Press Release

Dhanvarsha Finvest Limited (DFL)

March 19th, 2021

S. No.	Facilities	Amount (INR Crore)	Current Ratings	Rating Action
1	Long Term Fund Based Bank Facilities – Term Loans	63.21 (Increased from INR55.43 Crore)	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Revised
2	Proposed Long Term Bank Facilities	108.79 (Increased from INR94.57 Crore)	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Revised
3	Proposed Long Term Facilities – Proposed NCDs	70.00 (Decreased from INR75.00 Crore)	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Revised
4	Long Term Facility – Non-Convertible Debentures	5.00	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Assigned
5	Short Term Bank Facilities - Overdraft	3.00	IVR A3+ (IVR Single A Three Plus)	Assigned
	Total	**250.00**		

Details of Facilities are in Annexure 1

Detailed Rationale

The upward revision in rating to the above-mentioned facilities of Dhanvarsha Finvest Limited reflects the improvement in key operating metrics in Q3FY21 such as the core capital structure, asset quality and earnings profile which is expected to sustain over the short to medium term. Dhanvarsha's total gross AUM increased to INR76.32 Crore as on Q3FY21 (Q2FY21: INR60.97 Crore), while witnessing material improvement in the asset quality.

The improvement in rating continues to derive strength from experienced promoters backed by reputed board members, comfortable capitalization with demonstrated support from the promoter group and healthy operational indicators backed by granular nature of loan book. However, the rating strengths are partially offset by small scale of operations; albeit improving & limited vintage of portfolio and competitive nature of industry.

Key Rating Sensitivities:

- **Upward Factor**
  - Substantial scaling up of its operations and diversifying its loan portfolio, while maintaining the asset quality indicators, adequate capital position and profitability.
- **Downward Factor**
  - Any substantial decline in the asset quality impacting the credit cost of the company.

Key Rating Drivers with detailed description

Key Rating Strengths

- ***Experienced promoters backed by reputed board members:***

Dhanvarsha Finvest Limited (DFL) is promoted by the Wilson Group of Mumbai. Wilson Holdings Pvt Ltd., is the flagship holding Company of the Group and owns over 61% of DFL. The Group has diversified business interests including retail lending, institutional broking and advisory services, real estate investments and investing in sustainable infrastructure projects. Wilson Holdings is closely held by members of the Mehta family and their investment trust.

DFL is a completely independent and professionally managed Company, with a board that comprises of 5 Independent Directors and 2 Executive Directors. Its Chairman, Mr. Rakesh Sethi, has been on boards of various public sector banks with more than 38 years of experience in the banking industry. The other board members include Mr. Nirmal Momaya, Mr. K.P. Raghuvanshi, Mrs. Manjari Kacker and Mr. Rajiv Kapoor who have rich experience across various industries and all serve as Independent Directors on the Board, while Mr. Karan Desai & Mr. Rohanjeet Singh Juneja act as the Jt. MDs of the Company.The Board of Directors play an active role in overseeing the company’s business operations including strategic decisions, policy formulation and risk management.

The company boasts of an enterprising and professional management team which will enable them to scale-up its operations, while managing the risks inherent in this type of business.

- ***Comfortable capitalization; demonstrated support from the promoter group:***

DFL has comfortable capitalization primarily supported by steady capital infusion from the promoter group and its key management. The Company’s tangible net worth stood at

INR90.74 Crore as on Q3FY21 (INR46.48 Crore) as against INR30.79 Crore as on March 31st, 2020. DFL has been able to obtain continuous funding support from its promoters, as seen from a fresh infusion of INR50.00 Crore on November 03rd, 2020 which consists of CCDs and warrants. Further, to support the growth plans, the company in its AGM has announced for additional capital infusion in the form of unsecured CCDs amounting up to INR82.00 Crore, to be brought in. Its CRAR (%) stood comfortable at 83.6% as on Q3FY21. The overall gearing stood at 0.40x as on December 31st, 2020.
The company's growth prospects will be supported by the promoter's experience and its resource raising ability.

- ***Healthy operational indicators backed by granular nature of loan book:***

The Company has made significant strides in collaborating with various partners and stakeholders with a robust pipeline for lending to the MSME essential goods sector. With its increasing focus on building a secure, extremely granular and capital efficient loan book, the Company has managed to bring down the average ticket size of the entire loan book at INR0.03 Crore as on date. DFL's gross loan portfolio stood at INR76.32 Crore as on Q3FY21 (INR60.97 Crore) when compared to INR37.24 Crore as on March 31st, 2020. The Company has demonstrated growth in its scale of operations by expanding its network to 6 states and 1 union territory as on Q3FY21 when compared to one state as on March 2020. On account of adequate balance in the loan loss allowance account and constant efforts made for timely collections, the NNPA (%) improved to 0.85% in Q3FY21 as against 1.24% in Q2FY21.
Going forward, the operational indicators are expected to improve given the healthy capitalization, FLDG backed partners to grow its loan book and its increased focus for collection efficiency.

Key Rating Weaknesses

- ***Small scale of operations; albeit improving & limited vintage of portfolio:***

Consequent to the NBFC crisis (I&LFS & DHFL), the company became more selective and granular in its loan disbursements, resulting which the company changed its strategy and business plan. The Company did witness a de-growth in its loan portfolio in an attempt to reduce its exposure in the high-ticket size segment and altogether have a more diversified portfolio. Owing to this change, the gross lending portfolio reduced to INR37.24 Crore as on March 31st, 2020 as against INR48.73 Crore as on March 31st, 2019. After resuming fresh disbursements since May 2020, the Company has managed to improve its gross loan portfolio to INR76.32 Crore as on Q3FY21. Going forward, the ability of the Company to mobilize low cost debt shall be a key rating factor in the scalability of the business.

Given that the portfolio has grown aggressively only post lockdown (i.e. May 2020), the ability to grow its loan book while maintaining low delinquency levels remains to be seen. The Company's ability to manage the asset quality while growing its portfolio is a key rating sensitivity.

- ***Competitive nature of industry:***

DFL is exposed to stiff competition from other NBFCs and banks. The lending industry focused around SMEs and small ticket loans is highly fragmented with unorganized lenders also vying for the same set of borrowers. However, DFL's professional management and focused approach towards SME lending and conservative underwriting policy standards is expected to grow its business while mitigating the risks.

Analytical Approach & Applicable Criteria:

Standalone Approach

Rating Methodology for Financial Institution/NBFCs

Financial Ratios & Interpretation (Financial Sector)

Liquidity: Adequate

Considering the scale of operations as on March 31st, 2020, the company is well capitalized with a CAR (%) of 83.6% as on Q3FY21 (Q2FY21: 53.6%). Also, it has adequately matched asset liability profile as on June 30th, 2020. With its loan portfolio growing only after May 2020 and minimal term debt commitments, the liquidity is expected to be adequate in the short-medium term. The Company's gearing ratio stood comfortable at 0.4x as on Q3FY21.

About the Company

Incorporated in 1994, Dhanvarsha Finvest Limited (DFL) is a listed entity and RBI registered NBFC. A change in management was effective from June 2017 and Wilson Group took over the reigns. Presently, the company is focused on providing secured term loan to MSME/small business/ traders segment for business purposes and also offering Unsecured/Personal Loans in affordable and low ticket size categories largely to the MSME sector employees and business owners. The Company offers a diverse gamut of credit products including Loan Against Property (LAP), Business Loans, Personal Loans and Gold Loans.

Financials:

(INR Crore)

For the year ended/ As On*	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	19.29	19.30
Interest	5.18	1.69
PAT	2.13	4.10
Total Debt	25.41	15.61
Total Net-worth	25.91	30.79
Total Gross Loan Assets	48.73	37.24
Ratios (%)		
PAT Margin (%)	11.06	21.24
Overall Gearing Ratio (x)	0.98	0.51
GNPA (%)	2.90	4.78
NNPA (%)	2.61	2.17
CAR (%)	55.23	70.25

** 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 (INR Crore)	Rating	Date(s)& Rating(s) assigned in 2020-21 (January 15th, 2021)	Date(s)& Rating(s) assigned in 2020-21 (June 04th, 2020)	Date(s) & Rating(s) assigned in 2019-20 (October 16th, 2019)
1.	Long Term Fund Based Bank	Long Term	63.21	IVR BBB/Stable	IVR BBB-/Positive	--	--

	Facilities – Term Loans						
2.	Proposed Long Term Bank Facilities -	Long Term	108.79	IVR BBB/Stable	IVR BBB-/Positive	IVR BBB-/Stable	IVR BBB-/Stable
3.	Proposed Long Term Facilities – Proposed NCDs	Long Term	70.00	IVR BBB/Stable	IVR BBB-/Positive	IVR BBB-/Stable	--
4.	Long Term Facility – Non-Convertible Debentures	Long Term	5.00	IVR BBB/Stable	--	--	--
5.	Short Term Bank Facilities - Overdraft	Short Term	3.00	IVR A3+	--	--	--

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.

Name and Contact Details of the Rating Team:

Name: Parth Dattani

Tel: (022) 62396023

Email: pdattani@infomerics.com

Name: Amit Bhuwania

Tel: (022) 62396023

Email: abhuwania@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.

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.

Annexure 1: Details of Facilities

Name of Facility	Size of Facility (INR Crore)	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities – Term Loans	63.21	NA	NA	Upto January 2026	IVR BBB/Stable
Proposed Long Term Bank Facilities -	108.79	NA	NA	NA	IVR BBB/Stable
Proposed Long Term Facilities – Proposed NCDs	70.00	NA	NA	NA	IVR BBB/Stable
Long Term Facility – Non-Convertible Debentures	5.00	NA	NA	NA	IVR BBB/Stable
Short Term Bank Facilities - Overdraft	3.00	NA	NA	NA	IVR A3+

***Brief Term Sheet for the Instrument**

Issue 1: ISIN – INE615R07018

Subscriber	Citrus Global Arbitrage Fund
Issuer	Dhanvarsha Finvest Limited
Amount	INR2.50 Crore
Instrument/ Facility	Secured, Unlisted, Unrated, Redeemable Non-Convertible Debentures
Objects of the Issue	Purpose of lending and financing activities
Tenure	36 Months from Deemed date of allotment
Coupon Rate	11% p.a.
Coupon Payment Frequency	Quarterly
Guarantee	Holding Company; i.e. Wilson Holdings Private Limited

Issue 2: ISIN – INE615R07018

Subscriber	Calypso Global Investment Fund
Issuer	Dhanvarsha Finvest Limited
Amount	INR2.50 Crore
Instrument/ Facility	Secured, Unlisted, Unrated, Redeemable Non-Convertible Debentures
Objects of the Issue	Purpose of lending and financing activities
Tenure	36 Months from Deemed date of allotment
Coupon Rate	11% p.a.
Coupon Payment Frequency	Quarterly
Guarantee	Holding Company; i.e. Wilson Holdings Private Limited