Namdev Finvest Private Limited

April 22, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	350.00	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Total Bank Facilities	**350.00 (Rs. Three Hundred Fifty Crore Only)**		
Non-Convertible Debentures	45.00	CARE BBB; Stable (Triple B; Outlook: Stable)	Assigned
Non-Convertible Debentures	30.00	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Non-Convertible Debentures	100.00	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Total Long Term Instruments	**175.00 (Rs. One Hundred Seventy-Five Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned and reaffirmed to various instruments of Namdev Finvest Private Limited (NFPL) takes into account the experienced promoters, consistent growth in loan portfolio with controlled asset quality along with regular equity infusion by the PE investors and promoters to support operations with Belgium based Incofin Investment Management (Incofin Investment) infusing Rs 35 crore in September 2021 and further Rs 15 crore in March 2022.The rating also factor in moderate earning profile with adequate liquidity position.

The rating, however, continues to remain constrained due to the geographical concentration risk with majority of NFPL's portfolio being concentrated in Rajasthan, moderate scale of its operations and low seasoning with majority of loan book being built up over the past few years.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Diversification in terms of geography and resource base along with improvement in asset quality and profitability.
- Significant growth in loan portfolio along with adequate seasoning

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Deterioration in profitability with respect to Return on Total Assets (RoTA) declining below 2.00%
- Significant decline in liquidity position
- Deterioration in asset quality with Gross Non Performing Assets (GNPA) exceeding 3.00%

Detailed description of the key rating drivers

Key Rating Strengths

Recent institutional support and experienced promoters along with regular equity infusion to support operations

In September 2021, NFPL received private equity investment (A series) of Rs. 35 crore from Belgium based Incofin Investment via its India Progress Fund. In March 2022, the company, received another round of capital infusion from Incofin Investment of Rs. 15 crore. Founded in 2001, Incofin Investment manages funds and investments in emerging countries whose investors are leading development funds, banks, insurance companies, pension funds, alternative investment funds, high net worth and retail investors. CARE notes that company plans to further raise capital in this financial year to fund the growth of its loan book.

NFPL is promoted by Mr. Jitendra Tanwar (Founder & Managing Director) who has more than a decade of experience in vehicle financing in Rajasthan. Mr. Tanwar along-with his wife Mrs. Latika Tanwar (Whole-time Director) look after the overall management of the company and is supported by experienced second line of management. Since inception, promoters have supported the operations of the company by way of fund infusion in the form of Compulsorily Convertible Preference Share/Compulsorily Convertible Debentures/Equity in NFPL. Till date, promoters have infused funds of Rs. 40 crore. During H1FY22, NFPL received funds of Rs.6 crore in the form of preference share and equity by the promoters.

Also, NFPL has roped in Mr. P H Ravikumar (Independent director at Aditya Birla Capital) and Mr. Hemant Kaul (Board member of Ola Financial Services, Ex MD, CEO of Bajaj Allianz General Insurance) as independent directors to advise NFPL in developing & implementing strategies and strengthening corporate governance.

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

Moderate Asset quality
NFPL follows 120 days past due (dpd) for NPA recognition. There was a slight deterioration in GNPA from 0.50% as on 31st March 2021 to 0.83% as on December 31, 2021. During the second lockdown, while the collection efficiency dipped significantly in April and May 2021, it has been on an improving trend since then with the company reporting collection efficiency close to 90% in month of February 2022.

Asset quality remained at moderate levels even on a 90+ dpd basis. 90+ dpd deteriorated during Q1 and Q2 FY22 to 2.22% of AUM as on September 30, 2021 from 0.92% as on 31st March 2021, however, improved in Q3 to 1.84% of AUM as on December 31, 2021 and further to 1.47% as on February 28, 2022. The softer delinquencies have also improved supported by the strong recovery in those buckets. NFPL has not undertaken restructuring under any of the OTR scheme, ECLGS scheme, etc. Going forward, company's ability to scale up the loan book along with maintaining asset quality remain a key rating sensitivity.

Moderate earning profile
NFPL's average yield on portfolio hovers around 23-24%, which against average borrowings cost of 12-14% gives a spread of 10-11%. NFPL's cost of funds have improved recently on account of low interest rate regime. Operating expenses/average total assets increased to 5.55% in 9MFY22 from 5.41% for FY21 and may increase further as the company is planning to enter new geographies and new product line. Average credit cost has remained in the range of 0.10% to 0.25% during last 3 year mainly on account of strong collection mechanism and good recovery rate. Thus, reporting moderate profitability with ROTA of around 3-3.5%.

Improvement in leverage with adequate capitalisation
The reported capital adequacy ratio (CAR) of NFPL stood at comfortable level of 33.88% as on December 31, 2021 improved from 26.16% as on March 31, 2021, mainly on account of fund infusion of Rs.35 crore from Incofin Investment via its India Progress Fund. In March 2022, the company, received another round of capital infusion from Incofin Investment of Rs. 15 crore. Also, company plans to raise further capital in the next financial year.

The overall gearing has improved to 3.14x as on December 31, 2021 from 4.09x as on March 31, 2021. Improved CAR will help to cushion in asset side shocks whereas improved overall gearing will help NFPL to build its AUM further ahead.

Key Rating Weaknesses
Geographical concentration risk
As on February 28, 2022, 97% of the portfolio is in Rajasthan (mainly around Jaipur region). As on September 30, 2021, NFPL has 31 branches in state of Rajasthan, 2 in Punjab and 1 in Delhi. Having only 3% of the AUM outside Rajasthan, exposes the company to the risk of concentration to a specific geographical area. In H1FY22, NFPL has opened up branches in Madhya Pradesh and Gujarat. Going forward NFPL envisages diversifying its loan book in different geographies. By opening new branches in Rajasthan, Gujarat and Madhya Pradesh.

Moderately diversified product profile with low seasoning
NFPL's loan portfolio is moderately diversified with LAP portfolio/SME loans (secured) comprising 81.43% of outstanding loan portfolio, two-wheeler loans (15.45%), new/used vehicle loans (CV/MUV/Car) comprising 2.21% while and Gold loans (0.91%) and Solar loan comprises the balance as on February 28, 2022.

The average tenure of LAP/SME funding varies from 48-60 months while the same for Auto loans (two-wheeler) varies from 15-18 months, and for Car/CV/MUV varies from 24-48 months. The average ticket size of LAP is around Rs.5 lakh while the average ticket size of 2-wheeler stood at around Rs.0.5 to 1.00 lakh. LAP/SME product (which makes the majority of the portfolio) has average tenure of around 48 months resulting in moderate seasoning in that product profile. NFPL started SME/LAP funding only in the last 5 years. As a result, its asset quality performance through different economic cycles and geographies is yet to be established.

Moderate scale of operations with expectation of improvement in FY22
The size of operations of NFPL though improved, remained moderate marked by its outstanding loan portfolio of Rs. 291 crore and total asset size of Rs. 454 crore as on December 31, 2021 as compared to outstanding loan portfolio of Rs. 241 crore and total asset size of Rs.299 crore as on March 31, 2021. The loan book furthermore, increased to Rs. 308 crore as on February 28, 2022. The equity infusion, which improved its gearing levels, has given NFPL growth capital to build its AUM going forward.

NFPL has made disbursements of Rs. 114 crore end 9MFY22 and aggregately disbursed Rs. 34 crore in the months of January 2022 and February 2022. The company is envisaging to grow at higher rate and expecting to reach AUM of around Rs. 700 crores by FY23.

Concentrated resource profile
NFPL source of funding is skewed towards loan form financial institutions and banks. With PE investor infusing equity in the company, NFPL is expected to raise liabilities from different sources to further diversify its resource profile.

NFPL has raised funds in form of term loans (77% of the borrowings), followed by bonds (22% of the borrowings) and balance through others as on February 28, 2022. It has also received fund infusion of Rs.6.46 crore in the form of equity from the promoter group in H1FY22.

Liquidity: Adequate
The Asset Liability Management (ALM) profile of NFPL was comfortable as on December 31, 2021, with no cumulative negative mismatches in any of the time buckets. The company had free cash and bank balance of Rs. 122 crore (including Fixed deposits of Rs. 66 crore) as on December 31, 2021, and current investments of Rs. 24 crore (Mutual fund and equity investments) against debt obligations of Rs 132 crore over the next 12 months. Furthermore, NFPL has around Rs. 13 crore of sanctioned but unutilised working capital facility which provides additional cushion to its liquidity.

Analytical approach: Standalone

Applicable Criteria
CARE's Policy on Default Recognition
Financial Ratios – Financial Sector
Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
Rating Methodology - Non Banking Finance Companies (NBFCs)

About the Company
Incorporated in April 1997, Namdev Finvest Private Limited (NFPL) is a Jaipur (Rajasthan) based RBI registered non-Deposit taking NBFC, engaged in financing of Loan against Property (LAP)/SME loans, Two/three wheelers, New/Used Commercial Vehicle, Cars, and Gold loans. Head office of NFPL is situated in Jaipur and most of the business is concentrated in rural and semi-urban areas of Jaipur district. As on February 28, 2022, the total portfolio size stood at Rs. 308 crore.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (UA)
Total operating income	37.99	51.78	51.21
PAT	6.91	8.16	7.14
Interest coverage (times)	1.50	1.45	1.40
Total Assets	202	298.89	453.79
Net NPA (%)	0.28	0.45	0.75
ROTA (%)	4.09	3.26	2.53*

A: Audited; *Annualised

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 for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	NA				25.00	CARE BBB; Stable
Fund-based - LT-Term Loan	NA			Repayable in 84 EMI from the date of disbursement	325.00	CARE BBB; Stable
Sub total					***350.00***	
Debentures-Non Convertible Debentures	INE0IX207031	December 30, 2021	13.50%	December 31, 2024	20.00	CARE BBB; Stable
Debentures-Non Convertible Debentures (Proposed)	NA				10.00	CARE BBB; Stable
Sub total					***30.00***	
Debentures-Non Convertible Debentures	INE0IX207023	February 02, 2022	12.75%	January 31, 2025	24.00	CARE BBB; Stable
Debentures-Non Convertible Debentures	Pending	March 23, 2022	13.00%	March 07, 2025	22.00	CARE BBB; Stable
Debentures-Non Convertible Debentures (Proposed)	NA				54.00	CARE BBB; Stable
Sub total					***100.00***	
Debentures-Non Convertible Debentures (Proposed)	NA				45.00	CARE BBB; Stable

NA: Not Applicable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	25.00	CARE BBB; Stable	-	1)CARE BBB; Stable (18-Nov-21) 2)CARE BBB-; Stable (13-Jul-21)	1)CARE BBB-; Stable (02-Jul-20)	1)CARE BBB-; Stable (18-Jun-19)
2	Fund-based - LT-Term Loan	LT	325.00	CARE BBB; Stable	-	1)CARE BBB; Stable (18-Nov-21) 2)CARE BBB-; Stable (13-Jul-21)	1)CARE BBB-; Stable (02-Jul-20)	1)CARE BBB-; Stable (18-Jun-19)
3	Debentures-Non Convertible Debentures	LT	30.00	CARE BBB; Stable	-	1)CARE BBB; Stable (18-Nov-21)	-	-
4	Debentures-Non Convertible Debentures	LT	100.00	CARE BBB; Stable	-	1)CARE BBB; Stable (03-Jan-22)	-	-
5	Debentures-Non Convertible Debentures	LT	45.00	CARE BBB; Stable				

* Long Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities:

Name of the Instrument	Detailed explanation
A. Financial covenants	
I Capital Adequacy ratio of not less than 15%	
II Debt/ Equity not higher than 7	"Equity" shall include subordinated debt to the extent that such can be accounted for as Tier II capital in accordance with applicable regulations
III PAR>90 days + restructured portfolio minus loan loss provisions divided by Equity): for the period beginning 6 months after the Deemed Date of Allotment and ending 12 months after the Deemed Date of Allotment: max 50%; thereafter, max 25%	
IV Ratio of outstanding off-balance sheet portfolio (including asset securitization) to total assets less than 40%	
B. Non financial covenants	
I Change its business such that it no longer remains an NBFC	
II Undertake any merger, consolidation or reorganization	
III Allow for a change of control event in relation to its shareholders	Change of control event defined as an event whereby existing shareholders are diluted below 67% of voting rights
IV Enter into a single transaction or a series of transactions (whether related or not) to sell, lease, transfer or otherwise dispose of all or substantially all of its assets, other than asset securitizations	

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Debentures-Non Convertible Debentures	
2	Debentures-Non Convertible Debentures	Simple
3	Fund-based - LT-Cash Credit	Simple
4	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this Company
To view the lender wise details of bank facilities please **click here**

Note on complexity levels of the rated instrument: CARE Ratings Ltd. 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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