Capri Global Capital Limited

January 31, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities^	-	-	Reaffirmed at CARE A+; Stable and withdrawn
Non-convertible debentures^	-	-	Reaffirmed at CARE A+; Stable and withdrawn
Non-convertible debentures*	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.
*Reduction on account of maturity
^Withdrawn on the request from client

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has reaffirmed and withdrawn the outstanding rating of 'CARE A+; Stable' [pronounced as 'Single A Plus; Outlook: Stable'] assigned to bank facilities of Capri Global Capital Limited (CGCL) with immediate effect. The above action has been taken at the request of Capri Global Capital Limited and 'No Objection Certificate' received from the banks that have extended the facilities rated by CARE Ratings.

Analytical approach: Consolidated; considering that the housing business is an integral part of the group and shares synergies with the holding company in the form of shared brand name, business linkages and common promoter.

Detailed description of the key rating drivers:

Key strengths

Healthy capitalization levels

CGCL has a healthy capital structure supported by recent fund raising as well as internal accruals. In March 2023, CGCL raised ₹1,440 crore of capital via a rights issue which was subscribed by both existing and a new investor. Post rights issue, the promoters' stake has reduced to 69.9% as on March 31, 2023 (December 31, 2023: 74.6%). CGCL posted a healthy consolidated capital structure as of March 31, 2023, with tangible networth of ₹3,496 crore (PY: ₹1,880 crore) and gearing of 2.15x (PY: 2.56x). As on September 30, 2023, CGCL's consolidated tangible networth stood at ₹3,590 crore (PY: ₹1,989 crore) and gearing of 2.45x (PY: 3.08x).

The Board of Directors of CGCL consists of experienced individuals in the field of administration, banking, and finance. Rajesh Sharma is the Managing Director of CGCL. He has over two decades of experience in the field of capital markets and financial services. Most of the other key management members also have significant experience in the lending business in various banks and non-banking finance companies (NBFCs). During FY23, with a view to foray and expand gold loan vertical, the company has hired experienced professionals with experience in gold loans financing. In sync with the growth in size and scale of company's operations, CGCL has appointed CFO and CRO to strengthen senior leadership in the company.

Improvement in earning profile though profitability impacted by expansion.

During FY23, overall consolidated earnings of the company increased by 49% y-o-y (P.Y.: 33%) primarily driven by interest income on loans and fee income. On consolidated basis, the disbursements of the company increased to ₹7,290 crore in FY23 against

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

₹4,285 crore during FY22. The share of fee income in overall earnings increased to 11% during FY23 (P.Y.:5%) to ₹154 crore primarily on account of net commissions from distribution of car loans which stood at ₹118 crore. While the company launched distribution of third-party products in the car loan segment during FY21, the same has gained traction during FY23. CGCL has tie-ups with eight banks for car loans distribution.

Despite improvement in overall earnings, CGCL's consolidated margins declined by 89bps on account of cash proceeds from rights issue pending deployment (the fund is non-interest bearing) and relatively lower yields in gold loan segment. Since the company forayed into gold loan financing in Q2FY23, loans were offered at 15% yields initially which subsequently increased to 19% by Q4FY23. Despite range bound net interest margins (NIMs) and higher fee income as well as lower credit costs during FY23, consolidated return on total assets (ROTA) declined by 100 bps to 2.18 % on account of high operating expenses (opex) arising from gold loan business. In FY23, CGCL added 562 gold loan branches (in addition to 57 other branches) and 5,874 employees (including 3,847 employees for gold loan vertical) due to which its cost-to-income ratio increasedto 64.40% (P.Y.: 41.89%) excluding gold loan product, cost-to-income ratio would have been 47.16%.

During H1FY24, CGCL's consolidated ROTA declined to 2.08% as against 2.63% during H1FY23 on account of higher opex arising from branch expansion.

Portfolio growth driven by retail loan

On consolidated basis, the disbursements of the company increased to ₹7,290 crore during FY23 against ₹4,285 crore in FY22. Consequently, CGCL's assets under management (AUM) grew to ₹10,321 crore as on March 31, 2023, from ₹6,632 crore during FY23 (5-year compounded annual growth rate (CAGR) AUM stood at 21.45%). The growth was driven by granular retail loans consisting of micro, small & medium enterprises (MSME), housing finance and gold loan which together comprised 79% of AUM as on March 31, 2023 (P.Y.: 74%) with the balance being exposure towards construction financing (18%) and indirect lending to NBFCs (3%). The average ticket size of MSME loans is ₹14 lakh, housing loans is ₹11 lakh and that for gold loans is ₹1 lakh. As a measure to curtail credit risk, the company has capped its construction finance (CF) exposure as a proportion of consolidated AUM to 20%.

Within the AUM mix, MSME segment constituted 37.4% of the total AUM [PY: 48.1%], housing constituted 25.4% [PY:26.3%] and gold loan segment constituted 10.9% of total AUM. The company has six co-lending partnerships for MSME and housing loans which constitute 5.3% of total AUM. Co-lending partners include Union Bank, State Bank of India, Punjab & Sind Bank, and UCO Bank.

On a consolidated basis, CGCL's disbursements grew to ₹6,214 crore in H1FY24 as against ₹2,712 crore in H1FY23. Consequently, CGCL's AUM grew to ₹12,359 crore as on September 30, 2023, from ₹7,769 crore as on September 30, 2022.

Improvement in asset quality metrics

As of March 31, 2023, CGCL's gross non-performing assets (GNPA) and net non-performing assets (NNPA) improved on consolidated basis to 1.7% [PY:2.4%] and 1.2% [PY:1.7%] respectively. Net stage 3 asset to networth stood at 3.37% as of March 31, 2023 [PY:5.76%]. Excluding gold loans, GNPA and NNPA stood at 1.96% and 1.38% respectively. As of March 31, 2023, the company posted restructured asset of ₹159.69 crore [PY: ₹216.1 crore] comprising 4.48 % of networth [PY: 11.24%]. While the GNPAs have moderated across retail segments of MSME and housing finance, asset quality is a key monitorable considering the niche customer profile and exposure to wholesale lending. Within the MSME portfolio, the company's GNPAs below 25 lakh ticket size, which is a focus segment, stood at 3.43% as on March 31, 2023, while delinquencies in softer buckets (31-90 dpd) stood at 6%.

Within the wholesale lending segment while the company has demonstrated lower GNPAs (0.28% as on March 31, 2023), construction finance portfolio is monitorable due to its inherently high-ticket size and exposure to construction risk. As of March 31, 2023, 31% of construction finance projects were near completion, 26% of the projects were in intermediate stage of

completion, 23% of the projects were at early stage of completion and 6% of the projects were at land stage.
As on September 30, 2023, CGCL's consolidated GNPA and NNPA stood at 1.92% [P.Y: 2.36%] and 1.33% [P.Y: 1.72%].

Key weaknesses

Recent foray in highly competitive gold business

CGCL started its gold loan business in August 2022 and by March 2023, the company had opened 562 exclusive gold loan branches across eight states and union territories (UTs). The headcount in gold loan vertical stood at 3,847 comprising 42% of CGCL's headcount with AUM of ₹1,125.9 crores in gold loan business by March 2023. Consequently, the company's consolidated cost to income ratio increased to 64.4% during FY23 [P.Y.: 41.89%]. Given the rapid expansion, high opex and nascent portfolio, the company is yet to achieve breakeven in gold financing vertical. The gold loan market in India is highly competitive comprising of established market players thereby impacting yields.

Concentrated resource profile

The resource profile of the Capri group is concentrated both in terms of sources of borrowings and lender segment. Total consolidated borrowings as of March 31, 2023, was ₹7,534.56 crore [PY: ₹4,808.39 crore] of which bank loans constituted 82.70% [P.Y.:79%], NCDs- 5.53% [P.Y.:12%] and remaining 11.77% [PY.:12%] via refinancing institutions/NBFC namely NABARD, SIDBI and NHB. Within bank borrowings, public sector banks continued to have major share of 75% of total borrowings as of March 31, 2023 [PY:77%]. The non-convertible debenture (NCD) holders of the company also include public sector banks and financial institutions. However, private sector banks constituted 19.34% of the incremental borrowings raised in FY23.
From a lenders-mix perspective, the top 10 lenders constituted 86.77% of borrowings for CGCL (P.Y.: 92.39%) and 98.43% of borrowings for Capri Global Housing Finance Limited (CGHFL) (P.Y.: 98.94%) indicating high lender concentration in resources mix. However, the company continues to raise resources at competitive rates of interest. The consolidated cost of funds on borrowings increased for FY23 and stood at 8.48% (P.Y.: 7.71%) while during H1FY24 the cost of funds increased by 40bps primarily due to an increase in the MCLR of Banks.

Geographical concentration

While CGCL has diversified operations in 14 states [PY:11 states], the portfolio is moderately concentrated. On a consolidated basis, geographical concentration in top five states increased to 91.06% [PY.:87%]. Madhya Pradesh contributed 24.54% [PY.:23%], Gujarat contributed 19.48% [PY.:23%], Maharashtra contributed 18.81% [PY:21%], Rajasthan contributed 18.32% [PY.: 15%], Delhi & NCR contributed 9.9% [PY.: 7%] to total loan book. The concentration in the top five states for MSME segment was 89.66%, for housing finance segment was 97.72% and for gold loan segment was 87.24%.

Risks emanating from construction finance and indirect lending portfolio

CGCL is into wholesale lending which consists of construction finance and indirect lending i.e., lending to other NBFCs and fintech companies. Construction finance segment contributed 17.73% [PY: 19.09%] of total AUM as on March 31, 2023. Due to the relatively risker nature of the segment the company has capped the segment to 20% of its consolidated AUM. However, the average ticket size of the segment is ₹9.34 crore as of March 31, 2023, and the top 20 borrowersin the segment constituted 19.73% of its construction finance AUM. Of the construction finance projects, 31% were near completion, 26% were in intermediate stage of completion, 6% and 23% of the total funded projects are at land stage and at early stage of completion respectively as of March 31, 2023 making the segment prone to risk arising out of changes in economic cycles. OF the construction finance segment, 87.33% [PY: 73.35%] is into mortarium as of March 31, 2023. However, 56.14% out of 87.33% of the accounts under moratorium have started prepayments. The credit risk arising out of the segment is mitigated by 12 years of experience of the company in the segment and the category of projects targeted [affordable housing projects including slum rehabilitation authority (SRA) and redevelopment]. The collection in real estate portfolio is through sweep mechanism in all loans based on construction, sales and collection milestones.

Indirect lending segment contributed 3.3% (₹331 crore) of total AUM [PY.: 4.72%] as of March 31, 2023. The portfolio mainly comprises of exposure to smaller NBFCs and fintech companies. As on March 31, 2023, exposures to NBFCs rated in BBB and below category stood at 44.42% of total indirect lending portfolio.

Liquidity: Adequate

As of September 30, 2023, CGCL's standalone ALM has no cumulative mismatches across all the time buckets.

For next one year, the company is estimated to have cash and cash equivalents of ₹863 crore and receivable from loan book (including interest) of ₹4,008 crore as against debt repayments obligations (including interest) of ₹2,224 crore.

On a consolidated level, the group has cash flow debt cover of 1.56x for the next one year. The cash flows against loan receivables and cash equivalents are estimated at ₹5,763 crore as against debt repayments (including interest) and opex of ₹3,704 crore.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks:

The executive directors and senior management of the company monitor various aspects of social, environmental, governance and economic responsibilities of the company on a continuous basis. The Corporate Social Responsibility Committee oversees and reviews the company's Business Responsibility performance. The Corporate Social Responsibility Committee meets at least annually for implementation of Corporate Social Responsibility and Business Responsibility initiatives undertaken by the company.

Applicable criteria

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

About the company and industry

Industry classification

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

CGCL was incorporated on November 15, 1994, and is a listed systemically important non-deposit taking NBFC. The company is promoted by Rajesh Sharma, who has more than two decades of experience in capital markets.

Capri Global Holdings Private Limited is a holding company for CGCL having 47.7% stake in the company as of March 31, 2023.

In March 2023, CGCL raised ₹1,440 crore of capital via a rights issue which was subscribed by both existing and a new investor.

Post rights issue, the promoters' stake has reduced to 69.9% as on March 31, 2023 [December 31, 2023: 74.6%].

CGHFL is a 100% subsidiary of CGCL. Both the companies together are referred to as "Capri Group". CGHFL is into the housing finance business. It got its license from NHB in September 2015 and has been operational since December 2015. The group focuses on five major business segments namely MSME, wholesale construction finance, housing finance, indirect lending to fintech and other NBFCs and gold loans.

As of March 31, the company's tangible networth stood at ₹3,496 crore. CGCL's consolidated AUM as of March 31, 2023, was ₹ 10,321 crore (PY: ₹6,632 crore). The company has a distribution network in 15 states and UT via 162 MSME branches, 562 gold loan branches, three construction finance branches and nine car loan branches.

Consolidated CGCL Financials:

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	September 30, 2023 (UA)
Total operating income	980	1,463	1,059
PAT	205	205	129
Total Assets*	7,111	11,725	13,019
Net NPA (%)	1.68	1.21	1.33
Adjusted ROTA (%) (incl. off book)	3.15	2.10	1.96
ROTA (%) (on book)	3.18	2.17^	2.08

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

*Total Assets are tangible total assets
^ ROTA excluding impact of gold loan investment and Rights Issue proceeds which was received in end of Mar 23 is 3.3% (during September 2023 ROTA excluding impact of gold loan investments is 3.18%)

Standalone CGCL Financials:

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	September 30, 2023 (UA)
Total operating income	764	1,144	839
PAT	162	142	91
Total Assets*	5,411	9,243	10,129
Net NPA (%)	1.91	1.38	1.48
Adjusted ROTA (%) (incl. off book)	3.24	1.85	1.86
ROTA (%) (on book)	3.28	1.93	1.87

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

*Total Assets are tangible total assets

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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Debentures-non-convertible debentures-proposed	-	-	-	-	-	Withdrawn
Debentures-non-convertible debentures	INE180C07114	23-07-2020	8.80%	23-07-2023	-	Withdrawn
Fund-based - LT-Term loan	-	-	-	31-03-2029	-	Withdrawn

Annexure-2: Rating history for the 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-Term Loan	LT	-	-	1)CARE A+; Stable (04-Jul-23)	1)CARE A+; Stable (06-Jul-22)	1)CARE A+; Negative (15-Mar-22) 2)CARE A+; Negative (06-Jul-21)	1)CARE A+; Negative (03-Dec-20) 2)CARE A+; Negative (03-Jul-20)
2	Debentures-Non Convertible Debentures	LT	-	-	1)CARE A+; Stable (04-Jul-23)	1)CARE A+; Stable (06-Jul-22)	1)CARE A+; Negative (15-Mar-22) 2)CARE A+; Negative (06-Jul-21)	1)CARE A+; Negative (03-Dec-20) 2)CARE A+; Negative (03-Jul-20) 3)CARE A+; Negative (28-Apr-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	-	-	1)CARE A+; Stable (04-Jul-23)	1)CARE A+; Stable (06-Jul-22)	1)CARE A+; Negative (15-Mar-22) 2)CARE A+; Negative (06-Jul-21)	1)CARE A+; Negative (03-Dec-20) 2)CARE A+; Negative (03-Jul-20)
4	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (15-Mar-22) 2)CARE A+; Negative (06-Jul-21)	1)CARE A+; Negative (03-Dec-20)

*Long term/Short term.

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

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non-Convertible Debentures	Simple
2	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:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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