



Press Release

Indiabulls Rural Finance Private Limited (IRFPL)

May 18th, 2020

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1.	Proposed Non-Convertible Debenture (NCD)	500.00	IVR A/Stable Outlook (IVR Single A with Stable Outlook)
	Total	500.00	

Details of Facilities are in Annexure 1

Detailed Rationale

The rating derives strength from established track record of promoters & synergies arising out of being an Indiabulls group company, healthy growth in scale of operations, comfortable capitalization levels and growth potential in the MSME segment. Further, the company will ensure that the total long term borrowings (NCD / term loans) will not exceed Rs.500 Crore in FY21. However, the rating strengths are partially offset by steep growth plans plus evolving business model and limited track record, resulting in largely unseasoned loan portfolio.

Key Rating Sensitivities:

- **Upward Factor**
 - Significantly scaling up its operations and diversifying its loan portfolio geographically while maintaining the asset quality indicators, adequate capital position and profitability.
- **Downward Factor**
 - Significant deterioration in debt protection metrics and the asset quality.

Key Rating Drivers with detailed description

Key Rating Strengths

- **Established track record of the Promoters:**

SORIL Infra Resources Limited (SORIL), a publicly listed entity and indirectly promoted by Mr. Sameer Gehlaut – Promoter of the Indiabulls Group, is the promoter of Indiabulls Rural Finance Private Limited (IRFPL). Leveraging on the Indiabulls' brand name, it has been able



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to make a substantial growth in the scale of operations. The board of directors comprises of Mr. Mukesh Kumar Garg, Mr. Ashwin Mallick and Mr. Vijay Kumar Agrawal. The improvement in recent past is attributable to the investment made in form of equity and debt funded by the promoters. Given the constant capital support from its promoters, IRFPL derives operational and managerial synergies and enjoys financial flexibility. The Company continues to be supported by the management's experience in the industry along with demonstrated track record of resource raising ability.

- ***Healthy growth in scale of operations:***

Due to the experienced senior management, strong brand recall, excellent acumen for business and dynamic operations, the Company has demonstrated a healthy growth in the overall scale of operations in the last 12-14 months. The company has been able to put in place stringent credit policies which are reflective of good asset quality and the moderate profitability levels which in turn supports the healthy growth. IRFPL had outstanding loan portfolio (Total AUM) of Rs. 263.84 Crore as on December 31st, 2019. Such substantial growth in loan portfolio is due to the company's ability to lend at competitive and profitable rates.

- ***Comfortable capitalization levels:***

IRFPL commenced operations with 100% capital infused by its promoters (SORIL). The overall capital adequacy ratio stood at 53.22% as on December 31st, 2019. Also, the net debt-equity ratio stood at 0.84x as on December 31st, 2019.

- ***Growth Potential in the MSME segment:***

IRFPL is started with a focus on the lending to the MSME segment and its business model is designed to cater the MSME clusters spanning across India. India is expected to witness a steady growth in the MSME segment given the outlook of the economy, favourable government policies and increasing transparency in doing business. India has the largest MSME sector in the world after China and grows rapidly with the 'Make in India' push. The MSME sector contributes to CAGR of 9.5% to the GDP.



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Key Rating Weaknesses

- ***Steep growth plans and evolving business model:***

Given the nascent business operations under the management of Indiabulls, along with moderate geographic concentration, the company has been able to increase its overall loan portfolio (Total AUM) substantially to Rs. 263.84 Crore as on December 31st, 2019. The robust performance in recent past is attributable to the investment made in form of equity and debt by the promoters. With fresh capital in place, the company is expected to venture into newer geographies (supported by opening of branches) and expand its reach in the existing lending products, performance of which would be a key rating monitorable.

- ***Limited track record, resulting in unseasoned loan portfolio:***

IRFPL has a limited track record of 13-15 months with its fresh operations commencing from only February 2019. While the company has reported low gross non-performing assets (GNPA) of 0.01% as on December 31st, 2019; the loan portfolio largely remains unseasoned given the short duration of operations. Asset quality shall remain vulnerable to potential slippages in the portfolio, resulting in write-offs and provisioning costs. Such risk is partially mitigated given the sound and strong risk management systems. The Company's ability to manage asset quality shall remain a key monitorable, as it increases its scale of operations and diversifies across new geographies and customer base.

Analytical Approach & Applicable Criteria:

Standalone Approach

Rating Methodology for Financial Institutions/NBFCs

Financial Ratios & Interpretation (Financial Sector)

Liquidity: Adequate

IRFPL's overall liquidity profile remains adequate. The company's asset and liabilities are well matched with no deficit in any of the time buckets up to 5 years. Also, it has demonstrated its ability to raise funds through its promoters, which supports the



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liquidity profile. It is further supported by no external debt as on December 31st, 2019 and no repayment obligations. Also, the company maintains adequate levels of liquid cash balances.

About the Company

Indiabulls Rural Finance Private Limited (IRFPL) is a wholly owned subsidiary of SORIL Infra Resources Limited (SORIL), part of the Indiabulls Group. Indiabulls Integrated Services Limited (IISL) holds a 64.71% stake in SORIL, while Mr. Sameer Gehlaut (Promoter) and Promoter Group holds 43.25% stake in IISL. On January 25th, 2019 SORIL acquired a 100% stake in Littleman Fiscal Services Private Limited, a RBI registered NBFC, to foray into the financial services business with primary focus on lending in the rural markets. Presently, the company lends to MSMEs and Rural Housing Finance majorly from the Tier-I and Tier-II cities. The company is focused on providing secured term loan to MSME/small business/ traders segment for business purposes and also offering Home Loans in affordable and low ticket size categories largely to the MSME sector employees and business owners.

Financials:

	(Rs. Crore)		
For the year ended/ As On*	31-03-2018 (Audited)	31-03-2019 (Audited)	31-12-2019 (Unaudited)
Total Operating Income	0.17	1.37	30.00
Interest	0.00	0.00	8.26
PAT	0.00	(0.00)	5.46
Total Debt	0.00	0.00	110.80
Total Net-worth	2.14	116.72	121.87
Total Loan Assets	1.95	141.29	222.33
Ratios (%)			
PAT Margin (%)	0.00	-0.36	18.09
Net Gearing Ratio (x)	0.00	0.00	0.84
Total CAR (%)	100.79	78.57	53.22
Gross NPA (%)	-	0.00	0.01
Net NPA (%)	-	0.00	0.01



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* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A

Any other information: N.A

Rating History for last three years:

Sl. No	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Proposed Long Term Facility – Non Convertible Debentures	Long Term	500.00	IVR A/Stable	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Proposed Long Term Facility – Non Convertible Debentures	NA	NA	NA	500.00	IVR A/Stable