

Girnar Capital Private Limited

September 12, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	100.00	CARE BBB-; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the proposed bank facilities of Girnar Capital Private Limited (Girnar Capital or Company or GCPL) draws comfort from the growing scale of operations, support of the group company i.e. Girnar Software Private Limited (GSPL) in the form of operational linkages and regular funding support, adequate capitalisation levels and comfortable asset quality metrics.

However, these rating strengths are partially offset by nascent stage of operations with limited track record in the lending operations, weak resource profile with limited lender tie ups and moderate profitability of the Company.

Going forward, the company's ability to profitably scale up the financing business while maintaining healthy asset quality will 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:

- Significant and sustained increase in scale of business
- Sizable equity infusion leading to build up of sufficient buffer to fund future growth
- Increase in profitability metrics with Return on Total Assets (RoTA) increasing above 1.25% on a sustainable basis
- Diversification in resource profile

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

- Deterioration in capitalization profile with gearing rising above 4 times
- Weakness in profitability with the Company reporting net losses

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectations that the company will continue to receive the required funding support from the group company while being strategically and economically important to GSPL. The outlook also reflects the expectation of growth in its operations while maintaining asset quality

Detailed description of the key rating drivers

Key strengths

Experienced management and support from group company

GCPL is promoted by the IIT-Delhi alumni Amit Jain and Anurag Jain who hold 75% equity stake in the company. Remaining 25% stake is held by Girnar Software Private Limited (GSPL). GSPL, which runs CarDekho.com platform, is also promoted by the promoters of GCPL i.e. Amit Jain and Anurag Jain.

GCPL undertakes its lending operations in the used car segment, two-wheelers and inventory financing through GSPL's digital lending platform 'Rupyy'.

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

GCPL has strong linkages and has been receiving continuous support from GSPL in the form of debt and equity. GSPL has raised equity at its level from various investors, to the tune of approx. Rs. 3500 crore since inception, which in turn is infused to various group entities on the basis of business requirement. GSPL along with the promoters have infused Rs 60 crore in GCPL in FY24.

Going forward, the board of GSPL has approved a capital infusion of Rs. 320 crore in GCPL in FY 25 in the form of debt out of which, Rs. 73 crore has already been infused till date. CARE Ratings notes that GSPL is in the process of seeking approvals from the Reserve Bank of India (RBI) to increase its stake in GCPL upto 75% which will further enhance the interlinkages between the two companies.

Comfortable capitalisation profile

The Company commenced its business operations in FY23 with low tangible network of Rs. 11 crore and borrowings from GSPL amounting to Rs. 52 crore, resulting in a high gearing of 4.7x. However, in FY24, with equity infusion of around 60 crore from promoters and consequent rise in tangible network, the gearing declined sharply to 1.6x.

The company has a comfortable capital adequacy and has an ability to raise capital at regular intervals due to continuous group support. The company reported a capital adequacy ratio (CAR) of 35.96% with Tier-I CAR of 35.25% as on March 31, 2024, having comfortable cushion over the minimum regulatory requirement of 15% for CAR. The AUM/ Tangible Network of the company also stands improved at 2.46x in FY24 as compared to 5.80x in FY23.

CARE Ratings expects the gearing levels to remain below 4x on a steady state basis in the medium term due to lower dependence on debt and group support in the form of regular capital infusions.

Comfortable asset quality, though seasoning impact is yet to be established

The company has a comfortable asset quality position in FY24 and follows an NPA recognition norm of 90+dpd. The GNPA% and NNPA% of the company are low at 0.72% and 0.19% respectively in FY24, since major disbursements have happened over the past few quarters and the loan book is relatively unseasoned. Provision coverage ratio for NPA stood at 56.3% as on March 31, 2024, as compared to 51.2% as on March 31, 2023. Further, GCPL has the lowest 30+, 60+ and 90+ dpd in the used car segment which has the highest AUM share of 74.3% as on March'24.

Once the sourcing is done by the group company i.e. GSPL, the Company applies risk based pricing based on customer's CIBIL score, income level, debt-to-income ratio and other such parameters of the borrower and has adequate risk management systems for the current scale of operations.

CARE Ratings notes that since majority of the portfolio has been ramped-up over the last one year, expansion of the loan book while maintaining the asset quality shall remain a key monitorable.

Key weaknesses

Modest scale of operations, albeit improving

As mentioned above, GCPL commenced its business operations in April 2022. The loan portfolio of GCPL consists of digital retail and wholesale finance for used cars (74.31% of AUM as on March'24), two-wheeler electric vehicles (14.11% of the AUM as on March'24) and inventory financing (11.59% of the AUM as on March'24) which is sourced entirely through GSPL. From August 2024 onwards, the company has started sourcing some business on its own, though the proportion of same will remain small in the medium term. GCPL undertakes the financing for these product segments through the group's digital lending platform i.e. 'Ruppy' for its operations. The Company has a modest scale of operations with AUM of Rs. 177 crore in FY24 (as against Rs. 64 crore in FY23).

CARE Rating notes that, going forward, the Company aims to increase its focus on used car financing with proportion of same growing to approx. 91% in FY25.

Moderate profitability profile

Since the Company commenced its business operations in April 2022, its profitability ratios are yet to stabilize. During FY24, GCPL earned a profit after tax (PAT) of Rs. 0.76 crore on the total income of Rs. 22.71 crore (PAT margin of 3.35%) as against Rs. 0.17 crore (PAT margin of 4%) in FY23.

With yield on advances of 17.72% and the cost of funds of 11.87% in FY24, NIMs remained modest at 9.78% in FY24.

With expansion of business in FY24, opex increased from 5.18% in FY23 to 5.75% in FY24., the credit costs have remarkably increased from 1.72% in FY23 to 3.27% in FY24 owing to write offs of two-wheeler loans. The share of other income comprising of processing fee income, dealer onboarding fees, loan cancellation and foreclosure

charges increased from 0.76% in FY23 to 1.15% in FY24. Overall, due to high operating expenses and sizable credit costs, profitability remained moderate with RoTA of 0.58% in FY24.

CARE Rating notes that the Company's ability to profitably expand its loan book while keeping the credit costs under control shall remain a key monitorable.

Concentrated resource profile

Girnar Capital has a concentrated resource profile having tie up with 1 private bank and major borrowing from the group company. The borrowing profile of GCPL consists of credit facility from GSPL (82% of total borrowings) and working capital demand loan (18% of total borrowings) from Yes Bank as on March'24. CARE Ratings notes that to reduce its dependence on GSPL, the company is in the process of raising funds through PTCs and other banking institutions and has raised approx. Rs. 57 crore through the PTCs in Q1FY25. The average cost of funds of the company for FY24 is 10.61%.

While the company is in the process of raising funds from several banks and NBFCs, the ability to raise sufficient additional capital at competitive cost remains a key monitorable.

Liquidity: Adequate

As per ALM statement as on March 31, 2024, there are positive cumulative mismatches across all the time buckets. Also, as per the ALM statement, the company has advances of up to one year of Rs. 64 crore as against debt of up to one year of Rs. 20 crore. Also, GCPL has adequate liquidity with cash and cash equivalents of Rs. 11.39 crore as on March'24. This provides a liquidity cover of 57% for the debt repayments amounting to Rs. 20 crore due for the next 1 year.

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Non Banking Financial Companies](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Finance	Non Banking Financial Company (NBFC)

Girnar Capital Private Limited (GCPL) (formerly known as Khemlani Finance Private Limited) is a Jaipur based private limited company incorporated on March 11, 1997 and is registered as a non-deposit-taking non-banking financial company (NBFC) with Reserve Bank of India (RBI) w.e.f. May 05, 1998. However, the company commenced its business operations w.e.f. April 2022. The company is promoted by Jaipur based IIT alumni brothers, Amit Jain and Anurag Jain who holds an aggregate of 75% in GCPL as on June'24 and the balance 25% is held by the group company i.e. Girnar Software Private Limited (GSPL).

GCPL is engaged in providing digital retail and wholesale finance for used vehicles, EVs to customers and dealers (sourced through Girnar Software Private Limited) through the group's digital lending platform 'Rupyy' for its operations. The IT structure for all the group entities including GCPL is managed by GSPL i.e. the group company for which GCPL pays a fee to GSPL for the business sourced.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	4.25	22.71
PAT	0.17	0.76
Interest coverage (times)	1.20	1.11
Total Assets	65.64	197.12
Net NPA (%)	0.32	0.19
ROTA (%)	0.44	0.58

A: Audited UA: Unaudited; 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

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Term Loan-Long Term - Proposed	-	-	-	-	100.00	CARE BBB-; Stable

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	Term Loan-Long Term	LT	100.00	CARE BBB-; Stable				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Term Loan-Long Term	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 based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

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