Namdev Finvest Private Limited

September 26, 2024

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

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings for long-term bank facilities and non-convertible debentures (NCD) of Namdev Finvest Private Limited (NFPL) have been revised factoring improving capitalisation level, owing to capital infusion by promoters, promoter group and private equity (PE) investors. Ratings upgrade also consider the company's increasing scale of operations with consistent growth rate, improving asset quality and profitability.

However, rating strengths are partially offset by limited seasoning of the asset under management (AUM) as major disbursements happened in the last few years, geographical concentration in one state and major, though decreasing, reliance on non-banking finance companies (NBFCs) for the debt profile.

Rating sensitivities: Factors likely to lead to rating actions

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

- Significantly growing AUM and improving asset quality and profitability.
- Significantly improving capitalisation profile.

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

- Deteriorating profitability with respect to return on total assets (RoTA) declining below 1.25%.
- Deteriorating gearing level to over 4.50x on a sustained basis.
- Significantly deteriorating asset quality.

Analytical approach:

Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) expects support from promoters and PEs to continue for NFPL. It is also expected that the company will continue to maintain growth in the AUM, while maintaining healthy profitability and asset quality.

Detailed description of key rating drivers:

Key strengths

Improving capitalisation profile

In FY24, NFPL received capital infusion of ₹235 crore from promoters, promoter group, employees, existing and new PEs in form of equity and compulsory convertible preference shares (CCPS). Of these, promoters – Jitendra Tanwar (Managing Director and Chief Executive Officer (MD and CEO)) and Latika Tanwar (Whole-time Director), promoter group, and employees infused ₹49

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

crore (21% of infusion made in the fiscal) and balance ₹186 crore (79% of infusion made in the fiscal) was invested by PEs, where, ₹125 crore came from MAJ Invest, ₹25 crore from British International Investment Development Finance Institution (BIIDFI), ₹11 crore from LC Nueva Investment Partners (LC Nueva), who are new investors for the company and existing investor, Incofin Investment Management (Incofin) infused ₹25 crore.

With the infusion received and internal accruals, tangible net worth increased to ₹409 crore as on March 31, 2024, from ₹145 crore as on March 31, 2023. It further increased to ₹421 crore as on June 30, 2024. With this, the gearing levels reduced to 2.79x as on March 31, 2024, from 4.65x as on March 31, 2023, and further reduced to 2.75x as on June 30, 2024. The capital adequacy ratio (CAR) also increased to 34% as on March 31, 2024, from 22% as on March 31, 2023, but moderated to 32% with rise in loan book driven by decline in cash and cash equivalents.

NFPL is expecting another round of infusion of around ₹200 crore by end of FY25 or early FY26, with this, CARE Ratings expects the gearing level to remain healthy in the medium term.

Increasing scale of operations

NFPL's AUM has been growing consistently with a five-year compound annual growth rate (CAGR) of 61% till FY24. As on March 31, 2024, AUM increased to ₹1,185 crore, up by 91% y-o-y. As on June 30, 2024, the AUM increased to ₹1,272 crore, up by 7% year-to-date (YTD).

NFPL is engaged in lending for micro, small and medium enterprises (MSME), two-wheeler (TW), commercial vehicles (CV), solar loan and electronic vehicle (EV). Majority AUM are MSME loans, consistently making up over 80% and reaching 90% as of March 31, 2024. The company's primary focus is the MSME segment, followed by EVs. Consequently, the MSME share of AUM has been growing, and the EV share increased to 4% as of March 31, 2024, up from 1% on March 31, 2023.

NFPL provides loans for MSME with security against property with average ticket size of ₹5-7 lakh for seven years at an average rate of interest of 18-24%. EV financing carries vehicle hypothecation with average ticket size of ₹1-2 lakh for two years at an average rate of interest of 18-24%. NFPL provides TW financing with vehicle hypothecation for an average ticket size of ₹25,000-85,000 carrying average tenure of two years at an average rate of interest of 19-25%. The company has started lending to NBFCs with higher ticket sizes exceeding ₹50 lakh. This portfolio is capped at 15% of net worth or ₹60 crore, whichever is lower. As on June 30, 2024, NBFC lending made 4% of AUM.

CARE Ratings expects NFPL to continue its growth momentum for the AUM by 40-50% for FY25.

Moderate-yet-improving asset quality

Following the Reserve Bank of India's (RBI) scale-based regulation for NBFCs, NFPL (NBFC- Base Layer), began recognising non-performing assets (NPA) at 90+ days past due (dpd) from October 2022, which was previously 120+ dpd. As on March 31, 2024, slippages reduced and recoveries increased, reducing the Gross NPA (GNPA) ratio to 1.07% from 1.17% as on March 31, 2023.

In Q1FY25, the intense heat wave and other factors affected NFPL's customers' businesses, slowing down collections of NFPL, leading to increase in slippages. Consequently, the GNPA ratio rose to 1.48% as on June 30, 2024. However, the company increased the provision coverage ratio on NPA as on June 30, 2024, to 35% from 20% in the last two years.

Improving profitability

NFPL reported a steady increase in profit after tax (PAT), rising from ₹12 crore in FY23 to ₹27 crore in FY24 with the loan book rising. In FY24, the RoTA increased to 2.2% from 1.6% in FY23, driven by the low gearing benefit and reduction in cost of borrowings in the increased net interest margin (NIM) on average total assets (ATA).

Yields continued to moderate to 20% in FY24 from 23% in FY23, as the company has reduced its yields, due to competition. Although, NIM increased in FY24 to 6.9% from 5.56% in FY23 owing to reduced gearing with capital infusion received in the fiscal.

Operating and other income ratio on ATA rose to 2.4% in FY24 from 1.7% in FY23, driven by an increase in treasury income and substantial disbursements, which boosted fee income ratio on total assets. Operating expenses ratio on ATA also increased to 6% in FY24 from 5% in FY23, primarily due to higher employee benefit expenses and other costs.

With rise in provisions and write off, credit costs ratio on ATA increased slightly to 0.38% in FY24 from 0.32% in FY23.

With increase in NIM and fee and other income ratio, RoTA increased to 2.2% in FY24 from 1.6% in FY23.

In Q1FY25, the company reported PAT of ₹11 crore. With a rise in NIM, and slight reduction in operating expenses ratio, RoTA increased to 2.6% in Q1FY25.

CARE Ratings expects NFPL to maintain profitability at a similar level in the medium term.

Key weaknesses

Limited seasoning of AUM
NFPL's size of operations have been expanding at a yearly growth rate of 91% in FY24. This follows an already substantial increase of 82% y-o-y in FY23. However, CARE Ratings notes that majority loans in NFPL's portfolio have been built relatively recently. Consequently, these loans exhibit limited seasoning.

Geographically concentrated AUM, although improving
Until FY22, NFPL operated in four states, expanding to five states in FY23 and eight states in FY24. As on March 31, 2024, the company was present in Delhi, Gujarat, Punjab, Rajasthan, Madhya Pradesh, Uttar Pradesh, Haryana, and Uttarakhand. The geographical concentration remained high in Rajasthan with 78% of AUM, down from 87% on March 31, 2023, and 95% on March 31, 2022. This reduction is attributed to growth in Madhya Pradesh, which started in FY23 and increased from 2% to 6% of AUM by March 31, 2024, and Uttar Pradesh, which began in H1FY24 and grew from 2% to 6% and operations in Haryana and Uttarakhand commenced in FY24, contributing 1% and 0.03% of AUM, respectively, by March 31, 2024.

Concentrated resource profile
NFPL primarily raises debt through term loans, which constituted 75% of their borrowings, with balance through NCDs. NFPL mainly depends on NBFCs for its debt, which decreased from 51% as on March 31, 2023, to 44% by March 31, 2024. Bank borrowings account for 31% of the debt, which remained stable over the years, while the rest is sourced from the capital market.

Liquidity: Adequate
NFPL's liquidity is adequate, reporting no negative cumulative mismatch for any time bucket in the asset liability mismatch statement as on March 31, 2024. The company has liquidity of ₹313 crore in form of cash and bank balance, fixed deposits without lien mark, and liquid investment as on March 31, 2024.

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)

Registered under the Companies Act, 1956 and the Companies Act, 2013, NFPL is a non-deposit taking, Non-Systematically Important NBFC (NBFC-ND-NSI) under the category Investment and Credit Company (ICC). Incorporated on April 11, 1997, NFPL was taken over by Jitendra Tanwar in 2013 and since then forayed in to financing vehicle loans and later started MSME in 2015. The company is engaged in secured MSME, TW, CV, EV and solar loan. The company caters to customers of in rural and semi urban locations. NFPL is headquartered in Jaipur with branch network in eight states. Jitendra Tanwar, MD and CEO, his wife Latika Tanwar, Whole-time Director, and their family are the company's promoters.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	131.32	218.14	76.92
PAT	12.00	26.74	10.56
Interest coverage (times)	1.21	1.34	1.41
Total Assets	842.13	1,597.51	1,632.07
Net NPA (%)	0.94	0.86	0.96
ROTA (%)	1.62	2.19	2.61

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
Non-convertible debentures	INE0IX207015	18-Aug-2021	12%	30-Sep-2024	20.00	CARE BBB+; Stable
Non-convertible debentures	INE0IX207023	15-Jan-2022	13%	31-Jan-2025	24.00	CARE BBB+; Stable
Non-convertible debentures	INE0IX207031	31-Dec-2021	14%	30-Jun-2025	20.00	CARE BBB+; Stable
Non-convertible debentures	INE0IX207049	14-Apr-2022	12.00%	13-Apr-2028	46.68	CARE BBB+; Stable
Non-convertible debentures	INE0IX207064	29-Mar-2022	13%	07-Mar-2025	22.00	CARE BBB+; Stable
Non-convertible debentures	INE0IX207072	14-Jul-2022	11%	14-Jul-2026	23.10	CARE BBB+; Stable
Non-convertible debentures	INE0IX207098	10-Sep-2022	10.82%	10-Sep-2028	58.50	CARE BBB+; Stable
Non-convertible debentures	INE0IX207106	28-Sep-2022	14%	31-Jul-2025	15.00	CARE BBB+; Stable
Non-convertible debentures	INE0IX207114	30-May-2023	13%	29-May-2026	25.00	CARE BBB+; Stable
Non-convertible debentures - Proposed	-	-	-	-	5.72	CARE BBB+; Stable
Fund-based - LT-Cash Credit	-	-	-	-	30.00	CARE BBB+; Stable
Fund-based - LT-Term Loan	-	-	-	29-Jun-29	820.00	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	Fund-based - LT-Cash Credit	LT	30.00	CARE BBB+; Stable	-	1)CARE BBB; Positive (05-Jan-24) 2)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)
2	Fund-based - LT-Term Loan	LT	820.00	CARE BBB+; Stable	-	1)CARE BBB; Positive (05-Jan-24) 2)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)

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
							(22-Apr-22)	
3	Debentures-Non-Convertible Debentures	LT	30.00	CARE BBB+; Stable	-	1)CARE BBB; Positive (05-Jan-24) 2)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+; Stable	-	1)CARE BBB; Positive (05-Jan-24) 2)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 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
5	Debentures-Non-Convertible Debentures	LT	45.00	CARE BBB+; Stable	-	1)CARE BBB; Positive (05-Jan-24) 2)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+; Stable	-	1)CARE BBB; Positive (05-Jan-24) 2)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+; Stable	-	1)CARE BBB; Positive (05-Jan-24) 2)CARE BBB; Stable (30-May-23)	1)CARE BBB; Stable (22-Sep-22)	-
8	Debentures-Non-Convertible Debentures	LT	25.00	CARE BBB+; Stable	-	1)CARE BBB; Positive	-	-

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
						(05-Jan-24) 2)CARE BBB; Stable (30-May-23)		

LT: Long 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	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 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.

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About us:

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