

Newlink Overseas Finance Limited

March 19, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Non-convertible debentures	3.12	CARE D; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Non-convertible debentures	6.68	CARE D; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Non-convertible debentures	9.77	CARE D; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Fixed deposit	15.12	CARE D; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has been seeking information from Newlink Overseas Finance Limited (NOFL) to monitor the rating vide e-mail communications dated January 23, 2024, January 30, 2024, February 07, 2024 and February 14, 2024, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant Securities and Exchange Board of India (SEBI) guidelines, CARE Ratings has reviewed the rating on the basis of the best available information. The rating on Newlink Overseas Finance Limited's instruments will now be denoted as CARE D; ISSUER NOT COOPERATING*.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

Ratings take into account the delays in debt servicing including ongoing delays in the repayment of dues to debenture holders and fixed deposits due to the acute shortfall in cashflow.

Analytical approach: Standalone

Detailed description of the key rating drivers:

At the time of last ratings on April 03, 2023, the following were rating strengths and weaknesses (updated for the information available from Registrar of Companies).

Key weaknesses

Liquidity: Poor; Instances of delays in debt servicing: With the lower collections in FY21 accentuated by outbreak of COVID-19 the company has defaulted in the repayment of dues to debenture holders and deposits. As per the auditor report for FY23 dated July 24, 2023, NOFL defaulted in the repayment of dues to debenture holders and deposits. As on March 31, 2023, the company had cash and bank balance of ₹1.49 crore.

Small scale of operations: NOFL completely paused the disbursements since FY21 and as a result, loan portfolio declined and stood at ₹48.84 crore as on March 31, 2023 as against ₹50.84 crore as on March 31, 2022. Also, the Reserve Bank of India (RBI) vide its letter dated May 26, 2023, has cancelled the Certificate of Registration of the company, restricting the company to carry out business operations of a non-banking finance company (NBFC) as defined in clause (a) of Section 45-IA of the RBI Act 1934.

Weak asset quality: Gross non-performing assets (GNPA) and net non-performing assets (NNPA) stood at 100% and 0% as on March 31, 2023 from 100% and 30.42% as on March 31, 2022, respectively. With higher provisions made in FY23, Provision Coverage Ratio (%) stood at 100% in FY23.

Continuation of losses in FY23: With the significant increase in NPA, interest income has dropped 42% Y-O-Y from ₹0.60 crore in FY22 to ₹0.35 crore in FY23. However, with the profit from the sale of asset and other income, total income stood at ₹3.21 crore in FY23 as compared to ₹1.74 crore in FY22. With credit cost remaining high, the company reported net loss of ₹22.93 crore in FY23 as against a loss of ₹23.29 crore in FY22.

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

Capital adequacy falling below regulatory requirement: With significant losses reported in the period from FY21 to FY23, the network completely deteriorated and remained negative as on March 31, 2023.

Concentrated funding profile: Funding profile of NOFL has remained concentrated over the years with dependence on non-convertible debentures (NCDs) and fixed deposits (FDs). RBI vide their letter dated February 13, 2021 has advised the company to stop accepting fresh public deposits and renew existing deposits and that all the existing deposits shall run off till maturity. The share of FDs as percentage of total borrowings stood at 57% (PY: 50%) and share of NCDs stood at 32% (PY: 32%) as on March 31, 2022. Apart from these, inter corporate deposits (ICDs) (9%) and working capital loans from banks (2%) account for the balance portion of the funding mix as on March 31, 2022. The public deposits held by the company as on March 31, 2022 stood at ₹24.59 crore.

Key strengths

Long standing track record of the company: NOFL was incorporated in January 1991 and has a long-standing track record of around 30 years of operations. Post the demise of A. Namasivayam (Former MD) in December 2018, there were many changes in the board of directors and currently the board comprises of four directors as on March 31, 2022 namely O.P.Garg, U.P.Prakasham, Denise Marcelle Mollex Panjwani and S.Deivanai.

Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Credit Watch](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Non-Banking Financial Companies](#)

[Financial ratios – Financial Sector](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Financial services	Financial services	Finance	NBFC

NOFL is a Chennai-based deposit taking NBFC registered with RBI. It was promoted in January 1991 by retired bankers in Chennai, along with Mumbai-based businessmen. The company was engaged in hypothecation loans, hire purchase financing and short-term lending.

Brief Financials (₹ crore)	31-03-2021 (A)	31-03-2022 (A)	31-03-2023 (A)
Total operating income	4.35	1.74	3.21
PAT	-19.09	-23.29	-22.93
Interest coverage (times)	-2.33	-2.82	-2.56
Total Assets	72.94	61.45	56.96
Net NPA (%)	62.49	30.42	0.00
ROTA (%)	NM	NM	NM

A: Audited NM: Not Meaningful; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating history for last three years: Please refer to 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: Please refer to Annexure-4

Lender details: Please refer to 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	-	03-Jul-2017	8.5	July 03, 2020	3.12	CARE D; ISSUER NOT COOPERATING*
Debentures-Non Convertible Debentures	-	29-Aug-2018	8.5	Aug 29, 2021	6.68	CARE D; ISSUER NOT COOPERATING*
Debentures-Non Convertible Debentures	-	27-Mar-2019	8.5	yet to be placed	9.77	CARE D; ISSUER NOT COOPERATING*
Fixed Deposit	-	-	-	-	15.12	CARE D; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

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	Fixed Deposit	LT	15.12	CARE D; ISSUER NOT COOPERATING*	1)CARE D (03-Apr-23)	1)CARE D (22-Jun-22)	1)CARE D (FD) (30-Mar-22) 2)CARE D (FD) (28-Dec-21)	1)CARE BB-(FD); Negative (09-Mar-21) 2)CARE BB-(FD); Negative (21-Jan-21)
2	Debentures-Non Convertible Debentures	LT	3.12	CARE D; ISSUER NOT COOPERATING*	1)CARE D (03-Apr-23)	-	1)CARE D (30-Mar-22) 2)CARE D (28-Dec-21)	1)CARE BB-; Negative (09-Mar-21) 2)CARE BB-; Negative (21-Jan-21)
3	Debentures-Non Convertible Debentures	LT	6.68	CARE D; ISSUER NOT COOPERATING*	1)CARE D (03-Apr-23)	-	1)CARE D (30-Mar-22) 2)CARE D	1)CARE BB-; Negative (09-Mar-21)

							(28-Dec-21)	2)CARE BB-; Negative (21-Jan-21)
4	Debentures-Non Convertible Debentures	LT	9.77	CARE D; ISSUER NOT COOPERATING *	1)CARE D (03-Apr-23)	-	1)CARE D (30-Mar-22) 2)CARE D (28-Dec-21)	1)CARE BB-; Negative (09-Mar-21) 2)CARE BB-; Negative (21-Jan-21)
5	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (09-Mar-21) 2)CARE BB-; Negative (21-Jan-21)
6	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (03-Apr-23)	-	1)CARE D (30-Mar-22) 2)CARE D (28-Dec-21)	1)CARE BB-; Negative (09-Mar-21)

*Issuer did not cooperate; based on best available information.

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

Annexure-4: Complexity level of the various instruments rated

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

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Sudhakar P Director CARE Ratings Limited Phone: 91 44 2850 1003 E-mail: p.sudhakar@careedge.in
Relationship Contact Pradeep Kumar V Senior Director CARE Ratings Limited Phone: 91 44 2850 1001 E-mail: pradeep.kumar@careedge.in	Ravi Shankar R Associate Director CARE Ratings Limited Phone: 91 44 2850 1016 E-mail: ravi.s@careedge.in
	Soundarya Venkatesh Analyst CARE Ratings Limited E-mail: Soundarya.Venkatesh@careedge.in

About us:

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Disclaimer:

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