Capri Global Capital Limited

July 23, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Commercial Paper	700.00	CARE A1+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the proposed commercial paper of Capri Global Capital Limited (CGCL) factors in healthy capital structure at consolidated level, healthy portfolio growth driven by granular retail loans, controlled asset quality metrics and adequate liquidity buffers at group level. These rating strengths are however constrained by its moderate profitability metrics, concentrated resource profile and exposure to wholesale construction financing business. Given the robust business growth, significant portion of the company's portfolio has moderate seasoning. CCGL's ability to maintain sound portfolio growth along with improvement in operating levers will continue to remain a key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could, individually or collectively lead to positive rating action/upgrade:

- Not Applicable

Negative factors: Factors that could, individually or collectively lead to negative rating action/downgrade:

- Deterioration in liquidity buffers
- Inability to diversify resources profile in sync with business growth.
- Deterioration in overall asset quality and thereby profitability metrics with consolidated Gross NPA above 5% on sustained basis

Analytical approach:

Consolidated; considering that subsidiaries are 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

Comfortable capital structure

CGCL has healthy capitalization structure supported by internal accruals and rights issue which came in FY23. Company raised capital of ₹1,440 Crore, via rights issue which was subscribed by both existing and a new investor. During FY24 ₹200 crores was streamlined into its subsidiary Capri Global Housing Finance Limited. As of March 31, 2024, promoter holds 69.88% stake in CGCL. During Q3FY24 CGCL established a 100% subsidiary 'Capri Loans Car Platform Pvt Ltd', to carry out its car loan distribution business. As of March 31, 2024, CGCL posted a healthy capitalization structure with consolidated tangible net-worth of ₹3,718.35

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

crores [PY.: ₹3,496.09] along with overall gearing and adjusted gearing[2] of 2.80 times [PY.: 2.16 times] and 3.29 times [PY.: 2.31 times] respectively. CGCL's capital adequacy ratio (CAR) as of March 31, 2024, stood at 26.62% including tier CAR of 26.15%. Going forward, CARE Ratings expects the company's overall gearing levels to remain below 4 times.

The Board of Directors of CGCL consists of 6 independent directors, an executive director and an advisory director with experience in the field of administration, banking, and finance. During FY24, company appointed Mr. LV Prabhakar (former MD & CEO of Canara Bank) as chairperson & independent director of the board. Company also appointed Mr. Shishir Priyadarshi (former IAS officer), Ms. Nupur Mukherjee (former Global MD at Standard Chartered and Barclays) and Mr. Subramanian Ranganathan (Ex-Citicorp, Bank of America Merrill Lynch, Edelweiss Group) as independent director during FY24. Mr. 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 are experienced professionals with moderate vintage in CGCL. During FY23, with a view to foray and expand gold loan vertical, the company has hired experienced professionals with experience in gold loans financing. The company appointed Mr. Partha Chakraborti (CFO) and Sanjeev Srivastava (Chief Risk Officer) with experience of more than 2 decades in their respective fields during FY24. Going forward, the company's ability to attract and retain senior management is crucial for sustainable scale-up of the business and therefore remains one of our key monitorable.

Portfolio growth driven by retail segment

During FY24, CGCL's consolidated disbursements stood at ₹16,011 crores [PY.: ₹7290 crores] including disbursement of ₹7,875 crores for gold loan. This led to year-on-year consolidated AUM growth of 52% to ₹15,653 crores as of March 31, 2024, with a 5-year CAGR of 31%. The growth in driven by granular retail segment including gold loans (22% of total AUM), housing finance (27%) and MSME (32%). As a measure to curtail credit risk, the company has capped its construction finance (CF) exposure as a proportion of consolidated AUM to 20%. As of March 31, 2024, CF and indirect lending comprised of 17% and 2% of the consolidated AUM respectively.

CGCL has being focusing on growing its off-book portfolio via the co-lending route for its retail portfolio growth (12% of its consolidated AUM is co-lending as of March 31, 2024, compared to 5% as of March 31, 2023). Company has partnered with State Bank of India, Union Bank of India, Central Bank of India, Indian Overseas Bank, UCO Bank, Bank of India, and Punjab & Sind Bank for co-lending.

Going forward, CARE Ratings expects the company's consolidated AUM to grow by 30% with continuing co-lending partnership.

Moderate asset quality metrics

As of March 31, 2024, CGCL's consolidated GNPA and NNPA was range bound at 1.92% [PY.: 1.80%] and 1.07% [PY.: 1.25%] respectively, while the company's lagged GNPA showed some inching up. Company reported a consolidated restructured assets of ₹138.60 crores as of March 31, 2024 [PY.: ₹159.70 crores] comprising 3.73% of net-worth [PY.: 4.57%].

The GNPA has marginally increased for MSME segment (stood at 3.89% as of March 31, 2024, compared to 3.38% as of March 31, 2023), Construction Finance segment (Mar-24: 0.95%, Mar-23: 0.28%), Gold Loan (Mar-24: 0.95%, Mar-23: 0.11%) and Housing Finance segment (Mar-24: 1.31%, Mar-23: 1.24%). The consolidated on-time book of the company deteriorated to 91.56% of total portfolio as of March 31, 2024 [PY.: 94.37%] led by some deterioration in on-time portfolio of MSME segment.

The increase in GNPA for MSME segment was due to portion of the restructured portfolio coming out of moratorium and low growth during FY24 (MSME portfolio grew by 8% during FY24 compared 21% during FY23) as the company curtailed growth in risker geographies leading to base effect. Also, few new accounts slipped into NPA for CF segment during FY24 leading to increase in GNPA for the segment.

[2] Adjusted gearing = (off book + debt)/equity

Asset quality will continue to be our key monitorable considering the niche customer profile and robust portfolio growth over the last 3-years.

Key weaknesses

Moderate profitability metrics

While CGCL witnessed healthy consolidated earnings growth marked by portfolio expansion, profitability metrics have continued to be impacted on account of higher opex marked by foray in gold loan business as well as higher automation expenses. During FY24, company reported a consolidated total income growth of 58% to ₹2,314.20 crores mainly led by increase in interest income to ₹1,822.78 crores [PY.: ₹1,167.29 crores] due to disbursement growth. Yields on advances on consolidated basis increased to 15.92% [PY.: 14.70%] mainly due to increase in average yields for gold loans to 18.9% during FY24 [PY.: 14.5%] (gold loan accounts to 22% of total AUM as of Mar-24 and 49% of disbursements during FY24) while the other lending segments witnessed pressure on yields. Better spreads on gold loans led to improvement in margins; NIM during FY24 increased to 7.38% [PY.: 7.00%]. Fee and other income as percentage of ATA increased to 3.67% [PY.: 3.16%] led by income from car loan distribution and fee income from co-lending model. Opex during FY24 increased to 7.63% [PY.: 6.39%] due to increase in fee expense (pertaining to car loan distribution business) and expenses on technology and system improvements. CGCL has also increased the number of branches to 935 [PY.: 562 branches] including 750 gold loan branches [PY.: 562]. Credit cost for FY24 was stable at 0.68% [PY.: 0.68%]. Therefore, led by increase in opex company's consolidated ROTA stood at 2.09% during FY24 [PY.: 2.17%], while consolidated return on managed asset (ROMA) stood at 1.92% during FY24 [PY.: 2.10%].
Going forward, with the company's branch expansion stabilizing CARE Ratings expects the operational levers to kick in which is expected to support improvement in profitability metrics in the near to medium term.

Concentrated resource profile

The resource profile of Capri group is concentrated both in terms of sources of borrowings and lender segment. Total consolidated borrowings as of March 2024 was ₹10,406.91 Crore [PY: ₹7,534.56 Crore] of which bank loans constituted 87% [P.Y.: 82%], NCDs- 1% [P.Y.: 6%] and remaining 12% [PY.:12%] via refinancing institutions/NBFC namely NABARD, SIDBI and NHB. Within bank borrowings, public sector bank continued to have major share at 78% of total borrowings as of March 2024 [PY:75%]. The investors in company's NCD mainly include public sector banks and a financial institution. From lenders mix perspective, top 10 lenders constituted 84% of borrowings for CGCL [P.Y.: 87%] and 92% of borrowings for CGHFL [P.Y.: 98%] indicating high lender concentration in resources mix. Further, during the year company has increased its AUM under its co-lending model. Considering the company's co-lending partnerships, funds raised via co-lending comprised 14% of total adjusted borrowings (on book + off book) [PY.: 7%], this has emerged as one of the key resource raising avenue of the company. The consolidated cost of fund on borrowings stood at to 9.3 % during FY24 [P.Y.: 8.5%].
Going forward, company's ability to diversify resources profile in sync with business growth will be our key rating monitorable.

Risks emanating from construction finance business.

CGCL has exposure to construction finance business which contributes 17% to the consolidated AUM as of March 31, 2024 [PY.: 18%]. Due to relatively risker nature of the segment company has capped the segment to 20% of its consolidated AUM. However, the average ticket size of the segment is ₹10.6 crore as of March 2024 and top 20 borrowers in the segment constituted 31% of its construction finance AUM. Further, 32% of construction finance projects were near completion, 27% of the projects were in intermediate stage of completion, 4% and 31% of the total funded projects are at land stage and early stage of completion respectively as of March 31, 2024, making the segment prone to risk arising out of changes in economic cycles. 77% [PY.: 89%] of the construction finance segment is into mortarium as of March 2024 however, 53% out of 77% 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 SRA and redevelopment). The collection in real estate portfolio is through sweep mechanism in all loans based on construction, sales and collection milestones.

Going forward, company's wholesale exposure will continue to a key monitorable.

Liquidity: Strong

As of March 31, 2024, CGCL's liquidity position was adequate with standalone ALM having positive cumulative mismatch in all buckets up to 1 year except for 2 to 3 months and 3 to 6 months bucket, the negative mismatch in the short-term buckets is within the regulatory limits.

On standalone basis, the company had cash and cash equivalents of ₹285 crore and receivable from Loan book (incl. interest) of ₹5,525 crores as against debt repayments obligations (incl. interest) of ₹2,790 crore for the next one year.

On consolidated basis, for the next one year, CGCL has debt obligations including interest repayment of ₹3,440 crore, against expected inflows of ₹6,227 crore and cash & cash equivalents of ₹889 crore. Additionally, undrawn sanctioned lines stood at ₹1,028 crore which provide comfort.

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 review 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

Consolidation
Definition of Default
Rating Outlook and Rating Watch
Financial Ratios - Financial Sector
Short Term Instruments
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)

Capri Global Capital Ltd- CGCL was incorporated on July 24, 2013, and is a listed systemically important non-deposit taking NBFC. The company is promoted by Mr. Rajesh Sharma, who has more than 2 decades of experience in capital markets. Capri Global Holdings Private Limited is a holding company for CGCL having 47.63% stake in the company as of Mar 31, 2024. The promoters' stake as of March 31, 2024, stood at 69.88%. Capri Global Housing Finance Limited (CGHFL) is a 100% subsidiary of CGCL. During Q3FY24 CGCL incorporated Capri Loans Car Platforms Pvt. Ltd. as a new subsidiary. These three entities together are referred to as "Capri Group". CGHFL is into housing finance business, it got its licence from NHB in Sep 2015 and has been operational since

Dec 2015. Capri Loans Car Platforms Pvt. Ltd will work on car loan distribution business of the company. The group focuses on five major business segments namely MSME, construction finance, housing finance, indirect lending and gold loans. As on March 31, 2024, the company's tangible net-worth stood at ₹3,718 Crore. CGCL's consolidated AUM as of March 2024 was ₹15,652 Crore (PY: ₹10,320 Crore). Company has a distribution network in 13 states and UT via 935 branches including 750 gold loan branches.

CGCL (consolidated):

Brief Financials (₹ crores)	Mar-22 (A)	Mar-23 (A)	Mar-24 (A)
Total Income	982	1,465	2,314
PAT	205	205	279
Total Assets*	7,111	11,725	15,031
Net NPA (%)	1.74	1.25	1.07
ROTA (%) (incl. off book)	3.15	2.10	1.92
ROTA (%) (on book)	3.18	2.17	2.09

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

CGCL (standalone):

Brief Financials (₹, crores)	Mar-22 (A)	Mar-23 (A)	Mar-24 (A)
Total Income	766	1,149	1,783
PAT	162	142	198
Total Assets*	5,411	9,243	11,031
Net NPA (%)	1.97	1.41	1.21
ROTA (%) (incl. off book)	3.18	1.80	1.73
ROTA (%) (on book)	3.28	1.93	1.95

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 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
Commercial Paper	Proposed	-	-	-	700.00	CARE A1+

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 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	-	-	-	1)CARE A+; Stable (31-Jan-24) 2)Withdrawn (31-Jan-24) 3)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)
2	Debentures-Non-Convertible Debentures	LT	-	-	-	1)Withdrawn (31-Jan-24) 2)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)
3	Debentures-Non-Convertible Debentures	LT	-	-	-	1)Withdrawn (31-Jan-24) 2)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)
4	Debentures-Non-Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (15-Mar-22) 2)CARE A+; Negative (06-Jul-21)
5	Commercial Paper-Commercial Paper (Standalone)	ST	700.00	CARE A1+				

LT: Long term; ST: Short term; LT/ST: 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	Commercial Paper-Commercial Paper (Standalone)	Simple

Annexure-5: Lender details

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

Annexure-6: List of all the entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1.	Capri Global Capital Limited	Full	Holding Company
2.	Capri Global Housing Finance Limited	Full	Subsidiary
3.	Capri Loans Car Platform Pvt Ltd	Full	Subsidiary

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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