Namdev Finvest Private Limited

May 30, 2023

Facilities	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	850.00	CARE BBB; Stable	Reaffirmed
Non-convertible debentures	25.00	CARE BBB; Stable	Assigned
Non-convertible debentures	30.00	CARE BBB; Stable	Reaffirmed
Non-convertible debentures	100.00	CARE BBB; Stable	Reaffirmed
Non-convertible debentures	45.00	CARE BBB; Stable	Reaffirmed
Non-convertible debentures	40.00	CARE BBB; Stable	Reaffirmed
Non-convertible debentures	20.00	CARE BBB; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1

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 the 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: Factors likely to lead to rating actions

Positive factors – Factors that could, individually or collectively, 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, individually or collectively, 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.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) expects a consistent rise in the assets under management (AUM) supported by regular capital infusion, while maintaining asset quality and gearing profile.

Key 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 the 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.

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

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 (CCPS)/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 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 notes that the company plans to further raise a capital of around ₹100-150 crore in FY24 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 FY23, the previously received capital infusion in the form of CCPS (in September 2021) has been converted to equity, leading to rise in the net worth to ₹146 crore as on March 31, 2023 from ₹123 crore as on March 31, 2022. In FY22, the company had 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 the rise in loan book, the capital adequacy ratio (CAR)% moderated to 23.88% as on March 31, 2023 (provisional) from 36.70% as on March 31, 2022. The gearing levels have moderately increased to 4.7x as on March 31, 2023 from 4.2x as on March 31, 2022. For FY24, NFPL plans to raise another round of equity of ₹100-150 crore to build its AUM to around ₹1,100 crore by end of FY24.

Moderate asset quality

NFPL has started to recognise non-performing asset (NPA) at 90+ days past due (dpd) since October 2022. Thereby, the GNPA% has increased to 1.13% as on March 31, 2023 (Provisional) from 0.63% as on March 31, 2022. NFPL has neither done any restructuring nor has been required to attach/ repossess any collateral. Though the softer delinquencies with 30+ and 60+ dpd have improved in FY23 to 2.76% and 1.51%, respectively, as on March 31, 2023 (Provisional) from 3.86% and 2.04% as on March 31, 2022, the delinquencies in 90+ dpd have risen to 1.13% as on March 31, 2023 (Provisional) from 0.97% as on March 31, 2022, majorly emanating from two-wheeler financing.

Moderate earning profile

The profitability profile of NFPL has been improving, with it reporting increasing profit after tax (PAT) over the years. In FY23 (provisional), the PAT was reported at ₹12 crore, up by 12% y-o-y. Although NFPL's average yield has declined in FY23, the company plans to increase the yields on portfolio to around 22%-23% in FY24. This, coupled with rise in the cost of funds to 12.96% in FY23 (provisional) from 10.87% in FY22, in line with the rising interest rate scenario, led to compression in net interest margin (NIM) to 3.79% in FY23 (provisional) from 6.8% in FY22. The credit costs over average total assets (ATA) increased to 0.36% in FY23 (provisional) from 0.14% in FY22, due to the company making increased provisions with the change in NPA recognition norms. With the margin compression and rise in the credit cost over ATA, the company reported moderated RoTA of 1.65% in FY23 (provisional) from 2.38% in FY22.

Increasing scale of operations, albeit low seasoning

The size of operations of NFPL has been increasing with rise in AUM to ₹622 crore as on March 31, 2023 with 82% of yearly growth and five-years compounded annual growth ratio (CAGR) of 41%. The loan book growth is supported by regular round of equity infusion and the company further plans to raise equity of around ₹100-150 crore in FY24, to further increase the AUM to ₹1,100 crore in FY24.

The MSME product segment, comprising 85% of the AUM as on March 31, 2023, and having average tenure of around four to seven years was started in the year 2014, has completed only one loan cycle, and as majority of the loans being built up over the past few years, the loans have low seasoning.

Key weaknesses

Geographical concentration risk

With NFPL being based out of Rajasthan, its loan book is majorly concentrated in the state with 87% of AUM as on March 31, 2023, though on a reducing trend from 95% of AUM as on March 31, 2022. The AUM proportion in Gujarat with 10% follows Rajasthan as on March 31, 2023. Going forward, the company plans to reduce the exposure in Rajasthan to 60% of AUM.

Moderately diversified product profile

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., 85% of the loan is towards MSME, followed by two-wheeler financing with 11% of the loan, and the remaining by CV financing as on March 31, 2023. The company in 9MFY23, introduced electric vehicle financing, forming 1% of AUM as on March 31, 2023. 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 resource profile

NFPL has lender base of banks and NBFCs, small finance banks and capital market with majorly borrowing from NBFCs with 34% of the borrowings, followed by capital market with 32% and banks with 16% remaining from SFBs and financial institutions, although the sources of funds are concentrated with 67% of the borrowings coming from term loans, followed by 32% of the borrowings in the form of non-convertible debentures (NCDs) and remaining 1% of the borrowings from direct assignment (DA) as on March 31, 2023.

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, 2023. The company has cash and bank balance, including fixed deposits (FD), of ₹154 crore as on March 31, 2023.

Applicable criteria

Policy on default recognition
Financial Ratios - Financial Sector
Rating Outlook and Credit Watch
Non Banking Financial Companies

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Financial Services	Financial Services	Finance	Non-Banking Financial Company (NBFC)

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)	31-03-2023 (P)
Total operating income	51.78	78.13	134.17
PAT	8.16	10.87	12.15
Interest coverage (times)	1.45	1.40	1.21
Total assets	298.89	647.93	841.29
Net NPA (%)	0.45	0.57	0.84
ROTA (%)	3.42	2.38	1.65

A: Audited P: Provisional; Note: 'the above results are latest financial results available'

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

Lender details: Annexure-5

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	31-03-2028	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
NCD	INE0IX207072	14-Jul-22	10.50%	14-Jul-26	23.10	CARE BBB; Stable
Proposed	-	-	-	-	9.22	CARE BBB; Stable
Sub total					**145.00**	
NCD- Proposed	-	-	-	-	40.00	CARE BBB; Stable
NCD- Proposed	-	-	-	-	20.00	CARE BBB; Stable
NCD- Proposed	-	-	-	-	25.00	CARE BBB; Stable
Total long-term instruments					**260.00**	

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 2023-2024	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
1	Fund-based - LT-Cash Credit	LT	30.00	CARE BBB; Stable	-	1)CARE BBB; Stable (22-Sep-22) 2)CARE BBB; Stable (15-Sep-22) 3)CARE BBB; Stable (08-Sep-22) 4)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)
2	Fund-based - LT-Term Loan	LT	820.00	CARE BBB; Stable	-	1)CARE BBB; Stable (22-Sep-22) 2)CARE BBB; Stable (15-Sep-22) 3)CARE BBB; Stable (08-Sep-22) 4)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)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	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
3	Debentures-Non Convertible Debentures	LT	30.00	CARE BBB; Stable	-	1)CARE BBB; Stable (22-Sep-22) 2)CARE BBB; Stable (15-Sep-22) 3)CARE BBB; Stable (08-Sep-22) 4)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-Sep-22) 2)CARE BBB; Stable (15-Sep-22) 3)CARE BBB; Stable (08-Sep-22) 4)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	-	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	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
						(22-Sep-22) 2)CARE BBB; Stable (15-Sep-22) 3)CARE BBB; Stable (08-Sep-22) 4)CARE BBB; Stable (22-Apr-22)		
6	Debentures-Non Convertible Debentures	LT	40.00	CARE BBB; Stable	-	1)CARE BBB; Stable (22-Sep-22) 2)CARE BBB; Stable (15-Sep-22)	-	-
7	Debentures-Non Convertible Debentures	LT	20.00	CARE BBB; Stable	-	1)CARE BBB; Stable (22-Sep-22)	-	-
8	Debentures-Non Convertible Debentures	LT	25.00	CARE BBB; Stable				

*Long term

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

Not Applicable

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

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple

Sr. No.	Name of the Instrument	Complexity Level
2	Fund-based - LT-Cash Credit	Simple
3	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the 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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About us:

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