total Facilities	**350.00 (Rs. Three hundred and Fifty crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating continues to factor in the experience of the promoters of Namdev Finvest Private Limited (NFPL), regular equity infusion by the promoters to support operations, growth in loan portfolio, moderate asset quality, moderate earning profile with adequate liquidity position.

The rating, however, continues to remain constrained due to the moderate scale of its operations, low seasoning of portfolio, geographical concentration risk and concentrated resource profile.

Owing to the impact on economy due to COVID-19, and general weakening of borrower profile due to the pandemic, the asset quality and collection efficiency of NFPL will remain the key monitorable.

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 loan portfolio along with adequate portfolio seasoning.

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

- Deterioration in profitability – ROTA declining below 2.00%.
- Significant decline in liquidity position due to impact on collection efficiency and non-availability of fresh funding.
- Deterioration in asset quality with Gross NPA exceeding 4.00%.
- ALM position shows negative mismatches exceeding RBI regulatory norms

Detailed description of the key rating drivers

Key rating strengths

Experienced promoters along with regular equity infusion to support the operations

NFPL is promoted by Mr. Jitendra Tanwar (Founder & Managing Director) who has more than a decade of experience in vehicle financing in Rajasthan. Mr. Jitendra Tanwar along-with his wife Mrs. Latika Tanwar looks after the overall management of the company and is supported by experienced second line of management.

NFPL has established an Advisory Board in April 2020 that consists of two members having more than two decades of experience in the industry, to advise NFPL in developing & implementing strategies and strengthening corporate governance.

Since inception, 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. Till date the promoters have infused funds of Rs.34 crore. During FY21 NFPL received funds of Rs.11.85 crore in the form of preference share and equity by the promoters.

Moderate Asset quality

NFPL follows 120 dpd for NPA recognition. It has reported Gross NPA as a % of Gross Advances and Net NPA as a % of Net Advances at 0.50% and 0.45% respectively as on March 31, 2021. However, the slippage for 90+ dpd has increased during FY21 to 0.92% of Gross Advances as on March 31, 2021, from 0.31% as on March 31, 2020. Also, 1–90-day dpd bracket has increased from 4.70% to 8.39%.

NFPL's collection efficiency declined during April to August 2020 mainly due to moratorium provided to the client as per RBI circular and the impact of Covid-19 on the cash-inflows of the customers. However, there was improvement in collection efficiency to 90% in March 2021. During the second lockdown, while the collection efficiency dipped in April and May 2021, it improved to around 85-90% in month of June 2021.

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Moderate earning profile

Average borrowing cost has decreased to 13.18% during FY21 as compared to 14.01% during FY20 mainly on account of decrease in rate of Interest on borrowed funds.

However, as the disbursements for the first half of the year were muted the overall interest income reflected is lower compared to the increase in loan portfolio in FY21. Hence, the Average yield on portfolio decreased to 23.50% during FY21 vis-à-vis 25.48% in FY20, thus the Net Interest Margin (NIM) declined in FY21 by 108 bps to 8.70%.

Operating expenses/average total assets remained stable at 5.41% during FY21 as compared with 5.48% in FY20.

Average credit cost has remained in the range of 0.10% to 0.25% during last 4 years mainly on account of increase in loan portfolio as well as strong collection mechanism resulting in lower slippages. Overall, ROTA has declined to 3.26% during FY21 as compared to 4.09% in FY20.

Key rating weaknesses

Geographical concentration risk

As on March 31, 2021, 99% of the portfolio is in Rajasthan (mainly around Jaipur region). NFPL has 31 branches in state of Rajasthan 2 in Punjab and 1 in Delhi. Only 1% (Rs.3 crore) of the book is outside Rajasthan which exposes the company to the risk of concentration to a specific geographical area. NFPL has also envisaged diversifying into Madhya Pradesh and Gujarat in FY22.

Moderately diversified product profile

NFPL's loan portfolio is moderately diversified with LAP portfolio/SME loans (secured) comprising of 80% of outstanding loan portfolio, two-wheeler loans (16%), new/used vehicle loans (CV/MUV/Car) comprising 3% while and gold loans (1%) comprise the balance. The average tenure of Auto loans (two-wheeler/ three-wheeler loans) varies from 15-18 months, while the same for Car/CV/MUV varies from 24-48 months and LAP/SME varies from 48-60 months. The average ticket size of Car/MUV/CV stood at around Rs.2.64 lakh while the average ticket size of LAP was around Rs.4.80 lakh.

Moderate; albeit growth in scale of operations and low seasoning of loan portfolio

The size of operations of NFPL though improved remained moderate at Rs.241.39 crore and total asset size of Rs.298.89 crore as on March 31, 2021, as compared to outstanding loan portfolio of Rs.167.38 crore and total asset size of Rs.202.18 crore as on March 31, 2020, comprising 44% growth in loan portfolio in FY21 over FY20.

The LAP/SME segment which grew by 40% Y-o-Y whereas the Two-wheeler segment grew to around Rs 40 crore as on March 31, 2021.

LAP product has average tenure of around 48 months resulting in moderate seasoning in that product profile. As a result, its asset quality performance through different economic cycles and geographies is yet to be established. Although NFPL is doing SME/LAP funding from last 5 years however, AUM has grown significantly in last 2-3 years.

NFPL has made disbursements of Rs.122.92 crore during the year and achieved 14% growth compared to disbursements of Rs.107 crore during FY20. Majority disbursements have taken place during second half of the year as disbursements in first two quarters of FY21 remained muted.

Moderate leverage albeit with adequate capitalisation

Overall gearing has marginally improved from 4.21x as on March 31, 2020, to 4.09x as on March 31, 2021. Also, NFPL has been maintaining the overall gearing below 5 times.

The reported capital adequacy ratio (CAR) of NFPL stood at adequate level of 26.16% as on March 31, 2021 (25.61% as on March 31, 2020) mainly on account of fund infusion of Rs. 11.85 crore (P.Y.: Rs. 8.40 crore) in the form of equity during FY21. Further, NFPL envisages infusing equity of around Rs.10-15crore in FY22 by promoters.

Concentrated resource profile

NFPL source of funding is skewed towards loan form financial institutions and banks. NFPL has not raised money from capital market instruments.

NFPL has raised facilities from 7 banks and 25 Financial Institutions as on March 31, 2021. It has also received fund infusion of Rs.11.85 crore in the form of equity.

Liquidity Position - Adequate

The Asset Liability Management (ALM) profile of NFPL was comfortable as on March 31, 2021, with no cumulative negative mismatches in any of the time buckets.

The company has free cash and bank balance of Rs.41.12 crore as on March 31, 2021, and current investments of Rs. 4.00 crore. Furthermore, NFPL has around Rs.8.25 crore of sanctioned working capital facility which provides additional cushion to its liquidity.

The collection efficiency (considering current collection against dues) stood at ~85-90% as in the month of June. As per management, NFPL will maintain the minimum liquidity for 3 months of debt repayment at any point of time and same policy has been followed post September 2018.

Impact of Covid-19

The COVID-19 pandemic led to a significant impact on NBFC's regular operations including lending and collection activities.

NFPL provided moratorium to its customers based on Opt-in policy. NFPL opted for the moratorium on debt servicing from its lenders for a period of three months from March 1 to May 31, 2020, as a part of Covid 19 relief measure (as permitted by the RBI) and it received moratorium for around 70% of its total debt from different lenders.

CARE understands that disbursement and collection efficiency had gradually improved to around pre covid level in last quarter of FY21. During the second wave, since the lockdown was not as strict as the previous year, NFPL has been able to manage the business better and its economic impact is much lesser compared to the previous wave.

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning 'Outlook' and 'CreditWatch' to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology- Non-Banking Finance Companies
Financial Ratios-Financial Sector

About the Company

Incorporated in April 1997, Namdev Finvest Private Limited (NFPL) is a Jaipur (Rajasthan) based RBI registered Non-Deposit taking NBFC, engaged in financing of Loan against Property (LAP)/SME loans, Two/three wheelers, New/Used Commercial Vehicle, Cars, and Gold loans. Head office of NFPL is situated in Jaipur and most of the business is concentrated in rural and semi-urban areas of Jaipur district. As on March 31, 2021, NFPL has 31 branches in state of Rajasthan 2 in Punjab and 1 in Delhi and total portfolio size of Rs.241.39 crore.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)
Total operating income	37.99	51.78
PAT	6.91	8.16
Interest coverage	1.50	1.44
Total Assets	202.18	298.89
Net NPA (%)	0.28	0.45
ROTA (%)	4.09	3.26

A: Audited

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable.

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

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-Cash Credit	-	-	-	25.00	CARE BBB-; Stable
Fund-based - LT-Term Loan	-	-	-	325.00	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 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-Cash Credit	LT	25.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (02-Jul-20)	1)CARE BBB-; Stable (18-Jun-19)	1)CARE BB+; Stable (17-Jul-18)
2.	Fund-based - LT-Term Loan	LT	325.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (02-Jul-20)	1)CARE BBB-; Stable (18-Jun-19)	1)CARE BB+; Stable (17-Jul-18)

Annexure 3: Complexity level of various instruments rated for this company

Sr. No	Name of Instrument	Complexity Level
1	Long Term- Term Loan	Simple
2	Long Term- Cash Credit	Simple

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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