Namdev Finvest Private Limited

January 05, 2024

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

Details of instruments/facilities in Annexure-1

Rationale and key rating drivers

The reaffirmation of the ratings with revision in the outlook to the various instruments of Namdev Finvest Private Limited (NFPL) takes into account the experienced promoters, comfortable capitalisation profile backed by regular support from the promoters and private equity (PE) investors, 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 moderate scale of its operations, geographically concentrated assets under management (AUM) with majority of NFPL's portfolio being concentrated in Rajasthan and relatively unseasoned portfolio with majority of the AUM 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:

- Significant growth in the loan portfolio along with improvement in asset quality and profitability.
- Significant improvement in capitalisation profile.

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 1.00% on a sustained basis.
- Deterioration in gearing level to more than 5x on a sustained basis.
- Significant deterioration in asset quality.

Analytical approach: Standalone

Outlook: Positive

The positive outlook reflects CARE Ratings Limited's (CARE Ratings') expectation that the company will continue to get regular support from investors while maintaining its growth and asset quality. NFPL has received infusion of ₹56 crore by October 2023 in FY24. Furthermore, CARE Ratings notes that the company expects further capital infusion of around ₹125 crore in Q4FY24.

Detailed description of the key rating drivers:

Key strengths

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 compulsory convertible preference shares (CCPS) (in September 2021) has been converted to

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

equity, leading to rise in the net worth to ₹146 crore as on March 31, 2023 from ₹123 crore as on March 31, 2022. With the infusion in October 2023, the net worth further rose to ₹220 crore from ₹188 crore as on September 30, 2023.

With regular capital infusion, the gearing level has remained range bound between 4x and 5x. With no capital infusion in FY23 and 32% y-o-y rise in the borrowings, the gearing level increased to 4.7x as on March 31, 2023. However, with the capital infusion, the overall gearing moderated to 4.3x as on September 30, 2023.

With the rise in loan book, the capital adequacy ratio (CAR) moderated to 22% as on March 31, 2023 from 34% as on March 31, 2022, within regulatory levels, and with the infusion in Q2FY24, the CAR increased to 23% as on September 30, 2023.

CARE Ratings notes the company expects further capital infusion of around ₹125 crore in Q4FY24. With the planned infusion, CARE Ratings expects the capitalisation profile to further improve to fund future AUM growth.

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, Managing Director & Chief Executive Officer (MD & CEO), has more than a decade of experience in the vehicle finance business. The company has board of directors with five members, MD & CEO, Whole-time Director, two independent directors and Nominee Director from the PE firm, Incofin Investment Management (Incofin).

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.

The PE firm, Incofin, 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 takeover by current promoters, the promoters have supported the operations of the company by way of fund infusion in the form of CCPS/ compulsorily convertible debentures/ equity in NFPL. Since takeover by current promoters till October 2023, NFPL has received ₹124 crore infusion from promoters and PE investor. In H1FY24, NFPL received capital infusion of ₹56 crore, in the form of equity, CCPS and partially paid preference shares (PPPS). Out of ₹56 crore, Incofin infused 44% (₹25 crore) in form of CCPS, followed by Jitendra Tanwar, MD, infusing 26% (₹15 crore) in the form of equity. 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.

Moderate asset quality

With the Reserve Bank of India's (RBI's) scale-based regulation for non-banking financial company (NBFC), NFPL (NBFC- Base Layer), started recognising non-performing assets (NPA) at 90+ dpd, leading to rise in gross NPA (GNPA) in FY23. Till FY22, the company categorised 120+ dpd as NPA. As on March 31, 2023, the GNPA ratio increased to 1.17% from 0.64% as on March 31, 2022. It reduced as on September 30, 2023 to 0.97% underpinned by the recoveries. Despite, reduction in softer delinquencies (30+ and 60+ dpd), the 90+ dpd has been rising to 1.13% as on March 31, 2023, from 0.97% as on March 31, 2022, although reduced to 0.97% as on September 30, 2023. CARE Ratings notes that NFPL has neither done any restructuring nor has any repossessed asset. Majority NPA emanates from the two-wheeler segment which forms 7% of the AUM as on September 30, 2023. CARE Ratings notes that lending to micro, small and medium enterprise (MSME), forming 88% of AUM as on September 30, 2023, has controlled delinquencies. However, with majority of the AUM being built-up over the past few years, seasoning remains limited. Going forward, CARE Ratings will continue to monitor the company's ability to keep the asset quality under control while growing its loan book.

Moderate earning profile

The profit-after-tax (PAT) for NFPL has been rising over the years with ₹12 crore in FY23 from ₹11 crore in FY22. The yields have moderated to 23% in FY23 from 25% in FY22 and further moderated to 20% in H1FY24, due to competitive pressure. The current lending rate in around 21-23% (down from 25-27%). Going forward, CARE Ratings expects yields to remain largely stable. With the rising interest rates environment, the cost funds increased to 13% in FY23 from 11% in FY22, although moderated in H1FY24 to 12%. With this, the net interest margin (NIM) contracted to 5% in FY23 from 7% in FY22, although improved in H1FY24 to 7%, owing to capital infusion by the promoter group.

With the company being in expansion phase, its operating expenses ratio increased to 4.9% in FY23 from 4.6% in FY22 and further to 6.2% in H1FY24. Due to increased slippages in FY23, the credit costs ratio increased to 0.3% from 0.1% in FY22, although, with increased recoveries in H1FY24, the credit costs ratio reduced to 0.2%.

Due to contracted NIM, the RoTA reduced to 1.6% in FY23 from 2.3% in FY22, however, in H1FY24, the RoTA increased to 2.5% due to rise in NIM.

With the company in expansion stage, CARE Ratings expects the profitability metrics to remain moderate for medium term owing to high operating expenses ratio.

Key weaknesses

Moderate scale of operations, with limited 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 of 68% till FY23 from ₹342 crore as on March 31, 2022. The loans to MSME product are high yielding with 20-23%, secured against property and/or sales occupied property, followed by commercial vehicles (CV) financing yielding 22.64% and two-wheeler financing product with yield of 22%.

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.

Concentrated resource profile

NFPL has lender base of banks and NBFCs, small finance banks and capital market with majorly borrowing from NBFCs with 37% of the borrowings, followed by capital market with 33% and banks with 30% as on March 31, 2023. Going forward, the company's ability to diversify its borrowing profile and raise funds at competitive rate remains key rating monitorable.

With company's reliance on NBFC, the majority borrowings, though on reducing basis, are in the form of term loan with 67% and balance through non-convertible debenture (NCD)/ sub debt 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 statement as on September 30, 2023. The company has cash and bank balance, including fixed deposits without lien marked of ₹103 crore, liquid investments of ₹13 crore as on September 30, 2023, against debt obligations of ₹78 crore over the next three months.

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 under the category, Investment and Credit Company. 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, gold loans.

Brief Financials (₹ crore)	31-03-2022 (A)	31-03-2023 (A)	H1FY24 (UA)
Total operating income	78.03	133.54	92.50
PAT	10.87	12.00	11.77
Interest coverage (times)	1.39	1.21	1.36
Total assets	642.98	842.13	1021.95
Net NPA (%)	0.58	0.94	0.57
ROTA (%)	2.31	1.62	2.53

A: Audited UA: Unaudited; 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: 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; Positive
Fund-based - LT-Term loan	NA	NA	NA	31-03-2028	820.00	CARE BBB; Positive
Total bank facilities					**850.00**	
Debentures-Non-convertible debentures	INE0IX207015	18-Aug-21	12.29%	30-Sep-24	20.00	CARE BBB; Positive
Debentures-Non-convertible debentures	INE0IX207031	31-Dec-21	13.50%	30-Jun-25	20.00	CARE BBB; Positive
Debentures-Non-convertible debentures	INE0IX207023	15-Jan-22	12.75%	31-Jan-25	24.00	CARE BBB; Positive
Debentures-Non-convertible debentures	INE0IX207064	29-Mar-22	13.00%	7-Mar-25	22.00	CARE BBB; Positive
Debentures-Non-convertible debentures	INE0IX207049	14-Apr-22	12.00%	13-Apr-28	46.68	CARE BBB; Positive
Debentures-Non-convertible debentures	INE0IX207072	14-Jul-22	10.50%	14-Jul-26	23.10	CARE BBB; Positive
Debentures-Non-convertible debentures	INE0IX207098	10-Sep-22	10.82%	10-Sep-28	58.50	CARE BBB; Positive
Debentures-Non-convertible debentures	INE0IX207106	28-Sep-22	13.80%	31-Jul-25	15.00	CARE BBB; Positive
Debentures-Non-convertible debentures	INE0IX207114	30- May23	13.15%	29-May-26	25.00	CARE BBB; Positive
Debentures-Non-convertible debentures Proposed	NA	NA	NA	NA	5.72	CARE BBB; Positive

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; Positive	1)CARE BBB; Stable (30-May-23)	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; Positive	1)CARE BBB; Stable (30-May-23)	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	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
						(22-Apr-22)		
3	Debentures-Non Convertible Debentures	LT	30.00	CARE BBB; Positive	1)CARE BBB; Stable (30-May-23)	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; Positive	1)CARE BBB; Stable (30-May-23)	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)	-

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
5	Debentures-Non Convertible Debentures	LT	45.00	CARE BBB; Positive	1)CARE BBB; Stable (30-May-23)	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)	-	-
6	Debentures-Non Convertible Debentures	LT	40.00	CARE BBB; Positive	1)CARE BBB; Stable (30-May-23)	1)CARE BBB; Stable (22-Sep-22) 2)CARE BBB; Stable (15-Sep-22)	-	-
7	Debentures-Non Convertible Debentures	LT	20.00	CARE BBB; Positive	1)CARE BBB; Stable (30-May-23)	1)CARE BBB; Stable (22-Sep-22)	-	-
8	Debentures-Non Convertible Debentures	LT	25.00	CARE BBB; Positive	1)CARE BBB; Stable (30-May-23)	-	-	-

LT-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
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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