



## Press Release

### Nupur Finvest Private Ltd (NFPL)

August 26, 2020

#### Ratings

Facilities	Amount (INR crore)	Ratings	Rating Action
Cash Credit	50.00 (Reduced from 75.00)	IVR A+ / Stable Outlook (IVR Single A Plus with Stable Outlook)	Revised
Proposed Long Term Working Capital Facility	100.00 (Increased from 25.00)	IVR A+ / Stable Outlook (IVR Single A Plus with Stable Outlook)	Revised
Term Loans	57.25 (Reduced from 71.39)	IVR A+ / Stable Outlook (IVR Single A Plus with Stable Outlook)	Revised
Proposed Term Loans	42.75 (Reduced from 78.61)	IVR A+ / Stable Outlook (IVR Single A Plus with Stable Outlook)	Revised
<b>Total</b>	<b>250.00</b>	<b>(Two Hundred and Fifty crore Only)</b>	

Change in Approach: Earlier Infomerics has assigned the Credit Enhancement (CE) to the rating of NFPL due to Corporate Guarantee given by PDL. However, being a 100% subsidiary of PDL and approach being consolidated, Infomerics changed the approach and assess the rating without CE.

**Details of Facilities are in Annexure 1**

#### Rating Rationale

For arriving at the rating, INFOMERICS has considered the consolidated approach of PDL and NFPL as NFPL being wholly owned subsidiary PDL.

The revision in the rating factors overall improvement in operational & financial parameters (operating income, capital adequacy, cost to income ratio, gearing and adequate liquidity position) in FY20 along with satisfactory performance in Q1FY21 on a consolidated basis.



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The rating continues to derive comfort from vast experience of the promoters and the management coupled with healthy profitability at consolidated level, moderate asset quality and comfortable capital structure. The rating is however, constrained by a higher concentration risk.

### **Key Rating Sensitivities**

#### **Upward Factor**

- Substantial improvement in the scale of operations along with better asset quality and reduction in geographical concentration.
- Ability of the Company to maintain its capitalization metrics.

#### **Downward Factor**

- Substantial deterioration in asset quality.
- Any Sharp fall in profitability.
- Significant adverse change in the liquidity position.

### **Detailed Description of Key Rating Drivers**

#### **Key Rating Strengths**

##### ***Experienced promoters and Management:***

Mr. Sunil Agarwal, the Managing Director of the Company, possesses rich experience of ~30 years in the SME and retail financing business. He is supported by Mr. Harish Singh, the Executive Director of the company, and a team of qualified & experienced professionals. Mr. Harish Singh is a Chartered Accountant and MBA with over two decades of experience in the financial sector.

##### ***Comfortable capital structure:***

The Company has maintained a healthy capital adequacy ratio (CAR) over the years, being well above the RBI's stipulated norm of 15%. As on March 31, 2020, at standalone level, CAR has further improved to 25.07% with Tier I CAR being 24.42% [March 31, 2019: 20.78% with Tier I CAR being 20.38%]. This provides some leeway to the company to raise funds to support business growth, going forward. Furthermore, CAR of the parent company at standalone level has also remained comfortable at 43.06% with Tier I CAR being 37.74%. The overall gearing ratio was comfortable at 1.62x as on March 31, 2020 [FY19: 1.76x] on a consolidated basis.



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### ***Moderate asset quality:***

The Company primarily lends business loans to SME/corporates which are relatively more susceptible to economic slowdown. The company is vulnerable to higher credit risk, given the moderate quality of its portfolio. However, the credit risk under the business loan segment is mitigated to some extent because of collateral back-up in the form of residential/commercial property.

As per RBI requirement, NBFCs were required to revise NPA recognition norm from 120 days to 90 days from March 31, 2018. However, NFPL has a policy to write off loans that have become NPAs. The total write-offs in FY20 at a standalone level stood at 4.48% as compared to 1.30% in FY19.

### ***Healthy profitability Margins at consolidated level:***

PDL and NFPL primarily extend business loans to SME/corporates and income generation loans to individuals, yielding higher return. This has helped in earning healthy profitability margins. The Net Interest Margin (NIM) has been above 10.00% for the past three fiscals (FY2018 to FY2020). Healthy NIM coupled with containment of operating expenses have helped to report higher Return on Total Assets, being in the range of 2.50% to 3.10% during the past three years (FY2018 to FY2020). The Cost to income ratio has also improved to 27.53% in FY20 as against 35.26% in FY19.

However, the profitability at a standalone level was low due to higher write offs in March 2020 pertaining to Covid-19 situation in line with the RBI guidelines.

### ***Adequate liquidity position:***

At a standalone level, NFPL has a balanced ALM profile. There are no negative mismatches in any of the time buckets. The Company has a cash and cash equivalents to the tune of Rs. 3.65 Crs (Includes restricted fixed deposit of Rs. 0.69 Crs) as on March 31, 2020. With a gearing of 3.19 times as of March 31, 2020, it has moderate gearing headroom, to raise additional debt for its business growth. However, the average utilisation of its working capital limits were around 99% for the past 12 months ended July 2020.



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### **Key Rating Weaknesses**

#### ***High concentration risk:***

The Company loan book is mainly concentrated to business loans. The company's operations are also constrained by geographical concentration risk. Around 99% of the portfolio is concentrated between Agra (85.61%) and Delhi (13.86%). However, the company is taking initiatives to enhance its retail base and to spread its reach into other geographies.

#### **Analytical Approach:**

Consolidated: Details of entities consolidated are given in Annexure 2.

For arriving at the rating, INFOMERICS has considered the consolidated approach of PDL and NFPL as NFPL being wholly owned subsidiary PDL.

Moreover, PDL has given corporate guarantee for bank facilities of NFPL.

#### **Applicable Criteria:**

Rating methodology for Financial Institutions / NBFCs

Financial Ratios & Interpretation (Financial Sector)

#### **Liquidity: Adequate**

Liquidity is marked by adequate accruals with sufficient cushion for repayment obligations and a cash and cash equivalents to the tune of Rs. 3.65 Crs (Includes restricted fixed deposit of Rs. 0.69 Crs) as on March 31, 2020 at standalone level. With a gearing of 3.19 times as of March 31, 2020, the Company has moderate gearing headroom, to raise additional debt for its business growth. The company has a balanced ALM profile. There are no negative mismatches in any of the time buckets. However, the average utilization of its working capital limits were around 99% for the past 12 months ended July 2020.

#### **About the Company**

Nupur Finvest Private Ltd (NFPL) is a non - deposit accepting non-banking finance company registered with the Reserve Bank of India. NFPL started its business with unsecured personal lending and moved to microfinance operations in January 2007. Paisalo Digital Ltd (PDL)



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acquired 100% stake in March 2011 with the purpose of hiving off microfinance business into a separate company. However, due to the revision in the lending norms for the microfinance institutions sector, NFPL discontinued its microfinance operations in FY 2013-14. The company's lending business is primarily focused on 2 major segments i.e. Small Finance Division and SME/Trade Loan Division.

Being a 100% subsidiary of Paisalo Digital Ltd, the management team of NFPL is led by its Managing Director Mr. Sunil Agarwal who has rich & versatile experience of ~30 years in financial market specially in lending to Small and Corporate customers.

### Financials (Consolidated)

(Rs. crore)

For the year ended* / As On	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	360.60	374.77
Finance Cost	149.11	156.55
PAT	55.63	53.20
Total Debt	1156.69	1237.09
Adjusted Total Debt	1237.59	1317.99
Tangible Networkth	658.31	762.29
<b>Ratios</b>		
PAT Margin (%)	15.43	14.19
Overall Gearing Ratio (x)	1.76	1.62
Gross NPA (%)	0.26	0.44
Net NPA (%)	0.23	0.34

\*Classification as per Infomerics' standards

During Q1FY21, the Company has reported an operating income of Rs. 86.56 Crs at consolidated level.

### Financials (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	43.94	37.32
Finance Cost	26.00	22.97
PAT	0.69	0.09
Total Debt	210.50	166.95



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Tangible Network	52.08	52.33
<b>Ratios</b>		
PAT Margin (%)	1.56	0.25
Overall Gearing Ratio (x)	4.04	3.19
Gross NPA (%)	0.00	0.00
Net NPA (%)	0.00	0.00

\*Classification as per Infomerics' standards

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

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

**Disclosure:** Mr. Gauri Shankar who is a member of the Rating Committee of INFOMERICS is on the Board of Paisalo Digital Limited. He did not participate in any of the discussions and processes related to the aforesaid rating mentioned herein.

### 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 (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20 (August 20, 2019)*	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1	Cash Credit	Long Term	50.00	IVR A+ / Stable Outlook	IVR A (SO) / Positive Outlook	--	--
2	Proposed Long Term Working Capital Facility	Long Term	100.00	IVR A+ / Stable Outlook	IVR A (SO) / Positive Outlook	--	--
3	Term Loans	Long Term	57.25	IVR A+ / Stable Outlook	IVR A (SO) / Positive Outlook	--	--
4	Proposed Term Loans	Long Term	42.75	IVR A+ / Stable Outlook	IVR A (SO) / Positive Outlook	--	--

\*Rating Suffix was changed on September 14, 2019 from 'SO' to 'CE' as per SEBI's circular SEBI/HO/MIRSD/DOS3/CIR/P/2019/70.



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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).

**Name and Contact Details of the Rating Analyst:**

Name: Mr. Parthkumar Thakker

Tel: (022) 62396023

Email: [pthakker@infomerics.com](mailto:pthakker@infomerics.com)

Name: Mr. Amit Bhuwania

Tel: (022) 62396023

Email: [abhuaniania@infomerics.com](mailto:abhuaniania@infomerics.com)

**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.

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



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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
Cash Credit	--	--	--	50.00	IVR A+ / Stable Outlook
Proposed Long Term Working Capital Facility	--	--	--	100.00	IVR A+ / Stable Outlook
Term Loans	--	--	Up to June 2022	57.25	IVR A+ / Stable Outlook
Proposed Term Loans	--	--	--	42.75	IVR A+ / Stable Outlook

### Annexure 2: Entities considered for consolidated analysis

Name of the company	Consolidation Approach
Paisalo Digital Limited	Full Consolidation