# Loantap Credit Products Private Limited

March 26,2025

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Non-convertible debentures | 1.79 | CARE BB+; Stable; 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 Loantap Credit Products Private Limited (LCPPL) to monitor the rating(s) vide e-mail communications/letters dated January 30, 2025, February 28, 2025, March 11, 2025, and March 18, 2025 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring ratings. Aligned with the extant SEBI guidelines, CARE Ratings has reviewed the rating based on the best available information, which however, in CARE Ratings' opinion is not sufficient to arrive at a fair rating. The rating on LCPPL's instruments will now be denoted as **CARE BB+; ISSUER NOT COOPERATING***.
**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using above rating(s).**

Ratings consider delayed materialisation of capital infusion, moderate financial profile, still-evolving business model with a transition to shorter tenure loans, moderate scale of operations with limited track record, concentrated resource profile with higher cost of funds, and continuation of stressed asset quality. However, the rating draws strength from the technology-led business model, and experienced senior management team

**Analytical approach:** CARE Ratings has analysed the standalone profile of LCPPL and has also factored in financial and technological support from its parent entity, Loantap Financial Technologies Private Limited (LFTPL).

## Detailed description of key rating drivers:

At the time of last rating on August 27, 2024, the following were the rating strengths and weaknesses.

## Key weaknesses

**Delay in mobilisation of equity capital in timely manner**

LFTPL, the parent company holds 99.74% stake in LCPPL (as on March 31, 2024). Earlier, the management had indicated an infusion of ₹20 crore by Q2FY24, of which only ₹14 crore has been infused by Swapurna Traders Private Limited (family office) in the form of CCD, which is yet to be down-streamed to LCPPL. Per the management, it will be down-streamed to LCPPL and the current ongoing capital infusion plan of ₹35 to ₹40 crore through Series C round. This round of equity infusion is expected to be completed by September 2024. CARE Ratings observes, going forward, LCPPL's ability to maintain the required capital cushion and infuse the stated capital as expected for adverse scenarios would remain a key parameter for its ratings.

**Moderate scale of operations and limited track record**

LCPPL has around eight years of business operations with asset under management (AUM) compounded annual growth rate (CAGR) growth of 17% over FY19-FY24 with a loan portfolio tenure averaging between 1.5 and 2.5 years. Thus, the quality of underwriting through different economic cycles is yet to be established, inducing a level of uncertainty since in the last seven years the loan would have completed almost three cycles. Moreover, CARE Ratings notes the proportion of short-term revolving credit line (STRCL) increased from 11% as on March 31, 2023, to 26% in March 31, 2024, which indicated the company has been making a foray in relatively shorter tenure loans. The quality of sourcing and underwriting of the same is yet to be seen. As on March 31, 2024, AUM declined by 2.3% year-over-year (y-o-y) and stood at ₹ 329 crore. Credit risk models based on data analytics and machine learning will continuously evolve both with time and growth in portfolio. Subsequently, the robustness of these models will only be ascertained over time.

**Moderate financial profile**

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

In FY24, the company was able to break even due to a decline in the provisions and write-offs by 79% y-o-y. The company reported profit after tax (PAT) of ₹0.89 crore against a loss of ₹12.45 crore in FY23. In FY24, the return on total assets (ROTA) (%) (adjusted for off-book) stood at 0.21%. Thus, the company's profitability has been fluctuating and volatile and the company is yet to showcase a consistent profitable performance, given an operational history of ~7 years. CARE Ratings observes that due to the current stressed asset quality metrics, LCPPL's profitability will continue to remain pressurised in the medium term. However, the company's lower gearing levels provide support to its earnings.

**Stressed asset quality**

In FY24, LCPPL has adopted a policy of NPA recognition based on 150+ DPD with 30% provision coverage ratio and write-off policy of 450+ DPD. GNPA (%) based on 90+ DPD increased to 9.08% as on March 31, 2024 (March 31, 2023: 8.02%) and net NPA (NNPA) increased to 5.82% as on March 31, 2024 (March 31, 2023: 5.68%). Thus, the asset quality continues to remain on the lower side. The company has 'nil' o/s OTR assets as on March 31, 2024, against ₹30.76 crore as on March 31, 2023. The average monthly collection efficiency (current collections/current demand) of the company stood at 92.17% in FY24, however, including overdue collection and prepayments, it stands at 66.05%. The company's ability to collect its arrears, decrease its NPAs and write-offs, and improving its overall collections will be closely monitored.

**Concentrated resource profile with higher cost of funds**

LCPPL's debt profile as on March 31, 2024, stood at ₹191.85 crore, which mainly consists of term loans (71%) from banks/FI followed by NCDs (26%) and remaining (3%) by CP issuances, with lower bank funding.

As on March 31, 2024, the weighted average cost of funding for LCPPL stood at 14.24%. compared to 13.61% as on March 31, 2023. LCPPL also engages in forms of off-balance sheet funding and securitisation of its loan assets in the form of pass-through certificates and co-lending. The off-book portfolio (including securitisation) constituted 32% of its total AUM as on March 31, 2024. Going forward, the company plans explore more on this front to maintain its leverage levels and AUM build-up. LCPPL's ability to raise funds at competitive rates and proportion of short-term borrowings to facilitate its liquidity profile and increasing its share of bank funding in its overall borrowing profile will be closely monitored.

**Regulatory risk**

Ratings also take note of the regulatory risk associated with entities operating in digital lending as the regulations are still evolving. There have been guidelines by Reserve Bank of India (RBI) in this sector with the recent ones dated November 16, 2023, in relation to increase in risk weights to 125% against 100% and June 08, 2023, pertaining to the FLDG structure. The digital lending entities are gaining momentum and size, and the regulations in the industry also evolving exposing the industry to regulatory risk. However, the extent of impact for fintech players in terms of capital and other parameters like growth may vary depending on the business model followed.

## Key strengths

**Technology-led business model with a focus to shift to shorter tenure loans**

LCPPL has no branches, and the lending process is entirely digital with majority credit risk underwriting processes – origination, risk assessment, and disbursement being digitally performed. Minimal manual intervention provides the company with the ability to grow its loan portfolio at a faster pace with asset quality metrics being largely monitored by the algorithms. The company has also introduced a new product, STRCL, for the kirana stores and plans to focus on increasing disbursement share in this segment going forward. LCPPL largely competes with established banks in the personal loans segment with the company's borrower profile mainly leaning towards the digitally savvy younger demographics who require personal loans for home improvement, weddings, vacations, and medical emergencies among others. Consequently, while technology provides a competitive edge over traditional banks, considering the loan process – from application to disbursal takes less than two days, banks can provide loans at lower rates. CARE Ratings notes while technology has demonstrated its capacity for faster sourcing and disbursement, the ability of the self-learning algorithms to keep a check on the loan quality being sourced is still evolving and remains to be proved. The traction of the new product introduced by the company remains to be established.

**Experienced senior management team**

LCPPL's promoters have a vast experience in retail financing and technological environment. Satyam Kumar (CEO and co-founder) has over 20 years' experience in mortgage book building, collection, key account management, and underwriting. Vikas Kumar (CTO) has over 20 years of experience in Technology and Online platform. He was a former co-founder of Brainvisa Technologies and SME Joinup. The promoters are exposed to multicultural and large team handling roles on funding and strategy fronts.

**Liquidity**: Not applicable

## Applicable criteria

[Policy in respect of non-cooperation by issuers]
[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 as an NBFC-ND with the RBI, LCPPL is a retail lender providing personal loans to the retail salaried segment through a digital model. LCPPL was formerly known as Lotus Sree Filco Private Limited (LSFPL) but was inactive till 2016. After LFTPL acquired a 24% shareholding in LCPPL in 2016, the company is now a subsidiary of LFTPL with the latter holding a stake of 99.74% as on March 31, 2024. LFTPL had also acquired Bajrang Investments Private Limited (later renamed as I-Loan Credit Private Limited) a Delhi based two-wheeler lending NBFC in June 2017 and holds 82.99% stake as on March 31, 2024. I-Loan Credit Private Limited is majorly focused towards MSME financing.

| Brief Financials (₹ crore) | March 31, 2022 (A) | March 31, 2023 (A) | March 31, 2024 (A) |
|---|---|---|---|
| Total operating income | 62.68 | 63.52 | 62.99 |
| PAT | 1.87 | -12.45 | 0.89 |
| Interest coverage (times) | 1.08 | 0.56 | 1.03 |
| Total Assets | 390.18 | 329.51 | 299.71 |
| Net NPA (%) | 3.21 | 5.68 | 5.82 |
| ROTA (%) | 0.46 | -2.86 | 0.21 |

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

**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 |
|---|---|---|---|---|---|---|
| Debentures-Non-convertible debentures | INE0B4P07170 | 01-Oct-2022 | 14.25% | 15-Sep-2025 | 1.79 | CARE BB+; 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-Long Term | LT | - | - | 1)Withdrawn (27-Aug-24)<br><br>2)CARE BB+; Stable (27-Aug-24) | 1)CARE BB+; Stable (27-Nov-23)<br><br>2)CARE BBB-; Negative (20-Sep-23) | 1)CARE BBB-; Stable (23-Nov-22) | 1)CARE BBB-; Stable (24-Nov-21) |
| 2 | Issuer Rating-Issuer Ratings | LT | - | - | - | - | - | 1)Withdrawn (05-Oct-21) |
| 3 | Commercial Paper-Commercial Paper (Standalone) | ST | - | - | 1)Withdrawn (27-Aug-24) | 1)CARE A4+ (27-Nov-23)<br><br>2)CARE A3 (20-Sep-23) | 1)CARE A3 (23-Nov-22) | 1)CARE A3 (24-Nov-21)<br><br>2)CARE A3 (24-May-21) |
| 4 | Debentures-Non-convertible debentures | LT | 1.79 | CARE BB+; Stable; ISSUER NOT COOPERATING* | 1)CARE BB+; Stable (27-Aug-24) | 1)CARE BB+; Stable (27-Nov-23)<br><br>2)CARE BBB-; Negative (20-Sep-23) | 1)CARE BBB-; Stable (23-Nov-22) | 1)CARE BBB-; Stable (24-Nov-21) |

*Issuer did not cooperate; based on best available information.
LT: Long term; ST: 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 | Debentures-Non-convertible debentures | Simple |

**Annexure-5: Lender details**

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| 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.

**Contact Us**

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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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