

NJT Finance Private Limited

July 12, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	24.50	CARE B+; Stable; ISSUER NOT COOPERATING*	Rating continues to remain under 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) had, vide its press release dated December 4, 2020, placed the rating of NJT Finance Private Limited (NJT Finance) under the 'issuer non-cooperating' category as the company had failed to provide information for monitoring of the rating. NJT Finance continues to be non-cooperative despite repeated requests for submission of information through e-mails dated March 09, 2024, March 19, 2024, and March 29, 2024, and phone calls. In line with the extant Securities and Exchange Board of India (SEBI) guidelines, CARE Ratings has reviewed the rating based on of the best available information, which, however, in CARE Ratings' opinion is not sufficient to arrive at a fair rating.

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

The rating assigned to the long-term bank facilities of NJT Finance is constrained by limited track record, small scale of operations with geographical concentration of loan portfolio, moderate asset quality, and concentrated resource profile. However, the rating draws strength from adequate capitalisation levels, good profitability, and adequate loan appraisal systems.

Analytical approach: Standalone

Detailed description of key rating drivers

At the time of the last rating on April 24, 2023, the following were the rating strengths and weaknesses updated for the information available from registrar of companies (FY23 [refers to April 01 to March 31] audited financials) and other public information):

Key weaknesses

Limited track record of operations with majority of loan book originated in past four years

NJT Finance was incorporated in 1995 as Alapatt Finance Private Limited. The company was acquired by the current promoter in 2015 and the name of the company was changed to the present form. The company's portfolio had loan portfolio of ₹1.16 crore as on March 31, 2016. In the last seven years, portfolio has grown significantly to ₹60.3 crore as on March 31, 2023. The company's day-to-day operations are handled by the Managing Director, Mr. Alex Thomas who has vast experience in the financing industry. He is supported by Operations Manager and Finance Manager.

Small scale of operations with geographical concentration of loan portfolio

The company's loan portfolio grew over the last seven years from ₹1.16 crore as on March 31, 2016 to ₹60.3 crore as on March 31, 2023. However, it continues to remain small. The company provides short-term loans with tenor ranging between 20 weeks to 50 weeks. Since the loans are short term in nature, the ability of the company to increase the client base is critical for growing the loan portfolio going forward.

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

The portfolio is regionally concentrated with major presence in Kerala. The company does not have any branches and the entire operations are handled from the Head Office.

Moderate asset quality

The company is reporting gross non-performing assets (GNPA) at 90+ days past due (DPD) now as against GNPA reported at 180+ DPD earlier. GNPA stood at 5.5% as on March 31, 2023, as against 4.1% as on March 31, 2022. The ability of the company to control delinquencies and maintain good asset quality with increase in the portfolio growth remains a key rating monitorable.

Concentrated resource profile

NJT Finance's primary source of funding apart from equity infusion is generally from banks. The company currently has relationship with Federal Bank in the form of term loan and cash credit facility. Going forward, the ability of the company to raise funds at competitive interest rates would remain critical for the growth prospects and profitability.

Key strengths**Loan appraisal, collection system, and MIS**

The company provides business loans to partnership firms, proprietary firms, private limited companies, LLPs and to individuals for business purposes. The rate of interest charged is 14% flat. The processing fee charged varies between 0.75% and 2.00%. The sourcing of customers is done through direct marketing (30%) and through direct sales agent (DSA) (70%). The company has developed its own risk assessment framework, where cash flow analysis of the borrowers, bank statement analysis, financial statement analysis, CIBIL check, IT returns, and GST returns are analysed. The Managing Director (MD) and one field staff will visit the customers where the verification of the residence and business is done. The MD prepares the site visit report, which contains details about the location of the residence, business, proposed line of activity, cost of the project, means of finance, location advantages, and details of collateral security offered. The MD also prepares the valuation report. The cash flow analysis of the borrowers is done to analyse the repayment capability. A detailed process note containing details about the borrower profile, management profile, existing limits availed from other banks, current proposal, financial performance, sales turnover, co-obligancy offered, collateral security, and details of copy of title deeds is also prepared. The process note will be reviewed by the Manager and on his recommendation, sanction and the final approval for disbursing the loan will be given by the MD. The disbursement will be made directly to the bank account. The company follows weekly collection mechanism where the weekly repayment schedule will be shared with the client. Periodic SMS reminders are sent to the clients regarding the repayments and the collection happens mostly through NEFT/RTGS mode.

The company is currently using software 'Descpro', and is in the process of implementing ERP system.

Good profitability levels

Loan portfolio grew from ₹40.8 crore as on March 31, 2022 to ₹60.3 crore as on March 31, 2023. Though the loan portfolio remained smaller and of shorter tenure, fee income contributes to significant proportion of total income as processing fee is charged for every cycle of loan. Total income increased from ₹10.8 crore in FY22 to ₹11.60 crore in FY23. In FY23, the company reported profit after tax (PAT) of ₹4.5 crore and return on total asset (ROTA) of 8.40% in FY23 (PY: PAT of ₹5 crore and ROTA of 11.77% in FY22).

Adequate capitalisation levels

The company's net worth grew and stood at ₹30 crore as on March 31, 2023 as against ₹25 crore as on March 31, 2022 considering stable profitability levels. Overall gearing stood low at 1.03x as on March 31, 2023 as against 0.7x as on March 31, 2022.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Non Banking Financial Companies](#)

About the company

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Financial services	Financial services	Finance	Non-banking financial company (NBFC)

NJT Finance is a non-banking finance company (NBFC) registered with Reserve bank of India (RBI) and headquartered in Kottayam, Kerala. The company was incorporated in 1995 as Alapatt Finance Private Limited. Later, in September 2015, the company was acquired by Mr. Alex Thomas, who is currently the MD and the name of the company was changed to the present form. NJT group was established in 1934 by late Mr. Nedumchira Jacob Thomas, a pioneer in the field of construction business since its origination. NJT Finance is engaged in providing short-term business loans in the range of ₹25 lakh up to ₹3 crore.

Brief Financials (₹ crore)	FY22(A)	FY23(A)
Total operating income	10.83	11.60
PAT	5.10	4.5
Interest coverage (times)	5.22	3.58
Total Assets	44.55	62.63
Net NPA (%)	NA	NA
ROTA (%)	11.77	8.40

A: Audited; Note: 'these are latest available financial results'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instrument / facility: 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		-	-	-	15.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term loan		-	-	August 2023	9.50	CARE B+; Stable; ISSUER NOT COOPERATING*

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

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Term loan	LT	9.50	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (24-Apr-23)	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (03-Feb-22)
2	Fund-based - LT-Cash credit	LT	15.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (24-Apr-23)	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (03-Feb-22)

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

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instrument / facilities: Not Applicable**Annexure-4: Complexity level of various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash credit	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 complexity levels of 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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