

Dhanvarsha Finvest Limited (Revised)

August 26, 2021

Ratings

Instrument Details	Amount (Rs. Crore)	Rating ¹	Rating Action
Principal Protected Market Linked Debentures (PP-MLD)	15.00	CARE PP-MLD BBB; Stable [CARE Principal Protected Market Linked Debentures Triple B; Outlook: Stable]	Final Rating Assigned
Total Long Term Instruments	15.00 (Rs. Fifteen Crore Only)		

*Details of instruments/facilities in Annexure-1.***Detailed Rationale and Key Rating Drivers**

CARE has assigned a rating of 'Provisional CARE PP-MLD BBB; Stable' [Provisional CARE Principal Protected Market Linked Debentures Triple B; Outlook: Stable] to the proposed Principal Protected Market Linked Debentures ("PP-MLD"), issued by Dhanvarsha Finvest Limited (DFL), backed by Secured LAP and Gold Loan receivables assigned to Wint Gold Bricks CB-01.

The rating is now confirmed and rating of 'CARE PP-MLD BBB; Stable' [CARE Principal Protected Market Linked Debentures Triple B; Outlook: Stable] to the Principal Protected Market Linked Debentures of DFL has been assigned. The rating assigned is finalized based on the structure provided to CARE by DFL, the issuer.

The proposed NCDs are structured as a covered bond. In a covered bond, the Issuer shall issue NCDs which shall be an on-balance sheet liability of the Issuer like a normal bond. In addition, the Issuer shall identify a pool of security ("Covered Pool") which is made bankruptcy remote from the Issuer. While the structure provides an additional recourse to pool with a cover of 1.25x, no rating upgrade is proposed based on this to the Covered NCD structure. Unlike usual covered bond transactions, there is no trigger event in this structure to first utilize the pool cash flows to accelerate the payment to the NCD holders. Any adverse event directly leading to an EOD (and consequent acceleration of NCD) without giving sufficient time to SPV to service NCD is constraining the rating and place the default risk directly on the rating of the issuer. Hence, both the standalone rating of DFL (CARE BBB; Stable) and the proposed NCD structure is at the same level.

Rating Sensitivities

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

1. Upward revision of DFL's standalone rating.

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

1. Downward revision in the standalone rating of the Issuer.
2. Non-adherence to the key transaction terms envisaged at the time of the rating.

Detailed description of the key rating drivers

NA

Key Rating Strengths:

NA

Key Rating Weaknesses:

NA

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Analytical approach & Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Non-Banking Financial Companies](#)

[Financial ratios – Financial Sector](#)

[CARE's methodology for Asset / Mortgage Backed Securitization](#)

[Rating Credit Enhanced Debt](#)

Liquidity Position

The inherent liquidity in the structure is adequate given the support available to the NCD holders. The support available to the NCD holder include DFL's internal accruals, Security Pool with 1.25x cover along with a cash collateral of 7% of issued amount.

Liquidity position of DFL as on June 30, 2021 has remained adequate. The company had cash/FD balances of Rs. 80.19 crore and liquid investments of around Rs.32.95 crore as against debt obligations of Rs.7.68 crore for next 3 months. In addition, it has undrawn bank lines of Rs.40 crore from various PSU and private bank lenders. The company has sufficient liquidity with them to repay debt obligations for one year as well i.e. Rs.32.48 crore.

About the Company

Dhanvarsha Finvest Limited is an RBI registered Non-Deposit accepting NBFC since 1998 and listed on BSE. The company was originally incorporated on 9th November, 1994 in Gujarat. Earlier, the Company was promoted by the Gujarat based individual promoters and was carrying on the business of finance brokers, registrar to the issue and share transfer agent, issue houses or insurance agents / brokers and agents or underwriters, consultants, assessors, values surveyors, mortgage brokers and undertaking the provision of hire purchase and credit sale finance and of acting as factors and brokers. Currently, the company is being promoted by Mumbai headquartered Wilson Group which took over as parent in 2018 and has business interests spread across financing, real estate, sustainable infrastructure, Agro commodities trading, advisory services and venture capital investing. As on April 15, 2021, Wilson holdings holds 61.70% stake and remaining stake is being held by various public shareholder. DFL provides financing options to the relatively under-banked Micro, Small & Medium Enterprises (MSME) and Low to Mid Income (LMI) groups of Society offering a range of secured and unsecured financing products that are tailored to suit each borrower's requirements.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (P)
Total income	19.29	24.42
PAT	4.10	0.68
CAR (%)	64.21	83.20
Total Assets	48.50	186.37
ROTA (%)	8.02	0.59
Total income	19.29	24.42

A- Audited; P- Provisional

Status of non-cooperation with previous CRA:

Not Applicable

Rating History for last three years: Please refer Annexure-2

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
Principal Protected Market Linked Debentures (PP-MLD)	-	September 2, 2021	11.39%	December 3, 2021	15.00	CARE PP-MLD BBB; Stable

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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based-Long Term	LT	250.00	CARE BBB; Stable	1)CARE BBB; Stable (04-Jun-21) 2)CARE BBB; Stable (17-May-21)	-	-	-
2.	Debentures-Market Linked Debentures	LT	15.00	CARE PP-MLD A (CE); Stable	1)Provisional CARE PP-MLD A (CE); Stable (03-Jun-21)	-	-	-
3.	Debentures-Non Convertible Debentures	LT	50.00	CARE BBB; Stable	1)CARE BBB; Stable (04-Jun-21)	-	-	-
	Principal Protected Market Linked Debentures (PP-MLD)	LT	15.00	CARE PP-MLD BBB; Stable	1)Provisional CARE PP-MLD BBB; Stable (6-Aug-2021)			

Annexure-3: Detailed explanation of covenants of the rated instrument/facilities:
Credit Events
Financial Covenant:

- Minimum capital ratio of Tier I Capital and Tier II Capital to aggregate risk weighted assets on-balance sheet and of risk adjusted value of off-balance sheet items shall not be less than 20 % (Twenty per cent) or as per the regulatory minimum prescribed by the Reserve Bank of India under the NBFC Master Directions, whichever is higher.
- Gross NPA shall not exceed [7]% of assets under Management
- Net NPA shall not exceed [5]% of assets under Management

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

Sr. No	Name of Instrument	Complexity Level
1	Debentures-Market Linked Debentures	Highly Complex

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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