Namdev Finvest Private Limited

November 18, 2021

Ratings

Instruments/Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Non-convertible Debentures	**30.00**	**CARE BBB; Stable (Triple B; Outlook: Stable)**	**Assigned**
Long term Bank Facilities	**350.00**	**CARE BBB; Stable (Triple B; Outlook: Stable)**	**Revised from CARE BBB-; Stable**
Total Facilities	**380.00 (Rs. Three hundred and Eighty crore only)**		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the rating of Namdev Finvest Private Limited (NFPL) takes into account improvement in net worth and gearing levels of the company following fund infusion of Rs.35.00 crore by Private Equity (PE) investor in September 2021 with visibility of further capital infusion over the next few months. Further, revision in the rating also factors in the projected growth in loan book over short to medium term.

The rating continues to factor in the experience of the promoters of NFPL, regular equity infusion by the promoters, growth in loan portfolio, moderate asset quality, moderate earning profile with adequate liquidity position.

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

Rating Sensitivities

Factors that could lead to positive rating action / upgrade

- Significant growth in loan portfolio along with adequate seasoning and NPA assets maintained around current levels or lower.
- Maintaining gearing level around 2.5x
- Diversification in terms of geography and resource base along with improvement in asset quality and profitability.

Factors that could lead to negative rating action / downgrade

- Deterioration in profitability – ROTA declining below 2.00%.
- Deterioration in asset quality with Gross NPA exceeding 4.00%.
- Significant decline in liquidity position due to impact on collection efficiency.

Detailed description of the key rating drivers

Key Rating Strengths

Recent institutional support and experienced promoters along with regular equity infusion to support operations

In September 2021, NFPL received private equity investment (A series) of Rs. 35 crore from Belgium based Incofin Investment Management via its India Progress Fund. There are also plans of further capital infusion over the next few months.

Founded in 2001, Incofin 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.

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.

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, promoters have infused funds of Rs.40 crore. During H1FY22, NFPL received funds of Rs.6 crore in the form of preference share and equity by the promoters.

Also NFPL has roped in Mr. P H Ravikumar (Independent director at Aditya Birla Capital) and Mr. Hemant Kaul (Board member of Ola Financial Services, Ex MD, CEO of Bajaj Allianz General Insurance) as independent directors to advise NFPL in developing & implementing strategies and strengthening corporate governance.

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

Moderate Asset quality

NFPL follows 120 days past due (dpd) for NPA recognition. There was a slight deterioration in GNPA from 0.50% as on 31st March 2021 to 0.91% as on 30th September 2021. During the second lockdown, while the collection efficiency dipped in April and May 2021, it improved to around 90% in month of September 2021.

Asset quality remained at moderate levels even on a 90 dpd basis. The slippage from on time to 90+ dpd has increased during Q1 & Q2 FY22 to 2.22% of AUM as on September 30, 2021 from 0.92% as on 31st March 2021. Also, 31-90 bucket has increased from 3.35% to 5.23%. The softer delinquencies have increased however, the recovery of those buckets is stronger. NFPL has not undertaken restructuring under any of the OTR scheme, ECLGS scheme etc.

Moderate earning profile

NFPL's average yield on portfolio hovers around 23-24%, which against average borrowings cost of 12-14% gives a spread of 10-11%. NFPL's cost of funds have improved recently on account of low interest rate regime.

Operating expenses/average total assets increased to 5.69% during H1FY22 from 5.41% for FY21 and may increase further as the company is entering new geographies and expanding its reach to nearby states.

Average credit cost has remained in the range of 0.10% to 0.25% during last 3 year mainly on account of strong collection mechanism and good recovery rate. Thus, reporting moderate profitability with ROTA of 3-3.5%

Improvement in leverage with adequate capitalisation

The reported capital adequacy ratio (CAR) of NFPL stood at comfortable level of 38.49% as on September 30, 2021 (26.16% as on March 31, 2021) mainly on account of fund infusion of of Rs. 35 crore from Incofin Investment Management via its India Progress Fund. Also there are plans for further capital infusion in the next few months.

Also, overall gearing has improved from 4.09x as on March 31, 2021 to 2.46x as on September 30, 2021.

Improved CAR will help to cushion in asset side shocks whereas improved overall gearing will help NFPL to build its AUM further ahead.

Key Rating Weaknesses

Geographical concentration risk

As on September 30, 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% of the book is outside Rajasthan which exposes the company to the risk of concentration to a specific geographical area. In H1FY22, NFPL has opened up branches in Madhya Pradesh and Gujarat. NFPL envisages diversifying its loan book in different geographies FY22.

Moderately diversified product profile with low seasoning

NFPL's loan portfolio is moderately diversified with LAP portfolio/SME loans (secured) comprising 79% of outstanding loan portfolio, two-wheeler loans (18%), new/used vehicle loans (CV/MUV/Car) comprising 2% while and Gold loans (1%) comprise the balance.

The average tenure of LAP/SME funding varies from 48-60 months while the same for Auto loans (two-wheeler) varies from 15-18 months, and for Car/CV/MUV varies from 24-48 months. The average ticket size of LAP is around Rs.5 lakh while the average ticket size of 2-wheeler stood at around Rs.0.5 to 1.00 lakh.

LAP product (which makes the majority of the portfolio) has average tenure of around 48 months resulting in moderate seasoning in that product profile. NFPL started SME/LAP funding only in the last 5 years. As a result, its asset quality performance through different economic cycles and geographies is yet to be established.

Moderate scale of operations with expectation of improvement in FY22

The size of operations of NFPL though improved, remained moderate marked by its outstanding loan portfolio of Rs.267 crore and total asset size of Rs.362 crore as on September 30, 2021 as compared to outstanding loan portfolio of Rs.241 crore and total asset size of Rs.299 crore as on March 31, 2021.

The equity infusion, which improved its gearing levels, has given NFPL growth capital to build its AUM going forward.

NFPL has made disbursements of Rs.62 crore during H1FY22, and going forward as disbursements pick up, the company is likely to grow at higher rate and wants to reach AUM of around Rs. 400 crores by March 2022 and around Rs. 700 crores by March 2023.

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. However, with PE investor infusing equity in the company, NFPL is expected to raise liabilities from different sources to further diversify its resource profile.

NFPL has raised facilities from 7 banks and 25 Financial Institutions as on September 30, 2021. It has also received fund infusion of Rs.6.46 crore in the form of equity from the promoter group in H1FY22.

Liquidity Position - Adequate

The Asset Liability Management (ALM) profile of NFPL was comfortable as on September 30, 2021 with no cumulative negative mismatches in any of the time buckets.

The company had free cash and bank balance of Rs.73 crore as on September 30, 2021 and current investments of Rs. 5 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 ~90% as in the month of September. 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.

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 September 30, 2021, and total portfolio size of Rs.267.07 crore.

Brief Financials (Rs. crore)	FY20(A)	FY21(A)	H1FY22 (A)*
Total operating income	37.99	51.78	33.02
PAT	6.91	8.16	5.26
Interest coverage	1.50	1.44	1.46
Total Assets	202.18	298.89	361.53
Net NPA (%)	0.28	0.45	0.82
ROTA (%)	4.09	3.26	3.19

*A: Audited; * annualised*

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 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-Cash Credit	-	-	-	25.00	CARE BBB; Stable
Fund-based - LT-Term Loan	-	-	Feb-2028	325.00	CARE BBB; Stable
Debentures- Nonconvertible	-	-	-	30.00	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 (13-Jul-21)	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 (13-Jul-21)	1)CARE BBB-; Stable (02-Jul-20)	1)CARE BBB-; Stable (18-Jun-19)	1)CARE BB+; Stable (17-Jul-18)
3.	Dentures – Non-Convertible Debentures	LT	30.00	CARE BBB; Stable	-	-	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Annexure 4: 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*
3	*Debenture- Nonconvertible Debentures*	*Simple*

Annexure 5: Bank Lender Details

Click here to view Bank Lender Details

Note on complexity levels of the rated instrument: *CARE Ratings 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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