

Dhanvarsha Finvest Limited

June 17, 2021

Ratings

Instrument Details	Amount (Rs. Crore)	Rating ¹	Rating Action
Principal Protected Market Linked Debentures (PP-MLD)	15.00	CARE PP-MLD A (CE); Stable [CARE Principal Protected Market Linked Debentures Single A (Credit Enhancement); Outlook: Stable]	Final Rating Assigned
Total Long Term Instruments	15.00 (Rs. Fifteen Crore Only)		

Details of instruments/facilities in Annexure-1.

Unsupported Rating ²	CARE BBB
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Note: Unsupported Rating does not factor in the explicit credit enhancement

Detailed Rationale and Key Rating Drivers

CARE has assigned a rating of 'Provisional CARE PP-MLD A (CE); Stable' [Provisional CARE Principal Protected Market Linked Debentures Single A (Credit Enhancement); Outlook: Stable] to the proposed Principal Protected Market Linked Debentures ("PP-MLD"), issued by Dhanvarsha Finvest Limited (DFL), covered with the security pool of gold loan receivables assigned to by Wint Gold CB - 03.

The rating is now confirmed and rating of 'CARE PP-MLD A (CE); Stable' [CARE Principal Protected Market Linked Debentures Single A (Credit Enhancement); Outlook: Stable] to the Principal Protected Market Linked Debentures of DFL has been assigned. The rating assigned is finalized based on the structure provided to CARE by DFL, the issuer. The rating has been confirmed after the copies of legal documents executed in accordance with the structure, a due diligence audit report by an external auditor and an independent legal opinion was furnished by the Issuer (DFL), to the satisfaction of CARE.

The initial underlying covered pool for the MLD structure consists of following features;

- All contracts in the pool are current in payment and there are no over-dues as on the pool cut-off date (May 4, 2021).
- The weighted average Disbursal IRR of the pool is 23.01%.
- The pool is concentrated in terms of geography, with the top state accounting for 75.35% of total pool POS; the top 3 branches comprise ~41% of the pool principal.
- The weighted average Disbursal LTV for the pool is 73.18% with maximum LTV being 75%.

Rating Sensitivities

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

1. Upward revision of DFL's standalone rating.

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

1. Downward revision in the standalone rating of the Issuer.
2. Non-adherence to the key transaction terms envisaged at the time of the rating.
3. Deterioration in the composition and performance of Security Pool.

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

²As stipulated vide SEBI circular no SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019. As per this circular, the suffix 'CE' (Credit Enhancement) is assigned to the ratings with explicit external credit enhancement, against the earlier used suffix 'SO' (Structured Obligation).

Detailed description of the key rating drivers

NA

Key Rating Strengths:

NA

Key Rating Weaknesses:

NA

Analytical approach & Applicable Criteria[Criteria on assigning Outlook to Credit Ratings](#)[CARE's Policy on Default Recognition](#)[Criteria for Non-Banking Financial Companies](#)[Financial ratios – Financial Sector](#)[CARE's methodology for Asset / Mortgage Backed Securitization](#)[Rating Credit Enhanced Debt](#)**Liquidity Position - Adequate**

The inherent liquidity in the structure is adequate given the support available to the MLD holders. The support available to the MLD holder include DFL's internal accruals, Security Pool with 1.25x cover, and Cash Collateral of 7.0% of the initial debenture issue amount. Also, the entire principal and interest is promised to the MLD holders only by the final maturity date (24 months from issue date)

The company had no negative cumulative mismatches in any of the time bucket as on December 31, 2020. As on April 26, 2021, the company had cash/FD balances of Rs.77 crore and liquid investments of around Rs.35 crore as against debt obligations of Rs.6 crore for next 3 months. In addition, it has undrawn bank lines of Rs.52 crore from various PSU and private bank. The company has sufficient liquidity with them to even repay debt obligations for one year which is around Rs.32 crore.

About the Company

Dhanvarsha Finvest Limited is an RBI registered Non-Deposit accepting NBFC since 1998 and listed on BSE. The company was originally incorporated on 9th November, 1994 in Gujarat. Earlier, the Company was promoted by the Gujarat based individual promoters and was carrying on the business of finance brokers, registrar to the issue and share transfer agent, issue houses or insurance agents / brokers and agents or underwriters, consultants, assessors, values surveyors, mortgage brokers and undertaking the provision of hire purchase and credit sale finance and of acting as factors and brokers. Currently, the company is being promoted by Mumbai headquartered Wilson Group which took over as parent in 2018 and has business interests spread across financing, real estate, sustainable infrastructure, Agro commodities trading, advisory services and venture capital investing. As on April 15, 2021, Wilson holdings holds 61.70% stake and remaining stake is being held by various public shareholder. DFL provides financing options to the relatively under-banked Micro, Small & Medium Enterprises (MSME) and Low to Mid Income (LMI) groups of Society offering a range of secured and unsecured financing products that are tailored to suit each borrower's requirements.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total income	19.29	19.29
PAT	2.13	4.10
CAR (%)	55.23	64.21
Total Assets	53.78	48.50
ROTA (%)	3.95	8.02
Total income	19.29	19.29

A- Audited; P- Provisional

Status of non-cooperation with previous CRA:

Not Applicable

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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Principal Protected Market Linked Debentures (PP-MLD)	-	June 11, 2021	Linked to BSE SENSEX 30*	Jun'23	15.00	CARE PP-MLD A (CE); 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-Long Term	LT	250.00	CARE BBB; Stable	1)CARE BBB; Stable (04-Jun-21) 2)CARE BBB; Stable (17-May-21)	-	-	-
2.	Debentures-Market Linked Debentures	LT	15.00	CARE PP-MLD A (CE); Stable	1)Provisional CARE PP-MLD A (CE); Stable (03-Jun-21)	-	-	-
3.	Debentures-Non Convertible Debentures	LT	50.00	CARE BBB; Stable	1)CARE BBB; Stable (04-Jun-21)	-	-	-

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

Credit Events

A credit event shall occur if:

- Any default on part of the Company to make payment of any amount that has become due and payable under the Transaction Documents.
- Non exercise of Call Option on the Initial Call Option Payment Date.
- PAR > 90 in the loans constituting the Asset is greater than 5% of the aggregate outstanding principal amounts of the loans constituting the Asset.
- Failure to comply with the "Maintenance of Security Cover" requirement as defined in Transaction Structure
- Rating of the Company is downgraded below BBB- by the Rating Agency.
- Rating of the instrument is downgraded below A (CE) by the Rating Agency.
- Any delay on part of the Company in crediting the amounts received/collected/recovered in relation to the loans constituting the Assets to the bank account of the Assignee within the stipulated timelines.
- Any breach of any Negative Covenants.

- Any breach of any Financial Covenants
- Cross default of the Issuer, Inability to Pay Debts/ Distress
- Failure to perform any obligations in relation to this transaction, including compliance with reporting obligations (as per Reporting Covenant Timeline)
- Material Adverse Effect on the Issuer
- Delisting of Debentures from stock exchange
- Misrepresentation by the Issuer
- Failure by the Issuer to meet standards with respect to management, governance, and data integrity, as may be required by the Debenture Trustee/Investor
- The Servicer is in default in relation to servicing obligations undertaken by it with respect to this transaction;
- Any expropriation, attachment, sequestration, distress or execution affects any assets of the Company which has a material adverse effect on their ability to comply with its payment obligations under the Debenture Documents;
- If one or more legal or governmental proceedings have been initiated against the Company or any claims are made against the Company, which in the opinion of the Debenture Trustee (acting on the instructions of the Majority Debenture Holders), may impair the Company's ability to perform its obligations undertaken in terms of the Debenture Documents or which has a Material Adverse Effect;
- Any change in regulation/guidelines that, in the opinion of the majority debenture holders, invalidates the subsequent assignment of security pool assets to the trust; however, for triggering such an event, a legal opinion from Legal Counsel shall be obtained (and shared with the Trustee) confirming the invalidation of assignment of the receivables.
- Failure to certify/confirm the non-occurrence of any Credit Events in the manner prescribed in the Transaction Documents.

Pool Selection Criteria:

Each loan constituting the Assets shall meet each of the eligibility criteria listed below.

- *Each loan must be originated by the Company and must be a gold loan.*
- *Loans must be unencumbered (other than under the Transaction Documents) and not sold or assigned by the Company*
- *Loans must have been originated while complying with all the extant 'know your customer' norms specified by the RBI.*
- *Loans are current and not in overdue at the time of assignment and have not been terminated or prepaid.*
- *Loan must have maturity date atleast 1 month before the Final Maturity Date of the Instrument.*
- *Loans having original maturity of more than 12 months should not be more than 20% at any time during the tenure of the instrument.*
- *Maximum ticket size of Rs 10 lakh per borrower. In case of any loans with Ticket Size of more than Rs 10 lakhs, only Rs 10 lakhs will be counted for such loan in the security cover calculation*
- *Minimum disbursal IRR of the Loans must be 15 Percent*
- *Weighted average disbursal IRR of the loans should be more than 19 Percent*
- *Loan to value of the contracts should be less than or equal to 75%*
- *Individual Client concentration should not be more than 1%*

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

Sr. No	Name of Instrument	Complexity Level
1	Debentures-Market Linked Debentures	Highly Complex

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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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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