



## Press Release

### Indiabulls Ventures Limited [IVL]

May 13, 2020

#### Rating

Sr. No.	Instrument/ Facility	Amount (INR Crore)	Rating Assigned	Rating Action
1	Proposed Commercial Paper	750.00	IVR A1+ (IVR A One Plus)	Assigned

Details of facilities are in Annexure 1

#### Rating Rationale

The rating derives comfort from the strength of the promoters and shared brand name, experienced and professional management, expected diversification of revenue profile on account of increased focus on the lending portfolio, comfortable gearing with infusion of fresh capital, good resource raising ability, profitable operations and well-designed risk management practices. The rating also takes into consideration the limited seasoning of the portfolio & unsecured lending, inherent volatility in capital market activities and risk of rise in NPA due to impact of COVID.

#### Key Rating Sensitivities:

➤ **Upward Rating Factor:**

Maintaining good asset quality of the lending portfolio of the subsidiary in the context of high growth

Mobilisation of resources to fuel growth and maintain debt metrics

➤ **Downward Rating Factor:**

Significant rise in NPA due to impact of COVID



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### Detailed Description of Key Rating Drivers

#### **Key Rating Strengths**

##### ***Strong promoters and shared brand name***

IVL is a part of the Indiabulls group with Indiabulls Housing Finance Limited (IBHFL) being the flagship company. IBHFL is the one of the largest private housing finance companies in India. Mr. Sameer Gehlaut is the founder of Indiabulls group. He has about 19 years of experience in real estate and finance. He appeared in the Forbes top 50 richest Indians list for 2018. The other top management team includes Mr. Divyesh Shah as the CEO and Executive Director, Mr. Rajeev Agrawal as the CFO and Mr. Pinank Jayant Shah as the executive director. The Tangible Net Worth of IVL (Consolidated level) has increased from INR 1858 Crore in FY18 to INR 6497 Crore in FY19 due to infusion by way of fresh equity & internal accruals.

##### ***Experienced Management***

Around 36.57% of the shareholding is controlled by Mr. Sameer Gehlaut as at December 31, 2019. Mr. Gehlaut is the Chairman and Mr. Gagan Banga is Director of IVL. Mr. Gagan Banga is the Vice Chairman & Managing Director of IBHFL. He has over 18 years of experience in NBFC and HFC segments. He has been named amongst the most valuable Chief Executive Officer by Business World in 2017.

Further, the top management team also comprises Mr. Divyesh Shah, Executive Director & CEO with over 24 years of experience in securities & broking business (including 14 years in IVL), Mr. Pinank Jayant Shah, Executive Director has over 15 years of experience in retail lending, corporate lending and fund raising across organisations, including IBHFL and HDFC. Mr. Rajeev Agarwal, CFO, has been associated with the Indiabulls group for 11 years.

##### ***Increased focus on the lending portfolio***

On a consolidated level, the Total Operating income has been increasing drastically, from INR 980 Crore in FY18 to INR 1993 Crore in FY19 (recording growth of 103%).

However, if we analyse segment-wise revenues, the proportion of Financing business has increased from 67% in FY18 to 83% in FY19 whereas the broking business contributed only 14% of total revenue in FY19 as against 29% in FY18.



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The Total Loan assets have increased from INR 4090 Crore as at FY18 to INR 11,197 Crore as at FY19.

### ***Comfortable gearing ratio with infusion of fresh capital***

IVL raised around INR 1240 Crore of equity in FY18. In another round of capital raising, the company raised close to INR 2,800 Crore in H1FY19 and a further infusion of ~Rs.1539 Crore in the form of Compulsorily Convertible Debentures (convertible into equity Shares within a period of eighteen months from allotment) in the month of December 2018. Consequently, the company's gearing improved from 2.65x as at FY18 to 1.27x as at FY19.

### ***Good resource raising ability***

Being part of the Indiabulls group, IVL enjoys good resource raising ability as demonstrated by the multiple rounds of equity raising in FY18 and through the first three quarters of FY19.

### ***Well-designed Risk Management practices***

IVL has well established risk management practices for its various business, which has evolved over the years since its operations as the erstwhile Indiabulls Securities Limited. The company does not indulge in any proprietary trading. IVL's subsidiary, Indiabulls Consumer Finance Limited (formerly IVL Finance Ltd.) has also implemented a well-crafted credit policy for its lending business.

### ***Profitable operation***

On consolidated level, the Total Operating income has been increasing drastically, from INR 980 Crore in FY18 to INR 1993 Crore in FY19 (recording growth of 103%).

PAT has increased from INR 209 Crore in FY18 to INR 460 Crore in FY19. The PAT margin has improved from 21% in FY18 to 23% in FY19. The PAT for 9 months FY20 has already recorded INR 360 Crore.

### **Key Rating Weaknesses**

#### ***Limited seasoning of portfolio and unsecured lending***

The company has started ramping up its lending portfolio from FY18 through its subsidiary Indiabulls Consumer Finance Limited (ICFL) [formerly IVL Finance Ltd.]. The total loan book



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stood at INR 11,197 Crore as on March 31, 2019, having grown from around INR 4,090 Crore as on March 31, 2018. The lending business is mainly focussed on personal loans and business loans to MSMEs / SMEs. Around 50% of the total lending portfolio is unsecured implying relatively higher credit risk profile. However, the risk management practices of the group appear to be well designed.

### ***Inherent volatility in capital market activities***

The securities brokerage and advisory businesses are inherently volatile by nature and is subject to vagaries of the macro-economic market conditions. It is prone to risks, particularly in volatile or illiquid markets, or in markets influenced by sustained periods of low or negative economic growth. But, IVL has a well-established risk management system in place and the backing of strong promoters provides comfort in terms of weathering external shocks.

### ***Risk of rise in NPA due to impact of COVID-19***

The Indian NBFC industry has been affected given disruptions to economic activity from the coronavirus outbreak, deteriorating global economic outlook, volatile oil prices and asset price declines which will weaken the companies' credit profiles. Small and medium-sized NBFCs are most at risk due to the disruption caused by the Covid-19 outbreak. It is apparent that many of the NBFCs would find it difficult to manage their cash flows including their operating expenses during the next three months unless they get access to additional bank lines or refinance.

Although Reserve Bank of India's (RBI's) three-month loan repayment moratorium will help borrowers without affecting NBFCs' asset quality classifications, it will also slow the pace at which loan balances are reduced, or even foreclosed on, which in turn will result in some loans performing more poorly than they otherwise will have.

However, the profitability of such companies will also come under pressure because of lower revenues, higher credit charges and higher cost-to-income ratios as business activity declines.



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### **Analytical Approach & Applicable Criteria:**

➤ Consolidated Approach:

For arriving at the ratings, INFOMERICS has considered consolidated financials of IVL. Indiabulls Ventures Limited ('the Holding Company') and its subsidiaries are together referred to as 'the Group.' The Holding Company conducts its operations along with its subsidiaries. The Group's primary businesses are 'Broking and Related activities' and 'Financing and Related activities.'

The list of Subsidiaries & Associate considered for consolidation are given in the Annexure 2.

➤ Rating Methodology for Financial Institutions/NBFCs

➤ Financial Ratios & Interpretation (Financial Sector)

### **Liquidity: Strong**

IVL enjoys strong liquidity on account of the repeated rounds of fund raising over the last couple of years as well as increasing profits and retained cash flows. The company has raised equity to the extent of INR 2800 Crore and additional funds in the form of Compulsorily Convertible Debentures (convertible within 18 months into equity) of around INR 1539 Crore. Currently there is no outstanding CP. The CC utilisation over the past 12 months has been comfortable at 34%. The company (IVL – Consolidated) has sizeable balances (INR 2343.91 Crore as at March 31, 2019) maintained as cash and cash equivalents and bank balances other than cash and cash equivalents which further strengthen its liquidity profile. All these indicate comfortable & strong liquidity position of the company.

### **About the company**

IVL was incorporated as GPF Securities Private Limited in 1995. Over the years its name was changed to Indiabulls Securities Limited in 2004 and in 2015, it was given its current name Indiabulls Venture Limited. The shares of IVL are listed on the BSE and NSE and the Global Depository Receipts (GDRs) are listed on the Luxembourg Stock Exchange. It is a part of the Indiabulls group, which is one of the leading business houses in India with



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interests in real estate, housing finance and financial services. Around 36.57% of the shareholding (as on December 31, 2019) of IVL is controlled by Mr. Sameer Gehlaut, founder and chairman of the Indiabulls Group, who has about 19 years of experience in real estate and finance.

### Financials (Consolidated)

INR in Crore

For the year ended / As on	31-Mar-18 (A)	31-Mar-19 (A)
Total Operating Income	980.23	1,993.43
Interest	223.44	587.41
PAT	209.53	460.29
Tangible Net Worth	1,858.40	6,497.17
PAT Margin (%)	21.06	23.05
Overall Gearing ratio (x)	2.65	1.27

\* Classification as per Infomerics' standards

**Details of Non Co-operation with any other CRA: N.A.**

**Any other information: N.A.**

**Disclosure:** Mr. Alok Kumar Misra who is a member of the Board of Directors of INFOMERICS is also on the Board of Indiabulls Ventures Ltd. He did not participate in any of the discussions and processes related to the rating mentioned herein.

### Rating History for last three years:

Name of Instrument / Facility	Current Rating (Year: 2020-21)			Rating History for the past 3 years		
	Type	Amount outstanding (INR Crore)	Rating	Rating assigned in 2019-20	Rating assigned in 2018-19	Rating assigned in 2017-18
Fund Based Facility	Proposed Commercial Paper	750.00	IVR A1+	--	--	--



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**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](http://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

Sr. No.	Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
1	Proposed Commercial Paper	--	--	--	750.00	IVR A1+

### Annexure 2: List of Subsidiaries & Associate considered for consolidation

Sr. No.	Name of Company	Relation	% of Shares held
1	Indiabulls Investment Advisors Limited (Formerly Indiabulls Brokerage Limited)	Subsidiary	100%
2	Indiabulls Securities Limited (Formerly Indiabulls Commodities Limited)	Subsidiary	100%
3	Auxesia Soft Solutions Limited	Subsidiary	100%
4	Indiabulls Distribution Services Limited	Subsidiary	100%
5	Devata Tradelink Limited	Subsidiary	100%
6	Indiabulls Consumer Finance Limited (Formerly IVL Finance Limited)	Subsidiary	100%
7	Pushpanjli Finsolutions Limited	Subsidiary	100%
8	Arbutus Constructions Limited	Subsidiary	100%
9	Gyansagar Buildtech Limited	Subsidiary	100%
10	Pushpanjli Fincon Limited	Subsidiary	100%
11	Indiabulls Alternate Investments Limited	Subsidiary	100%
12	Indiabulls Consumer Products Limited	Subsidiary	100%
13	Indiabulls Asset Reconstruction Company Limited	Subsidiary	100%
14	Indiabulls Infra Resources Limited	Subsidiary	100%
15	Transerv Limited (erstwhile Transerv Private Limited)	Associate	33%