Namdev Finvest Private Limited

June 18, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	**105 (enhanced from 40)**	**CARE BBB-; Stable (Triple B Minus; Outlook: Stable)**	**Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable)**
Total Facilities	**105 (Rs. One hundred and five crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the rating assigned to the bank facilities of Namdev Finvest Private Limited (NFPL) is on account of increase in its scale of operations, equity infusion by the promoters in FY19 (refers to the period April 1 to March 31) to support the operations, comfortable asset quality marked by lower NPA ratios and diversified resource base.

The rating continues to factor in the experience of the promoters of NFPL, its moderate earning profile, moderate liquidity position and continuous expansion of resource base. Further, rating derives comfort from its adequate Management Information System (MIS) and internal control systems for its current scale of operations.

The rating, however, continues to remain constrained due to the moderate scale of its operations, geographical concentration risk, low seasoning of portfolio with moderate capital adequacy and leveraged capital structure.

The ability of the company to increase its scale of operations and profitability while improving asset quality, capital adequacy and MIS along-with geographical diversification of its portfolio and expansion of resource base would be the key rating sensitivities. Further, timely infusion of capital envisaged to be completed by Q1FY19 would be crucial from credit prospective.

Detailed description of the key rating drivers

Key rating strengths

Experienced promoters along with their equity infusion to support the operations: NFPL is promoted by Mr. Jitendra Tanwar (Founder & Managing Director) who has more than a decade of experience in vehicle financing in Rajasthan. Mr. Jitendra Tanwar along-with his wife Mrs. Latika Tanwar looks after the overall management of the company and is supported by experienced second line of management. Over the years, promoters have also supported the operations of the company by way of fund infusion, marked by equity infusion of Rs.13.19 crore (FY19: Rs.9.04 crore) during the period of 4 years ended as on March 31, 2019. Further, promoters have also infused funds in the form of Compulsory Convertible Debenture (CCD) to the tune of Rs.1.90 crore and Compulsory Convertible Preference Shares (CCPS) of Rs.0.96 crore. The promoters have also envisaged equity infusion of around Rs.10 crore in FY20 from the proceeds received from sale of land. Out of this, the promoters have envisaged infusing equity of Rs.5.00 crore in June 2019 for which increasing of authorized capital in under process.

Adequate MIS and risk management system: NFPL has implemented 'Jaguar' software and connected all its branches with the Head Office. Apart from that majority of the important operational aspects like credit appraisal as well as disbursements is managed from its Head Office in Jaipur. NFPL has adequate MIS system and risk management systems for the current scale of operations; however, the same will be required to be upgraded with an increase in scale of operations.

***Comfortable Asset quality*:** NFPL's asset quality remained comfortable with Gross NPA % and Net NPA % of 0.19% and 0.17% respectively as on March 31, 2019 (considering 120 days dpd) despite no bad-debt write-off during FY19 as compared to 0.03% and 0.02% respectively as on March 31, 2018. NFPL's Net NPA to Net worth stood comfortable at 0.80% as on March 31, 2019. The NPAs are mainly in the two wheeler segment in semi-urban areas. NFPL has shifted its focus to MSME Loan financing segment which is evident from the increase in disbursement in MSME Loan segment in FY19. PAR 90 has deteriorated from 0.11% of total loan portfolio as on March 31, 2018 to 0.22% as on March 31, 2019.

Diversified resource base: Over the years NFPL has diversified and increased its resource base. Currently, it enjoys the facilities from 6 banks including public sector banks and small finance banks and 18 Financial Institutions as on March 31, 2019. Further, it has also raised funds from promoters in the form of CCPS and CCD. Apart from that NFPL has subordinated debt of Rs.5 crore in its books in the form of term loan from IDFC First Bank Ltd. However average cost of borrowing

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

deteriorated from 11.33% in FY18 to 13.28% in FY19 mainly due to increase in borrowings from financial institutions leading to higher interest rates.

Moderate earning profile: NFPL's Net Interest Margin (NIM) declined by 114 bps in FY19 to 10.24% as a sizeable portion of the increase in asset portfolio was financed through debt leading to increase in interest expenses along with increase in average cost of borrowings in FY19. However, operating expenses/average loan portfolio has improved to 5.05% during FY19 as compared to 6.01% during FY18 as the incremental portfolio has been built on the existing branch base. Further, the ROTA although deteriorated but has remained comfortable at 3.87% during FY19 in line with decline in NIM.

Key rating weaknesses

Geographical concentration risk*:* As on March 31, 2019, NFPL's major business was concentrated in Rajasthan (mainly around Jaipur region). The company currently has 23 branches and has opened branches in Jodhpur, Tonk, Kishangarh, Kotputli and Nagaur in FY19 thereby increasing the geographical reach within Rajasthan. Further, NFPL has opened branches in Delhi NCR (1.47% of total O/s Loan portfolio as on March 31, 2018) region to geographically diversify. NFPL is envisaging geographical diversification with opening of branch in Madhya Pradesh and Gujarat in FY20. Top ten borrowers stood at 3% of the total loan portfolio as on March 31, 2019.

Moderately diversified product profile: Loan portfolio of NFPL is only moderately diversified marked by vehicle loans, MSME Loan portfolio comprising of 17% and 80% respectively of outstanding loan portfolio as on March 31, 2019, while the balance is comprised of personal loans. The average tenure of two wheeler/ three wheeler loans varies from 15-18 months and tenor for loans on Car/CV/MUV varies from 24-48 months having average ticket size of 3.60 lakhs, while average tenure of MSME loan varies from 48-60 months with average ticket size of around Rs.6.90 lakh.

Growing; albeit moderate scale of operations with low seasoning of loan portfolio: NFPL's scale of operations ramped up during FY19, marked by increase in loan portfolio and total assets from Rs.46.48 crore and Rs.59.45 crore as on March 31, 2018 to Rs.111.29 crore and Rs.135.39 crore as on March 31, 2019 respectively; albeit it is still at a moderate level. Further, loan disbursement also increased from Rs.42.21 crore in FY18 to Rs.81.94 crore in FY19. However, the portfolio of the company had lower seasoning owing to major portion of disbursements being done in Q4FY19. Recent growth in loan portfolio has largely come from financing of loan against property.

Moderate capital adequacy and leveraged capital structure: Capital adequacy ratio (CAR) of NFPL stood at moderate level of 25.47% as on March 31, 2019 (30.54% as on March 31, 2018) mainly on account of equity infusion and infusion through CCPS. NFPL has envisaged maintaining the overall gearing of 4-5 times going forward.

Moderate Liquidity Position: The Asset Liability Management (ALM) profile of NFPL was comfortable as on March 31, 2019 with no cumulative negative mismatches in any of the time buckets. Further, the average working capital limit utilization stood at 51.08% during last 12 months ended March 31, 2019 which provides additional cushion to its liquidity. The average collection efficiency stood at 98.93% during last 12 months ended March 2019. NFPL has repayments of Rs.32.81 crore due in next one year from March 31, 2019 against which NFPL has cash and cash equivalent of Rs.16.64 crore and undrawn sanctioned line of Rs.5.00 crore which provides around 8 months of liquidity coverage for its debt obligation.

Industry Outlook: Due to subdued economic environment, last three years have been challenging period for the NBFCs with moderation in growth and rising delinquencies resulting in higher provisioning thereby impacting profitability. However, comfortable capitalization levels and liquidity management continue to provide comfort to the credit profile of NBFCs in spite of impact on profitability. Also with the improvement in economic environment, asset quality pressures should ease which will partially offset the impact of migration towards 90 -day NPA recognition norm.

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology-Non-banking Financial Companies
Financial Sector Ratios

About the Company

Incorporated in April, 1997, Namdev Finvest Private Ltd. (NFPL) is a Jaipur (Rajasthan) based RBI registered Non-Deposit taking NBFC, engaged in financing of New/Used Commercial Vehicle, Cars, two/three wheelers, Loan against Property MSME

loans 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 March 31, 2019, NFPL has 23 branches including Head Office and loan portfolio of Rs.111.29 crore as on March 31, 2019.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	7.60	20.92
PAT	1.50	3.77
Interest coverage	1.68	1.52
Total Assets	59.45	135.39
Net NPA (%)	0.03	0.17
ROTA (%)	4.11	3.87

A: Audited

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable.

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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	18.00	CARE BBB-; Stable
Fund-based - LT-Term Loan	-	-	Jan-2026	87.00	CARE 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	18.00	CARE BBB-; Stable	-	1)CARE BB+; Stable (17-Jul-18)	1)CARE BB; Stable (29-Jan-18) 2)CARE BB; Stable (29-Dec-17)	-
2.	Fund-based - LT-Term Loan	LT	87.00	CARE BBB-; Stable	-	1)CARE BB+; Stable (17-Jul-18)	1)CARE BB; Stable (29-Jan-18)	-

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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